

**Extended consolidated half-yearly report  
of the ENEA Group  
for the first half-year of 2009**

**Poznań, 31 August 2009**

## Selected consolidated financial data of the ENEA Capital Group

|   | in PLN '000                         |                                     | in EUR '000                         |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|   | 6 months ended<br>30.06.2009        | 6 months ended<br>30.06.2008        | 6 months ended<br>30.06.2009        | 6 months ended<br>30.06.2008        |
| Net sales revenue                           | 3 591 926                           | 3 038 586                           | 794 955                             | 873 759                             |
| Profit/loss on operating activities         | 423 928                             | 95 840                              | 93 823                              | 27 559                              |
| Profit/loss before tax                      | 492 337                             | 120 831                             | 108 963                             | 34 746                              |
| Net profit/loss of the reporting period     | 391 906                             | 90 961                              | 86 736                              | 26 156                              |
| Net cash flows from operating activities    | 331 458                             | 443 673                             | 73 357                              | 127 580                             |
| Net cash flows from investing activities    | (2 205 794)                         | (393 377)                           | (488 180)                           | (113 117)                           |
| Net cash flows from financing activities    | (30 698)                            | (31 854)                            | (6 794)                             | (9 160)                             |
| Total net cash flows                        | (1 905 034)                         | 18 442                              | (421 617)                           | 5 303                               |
| Weighted average number of shares           | 441 442 578                         | 348 220 557                         | 441 442 578                         | 348 220 557                         |
| Net profit per share (in PLN per one share) | 0.89                                | 0.26                                | 0.20                                | 0.08                                |
| Diluted profit per share (in PLN/EUR)       | 0.89                                | 0.26                                | 0.20                                | 0.08                                |
|   | <b>Balance as at<br/>30.06.2009</b> | <b>Balance as at<br/>31.12.2008</b> | <b>Balance as at<br/>30.06.2009</b> | <b>Balance as at<br/>31.12.2008</b> |
| Total assets                                | 12 176 109                          | 11 985 917                          | 2 724 206                           | 2 872 667                           |
| Total liabilities                           | 2 945 344                           | 2 961 664                           | 658 973                             | 709 823                             |
| Non-current liabilities                     | 1 487 077                           | 1 518 009                           | 332 709                             | 363 822                             |
| Current liabilities                         | 1 458 267                           | 1 443 655                           | 326 263                             | 346 001                             |
| Equity                                      | 9 230 765                           | 9 024 253                           | 2 065 233                           | 2 162 845                           |
| Share capital                               | 588 018                             | 588 018                             | 131 559                             | 140 930                             |
| Book value per share (in PLN/EUR)           | 20.91                               | 25.92                               | 4.68                                | 6.21                                |
| Diluted book value per share (in PLN/EUR)   | 20.91                               | 25.92                               | 4.68                                | 6.21                                |

The above financial data for the first half of 2009 and 2008 were translated into EUR in line with the following principles:

- individual assets and liabilities - as per the average exchange rate at 30 June 2009– PLN/EUR 4.4696 (as at 31 December 2008 - PLN/EUR 4.1724);
- individual items from the income statement and the cash flow statement - as per the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the last day of each month of the financial period from 1 January to 30 June 2009 - PLN/EUR – 4.5184 (for the period from 1 January to 30 June 2008 – PLN/EUR 3.4776).

**INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM  
1 JANUARY 2009 TO 30 JUNE 2009**

**To the Supervisory Board and Management Board of ENEA S.A.**

We have reviewed the attached condensed interim consolidated financial statements of the ENEA S.A. Capital Group in which ENEA S.A., with registered office in Poznań, ul. Nowowiejskiego 11, acts as the Group's parent company, including:

- consolidated balance sheet prepared as of 30 June 2009, with total assets and equity plus liabilities of PLN 12,176,109 thousand;
- consolidated statement of comprehensive income for the period from 1 January 2009 to 30 June 2009 disclosing a net profit of PLN 391,906 thousand and comprehensive income of PLN 409,799 thousand;
- statement of changes in consolidated equity for the period from 1 January 2009 to 30 June 2009, disclosing an increase in equity of PLN 206,512 thousand;
- consolidated cash flow statement for the period from 1 January 2009 to 30 June 2009, showing a cash outflow of PLN 1,905,034 thousand;
- additional information and explanations.

The Management Board of ENEA S.A. is responsible for fairness, correctness and clarity of information contained in the condensed interim consolidated financial statements drawn up in compliance with International Financial Reporting Standards applicable to interim financial reporting, as approved by the European Union ("IAS 34") and correctness of preparing consolidation documentation. Our responsibility was to review these condensed interim consolidated financial statements.

The condensed interim consolidated financial statements of the ENEA S.A. Capital Group for the period of 6 months ended 30 June 2009 cover financial data of 25 subsidiaries consolidated with the full method. The financial statements of 6 subsidiaries were subject to review by the entity authorized to audit financial statements, Deloitte Audyt Sp. z o.o. The financial statements of the remaining 19 subsidiaries were not subject to review by entities authorized to audit financial statements. The share of the financial statements which were not subject to a review in consolidated sales revenue and in the consolidated balance sheet total before consolidation adjustments was 2% and 1%, respectively.

We have conducted the review in line with legal regulations valid in Poland and auditing standards issued by the National Council of Statutory Auditors. The standards require to plan and conduct the review in such a way as to obtain reasonable assurance that the condensed interim consolidated financial statements are free of material misstatements. Our review was conducted mainly based on an analysis of data included in the condensed interim consolidated financial statements, examination of consolidation documentation as well as information provided by the Management Board and the financial and accounting personnel of the parent company. The scope and method of review of the condensed interim consolidated financial statements are substantially different from an audit. The objective of the review is not to express an opinion on the fairness, correctness and clarity of the condensed interim consolidated financial statements. Therefore, no such opinion is issued.

Our review did not identify a need to introduce significant changes to the attached condensed interim consolidated financial statements so that they would provide a fair and clear view of the financial and economic position of the ENEA S.A. Capital Group as at 30 June 2009 and the financial result for the period from 1 January 2009 to 30 June 2009, in line with IAS 34.

Without insisting on the necessity to introduce significant changes to the attached condensed interim consolidated financial statements, we would like to point out the information presented Note 25 in which the Management Board of ENEA S.A. presented information concerning the Decision of the President of the Energy Regulatory Office provided to Elektrownia "Kozienice" S.A. on 5 August 2009. The decision determined the amount of the annual adjustment of orphaned costs for Elektrownia "Kozienice" S.A. for the year 2008 and the decision's impact on orphaned costs in the first half of 2009.

.....  
**Marcin Samolik**  
Certified auditor:  
No. 10066

.....  
Represented by

.....  
**Deloitte Audyt Sp. z o.o.**  
Entity entitled to audit financial  
statements entered under  
number 73 on the list kept by the  
National Council of Statutory Auditors

Warsaw, 31 August 2009

**Condensed interim consolidated  
financial statements  
of the ENEA Capital Group  
for the period from 1 January to 30 June 2009**

**Poznań, 31 August 2009**

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These condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards IAS 34 Interim Financial Reporting, as approved by the European Union (EU) and adopted by the Management Board of ENEA S.A.

**Members of the Management Board**

|   |                            |
|---|----------------------------|
| <b>Chairman of the Management Board</b> | <b>Maciej Owczarek</b>     |
| <b>Member of the Management Board</b>   | <b>Piotr Koczorowski</b>   |
| <b>Member of the Management Board</b>   | <b>Sławomir Jankiewicz</b> |
| <b>Member of the Management Board:</b>  | <b>Czesław Koltermann</b>  |
| <b>Member of the Management Board</b>   | <b>Marek Malinowski</b>    |
| <b>Member of the Management Board</b>   | <b>Tomasz Treider</b>      |

**Poznań, 31 August 2009**

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)***Consolidated Balance Sheet**

|  | As of             |                   |
|--|-------------------|-------------------|
|  | 30.06.2009        | 31.12.2008        |
| <b>ASSETS</b>  |                   |                   |
| <b>Non-current assets</b>                                      |                   |                   |
| Property, plant and equipment                                  | 7 891 008         | 7 944 815         |
| Perpetual usufruct of land                                     | 15 261            | 15 321            |
| Intangible assets  | 39 089            | 36 606            |
| Investment property  | 4 943             | 5 034             |
| Investments in associates measured based on the equity method  | 196 001           | 189 941           |
| Financial assets available for sale                            | 34 450            | 8 965             |
| Financial assets measured at fair value through profit or loss | 1 125             | 1 033             |
| Trade and other receivables                                    | 1 388             | 2 316             |
|  | <b>8 183 265</b>  | <b>8 204 031</b>  |
| <b>Current assets</b>  |                   |                   |
| Inventories  | 344 533           | 270 044           |
| Trade and other receivables                                    | 913 925           | 780 098           |
| Current income tax receivables                                 | 9 432             | 5 538             |
| Financial assets available for sale                            | -                 | 4 806             |
| Financial assets held to maturity                              | 72 809            | 100 741           |
| Financial assets measured at fair value through profit or loss | 1 936 520         | -                 |
| Cash and cash equivalents                                      | 715 625           | 2 620 659         |
|  | <b>3 992 844</b>  | <b>3 781 886</b>  |
| <b>Total assets</b>  | <b>12 176 109</b> | <b>11 985 917</b> |

The consolidated balance sheet should be analyzed jointly with explanatory notes constituting an integral part of these condensed interim consolidated financial statements.



**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)*

|  | <b>As of</b>      |                   |
|--|-------------------|-------------------|
|  | <b>30.06.2009</b> | <b>31.12.2008</b> |
| <b>EQUITY AND LIABILITIES</b>  |                   |                   |
| <b>Equity</b>  |                   |                   |
| Equity attributable to shareholders of the Parent Company                      |                   |                   |
| Share capital  | 588 018           | 588 018           |
| Own shares   | (17 396)          | (17 396)          |
| Capital due to surplus of the price of issue over the nominal value            | 3 632 464         | 3 632 464         |
| Share-based capital  | 1 144 336         | 1 144 336         |
| Revaluation reserve (financial instruments)                                    | 16 794            | (1 099)           |
| Other capitals   | (28 226)          | (28 226)          |
| Retained earnings  | 3 863 282         | 3 675 078         |
|  | <b>9 199 272</b>  | <b>8 993 175</b>  |
| <b>Minority interest</b>   | 31 493            | 31 078            |
| <b>Total equity</b>  | <b>9 230 765</b>  | <b>9 024 253</b>  |
| <b>LIABILITIES</b>   |                   |                   |
| <b>Non-current liabilities</b>   |                   |                   |
| Loans and borrowings   | 135 597           | 152 785           |
| Trade and other liabilities  | 1 379             | 708               |
| Finance lease liabilities  | 1 555             | 1 515             |
| Settlement of income due to subsidiaries and connection fees                   | 793 643           | 767 514           |
| Provision for deferred income tax  | 132 356           | 123 480           |
| Liabilities due to employee benefits   | 394 930           | 438 796           |
| Provisions for other liabilities and charges                                   | 27 617            | 33 211            |
|  | <b>1 487 077</b>  | <b>1 518 009</b>  |
| <b>Current liabilities</b>   |                   |                   |
| Loans and borrowings   | 47 907            | 52 605            |
| Trade and other liabilities  | 1 049 194         | 865 581           |
| Finance lease liabilities  | 1 073             | 877               |
| Settlement of income due to subsidiaries and connection fees                   | 35 372            | 26 079            |
| Current income tax liabilities   | 53 383            | 18 705            |
| Liabilities due to employee benefits   | 145 576           | 129 880           |
| Liabilities due to an equivalent of the right to acquire shares free of charge | 1 334             | 163 799           |
| Provision for certificates of origin   | 10 308            | 101 403           |
| Provisions for other liabilities and charges                                   | 114 120           | 84 726            |
|  | <b>1 458 267</b>  | <b>1 443 655</b>  |
| <b>Total liabilities</b>   | <b>2 945 344</b>  | <b>2 961 664</b>  |
| <b>Total equity and liabilities</b>  | <b>12 176 109</b> | <b>11 985 917</b> |

The consolidated balance sheet should be analyzed jointly with explanatory notes constituting an integral part of these condensed interim consolidated financial statements.

**Consolidated Statement of Comprehensive Income**

|   | <b>6 months ended<br/>30.06.2009</b> | <b>6 months ended<br/>30.06.2008</b> |
|---|--------------------------------------|--------------------------------------|
| Sales revenue   | 3 718 657                            | 3 153 278                            |
| Excise duty   | (126 731)                            | (114 692)                            |
| <b>Net sales revenue</b>  | <b>3 591 926</b>                     | <b>3 038 586</b>                     |
| Other operating revenue   | 37 510                               | 40 709                               |
| Amortization/Depreciation   | (318 921)                            | (322 270)                            |
| Employee benefits costs   | (386 920)                            | (505 240)                            |
| Consumption of materials and raw materials and costs of goods sold                    | (712 335)                            | (646 540)                            |
| Energy purchase for the needs of sales  | (1 179 001)                          | (871 203)                            |
| Transmission services   | (333 481)                            | (381 911)                            |
| Other external services   | (142 272)                            | (122 865)                            |
| Taxes and charges   | (86 625)                             | (79 889)                             |
| Profit /(loss) on sale and liquidation of property, plant and equipment               | 1 157                                | (2 250)                              |
| Impairment loss on property, plant and equipment                                      | (7 517)                              | -                                    |
| Other operating expenses  | (39 593)                             | (51 287)                             |
| <b>Operating profit</b>   | <b>423 928</b>                       | <b>95 840</b>                        |
| Financial expenses  | (24 652)                             | (16 214)                             |
| Financial revenue   | 84 292                               | 41 633                               |
| Share in net (losses)/profits of associated entities measured using the equity method | 8 769                                | (428)                                |
| <b>Profit before tax</b>  | <b>492 337</b>                       | <b>120 831</b>                       |
| Income tax  | (100 431)                            | (29 870)                             |
| <b>Net profit for the financial period</b>  | <b>391 906</b>                       | <b>90 961</b>                        |
| <b>Other comprehensive income items</b>   |                                      |                                      |
| Measurement of financial assets available for sale                                    | 22 097                               | (1 835)                              |
| Income tax related to other comprehensive income items                                | (4 204)                              | 284                                  |
| <b>Other net comprehensive income items</b>   | <b>17 893</b>                        | <b>(1 551)</b>                       |
| <b>Comprehensive income for the period</b>  | <b>409 799</b>                       | <b>89 410</b>                        |
| <b>Including net profit:</b>  |                                      |                                      |
| attributable to shareholders of the Parent Company                                    | 391 485                              | 91 036                               |
| attributable to minority interest   | 421                                  | (75)                                 |
| <b>Including comprehensive income:</b>  |                                      |                                      |
| attributable to shareholders of the Parent Company                                    | 409 378                              | 89 485                               |
| attributable to minority interest   | 421                                  | (75)                                 |
| Net profit attributable to shareholders of the Parent Company                         | 391 485                              | 91 036                               |
| Weighted average number of ordinary shares  | 441 442 578                          | 348 220 557                          |
| <b>Net profit per share (in PLN per one share)</b>                                    | <b>0.89</b>                          | <b>0.26</b>                          |
| <b>Diluted profit per share (in PLN per one share)</b>                                | <b>0.89</b>                          | <b>0.26</b>                          |

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)***Consolidated Statement of Changes in Equity**

|  | Share capital<br>(nominal<br>value) | Revaluation of<br>share capital | Total share<br>capital | Own<br>shares   | Share-based<br>capital | Capital due to<br>surplus of the<br>price of issue<br>over the<br>nominal value<br>of shares | Revaluation<br>reserve<br>(financial<br>instruments) | Other<br>capitals | Retained<br>earnings | Capital<br>attributable to<br>minority<br>interest | Total equity     |
|--|-------------------------------------|---------------------------------|------------------------|-----------------|------------------------|--|--|-------------------|----------------------|--|------------------|
| <b>Balance as at 01.01.2009</b>                        | <b>441 443</b>                      | <b>146 575</b>                  | <b>588 018</b>         | <b>(17 396)</b> | <b>1 144 336</b>       | <b>3 632 464</b>   | <b>(1 099)</b>                                       | <b>(28 226)</b>   | <b>3 675 078</b>     | <b>31 078</b>                                      | <b>9 024 253</b> |
| Total profit   |                                     |                                 |                        |                 |                        |  | 17 893   |                   | 391 485              | 421  | 409 799          |
| Dividends  |                                     |                                 |                        |                 |                        |  |  |                   | (203 281)            | (6)  | (203 287)        |
| redemption of shares                                   |                                     |                                 |                        |                 |                        |  |  |                   |                      |  |                  |
| Cash equivalent exchanged for<br>shares                |                                     |                                 |                        |                 |                        |  |  |                   |                      |  |                  |
| Change in the fair value of<br>employee shares program |                                     |                                 |                        |                 |                        |  |  |                   |                      |  |                  |
| Issue of shares  |                                     |                                 |                        |                 |                        |  |  |                   |                      |  |                  |
| Own shares acquired under the<br>stabilization option  |                                     |                                 |                        |                 |                        |  |  |                   |                      |  |                  |
| Acquisition of subsidiaries                            |                                     |                                 |                        |                 |                        |  |  |                   |                      |  |                  |
| Other  |                                     |                                 |                        |                 |                        |  |  |                   |                      |  |                  |
| <b>Balance as at 30.06.2009</b>                        | <b>441 443</b>                      | <b>146 575</b>                  | <b>588 018</b>         | <b>(17 396)</b> | <b>1 144 336</b>       | <b>3 632 464</b>   | <b>16 794</b>  | <b>(28 226)</b>   | <b>3 863 282</b>     | <b>31 493</b>                                      | <b>9 230 765</b> |

The consolidated statement of changes in equity should be analysed jointly with explanatory notes constituting an integral part of these condensed interim consolidated financial statements.

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)*

|  | Share capital<br>(nominal<br>value) | Revaluation of<br>share capital | Total share<br>capital | Own<br>shares | Share-based<br>capital | Capital due to<br>surplus of the<br>price of issue<br>over the<br>nominal value<br>of shares | Revaluation<br>reserve<br>(financial<br>instruments) | Other<br>capitals | Retained<br>earnings | Capital<br>attributable to<br>minority<br>interest | Total equity     |
|--|-------------------------------------|---------------------------------|------------------------|---------------|------------------------|--|--|-------------------|----------------------|--|------------------|
| <b>Balance as at 01.01.2008</b>  | <b>348 221</b>                      | <b>146 575</b>                  | <b>494 796</b>         |               | <b>901 110</b>         | <b>1 801 078</b>   |  |                   | <b>3 566 227</b>     | <b>3 164</b>                                       | <b>6 766 375</b> |
| Total profit   |                                     |                                 |                        |               |                        |  |  |                   | 89 485               | (75)   | 89 410           |
| Dividends  |                                     |                                 |                        |               |                        |  |  |                   | (92 806)             | (269)  | (93 075)         |
| Redemption of shares   |                                     |                                 |                        |               |                        |  |  |                   |                      |  |                  |
| Cash equivalent exchanged for<br>shares                                      |                                     |                                 |                        |               | 224 042                |  |  |                   |                      |  | 224 042          |
| Change in the fair value of<br>employee shares program                       |                                     |                                 |                        |               | 19 433                 |  |  |                   |                      |  | 19 433           |
| Issuance of shares;<br>Own shares acquired under the<br>stabilization option |                                     |                                 |                        |               |                        |  |  |                   |                      |  |                  |
| Acquisition of subsidiaries  |                                     |                                 |                        |               |                        |  |  |                   |                      |  |                  |
| Other  |                                     |                                 |                        |               |                        | (6 170)  |  |                   |                      | 92   | (6 078)          |
| <b>Balance as at 30.06.2008</b>  | <b>348 221</b>                      | <b>146 575</b>                  | <b>494 796</b>         | <b>-</b>      | <b>1 144 585</b>       | <b>1 794 908</b>   | <b>-</b>   | <b>-</b>          | <b>3 562 906</b>     | <b>2 912</b>                                       | <b>7 000 107</b> |

The consolidated statement of changes in equity should be analysed jointly with explanatory notes constituting an integral part of these condensed interim consolidated financial statements.

**Consolidated Cash Flow Statement**

|   | <b>6 months ended<br/>30.06.2009</b> | <b>6 months ended<br/>30.06.2008</b> |
|---|--------------------------------------|--------------------------------------|
| <b>Cash flows from operating activities</b>   |                                      |                                      |
| Net profit for the financial period   | 391 906                              | 90 961                               |
| Adjustments:  |                                      |                                      |
| Income tax recognized in the income statement   | 100 431                              | 29 870                               |
| Amortization/Depreciation   | 318 921                              | 322 270                              |
| Costs of benefits due to share-based payments   | -                                    | 19 433                               |
| (Profit)/loss on sale and liquidation of property, plant and equipment                          | (1 157)                              | 2 250                                |
| Impairment loss on property, plant and equipment  | 7 517                                | -                                    |
| (Profit)/loss on sale of financial assets   | (3 486)                              | (1 689)                              |
| Interest revenue  | (60 386)                             | (33 855)                             |
| Revenue from dividend   | (2 335)                              | -                                    |
| Interest expenses   | 5 404                                | 8 670                                |
| Share in the (profits)/losses of associates   | (8 769)                              | 428                                  |
| Exchange (gains)/losses on loans and borrowings   | 6 788                                | (6 516)                              |
| Other adjustments   | (3 771)                              | -                                    |
|   | <b>359 157</b>                       | <b>340 861</b>                       |
| Income tax paid   | (62 917)                             | (77 703)                             |
| Interest received   | 56 497                               | 23 152                               |
| Interest paid   | (5 783)                              | (5 475)                              |
| Changes in the working capital  |                                      |                                      |
| Inventories   | (74 639)                             | (68 875)                             |
| Trade and other receivables   | (59 295)                             | (36 343)                             |
| Trade and other liabilities   | (45 363)                             | (50 657)                             |
| Liabilities due to employee benefits  | (27 976)                             | 115 651                              |
| Settlement of income due to subsidies and connection fees                                       | 29 694                               | 34 594                               |
| Change in provisions for certificates of origin   | (91 095)                             | 60 952                               |
| Change in liabilities due to an equivalent of the right to acquisition of shares free of charge | (162 465)                            | -                                    |
| Change in provisions  | 23 737                               | 16 555                               |
|   | (407 402)                            | 71 877                               |
| Net cash flows from operating activities  | <b>331 458</b>                       | <b>443 673</b>                       |
| <b>Cash flows from investing activities</b>   |                                      |                                      |
| Acquisition of property, plant and equipment and intangible assets                              | (311 595)                            | (276 876)                            |
| Proceeds from disposal of property, plant and equipment   | 7 526                                | 3 127                                |
| Acquisition of financial assets   | (1 942 020)                          | (117 224)                            |
| Gains from sale of financial assets   | 35 478                               | 3 766                                |
| Dividends received  | 7 801                                | -                                    |
| Other expenses  | (2 984)                              | (6 170)                              |
| Net cash flows from investing activities  | <b>(2 205 794)</b>                   | <b>(393 377)</b>                     |
| <b>Cash flows from financing activities</b>   |                                      |                                      |
| Loans and borrowings received   | 221                                  | -                                    |
| Repayment of loans and borrowings   | (28 671)                             | (30 928)                             |
| Outflows due to payment of finance lease liabilities  | (1 823)                              | (926)                                |
| Other adjustments   | (425)                                | -                                    |
| Net cash flows from financing activities  | <b>(30 698)</b>                      | <b>(31 854)</b>                      |
| <b>Net increase (decrease) in cash</b>  | <b>(1 905 034)</b>                   | <b>18 442</b>                        |
| Opening balance of cash   | 2 620 659                            | 940 792                              |
| <b>Closing balance of cash</b>  | <b>715 625</b>                       | <b>959 234</b>                       |

The consolidated cash flow statement should be analysed jointly with explanatory notes constituting an integral part of these condensed interim consolidated financial statements.

**Notes to the condensed interim consolidated financial statements****1. General information about ENEA S.A. and the ENEA Capital Group**

|   |  |
|---|--|
| <b>Name (company):</b>                                    | ENEA Spółka Akcyjna                            |
| <b>Legal form:</b>  | joint-stock company                            |
| <b>Country of jurisdiction:</b>                           | Poland   |
| <b>Registered office:</b>                                 | Poznań   |
| <b>Address:</b>   | ul. Nowowiejskiego 11, 60-967 Poznań           |
| <b>National Court Register - District Court in Poznań</b> | KRS 0000012483                                 |
| <b>Telephone:</b>   | (+48 61) 856 10 00                             |
| <b>Fax:</b>   | (+48 61) 856 11 17                             |
| <b>E-mail:</b>  | <a href="mailto:enea@enea.pl">enea@enea.pl</a> |
| <b>Website:</b>   | <a href="http://www.enea.pl">www.enea.pl</a>   |
| <b>Statistical number (REGON):</b>                        | 630139960                                      |
| <b>Tax identification number (NIP):</b>                   | 777-00-20-640                                  |

Main activities of the ENEA S.A. 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 30 June 2009 the Parent Company's shareholding structure was the following (after the increase of the share capital due to the issue of shares under the public offering, registered in the National Court Register on 13 January 2009): The State Treasury of the Republic of Poland holds 76.48% of shares, Vattenfall AB 18.67 %, European Bank for Reconstruction and Development 2.50%, ENEA S.A. 0.26% (shares acquired under the stabilization option), remaining shareholders 2.09%.

The sale of own shares by the Parent Company (nominal value of PLN 1; the sale of 1 129 608 own shares at the average price of PLN 19.90 per share) was settled on 11 August 2009. As at the date of preparing these condensed interim consolidated financial statements ENEA S.A. did not hold any own shares.

As at 30 June 2009 the Capital Group comprised the parent company ENEA S.A. ("the Company", "the Parent Company"), 25 subsidiaries, 3 associated entities and 1 jointly controlled entity.

These condensed interim consolidated financial statements were prepared under the going concern assumption. There are no circumstances indicating that the going concern assumption of ENEA S.A. is threatened.

## **2. Statement of compliance**

These condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards IAS 34 Interim Financial Reporting, as approved by the European Union (IFRS EU) and adopted 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 condensed interim consolidated financial statements of the ENEA Capital Group in accordance with IFRS UE as at 30 June 2009. The presented statements and explanations have been determined using due diligence. These condensed interim consolidated financial statements were audited by a certified auditor.

## **3. Accounting principles applied**

These condensed interim consolidated financial statements were prepared in accordance with accounting policies consistent with those applied during the preparation of the most recent annual consolidated financial statements, excluding changes of standards and interpretations approved by the European Union, which apply to the reporting periods beginning after 1 January 2009.

Accounting policies applied by the Group were presented in consolidated financial statements of the ENEA Capital Group for the reporting period ended 31 December 2008.

Polish zloty was used as the measurement and reporting currency for the condensed interim consolidated financial statements. The data in the condensed interim consolidated financial statements are presented in PLN thousand (PLN '000), unless stated otherwise.

These condensed interim consolidated financial statements should be read together with the consolidated financial statements of the ENEA Capital Group for the year ended 31 December 2008.

## **4. New accounting standards and interpretations**

New standards approved by the EU are applicable for annual periods beginning after 1 January 2009. The Group complied with these standards when preparing these condensed interim consolidated financial statements.

- IFRS 8 - Operating Segments
- Revised IAS 1 - Presentation of Financial Statements
- Revised IAS 23 - Borrowing Costs

## **5. Material estimates and assumptions**

The preparation of these condensed interim consolidated financial statements in conformity with IFRS EU requires that the Management made certain judgments, estimates and assumptions that affect the application

of adopted accounting policies and the amounts reported in the condensed interim consolidated financial statements and notes thereto. The adopted assumptions and estimates are based on the Management Board's best knowledge about current and future activities and events. The actual figures, however, can be different from those assumed. The estimates presented in previous financial years do not have any significant influence of the current interim period.

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

| No  | Name and address of the Company   | ENEA S.A.<br>percentage share in<br>the total number of<br>votes<br>30.06.2009 | ENEA S.A.<br>percentage share in<br>the total number of<br>votes<br>31.12.2008 |
|-----|---|--|--|
| 1.  | ENERGOMIAR Sp. z o.o.<br>Poznań, ul. Strzeszyńska 58  | 100  | 100  |
| 2.  | BHU S.A.<br>Poznań, ul. Strzeszyńska 58   | 87.97  | 87.97  |
| 3.  | Energetyka Poznańska Biuro Usług Technicznych S.A.<br>Poznań, ul. Dziadoszańska 10  | 100  | 100  |
| 4.  | Energetyka Poznańska Hotel „EDISON” Sp. z o.o.<br>Baranowo k/Poznania   | 100  | 100  |
| 5.  | Energetyka Wysokich i Najwyższych Napięć<br>„EWiNN” Sp. z o.o.<br>Poznań, ul. Strzeszyńska 58                                       | 100  | 100  |
| 6.  | Energetyka Poznańska Zakład Transportu Sp. z o.o.<br>Poznań, ul. Strzeszyńska 58  | 100  | 100  |
| 7.  | COGEN Sp. z o.o.<br>Poznań, ul. Nowowiejskiego 11   | 100  | 100  |
| 8.  | EnergPartner Sp. z o.o.<br>Poznań, ul. Warszawska 43  | 100  | 100  |
| 9.  | Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych<br>Energobud Leszno Sp. z o.o.<br>Lipno, Gronówko 30                     | 100  | 100  |
| 10. | Energetyka Poznańska Zakład Obsługi Socjalnej<br>ENERGO-TOUR Sp. z o.o.<br>Poznań, ul. Marcinkowskiego 27                           | 99.92  | 99.92  |
| 11. | ENEOS Sp. z o.o.<br>Szczecin, ul. Ku Słońcu 34  | 100  | 100  |
| 12. | ENTUR Sp. z o.o.<br>Szczecin, ul. Malczewskiego 5/7   | 100  | 100  |
| 13. | Niepubliczny Zakład Opieki Zdrowotnej Centrum Rehabilitacyjno –<br>Wczasowe ENERGETYK Sp. z o.o.<br>Inowrocław, ul. Wilkońskiego 2  | 99.92  | 99.92  |
| 14. | STEREN Sp. z o.o.<br>Bydgoszcz, ul. Lenartowicza 33-35  | 100  | 100  |
| 15. | Elektrownie Wodne Sp. z o.o.<br>Samociążek, 86-010 Koronowo   | 100  | 100  |
| 16. | Zakład Usług Przewozowych ENERGOTRANS Sp. z o.o.<br>Gorzów Wlkp., ul. Energetyków 4   | 100  | 100  |
| 17. | „PWE Gubin” Sp. z o.o.<br>Sękowice 100 gm. Gubin  | 50   | 50   |
| 18. | Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Obornikach<br>Oborniki, ul. Wybudowanie 56   | 87.99  | 87.99  |
| 19. | Zakład Usług Teleinformatycznych ZZE S.A. „IT Serwis” Sp. z o.o.<br>Zielona Góra, ul. Zacisze 28                                    | 100  | 100  |
| 20. | Zakład Handlowo – Usługowy „Auto – Styl” Zielonogórskich Zakładów<br>Energetycznych S.A. Sp. z o.o.<br>Zielona Góra, ul. Zacisze 15 | 100  | 100  |
| 21. | FINEA Sp. z o.o.<br>Poznań, ul. Warszawska 43   | 100  | 100  |
| 22. | Przedsiębiorstwo Energetyki Ciepłej –Gozdnica Sp. z o.o.<br>Gozdnica, ul. Świerczewskiego 30  | 100  | 100  |
| 23. | ENEA Operator Sp. z o.o.  | 100  | 100  |



|     |   |        |        |
|-----|---|--------|--------|
|     | <i>Poznań, ul. Strzeszyńska 58</i>  |        |        |
| 24. | Elektrownia „Kozienice” S.A.<br><i>Świerże Górne, gmina Kozienice, Kozienice 1</i>  | 100    | 100    |
| 25. | Miejska Energetyka Ciepła Sp. z o.o. w Pile<br><i>64-920 Piła, ul. Kaczorska 20</i>                                       | 64.997 | 64.997 |
| 26. | Kozienice II Sp. z o.o.<br><i>Świerże Górne, gmina Kozienice, Kozienice 2</i>   | 100    | 100    |
| 27. | Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych<br>WIRBET S.A.<br><i>Ostrów Wlkp., ul. Chłapowskiego 51</i> | 49     | 49     |
| 28. | Przedsiębiorstwo Energetyki Ciepłej w Śremie S.A.<br><i>Śrem, ul. Staszica 6</i>  | 41.65  | 41.65  |
| 29. | Elektrociepłownia Białystok S.A.<br><i>Białystok, ul. Gen. Andersa 3</i>  | 30.36  | 30.36  |

### **Changes in the Capital Group structure in the period covered by these condensed interim consolidated financial statements**

On 23 February 2009, the Extraordinary Shareholders' Meeting of Kozienice II Sp. z o. o. adopted a resolution to increase the share capital by PLN 34,000 thousand. ENEA S.A. acquired 17,200 new shares with the face value of PLN 1,000 each. The remaining shares were assumed by Elektrownia "Kozienice" S.A. After the capital increase, Elektrownia "Kozienice" S.A. and ENEA S.A. hold 50% in the share capital and in the total number of votes at the Shareholders' Meeting. Appropriate entry to the National Court Register was made on 7 April 2009.

On 31 March 2009 the Extraordinary Shareholders' Meeting of Zakład Usług Teleinformatycznych ZZE S.A. "IT SERWIS" Sp. z o. o. passed a Resolution No. 1 to increase the company's share capital by PLN 6,264 thousand to PLN 6,364 thousand, by way of creating 12,528 new shares with the face value of PLN 500 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A. The shares were covered with a contribution-in-kind. The increase in capital was registered on 15 May 2009.

On 31 March 2009 the Extraordinary Shareholders' Meeting of ENTUR Sp. z o. o. passed a Resolution No. 1 to increase the company's share capital by PLN 3,934.5 thousand up to PLN 4,034.5 thousand, by way of creating 7,869 new shares with the face value of PLN 500 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A. The shares were covered with a contribution in kind. The increase in capital was registered on 9 June 2009.

On 31 March 2009 the Extraordinary Shareholders' Meeting of Zakład Usług Przewozowych "ENERGOTRANS" Sp. z o. o. passed a Resolution No. 1 to increase the company's share capital by PLN 500 thousand up to PLN 1,385 thousand, by way of creating 1,000 new shares with the face value of PLN 500 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A. On 1 April 2009 the shares were covered with a cash contribution.

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)*

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On 4 May 2009 the Extraordinary Shareholders' Meeting of COGEN Sp. z o. o. passed a Resolution No. 1 to increase the company's share capital by PLN 622.5 thousand up to PLN 1,622.5 thousand, by way of creating 1,245 new shares with the face value of PLN 500 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A.

On 25 May 2009 the Extraordinary Shareholders' Meeting of "PWE GUBIN" Sp. z o. o. passed a Resolution to increase the company's share capital by PLN 11,000 thousand. ENEA S.A. assumed 5,500 new shares with the face value of PLN 1,000 each. The remaining shares were assumed by Kopalnia Węgla Brunatnego "Konin" w Kleczewie S.A. After the capital increase, ENEA S.A. and Kopalnia Węgla Brunatnego "Konin" hold 50% in the share capital and in the total number of votes at the Shareholder's Meeting each.

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)***7. Segment reporting**

Segment reporting for the period from 1 January to 30 June 2009 is as follows:

|   | <b>Turnover</b>  | <b>Distribution</b> | <b>Production</b> | <b>All other segments</b> | <b>Exclusions</b>  | <b>Total</b>     |
|---|------------------|---------------------|-------------------|---------------------------|--------------------|------------------|
| Net sales revenue   | 2 249 305        | 1 098 669           | 104 675           | 139 278                   | -                  | 3 591 926        |
| Inter-segment sales   | 138 267          | -                   | 1 104 692         | 201 925                   | (1 444 884)        | -                |
| <b>Total net sales revenue</b>                                  | <b>2 387 572</b> | <b>1 098 669</b>    | <b>1 209 367</b>  | <b>341 203</b>            | <b>(1 444 884)</b> | <b>3 591 926</b> |
| Total expenses  | (2 270 674)      | (986 351)           | (985 169)         | (331 446)                 | 1 429 292          | (3 144 348)      |
| <b>Segment profit/loss</b>                                      | <b>116 898</b>   | <b>112 318</b>      | <b>224 198</b>    | <b>9 757</b>              | <b>(15 592)</b>    | <b>447 578</b>   |
| Unassigned Group expenses (general and administrative expenses) |                  |                     |                   |                           |                    | (23 650)         |
| <b>Operating profit</b>   |                  |                     |                   |                           |                    | <b>423 928</b>   |
| Financial expenses  |                  |                     |                   |                           |                    | (24 652)         |
| Financial revenue   |                  |                     |                   |                           |                    | 84 292           |
| Profit/loss sharing in associated entities                      |                  |                     |                   |                           |                    | 8 769            |
| Income tax  |                  |                     |                   |                           |                    | (100 431)        |
| <b>Net profit</b>   |                  |                     |                   |                           |                    | <b>391 906</b>   |
| Profit sharing of minority shareholders                         |                  |                     |                   |                           |                    | 421              |

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)*

Segment reporting for the period from 1 January to 30 June 2008 is as follows:

|   | <b>Turnover</b>  | <b>Distribution</b> | <b>Production</b> | <b>All other segments</b> | <b>Exclusions</b>  | <b>Total</b>     |
|---|------------------|---------------------|-------------------|---------------------------|--------------------|------------------|
| Net sales revenue   | 1 611 358        | 1 166 766           | 128 056           | 132 406                   | -                  | 3 038 586        |
| Inter-segment sales   | 125 118          | -                   | 767 943           | 182 571                   | (1 075 632)        | -                |
| <b>Total net sales revenue</b>                                  | <b>1 736 476</b> | <b>1 166 766</b>    | <b>895 999</b>    | <b>314 977</b>            | <b>(1 075 632)</b> | <b>3 038 586</b> |
| Total expenses  | (1 711 698)      | (1 093 091)         | (858 291)         | (316 799)                 | 1 074 596          | (2 905 283)      |
| <b>Segment profit/loss</b>                                      | <b>24 778</b>    | <b>73 675</b>       | <b>37 708</b>     | <b>(1 822)</b>            | <b>(1 036)</b>     | <b>133 303</b>   |
| Unassigned Group expenses (general and administrative expenses) |                  |                     |                   |                           |                    | (37 463)         |
| <b>Operating profit</b>   |                  |                     |                   |                           |                    | <b>95 840</b>    |
| Financial expenses  |                  |                     |                   |                           |                    | (16 214)         |
| Financial revenue   |                  |                     |                   |                           |                    | 41 633           |
| Profit/loss sharing in associated entities                      |                  |                     |                   |                           |                    | (428)            |
| Income tax  |                  |                     |                   |                           |                    | (29 870)         |
| <b>Net profit</b>   |                  |                     |                   |                           |                    | <b>90 961</b>    |
| Profit sharing of minority shareholders                         |                  |                     |                   |                           |                    | (75)             |

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)***Information on operating segments (cont'd)**

Other segment reporting information as at 30 June 2009:

|   | <b>Turnover</b> | <b>Distribution</b> | <b>Production</b> | <b>All other segments</b> | <b>Exclusions</b> | <b>Total</b>      |
|---|-----------------|---------------------|-------------------|---------------------------|-------------------|-------------------|
| Property, plant and equipment   | 18 219          | 4 597 155           | 2 755 186         | 336 998                   | (7 947)           | 7 699 611         |
| Trade and other receivables   | 533 215         | 313 908             | 273 362           | 98 807                    | (364 906)         | 854 386           |
| Total   | 551 434         | 4 911 063           | 3 028 548         | 435 805                   | (372 853)         | 8 553 997         |
| ASSETS excluded from segmentation   |                 |                     |                   |                           |                   | 3 622 112         |
| - including property, plant and equipment   |                 |                     |                   |                           |                   | 191 397           |
| - including trade and other receivables   |                 |                     |                   |                           |                   | 60 927            |
| <b>TOTAL ASSETS</b>   |                 |                     |                   |                           |                   | <b>12 176 109</b> |
| Trade and other liabilities   | 465 843         | 262 181             | 318 497           | 90 746                    | (364 906)         | 772 361           |
| Equity and liabilities excluded from segmentation                                     |                 |                     |                   |                           |                   | 11 403 748        |
| - including trade liabilities and other liabilities                                   |                 |                     |                   |                           |                   | 278 212           |
| <b>TOTAL: EQUITY AND LIABILITIES</b>  |                 |                     |                   |                           |                   | <b>12 176 109</b> |
| Capital expenditure for fixed assets and intangible assets                            | -               | 108 547             | 99 530            | 26 344                    | (13 023)          | 221 398           |
| Capital expenditure for fixed assets and intangible assets excluded from segmentation |                 |                     |                   |                           |                   | 50 916            |
| Amortization/Depreciation   | 220             | 169 952             | 121 391           | 28 028                    | (859)             | 318 732           |
| Amortization/depreciation excluded from segmentation                                  |                 |                     |                   |                           |                   | 189               |
| Write-downs on receivables as at 30.06.2009   | 86 116          | 7 061               | 18 117            | 5 653                     | -                 | 116 947           |

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)***Information on operating segments (cont'd)**

Other segment reporting information as at 31 December 2008:

|   | <b>Turnover</b> | <b>Distribution</b> | <b>Production</b> | <b>All other segments</b> | <b>Exclusions</b> | <b>Total</b>      |
|---|-----------------|---------------------|-------------------|---------------------------|-------------------|-------------------|
| Property, plant and equipment   | 18 439          | 4 546 657           | 2 777 132         | 386 527                   | (29 356)          | 7 699 399         |
| Trade and other receivables   | 381 685         | 332 397             | 309 470           | 146 052                   | (403 066)         | 766 538           |
| Total:  | 400 124         | 4 879 054           | 3 086 602         | 532 579                   | (432 422)         | 8 465 937         |
| ASSETS excluded from segmentation   |                 |                     |                   |                           |                   | 3 519 980         |
| - including property, plant and equipment   |                 |                     |                   |                           |                   | 245 416           |
| - including trade and other receivables   |                 |                     |                   |                           |                   | 15 876            |
| <b>TOTAL: ASSETS</b>  |                 |                     |                   |                           |                   | <b>11 985 917</b> |
| Trade and other liabilities   | 508 560         | 244 077             | 280 232           | 109 904                   | (403 066)         | 739 707           |
| Equity and liabilities excluded from segmentation                                     |                 |                     |                   |                           |                   | 11 246 210        |
| - including trade liabilities and other liabilities                                   |                 |                     |                   |                           |                   | 126 582           |
| <b>TOTAL: EQUITY AND LIABILITIES</b>  |                 |                     |                   |                           |                   | <b>11 985 917</b> |
| Capital expenditure for fixed assets and intangible assets                            | -               | 410 282             | 212 272           | 20 184                    | (22 632)          | 620 106           |
| Capital expenditure for fixed assets and intangible assets excluded from segmentation |                 |                     |                   |                           |                   | 24 813            |
| Amortization/Depreciation   | 321             | 350 454             | 237 001           | 27 469                    | (4 059)           | 611 186           |
| Amortization/depreciation excluded from segmentation                                  |                 |                     |                   |                           |                   | 20 178            |
| Write-downs on receivables as at 31.12.2008   | 92 751          | 2 762               | 22 597            | 6 122                     | -                 | 124 232           |

The segment revenue is that generated from the sales to external clients and transactions with other segments, which are directly attributable to a given segment and a relevant portion of the Group's revenue and are assignable on a reasonable basis.

The segment costs are those consisting of costs of goods sold to external clients and costs of transactions with other Group segments, which result from operations of a given segment and are directly attributable to a given segment with a relevant portion of the Group's costs and which are assignable on a reasonable basis.

Market prices apply to inter-segment transactions which provides individual entities with a margin sufficient for independent functioning on the market. Prices specified in the Energy Law of 10 April 1997 and relevant secondary legislation, apply in terms of trading in electricity and providing transmission services.

### **Supplementary reporting - geographical segments**

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

## **8. Property, plant and equipment**

During the 6-month period ended 30 June 2009, the Group acquired property, plant and equipment for the total amount of PLN 266,800 thousand (during the period of 12 months ended 31 December 2008 it was PLN 756,296 thousand, including property, plant and equipment in the amount of PLN 131,519 thousand acquired through the acquisition of subsidiaries).

During the 6-month period ended 30 June 2009, the Group sold and liquidated property, plant and equipment for the total net amount of PLN 4,703 thousand (during the period of 12 months ended 31 December 2008 it was PLN 12,615 thousand).

As at 30 June 2009 the total revaluation write-downs on the carrying value of property, plant and equipment was PLN 15,301 thousand (as at 31 December 2008: PLN 7,784 thousand).

### **Impairment test (property, plant and equipment)**

The Group carried out an impairment test of property, plant and equipment as at 30 June 2008. Based on the test, as at 30 June 2008 there was no impairment of property, plant and equipment related to distribution.

As a result of changes in the regulatory environment related to energy distribution, which were not consistent with the assumptions made when preparing the test as at 30 June 2008, as at 31 December 2008 the Group repeated impairment test for property, plant and equipment related to distribution.

The assumptions used for the analysis as at 30 June 2008 changed. The Group adjusted operating expenses projections to the new situation, considering actions taken by the Group in order to minimize the impact of the regulatory changes on the Group's profit/loss.

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)*

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The methodology used in calculating the return on capital employed from the 2010 tariff year has been presented in the document "Methodology of determining the regulatory value of assets and return on capital employed". The document was approved by ENEA Operator Sp. z o.o. and the President of the Energy Regulatory Office. When calculating the return on capital employed the entity has assumed a track to reach the full coverage of the regulatory value of assets. The length of the track will depend on the initial level of the regulatory value of assets, determined in line with the methodology presented in the aforementioned document. Consulting firms will soon complete works related to estimating the regulatory value of assets in line with the new methodology, which is advantageous for the Group.

Based on the test, as at 31 December 2008 there was no impairment of property, plant and equipment related to distribution.

The current regulatory asset value assumed by the President of Energy Regulatory Office is significantly lower than the carrying value of property, plant and equipment related to distribution. Should the President of the Energy Regulatory Office apply the same method of calculating regulatory asset value for the years 2010-2013 and the subsequent periods, the entity may have to recognize appropriate impairment losses on property, plant and equipment related to distribution.

**9. Intangible assets**

During the 6-month period ended 30 June 2009, the Group acquired intangible assets for the total amount of PLN 5,514 thousand (during the period of 12 months ended 31 December 2008 it was PLN 7,040 thousand, including intangible assets acquired in the course of acquisition of subsidiaries of PLN 540 thousand).

During the 6-month period ended 30 June 2009, the Group did not sell or liquidate intangible assets (during the period of 12 months ended 31 December 2008 the Group did not sell or liquidate intangible assets, either).

**10. Investment property**

During the 6-month period ended 30 June 2009, the Company did not acquire investment property (during the period of 12 months ended 31 December 2008 the Group acquired investment property for the amount of PLN 415 thousand).

**11. Investments in associated entities**

During the 6-month period ended 30 June 2009, the Group did not acquire shares in associated entities (during the period of 12 months ended 31 December 2008 the Group acquired shares in associated entities for the total amount of PLN 185,164 thousand). The method of settlement of the acquisition of the entities has been described in note 15.

During the 6-month period ended 30 June 2009 and the 12-month period ended 31 December 2008 the Group did not sell any investments in associates.



## 12. Revaluation write-downs on trade and other receivables

|   | <b>30.06.2009</b> | <b>31.12.2008</b> |
|---|-------------------|-------------------|
| <b>Opening balance of revaluation write-down on receivables</b> | <b>124 232</b>    | <b>123 818</b>    |
| Created   | 12 698            | 17 306            |
| Released  | (14 541)          | (15 426)          |
| Applied   | (5 442)           | (1 466)           |
| <b>Closing balance of revaluation write-down on receivables</b> | <b>116 947</b>    | <b>124 232</b>    |

During the 6-month period ended 30 June 2009, the revaluation write-down on the carrying value of trade and other receivables decreased by PLN 7,285 thousand (during the period of 12 months ended 31 December 2008 the revaluation write-down grew by PLN 414 thousand).

## 13. Inventories

As at 30 June 2009 the total revaluation write-downs on the carrying value of inventories was PLN 6,895 thousand (as at 31 December 2008: PLN 4,866 thousand).

During the 6-month period ended 30 June 2009, the revaluation write-down on the carrying value increased by PLN 2,029 thousand (during the period of 12 months ended 31 December 2008 the revaluation write-down decreased by PLN 421 thousand).

## 14. Investment portfolio

ENEA S.A. fulfilled the conditions necessary to release funds from the ESCROW account due to issuance of shares at the WSE. A specialized financial institution professionally manages the funds which as at 30 June 2009 amounted to PLN 1,936,520 thousand. In accordance with the Agreement, transferred funds will be invested only in safe securities (treasury bills and bonds worth PLN 1,404,473 thousand) and deposits (in banks specified by the Company - PLN 532,047 thousand), as specified below:

| Type of assets   | Minimum share | Maximum share |
|--|---------------|---------------|
| Debt instruments with a surety or guarantee of the State Treasury or the National Bank of Poland | 0%            | 100%          |
| Bank deposits  | 0%            | 30%           |

The selected strategy is to maximize profit at minimum risk.

The investment portfolio is treated as financial assets measured at fair value through profit or loss.

## 15. Settlement of acquisition of new subsidiaries and associates

In December 2008 the Parent Company acquired two subsidiaries: Przedsiębiorstwo Energetyki Ciepłej Sp. z o. o. in Oborniki ("PEC Oborniki"), Miejska Energetyka Ciepła Sp. z o. o. in Piła ("MEC Piła") and two associates: Przedsiębiorstwo Energetyki Ciepłej w Śremie S.A. and Elektrociepłownia Białystok S.A. As at

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the date of preparing these condensed interim consolidated financial statements, the Group did not complete the process of allocating the acquisition price to identifiable net assets acquired. Therefore, the Group decided to carry out the initially assumed settlement. The Capital Group assumed that the differences between the acquisition price of particular companies and net book value of 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 particular companies. Any adjustments of the estimated values resulting from the end of the preliminary settlement will be made within 12 months of the date of acquisition.

The agreements on the acquisition of shares in PEC Oborniki and MEC Piła include irrevocable offers of shares repurchasing valid in the period of 6 and 5 years from the date of concluding the agreement, respectively. In these consolidated financial statements the Company disclosed financial liabilities resulting from the aforementioned options in the amount of PLN 28,226 thousand in correspondence with other capitals.

**16. Share capital**

The Extraordinary Shareholders' Meeting of 3 November 2008 passed a Resolution on an increase in the share capital of the Parent Company under the planned public offering of 103,816,150 new C series bearer shares with the face value of PLN 1 each. The share capital was increased from PLN 337,626,428 to PLN 441,442,578. The increase was registered in the National Court Register on 13 January 2009. On 30 January 2009 the new shares were registered in the National Depository for Securities.

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

On the basis of the Act on Commercialization and Privatization dated 30 August 1996 (Act on Commercialization and Privatization) employees of the ENEA Capital Group are entitled to acquire 15% of the shares of ENEA S.A. free of charge under the program ("program"). Employees eligible to acquire shares are persons who were employed in the ENEA SA Capital Group in time of the company commercialization (i.e. in 1993 and 1996) and filed a written declaration of will to acquire shares within 6 months from commercialization date. Act on Commercialization and Privatization specifies the total number of shares to be transferred, but it does not stipulate the number of shares per one employee. The number of shares granted to particular employees will depend on the total number of years with the company including the number of years in the company before commercialization and after commercialization until the date of the sale of shares by the State Treasury.

According to IFRS 2, program costs should be recognized in the period when eligible employees performed work and the cost of work should be determined as at the Grant Date, i.e. as at the date when all significant conditions of granting shares to employees were determined.

The value of the employee shares program was determined by the Company based on the measurement of shares of ENEA S.A. as at the date of drawing up the 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 program was determined at PLN 901 million. The ENEA SA Capital Group recognized the total program costs as the previous years adjustment in equity of the oldest period presented in these financial statements,

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i.e. as at 1 January 2005 and it did not revalue the costs as at any of the dates ending the later financial period, i.e. 31 December 2005, 31 December 2006, 31 December 2007 and 31 December 2008.

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

Moreover, according to the Management Board the key purpose of the program 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 SA decided that the program value would not be changed. As a result, the value of the program as at 30 June 2009 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 "Kozienice" S.A. were supposed to place a declaration of the intention to exchange the equivalent for the right to acquire shares of ENEA S.A. free of charge by 18 January 2008. Once the declarations and the result of the complaint procedure have been examined, the value of shares to be settled in the form of an equivalent was PLN 291,127 thousand (PLN 514,920 thousand as at 31 December 2007). Exchange of the value of the equivalent for an allotment certificate worth PLN 224,042 thousand was disclosed under the Group's capital under "Share-based capital".

As at 30 June 2009 part of the equivalent was paid to the Eligible Employees of Elektrownia "Kozienice" S.A. Other equivalent liabilities as at 30 June 2009 were PLN 1,334 thousand (as at 31 December 2008 the liability was PLN 163,799 thousand.)

**18. Loans and borrowings**

|                   | <b>30.06.2009</b>     | <b>31.12.2008</b>     |
|-------------------|-----------------------|-----------------------|
|                   | <b>Carrying value</b> | <b>Carrying value</b> |
| <b>Long-term</b>  |                       |                       |
| Bank loans        | 134 462               | 151 310               |
| Borrowings        | 1 135                 | 1 475                 |
|                   | <b>135 597</b>        | <b>152 785</b>        |
| <b>Short-term</b> |                       |                       |
| Bank loans        | 47 333                | 52 031                |
| Borrowings        | 574                   | 574                   |
|                   | <b>47 907</b>         | <b>52 605</b>         |
| <b>Total</b>      | <b>183 504</b>        | <b>205 390</b>        |

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During the 6-month period ended 30 June 2009, the net decrease in the carrying value of loans and borrowings decreased was PLN 21,886 thousand (during the period of 12 months ended 31 December 2008 the carrying value of loans and borrowings decreased by PLN 48,230 thousand).

**19. Settlement of income due to subsidies and connection fees**

During the 6-month period ended 30 June 2009, the Group obtained subsidies and connection fees in the total amount of PLN 41,600 thousand (during the period of 12 months ended 31 December 2008 it was PLN 93,180 thousand).

During the 6-month period ended 30 June 2009, the Group settled income due to subsidies and connection fees in the total amount of PLN 6,178 thousand (during the period of 12 months ended 31 December 2008 it was PLN 12,606 thousand).

**20. Deferred income tax**

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

|   | <b>30.06.2009</b> | <b>31.12.2008</b> |
|---|-------------------|-------------------|
| <b>Opening balance</b>  | 123 480           | 170 747           |
| Amount charged/(credited) to profit                           | 13 073            | (46 525)          |
| Change due to acquisition of subsidiaries                     | -                 | (484)             |
| Amount charged/(credited) to other comprehensive income items | (4 197)           | (258)             |
| <b>Closing balance</b>  | <b>132 356</b>    | <b>123 480</b>    |

During the 6-month period ended 30 June 2009, the Group's profit before tax was charged with PLN 13,073 thousand as a result of an increase in the deferred tax liability (during the period of 12 months ended 31 December 2008 the Company's profit before tax was credited with PLN 46,525 thousand due to a decrease in the liability).

**21. Certificates of origin**

|   | <b>30.06.2009</b> | <b>31.12.2008</b> |
|---|-------------------|-------------------|
| Certificates of origin  | (109 205)         | (57 364)          |
| Advance payments for certificates of origin                     | (1 025)           | (2 985)           |
| Provision for the costs of redemption of certificates of origin | 120 538           | 161 752           |
| <b>Provision for certificates of origin</b>                     | <b>10 308</b>     | <b>101 403</b>    |

## 22. Provisions for liabilities and other obligations

### Provision for projected losses due to compensation proceedings

|                        | <b>30.06.2009</b> | <b>31.12.2008</b> |
|------------------------|-------------------|-------------------|
| <b>Opening balance</b> | <b>81 028</b>     | <b>62 902</b>     |
| Increase in provisions | 2 437             | 54 681            |
| Provisions applied     | (3 024)           | -                 |
| Decrease in provisions | (1 992)           | (36 555)          |
| <b>Closing balance</b> | <b>78 449</b>     | <b>81 028</b>     |

Provisions for liabilities are determined at justified, reliably estimated amount. Individual provisions are created for projected losses related to a court action brought against the Group. The provisions are created in the amount of the claim considering the probability of losing the case based on a legal opinion. The cost of provisions is recognized under other operating expenses. The description of claims and relevant contingent liabilities has been presented in notes 28.2, 28.4, 28.5 and 28.6.

During the 6-month period ended 30 June March 2009, the provision for projected losses due to compensation proceedings increased by PLN 958 thousand (during the period of 12 months ended 31 December 2008 it grew by PLN 18,126 thousand).

### Other provisions

|                             | <b>30.06.2009</b> | <b>31.12.2008</b> |
|-----------------------------|-------------------|-------------------|
| <b>Opening balance</b>      | <b>36 909</b>     | <b>18 761</b>     |
| Increase in provisions      | 28 382            | 24 441            |
| Decrease in provisions      | -                 | (6 293)           |
| Release of unused provision | (2 003)           | -                 |
| <b>Closing balance</b>      | <b>63 288</b>     | <b>36 909</b>     |

During the 6-month period ended 30 June 2009, other provisions grew by PLN 26,379 thousand (during the period of 12 months ended 31 December 2008 they grew by PLN 18,148 thousand).

### 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 6.34% discount rate. Provisions for land reclamation is reviewed as at 31 December and 30 June, unless significant changes in estimation assumptions occur.

As at 30 June 2009 the provision amounted to PLN 6,797 thousand (as at 31 December 2008 it was PLN 8,716 thousand).

**Provision for the cost of disposal and storing ash and slag mixture**

The Group generates two types of wastes in the process of burning coal: ash and ash and slag mixture. As the Group incurs costs related to mixture disposal, it creates an appropriate provision. Future estimated costs of disposing or storing ash and slag mixture were discounted to their current value, using a 6.34% discount rate. Provision for cost of disposing and storing ash and slag mixture is reviewed as at 31 December and 30 June, unless significant changes in estimation assumptions occur.

As at 30 June 2009 the provision amounted to PLN 4,398 thousand (as at 31 December 2008 it was PLN 2,721 thousand).

**Provision for purchasing CO<sub>2</sub> emission rights**

As at 30 June 2009 the provision determined based on the market price of CO<sub>2</sub> emission rights amounted to PLN 50,305 thousand (as at 31 December 2008 it was PLN 23,635 thousand).

**23. Dividend**

On 30 June 2009 the General Shareholders' Meeting of ENEA S.A. adopted a resolution No. 4 concerning net profit distribution for the financial period from 1 January 2008 to 31 December 2008 under which the amount of PLN 203,064 thousand was allocated for payment of dividend to the shareholders (dividend per share was PLN 0.46). The dividend will be paid by 31 August 2009.

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

Profit-sharing payments for the period from 1 January to 31 December 2008 amounted to PLN 29,151 thousand. Profit-sharing payments for the period from 1 January 2009 to 31 January 2009 equaled PLN 218 thousand.

## 24. Related party transactions

The companies from the Capital Group subject to consolidation conclude the following related party transactions:

- The Capital Group's constituent entities subject to consolidation – transactions are eliminated at the consolidation stage;
- Transactions concluded between the Group and Members of the Group's Management are divided into three categories:
  - resulting from employment contracts with Members of the Management Board of the Parent Company related to appointment of the Members of the Supervisory Board;
  - resulting from borrowings from the Company's Social Benefit Fund granted to Members of the Management Board of the Parent Company and Supervisory Board employed in ENEA S.A.;
  - resulting from civil-law agreements;
- Transactions with entities, whose shares are held by the State Treasury.

Transactions with members of the Group's Management and Supervisory Bodies

| No.          | Item  | Management Board           |                            | Supervisory Board          |                            |
|--------------|---|----------------------------|----------------------------|----------------------------|----------------------------|
|              |   | 01.01.2009 -<br>30.06.2009 | 01.01.2008 -<br>30.06.2008 | 01.01.2009 -<br>30.06.2009 | 01.01.2008 -<br>30.06.2008 |
| 1.           | Remuneration pursuant to employment contract                                  | 551                        | 527                        | -                          | -                          |
| 2.           | Remuneration due to appointment of managing and supervising bodies            | -                          | -                          | 74                         | 171                        |
| 3.           | Remuneration due to the position held in supervisory boards of subsidiaries   | 159                        | 81                         | -                          | -                          |
| 4.           | Remuneration due to other employee benefits (reduced payment for electricity) | 28                         | 64                         | -                          | -                          |
| <b>TOTAL</b> |   | <b>738</b>                 | <b>672</b>                 | <b>74</b>                  | <b>171</b>                 |

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 published by the President of the Central Statistical Office. The amount of the annual bonus cannot exceed three average monthly remunerations in the year preceding bonus awarding.

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

| No.          | Company body      | Balance as at<br>01.01.2009 | Granted since<br>01.01.2009 | Maturing on<br>30.06.2009 | Balance as at<br>30.06.2009 |
|--------------|-------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|
| 1.           | Management Board  | 18                          | -                           | (2)                       | 16                          |
| 2.           | Supervisory Board | -                           | 20                          | (1)                       | 19                          |
| <b>TOTAL</b> |                   | <b>18</b>                   | <b>20</b>                   | <b>(3)</b>                | <b>35</b>                   |

  

| No.          | Company body      | Balance as at<br>01.01.2008 | Granted since<br>01.01.2008 | Maturing on<br>31.12.2008 | Balance as at<br>31.12.2008 |
|--------------|-------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|
| 1.           | Management Board  | 27                          | -                           | (9)                       | 18                          |
| 2.           | Supervisory Board | 6                           | -                           | (6)                       | -                           |
| <b>TOTAL</b> |                   | <b>33</b>                   | <b>-</b>                    | <b>(15)</b>               | <b>18</b>                   |

Other transactions resulting from civil-law agreements concluded between the Parent Company and Members of the Company'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 the entities of the central and local administration and entities controlled by the State Treasury of the Republic of Poland.

The transactions concern:

- purchase of coal, electricity and property rights resulting from certificates of origin as regards renewable energy and energy produced in cogeneration with heat, 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 network and other related fees, provided to the central and local administration bodies (domestic sale) and entities whose shares are held by the State Treasury (domestic wholesale and retail - end users),

These transactions are concluded in line with the arm's length principle and their terms and conditions do not differ from those applied in transactions with other entities. The Group does not keep a register, which would allow for aggregating the values of all transactions with the state entities and entities, whose shares are held by the State Treasury.

## **25. Long-term contracts on the sale of electricity (LTC)**

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

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

The interpretation presented by the Energy Regulatory Office implies that the revenue due to compensation of orphaned costs would be by PLN 27,034 thousand lower than the amount recognised by Elektrownia "Kozienice" S.A. in its financial statements for the 6-month period ended 30 June 2009 (and consequently, 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 assumptions made by the President of the Energy Regulatory Office in his Decision and the interpretation of the Act on principles of funding costs incurred by producers following early termination of long-term contracts on sale of power and energy of 29 June 2007 are often 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 Management Board of Elektrownia "Kozienice" S.A. and the Management Board of ENEA S.A. are certain that the decision regarding the appeal will be advantageous for Elektrownia "Kozienice" S.A., therefore the Management Board of Elektrownia "Kozienice" S.A. the Management Board of ENEA S.A. have decided not to make any related adjustments in the condensed interim consolidated financial statements prepared as at 30 June 2009.

## **26. Future liabilities due to contracts concluded as at the balance sheet date**

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

|  | <u>30.06.2009</u> | <u>31.12.2008</u> |
|--|-------------------|-------------------|
| Acquisition of property, plant and equipment | 473 566           | 370 857           |
| Acquisition of intangible assets             | 16 127            | 8 055             |
|  | <u>489 693</u>    | <u>378 912</u>    |

## **27. 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 and higher temperature and longer days in summer. Seasonal sales of electricity apply largely to small clients (40.95% of the sales value), not to the industrial sector.

## **28. Contingent liabilities and proceedings before court, body competent to conduct arbitration or public administration body**

### **28.1. Guarantees for loans and borrowings and other sureties granted by the Company and its subsidiaries**

The Company or its subsidiaries did not grant any guarantees for loans or borrowings or sureties during the reporting period.

### **28.2. Pending proceedings before common courts of law**

#### Actions brought by the Group

Actions which ENEA S.A. and ENEA Operator Sp. z o.o. brought to common courts of law refer to claims for receivables due to provision of electricity (the so-called electricity cases) and claims for other receivables - illegal consumption of electricity, connections to the network and other specialized services (the so-called non-electricity cases).

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Most actions which Elektrownia "Kozienice" brought to common courts of law refer to claims for receivables due to default under freight forwarding contracts.

As at 30 June 2009 there were 7,822 cases pending before common courts of law which have been brought by the Group for the total amount of PLN 41,270 thousand (as at 31 December 2008 there were 8,277 cases for the total amount of PLN 28,088 thousand).

None of the cases can significantly affect the Group's financial 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 situated. The Group considers actions concerning non-contractual use of real property not owned by the Group as particularly important (note 28.5).

Actions brought against Elektrownia "Kozienice" S.A. are related to the following issues: claims for transportation fee, for restoring employees to their jobs and compensations due to an equivalent of the employees' right to acquisition of shares free of charge as a result of commercialization of Elektrownia "Kozienice" S.A.

As at 30 June 2009 there were 305 cases pending before common courts of law which have been brought against the Group for the total amount of PLN 19,401 thousand (as at 31 December 2008 there were 251 cases for the total amount of PLN 18,043 thousand). Provisions related to the court cases have been presented in note 22.

**28.3. Arbitration proceedings**

As at 30 June 2009 there were no pending proceedings before competent arbitration bodies.

**28.4. Proceedings before public administration bodies**

Pursuant to the decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 which closed the proceedings for charging electricity recipients 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. As at the date of preparation of these condensed interim consolidated financial statements the appeal had not been examined.

Pursuant to the decision of the President of the Office of Competition and Consumer Protection of 30 September 2008 which closed the proceedings for abuse of its market position by way of 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 amounting to PLN 11,626 thousand. ENEA Operator Sp. z o.o. lodged an appeal against the decision. As at the date of preparation of these condensed interim consolidated

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financial statements the appeal had not been examined. As of 30 June 2009, the Group established a provision in the total amount of the aforementioned fine.

Pursuant to the decision of 27 November 2008 No. DPE-451-206(4)/2688/2008MOS, the President of the Energy Regulatory Office, following administrative proceedings, imposed a fine of PLN 7,594 thousand, i.e. 0.2771% revenue from licensed operations generated in 2006 due to non-fulfillment of the obligation specified in Article 9a clause 8 of the Energy Law to purchase offered electricity produced in cogeneration with production of heat in the energy sources connected to the network and located in Poland. On 17 December 2008 ENEA S.A. appealed via the Energy Regulatory Office to the Regional Court in Warsaw - Court of Competition and Consumer Protection - explaining that ENEA S.A. exercised due diligence required by law to meet the obligation specified in Article 9a clause 8 of the Energy Law. A provision for the total amount of the aforementioned fine was recognized in these condensed interim consolidated financial statements.

As at 30 June 2009, there were proceedings held before the Chairman of Energy Regulatory Office regarding approval of the heat tariff following a motion of Elektrownia "Kozienice" S.A. On 7 July 2009, the heat tariff was approved by the Chairman's decision for the period until 31 August 2010.

As at 30 June 2009, there were proceedings held before the Chairman of Energy Regulatory Office regarding determination of the annual adjustment amount for orphaned costs and the resulting compensation for Elektrownia "Kozienice" S.A.

As at 30 June 2009, there were also proceedings in Elektrownia "Kozienice" pending with regard to the Chairman's decision on green certificates for power produced in 2008 in the amount of 129,645,145 MWh.

Due to the nature of the Group's business, there were many other proceedings before the public administration bodies as at 30 June 2009.

Vast majority of the proceedings was instigated upon 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 significant impact on the Group's net profit.

On 16 March 2009, as a result of an inspection of the Supreme Chamber of Control (NIK) related to Restructuring of the energy sector since 2005 and energy network security, the Company received a post-audit

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*(all amounts in PLN '000, unless provided for otherwise)*

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statement. On 23 March 2009 the Management Board of ENEA S.A. presented formal objections as regards non-fulfillment due to occurrence of the requirements specified in the Act of 23 December 1994 on the Supreme Chamber of Commerce and incompatibilities of findings with the facts and findings specified in the post-audit statement and reservations concerning assessment included therein. On 20 April 2009 the Commission of Appeal adopted a Resolution to close the appeal proceedings. It was approved by the Chairman of the Supreme Chamber of Control on 22 May 2009. The Management Board of ENEA S.A. drew up a letter dated 10 June 2009 in which it informed the Supreme Chamber of Control of the ways the findings and comments had been applied in practice.

Due to the character of operations of ENEA Operator Sp. z o.o. (operations in the regulated market of the monopolistic nature) 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 upon request of the electricity buyers supplied by the Group.

The President of the Energy Regulatory Office, as a key central administration body established to regulate operations of companies in the energy sector settles disputes related to a refusal to conclude agreements on connecting to the network or providing transmission services or to the content of thereof.

As at 30 June 2009 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 significant impact on the Group's net profit.

**28.5. Risk related to the legal status of properties used by the Group**

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

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

Claims against the Group are of the nature of claims for payment (compensation for non-contractual use of properties, impairing the value of properties, lost benefits) and claims for discontinuing infringement of the ownership rights (demand to remove devices).

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

The Group established a provision for all claims lodged by owners of properties located near transmission networks and devices based on most appropriate estimates of expenditures necessary to settle the claims assumed by the Management Board. As at 31 December 2008, the Management Board of ENEA S.A. examined the submitted claims which had not been brought to court. As a result of the examination, the estimates were changed and the provision for claims of persons holding real property due to non-contractual use of land was partially released (Note 22).

The Group does not establish provision for possible unlodged claims of owners of land which is used non-contractually. Possible claims amounts may be significant for the Group, considering the area of non-contractually used land, where the Group's transmission networks or related devices are located. The Group does not keep any record or has no knowledge concerning 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.

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

As on 30 June 2009 there were no regulations in this respect and the Group did not create provisions for possible claims due to the use of woodland managed by National Forests for the needs of the Group's electricity lines. On 29 November 2006 was held a meeting initiated by the Minister of Environment and attended by representatives of National Forests, the Ministry of State Treasury, PSE-Operator Sp. z o.o. and Polskie Towarzystwa Przesyłu i Rozdziału Energii Elektrycznej representing distribution companies. The National Forests' proposition to conclude agreements on the lease of land where the lines are located was not accepted. Consequently, a more general solution based on legislative changes is required. Currently, it is not possible to estimate a provision for participating in the costs of the National Forests related to property tax for the land of the State Treasury. Possible claims may be significant, considering the area of land.

Regardless of the aforementioned actions aimed at general regulation of the legal status of land owned by National Forests, individual forest district offices lodged claims against the Group due to non-contractual use of land by the Group. The claims have been accounted for in the provision presented in Note 22.

## **29. Damages resulting from weather conditions**

In April 2008 the electricity line in the Szczecin Distribution Branch area was overcharged due to disadvantageous weather conditions. Consequently, electricity supply was discontinued for several hours. ENEA Operator Sp. z o.o. and PSE-Operator S.A. determined that the failure resulted from *force majeure*. Separate proceedings are carried out by insuring companies providing liability insurance for damages caused by the company to third parties. The purpose of the proceedings is to confirm the reasons for the aforementioned damages.

ENEA Operator Sp. z o.o. presented 21 claims related to property damages (damaging 110 kV, medium-voltage and low-voltage lines and medium-voltage/low-voltage transformer stations). The estimated value of damages is PLN 7,265 thousand. Pursuant to insurance policies of ENEA Operator Sp z.o.o., the insured's deductible in property damages is 20%.

At the same time, by the date of approving these condensed interim consolidated financial statements 176 third-party claims for the total amount of PLN 4,233 thousand were lodged to the insuring company of ENEA Operator Sp. z o.o. The claims were related to damaged radio and television equipment and household appliances, damaged foodstuffs and property damage related to removing the effects of the failure.

Consequently, the President of Energy Regulatory Office undertook appropriate actions in order to explain the circumstances and causes of the failure. He requested ENEA Operator Sp. z o.o. to present detailed information concerning this event, the causes, the course and scope of the failure and its consequences for the national electricity system as well as information on the technical condition of damaged devices and electricity lines. Moreover, he requested the company to specify actions taken in order to repair the failure and remove its effects.

Information obtained will be analyzed in order to determine if the Company complied with its obligation to maintain equipment, installations and networks in an appropriate condition ensuring continuous and safe electricity supplies in line with applicable quality standards. If it is determined that the Company did not comply with these requirements, the entity may be fined in accordance with Article 56 clause 1 point 2 of the Energy Law.

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

In 2008 the Parent Company started negotiations with the receiver in bankruptcy of Elektrim S.A. concerning the acquisition of 45.95% of shares in Zespół Elektrowni Pątnów-Adamów-Konin S.A. (ZE PAK). The Group will place the offer after a number of conditions have been met. They include satisfactory results of the legal, financial, tax, technical, environmental and operational review of ZE PAK and its capital group, negotiating all conditions of the sales agreement and positive settlement of the claims with respect to shares in ZE PAK filed by debtors of Elektrim S.A. As at the date of preparation of these condensed interim consolidated financial statements no binding decisions were taken.

**31. Actions aimed at acquiring a coal mine**

The Company has taken steps aimed at acquiring an organized part of a coal mine - Kopalnia Węgla Kamiennego "Brzeszcze – Silesia" Ruch II Silesia and has made an informal acquisition offer. As at the date of drawing up these consolidated financial statements the Management Board of ENEA S.A. decided to discontinue the process aimed at acquisition of an organized part of Kompania Węglowa S.A. Ruch II Silesia KWK "Brzeszcze-Silesia". It is possible that the Company will continue the negotiations and determine new principles of cooperation with Kompania Węglowa, the owner of KWK Silesia. In case of KWK Silesia coal mine the decision making process is in progress and ENEA S.A. is considering other forms of investments.

**32. Changes in excise tax**

On 1 March 2009, the amendment of the Excise Tax Act of 23 January 2004 came into force. Polish excise tax regulations had to be amended in order to comply with the EU laws. Based on the amendment, the excise tax obligation arises when electricity is supplied to the final buyers (not in time of producing electricity). Consequently, since 1 March 2009 ENEA S.A. has been obliged to pay excise tax, while before it was paid by Elektrownia "Kozienice" S.A.

On 12 February 2009 the European Court of Justice passed a verdict stating that the Polish regulations determining the moment of occurring the excise tax obligation in the sale of energy did not comply with the regulations of the EU Energy Directive.

In relation to the said arrangements, in February 2009 Elektrownia „Kozienice” S. A. filed a motion to the Head of the Radom Tax Office for a refund of overpaid excise tax in the amount of PLN 694,574 thousand for the period from January 2006 to December 2008. As the refund is not certain, the requested excise tax refund was not included in these consolidated financial statements.

The excise tax accrued for the period from 1 March 2009 to 30 June 2009 in ENEA S.A. amounted to PLN 92,121 thousand.

### **33. Post balance sheet events**

#### **33.1. Business combination**

On 1 July 2009 a merger consisting in the acquisition of STEREN Sp z o.o. with its registered office in Bydgoszcz by ENERGOMIAR Sp. z o.o. with its registered office in Poznań was registered in the National Court Register. As a result, a new entity was established under the name: ENERGOMIAR Sp z o.o. with the registered office in Poznań.

#### **33.2. Negotiations concerning acquisition of shares**

On 13 July 2009 the Minister of Treasury in Warsaw, acting on behalf of the State Treasury based on the Act on commercialization and privatization (Dz. U. of 2002 No. 171, item 1397, as amended) on detailed procedure of selling shares of the State Treasury (Dz. U. of 2009 No. 34, item 264), invited all interested parties to negotiations concerning the acquisition of 295,987,473 shares with the face value of PLN 1 each, owned by the State Treasury and constituting 67.05% of the share capital of ENEA S.A. in Poznań.

Written answers to the public invitation to negotiations concerning the acquisition of shares of the Company by Potential Investors who received the Memorandum should be submitted by 14 August 2009.

#### **33.3. Decision of the President of the Energy Regulatory Office concerning the annual adjustment of orphaned costs**

On 5 August 2009 the Company received a Decision of the President of the Energy Regulatory Office dated 31 July 2009 determining the amount of annual adjustment of orphaned costs for Elektrownia "Kozienice" S.A. Details have been provided in note 25.



## Selected individual financial data

|   | in PLN '000                         |                                     | in EUR '000                         |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|   | 6 months<br>ended 30 June<br>2009   | 6 months<br>ended 30 June<br>2008   | 6 months<br>ended 30 June<br>2009   | 6 months<br>ended 30<br>June 2008   |
| Net sales revenue                         | 3 523 286                           | 2 895 944                           | 779 761                             | 832 742                             |
| Profit/loss on operating activities       | 89 927                              | (13 427)                            | 19 902                              | (3 861)                             |
| Profit/loss before tax                    | 232 136                             | 71 098                              | 51 376                              | 20 445                              |
| Net profit/loss of the reporting period   | 199 461                             | 66 589                              | 44 144                              | 19 148                              |
| Net cash flows from operating activities  | (308 071)                           | 216 520                             | (68 181)                            | 62 261                              |
| Net cash flows from investing activities  | (1 948 233)                         | (2 935)                             | (431 176)                           | (844)                               |
| Net cash flows from financing activities  | (1 474)                             | (782)                               | (326)                               | (225)                               |
| Total net cash flows                      | (2 257 778)                         | 212 803                             | (499 683)                           | 61 192                              |
| Weighted average number of shares         | 441 442 578                         | 348 220 557                         | 441 442 578                         | 348 220 557                         |
| Net earnings per share (in PLN)           | 0,45                                | 0,19                                | 0,10                                | 0,05                                |
| Diluted profit per share (in PLN/EUR)     | 0,45                                | 0,19                                | 0,10                                | 0,05                                |
|   | <b>Balance as at<br/>30.06.2009</b> | <b>Balance as at<br/>31.12.2008</b> | <b>Balance as at<br/>30.06.2009</b> | <b>Balance as at<br/>31.12.2008</b> |
| Total assets                              | 10 916 743                          | 11 093 233                          | 2 442 443                           | 2 658 718                           |
| Total liabilities                         | 1 207 645                           | 1 380 315                           | 270 191                             | 330 820                             |
| Non-current liabilities                   | 118 014                             | 124 163                             | 26 404                              | 29 758                              |
| Current liabilities                       | 1 089 631                           | 1 256 152                           | 243 787                             | 301 062                             |
| Equity                                    | 9 709 098                           | 9 712 918                           | 2 172 252                           | 2 327 897                           |
| Share capital                             | 588 018                             | 588 018                             | 131 559                             | 140 930                             |
| Book value per share (in PLN/EUR)         | 21,99                               | 22,00                               | 4,92                                | 5,27                                |
| Diluted book value per share (in PLN/EUR) | 21,99                               | 22,00                               | 4,92                                | 5,27                                |

The above financial data for the first half of 2009 and 2008 were translated into EUR in line with the following principles:

- individual assets and liabilities - as per the average exchange rate at 30 June 2009– PLN/EUR 4.4696 (as at 31 December 2008 - PLN/EUR 4.1724);
- individual items from the income statement and the cash flow statement - as per the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the last day of each month of the financial period from 1 January to 30 June 2009 - PLN/EUR – 4.5184 (for the period from 1 January to 30 June 2008 – PLN/EUR 3.4776).

**INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM  
1 JANUARY 2009 TO 30 JUNE 2009**

**To the Supervisory Board and Management Board of ENEA S.A.**

We have reviewed the attached condensed interim consolidated financial statements of the ENEA S.A. Capital Group in which ENEA S.A., with registered office in Poznań, ul. Nowowiejskiego 11, acts as the Group's parent company, including:

- consolidated balance sheet prepared as of 30 June 2009, with total assets and equity plus liabilities of PLN 12,176,109 thousand;
- consolidated statement of comprehensive income for the period from 1 January 2009 to 30 June 2009 disclosing a net profit of PLN 391,906 thousand and comprehensive income of PLN 409,799 thousand;
- statement of changes in consolidated equity for the period from 1 January 2009 to 30 June 2009, disclosing an increase in equity of PLN 206,512 thousand;
- consolidated cash flow statement for the period from 1 January 2009 to 30 June 2009, showing a cash outflow of PLN 1,905,034 thousand;
- additional information and explanations.

The Management Board of ENEA S.A. is responsible for fairness, correctness and clarity of information contained in the condensed interim consolidated financial statements drawn up in compliance with International Financial Reporting Standards applicable to interim financial reporting, as approved by the European Union ("IAS 34") and correctness of preparing consolidation documentation. Our responsibility was to review these condensed interim consolidated financial statements.

The condensed interim consolidated financial statements of the ENEA S.A. Capital Group for the period of 6 months ended 30 June 2009 cover financial data of 25 subsidiaries consolidated with the full method. The financial statements of 6 subsidiaries were subject to review by the entity authorized to audit financial statements, Deloitte Audyt Sp. z o.o. The financial statements of the remaining 19 subsidiaries were not subject to review by entities authorized to audit financial statements. The share of the financial statements which were not subject to a review in consolidated sales revenue and in the consolidated balance sheet total before consolidation adjustments was 2% and 1%, respectively.

We have conducted the review in line with legal regulations valid in Poland and auditing standards issued by the National Council of Statutory Auditors. The standards require to plan and conduct the review in such a way as to obtain reasonable assurance that the condensed interim consolidated financial statements are free of material misstatements. Our review was conducted mainly based on an analysis of data included in the condensed interim consolidated financial statements, examination of consolidation documentation as well as information provided by the Management Board and the financial and accounting personnel of the parent company. The scope and method of review of the condensed interim consolidated financial statements are substantially different from an audit. The objective of the review is not to express an opinion on the fairness, correctness and clarity of the condensed interim consolidated financial statements. Therefore, no such opinion is issued.

Our review did not identify a need to introduce significant changes to the attached condensed interim consolidated financial statements so that they would provide a fair and clear view of the financial and economic position of the ENEA S.A. Capital Group as at 30 June 2009 and the financial result for the period from 1 January 2009 to 30 June 2009, in line with IAS 34.

Without qualifying the fairness and correctness of the attached condensed interim consolidated financial statements, we would like to point out the information presented Note 25 in which the Management Board of ENEA S.A. presented information concerning the Decision of the President of the Energy Regulatory Office provided to Elektrownia "Kozienice" S.A. on 5 August 2009. The decision determined the amount of the annual adjustment of orphaned costs for Elektrownia "Kozienice" S.A. for the year 2008 and the decision's impact on orphaned costs in the first half of 2009.

.....  
**Marcin Samolik**  
Certified auditor:  
No. 10066

.....  
Represented by

.....  
**Deloitte Audyt Sp. z o.o.**  
Entity entitled to audit financial  
statements entered under  
number 73 on the list kept by the  
National Council of Statutory Auditors

Warsaw, 31 August 2009

**Condensed interim individual financial statements  
of ENEA S.A.  
for the period from 1 January to 30 June 2009**

**Poznań, 31 August 2009**

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These condensed interim individual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), IAS 34 Interim Financial Reporting, approved by the European Union (EU) and by the Management Board of ENEA S.A.

**Members of the Management Board**

|   |                            |
|---|----------------------------|
| <b>Chairman of the Management Board</b> | <b>Maciej Owczarek</b>     |
| <b>Member of the Management Board</b>   | <b>Piotr Koczorowski</b>   |
| <b>Member of the Management Board</b>   | <b>Sławomir Jankiewicz</b> |
| <b>Member of the Management Board</b>   | <b>Czesław Koltermann</b>  |
| <b>Member of the Management Board</b>   | <b>Marek Malinowski</b>    |
| <b>Member of the Management Board</b>   | <b>Tomasz Treider</b>      |

**Poznań, 31 August 2009**

**ENEA S.A.**

Condensed interim individual financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)***Individual Balance Sheet**

|  | <b>Balance as at</b> |                   |
|--|----------------------|-------------------|
|  | <b>30.06.2009</b>    | <b>31.12.2008</b> |
| <b>ASSETS</b>  |                      |                   |
| <b>Non-current assets</b>                                      |                      |                   |
| Property, plant and equipment                                  | 208 184              | 212 361           |
| Perpetual usufruct of land                                     | 895                  | 990               |
| Intangible assets  | 752                  | 982               |
| Investments in subsidiaries, associates and co-subsiidiaries   | 7 807 419            | 7 780 241         |
| Deferred tax assets  | 32 524               | 39 701            |
| Financial assets available for sale                            | 3 866                | 3 866             |
| Financial assets measured at fair value through profit or loss | 1 125                | 1 033             |
|  | <b>8 054 765</b>     | <b>8 039 174</b>  |
| <b>Current assets</b>  |                      |                   |
| Trade and other receivables                                    | 853 285              | 732 673           |
| Current income tax receivables                                 | 8 565                | -                 |
| Financial assets measured at fair value through profit or loss | 1 936 520            | -                 |
| Cash and cash equivalents                                      | 63 608               | 2 321 386         |
|  | <b>2 861 978</b>     | <b>3 054 059</b>  |
| <b>TOTAL ASSETS</b>  | <b>10 916 743</b>    | <b>11 093 233</b> |

The individual balance sheet should be analysed jointly with explanatory notes constituting an integral part of these condensed interim individual financial statements

**ENEA S.A.**

Condensed interim individual financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)*

| <b>EQUITY AND LIABILITIES</b>  | <b>Balance as at</b> |                   |
|--|----------------------|-------------------|
|  | <b>30.06.2009</b>    | <b>31.12.2008</b> |
| <b>EQUITY</b>  |                      |                   |
| Share capital  | 588 018              | 588 018           |
| Capital due to surplus of the price of issue over the nominal value            | 4 627 673            | 4 627 673         |
| Own shares   | (17 396)             | (17 396)          |
| Share-based capital  | 1 144 336            | 1 144 336         |
| Revaluation reserve (financial instruments)                                    | (3 847)              | (3 847)           |
| Reserve capital  | 754 841              | 754 425           |
| Retained earnings  | 2 615 473            | 2 619 709         |
| <b>Total equity</b>  | <b>9 709 098</b>     | <b>9 712 918</b>  |
| <b>LIABILITIES</b>   |                      |                   |
| <b>Non-current liabilities</b>   |                      |                   |
| Loans and borrowings   | -                    | -                 |
| Finance lease liabilities  | 6 198                | 5 821             |
| Settlement of income due to subsidies and connection fees                      | 33 769               | 34 301            |
| Liabilities due to employee benefits   | 78 047               | 84 041            |
|  | <b>118 014</b>       | <b>124 163</b>    |
| <b>Current liabilities</b>   |                      |                   |
| Loans and borrowings   | -                    | -                 |
| Trade and other liabilities  | 965 124              | 879 458           |
| Finance lease liabilities  | 3 052                | 1 967             |
| Settlement of income due to subsidies and connection fees                      | 2 256                | 2 437             |
| Current income tax liabilities   | -                    | 11 654            |
| Liabilities due to employee benefits   | 9 513                | 9 018             |
| Liabilities due to an equivalent of the right to acquire shares free of charge | 1 334                | 163 799           |
| Provision for certificates of origin   | 65 585               | 143 942           |
| Provisions for other liabilities and charges                                   | 42 767               | 43 877            |
|  | <b>1 089 631</b>     | <b>1 256 152</b>  |
| <b>Total liabilities</b>   | <b>1 207 645</b>     | <b>1 380 315</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>10 916 743</b>    | <b>11 093 233</b> |



**Individual statement of comprehensive income**

|  | For the period                 |                                |
|--|--------------------------------|--------------------------------|
|  | 6 months ended<br>30 June 2009 | 6 months ended<br>30 June 2008 |
| Sales revenue  | 3 615 407                      | 2 895 944                      |
| Excise duty  | (92 121)                       | -                              |
| <b>Net sales revenue</b>   | <b>3 523 286</b>               | <b>2 895 944</b>               |
| Other operating revenue  | 14 686                         | 28 023                         |
| Amortization/Depreciation  | (7 116)                        | (8 564)                        |
| Employee benefits costs  | (11 523)                       | (73 401)                       |
| Consumption of materials and raw materials and costs of goods sold     | (1 388)                        | (2 916)                        |
| Energy purchase for the needs of sales                                 | (2 272 753)                    | (1 653 145)                    |
| Transmission and distribution services                                 | (1 068 567)                    | (1 126 637)                    |
| Other external services  | (56 824)                       | (56 011)                       |
| Taxes and charges  | (5 139)                        | (4 551)                        |
| Profit (loss) on sale and liquidation of property, plant and equipment | 727                            | -                              |
| Impairment loss on property, plant and equipment                       | (7 517)                        | -                              |
| Other operating expenses   | (17 945)                       | (12 169)                       |
| <b>Operating profit</b>  | <b>89 927</b>                  | <b>(13 427)</b>                |
| Financial expenses   | (4 753)                        | (745)                          |
| Financial revenue  | 68 065                         | 18 514                         |
| Revenue from dividend  | 78 897                         | 66 756                         |
| <b>Profit before tax</b>   | <b>232 136</b>                 | <b>71 098</b>                  |
| Income tax   | (32 675)                       | (4 509)                        |
| <b>Net profit for the financial period</b>                             | <b>199 461</b>                 | <b>66 589</b>                  |
| <b>Other comprehensive income items:</b>                               |                                |                                |
| Measurement of financial assets available for sale                     | -                              | (1 835)                        |
| Income tax related to other comprehensive income items                 | -                              | 284                            |
| <b>Other net comprehensive income items</b>                            | <b>-</b>                       | <b>(1 551)</b>                 |
| <b>Comprehensive income</b>  | <b>199 461</b>                 | <b>65 038</b>                  |
| Earnings per shareholders  | 199 461                        | 66 589                         |
| Weighted average number of ordinary shares                             | 441 442 578                    | 348 220 557                    |
| <b>Net earnings per share (in PLN)</b>                                 | <b>0.45</b>                    | <b>0.19</b>                    |
| <b>Diluted earnings per share (in PLN)</b>                             | <b>0.45</b>                    | <b>0.19</b>                    |

**ENEA S.A.**

Condensed interim individual financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)***Individual statement of changes in equity**

|   | Share capital<br>(nominal value) | Revaluation of share capital | Total share capital | Own shares      | Capital due to surplus of the price of issue over the nominal value of shares | Share-based capital | Revaluation reserve (financial instruments) | Reserve capital | Retained earnings | Total equity     |
|---|----------------------------------|------------------------------|---------------------|-----------------|---|---------------------|---|-----------------|-------------------|------------------|
| <b>Balance as at 01.01.2009</b>                     | <b>441 443</b>                   | <b>146 575</b>               | <b>588 018</b>      | <b>(17 396)</b> | <b>4 627 673</b>  | <b>1 144 336</b>    | <b>( 3 847)</b>                             | <b>754 425</b>  | <b>2 619 709</b>  | <b>9 712 918</b> |
| Total profit  |                                  |                              |                     |                 |   |                     |   |                 | 199 461           | <b>199461</b>    |
| Dividends   |                                  |                              |                     |                 |   |                     |   |                 | (203 281)         | <b>(203 281)</b> |
| Distribution of the financial result                |                                  |                              |                     |                 |   |                     |   | 416             | (416)             | -                |
| Change in the fair value of employee shares program |                                  |                              |                     |                 |   |                     |   |                 |                   |                  |
| Share issue   |                                  |                              |                     |                 |   |                     |   |                 |                   |                  |
| Own shares acquired under the stabilization option  |                                  |                              |                     |                 |   |                     |   |                 |                   |                  |
| <b>Balance as of 30.06.2009</b>                     | <b>441 443</b>                   | <b>146 575</b>               | <b>588 018</b>      | <b>(17 396)</b> | <b>4 627 673</b>  | <b>1 144 336</b>    | <b>(3 847)</b>                              | <b>754 841</b>  | <b>2 615 473</b>  | <b>9 709 098</b> |

The individual statement of changes in equity should be analysed jointly with explanatory notes constituting an integral part of these condensed interim individual financial statements

**ENEA S.A.**

Condensed interim individual financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)*

|   | Share capital<br>(nominal value) | Revaluation of share capital | Total share capital | Capital due to surplus of the price of issue over the nominal value of shares | Share-based capital | Revaluation reserve (financial instruments) | Reserve capital | Retained earnings | Total equity     |
|---|----------------------------------|------------------------------|---------------------|---|---------------------|---|-----------------|-------------------|------------------|
| <b>Balance as at 01.01.2008</b>                     | <b>348 221</b>                   | <b>146 575</b>               | <b>494 796</b>      | <b>2 791 254</b>  | <b>901 110</b>      | -   | <b>412 400</b>  | <b>2 864 459</b>  | <b>7 464 019</b> |
| Total profit  |                                  |                              |                     |   |                     | (1 551)                                     |                 | 66 589            | 65 038           |
| Dividends   |                                  |                              |                     |   |                     |   |                 | (94 227)          | (94 227)         |
| Distribution of the financial result                |                                  |                              |                     |   |                     |   | 342 274         | (342 274)         | -                |
| Right to acquire shares free of charge              |                                  |                              |                     |   | 243 475             |   |                 |                   | 243 475          |
| Change in the fair value of employee shares program |                                  |                              |                     |   |                     |   |                 |                   |                  |
| Share issue   |                                  |                              |                     |   |                     |   |                 |                   |                  |
| Own shares acquired under the stabilization option  |                                  |                              |                     |   |                     |   |                 |                   |                  |
| <b>Balance as at 30.06.2008</b>                     | <b>348 221</b>                   | <b>146 575</b>               | <b>494 796</b>      | <b>2 791 254</b>  | <b>1 144 585</b>    | <b>(1 551)</b>                              | <b>754 674</b>  | <b>2 494 547</b>  | <b>7 678 305</b> |

The individual statement of changes in equity should be analysed jointly with explanatory notes constituting an integral part of these condensed interim individual financial statements

**Individual cash flow statement**

|   | <b>6 months<br/>ended<br/>30.06.2009</b> | <b>6 months<br/>ended<br/>30.06.2008</b> |
|---|--|--|
| <b>Cash flows from operating activities</b>   |  |  |
| Net profit for the financial period   | 199 461                                  | 66 589                                   |
| Adjustments:  |  |  |
| Income tax recognized in the income statement   | 32 675                                   | 4 509                                    |
| Amortization/Depreciation   | 7 116                                    | 8 642                                    |
| Costs of benefits due to share-based payments   | -  | 19 433                                   |
| Loss on sale and liquidation of property, plant and equipment   | 748                                      | -  |
| Impairment loss on property, plant and equipment  | 7517                                     | -  |
| (Profit) / loss on sale of financial assets   | (92)                                     | (1 689)                                  |
| Interest revenue  | (50 775)                                 | (18 514)                                 |
| Revenue from dividend   | (78 897)                                 | (66 756)                                 |
| Interest expenses   | 2 782                                    | 745                                      |
| Exchange (gains) / losses<br>due to repayment of loans and borrowings                                       | -  | -  |
|   | <b>(78 926)</b>                          | <b>(53 630)</b>                          |
| Income tax paid   | (45 717)                                 | (29 732)                                 |
| Interest received   | 49 605                                   | (698)                                    |
| Interest paid   | (2 782)                                  | 21 433                                   |
| Changes in the working capital  |  |  |
| Inventories   | -  | -  |
| Trade and other receivables   | (48 243)                                 | (45 406)                                 |
| Trade and other liabilities   | (132 931)                                | 157 804                                  |
| Liabilities due to employee benefits  | (5 499)                                  | 26 843                                   |
| Settlement of income due to subsidies and connection fees   | (1 107)                                  | (1 082)                                  |
| Change in provisions for certificates of origin   | (78 357)                                 | 81 314                                   |
| Change in the balance of liabilities due to the equivalent of the right<br>to acquire shares free of charge | (162 465)                                | -  |
| Change in provisions  | (1 110)                                  | (6 915)                                  |
|   | <b>(429 712)</b>                         | <b>212 558</b>                           |
| <b>Net cash flows from operating activities</b>   | <b>(308 071)</b>                         | <b>216 520</b>                           |
| <b>Cash flows from investing activities</b>   |  |  |
| Acquisition of property, plant and equipment and intangible assets  | 3 658                                    | (6 959)                                  |
| Gains from disposal of property, plant and equipment and intangible assets                                  | -  | -  |
| Gains from sale of financial assets   | -  | 3 766                                    |
| Acquisition of financial assets   | (1 936 520)                              | (22)                                     |
| Acquisition of subsidiaries, associates and a jointly-controlled entity                                     | (23 249)                                 | -  |
| Dividends received  | 7 801                                    | 280                                      |
| Other outflows / inflows from investing activities  | 77                                       | -  |
| <b>Net cash flows from investing activities</b>   | <b>(1 948 233)</b>                       | <b>(2 935)</b>                           |
| <b>Cash flows from financing activities</b>   |  |  |
| Outflows due to payment of finance lease liabilities  | (1 474)                                  | (782)                                    |
| <b>Net cash flows from financing activities</b>   | <b>(1 474)</b>                           | <b>(782)</b>                             |
| <b>Net increase (decrease) in cash</b>  | <b>(2 257 778)</b>                       | <b>212 803</b>                           |
| Opening balance of cash   | 2 321 386                                | 356 592                                  |
| <b>Closing balance of cash</b>  | <b>63 608</b>                            | <b>569 395</b>                           |

## 1. General information about ENEA S.A.

|   |  |
|---|--|
| <b>Name (company):</b>                                    | ENE A Spółka Akcyjna                               |
| <b>Legal form:</b>  | joint-stock company                                |
| <b>Country of jurisdiction:</b>                           | Poland   |
| <b>Registered office address:</b>                         | Poznań<br>ul. Nowowiejskiego 11, 60-967 Poznań     |
| <b>National Court Register - District Court in Poznań</b> | KRS 0000012483                                     |
| <b>Telephone:</b>   | (+48 61) 856 10 00                                 |
| <b>Fax:</b>   | (+48 61) 856 11 17                                 |
| <b>E-mail:</b>  | <a href="mailto:ene a@ene a.pl">ene a@ene a.pl</a> |
| <b>Website:</b>   | <a href="http://www.ene a.pl">www.ene a.pl</a>     |
| <b>Statistical number (REGON):</b>                        | 630139960  |
| <b>Tax identification number (NIP):</b>                   | 777-00-20-640                                      |

ENE A S.A, operating under the business name Energetyka Poznańska S.A, was entered in the National Court Register in the District Court in Poznań, under number KRS 0000012483 on 21 May 2001.

As at 30 June 2009 the Company's shareholder structure is as follows (an increase in the share capital as a result of issuance of shares under a public offering, was registered in the National Court Register on 13 January 2009): the State Treasury of the Republic of Poland holds 76.48% of shares, Vattenfall AB 18.67%, European Bank for Reconstruction and Development 2.50%, ENE A S.A. 0.26% (shares acquired under the stabilization option), remaining shareholders 2.09%. The sale of own shares by ENE A S.A. (nominal value of PLN 1; the sale of 1 129 608 own shares at the average price of PLN 19.90 per share) was settled on 11 August 2009. As at the date of preparing these condensed interim individual financial statements ENE A S.A. did not hold any own shares.

As at 30 June 2009 the Company's statutory share capital registered in the National Court Register equaled PLN 441,443 thousand (PLN 588,018 thousand upon adoption of EU-IFRS and considering hyperinflation and other adjustments) and was divided into 441,442,578 shares.

Main activities of ENE A S.A. ("ENE A" "Company") is trade in electricity.

ENE A S.A. is the parent company of the ENE A S. A. Capital Group which as at 30 June 2009 comprised also 25 subsidiaries, 3 associates and a jointly-controlled entity.

These condensed interim individual financial statements were prepared under the going concern assumption. There are no circumstances indicating that the going concern assumption of ENE A S.A. is threatened.

## **2. Statement of compliance**

These condensed interim individual financial statements were prepared in accordance with the International Financial Reporting Standards IAS 34 Interim Financial Reporting, as approved by the European Union (EU-IFRS) and adopted by the Management Board of ENEA S.A.

The Management Board of the Company 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 condensed interim individual financial statements of ENEA S.A. in accordance with EU-IFRS as at 30 June 2009. The presented statements and explanations have been determined using due diligence. These condensed interim individual financial statements were audited by a certified auditor.

## **3. Accounting principles applied**

These condensed interim individual financial statements were prepared in accordance with accounting policies consistent with those applied during the preparation of the most recent annual individual financial statements, excluding changes of standards and interpretations approved by the European Union which apply to the reporting periods beginning after 1 January 2009.

The accounting principles applied by the Company have been presented in the individual financial statements of ENEA S.A. for the financial year ended 31 December 2008.

The Polish zloty was used as the measurement and reporting currency for the interim individual financial statements. The data in the individual financial statements have been presented in PLN thousand (PLN '000), unless stated otherwise.

These condensed interim individual financial statements should be read together with the individual financial statements of ENEA S.A. for the financial year ended 31 December 2008.

## **4. New accounting standards and interpretations**

For annual periods beginning after 1 January 2009 new standards approved by the EU are applicable. When preparing these condensed interim individual financial statements the Company complied with the following standards:

- IFRS 8 - Operating Segments
- Revised IAS 1 - Presentation of Financial Statements
- Revised IAS 23 - Borrowing Costs

**5. Material estimates and assumptions**

The preparation of these condensed interim individual financial statements in conformity with EU-IFRS requires that the Management Board makes certain estimates and assumptions that affect the adopted accounting policies and the amounts reported in the condensed interim individual financial statements and notes thereto. The adopted assumptions and estimates are based on the Management Board's best knowledge about current and future activities and events. The actual figures, however, can be different from those assumed. The estimated adopted for the needs of preparation of the condensed interim individual financial statements are consistent with the estimates adopted during preparation of the individual financial statements for the previous financial year. The estimates presented in previous financial years do not have any significant influence of the current interim period.

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

| No  | Name and address of the Company   | ENEA S.A.<br>percentage share in<br>the total number of<br>votes<br>30.06.2009 | ENEA S.A.<br>percentage share in<br>the total number of<br>votes<br>31.12.2008 |
|-----|---|--|--|
| 1.  | ENERGOMIAR Sp. z o.o.<br>Poznań, ul. Strzeszyńska 58  | 100  | 100  |
| 2.  | BHU S.A.<br>Poznań, ul. Strzeszyńska 58   | 87.97  | 87.97  |
| 3.  | Energetyka Poznańska Biuro Usług Technicznych S.A.<br>Poznań, ul. Dziadoszańska 10  | 100  | 100  |
| 4.  | Energetyka Poznańska Hotel „EDISON” Sp. z o.o.<br>Baranowo k/Poznania   | 100  | 100  |
| 5.  | Energetyka Wysokich i Najwyższych Napięć<br>„EWiNN” Sp. z o.o.<br>Poznań, ul. Strzeszyńska 58                                       | 100  | 100  |
| 6.  | Energetyka Poznańska Zakład Transportu Sp. z o.o.<br>Poznań, ul. Strzeszyńska 58  | 100  | 100  |
| 7.  | COGEN Sp. z o.o.<br>Poznań, ul. Nowowiejskiego 11   | 100  | 100  |
| 8.  | EnergPartner Sp. z o.o.<br>Poznań, ul. Strzeszyńska 58  | 100  | 100  |
| 9.  | Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych<br>Energobud Leszno Sp. z o.o.<br>Lipno, Gronówko 30                     | 100  | 100  |
| 10. | Energetyka Poznańska Zakład Obsługi Socjalnej<br>ENERGO-TOUR Sp. z o.o.<br>Poznań, ul. Marcinkowskiego 27                           | 99.92  | 99.92  |
| 11. | ENEOS Sp. z o.o.<br>Szczecin, ul. Ku Słońcu 34  | 100  | 100  |
| 12. | ENTUR Sp. z o.o.<br>Szczecin, ul. Malczewskiego 5/7   | 100  | 100  |
| 13. | Niepubliczny Zakład Opieki Zdrowotnej Centrum Rehabilitacyjno –<br>Wczasowe ENERGETYK Sp. z o.o.<br>Inowrocław, ul. Wilkońskiego 2  | 99.92  | 99.92  |
| 14. | STEREN Sp. z o.o.<br>Bydgoszcz, ul. Lenartowicza 33-35  | 100  | 100  |
| 15. | Elektrownie Wodne Sp. z o.o.<br>Samociążek, 86-010 Koronowo   | 100  | 100  |
| 16. | Zakład Usług Przewozowych ENERGOTRANS Sp. z o.o.<br>Gorzów Wlkp., ul. Energetyków 4   | 100  | 100  |
| 17. | „PWE Gubin” Sp. z o.o.<br>Sękowice 100 gm. Gubin  | 50   | 50   |
| 18. | Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Obornikach<br>Oborniki, ul. Wybudowanie 56   | 87.99  | 87.99  |
| 19. | Zakład Usług Teleinformatycznych ZZE S.A. „IT Serwis” Sp. z o.o.<br>Zielona Góra, ul. Zacisze 28                                    | 100  | 100  |
| 20. | Zakład Handlowo – Usługowy „Auto – Styl” Zielonogórskich Zakładów<br>Energetycznych S.A. Sp. z o.o.<br>Zielona Góra, ul. Zacisze 15 | 100  | 100  |
| 21. | FINEA Sp. z o.o.<br>Poznań, ul. Warszawska 43   | 100  | 100  |
| 22. | Przedsiębiorstwo Energetyki Ciepłej –Gozdnicza Sp. z o.o.<br>Gozdnicza, ul. Świerczewskiego 30                                      | 100  | 100  |
| 23. | ENEA Operator Sp. z o.o.<br>Poznań, ul. Strzeszyńska 58   | 100  | 100  |
| 24. | Elektrownia „Kozienice” S.A.<br>Świerże Górne, gmina Kozienice, Kozienice 1   | 100  | 100  |
| 25. | Miejska Energetyka Ciepła Sp. z o.o. w Pile<br>64-920 Pila, ul. Kaczorska 20  | 64.997   | 64.997   |
| 26. | Kozienice II Sp. z o.o.<br>Świerże Górne, gmina Kozienice, Kozienice 2  | 50   | 30   |
| 27. | Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych<br>WIRBET S.A.<br>Ostrów Wlkp., ul. Chłapowskiego 51                  | 49   | 49   |
| 28. | Przedsiębiorstwo Energetyki Ciepłej w Śremie S.A.   | 41.65  | 41.65  |



**ENEA S.A.**

Condensed interim individual financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)*

|     |  |       |       |
|-----|--|-------|-------|
|     | <i>Śrem, ul. Staszica 6</i>  |       |       |
| 29. | Elektrociepłownia Białystok S.A.<br><i>Białystok, ul. Gen. Andersa 3</i> | 30.36 | 30.36 |

**Changes in the ENEA S.A. Capital Group structure in the period covered by these interim financial statements**

On 23 February 2009, the Extraordinary Shareholders' Meeting of Kozienice II Sp. z o. o. adopted a resolution to increase the share capital by PLN 34,000 thousand. ENEA S.A. acquired 17,200 new shares with the face value of PLN 1,000 each. The remaining shares were assumed by Elektrownia "Kozienice" S.A. After the capital increase, Elektrownia "Kozienice" S.A. and ENEA S.A. hold 50% in the share capital and in the total number of votes at the Shareholder's Meeting. Appropriate entry in the National Court Register was made on 7 April 2009.

On 31 March 2009 the Extraordinary Shareholders' Meeting of Zakład Usług Teleinformatycznych ZZE S.A. "IT SERWIS" Sp. z o. o. passed a Resolution No. 1 to increase the company's share capital by PLN 6,264 thousand up to PLN 6,364 thousand, by way of creating 12,528 new shares with the face value of PLN 500 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A. The shares were covered with a contribution-in-kind. The increase in capital was registered on 15 May 2009.

On 31 March 2009 the Extraordinary Shareholders' Meeting of ENTUR Sp. z o. o. passed a Resolution No. 1 to increase the company's share capital by PLN 3,934.5 thousand up to PLN 4,034.5 thousand, by way of creating 7,869 new shares with the face value of PLN 500 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A. The shares were covered with a contribution-in-kind. The increase in capital was registered on 9 June 2009.

On 31 March 2009 the Extraordinary Shareholders' Meeting of Zakład Usług Przewozowych "ENERGOTRANS" Sp. z o. o. passed a Resolution No. 1 to increase the company's share capital by PLN 500 thousand up to PLN 1,385 thousand, by way of creating 1,000 new shares with the face value of PLN 500 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A. On 1 April 2009 the shares were covered with a cash contribution.

**ENEA S.A.**

Condensed interim individual financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)*

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On 4 May 2009 the Extraordinary Shareholders' Meeting of COGEN Sp. z o. o. passed a Resolution No. 1 to increase the company's share capital by PLN 622.5 thousand up to PLN 1,622.5 thousand, by way of creating 1,245 new shares with the face value of PLN 500 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A.

On 25 May 2009 the Extraordinary Shareholders' Meeting of "PWE GUBIN" Sp. z o. o. passed a Resolution to increase the company's share capital by PLN 11,000 thousand. ENEA S.A. assumed 5,500 new shares with the face value of PLN 1,000 each. The remaining shares were assumed by Kopalnia Węgla Brunatnego "Konin" w Kleczewie S.A. After the capital increase, ENEA S.A. and Kopalnia Węgla Brunatnego "Konin" hold 50% in the share capital and in the total number of votes at the Shareholder's Meeting each.

**ENEA S.A.**

Condensed interim individual financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)***7. Segment reporting**

Segment reporting for the period from 1 January to 30 June 2009 is as follows:

|  | <b>Turnover</b>  | <b>All other segments</b> | <b>Total</b>     |
|--|------------------|---------------------------|------------------|
| Net sales revenue*                             | 3 497 078        | 26 208                    | 3 523 286        |
| Inter-segment sales                            | -                | -                         | -                |
| <b>Total net sales revenue</b>                 | <b>3 497 078</b> | <b>26 208</b>             | <b>3 523 286</b> |
| Total expenses **                              | (3 383 931)      | (25 777)                  | (3 409 708)      |
| <b>Segment profit/loss</b>                     | <b>113 147</b>   | <b>431</b>                | <b>113 578</b>   |
| Unassigned general and administrative expenses |                  |                           | (23 651)         |
| <b>Operating profit</b>                        |                  |                           | <b>89 927</b>    |
| Financial expenses                             |                  |                           | (4 753)          |
| Financial revenue                              |                  |                           | 68 065           |
| Revenue from dividend                          |                  |                           | 78 897           |
| Income tax                                     |                  |                           | (32 675)         |
| <b>Net profit</b>                              |                  |                           | <b>199 461</b>   |

\* - net sales revenue under Turnover also includes net revenue from sales of distribution services of PLN 1,068 thousand which was individually presented in the condensed interim consolidated financial statements of the ENEA S.A Group under Distribution.

\*\* - the total expenses:

- include the costs of sales of distribution services of PLN 1,068 thousand, which were individually presented in the condensed interim consolidated financial statements of the ENEA S.A Group under Distribution

- include other operating revenue and expenses

Segment reporting for the period from 1 January to 30 June 2008 is as follows:

|  | <b>Turnover</b>  | <b>All other segments</b> | <b>Total</b>     |
|--|------------------|---------------------------|------------------|
| Net sales revenue*                             | 2 873 061        | 22 883                    | 2 895 944        |
| Inter-segment sales                            | -                | -                         | -                |
| <b>Total net sales revenue</b>                 | <b>2 873 061</b> | <b>22 883</b>             | <b>2 895 944</b> |
| Total expenses **                              | (2 800 643)      | (23 117)                  | (2 823 760)      |
| <b>Segment profit/loss</b>                     | <b>72 418</b>    | <b>(234)</b>              | <b>72 184</b>    |
| Unassigned general and administrative expenses |                  |                           | (85 611)         |
| <b>Operating profit</b>                        |                  |                           | <b>(13 427)</b>  |
| Financial expenses                             |                  |                           | (745)            |
| Financial revenue                              |                  |                           | 18 514           |
| Revenue from dividend                          |                  |                           | 66 756           |
| Income tax                                     |                  |                           | (4 509)          |
| <b>Net profit</b>                              |                  |                           | <b>66 589</b>    |

**ENEA S.A.**

Condensed interim individual financial statements for the period from 1 January to 30 June 2009.

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*(all amounts in PLN '000, unless provided for otherwise)*

\*

\* - net sales revenue under Turnover also includes net revenue from sales of distribution services of PLN 1,133 thousand which was individually presented in the condensed interim consolidated financial statements of the ENEA S.A Group under Distribution

\*\* - the total expenses:

- include the costs of sales of distribution services of PLN 1,127 thousand, which were individually presented in the condensed interim consolidated financial statements of the ENEA S.A Group under Distribution

- include other operating revenue and expenses

**ENEA S.A.**

Condensed interim individual financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)***Information on operating segments (cont'd)**

Other segment reporting information as at 30 June 2009:

| <u>Balance as of 30.06.2009</u>   | <u>Turnover</u> | <u>All other segments</u> | <u>Total</u>      |
|---|-----------------|---------------------------|-------------------|
| Property, plant and equipment   | 18 219          | 138 184                   | 156 403           |
| Trade and other receivables   | 774 257         | 5 709                     | 779 966           |
| Total:  | <b>792 476</b>  | <b>143 893</b>            | <b>936 369</b>    |
| ASSETS excluded from segmentation   |                 |                           | 9 980 374         |
| - including property, plant and equipment   |                 |                           | 51 781            |
| - including trade and other receivables   |                 |                           | 73 319            |
| <b>TOTAL ASSETS</b>   |                 |                           | <b>10 916 743</b> |
| Trade and other liabilities   | 706 885         | 5 413                     | 712 298           |
| Equity and liabilities excluded from segmentation   |                 |                           | 10 204 445        |
| - including trade liabilities and other liabilities                                       |                 |                           | 252 826           |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |                 |                           | <b>10 916 743</b> |
| Capital expenditure for fixed assets and intangible assets                                | -               | 8 755                     | 8 755             |
| Capital expenditure for fixed assets and intangible assets excluded from segmentation     |                 |                           | 5 729             |
| Depreciation /amortization of fixed assets / intangible assets                            | 220             | 6 421                     | 6 641             |
| Depreciation /amortization of fixed assets / intangible assets excluded from segmentation |                 |                           | 475               |
| Revaluation write-down on receivables as at 30.06.2009                                    | 86 116          | 642                       | 86 758            |

**ENEA S.A.**

Condensed interim individual financial statements for the period from 1 January to 30 June 2009.

*(all amounts in PLN '000, unless provided for otherwise)***Information on operating segments (cont'd)**

Other segment reporting information as at 31 December 2008:

| <u>Balance as at 31 December 2008</u>   | <u>Turnover</u> | <u>All other segments</u> | <u>Total</u>      |
|---|-----------------|---------------------------|-------------------|
| Property, plant and equipment   | 18 439          | 140 710                   | 159 149           |
| Trade and other receivables   | 713 082         | 5 896                     | 718 978           |
| Total:  | <b>731 521</b>  | <b>146 606</b>            | <b>878 127</b>    |
| ASSETS excluded from segmentation   |                 |                           | 10 215 106        |
| - including property, plant and equipment   |                 |                           | 53 212            |
| - including trade and other receivables   |                 |                           | 13 695            |
| <b>TOTAL ASSETS</b>   |                 |                           | <b>11 093 233</b> |
| Trade and other liabilities   | 840 957         | 5 912                     | 846 869           |
| Equity and liabilities excluded from segmentation   |                 |                           | 10 246 364        |
| - including trade liabilities and other liabilities                                       |                 |                           | 32 589            |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |                 |                           | <b>11 093 233</b> |
| Capital expenditure for fixed assets and intangible assets                                | -               | 13 421                    | 13 421            |
| Capital expenditure for fixed assets and intangible assets excluded from segmentation     |                 |                           | 21 893            |
| Depreciation /amortization of fixed assets / intangible assets                            | 321             | 16 179                    | 16 500            |
| Depreciation /amortization of fixed assets / intangible assets excluded from segmentation |                 |                           | 296               |
| Revaluation write-down on receivables as at 31.12.2008                                    | 92 752          | 767                       | 93 519            |

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The segment revenue is that generated from the sales to external clients and transactions with other segments, which are directly attributable to a given segment and a relevant portion of the Company's revenue on a reasonable basis.

The segment costs are those consisting of costs of goods sold to external clients and costs of transactions with other Group segments, which result from operations of a given segment and are directly attributable to a given segment with a relevant portion of the Company's costs and are assignable on a reasonable basis.

Market prices apply to Inter-segment transactions which provides individual entities with a margin sufficient for independent functioning on the market. Prices specified in the Energy Law, i.e. the Energy Law of 10 April 1997 and relevant secondary legislation, apply in terms of trading in electricity and providing transmission services.

**Supplementary reporting - geographical segments**

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

**8. Property, plant and equipment**

During the 6-month period ended 30 June 2009, the Company acquired property, plant and equipment for the total amount of PLN 14,484 thousand (during the period of 12 months ended 31 December 2008 it was PLN 35,314 thousand).

During the 6-month period ended 30 June 2009, the Company sold and liquidated property, plant and equipment for the total net amount of PLN 156 thousand (during the period of 12 months ended 31 December 2008: PLN 547 thousand).

During the 6-month period ended 30 June 2009, the Company decreased the balance of property, plant and equipment due to a contribution-in-kind of the total net book amount of PLN 3,929 thousand made to ENTUR Sp. z o.o., IT SERWIS Sp z o.o. and GOGEN Sp. z o.o.

As at 30 June 2009 the total revaluation write-downs on the carrying value of property, plant and equipment was PLN 15,301 thousand (as at 31 December 2008: PLN 7,784 thousand).

### Impairment test (property, plant and equipment)

The Company carried out an impairment test of property, plant and equipment as at 31 December 2008. Based on the test, as at 31 December 2008 there was no impairment of property, plant and equipment.

### 9. Intangible assets

During the 6-month period ended 30 June 2009, the Company did not acquire intangible assets (during the period of 12 months ended 31 December 2008: PLN 0 thousand).

During the 6-month period ended 30 June 2009, the Company did not sell or liquidate intangible assets (during the period of 12 months ended 31 December 2008: PLN 0 thousand).

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

|                            | <u>30.06.2009</u> | <u>31.12.2008</u> |
|----------------------------|-------------------|-------------------|
| Opening balance            | 7 780 241         | 7 525 908         |
| Acquisition of investments | 27 178            | 254 543           |
| Revaluation write-down     | -                 | (210)             |
| <b>Closing balance</b>     | <b>7 807 419</b>  | <b>7 780 241</b>  |

During the 6-month period ended 30 June 2009, the Company acquired shares in subsidiaries: Zakład Usług Teleinformatycznych ZZE S. A., "IT SERWIS" Sp. z o. o. in Zielona Góra, ENTUR Sp. z o. o. in Szczecin, "PWE GUBIN" Sp. z o. o. in Sękowiny, COGEN Sp z o. o. in Poznań, Kozienice II Sp z o. o. in Świerże Górne, ENERGOTRANS Sp. z o. o. in Gorzów Wielkopolski for the total amount of PLN 34,021 thousand. In the balance sheet the amount was reduced by PLN 6,843 thousand due to the difference between the carrying amount and the market value of contributions-in-kind covering the shares. (During the 12-month period ended 31 December 2008 the Company acquired shares in subsidiaries, associates and jointly-controlled entities for the total amount of PLN 254 543 thousand.)

The method of settlement of the acquisition of the entities has been described in note 13.

During the 6-month period ended 30 June 2009 and the 12-month period ended 31 December 2008 the Company did not sell any investments in associates.

#### Revaluation write-down on investments

|   | <u>30.06.2009</u> | <u>31.12.2008</u> |
|---|-------------------|-------------------|
| <b>Opening balance of revaluation write-down on investments</b> | <b>13 724</b>     | <b>13 514</b>     |
| Created   | -                 | 210               |
| <b>Closing balance of revaluation write-down on investments</b> | <b>13 724</b>     | <b>13 724</b>     |



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*(all amounts in PLN '000, unless provided for otherwise)***11. Revaluation write-downs on trade and other receivables**

|   | <b>30.06.2009</b> | <b>31.12.2008</b> |
|---|-------------------|-------------------|
| <b>Opening balance of revaluation write-down on receivables</b> | <b>93 519</b>     | <b>96 520</b>     |
| Created   | 6 634             | 9 153             |
| Released  | (13 400)          | (11 237)          |
| Applied   | 5                 | (917)             |
| <b>Closing balance of revaluation write-down on receivables</b> | <b>86 758</b>     | <b>93 519</b>     |

During the 6-month period ended 30 June 2009, the revaluation write-down on the carrying value of trade and other receivables decreased by PLN 6,761 thousand (during the period of 12 months ended 31 December 2008 the revaluation write-down dropped by PLN 3,001 thousand).

**12. Investment portfolio**

ENEA S.A. fulfilled the conditions necessary to release funds from the ESCROW account due to issuance of shares at the WSE. A specialized financial institution manages the funds which as at 30 June amounted to PLN 1 936 520 thousand. In accordance with the Agreement, transferred funds will be invested only in safe securities (treasury bills and bonds worth PLN 1,404,473 thousand) and deposits (in banks specified by the Company - PLN 532,047 thousand), as below:

| Type of assets   | Minimum share | Maximum share |
|--|---------------|---------------|
| Debt instruments with a surety or guarantee of the State Treasury or the National Bank of Poland | 0%            | 100%          |
| Bank deposits  | 0%            | 30%           |

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

**13. Settlement of acquisition of new subsidiaries and associates**

In December 2008 ENEA S.A. acquired two subsidiaries: Przedsiębiorstwo Energetyki Ciepłej Sp. z o. o. in Oborniki ("PEC Oborniki") and Miejska Energetyka Ciepła Sp. z o. o. in Piła ("MEC Piła") and two associates: Przedsiębiorstwo Energetyki Ciepłej w Śremie S.A. and Elektrociepłownia Białystok S.A. As at the date of preparation of these interim individual financial statements assigning the fair value to identifiable assets and liabilities of the acquired entity is possible only as an estimate, therefore the Company decided to carry out the settlement on a preliminary basis. Any adjustments of the estimated values resulting from the end of the preliminary settlement will be made within 12 months of the date of acquisition.

**14. Share capital**

The Extraordinary Shareholders' Meeting of 3 November 2008 passed a Resolution on an increase in the share capital of ENEA S.A. in relation to the planned public offering of 103,816,150 C series bearer shares with the face value of PLN 1 each. The share capital was increased from PLN 337,626,428 to PLN 441,442,578.

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The increase was registered in the National Court Register on 13 January 2009. On 30 January 2009 the new shares were registered in the National Depository for Securities.

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

On the basis of the Act the Commercialization and Privatization dated 30 August 1996 (Act on Commercialization and Privatization) employees of the ENEA Capital Group are entitled to acquire 15% of the shares of ENEA S.A. free of charge under the program ("program").

Employees eligible to acquire shares are persons who were employed in the ENEA SA Capital Group in time of the company commercialization (i.e. in 1993 and 1996) and filed a written declaration of will to acquire shares within 6 months from commercialization date. Act on Commercialization and Privatization specifies the total number of shares to be transferred, but it does not stipulate the number of shares per one employee. The number of shares granted to particular employees will depend on the total number of years with the company including the number of years in the company before commercialization and after commercialization until the date of the sale of shares by the State Treasury.

According to IFRS 2, program costs should be recognized in the period when eligible employees performed work and the cost of work should be determined as at the Grant Date, i.e. as at the date when all significant conditions of granting shares to employees were determined.

The value of the employee shares program was determined by the Company based on the measurement of shares of ENEA S.A. as at the date of drawing up the 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 program was determined at PLN 901 million. The ENEA SA Capital Group recognized the total program costs as the previous years adjustment in equity of the oldest period presented in these financial statements, i.e. as at 1 January 2005 and it did not revalue the costs as at any of the dates ending the later financial period, i.e. 31 December 2005, 31 December 2006, 31 December 2007 and 31 December 2008.

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

Moreover, according to the Management Board the key purpose of the program was to grant employees compensation for work before the date of commercialization of the enterprise (i.e. in the past). Consequently,

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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 SA decided that the program value would not be changed. As a result, the value of the program as at 30 June 2009 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 "Kozienice" S.A. were supposed to place a declaration of the intention to exchange the equivalent for the right to acquire shares of ENEA S.A. free of charge by 18 January 2008. Once the placed declarations and the result of the complaint procedure have been examined the value of shares to be settled in the form of an equivalent was PLN 291,127 thousand (PLN 514,920 thousand as at 31 December 2007). Exchange of the value of the equivalent for an allotment certificate worth PLN 224,042 thousand was disclosed under the Company's equity under "Share-based capital".

As at 30 June 2009 part of the equivalent was paid to the Eligible Employees of Elektrownia "Kozienice" S.A. Other equivalent liabilities as at 30 June 2009 were PLN 1,334 thousand (as at 31 December 2008 the liability was PLN 163,799 thousand.)

**16. Deferred income tax**

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

|  | <b>30.06.2009</b> | <b>31.12.2008</b> |
|--|-------------------|-------------------|
| <b>Opening balance</b>                             | <b>(39 701)</b>   | <b>(29 351)</b>   |
| Amount charged to profit                           | 7 177             | (9 447)           |
| Amount charged to other comprehensive income items | -                 | (903)             |
| <b>Closing balance</b>                             | <b>(32 524)</b>   | <b>(39 701)</b>   |

During the 6-month period ended 30 June 2009, the Company's profit before tax was charged with PLN 7,177 thousand as a result of a decrease in the deferred tax asset (during the period of 12 months ended 31 December 2008 the Company's profit before tax was credited with PLN 9,447 thousand due to an increase in the asset).

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|   | <u>30.06.2009</u> | <u>31.12.2008</u> |
|---|-------------------|-------------------|
| Certificates of origin  | (53 666)          | (14 572)          |
| Advance payments for certificates of origin                     | (1 025)           | (2 985)           |
| Provision for the costs of redemption of certificates of origin | 120 276           | 161 499           |
| <b>Provision for certificates of origin</b>                     | <b>65 585</b>     | <b>143 942</b>    |

**18. Provisions for liabilities and other obligations****Provision for expected losses  
due to compensation proceedings**

|                        | <u>30.06.2009</u> | <u>31.12.2008</u> |
|------------------------|-------------------|-------------------|
| <b>Opening balance</b> | <b>42 268</b>     | <b>61 676</b>     |
| Increase in provisions | 966               | 17 023            |
| Decrease in provisions | (1 992)           | (36 431)          |
| <b>Closing balance</b> | <b>41 242</b>     | <b>42 268</b>     |

**Other provisions**

|                        | <u>31.03.2009</u> | <u>31.12.2008</u> |
|------------------------|-------------------|-------------------|
| <b>Opening balance</b> | <b>1 609</b>      | <b>588</b>        |
| Increase in provisions | -                 | 1 021             |
| Decrease in provisions | (84)              | -                 |
| <b>Closing balance</b> | <b>1 525</b>      | <b>1 609</b>      |

Provisions for liabilities are determined at justified, reliably estimated amount. Individual provisions are created for projected losses related to a court action brought against the Company. The provisions are created in the amount of the claim considering the probability of losing the case based on a legal opinion. The cost of provisions is recognized under other operating expenses. The description of claims and relevant contingent liabilities have been presented in note 23.

During the 6-month period ended 30 June 2009, the provision for projected losses due to compensation proceedings decreased by PLN 1,110 thousand (during the period of 12 months ended 31 December 2008 the provision for projected losses due to court proceedings and other provisions decreased by PLN 18,387 thousand).

**19. Dividend**

On 30 June 2009 the General Shareholders' Meeting of ENEA S.A. adopted a resolution No. 4 concerning net profit distribution for the financial period from 1 January 2008 to 31 December 2008 under which the amount of PLN 203,064 thousand was allocated for payment of dividend to the shareholders (dividend per share was PLN 0.46) The dividend will be paid by 31 August 2009.

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

Profit-sharing payments for the period from 1 January to 31 December 2008 was PLN 29,151 thousand.

As at 30 June 2009 profit-sharing payments for the period from 1 January 2009 to 31 January 2009 were PLN 218 thousand.

**20. Related party transactions**

The company concludes the following related party transactions:

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

|                               | <b>30.06.2009</b> | <b>31.12.2008</b> |
|-------------------------------|-------------------|-------------------|
| <b>Purchases, including:</b>  | <b>2 272 913</b>  | <b>3 861 807</b>  |
| investment purchases          | 10 559            | 26 628            |
| material purchases            | 363               | 1 263             |
| service purchases             | 1 120 726         | 2 293 876         |
| other (including electricity) | 1 141 265         | 1 540 040         |
|                               | <b>175 547</b>    | <b>302 316</b>    |
| <b>Sales, including:</b>      |                   |                   |
| sale of electricity           | 165 997           | 287 027           |
| sale of goods and materials   | 0                 | 0                 |
| sales of services             | 723               | 2 245             |
| other                         | 8 827             | 13 044            |
|                               | <b>30.06.2009</b> | <b>31.12.2008</b> |
| Receivables                   | 73 907            | 49 166            |
| Liabilities                   | 500 787           | 642 363           |

- (ii) Transactions concluded with Companies and Members of the Group’s Management divided into three categories:

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

In terms of the first category the amount of transactions have been presented in the table below:

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| Item   | Management Board           |                            | the Company's Supervisory Board |                            |
|--|----------------------------|----------------------------|---------------------------------|----------------------------|
|  | 01.01.2009 -<br>30.06.2009 | 01.01.2008 -<br>30.06.2008 | 01.01.2009 -<br>30.06.2009      | 01.01.2008 -<br>30.06.2008 |
| Remuneration pursuant to employment contract   | 551                        | 527                        | -                               | -                          |
| Remuneration pursuant to appointment of managing and supervising bodies                      | -                          | -                          | 74                              | 171                        |
| Remuneration due to the position held in supervisory boards of subsidiaries                  | 159                        | 81                         | -                               | -                          |
| Remuneration due to other employee benefits, including: (discounted payment for electricity) | 28                         | 64                         | -                               | -                          |
| <b>TOTAL</b>   | <b>738</b>                 | <b>672</b>                 | <b>74</b>                       | <b>171</b>                 |

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 published by the President of the Central Statistical Office. The amount of the annual bonus cannot exceed three average monthly remunerations in the year preceding bonus awarding.

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

| No. | Body              | Balance as at<br>01.01.2009 | Granted since<br>01.01.2009 | Repaid until<br>30.06.2009 | Balance as at<br>30.06.2009 |
|-----|-------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| 1.  | Management Board  | 18                          | -                           | (2)                        | <b>16</b>                   |
| 2.  | Supervisory Board | -                           | 20                          | (1)                        | <b>19</b>                   |
|     | <b>TOTAL</b>      | <b>18</b>                   | <b>20</b>                   | <b>(3)</b>                 | <b>35</b>                   |

| No. | Body              | Balance as at<br>01.01.2008 | Granted since<br>01.01.2008 | Repaid until<br>31.12.2008 | Balance as at<br>31.12.2008 |
|-----|-------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| 1.  | Management Board  | 27                          | -                           | (9)*                       | <b>18</b>                   |
| 2.  | Supervisory Board | 6                           | -                           | (6)                        | -                           |
|     | <b>TOTAL</b>      | <b>33</b>                   | -                           | <b>(15)</b>                | <b>18</b>                   |

\* including PLN 5 thousand eliminated from presentation being a borrowing of Renata Czech dismissed from the function of the Member of the Management Board on 15 July 2008 based on the resolution of the Supervisory Board No. 55/VI/2008.

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

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(iii) Transactions with entities, whose shares are held by the State Treasury

ENE S.A. also concludes business transactions with the entities of the central and local administration and entities owned by the State Treasury of the Republic of Poland.

The transactions concern:

- purchase of electricity and property right resulting from certificates of origin as regards renewable energy and energy produced in cogeneration with heat from companies whose shares are held by the State Treasury and
- sale of electricity, distribution service and other related fees, provided to the central and local administration bodies (domestic sale) and entities whose shares are held by the State Treasury (domestic wholesale and retail - end users).

These transactions are concluded at the arm's length basis and their terms and conditions do not differ from those used in transactions with other entities. The Company does not keep a register which would allow for aggregating the values of all transactions with the state entities and entities whose shares are held by the State Treasury, therefore the turnovers and balances of related-party transactions disclosed in these condensed interim individual financial statements do not include the data concerning transactions with the entities whose shares are owned by the State Treasury.

**21. Future liabilities due to contracts concluded as at the balance sheet date**

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

|  | <b>30.06.2009</b> | <b>31.12.2008</b> |
|--|-------------------|-------------------|
| Acquisition of property, plant and equipment | 14 276            | 17 164            |
| Acquisition of intangible assets             | 705               | -                 |
|  | <b>14 981</b>     | <b>17 164</b>     |

**22. Explanations of the seasonal and cyclical nature of the Company's business**

Sales of electricity during the year are subject to seasonal fluctuations. They increase during the winter months and decrease in the summer ones. This depends on the temperature and the length of the day. The extent of fluctuations depend on low temperature and shorter days in winter and higher temperature and longer days in summer. Seasonal sales of electricity apply largely to small clients (40.95% of the value of sales), not to the industrial sector.

### **23. Contingent liabilities and proceedings before court, body competent to conduct arbitration or public administration body**

#### **23.1. Loans and borrowings collateral and guarantees granted by the Company**

The Company did not grant any guarantees or collateral of loans or borrowings during the reporting period.

#### **23.2. Pending proceedings before common courts of law**

##### Actions brought by the Company

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

As at 30 June 2009 there were 7,031 cases pending before common courts of law which have been brought by the Company for the total amount of PLN 15,715 thousand (as at 31 December 2008 there were 7,637 cases for the total amount of PLN 12,167 thousand). None of the cases is significant for the Company's profit/loss.

##### Actions brought against the Company

Actions against the Company are brought both by natural and legal persons. They mainly refer to such issues as compensation for interrupted delivery of electricity, determination of whether illegal electricity consumption took place and compensation for the Company's use of real property where electrical equipment has been situated. The Company considers actions concerning non-contractual use of real property not owned by the Company as particularly important (note 23.5).

As at 30 June 2009 there were 151 cases pending before common courts of law which have been brought against the Company for the total amount of PLN 12,031 thousand (as at 31 December 2008 there were 166 cases for the total amount of PLN 12,734 thousand). Provisions related to the court cases have been presented in note 18.

#### **23.3. Arbitration proceedings**

As at 30 June 2009 there were no pending proceedings before competent arbitration bodies.

#### **23.4. Proceedings before public administration bodies**

Pursuant to the decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 which ended the proceedings for charging electricity recipients 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



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on 30 September 2008. As at the date of preparation of these condensed interim individual financial statements the appeal had not been examined.

Pursuant to the decision of 27 November 2008 No. DPE-451-206(4)/2688/2008MOS, the President of the Energy Regulatory Office, following administrative proceedings, imposed a fine of PLN 7,594 thousand, i.e. 0.2771% revenue from licensed operations generated in 2006 due to non-fulfillment of the obligation specified in Article 9a clause 8 of the Energy Law to purchase offered electricity produced in cogeneration with production of heat in the energy sources connected to the network and located in Poland. On 17 December 2008 ENEA S.A. appealed via the Energy Regulatory Office to the Regional Court in Warsaw - Court of Competition and Consumer Protection - explaining that ENEA S.A. exercised due diligence required by law to meet the obligation specified in Article 9a clause 8 of the Energy Law.

Provision in the full amount of the aforementioned fine was recognized in these condensed interim individual financial statements.

Due to the nature of the Company's business, there were many other proceedings before the public administration bodies as at 30 June 2009.

Vast majority of the proceedings was instigated upon request of the Company which applies 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 use of land;
- designation of land for electrical devices.

Some of the proceedings are complaints submitted to government and local government administration bodies or administrative courts with respect to decisions issued in the above cases.

The result of the proceeding should not have a significant impact on the Company's net profit.

As at 30 June 2009 the President of the Energy Regulatory Office carried out a series of explanatory and administrative proceedings against the Company.

The result of the proceeding should not have a significant impact on the Company's net profit.

On 16 March 2009, as a result of an inspection of the Supreme Chamber of Control (NIK) related to Restructuring of the energy sector since 2005 and energy network security, the Company received a post-audit statement. On 23 March 2009 the Management Board of ENEA S.A. presented formal objections as regards non-fulfillment due to occurrence of the requirements specified in the Act of 23 December 1994 on the Supreme Chamber of Commerce and incompatibilities of findings with the facts and findings specified in the post-audit

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statement and reservations concerning assessment included therein. On 20 April 2009 the Commission of Appeal adopted a Resolution to close the appeal proceedings. It was approved by the Chairman of the Supreme Chamber of Control on 22 May 2009. The Management Board of ENEA S.A. drew up a letter dated 10 June 2009 in which it informed the Supreme Chamber of Control of the ways the findings and comments had been applied in practice.

**23.5. Risk related to the legal status of the real property used by the Company**

Risk related to the legal status of real properties used by the Company (currently utilized by ENEA Operator Sp. z o.o.) results from the fact that the Company did not have all legal titles to use the land where transmission networks and devices are located. The Company may be obliged to incur costs due to non-contractual use of real property.

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

Claims against the Company are claims for payment (claims for non-contractual use of land, decrees in the property value, lost benefits) and requests to act in line with the law (to remove the devices).

Court decisions concerning these cases are of great importance as they considerably affect the Company's strategy towards persons filing out-of-court claims related to devices located on their real properties in the past and the methods of solving legal issues related to the devices in case of new investments.

The Company created provision for all claims filed to the Company by owners of real properties where transmission networks and devices are located, making appropriate estimates of funds necessary to pay claims. Since the distribution system operator has been unbundled, claims have also been directed to ENEA Operator Sp. z o.o., the current owner of the transmission network and related devices. As at 31 December 2008, the Management Board of ENEA S.A. examined the submitted claims which had not been brought to court. As a result of the examination, the estimates were changed and the provision for claims of persons holding real property due to non-contractual use of land was partially released (Note 18).

The Company does not establish provision for possible unlodged claims of owners of land which is used non-contractually. Possible claims may be significant, considering the area of land. The Company does not keep any record or has no knowledge concerning 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.

**23.6. Risk related to participation in costs related to woodland managed by National Forests for the needs of electricity lines**

As on 30 June 2009 there were no regulations in this respect and the Company did not create provisions for possible claims due to the use of woodland managed by National Forests for the needs of the Company's electricity lines. On 29 November 2006 was held a meeting initiated by the Minister of Environment and attended by representatives of National Forests, the Ministry of State Treasury, PSE-Operator Sp. z o.o. and Polskie Towarzystwa Przesyłu i Rozdziału Energii Elektrycznej representing distribution companies. The National Forests' proposition to conclude agreements on the lease of land where the lines are located was not accepted. Consequently, a more general solution based on legislative changes is required. Currently, it is not possible to estimate a provision for participating in the costs of the National Forests related to property tax for the land of the State Treasury. Possible claims may be significant, considering the area of land.

Regardless of the aforementioned actions aimed at general regulation of the legal status of land owned by National Forests, individual forest district offices lodged claims against the Company due to non-contractual use of land by the firm. The claims have been accounted for in the provision presented in Note 18.

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

In 2008 ENEA S.A. started negotiations with the receiver in bankruptcy of Elektrim S.A. concerning the acquisition of 45.95% shares in Zespół Elektrowni Pątnów-Adamów-Konin S.A. (ZE PAK). The Company, however, will place an offer if a number of conditions have been met. These conditions include satisfactory result of the legal, financial, tax, technical, environment and operational review of ZE PAK and its capital group, agreeing on all conditions of the sales agreement and satisfactory outcomes of the claims concerning the shares of ZE PAK filed by creditors of Elektrim S.A. By the date of drawing up these condensed interim individual financial statements no binding decisions were taken.

**25. Actions aimed at acquiring a coal mine**

The Company has taken steps aimed at acquiring an organized part of a coal mine - Kopalnia Węgla Kamiennego "Brzeszcze – Silesia" Ruch II Silesia and has made an informal acquisition offer. As at the date of drawing up these individual financial statements the Management Board of ENEA S.A. decided to discontinue the process aimed at acquisition of an organized part of Kompania Węglowa S.A. Ruch II Silesia KWK "Brzeszcze-Silesia". It is possible that the Company will continue the negotiations and determine new principles of cooperation with Kompania Węglowa, the owner of KWK Silesia. In case of KWK Silesia coal mine the decision making process is in progress and ENEA S.A. is considering other forms of investments.

**26. Changes in excise tax**

On 1 March 2009, the amendment of the Excise Tax Act of 23 January 2004 came into force. Polish excise tax regulations had to be amended in order to comply with the EU laws. Based on the amendment, the excise tax

**ENEA S.A.**

Condensed interim individual financial statements for the period from 1 January to 30 June 2009.

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*(all amounts in PLN '000, unless provided for otherwise)*

obligation arises when electricity is supplied to final buyers (not in time of producing electricity). Consequently, since 1 March 2009 ENEA S. A. has been obliged to pay excise tax.

The input excise tax for the period from 1 March 2009 to 30 June 2009 amounts to PLN 92,121 thousand.

**27. Post balance sheet events****27.1. Business combination**

On 1 July 2009 a merger consisting in the acquisition of STEREN Sp z o.o. with its registered office in Bydgoszcz by ENERGOMIAR Sp. z o.o. with its registered office in Poznań was registered in the National Court Register. As a result, a new entity was established under the name: ENERGOMIAR Sp z o.o. with the registered office in Poznań.

**27.2. Negotiations concerning acquisition of shares**

On 13 July 2009 the Minister of Treasury in Warsaw, acting on behalf of the State Treasury based on the Act on commercialization and privatization of state companies (Dz. U. of 2002 No. 171, item 1397, as amended) on detailed procedure of selling shares of the State Treasury (Dz. U. of 2009 No. 34, item 264), invited all interested parties to negotiations concerning the acquisition of 295,987,473 shares with the face value of PLN 1 each, owned by the State Treasury and constituting 67.05% of the share capital of ENEA S.A. in Poznań.

Written answers to the public invitation to negotiations concerning the acquisition of shares of the Company by Potential Investors who received the Memorandum should be submitted by 14 August 2009.

**Management Board report on the operations  
of the ENEA Capital Group for the first half  
year of 2009**

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## 1. Description of the organisation of the issuer's capital group and consequences of changes in the structure of the Capital Group

### 1.1 Composition of the ENEA Capital Group

As at 30 June 2009, the Capital Group consisted of the dominant entity ENEA S.A. (the "Company", or "Dominant Entity"), 25 subsidiaries, three associated companies as well as one company which is jointly controlled. Within the ENEA Capital Group (the "Group") there are three leading companies:

ENEA S.A.(trade in electricity), ENEA Operator Sp. z o.o. (distribution of electricity) and Elektrownia Kozienice S.A. (production of electricity). The remaining entities provide support activities in relation to the above companies. A detailed description of the activities of the major entities that are members of the ENEA Capital Group is to be found in point 2 of this report.

General information regarding ENEA S.A.:

|  |   |
|--|---|
| Name (business name):                              | ENEA Spółka Akcyjna                                 |
| Legal form:  | Joint-stock company                                 |
| Country of registration:                           | Republic of Poland                                  |
| Registered office:                                 | Poznań  |
| Address:   | ul. Nowowiejskiego 11, 60-967 Poznań                |
| National Court Register - District Court in Poznań | KRS 0000012483                                      |
| Telephone number:                                  | (+48 61) 856 10 00                                  |
| Fax number:  | (+48 61) 856 11 17                                  |
| Email:   | Enea@enea.pl  |
| Website:   | <a href="http://www.enea.pl">http://www.enea.pl</a> |
| Statistical classification number (REGON):         | 630139960   |
| Tax identification number (NIP):                   | 777-00-20-640                                       |

In addition to the core business (electricity trading, distribution and generation), the ENEA Capital Group carries on the following operations:

1. **ENEA Operator Sp. z o.o.** with its registered office in Poznań. The core business is the distribution of electricity, conducted since 1 July 2007 on the basis of a concession issued by the president of the Energy Regulatory Office (ERO) on 28 June 2007 for the period from 1 July 2007 to 1 July 2017. At the same time on 30 June 2007 the president of the ERO designated ENEA Operator Sp. z o.o. as an operator of an electrical energy distribution system for the life of the concession.
2. **Elektrownia Kozienice S.A.** with its registered office in Świerża Górne. The core business of Elektrownia Kozienice S.A. is the generation of electricity and heat co-generated with electricity.
3. **ENERGOMIAR Spółka z o.o.** with its registered office in Poznań, engaged in the production, repair, maintenance, assembly, calibration and approval of electricity meters and control timers.
4. **Energetyka Poznańska Biuro Usług Technicznych S.A.** with its registered office in Poznań engaged in providing services related to consulting, design, construction, operation, servicing, measurement and trading in the field of telecommunications and IT.
5. **BHU Spółka Akcyjna** with its registered office in Poznań trading in electrical power equipment, tools and materials.
6. **Energetyka Poznańska HOTEL EDISON Sp. z o.o.** with its registered office in Baranów engaged in the hotel, restaurant, training, sports and recreation business.
7. **Energetyka Poznańska Zakład Transportu Sp. z o.o.** with its registered office in Poznań, established to provide road transport and vehicle maintenance services.
8. **Energetyka Wysokich i Najwyższych Napięć EWINN Sp. z o.o.** with its registered office in Poznań providing comprehensive operation, repair, modernisation and investment services related to high- and very high-voltage electric power grids and equipment.



9. **COGEN Sp. z o.o.** with its registered office in Poznań, engaged in generating electricity and heat in cogeneration units.
10. **Energopartner Sp. z o.o.** with its registered office in Poznań, providing consulting and real estate development services with regard to locating and developing wind farm projects (investment in renewable sources of energy).
11. **Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o.**, with its registered office in Gronówek, a company engaged in the design, construction, modernisation and operation of electric power grids and associated equipment.
12. **ENERGO-TOUR Sp. z o.o.** with its registered office in Poznań, providing hotel and restaurant services, organising vacations, recreational and youth camps, providing tourism and healthcare services.
13. **STEREN Sp. z o.o.** with its registered office in Bydgoszcz, established to conduct business in telecommunications and IT and provide collection services.
14. **Niepubliczny Zakład Opieki Zdrowotnej Centrum Rehabilitacyjno-Wczasowe ENERGETYK Sp. z o.o.** with its registered office in Inowrocław, operating in the field of healthcare and physiotherapy, as well as hotel services.
15. **Elektrownie Wodne Sp. z o.o.** with its registered office in Samociążek, engaged in the generation of electricity and the operation of hydroelectric plants.
16. **Zakład Usług Przewozowych ENERGOTRANS Sp. z o.o.** with its registered office in Gorzów Wielkopolski, providing transport and technical services, vehicle maintenance and repair .
17. **ENEOS Sp. z o.o.** with its registered office in Szczecin, engaged in the operation and maintenance of street lighting.
18. **ENTUR Sp. z o.o.** with its registered office in Szczecin, engaged in recreation, hotel, tourism and restaurant services, as well as healthcare.
19. **„IT SERWIS” Sp. z o.o.** with its registered office in Zielona Góra, engaged in the wholesale and retail sale of machinery, office equipment, telecommunications and computer equipment, as well as the installation of electrical systems and IT and telecommunications services.
20. **Zakład Handlowo-Usługowy „AUTO STYL” Zielonogórskich Zakładów Energetycznych S.A. Sp. z o.o.** with its registered office in Zielona Góra, engaged in the retail sale of vehicles, accessories, fuel, as well as the maintenance and servicing of vehicles and road freight transport.
21. **FINEA Sp. z o.o.** with its registered office in Poznań, providing debt collection services on behalf of the ENEA Capital Group.
22. **Miejska Energetyka Ciepła Sp. z o.o.** with its registered office in Piła, engaged in the generation, transmission and distribution of heat.
23. **Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Obornikach** with its registered office in Oborniki, engaged in the generation, transmission and distribution of heat.
24. **Przedsiębiorstwo Energetyki Ciepłej „Gozdnica” Sp. z o.o.** with its registered office in Gozdnicza, engaged in the generation of heat and its transmission and distribution.
25. **„Kozienice II” Sp. z o.o.** with its registered office in Świerża Górne, a company established in 2008, whose core business is the construction of two generation units with a combined power rating of 2000 MW for Elektrownia Kozienice S.A.

Associates operate within the following area:

1. **Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych „WIRBET” S.A.** with its registered office in Ostrów Wielkopolski. The company produces prefabricated concrete elements, and in particular, reinforced beams and decorative concrete elements, as well as the production and sale of heat and communal services.
2. **Przedsiębiorstwo Energetyki Ciepłej w Śremie S.A.** with its registered office in Śrem – engaged in the generation and distribution of heat.
3. **Elektrociepłownia Białystok S.A.** with its registered office in Białystok – produces heat and electricity.

**PWE GUBIN Sp. z o.o.** with its registered office in Sękowice was established to search for lignite deposits in Gubin and Brody districts located near the Polish-German border, and then to build a strip mine and power plant. The company is a joint venture of ENEA S.A. and Kopalnia Węgla Brunatnego “Konin” w Kleczewie S.A.

## Subsidiaries

The ENEA Capital Group includes 25 subsidiaries, in which ENEA S.A. holds shares with a total nominal value of PLN 5,488,602,600 and which, as at 30.June 2009, constituted 99.48 per cent of their share capital, amounting to PLN 5, 517, 353,600 in total.

Holdings of ENEA S.A. in the share capital of subsidiaries.

| Item | Name and address of Company   | Share capital<br>[PLN '000] | Shareholding of<br>ENEA S.A.<br>[PLN<br>'000] | Percentage of capital<br>and voting rights held<br>by<br>ENEA S.A. |
|------|---|-----------------------------|---|--|
| 1    | BHU Spółka Akcyjna<br>ul. Strzeszyńska 58, 60-479 Poznań  | 10,138.40                   | 8,918.40                                      | 87.97  |
| 2    | Energetyka Poznańska Biuro Usług Technicznych S.A.<br>ul. Strzeszyńska 58, 60-479 Poznań  | 1,973.70                    | 1,973.70                                      | 100.00   |
| 3    | Energetyka Poznańska Hotel EDISON Sp. z o.o.<br>Baranowo k/Poznań, 62-081 Przeźmierowo  | 21,236.50                   | 21,236.50                                     | 100.00   |
| 4    | "Energetyka Poznańska Zakład Transportu" Sp. z o.o.<br>ul. Strzeszyńska 58, 60-479 Poznań   | 4,975.50                    | 4,975.50,,                                    | 100.00   |
| 5    | "Energetyka Wysokich i Najwyższych Napięć EWINN" Sp. z o.o.<br>ul. Strzeszyńska 58, 60-479 Poznań   | 2,447.00                    | 2,447.00                                      | 100.00   |
| 6    | ENERGOMIAR Sp. z o.o.<br>ul. Strzeszyńska 58, 60-479 Poznań   | 2,344.00                    | 2,344.00                                      | 100.00   |
| 7    | "COGEN" Sp. z o.o.<br>ul. Nowowiejskiego 11, 60-967 Poznań  | 1,622.50                    | 1,622.50                                      | 100.00   |
| 8    | Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych<br>Eneos Sp. z o.o.<br>Gronówko 30, 64-111 Lipno k/Leszna                      | 3,524.50                    | 3,491.00                                      | 100.00   |
| 9    | EnergPartner Sp. z o.o.<br>ul. Warszawska 43, 61-028 Poznań   | 8,000.00                    | 8,000.00                                      | 100.00   |
| 10   | ENERGO-TOUR Sp. z o.o.<br>ul. Marcinkowskiego 27, 61-745 Poznań   | 9,543.00                    | 9,535.00                                      | 99.92  |
| 11   | ENEA Operator Sp. z o.o.<br>ul. Strzeszyńska 58, 60-479 Poznań  | 4,678,050.00,*              | 4,678,050.00                                  | 100.00   |
| 12   | Elektrownia "Kozienice" S.A.<br>Świerże Górne, gmina Kozienice, 26-900 Kozienice 1  | 450,000.00**                | 450,000.00                                    | 100.00   |
| 13   | ITSERWIS" Sp. z o. o.<br>ul. Zacisze 28, 65-775 Zielona Góra  | 6,364.00                    | 6,364.00                                      | 100.00   |
| 14   | Zakład Handlowo-Usługowy „AUTO-STYL” Zielonogórskich<br>Zakładów Energetycznych S.A. Sp. z o.o.<br>ul. Zacisze 15, 65-775 Zielona Góra    | 2,200.00                    | 2,200.00                                      | 100.00   |
| 15   | FINEA Sp. z o.o.<br>ul. Warszawska 43, 60-028 Poznań  | 5,323.00                    | 5,323.00                                      | 100.00   |
| 16   | Przedsiębiorstwo Energetyki Ciepłej „Gozdnica” Sp. z o.o.<br>ul. Świerczewskiego 30, 68-130 Gozdnica                                      | 340.00                      | 340.00  | 100.00   |
| 17   | Eneos Sp. z o.o.<br>ul. Ku Słońcu 34, 71-080 Szczecin   | 19,559.00                   | 19,559.00                                     | 100.00   |
| 18   | ENTUR Sp. z o. o.<br>ul. Malczewskiego 5/7 71-616 Szczecin  | 4,034.,50                   | 4,034.50                                      | 100.00   |
| 19   | Elektrownie Wodne Sp. z o.o.<br>Samociążek 92, 86-010 Koronowo  | 204,690.50                  | 204,690.50                                    | 100.00   |
| 20   | Niepubliczny Zakład Opieki Zdrowotnej Centrum<br>Rehabilitacyjno – Wczasowe Energetyk Sp. z o.o.<br>ul. Wilkońskiego 2, 88-100 Inowrocław | 12,488.00                   | 12,478.00                                     | 99.92  |

|              |   |                     |                     |              |
|--------------|---|---------------------|---------------------|--------------|
| 21           | STEREN Sp. z o.o.<br>ul. Lenartowicza 33-35, 85-133 Bydgoszcz                                       | 200.00              | 200.00              | 100.00       |
| 22           | Zakład Usług Przewozowych "ENERGOTRANS" Sp. z o.o.<br>ul. Energetyków 4, 66-400 Gorzów Wielkopolski | 1,385.00            | 1,385.00            | 100.00       |
| 23           | PEC Oborniki Sp. z o.o.<br>ul. Wybudowanie 56, 64-600 Oborniki                                      | 5,182.50            | 4,560.00            | 87.99        |
| 24           | Miejska Energetyka Ciepła Sp. z o.o.<br>ul. Kaczorska 20, 64-920 Piła                               | 26,732.00           | 17,375.00           | 64.997       |
| 25           | Kozienice II Sp. z o.o.   | 35,000.00           | 17,500.00           | 50.00        |
| <b>TOTAL</b> |   | <b>5,517,353.60</b> | <b>5,488,602.60</b> | <b>99.48</b> |

\* - Share capital in accordance with the statute and the National Court Register. In the financial statements drawn up in accordance with the EU IFRSs, the share capital is stated after adjustment for in-kind contributions.

\*\* - Share capital in accordance with the statute and the National Court Register. In the financial statements drawn up in accordance with the EU IFRSs, the share capital is stated after adjustment for hyperinflation.

#### **Jointly-controlled company**

|   |  |          |        |       |
|---|--|----------|--------|-------|
| 1 | "PWE Gubin" Sp. z o.o.<br>66-620 Sękowice 100, Gubin | 1,000.00 | 500.00 | 50.00 |
|---|--|----------|--------|-------|

#### **Affiliates (more than 10 per cent of share capital)**

|   | Company name and address   | Share capital<br>[PLN '000] | Shareholding of<br>ENE A S.A<br>- nominal value<br>[PLN '000] | Percentage of<br>capital and voting<br>rights held by<br>ENE A S.A |
|---|--|-----------------------------|---|--|
| 1 | Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A.<br>ul. Chłapowskiego 51, 63-400 Ostrów Wlkp. | 5,490.00                    | 2,690.00  | 49.00  |
| 2 | Przedsiębiorstwo Energetyki Ciepłej w Śremie S.A.<br>ul. Staszica 6, 63-100 Śrem                                       | 16,470.00                   | 6,860.00  | 41.65  |
| 3 | Elektrociepłownia Białystok S.A.<br>ul. Gen. Andersa 3, 15-124 Białystok   | 18,442.75                   | 5,600.00  | 30.36  |

### **1.2 Policy on directions of development of the Capital Group**

In accordance with the strategy described in the issue prospectus, the long-term strategy of the Company is to obtain access to its own sources of energy production of a potential which will make it possible to at least satisfy all the electricity needs of all the Group's customers.

The first step towards carrying out that strategy was joining Elektrownia Kozienice, Poland's highest-capacity bituminous coal-fired power plant, to the ENEA Capital Group in October 2007. We are currently analysing the possibility of acquiring other entities that are active in the field of generating electricity on the basis of conventional fuels.

Apart from the possibility of obtaining additional capacity through acquiring existing entities, we are also planning to increase production capacity by building new units, including such units on the site of Elektrownia Kozienice, where, by 2014, we plan to complete a new unit with a total capacity of approx. 1,000 MW, and, by 2015, another unit also with a total capacity of approximately 1,000 MW.

In connection with anticipated increases in the requirements for renewable and co-generated energy sources, we are taking action aimed at increasing our control over the costs of meeting the legal requirements. Towards this end, the Company plans to continue concluding long-term agreements for the purchase of energy certificates of origin for energy production from renewable sources and cogeneration from outside entities, as

well as to carry out direct investments in such sources. Our intention is to invest in wind farm projects already begun and at varying stages of advancement, by acquiring existing entities or investing in cooperation with external entities. Moreover, in the coming years, the Company plans to selectively acquire local thermal power stations and thermal-electric power stations. We plan to modernize and transform acquired thermal power stations into thermal-electric power stations that will generate electricity through cogeneration. This will enable us to obtain additional certificates of origin. Furthermore, we plan to carry out an investment in biogas power plants and in biomass in distributed system.

### ***1.3 Description of principal capital deposits and investments***

In implementing the Company strategy as regards development of the ENEA Capital Group, a number of capital investments were made in the first six months of 2009. Among the principal capital investments the following deserve attention:

1. On 25 May 2009 the share capital of the company PWE GUBIN Sp. z o.o. was increased by PLN 11,000,000:
  - ENEA S.A. subscribed 5,500 shares with a total value of PLN 5,500,000.
  - Kopalnia Węgla Brunatnego "Konin" w Kleczewie S.A. subscribed 5,500 shares with a total value of PLN 5,500,000.
2. On 31 March 2009 the share capital of ITSERWIS Sp. z o.o. with its registered office in Zielona Góra, was increased by PLN 6,264,000. ENEA S.A. subscribed 12,528 shares at PLN 500 each, which was covered in full by a non-monetary contribution in the form of land and buildings situated on it at ul. Zacisze 28 in Zielona Góra.
3. On 31 March 2009 the share capital of the company ENTUR Sp. z o.o. with its registered office in Szczecin, was increased by PLN 3,934,500. ENEA S.A. subscribed 7,869 shares at PLN 500 each, which was covered in full by a non-monetary contribution in the form of land and buildings situated on it at 74 Al. Wojska Polskiego in Szczecin.
4. On 23 February 2009 (KRS record dated 6 April 2009) the share capital of the company Kozienice II Sp. z o.o. was raised from PLN 1,000,000.00 to PLN 35,000,000.00, i.e. by the amount of PLN 34,000,000.00, by Resolution 1 of an Extraordinary General Meeting of Shareholders. The increase took place through the issue of 34,000 new shares, of which ENEA subscribed 17,200 shares and Elektrownia "Kozienice" S.A. subscribed 16,800 shares, changing the proportion of shares held by ENEA S.A. from 30 per cent to 50 per cent and that held by Elektrownia "Kozienice" S.A. from 70 per cent to 50 per cent.
5. On 04 May 2009 by Resolution 1 an Extraordinary General Meeting of Shareholders in the company Cogen Sp. z o.o. increased the Company's share capital by PLN 622,500.00, i.e. to the amount of PLN 1,622,500.00. The sole shareholder, ENEA S.A., subscribed 1,245 shares at PLN 500.00 each, which was covered in the following manner: 98 (ninety eight) shares by monetary contribution and 1,147 (one thousand one hundred and forty seven) shares by non-monetary contribution in the form of the type BHKWEMK 6/63 combined power-and-heat unit located in Poznań at ul. Chwiałkowskiego 38.

### ***1.4. Changes in organisation and management rules of the Capital Group***

In the first six months of 2009, no significant changes took place in the organisation or management rules of the ENEA Capital Group. Key in this regard was 2007, when the company ENEA Operator Sp. z o.o. was separated from the structural organisation of the Group (on 30 June 2007, distribution activities were separated through an in-kind contribution of the organised part of the company to ENEA Operator Sp. z o.o.) and through increasing the capital by subscribing shares of Elektrownia Kozienice S.A.

During the first half of 2009 ENEA S.A. began implementation of a project for standardisation of the memoranda and articles of subsidiary companies. For historical reasons the memoranda and articles of subsidiary entities had regulated many questions in differing ways. Standardisation of the memoranda and articles of subsidiary companies is intended to create an efficient set of instruments for exercising control over the companies and communality of processes in all subsidiaries accepted the model memorandum and articles for a limited liability company developed by the Corporate Affairs Department of ENEA S.A. The Corporate Affairs Department has begun the process of amending subsidiaries' memoranda and articles or founding deeds. In doing so it has acted on the basis of the approved model memorandum and articles of a limited

company while taking into account provisions that adjust these to the nature and scale of the business conducted by a particular company.

On 31 March 2009 the Management Boards of the companies Energomiar Sp. z o.o. with its registered office in Poznań, and Steren Sp. z o.o. with its registered office in Bydgoszcz, lodged with the appropriate courts an application for registration of a plan to merge the company Energomiar Sp. z o.o. (the acquiring company) with the company Steren Sp. z o.o. (the target company). By resolution of the Court the documents were accepted into the registry records. On 29 April 2009, acting on the basis of Article 504 of the Commercial Companies Code (CCC) read together with Article 238 § 1 CCC, the Management Boards of the companies Energomiar Sp. z o.o. with its registered office in Poznań, and Steren Sp. z o.o. with its registered office in Bydgoszcz, informed their sole shareholder, ENEA S.A., of their merger plan and stated at the same time that this intention had been published in the Official Gazette (*Monitor Sądowy i Gospodarczy* No. 71/2009 of 10 April 2009, item 4402).

#### **Presentation of the companies:**

The business of the company **Energomiar Sp. z o.o.** with its registered office in Poznań (at ul. Strzeszyńska 58, 60-479 Poznań) is the production, repair, certification and sale of electricity meters and timing devices. ENEA S.A. is the sole shareholder. The share capital amounts to PLN 2,344,000.00. One hundred and five people were employed as at 31 December 2008. Energomiar Sp. z o.o. has branches in Poznań, Maszewo and Zielona Góra.

The business of the company **STEREN Sp. z o.o.** with its registered office in Bydgoszcz, (at ul. Lenartowicza 33-35, 85-133 Bydgoszcz) is the transmission of data and information and telecommunications technology; the production and maintenance of radio-controlled equipment; service activity in the field of installation, repair and maintenance of electricity, hot water and gas meters; installation of telecommunications equipment, installation of structural computer networks; and wholesaling of computers and peripheral equipment, wiring, switches and radio-control equipment; telecommunications services; consultancy regarding computer equipment; and activity in the area of programming. ENEA S.A. is the sole shareholder. Share capital amounts to PLN 200,000.00. Ninety people were employed as at 31 December 2008.

## **2. The operations of the ENEA Capital Group**

### **2.1. Information on basic products, goods and services**

The core operations of the ENEA Capital Group (the "Group") include the generation of electricity, its distribution and trade. The Group's companies conduct these operations on the basis of concessions granted by the president of the Energy Regulatory Office (ERO) – the body established to regulate the management of fuels and energy and to promote competition in the energy sector.

#### **Generation**

Within our Group, the generation of electricity is mainly carried out by the Elektrownia Kozienice power plant (hereinafter the "Power Plant" or "Kozienice"), which became part of the Group in October 2007. The Kozienice has a gross annual power capacity of 2,880 MW and is thus the largest bituminous coal-fired power plant in Poland. In January 2008, Kozienice also began producing electricity from renewable sources (by including biomass in its fuel). In the first six months of 2009, Kozienice generated a gross 5,825,277 MWh of electricity. Generation of electricity from renewable sources is mainly the concern of our subsidiary, Elektrownie Wodne Sp. z o.o. In the first six months of 2009, it obtained 70,019.464 energy certificates of energy from renewable sources. 69,169.999 MWh of electricity was generated in hydroelectric plants and transferred to the grid in the first six months of 2009.

Activities undertaken in terms of increasing the amount of electricity produced from renewable energy sources is significant for the Group in that provisions of law oblige us to obtain certificates of origin and submit them to the President of the Energy Regulatory Authority (ERA) for cancellation. These must confirm: (i) that electricity is being generated in renewable sources; or (ii) that electrical energy is being generated in association with heat generation (cogeneration) or, if certificates of origin are not obtained or presented for cancellation in the required quantity, the payment of substitute charges. Further information on this subject is to be found in the annual reports of ENEA S.A.

## **Distribution**

Within our Group the distribution of electricity is managed by ENEA Operator Sp. z o.o. (hereunder "ENEA Operator"), which fulfils the function of distribution system operator. ENEA Operator's distribution network covers an area of approximately 20 per cent of the country, located in the north-western part of Poland. ENEA Operator owns power lines with a total length of 125,077 km (including connections) and 34,159 transmission stations.

## **Trade**

In our Group, the wholesale trade of electricity and the sale of electricity to end users is the responsibility of ENEA S.A. In the first six months of 2009, total sales from within the trade of electricity were 9,999.5 GWh. Sales to retail customers amounted to 8,301.3 GWh, including 313.6 GWh to customers connected to an OSD power grid other than Enea Operator. As at 30 June 2009 the number of retail clients was 2,338,365 firms and households.

## **Other operations**

The companies of our Group also conduct operations supplementary to the basic operations listed above, including:

- construction, expansion, modernisation and repair of electric power equipment and networks;
- design, construction, production and sale of electrical and power equipment and apparatus;
- services related to the maintenance of street lighting and low-voltage networks;
- transport services (including the sale, servicing and repair, as well as leasing, of vehicles); and
- social activities (tourist facilities, healthcare).

## **2.2. Sales markets**

The portfolio of customers to whom we sell electricity is highly diversified.

As at 30 June 2009 ENEA S.A. provided comprehensive services (including the sale of electricity and the provision of distribution services) or sold electricity to more than 2.0 million private individual customers and about 0.3 million business customers.

In the first half of 2009 the value of electricity sales to our largest customer amounted to about 4.5 per cent of the total value of electricity sold and the share of the 10 largest customers only slightly exceeded 15 per cent.

## **Sale of comprehensive services**

We offer our customers comprehensive services (energy sales and distribution services) and the sale of energy within the following tariff group sets specified in electricity tariffs:

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

We offer comprehensive services to customers who are connected to the ENEA Operator Sp. z o.o. grid.

In practice, in tariff group sets A and B are used mainly by large companies operating in such sectors as chemicals, cement, steel, automotive, paper, wood and metals processing, communal services and port services. In tariff group set C charges are applied to consumers other than households that are connected to a low-voltage grid, e.g. shops, service centres, hotels and, for street lighting, towns and local authorities. Tariff

group set G is for customers using electricity in households and associated utility spaces.

As a rule, ENEA S.A. concludes comprehensive service agreements for indefinite terms. Energy sales agreements (excluding energy distribution services), including those with customers connected to grids of distribution system operators other than ENEA Operator, are usually concluded for fixed terms of 12 months, though if the parties agree prices for subsequent periods, these agreements may be extended. The termination notice period in comprehensive contracts concluded for an indefinite period is set at one month (in about 2.2 million agreements), and less often at two, three or six months (about 100,000 agreements).

#### **Sales to other customers**

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

#### **Sales by volume and type**

In the first half of 2009 a decline in electricity sales in comparison with the same period of the previous year occurred in almost all tariff group sets. Sales growth, of 1.8 per cent, occurred only in tariff group set G. The largest fall in sales was noted in tariff group set A. Sales in this group in the first half of 2009 amounted to 76.5 per cent of the sales in the same period of the previous year. Comparison of the volume of electricity sales in particular tariff group sets shows the following:

| Item               | Sales of electricity [MWh] |                  |                  |                   |
|--------------------|----------------------------|------------------|------------------|-------------------|
|                    | 2008                       | Jan-Jun 2008     | Jan-Jun 2009     | Growth [per cent] |
|                    | [1]                        | [2]              | [3]              | [3/2]             |
| Tariff group set A | 2,262,937                  | 1,108,605        | 848,038          | 76.5              |
| Tariff group set B | 7,188,358                  | 3,597,958        | 3,288,382        | 91.4              |
| Tariff group set C | 3,706,147                  | 1,906,100        | 1,891,947        | 99.3              |
| Tariff group set G | 4,295,743                  | 2,232,258        | 2,272,962        | 101.8             |
| <b>TOTAL</b>       | <b>17,453,185</b>          | <b>8,844,921</b> | <b>8,301,330</b> | <b>93.9</b>       |

Revenues from the sale of electricity to end users grew by 38.2 per cent in the first half of 2009 in comparison with the first half of 2008. Growth was perceptible in all tariff groups. Comparison of revenues from electricity sales in particular tariff group sets shows the following:

| Item               | Revenues from the sale of electricity [PLN '000s] |                    |                    |                   |
|--------------------|---|--------------------|--------------------|-------------------|
|                    | 2008  | Jan-Jun 2008       | Jan-Jun 2009       | Growth [per cent] |
|                    | [1]   | [2]                | [3]                | [3/2]             |
| Tariff group set A | 395,393.4   | 188,128.7          | 207,141.9          | 110.1             |
| Tariff group set B | 1,354,585.5                                       | 649,274.7          | 895,865.5          | 138.0             |
| Tariff group set C | 725,694.5   | 348,902.9          | 573,802.4          | 164.5             |
| Tariff group set G | 796,436.5   | 395,212.0          | 508,391.2          | 128.6             |
| <b>TOTAL</b>       | <b>3,272,109.9</b>                                | <b>1,581,518.3</b> | <b>2,185,201.1</b> | <b>138.2</b>      |



## **2.3. Supply markets**

### ***Purchase of energy from the Elektrownia Kozenice power plant***

Since Kozenice joined the Group, 88 per cent of electricity – with the exception of electricity sold on the balancing market, power reserves that are part of regulatory system services and trace quantities sold to local end users – is sold by the Power Plant to ENEA S.A.

The total electricity generation capacity within the Group is 2,936 MW, of which 2,880 MW is generated by Kozenice Power Plant, and 56 MW by the 20 hydroelectric power stations within the Group. The technical generation potential of Kozenice is 14.1 TWh net (15.0 TWh gross) annually. From 2005-2008, the Power Plant generated net electricity in the amount of 11.4, 12.5, 11.6 and 10.9 TWh respectively (corresponding to a gross generation of 12.1, 13.2, 12.4 and 11.8 TWh). In the first half of 2008 Kozenice produced a net amount of almost 5.4 TWh. (i.e. 5.8 TWh brutto). Taking into account the current size and efficiency of Kozenice's generating capacity and the planned assignment levels of carbon dioxide emission rights in 2008-2012 (9.6 million tonnes annually), Kozenice can currently only generate about a gross 11 TWh of electricity annually without needing to purchase additional rights.

### ***Purchase of energy on the wholesale market***

ENEA purchases a further amount of electricity mainly on the basis of bilateral agreements (with generators, traders and on trading platforms) but also by concluding purchase transactions on the Polish Power Exchange and on the balancing market. In addition, as a trader of electricity, ENEA enters into arbitrage transactions in particular market segments.

### ***Purchase of transmission services from PSE Operator***

In 2008 ENEA Operator Sp. z o.o. purchased transmission services from PSE Operator Sp. z o.o. that amounted to 11.5 per cent of the ENEA Capital Group's net sales revenues. PSE Operator is not an affiliate of ENEA S.A.

### ***Coal supply***

Bituminous coal is the basic fuel used to produce electrical energy by the core productive asset of the Issuer, i.e. Kozenice (the situation in other leading energy companies in Poland is similar). Coal accounted for approximately 53 per cent of operating costs in 2008 and about 56 per cent in the first half of 2009.

In the field of coal supplies, entities belonging to the Issuer's Capital Group depend on Lubelski Węgiel "Bogdanka" S.A., Katowicki Holding Węglowy S.A., Jastrzębska Spółka Węglowa S.A. and Kompania Węglowa S.A. The Polish market for the supply of coal is monopolised to a large degree by companies which belong to the State Treasury and which control the overwhelming majority of domestic coal deliveries in terms of volume.

Lubelski Węgiel "Bogdanka" S.A., which delivered around 2.8 million tonnes in both 2007 and 2008, or respectively 57 and 54 per cent of this commodity's volumes, is the main supplier of bituminous coal to the Power Plant. The main reason for choosing Lubelski Węgiel "Bogdanka" S.A. as the main supplier is its proximity – about 100 km – to the Power Plant, where most Polish mines are located in Upper Silesia, about 300 km away. Coal from the Bogdanka mine has a high sulphur content, and due to the current level of efficiency of the desulphurisation systems in Kozenice, use of Bogdanka coal as the sole fuel for the Power Plant would mean exceeding permitted sulphur emission levels. For this reason, as well as to diversify supplies, the Power Plant has concluded coal supply agreements with suppliers from Upper Silesia, i.e. with Katowicki Holding Węglowy S.A., Jastrzębska Spółka Węglowa S.A. and Kompania Węglowa S.A. With all of the above suppliers, with the exception of Kompania Węglowa S.A., the Power Plant has concluded framework agreements under which prices and quantities of coal supplies are set annually. Moreover, in order to diversify supplies and initiate imports, in 2008 a coal supply agreement was signed with SUEK Polska Sp. z o.o. and supplies under it took place in the first quarter of 2009.

### ***Coal transport***

The primary means of transport used for supply of coal to Kozenice is rail transport. More than 90 per cent of deliveries of coal to Kozenice are transported by the state-owned carrier PKP Cargo, which is the largest railway carrier in Poland.



## 2.4. Information about concluded agreements

### 2.4.1. Agreements of significance to ENEA Capital Group operations

Below we set out significant agreements concluded by our Group, i.e. those which in the Company's opinion merit listing due to their significance for the Group's operations. With the exception of electricity transmission agreements concluded with PSE Operator and a coal transport agreement concluded with PKP Cargo, we are not dependent on other industrial, trade or financial agreements. Were the agreements with PSE Operator to be terminated, we would be forced to conclude electricity transmission agreements on new terms, and if the agreement with PKP Cargo, the largest rail carrier in Poland, were to be terminated, we might have difficulty in ensuring continuous deliveries of coal to the Elektrownia Kozienice power plant. All the agreements described in this point were concluded in the normal course of operations.

#### Bituminous coal supply agreements

*Agreement on the sale of fuel coal concluded on 8 January 2009 between Kozienice and Kompania Węglowa S.A.*

The subject matter of the agreement is the regulation of fuel coal supplies to Kozienice by the mines/mining plants belonging to Kompania Węglowa S.A., covering in particular delivery dates, basic quantities and quality parameters of the coal. The agreement also specifies in detail the conditions for delivery and acceptance of coal, the manner in which prices are calculated, the manner and principles of document circulation, principles for the measurement of coal, quantitative and qualitative settlements and limits on the quality of coal supplied for each of the mines and mining enterprises belonging to Kompania Węglowa S.A. and for each class of sale. The net value of the Agreement according to the most recently signed Annex (No. 2) amounts to PLN 139,559,300.00.

*Long-term Agreement UW/KHW/01/09 concluded on 8 January 2009 between Elektrownia "KOZIENICE" S.A. and Katowicki Holding Węglowy S.A.*

The subject matter of the agreement is the regulation of fuel coal supplies to Kozienice by Katowicki Holding Węglowy S.A. covering in particular delivery dates, basic quantities and quality parameters of the coal. Prices, the detailed quantity of supplies and the detailed conditions for delivery and acceptance (including the manner and principles of document circulation, the rules on determining quantities of coal, the rules on measuring it and the complaints procedure) are negotiated on each occasion when signing annual agreements. The manner of calculating the price of coal intended for power generation, depending on its calorific content, was specified in the agreement. In the event of significant changes in coal prices, in the principles on which prices are established for electricity generators or in other important factors that influence the level of coal prices, the coal prices specified in the agreement may be subject to renegotiation. The agreement provides for contractual penalties for the delivery of coal with characteristics worse than the limits specified in annual agreements or failure to deliver or failure to accept the amount of coal specified in the delivery schedule. The agreement is binding until 31 December 2013. Each of the parties may terminate the agreement on one year's notice, with the notice period beginning on the first day of a calendar quarter. The Company announced the conclusion of this agreement in current report 2/2009 of 9 January 2009.

### 2.4.2 Significant transactions with affiliated entities

Capital Group Companies covered by consolidation are engaged in transactions with the following associated entities:

- a) Companies that are part of the Capital Group and are covered by consolidation – these transactions are eliminated at the stage of consolidation;
- b) Transactions concluded between the Group and members of the Group's corporate bodies, which are divided into three categories, stemming from:
  - employment contracts with the Dominant Entity's Management Board members and related to appointments as Supervisory Board members,
  - stemming from loans granted from the Company Social Welfare Fund to the Dominant Entity's Management Board and Supervisory Board members who are ENEA S.A. employees, and

- other civil-law agreements;

#### Transactions with members of the Group's corporate bodies

| Item  | Company Management Board |                       | Company Supervisory Board |                       |
|---|--------------------------|-----------------------|---------------------------|-----------------------|
|   | 01.01.2009-30.06.2009    | 01.01.2008-30.06.2008 | 01.01.2009-30.06.2009     | 01.01.2008-30.06.2008 |
| Remuneration from employment agreement  | 551                      | 527                   | -                         | -                     |
| Remuneration for appointment to management or supervisory bodies                    | -                        | -                     | 74                        | 171                   |
| Remuneration for acting as members of the supervisory boards of subsidiaries        | 159                      | 81                    | -                         | -                     |
| Remuneration as other employee benefits, including (reduced charge for electricity) | 28                       | 64                    | -                         | -                     |
| <b>TOTAL</b>  | <b>738</b>               | <b>672</b>            | <b>74</b>                 | <b>171</b>            |

In regard to the amount of their remuneration Members of the Management Board and the Supervisory Board are subject to the provisions of the Act of 3 March 2000 on the Remuneration of Persons Managing Certain Legal Entities (companies in which the State Treasury has a majority shareholding). In accordance with its provisions the maximum monthly remuneration may not exceed six times average monthly remuneration in the enterprise sector, net of payments of bonuses from profits, in the fourth quarter of the previous year as published by the President of the Central Statistical Office. The amount of an annual bonus may not exceed three times their average monthly remuneration during the year preceding award of the bonus.

Other transactions arising from civil-law agreements between the Dominant Entity and Members of its corporate bodies relate solely to the use of company cars for private purposes by Members of the ENEA S.A.'s Management Board.

The Group also concludes commercial transactions with national and local government bodies and entities controlled by the State Treasury of the Republic of Poland. These transactions relate mainly to: purchases of coal, electricity, proprietary rights stemming from renewable energy and cogeneration certificates, as well as transmission and distribution services, which the Group obtains from an entity controlled by the State Treasury. The sale of electricity, distribution services, grid connection and other related fees, which the Group provides to national and local government bodies (sales to end users) as well as companies controlled by the State Treasury (wholesale and retail sales to end users)

These transactions are concluded on market terms and their conditions do not depart from those used in transactions with other entities. The Group does not maintain records enabling the aggregation of the value of all transactions concluded with all governmental institutions and entities controlled by the State Treasury.

The following table lists significant transactions between ENEA S.A. and affiliated entities in the first half of 2009. Determination of which transactions between the company and affiliated entities are significant was made on the basis of the criterion of the net value of an agreement concluded or performed in the first six months of 2009. The threshold value of the agreement was set at PLN 1 million net.

| No. | Counter party - subsidiary | Agreement conclusion date | Subject   | Net value [PLN '000] |
|-----|----------------------------|---------------------------|---|----------------------|
| 1.  | ENEA Operator Sp. z o.o.   | 30 June 2007              | Specification of the bases, terms and conditions for the provision of electricity distribution services by ENEA Operator Sp. z o.o. to ENEA S.A.<br>In annexes the parties extend the period for which it applies. During the first half of 2009 three annexes were concluded, on the basis of which the period for which the agreement applies was extended to the end | 1,077,432.18         |

|    |                              |                  |  |  |
|----|------------------------------|------------------|--|--|
|    |                              |                  | of 2009 and an appropriate schedule for payments was established, <i>inter alia</i> for the period from January to 30 June 2009. The total value of the agreement in this period amounted to PLN 1,077,432,180. The agreement and one of the important annexes to it were the subject of current report 23/2009 dated 26 March 2009. |  |
| 2. | ENEA Operator Sp. z o.o.     | 19 December 2008 | Sale of electricity in 2009 by ENEA SA to ENEA Operator Sp. z o.o.<br>Two annexes to the agreement were signed during the first half. These did not significantly alter its content. In the period to 30 June 2009 the total value of the agreement amounted to PLN 161,093,500  | 161,093.50                                   |
| 3. | ENEA Operator Sp. z o.o.     | 2 April 2009     | Agreement on the provision of services relating to the servicing of customers on behalf of ENEA SA   | 4,952.00 – average monthly                   |
| 4. | ENEA Operator Sp. z o.o.     | 10 February 2009 | Comprehensive agreement on the maintenance and conservation of lighting units  | 5,000. EURO                                  |
| 5. | Eneos Sp. z o.o.             | 01 January 2009  | Performance of lighting services on street lighting equipment belonging to ENEA S.A. and located in Poznań   | 5,060.16                                     |
| 6. | Eneos Sp. z o.o.             | 12 February 2009 | Modernisation of the street lighting system belonging to ENEA S.A. and located in Kruszwica  | 1,198.00                                     |
| 7. | Eneos Sp. z o.o.             | 4 March 2009     | Lease of a set of lighting equipment serving to improve the quality and effectiveness of street lighting in the City of Stargard Szczeciński - stage 2   | 1,027.00                                     |
| 8. | Eneos Sp. z o.o.             | 26 June 2009     | Modernisation of the street lighting system belonging to ENEA S.A. and located in Środa Wielkopolska   | 2,630.00                                     |
| 9. | Elektrownia "Kozienice" S.A. | 4 March 2009     | Framework agreement on electricity sales – described more fully in current report 20/2009 of 5 March 2009  | 190,000.00 estimated value for the year 2009 |

### 2.4.3. Credit and loan agreements concluded and terminated

In the first half of 2009 ENEA S.A. had five open working capital facilities: two from BZ WBK S.A., two from Pekao S.A. and a credit limit in PKO BP S.A.

The total non-utilised working capital facility limit as at 30.06.09 was PLN 105,265,000.

The status of the credit lines as at 30.06.09 is presented in the table below.

| No.  | Borrower               | Credit facility value [PLN '000] | Costs of credit [PLN '000] | Debt on credit facilities as at 30.06.09 PLN '000 | Commencement date | End date date | Repayment period                                  |
|--|------------------------|----------------------------------|----------------------------|---|-------------------|---------------|---|
| <b>Working credit drawn down by ENEA S.A. in the first half of 2009.</b> |                        |                                  |                            |   |                   |               |   |
| 1  | PKO BP S.A.            | 50 000,00                        | 0,00                       | 0,00  | 2006.04.25        | x             | 5 years from the first use of the credit facility |
| 2  | Bank Pekao S.A.        | 10 000,00                        | 0,00                       | 0,00  | 2007.04.12        | 2011.11.17    | 2011.11.17  |
| 3  | Bank Zachodni WBK S.A. | 40 000,00                        | 0,00                       | 0,00  | 2007.04.12        | 2011.11.17    | 2011.11.17  |
| <b>TOTAL</b>   |                        |                                  | 0,00                       | 0,00  |                   |               |   |

#### 2.4.4. Loans granted

In the period from 1 January 2009 to 30 June 2009 ENEA S.A. did not extend any loans.

#### 2.4.5. Granted and received suretyships and guarantees

In the first six months of 2009, ENEA S.A. did not grant any suretyships or guarantees.

The total off-balance sheet value of suretyships and guarantees granted as at 30 June 2009 was PLN 219,000.

There are no "guarantees or suretyships at risk" among those granted. The suretyships and guarantees granted by ENEA S.A. fall within the limits specified in Article 33 par. 1 of the Act on suretyships and guarantees granted by the State Treasury and other legal persons of 8 May 1997 (Journal of Laws of 2003 No. 174, item 1689 as amended)

| No.           | Date suretyship/ guarantee granted  | Date of validity of suretyship/ guarantee | Entity for which suretyship/ guarantee was granted | Entity to which suretyship/ guarantee granted      | Agreement number                       | Value of suretyship/ guarantee | Actual debt as at 30 June 2009 [PLN '000] |
|---------------|---|---|--|--|--|--------------------------------|---|
| 1             | For the purpose of meeting the statutory conditions for obtaining a license to carry out profit-making transport activities |   |  |  |  |                                |   |
|               | 26-08-2003  | 31-08-2017                                | EP Zakład Transportu Sp. z o.o.                    | Poznań Department of Communal Services and Housing | Surety's statement of 2 September 2003 | PLN 219,000<br>EUR 49,000*     | -   |
| <b>Total:</b> |   |   |  |  |  | <b>PLN 219,000</b>             | <b>-</b>                                  |

| Other conditional obligations granted by ENEA S.A. as at 30 June 2009 |                       |   |                   |                               |
|---|-----------------------|---|-------------------|-------------------------------|
|   | Obligation type       | Entity to which security is granted   | Value of security | Period of security's validity |
| 1.  | Blank promissory note | Security of PSE Operator S.A.'s receivables for settlement of energy payments | PLN 15,000,000    | Open-ended                    |

\*The PLN/EUR mid-rate on 30 June 2009 was 4.5081 NBP mid exchange rates table for 30 June 2009.

Other conditional liabilities of the ENEA Capital Group have been described in note 28 of the abbreviated mid-year consolidated financial statements.

## 2.5 Presentation of the financial position of the ENEA Capital Group

### 2.5.1 Discussion of key economic and financial figures disclosed in the financial statements

#### 2.5.1.1. Financial results

Consolidated income statement

| Income Statement in PLN '000s  | Jan-Jun 2008      | Jan-Jun 2009      | Jan-Jun 2009<br>as proportion<br>of Jan-Jun<br>2008 | Change<br>Jan-Jun<br>2008/2009 |
|--|-------------------|-------------------|---|--------------------------------|
| <b>Revenues</b>  | <b>3,153,278</b>  | <b>3,718,657</b>  | <b>117.9%</b>                                       | <b>565,379</b>                 |
| Excise duty  | -114,692          | -126,731          | 110.5%  | -12,039                        |
| <b>Net revenues from sales</b>   | <b>3,038,586</b>  | <b>3,591,926</b>  | <b>118.2%</b>                                       | <b>553,340</b>                 |
| <b>Cost of sales</b>   | <b>-2,929,918</b> | <b>-3,159,555</b> | <b>107.8%</b>                                       | <b>-229,637</b>                |
| Other operating income   | 40,709            | 37,510            | 92.1%   | -3,199                         |
| Loss on sales and liquidation of tangible fixed assets   | -2,250            | 1,157             | x   | 3,407                          |
| Lasting loss of value of tangible fixed assets   | -                 | -7,517            | X   | -7,517                         |
| Other operating costs  | -51,287           | -39,593           | 77.2%   | 11,694                         |
| <b>Operating profit (loss)</b>   | <b>95,840</b>     | <b>423,928</b>    | <b>442.3%</b>                                       | <b>328,088</b>                 |
| Financial costs  | -16,214           | -24,652           | 152.0%  | -8,438                         |
| Financial revenues   | 41,633            | 84,292            | 202.5%  | 42,659                         |
| Share in (losses)/profits of associated and jointly-controlled entities accounted for by the equity method | -428              | 8,769             | x   | 9,197                          |
| <b>Profit (loss) before tax</b>  | <b>120,831</b>    | <b>492,337</b>    | <b>407.5%</b>                                       | <b>371,506</b>                 |
| Income tax   | -29,870           | -100,431          | 336.2%  | -70,561                        |
| <b>Net profit (loss) for the reporting period</b>  | <b>90,961</b>     | <b>391,906</b>    | <b>430.9%</b>                                       | <b>300,945</b>                 |

The Group's net revenues from sales in the reporting period amounted to PLN **3,591,926,000**, which in relation to the first half of 2008 constituted growth of PLN **553,340,000** and thus of 18.2 per cent. The breakdown below shows the value and structure of revenues from sales achieved in the first halves of the years 2008 and 2009.

| Item  | Jan-Jun 2008     |              | Jan-Jun 2009     |              | Jan-Jun 2009 as<br>proportion of<br>Jan-Jun 2008 |
|---|------------------|--------------|------------------|--------------|--|
|   | [PLN '000]       | %            | [PLN '000]       | %            |  |
| Revenues from sale of electricity           | 1,726,342        | 56.8         | 2,275,288        | 63.3         | 131.8%   |
| Revenues from sale of distribution services | 1,166,047        | 38.3         | 1,140,915        | 31.8         | 97.8%  |
| Revenues from sales of goods and materials  | 102,719          | 3.4          | 90,617           | 2.5          | 88.2%  |
| Revenues from sales of other services       | 19,769           | 0.7          | 31,785           | 0.9          | 160.8%   |
| Compensation for coverage of stranded costs | 18,596           | 0.6          | 27,034           | 0.8          | 145.4%   |
| Revenues from sale of thermal energy        | 5,113            | 0.2          | 26,287           | 0.7          | 514.1%   |
| <b>Total net revenues from sales</b>        | <b>3,038,586</b> | <b>100.0</b> | <b>3,591,926</b> | <b>100.0</b> | <b>118.2%</b>                                    |

The Group's revenues are composed primarily of revenues from the sale of electricity and revenues from the sale of distribution services, which amount respectively to 63.3 per cent and 31.8 per cent of sales revenues. Revenues from the sale of electricity amounted to PLN 2,275,288,000 in the first half of 2009 and rose in relation to the previous year by 31.8 per cent. This derived mainly from the 47.2 per cent increase in the average price of electricity sold to end users by ENEA S.A. Revenues from the sale of distribution services were PLN 1,140,915,000 in the first half of 2009 and were 2.2 per cent lower than a year earlier. This decrease was caused by the 2.9 per cent reduction in the quantity of electricity supplied.

The 11.8 per cent reduction in revenues from sales of goods and materials derived chiefly from the reduction in internal sales in the company BHU and IT Serwis, which was caused by weakness in the market and the fall in investment in the national economy.

The level of sales revenues in the first half of 2009 was affected by compensation payments to cover stranded costs, which amounted to PLN 27,034,000 and arose from recognition of compensation payments to cover stranded costs (the difference between instalment payments towards stranded costs and estimated annual adjustment of stranded costs) by Kozenice relating to the early termination of the LTC contract from 1 April 2008.

Revenues from the sale of thermal energy in the first half of 2009 amounted to PLN 26,287,000 and amounted to just 0.7 per cent of sales revenues. The very marked growth in these revenues in comparison with the first half of 2008 derived chiefly from recognition of the revenues of the companies PEC Oborniki and MEC Pila, shares in which were acquired by ENEA S.A. in the second half of 2008.

In the first half of 2009 total cost of sales amounted to PLN **3,159,555,000** and grew by 7.8 per cent relative to the same period of the previous year.

The breakdown below shows the value and structure of cost of sales achieved in the first half of 2009.

| Item   | Jan-Jun 2008     |              | Jan-Jun 2009     |              | Jan-Jun 2009 as proportion of Jan-Jun 2008 |
|--|------------------|--------------|------------------|--------------|--|
|  | [PLN '000]       | %            | [PLN '000]       | %            |  |
| Amortization   | 322,270          | 11.0         | 318,921          | 10.1         | 99.0                                       |
| Costs of employee benefits                           | 505,240          | 17.3         | 386,920          | 12.3         | 76.6                                       |
| Consumption of raw materials and value of goods sold | 646,540          | 22.1         | 712,335          | 22.5         | 110.2                                      |
| Purchase of energy for sales purposes                | 871,203          | 29.7         | 1,179,001        | 37.3         | 135.3                                      |
| Transmission services                                | 381,911          | 13.0         | 333,481          | 10.6         | 87.3                                       |
| Other third-party services                           | 122,865          | 4.2          | 142,272          | 4.5          | 115.8                                      |
| Taxes and charges                                    | 79,889           | 2.7          | 86,625           | 2.7          | 108.4                                      |
| <b>Total cost of sales</b>                           | <b>2,929,918</b> | <b>100.0</b> | <b>3,159,555</b> | <b>100.0</b> | <b>107.8</b>                               |

The largest items in the Capital Group's costs are, firstly, the cost of purchasing electricity and consumption of materials and, secondly, the value of goods sold, which constitute respectively 37.2 per cent and 22.5 per cent of the cost of sales.

Purchase of electricity for sale amounted to PLN 1,179,001,000 in the first half of 2009 and increased relative to the previous year by 35.3 per cent as a result of the 44.2 per cent increase in the average purchase price of electricity.

The growth in consumption of materials and the cost of goods sold (a growth rate of 10.2 per cent) arose primarily from the growth in the cost of using coal in the Elektrownia Kozenice power plant.

The cost of employee benefits amounted to PLN 386,920,000 in the first half of 2009 and fell by PLN 118,320,000, primarily because of a reduction in provisions for employee benefits following the conduct of an actuarial valuation. Furthermore in the first half of 2008 this item included recognition of the additional costs of benefits relating to payment in the form of shares for entitled employees of the Capital Group.

In the first half of 2009 the cost of transmission services fell by 12.7 per cent and amounted to PLN 333,481,000, which resulted above all from the fall of the average price of electricity transmission from PLN 54.90 per MWh in the first half of 2008 to PLN 48.78 per MWh in the first half of 2009.

The cost of third-party services amounted in the first half of 2009 to PLN 142,272,000 and increased relative to the same period of the previous year by PLN 19,407,000, i.e. by 15.8 per cent. This was caused primarily by the growth in these costs in the company ENEA Operator, which derives above all from the increase in services outsourced by the Group and the increase in costs of property insurance because of a change in the manner of settling these costs.

The cost of taxes and fees rose in the first half of 2009 by 8.4 per cent, i.e. by PLN 6,736,000, and amounted to PLN 86,625,000, as a result above all of the increase in taxation of grid property in the company ENEA Operator.

In the first half of 2009 the ENEA Capital Group achieved an operating profit of PLN 423,928,000, which was higher than that achieved in the first half of 2008 by 342.3 per cent, i.e. by PLN 328,088,000.

Consolidated profit before taxation, and thus after consideration of financial activities, amounted to PLN 492,337,000 and was higher by PLN 371,506,000, i.e. by 307.5 per cent, than in the first half of 2008.

Net profit earned by the Group in the first half of 2009 amounted to PLN 391,906,000 and was PLN 300,945,000 higher than in the first half of 2008. The increase in net profit was occasioned above all by the earning in the first half of 2009 of a larger profit on the sale of electricity. Additionally net profit was affected by the achieving of higher financial revenues from interest payments on cash held by ENEA S.A. and acquired from the issue of new shares.

#### **2.5.1.2. Assets - structure of assets and liabilities in the consolidated balance sheet**

##### Consolidated Balance Sheet

| Assets in PLN '000s  | As at:              |                   | Jan-Jun 2009<br>as<br>proportion<br>of Jan-Jun<br>2008 | Change<br>31.12.2008-<br>30.06.2009 |
|--|---------------------|-------------------|--|-------------------------------------|
|  | 31 December<br>2008 | 30 June<br>2009   |  |                                     |
| <b>Fixed assets</b>  | <b>8,204,031</b>    | <b>8,183,265</b>  | <b>99.7%</b>   | <b>-20,766</b>                      |
| Tangible fixed assets  | 7,944,815           | 7,891,008         | 99.3%  | -53,807                             |
| Perpetual usufruct right   | 15,321              | 15,261            | 99.6%  | -60                                 |
| Intangible assets  | 36,606              | 39,089            | 106.8%   | 2,483                               |
| Investment properties  | 5,034               | 4,943             | 98.2%  | -91                                 |
| Investments in associated and jointly-owned entities<br>accounted for by the equity method | 189,941             | 196,001           | 103.2%   | 6,060                               |
| Available-for-sale financial assets  | 8,965               | 34,450            | 384.3%   | 25,485                              |
| Financial assets valued at fair value by profit and loss                                   | 1,033               | 1,125             | 108.9%   | 92                                  |
| Trade and other receivables  | 2,316               | 1,388             | 59.9%  | -928                                |
| <b>Current assets</b>  | <b>3,781,886</b>    | <b>3,992,844</b>  | <b>105.6%</b>  | <b>210,958</b>                      |
| Inventories  | 270,044             | 344,533           | 127.6%   | 74,489                              |
| Trade and other receivables  | 780,098             | 913,925           | 117.2%   | 133,827                             |
| Current income tax receivables   | 5,538               | 9,432             | 170.3%   | 3,894                               |
| Available-for-sale financial assets  | 4,806               | 0                 | 0.0%   | -4,806                              |
| Financial assets held to maturity  | 100,741             | 72,809            | 72.3%  | -27,932                             |
| Financial assets valued at fair value by profit and loss                                   | 0                   | 1,936,520         | ,,X  | 1,936,520                           |
| Cash and cash equivalents  | 2,620,659           | 715,625           | 27.3%  | -1,905,034                          |
| <b>Total assets</b>  | <b>11,985,917</b>   | <b>12,176,109</b> | <b>101.6%</b>  | <b>190,192</b>                      |

| Liabilities in PLN '000s                          | As at:              |                   | Jan-Jun 2009<br>as<br>proportion<br>of Jan-Jun<br>2008 | Change<br>31.12.2008-<br>30.06.2009 |
|---|---------------------|-------------------|--|-------------------------------------|
|   | 31 December<br>2008 | 30 June<br>2009   |  |                                     |
| <b>Total shareholders equity</b>                  | <b>9,024,253</b>    | <b>9,230,765</b>  | <b>102.3%</b>  | <b>206,512</b>                      |
| Share capital                                     | 588,018             | 588,018           | 100.0%   | 0                                   |
| Treasury shares                                   | -17,396             | -17,396           | 100.0%   | 0                                   |
| Share premium                                     | 3,632,464           | 3,632,464         | 100.0%   | 0                                   |
| Share based payments reserve                      | 1,144,336           | 1,144,336         | 100.0%   | 0                                   |
| Reserve from revaluation of financial instruments | -1,099              | 16,794            | X  | 17,893                              |
| Other reserves                                    | -28,226             | -28,226           | 100.0%   | 0                                   |
| Retained profits                                  | 3,675,078           | 3,863,282         | 105.1%   | 188,204                             |
| Minority holdings                                 | 31,078              | 31,493            | 101.3%   | 415                                 |
| <b>Total liabilities</b>                          | <b>2,961,664</b>    | <b>2,945,344</b>  | <b>99.4%</b>   | <b>-16,320</b>                      |
| Long-term liabilities                             | 1,518,009           | 1,487,077         | 98.0%  | -30,932                             |
| Current liabilities                               | 1,443,655           | 1,458,267         | 101.0%   | 14,612                              |
| <b>Total liabilities</b>                          | <b>11,985,917</b>   | <b>12,176,109</b> | <b>101.6%</b>  | <b>190,192</b>                      |

As at 30 June 2009, the balance-sheet total of the ENEA Capital Group was PLN 12,176,109,000 and it had increased by PLN 190,192,000, i.e. by 1.6 per cent, relative to the situation as at 31 December 2008.

In the first half of 2009, current assets amounted to PLN 3,992,844,000 and had increased by PLN 210,958,000 since the end of the previous year. This was chiefly the result of an increase in receivables for supplies and services and other receivables of PLN 133,827,000, itself resulting from an increase in receivables for electricity and distribution services in ENEA S.A. Furthermore there was a growth in inventories of PLN 74,489,000, resulting principally from an increase in coal stocks at the Elektrownia Koźienice power plant

Shareholders equity at the end of the first half of 2009 amounted to PLN 9,230,765,000 and was PLN 206,512,000, i.e. 2.3 per cent, higher than at the end of 2008 (PLN 9,024,253,000). The increase in shareholders equity arose principally from the rise in retained profits.

As at 30 June 2009, the value of the Group's long-term liabilities was PLN 1,487,077,000 and had fallen by PLN 30,932,000, i.e. by 2.0 per cent, in relation to the situation at the end of 2008.

Short-term liabilities amounted to PLN 1,458,267,000 and had increased by PLN 14,612,000 (by 1.0 per cent) since the end of the previous year.

### 2.5.1.3. Cash

Consolidated cash flow statement

| Cash flow in PLN '000s  | As at          |                |   |                                     |
|---|----------------|----------------|---|-------------------------------------|
|   | Jan-Jun 2008   | Jan-Jun 2009   | Jan-Jun 2009 as<br>proportion<br>of Jan-Jun<br>2008 | Change<br>31.12.2008-<br>30.06.2009 |
| Net cash generated from operating activities                        | 443,673        | 331,458        | 74.7%   | -112,215                            |
| Net cash generated from investing activities                        | -393,377       | -2,205,794     | 560.7%  | -1,812,417                          |
| Net cash generated from financing activities                        | -31,854        | -30,698        | 96.4%   | 1,156                               |
| Net increase in cash and cash equivalents                           | 18,442         | -1,905,034     |   | -1,923,476                          |
| <b>Cash and cash equivalents at the end of the reporting period</b> | <b>959,234</b> | <b>715,625</b> | <b>74.6%</b>  | <b>-243,609</b>                     |

The ENEA Capital Group's balance of cash and cash equivalents amounted to PLN 715,625,000 at the end of the first half of 2009 and were PLN 243,609,000 lower than at the end of the first half of 2008 (PLN



959,234,000). Cash flow from operating activities was PLN 331,458,000 in the first half of 2009 and was PLN 112,215,000 lower than in the first half of 2008 (PLN 443,673,000). This fall was caused primarily by the payment of liabilities being the equivalent to the right to receive without payment shares in Elektrownia Kozienice and a reduction in the provision for source of energy certificates.

Cash flow from investing activities was PLN 2,205,794,000 in the first half of 2009 and changed by PLN 1,812,417,000 in comparison with the first half of 2008, when it was PLN 393,377,000). This was caused by the purchase in the first half of 2009 of financial assets for PLN 1,942,020,000

Cash flow from financing activities was PLN 30,698,000 in the first half of 2009, i.e. PLN 1,156,000 greater than in the first half of 2008 (PLN -31,854,000).

#### 2.5.1.4. Ratio analysis

| Item   | Jan-Jun 2008                | Jan-Jun 2009 |
|--|-----------------------------|--------------|
|  | <b>PROFITABILITY RATIOS</b> |              |
| <b>ROE - return on equity</b>  |                             |              |
| <i>Gross profit (loss)</i><br>equity   | 1,7%                        | 5,3%         |
| <b>ROA - return on assets</b>  |                             |              |
| <i>operating profit (loss)</i><br>total assets                                     | 1,0%                        | 3,5%         |
| <b>Net profitability</b>   |                             |              |
| <i>Net profit (loss)</i><br>Revenues   | 3,0%                        | 10,9%        |
| <b>Operating profitability</b>   |                             |              |
| <i>operating profit (loss)</i><br>Revenues   | 3,2%                        | 11,8%        |
| <b>EBITDA profitability</b>  |                             |              |
| <i>Operating profit (loss) + amortisation and depreciation</i><br>Revenues         | 13,8%                       | 20,7%        |
| <b>LIQUIDITY AND FINANCIAL STRUCTURE RATIOS</b>                                    |                             |              |
| <b>Current liquidity ratio</b>   |                             |              |
| <i>current assets</i><br>Current liabilities                                       | 1,4                         | 2,7          |
| <b>Equity-to-fixed assets ratio</b>  |                             |              |
| <i>equity</i><br>Non-current assets  | 89,2%                       | 112,8%       |
| <b>Total debt ratio</b>  |                             |              |
| <i>total liabilities</i><br>total assets   | 29,7%                       | 24,2%        |
| <b>ECONOMIC ACTIVITY RATIOS</b>  |                             |              |
| <b>Short-term receivables turnover in days</b>                                     |                             |              |
| <i>average balance of trade and other receivables x number of days</i><br>Revenues | 43,9                        | 42,4         |

| <b>Turnover of trade and other payables in days</b>                    |      |      |
|--|------|------|
| <i>average balance of trade and other liabilities x number of days</i> | 63,6 | 66,8 |
| <i>cost of products, goods and materials sold</i>                      |      |      |

In the first half of 2009 the ENEA Capital Group achieved a positive financial result and positive profitability ratios. EBITDA profitability amounted to 20.7 per cent and was higher than that achieved in the first half of 2008 (13.8 per cent), as a result of generation of a higher operating profit.

Net profit achieved by the Group in 2009 amounted to 10.9 per cent and increased by 7.9 percentage points from the level achieved in the first half of 2008 (3.0 per cent) as a consequence of the Group's achieving a higher net profit in the reporting period. This resulted primarily from the generation of a greater profit from electricity sales and achievement of higher financial revenues from payment of interest on cash held by ENEA SA and obtained from the issue of new shares.

There was also an increase in the efficiency of the Group's operations as measured by the ROE and ROA business activity ratios. The ROE ratio was 1.7 per cent in the first half of 2008 and rose to 5.3 per cent in the first half of 2009, as a result of a higher pre-tax profit being achieved in the first half of 2009 than in the previous year. The ROA ratio increased from 1.0 per cent in the first half of 2008 to 3.5 per cent in the first half of 2009 as a consequence of the achievement of a higher operating profit.

The ENEA Capital Group is able to settle its current liabilities on time, which is confirmed by the level of the current liquidity ratio, which was 2.7 in the first half of 2009. That figure is the result of the high level of financial assets held by ENEA S.A. as a result of receiving the proceeds of an issue of new shares.

The receivables turnover ratio calculated on 30 June 2009 was 42 days, or in other words close to that in the first half of 2008 (44 days). Meanwhile the liabilities turnover indicator in the first half of 2009 was 69 days, and was thus 3 days greater than in the previous year. It should be noted that a proper relationship was maintained between the receivables and liabilities turnover indicators (liabilities are settled after collection of receivables), which in turn has a beneficial effect on the Group's financial liquidity.

The structure of the financing of assets ratios show that the ENEA Capital Group makes relatively little use of debt finance. The total debt ratio was 24.2 per cent at the end of the first half of 2009 (and was 29.7 per cent in the first half of 2008). The ratio of shareholders equity to fixed assets was 112.8 per cent at 30 June 2009 (and 89.2 per cent in the first half of 2008).

### **2.5.2. Financial results forecasts**

The Management Board of ENEA S.A. did not publish any forecasts of its financial results for the first half of 2009 or for 2009.

### **2.5.3. Financial resources management**

ENEA S.A. has sufficient financial resources to guarantee that it can service all its current and planned outlays associated with its operating and investment activities. The balance of available funds enables it to flexibly settle its ongoing liabilities and carry out planned investments. The Company's liquidity management is concentrated on a detailed analysis of the flow of receivables, ongoing monitoring of bank accounts as well as the ongoing concentration of cash resources in consolidated accounts. The Company takes action to reduce the period of obtaining receivables and extend the period of settling liabilities and deposits any financial surpluses that arise in current assets in the form of term deposits. Issue cash proceeds are managed by a specialist external firm. They are invested in minimum risk instruments, i.e. debt instruments issued, secured or guaranteed by the State Treasury, and bank deposits.

ENEA S.A. had five working capital facilities as at 30 June 2009: two from BZ WBK S.A., two from Pekao S.A. and a credit limit in PKO BP S.A.

Total unused working capital facilities amounted to PLN 105,265,000 on 30 June 2009.

ENEA S.A. did not, during the course of the financial year, make use of working capital facilities to finance ongoing activity, and did not therefore have any associated financial costs. The Company did not take out any credit for a pledge, mortgage, ownership right transfer of fixed assets or ownership right transfer over an organised part of an enterprise.

The bank loan security which ENEA S.A. possesses consists of: powers of attorney to current accounts in banks in which ENEA S.A. has current accounts, and a declaration on voluntary submission to enforcement.

#### **2.5.4. Information on financial instruments**

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

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

- 1) **credit risk** – credit risk relates to the failure by a client or contractor being party to a financial instrument to carry out its contractual obligations. The main factors influencing the appearance of a credit risk in the case of the Company are:
  - the large number of minor customers having an influence on an increase in the costs of controlling the flow of receivables,
  - the need to supply electrical energy to budget units which are in a difficult financial situation,
  - the legal requirements regulating the principles of suspending supplies of electrical energy as a result of a failure to pay.

The Management Board applies a credit policy according to which exposure to credit risk is monitored on an ongoing basis. An assessment of creditworthiness is made in relation to all customers in need of credit above a specific amount.

The Company carries out ongoing monitoring of the amount of outstanding receivables, and in justified cases raises legal claims and makes write-offs.

- 2) **risk of loss of financial liquidity** – the risk of loss of financial liquidity is the risk of a lack of possibility of the Company to repay its financial obligations when they become due. The policy of managing the risk of loss of financial liquidity involves ensuring the financial resources which are necessary for the Company to discharge its financial and investment obligations while using the most attractive sources of financing, such as issuing debt securities.

The Company's liquidity management is concentrated on a detailed analysis of the flow of receivables, ongoing monitoring of bank accounts, and an ongoing concentration of monetary resources in consolidated accounts. The Company undertakes activities aimed at shortening the flow period for receivables and at the same time extending the period for settling liabilities, and invests financial surpluses in circulating assets in the form of fixed-term deposits.

- 3) **Exchange rate risk** – The Group is vulnerable to exchange rate risk, mainly in relation to foreign currency credits held by Elektrownia Koźienice. Information on the influence of exchange risk has been presented in the consolidated financial statements for 2008 in Note 23.5. .
- 4) **interest rate risk** – this exists mainly in relation to interest on credit facilities drawn and on interest from bank deposits. The interest rate is variable as it is based on the WIBOR rate. Information on the subject of the effect of interest rate risk was presented in note 23.6 to the Consolidated Financial Statements for 2008.

Some risks cannot be avoided, as they are influenced by legislative changes and changes in macro-economic trends.

### **3. Development prospects and major threats and risks related to the remaining months of the reporting year**

The prospects for development of the ENEA Capital Group depend on a number of internal and external legal and macro-economic factors which could at the same time, if there are significant and also unfavourable departures from standard or assumed parameters (or circumstances associated with such factors), pose risks and dangers in achieving the Group's desired results or development.

#### **3.1. Legal regulations and tariffs**

The results of our operations depend on a number of regulations and decisions made by the regulatory authorities. At the time of publishing this report, there is talk in particular of regulating the scope for setting charges and the rules for applying them, in accordance with which we can make settlements with clients for

electricity distribution services, and of regulating prices of electricity for customers from G tariff groups using energy for household purposes.

Our operations are conducted in a sector that is particularly subject to legal regulation. The Energy Law and EU regulations, particularly on environmental protection, have a big impact on our situation. These legal regulations are subject to frequent changes which we are unable to predict and which can result in a change of conditions and a lack of cohesiveness of the provisions on the basis of which we conduct our activities.

In Poland the authority implementing measures relating to the regulation of the fuel and energy sector and promoting competition within it is the President of the ERO. The key powers of the President of the ERA include approving tariffs and controlling their use, as well as exempting and withdrawing exemptions from the obligation to submit tariffs for approval, granting and withdrawing concessions, appointing entities as system operators, agreeing development plans, imposing fines and controlling the performance of obligations specified in the Energy Law by energy companies. Apart from the President of the ERA, other authorities can also bring considerable influence to bear on our activities in exercising their controlling and regulatory powers. These include in particular the President of the OCCP and the European Commission. The controlling and regulatory powers of the President of the ERA and other authorities enable them to significantly influence our activities, particularly the amount of revenue we achieve. The scope of these powers could change in future, as a result of which these authorities can obtain additional powers with respect to the activities we conduct. Decisions made by these authorities could have an important negative influence on the amount of revenue we achieve.

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

We are obliged to submit for approval by the President of the ERO tariffs relating to the sale of electricity sales to households and relating to the distribution of electricity to customers who are connected to our distribution grid. According to legal provisions, the method of calculating tariffs is designed to ensure that an energy company: (i) covers the costs planned for a given tariff period which are regarded as justified by the President of the ERO; and (ii) obtains a specified margin (in turnover) or a return from capital (in distribution) while at the same time guaranteeing that customers are protected against an unjustified level of prices and charge rates. Some elements in the calculation of tariffs are calculated on the basis of economic models accepted by the President of the ERO and on other assumptions which do not take into account the actual costs of our activities and the value of our assets shown in our financial statements. In consequence the components of tariff calculation are the subject of frequently long-lasting deliberations with the President of the ERO, which may not lead to our achieving the revenues we have assumed.

In practice, tariffs are usually approved for one year. The President of the ERA also determines the length of regulatory periods (from three to five years), for which he specifies a standard level of costs regarded as justifiable in connection with energy distribution. If additional costs are incurred during a regulatory period which have not been taken into account in the model or have been accounted for in a lower amount, we have only a limited possibility of taking such costs into account in the tariff. In practice, the President of the ERA only accepts a tariff correction in the event of a significant increase of costs for reasons for which we are not responsible.

Furthermore, if the President of the ERO fails to approve a new tariff after a given tariff period, we will in principle be obliged to apply the existing tariff, which may not take into account the increase in the costs of our activities. In the future, such a situation could negatively influence our activities, financial condition, financial results or growth prospects.

Until 31 December 2007, ENEA S.A.'s activities in the sale of electricity to end users involved the obligation to submit the tariffs to the President of the ERA for approval. As a result of the ERO President's decision of 14 May 2008, with the exception of the tariff for customers from tariff groups G who are connected to ENEA Operator's grid, we have been exempted from the obligation to present tariffs for electrical energy for the ERO President's approval. At the date of preparation of this report this situation had not changed.

On 2 January 2009, the President of the ERO approved ENEA's "Electricity Tariff" for customers using energy for household purposes. This began to apply on 17 February 2009 and will remain in force until 31 December 2009.

With respect to electricity sales to customers other than households (A, B and C tariff group sets) ENEA S.A.'s Management Board in its Resolution 786/2008 of 25 November 2008 approved the "Electricity Tariff" for the A, B and C tariff group sets and this has applied since January 2009. In accordance with ENEA S.A.'s Management

Board's Resolution 266/2009 of 27 April 2009, this tariff was amended with regard to electricity prices with effect from 1 June 2009.

### ***3.2. Wholesale electricity prices***

Wholesale electricity prices depend on numerous factors, including fuel prices and the allocation of CO<sub>2</sub> emission entitlements. Within the capital group we are unable to meet retail customers' demand for electricity solely with power produced in our own generating facilities. We are therefore dependent to some extent on the prices offered in the wholesale electricity market and this affects the level of costs achieved by us. An additional risk factor in this regard is the substantial difficulty of forecasting wholesale prices, which is related to the immaturity of the forward wholesale electricity market in Poland. In view of this our ability to reduce the costs of purchasing electricity in the event of a sudden fall in prices in the retail market is limited. The above factors may have a negative effect on the financial results achieved by the Company and on stabilisation of clients' portfolios.

### ***3.3. Supplies and prices of bituminous coal and other fuels***

The basic fuel used to produce electricity by our basic production assets, i.e. Koźienice, is bituminous coal. In 2008, the cost of coal constituted approximately 53 per cent and in the first half of 2009 about 56 per cent, of the Power Station's operating costs. We depend on four suppliers for our coal supplies: Lubelski Węgiel Bogdanka S.A., which provided us with more than 57 per cent of that raw material in 2007 and 54 per cent in 2008 and in the first half of 2009 over 46 per cent (in terms of volume), Katowicki Holding Węglowy S.A., Jastrzębska Spółka Węglowa S.A. and Kompania Węglowa S.A. The Polish market for the supply of coal is highly monopolised by companies belonging to the State Treasury, our main shareholder, which control the vast majority of domestic coal supplies (in terms of quantity). There is no guarantee that the currently binding coal supply agreements that we concluded with our main suppliers will not be terminated or that they will be extended after their term expires. Furthermore, under those agreements the price and quantity of coal delivered are determined annually by way of negotiations. There is no guarantee that the outcome of those negotiations will always be favourable for us. If we are unable to conclude agreements for the supply of coal to Koźienice Power Station or supplies of coal are suspended or interrupted for a different reason (e.g. as a result of a mine employees' strike), Koźienice Power Station could be forced to import coal from further afield at higher prices, suspend or reduce its electricity production until the supply of coal is resumed, or adapt its production assets to utilise alternative fuels, which could cause an increase in its costs. An increase in the costs of Koźienice Power Station would be reflected in the prices of the electricity we sell, which could make our prices uncompetitive in relation to the prices of electricity sold by competitors on the market. Furthermore, if we are unable to maintain our inventories of bituminous coal at the legally required level, we could receive administrative fines of up to 15 per cent of our revenues from licensed activities in the previous tax year.

In January 2008, the Power Station began to produce power from the co-combustion of biomass as fuel. Co-combustion of biomass is carried out in eight 200-225 MW power units. Sawdust pellets, sawdust and sunflower pellets are primarily used as biomass. The Power Station currently has agreements with some 20 biomass suppliers. In 2008, biomass consumption amounted to 98,657.2 tonnes. The co-combustion of 100,000 tonnes of biomass is planned for 2009; 43,829.20 tons of this fuel was burned in the first half of the year.

### ***3.4. Obligations with respect to obtaining energy certificates of origin***

We are required by law to obtain and present to the president of the ERO for redemption certificates of origin confirming: (i) the production of electricity in renewable sources; and (ii) the production of electricity combined with the production of heat (co-generation) or, if we fail to obtain the required number of certificates of origin and present them for redemption, to pay substitution charges. The number of certificates of origin that we must obtain and redeem is provided for by law and is calculated as a percentage share of electricity sold to end customers. That share will increase in subsequent years. The quantity of electricity that we sell to end customers could also increase. The sources of renewable energy or energy produced in cogeneration that we have only enable us to fulfil our obligations related to redeeming certificates of origin to a limited extent. We are therefore forced to obtain certificates of origin from third parties or pay substitution charges, which increase every year. Due to the insufficient potential of the sources producing such energy in Poland, we should expect an increase in the prices of certificates of origin on the market, which could result in a substantial increase in the costs of our operations. There is no guarantee that we will be able to reflect increased prices of

such certificates or the substitution charges that we pay in the price of electricity sold to end customers. If we are unable to obtain an appropriate number of certificates of origin on favourable terms, or if market conditions prevent us from transferring to end customers the higher costs incurred by us in connection with purchasing certificates or origin, this could have an adverse effect on our cash flows and the margins that we achieve.

### **3.5. Limits on CO<sub>2</sub> emission rights and their market prices**

Our electricity production operations depend on the quantity of rights allocated to us to emit CO<sub>2</sub> and other gases and substances for a particular settlement period. CO<sub>2</sub> emission rights are allocated on the basis of the Community system of trading in emission rights. For the second settlement period of trading in CO<sub>2</sub> emission rights (2008-2012), Koziernice Power Station was granted rights to emit 9.6 million tonnes of CO<sub>2</sub> per year, a decrease of 8.6 per cent relative to the average annual allocation in the period 2005-2007. In view of the current scale and efficiency of the production capacities of Koziernice Power Station, that quantity of CO<sub>2</sub> emission rights corresponds to the production of approximately 11.0 TWh gross of electricity per year, i.e. 6.7 per cent less than the quantity of electricity that Koziernice Power Station produced in 2008. Starting from 2013, it is expected that gratuitous allocations of CO<sub>2</sub> emission rights for the power sector will be completely ceased and replaced with a system of bidding for emission rights. The costs of producing electricity will therefore increase substantially. We could also be forced to incur other unforeseeable costs in connection with emission rights or changes in the law and the resulting requirements in that respect. We might therefore be forced to reduce the amount of electricity that we produce or increase our production costs, which could have an adverse effect on our business activities, financial standing, financial results or development prospects.

### **3.6 Long-term contracts**

In the 1990s, a system of long-term contracts (“LTCs”) was introduced in Poland, which was intended to enable electricity producers to obtain the financing necessary to carry out investments in production assets that were necessary in the energy sector. Due to the progressive liberalisation of the energy sector and reservations submitted by the European Commission, in 2007 Poland implemented a programme of early termination of long-term contracts by adopting the Act on Terminating LTCs. Koziernice Power Station was party to a long-term contract under which it sold approximately 40 per cent of the electricity it produced. As a result of the Act on Terminating LTCs coming into force, that contract was terminated early, on 1 April 2008. As a result, the electricity that was previously sold on the basis of a long-term contract is sold on the free market, where the price can differ from the price previously set in the long-term contract. Under the Act on Terminating LTCs, we will be able to obtain compensation to cover “stranded costs”, i.e. expenses that are not covered by revenues obtained from the sale of electricity produced, power reserves, and system services on the competitive market after the early termination of a long-term contract, resulting from outlays incurred up to 1 May 2004 on assets associated with electricity production. Compensation payments are made over a period of one year in the form of advance payments, whose amount can be adjusted by virtue of a decision of the president of the ERO under conditions set out in the Act on Terminating LTCs. If the difference between the amount of advance payments obtained for a particular year and the amount of stranded costs due in a particular year exceeds 35 per cent, then interest is levied. The total amount of that compensation, discounted as at 1 January 2007, cannot exceed the maximum amount of those costs specified in the Act on Terminating LTCs. For Koziernice Power Station, the maximum amount of stranded costs was set at PLN 623.6 million (that amount was specified for the period 2007-2014). There is no certainty as to what the price of electricity will be in the future or that the compensation payments that we receive in the future will fully cover our stranded costs. This could have an adverse effect on our business activities, financial standing and financial results.

The Act on Terminating LTCs also grants the president of the ERO the right to inspect the amount of electricity sales in a particular year relative to the previous year, the costs associated with producing electricity in a particular year relative to the previous year, and the average price of electricity sold in a particular year relative to the market price. If those amounts deviate from the limits set out in the act, there is a risk that the president of the ERO will increase the amount of the adjustment (if it is negative) or reduce the amount of the adjustment (if it is positive) by up to 25 per cent of the amount of stranded costs specified in the Act on Terminating LTCs. (Described in note 25)

Compensation for covering stranded costs is disclosed in the income statement as revenue in those periods in which associated stranded costs are incurred.

On 5 March 2009 the Power Station received the ORE President's Decision of 31 July 2009 on the value of the annual adjustment to stranded costs – PLN 89,537,000, which it is obliged to return to the settlements administrator, Zarządca Rozliczeń S.A. by 30 September 2009. On 19 August 2009, the Power Plant appealed against the above mentioned decision.

The provisions of the Act on Terminating LTCs are intended to ensure tax neutrality for electricity producers in connection with their receiving funds to cover stranded costs. Under Article 42 par. 1 of the Act on Terminating LTCs, for the purposes of corporate income tax a producer receiving funds to cover stranded costs is deemed to be tax-exempt refunding of outlays associated with acquiring or independently producing tangible fixed and intangible assets associated with producing electricity, for which depreciation/amortisation charges are recognised. The tax exemption is applicable up to a specific limit, and the surplus over and above that amount constitutes taxable income of the producer. However, please note that the provisions of the Act on Terminating LTCs relating to tax issues are imprecise and create the potential for inconsistent interpretations. For that reason, until the practice of the tax authorities has been established or the unclear provisions of law have been clarified by the Minister of Finance, the application of those provisions could involve a certain interpretational risk for energy producers.

### **3.7 The regulatory value of assets**

As a result of the work of the Team appointed by the Polish Electricity Transmission and Distribution Association with the participation of the president of the ERO, uniform principles were drawn up for determining the value of grid assets for the purposes of calculating distribution tariffs. Those principles, set out in the document "Method of Establishing the Regulatory Value of Assets and the Return on Invested Capital" of 19 November 2008, were approved by the Management Boards of the Distribution Companies acting as distribution system operators by appropriate resolutions.

The president of the ERO disclosed that document as an official document laying down new principles for determining the amount of returns on capital for the purpose of calculating regulated revenue, together with a letter of 23 December 2008.

On 30 June 2008, ENEA Operator carried out a test of impairment of tangible fixed assets. On the basis of that test, no impairment of tangible fixed assets associated with distribution was identified as at 30 June 2008. The new regulatory principles for determining return on capital led to changes in relation to the assumptions adopted for the test carried out on 30 June 2008. On 31 December 2008, the Company estimated the effect of the changes in the regulatory environment on its value.

The analysis was based on the same macroeconomic assumptions and operating costs were adjusted in line with the new situation, taking into account measures taken by the management board to minimise the effect of the regulatory changes on the Company's financial result and therefore on its value. As a result of that analysis, no impairment of tangible fixed assets associated with distribution was identified. The analysis was based on an operating expenses forecast adjusted for the new situation, taking into account measures taken by the Management Board to minimise the effect of the regulatory changes on the Company's financial result and therefore on its value. As a result of the analysis conducted, no impairment of tangible fixed assets associated with distribution was identified as at 31 December 2008.

### **3.8. Customer service**

We could be obliged to make changes in the organisation of customer service in our Group, which might make it necessary to carry out an internal reorganisation within the Group. This could cause an increase in the costs of our operations and give rise to disputes with employees subject to such reorganisation.

Customer Service in our Group is conducted by ENEA Operator and ENEA S.A. The president of the ERO has doubts as to whether ENEA Operator conducting customer service is in compliance with the provisions of the Energy Law. In his opinion, distribution system operators cannot perform tasks that fall within the competence of an entity that trades in electricity. He believes that in the case of vertically integrated companies it is justified to create comprehensive customer service centres. However, under the above-mentioned regulations such centres cannot be placed in the structures of distribution system operators. In the case of structures that are created as a result of distribution system operators being separated off, the president of the ERO believes that the best solution is to entrust customer service tasks to an entity which is separate from the distribution system operator and the electricity trading company. There is no guarantee that we will not be obliged in the future, as a result of a decision of the president of the ERO or a change in the Energy Law, to make changes to the organisation of customer service in our Group. Any changes in that area could result in an increase in the costs



of our operations and give rise to disputes with the employees affected by such reorganisation, which could disrupt our operations.

### ***3.9. The process of producing and distributing electricity***

There are numerous risks associated with producing and distributing electricity, which could lead to us being held liable or fined.

Both the production and distribution of electricity are dangerous activities, particularly with regard to such tasks as transporting and unloading fuels, operating heavy equipment, and delivering electricity to transmission and distribution systems. Dangers such as fire, explosions and grid malfunctions are an intrinsic part of our operations and they can occur, in particular, due to internal procedures not being complied with, technological defects, human error or external events. The occurrence of any of the above events could cause injury or death, damage or destruction of property, plants or equipment, pollution or damage to the environment, and interruptions in our operations, which could lead to us bearing significant liability or being fined.

### ***3.10. Market liberalisation***

With regard to the sale of electricity, we could lose our present customers to competitors due to electricity market liberalisation and increasing competition.

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

The risk exists that proactive measures undertaken by the Company aimed at selling electricity to customers who are connected to grids of operators other than ENEA Operator Sp. z o.o. may not compensate for the loss of customers to other vendors.

### ***3.11. Purchasing electricity from external entities***

The electricity produced by Koziencice Power Station constitutes approximately 52 per cent of the electricity that we sell. We are forced to purchase the remainder from third parties. There is therefore a risk that if demand exceeds supply we will not be able to purchase power at competitive prices. This is related to the macroeconomic forecast of an increase in electricity consumption accompanied by an insufficient increase in production capacity in Poland, which in practice could lead to an increase in the price of electricity. That will mean that our offer could be less attractive compared to electricity producers or other power groups with greater production potential. This could result in a loss of customers and markets and therefore have an adverse effect on the amount of our revenues.

### ***3.12. Dominant position on the local market***

Because of our dominant position on the local market with regard to providing distribution services, we are subject to additional legal restrictions and can be particularly subject to inspections by anti-monopoly authorities.

We hold a dominant position in the provision of distribution services on the local market covering north-west Poland. Given this situation, the actions taken by us are subject to inspection by Polish and European anti-trust institutions (including the President of the OCCP and the European Commission). If these authorities ascertain that monopolistic practices have been applied, this will lead to the issuance of a decision ordering their cessation and could cause a fine to be imposed on us. In addition, legal actions indicating abuse of a dominant position will be wholly or partially invalid. As on 30.6.09, no proceedings conducted by the President of the OCCP were pending against ENEA Operator. Any decisions issued by the President of the OCCP or the European Commission could have a negative impact on our activities, financial situation, financial results or prospects for growth.

### ***3.13. Concessions***

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



Our activities in the generation, distribution and trade of electricity require concessions granted by the President of the ERA. In accordance with the Energy Law, concessions are in principle granted for a period from 10 to 50 years. Within our Group, we hold, specifically, the following concessions: (i) ENEA holds a concession for electricity trading which is valid until the end of 2025; (ii) EnergoPartner holds a concession for electricity trading which is valid until the end of 2025; (iii) ENEA Operator holds a concession for electricity distribution which is valid until mid-2017; (iv) Elektrownia Koźienice holds a concession for electricity generation which is valid until the end of 2025, and a concession for electricity trading which is valid until the end of 2012; and (v) Elektrownie Wodne holds a concession for electricity generation which is valid until 30 March 2011.

The Energy Law grants the President of the ERA powers to withdraw a concession, particularly if a legally valid judgement is issued banning a company from performing economic activity covered by a concession, or if a company has permanently ceased to perform economic activity covered by a concession. The President of the ERA also has the right to withdraw a concession or change its terms in the event of a blatant breach of the terms specified in a concession, or other terms of performing a licensed activity, and also if a licensed company does not, in the appointed time, bring about a state compliant with the terms specified in the license or with the provisions regulating the licensed activity. The President of the ERA also has the right to withdraw a concession or change its scope on account of a danger to the country's defences and security or to the safety of its citizens, and also in the event of the bankruptcy of the company, its division, or merger with another company.

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

Failure to extend our concessions, or their withdrawal, will restrict and in extreme cases make it impossible for us to carry out our activities, which could have a significant impact on our activities, financial situation, financial results or prospects for growth.

### **3.14. Transport of hard coal**

We are dependent on a single railway carrier with regard to the transport of hard coal.

Railways are the main method of transport used for hard coal deliveries to Koźienice. More than 90 per cent of the supplies of this fuel to Koźienice are carried out by the state-owned carrier PKP Cargo, the largest railway carrier in Poland. The capacity of the remaining carriers is in many cases insufficient to satisfy our needs with regard to coal transport. There is no assurance that, in the event of unforeseen disruptions of PKP Cargo's operations or in the event of the agreement with PKP Cargo being terminated, we would be able to ensure the continuity of hard coal deliveries to Koźienice, as a result of which we could be forced to at least temporarily limit the generation of electricity, which in turn could have a negative impact on our revenues.

### **3.15. Strategy implementation**

We might not be able to implement our development strategy and planned investment outlays because of factors which remain beyond our control.

Our development strategy provides for the implementation of specific objectives and particularly involves raising our operating effectiveness, increasing our existing and gaining new generative power, with further vertical integration of our activities, and investments in renewable energy sources. The implementation of our strategy is influenced by a number of factors, most of which are independent of us, particularly decisions made by our majority Shareholder, i.e. the State Treasury, action taken by our competitors, the competition on the market and changes to applicable law. A key aspect of strategy implementation is the need to ensure appropriate financing on terms which are favourable for us. We have no certainty that such financing will be available to us. Consequently, we could be forced to delay the implementation of some strategic objectives, and also to restrict or resign from planned investment expenditures, which could have a significant impact on our activities, financial situation, financial results or prospects for growth.

### **3.16. The Result of Synergy**

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

We are planning to acquire controlling shareholdings or make other capital investments in a number of companies operating in the power sector. Because of factors beyond our control, including competition from other power companies, it is uncertain whether our plans will come to fruition. Valuation of our future acquisitions or investments will depend on market conditions and also on other factors that are beyond our control and it may turn out that we are unable to value properly acquisitions and investments that are made. Furthermore the results obtained by the companies in which we invest may turn out to be worse than our initial estimates, which may cause a reduction in the rate of return on these transactions compared with initial expectations. Furthermore as a result of acquisitions or investments that are made we will have to take steps to reorganise the structure of the entities concerned, integrate particular areas of business, centralise the management of assets and liabilities and integrate information technology systems. These processes may turn out to be time-consuming and costly and it is uncertain whether they will be performed in accordance with the desired schedule or in the planned manner and whether they will be performed at all. In particular companies processes aimed at integration may also lead to the appearance of lasting differences in the procedures employed in the Group or to the loss of existing customers or business partners. Inability to integrate efficiently entities that have been acquired, because of the factors described above or for any other reason, may have a negative effect on our business, financial situation, financial results or development prospects.

### **3.17. Modernisation of generation assets, the appearance of force majeure and breakdowns**

We may not be able to carry out the needed modernisation of our generation and distribution assets, or to complete our investments, due to events outside our control, including third-party actions.

Our electricity generation and distribution operations require us to conduct ongoing, systematic repairs and modernisation, as well as to implement new investments in generation and distribution assets. Such projects are burdened with significant risk factors. These risk factors in particular relate to inclement weather, delays in the completion of construction, repair and modernisation works, increases of planned investment costs, the insolvency of contractors or sub-contractors, contractors' or sub-contractors' employee disputes, shortages of construction materials or equipment, accidents, unforeseen technical difficulties or the impossibility of obtaining required permits. The appearance of any of these risk factors may result in delays in or the impossibility of implementing modernisation plans for our distribution or generation assets, which could have a negative impact on our financial results and growth prospects.

Events of *force majeure* or other breakdowns affecting power infrastructure or generating capacity that belongs to us or to other power companies may lead to our failure to meet conditions for power supply, to our incurring liabilities or to the imposition of administrative penalties on us.

Maintenance of the effective operation of the power system and of our distribution infrastructure is of crucial importance for our business. Furthermore legal provisions impose on us specified obligations relating to the maintenance and repair of essential elements of our power infrastructure. A breakdown in the power system (including in transmission or distribution networks or in generating capacity belonging to third parties) or in our power infrastructure may, *inter alia*, prevent or limit the purchase or sale of electricity or of system services and the provision of electricity distribution services. Our distribution infrastructure is aging, despite its periodic modernisation. More than 50% of our power lines and more than 40% of transformer stations are more than 30 years old, which increases our exposure to the risk of breakdowns occurring. In the event of a breakdown in the distribution infrastructure caused by its present technical condition, problems related to this or the operation of *force majeure* the obligation, created by the Energy Law's provisions, on ENEA Operator to maintain and repair the distribution network means that it may become necessary to bear significant unforeseen costs. Such a situation arose in April 2008, when as a result of the operation of *force majeure* (a heavy fall of wet snow) transmission lines belonging to PSE-Operator and distribution lines belonging to ENEA Operator that supply the left-bank part of Szczecin shut down and as a result the whole of Szczecin and the surrounding area was left without electricity for many hours.

In the area of generation it is crucial for our business that continuity is assured of supplies of electricity and of regulation system services, in accordance with the terms and conditions of contracts concluded and with the market's requirements. This situation means that it is necessary to maintain a low incidence of breakdowns of generating equipment. In view of the probability of breakdowns affecting generating equipment, particularly that which has been heavily used, the risk exists that the terms and conditions for the supply of power may not

be met, which may give rise to substantial repair costs, contractual penalties and costs of emergency purchases on the balancing market.

Breakdowns in our distribution infrastructure or in generating capacity may lead to our incurring liabilities to third parties, which may give rise to the obligation to pay significant damages. In addition, possible breakdowns of our distribution or generation infrastructure may subject us to the imposition of a fine by the President of URE in the amount of 15 per cent of our revenues from operations covered by concessions.

### **3.18. Insurance of Activities**

Insurance policies concluded for our benefit may not cover losses borne as a result of our activities.

Our activities are associated with many risks. *Inter alia*, a breakdown in the power system may make it impossible to sell electricity or may make it necessary to incur unforeseen costs in repairing the distribution infrastructure. Our most important assets, in particular generating capacity, power lines and transformers, may suffer destruction as a result of the operation of *force majeure* or other events, including fire, other natural disasters or a terrorist attack. Our Group's activities may also give rise to claims arising from damage caused to third parties. The extent of insurance cover held by us corresponds to the extent of insurance cover held by other power companies in Poland but may differ from the extent of insurance cover held by foreign entities. It is uncertain whether the insurance policies of which we are the beneficiaries will be sufficient to cover all the losses borne by us or by third parties as a result of our activities. As a result the occurrence of any of the above circumstances or similar circumstances may result in our not being in a position to renew our activities fully within a reasonable time or ever, which may have a negative effect on our business, financial situation, financial results or development prospects.

### **3.19. Management Personnel**

We may have difficulties in recruiting and retaining appropriately qualified management personnel.

The Group's future success depends on its ability to recruit and retain management personnel with wide-ranging experience of managing energy businesses, and on identifying, acquiring, financing and realising energy projects, and also in respect of the recruitment and retention of technical personnel with appropriate energy-related education. Important factors in this regard are the growing competition in the power sector and the application to the companies of our Group of the provisions of the "Chimney Act", which limits the remuneration of people occupying certain management positions. On 13 June 2008 the Sejm adopted the Act on Amending the Act on Commercialisation and Privatisation and Certain Other Acts, which was then on 26 June 2008 adopted without amendment by the Senate. In accordance with the proposed amendments the provisions of the Chimney Act were not to apply to members of the management and supervisory bodies, *inter alia*, of one-person State Treasury companies and companies in which the State Treasury's share exceeds 50%. On 24 July 2008 this act was vetoed by the President of the Republic of Poland. It is uncertain whether the act will be adopted again by the Sejm and will enter into force.

If we are unable to recruit and retain appropriate personnel this may have a negative effect on our business, financial situation, financial results or development prospects.

### **3.20. Disputes and Collective Agreements**

Collective disputes with employees may cause disruptions to our business.

About 70% of our employees belong to trades unions. The position of trades unions in the power sector is particularly strong because of the volume of employment in the sector and its strategic influence on the functioning of the economy. Furthermore the expectations of the trades unions are based on the conditions won by the employees of other power companies or power generators in agreements concluded in relation to the earlier privatisation of these companies. Although we are endeavouring to maintain good relations with our employees and to resolve on an ongoing basis all problems that arise, we cannot exclude the possibility of collective disputes' taking place in the future. Collective disputes with employees may lead to disruption of our ongoing activities, and in particular to stoppages, and may also cause an increase in labour costs, which may have a negative effect on our business, financial situation, financial results or development prospects.

On 3 April 2009 the State Labour Inspectorate in Poznań was informed that as a result of the demands of labour union organisations operating within ENEA S.A. not being met, ENEA S.A. has entered into a collective dispute

with these organisations. The dispute relates to the adoption of a remuneration policy for 2009 and a wage growth index for 2009 at a level approved by the Council of Ministers.

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

If we consider that improvement of our profitability and ability to compete effectively thanks to more efficient operation depends on reducing employment our efforts to do so will be subject to limitations that arise from collective agreements concluded with trades unions operating in the Group. In particular, in accordance with the agreement concluded with trade unions on 18 December 2002, our employees are covered by specific guarantees that conditions of work and payment will be maintained and also by a guarantee of long-term employment. On the basis of this agreement, we undertook to pay an employee, in the event of termination of his or her contract of employment, severance pay amounting to the product of the individual's monthly remuneration and the period remaining to the end of the period guaranteed by the agreement. 80% of this amount is payable if payment is made in a lump sum and 100% if payment is made monthly. Furthermore some present or past employees among senior management will benefit from employee guarantees until 31 December 2018.

On 12 May 2009 a collective dispute arose at ENEA Operator Sp. z o.o. with regard to wage growth, which was joined by all labour union organisations operating within the Company. Negotiations in this regard ended with the signing of a report of disagreement. Subsequently, mediation proceedings took place with the participation of a mediator approved by the Ministry of Labour and Social Policy, during which an agreement was also not achieved, and a report of disagreement was signed. On 22 June 2009, a two-hour warning strike took place in the Company. Finally, as a result of a partial agreement being reached on 26 June 2009, the dispute was suspended until 20 September 2009.

### **3.21. Court and administrative proceedings**

Neither the Company nor its subsidiaries are parties to proceedings underway before a court, an arbitration body or a public administration body regarding the issuer's or its subsidiary's liabilities or debts whose value would equal 10 per cent or more of the issuer's equity, or to two or more proceedings regarding liabilities or debts whose total value would equal 10 per cent or more of the issuer's equity.

However, we are (and in the future may be) party to proceedings other than the above-mentioned court and administrative proceedings.

Should the President of URE or the President of UOKiK conduct administrative proceedings against us, and if our actions are found to be contrary to the law, we may be fined an amount equivalent to, respectively, 15 per cent of revenues from operations covered by concessions in the preceding tax year (by the President of URE) or 10 per cent of revenues generated in financial year preceding the imposition of the fine (by the President of UOKiK). Should our actions be found to be in breach of the concession conditions, there is also a risk of our licence being withdrawn. A similar risk applies to those of our subsidiaries that hold licences.

At present administrative proceedings are underway (initiated by the President of URE – information provided in a letter of 4 June 2009) regarding the imposition of a fine in connection with the disclosure of irregularities consisting of a breach of the obligation to purchase co-generated electricity in the first half of 2007. In reply, the Company has submitted appropriate explanations. In a letter of 13 July 2009, the President of URE informed the Company that in the said case materials have been gathered that permit a decision to be made, at the same time informing it of the right to view the case files and to submit additional comments and explanations. The Company has exercised this right, viewing the documentation and submitting additional explanations. As at the day on which this report was prepared, the case was still pending.

A description of proceedings related to real estate is included in item 3.23.

### **3.22. Environmental protection**

Existing and changing conditions in the area of environmental protection may require us to incur additional investment expenditure and may also lead to our incurring liabilities, to penalties being imposed on us or to suspension of the operation of certain facilities.

Our operations have a significant impact on the environment and requires us to hold a number of permits for using the environment and in consequence results in a number of obligations. In particular, the activity of

Kozienice is based on an integrated permit. Failure to observe the imposed obligations or the revocation of permits may result in liability, fines, or orders to cease using certain installations. In turn the activity of ENEA Operator requires measurement of emission of electromagnetic fields.

Regulations in the area of environmental protection are subject to frequent changes.

Legal conditions, including conditions set by the European Union concerning environmental protection, are subject to frequent changes and there is a tendency to gradually increase requirements in this field, in particular in relation to entities in the power industry. These growing requirements may in the future create a need for us to incur additional investment expenditure. Failure to comply with new legal provisions in the area of protection of the environment may lead to significant financial penalties being imposed on us. The appearance of any of the above circumstances may significantly increase our costs and limit our possibilities of carrying on our operations.

### 3.23. Property

ENEA Operator does not have appropriate legal title to part of the real estate that the Company uses. In addition, real estate that ENEA Operator uses may be subject to reprivatisation claims.

Due to the universal electrification and nationalisation conducted after World War II, as well as in connection with the lack of appropriate legal regulations regarding the use of real estate for the development of distribution networks, ENEA Operator uses many pieces of real estate on which it has located the power equipment used to distribute electricity, without appropriate legal title. This relates to about 35 per cent of all real estate on which power infrastructure is located (with the exception of power lines). As at 30 June 2009, the data is as follows:

- network assets we deem to be of key significance (high- and medium-voltage power stations, main power points) – 4.5 per cent of 224 main power points are located on real properties to which ENEA Operator does not have appropriate legal title;
- medium- and low-voltage built-up transformer stations – about 36 per cent of 14,230 of built-up transformer stations are located on real properties to which ENEA Operator does not have appropriate legal title;
- power lines – we estimate that ENEA Operator does not hold appropriate legal title to a large majority of real properties through which power lines pass.

Claims for the use of woodlands managed by the National Forests (*Lasy Państwowe*) for the purposes of power lines owned by ENEA Operator are a separate category of cases.

With regard to real properties used by ENEA Operator without appropriate legal title, we are faced with the risk of their return to their owners and of third parties raising claims over the unagreed use of these real properties. In 2005-2008, the total cost of damages paid by our Group in this regard amounted to slightly more than PLN 3 million. As at 30 June 2009, our Group's companies (ENEA and ENEA Operator) were party to 308 court proceedings regarding the unagreed use of real properties, with a total value under dispute of about PLN 18.16 million, and party to out-of-court proceedings also. As at 30 June 2009, the total value of provisions for claims (including claims related to the unagreed use of real estate) that were the subject of pending court proceedings, as well as claims at the pre-litigation stage, amounted to PLN 19,392,968.59 for court proceedings and PLN 39,123,227.83 for potential

Provisions for liabilities are valued at their justified, reasonably estimated value. We do not create provisions for potential claims by the owners of real properties we are using if the status of a given real property is not known to us, and in particular if we are not able to ascertain the type of claim that may be brought against us, because this is what makes it possible for us to estimate the maximum amount of the potential claim. The value of the awarded damages for such claims may be of significance to us due to the number of real properties involved, but we are not able to estimate the maximum value of such claims.

It also cannot be excluded that in the future we will be obliged to bear further costs due to the use of real estate without contract, which in consequence will have a negative impact on our operations and financial results. There is also no assurance that proceedings will not be initiated against us aimed at denying us the continued use of real estate to which we have no appropriate legal title or changing the manner of our use of such real estate, which can result in the necessity of our bearing significant costs.

### **3.24. Modernisation and Development**

Failure to raise capital on favourable terms may have a significant and negative influence on our modernisation and development capability and may thus reduce the efficiency of our activity.

Current maintenance and above all modernisation and expansion of Kozenice and of power lines require significant investment expenditure to be incurred regularly. We expect that our investment outlays during the coming years will be financed primarily from funds generated from operating activity and debt financing. Our ability to secure financing and the cost of capital depend on many factors, many of which are beyond our control, and in particular on: (i) general market conditions and the situation in capital markets; (ii) the availability of bank loans; (iii) investors' confidence; (iv) our financial situation, results and development prospects; and (v) tax regulations and regulations on trading in securities.

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

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

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

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

### **3.25. Factors related to economic activity**

#### ***Risk factors related to the conduct of economic activity in Poland.***

The results of our activity, like our financial situation and development prospects, are dependent to a large degree on changes in the economic, political and legal situation in Poland.

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

Furthermore decisions of a political nature may have an effect on our activity since we operate in the power sector, which is considered to be of strategic importance. This relates principally to definition of the country's power policy and to structural and ownership decisions relating to power enterprises controlled by the State Treasury. These factors may have a significant and negative impact on the Group's financial results.

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

Our Group is faced with the risk of changes to the legal and regulatory environment. The legal and regulatory environment in Poland, and in particular law concerning the power sector, is subject to changes (in the course of the past eleven years the Energy Law has been updated more than 50 times). As a consequence legal regulations are not interpreted in a uniform manner by courts or institutions of public administration.



It was not long ago that Poland enacted the legislative framework that regulates the functioning of the power sector in its present form. As a result there is no developed, unified interpretation of the law in this area. There is therefore considerable uncertainty as to how issues relating to our activities will be resolved if they become the subject of court proceedings. There exists, therefore, a risk of unexpected and unfavourable decisions that could have a negative effect on our activity, financial results, financial situation or development prospects.

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

The payer of the excise tax on electricity changed in the first half of 2009 (as described in more detail in Note 32).

### **3.26. Growth strategy outline**

One of the basic factors affecting the Group's growth and prospects is the implementation of the Group's strategy, which includes making decisions regarding the following, among others:

- Further investments in the modernisation of Kozenice;
- Conclusion of the integration of generation operations with trading, including within the scope of integrating the IT systems of ENEA S.A. and Kozenice;
- Improvement of customer servicing, including by introducing CRM class information technology solutions (i.e. solutions that assist management of relationships with customers);
- Acquisition of other entities that are active in the field of generating electricity on the basis of conventional fuels;
- The construction of new units, including on Elektrownia Kozenice's land;
- Restructuring of the Group;
- Continuing to conclude long-term contracts for the purchase of certificates from external entities confirming the generation of electricity from renewable sources of energy and in cogeneration;
- Investments in renewable energy sources, in particular in wind farms and biogas and biomass fuelled plants in a distributed system;
- Continuation of actions related to acquiring ownership interests and shares in selected heat-producing companies, which we intend to modernise and turn into thermal-electric power stations;
- Continuation of actions aimed at building a brown coal strip mine together with a brown coal-fuelled electric plant with a power rating of ca. 800 MW (together with a subsequent increase of power to 3 x 800 MW) in the Gubin and Brody districts;
- Carrying out further investment into the distribution network, including those consisting of the expansion of the network, construction of new MV/LV stations and exchanging cables for ones made of thermally dimensionally stable polyethylene;
- Making the management of the distribution network more efficient by systematic inspections and regular monitoring, as well as the introduction of a system that will enable efficient reporting on the status of the power grid.

Attaining our planned strategic goals in implementing the development strategy is, however, dependent on a series of factors both external and internal (described above) which include: changes in the law in force (including in EU regulations), actions taken by competitors, the situation on the market, trade union activities and the decisions of the majority Shareholder, i.e. the State Treasury.

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

The Group's activities are conducted in an environment that is subject to particular legal regulation. The Energy Law and EU regulations, particularly on environmental protection, have a big impact on the situation of the

holding. These legal regulations are subject to frequent changes (which ENEA S.A. and its subsidiaries are not in a position to forecast) and there is a tendency to gradually increase requirements relating to the use of the environment, in particular in relation to entities in the power sector. These growing requirements may in the future create a need for us to incur additional investment expenditure. Also, legal provisions impose an obligation on us to obtain and present certificates of origin to the President of the ERA for cancellation, confirming:

(i) that electricity is being generated in renewable sources; or (ii) that electrical energy is being generated in association with heat generation (cogeneration) or, if certificates of origin are not obtained or presented for cancellation in the required quantity, the payment of substitute charges. Action taken in the Group in its development strategy is also dependent on the level of permits for emissions of carbon dioxide and other gases and substances, received for each specific settlement period.

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

Our activity in modernising the generating and distribution capacity and also in making new investments in the generating and distribution capacity is dependent on weather conditions, the pace of construction, repair and modernisation works, growth in the planned costs of investments, market conditions and the need to obtain necessary permits.

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

The Group's actions described in the introduction can be categorised into the four basic areas of the Group's growth:

1. **Increasing operating efficiency** by reducing costs and thus increasing the profitability of activity, and in particular: making further investments in the modernisation of Elektrownia Koźienice intended to maintain the optimal efficiency of electricity generation, to increase the reliability of generation and to limit the impact on the natural environment, to complete the process of integrating generating activity with trading, to improve customer service (which should protect ENEA S.A. against the loss of customers as the electricity market is liberalised and competition grows), and restructuring the Group;
2. **Increasing existing and obtaining new generating capacity** by acquiring entities that are engaged in electricity generation, and by building new units, *inter alia* on Elektrownia Koźienice's land;
3. **Investment in renewable energy resources and in cogeneration of power and heat** so as to fulfil requirements in the area of certificates of origin, and in particular: investments into wind farm projects at various stages of implementation, purchases of heating plants and cogeneration plants, as well as investments into the construction of biogas and biomass-fuelled power plants.
4. **The continued vertical integration of operations** by obtaining access to our own coal deposits by taking over companies engaged in coal mining and investments in building a brown coal strip mine together with a power plant (the districts of Gubin and Brody), which will enable ENEA S.A. to control the costs of fuel, and as a result limit the risk of significant increases of their prices in the future.

### ***Raising operating efficiency***



A fundamental element of our strategy is the continuous raising of operating efficiency so as to reduce costs and thus increase the profitability of the business conducted in the Group. In order to achieve this goal, within the next few years we intend to:

- carry out further investment with regard to the modernisation of Elektrownia Koźienice, aimed at maintaining the optimal efficiency of power generation and raising the reliability of its generation, as well as limiting its impact on the natural environment. To this end the power plant is planning to construct, by 2011, an installation for fume desulphurisation and to modernise the electrostatic precipitators;
- to complete the process of integrating generating activity with trading, including integration of ENEA S.A.'s information technology systems with those of Elektrownia Koźienice, which will allow greater control of the use made of Elektrownia Koźienice's production capacity;
- to improve customer servicing by, for example, introducing CRM class information technology solutions (i.e. solutions that assist the management of relations with customers);
- Restructure the Group by: (i) cost optimisation, (ii) adjusting the principles for the functioning of segments with similar operational profiles within the Group's companies that do not constitute the Group's core business areas or support functions for those areas, and (iii) reducing the number of ENEA S.A. subsidiaries;
- to carry out further investments in the distribution network in order to connect new clients to the network and to ensure the delivery of electricity with given parameters, including investments consisting of the expansion of the network, the construction of new MV/LV stations and the replacing of cables for ones made of thermally dimensionally stable polyethylene;
- to make the management of the distribution network more efficient in order to limit network losses, primarily losses resulting from the illegal use of electricity, by systematic inspections and regular monitoring, as well as the introduction of a system that will make possible efficient reporting on the status of the power grid.

#### ***Increasing existing and obtaining new generating capacity***

Our long-term strategic goal is to obtain access to our own power generation sources with a potential that would make it possible to at least satisfy the electricity needs of all Group clients.

The first step in implementation of this strategy was the acquisition in October 2007 of Koźienice, in terms of pull-out power the largest hard-coal fired power station in Poland. We are systematically analysing the possibility of acquiring entities that are active in the field of generating electricity on the basis of conventional sources.

Apart from the possibility of obtaining additional production capacity through taking over existing entities, we are also planning to increase production capacity by building new units, including on the grounds of Elektrownia Koźienice, where by 2014 we plan to complete a new unit with a total capacity of approx. 1,000 MW, and by 2015 another unit also with a total capacity of approx. 1,000 MW. We are also analysing the possibility of building new units which burn fuels imported by sea.

#### ***Investments in renewable energy sources and in cogeneration of power and heat***

The Group's present generating facilities allow it to meet only to a small extent requirements in respect of the obligation to obtain certificates of origin of energy from renewable sources and from cogeneration. Due to the forecast increases in requirements with regard to renewable and co-generated energy sources, we are taking action aimed at increasing control over costs related to the fulfilment of the requirements of the law within this scope. To this end, we plan to continue concluding long-term agreements for the purchase of energy certificates for energy production from renewable sources and cogeneration from outside entities, as well as to carry out direct investments in such sources. We are concentrating our activities above all on investments in wind farms located in North-West Poland, particularly along the Baltic Sea coast, where atmospheric conditions are favourable for the construction of wind farms. Our intention is to invest in projects that have already been begun and that are at various stages of development, by taking over existing entities or by investing together with external entities. In the next few years we plan to continue our activities related to acquiring ownership interests and shares in selected heat-producing companies. We plan to modernise the acquired heat-producing plants and convert them into thermal-electric power stations, which will generate electricity in cogeneration, making it possible to obtain additional energy certificates of origin. It is assumed that the installed capacity of

individual heat-and-power plants will not exceed 50 MW. We are also planning to carry out investments in the construction of biogas and biomass-fuelled power plants in a distributed system.

### ***Continued vertical integration of operations***

In connection with the increasing liberalisation of the market and the Polish government's privatisation plans, we are examining the possibility of securing access to our own sources of coal by taking over existing bituminous and brown-coal mines. Together with Kopalnia Węgla Brunatnego Konin w Kleczewie S.A., ENEA S.A. has established a company named PWE Gubin Sp. z o.o. with its registered office in Sękowice ("PWE Gubin"), which is tasked with searching for brown coal deposits in the districts of Gubin and Brody located in the near vicinity of the Polish-German border, and in due course building a strip mine and power plant. PWE Gubin is at present at the stage of preparing the investment project related to the construction of a brown coal strip mine and brown coal-fuelled power plant with a power rating of 800 MW (with the possibility of expansion to 3 x 800 MW). As part of this course of action: drilling and geological work was performed on the brown coal deposits in the districts of Gubin and Brody, a "prefeasibility study" was conducted for those deposits, and the preparation of a new development planning study for the district of Gubin was initiated. The new company is carrying out actions aimed at obtaining a concession for geological surveys of brown coal deposits in the districts of Gubin and Brody currently held by Kopalnia Węgla Brunatnego Konin w Kleczewie S.A. The continued vertical integration of our operations by taking over mines will enable better control over fuel costs, and as a result it should help limit the risk of significant increases of their prices in the future.

### ***3.27. Assessment of the Feasibility of Implementing Investment Plans***

The Company has secured its own funds for implementation of the tasks set out in the ENEA S.A. Investment Plan for the year 2009 and the ENEA S.A. Investment Directions for the year 2009. This does not alter the fact that, in order to use its resources efficiently, in its further investment activities (particularly in the area of acquisitions) the Company intends to make use of debt finance so as to achieve leverage.

### ***3.28. Description of the use of funds raised from the issue***

As a result of the issue of Series C shares in the Company, ENEA S.A. raised funds amounting to a net PLN 1,940,848,000.

The planned manner of using funds raised from the issue of Series C shares was described in detail in the Issue Prospectus prepared in relation to the issue of those shares. In accordance with the provisions of the prospectus, until the expenditure of the funds raised through the issue, they are to be placed in bank deposits on market conditions. In the period from 17 November 2008 to 8 February 2009, the funds raised through the issue were in a restricted account and in a restricted option account. Income from deposits negotiated during this period amounted to PLN 26,676,511.90. Since 9 February 2009, PLN 1,900,000,000 of the funds raised through the issue have been managed by a specialist external firm. They are invested in instruments bearing minimal risk, i.e. debt instruments issued or guaranteed by the State Treasury and bank deposits. *The remaining amount of PLN 67,525,000 has been placed in ENEA S.A.'s bank accounts.*

## **4. The Authorities of ENEA S.A.**

### ***4.1. Personal composition***

As at the day on which this report was published, the Management Board was composed of the following:

|   |   |                     |
|---|---|---------------------|
| President of the Management Board                                 | - | Maciej Owczarek     |
| Member of the Management Board for Corporate Affairs              | - | Piotr Koczorowski   |
| Member of the Management Board for Business Affairs               | - | Sławomir Jankiewicz |
| Member of the Management Board for Business Affairs               | - | Tomasz Treider      |
| Member of the Management Board for Strategy and Development       | - | Marek Malinowski    |
| Member of the Management Board elected by the Company's employees | - | Czesław Koltermann  |

#### **4.2. Schedule of Shares in Entities that are Members of the ENEA Capital Group that are Held by Members of the Management and Supervisory Boards**

As at the date of preparing this report, Mr. Tadeusz Dachowski, Deputy Chairman of the Company's Supervisory Board, owned 200 shares in ENEA S.A.

Additionally, on the basis of the Act of 30 August 1996 on Commercialisation and Privatisation, Mr Czesław Koltermann is entitled to receive employee shares in ENEA S.A. without payment.

At the date of preparation of this report Members of ENEA S.A.'s Management and Supervisory Boards did not own shares in subsidiaries of ENEA S.A.

### **5. The structure of ENEA S.A.'s share capital and shareholders**

#### **5.1. Share capital structure**

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

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

The share capital structure after the increase in the share capital of the Issuer is as follows:

- 295,987,473 ordinary bearer shares of series "A",
- 41,638,955 ordinary registered shares of series "B", and
- 103,816,150 ordinary bearer shares of series "C".

Between 17 November 2008 and 16 December 2008 Credit Suisse Securities (Europe) Limited acting as the Stabilising Manager took actions to stabilise the price of rights to the Company's Series C shares in accordance with rules presented in the issue prospectus published on 23 October 2008. Credit Suisse (Europe) Limited as the stabilising manager exercised a stabilising option pursuant to the underwriting agreement concluded between the Company, the stabilising manager, Bank Zachodni WBK S.A. and Dom Maklerski BZ WBK S.A. on 22 October 2008. As part of exercising the above stabilising option, the stabilising manager sold to the Company a total of 1,129,608 rights to Series C shares with a nominal value of PLN 1,129,608, out of a total of 1,557,242 rights to Series C shares covered by this option. The unit price of acquiring rights to series C shares was PLN 15.40.

As a result of the above actions and the registration of the capital increase by the court, as at 30 June 2009 ENEA S.A. held 0.26 per cent of its own shares purchased as part of the stabilisation option.

The acquisition of rights to series C shares as part of the stabilisation transactions was carried out on the basis of Article 2 of Resolution No. 4 of the Extraordinary General Meeting of Shareholders of 10 October 2008 on applying for the admission and introduction of shares and rights to shares to trading on a regulated market, the dematerialisation of shares and rights to shares, and authorisation to conclude an agreement with Krajowy Depozyt Papierów Wartościowych S.A., amended by Resolution No. 2 of the Company's Extraordinary General Meeting of Shareholders of 3 November 2008, in accordance with Commission Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and Council as regards exemptions for buy-back programmes and stabilisation of financial instruments.

The remaining information on the terms and conditions of exercising the stabilisation option is set out in the issue prospectus for series C shares.

On 11 August 2009 a sale transaction regarding the Company's own shares with a nominal value of PLN 1.00 was settled, as a result of which the Issuer sold 1,129,608 own shares at an average unit price of PLN 19.90 per share. The sold shares constitute 0.26 per cent of the share capital and correspond to 1,129,608 votes at the general meeting of the Company's shareholders, which constitutes 0.26 per cent of votes at the general

meeting of shareholders. After the completion of the above transactions, ENEA S.A. does not hold any of its own shares.

## 5.2. Shareholder structure

As on the day of publishing this report, after including the share capital increase resulting from the share issue registered on 13 January 2009, the structure of shareholders holding substantial blocks of shares of the Issuer, either directly or indirectly, is as follows:

| Shareholder name | Number of shares held | Number of votes held | Share in the share capital | Share of the total number of votes |
|------------------|-----------------------|----------------------|----------------------------|------------------------------------|
| State Treasury   | 337.626.428           | 337.626.428          | 76,48%                     | 76,48%                             |
| Vattenfall AB    | 82.395.573            | 82.395.573           | 18,67%                     | 18,67%                             |
| EBRD             | 11.038.962            | 11.038.962           | 2,50%                      | 2,50%                              |
| Others           | 10.381.615            | 10.381.615           | 2,35%                      | 2,35%                              |

The holding structure of significant tranches of shares in ENEA S.A. has not changed since the publication of the preceding quarterly report.

## 6. Description of principles for preparing the abbreviated mid-year financial statements and the abbreviated consolidated financial statements

### Abbreviated Mid-Year Unconsolidated Financial Statements

#### Description of the most significant accounting principles used

The most significant accounting principles used in preparing these abbreviated mid-year unconsolidated financial statements for ENEA S.A. are presented below. These principles were used in a continuous fashion in all presented periods.

#### Basis for preparation

The abbreviated mid-year unconsolidated financial statements for the period between 1 January 2009 and 30 June 2009 were prepared in accordance with the requirements of the International Financial Reporting Standards as adopted by the European Union (the "EU IAS")

These abbreviated mid-year unconsolidated financial statements were prepared in accordance with the principle of historical costs, with the exception of financial assets at fair value through profit or loss, available-for-sale financial assets and payments in the form of shares.

#### Merger/acquisition of business units under joint control

##### *Accounting principles/(policy)*

Merger/acquisition transactions involving units under joint control are excluded from the scope of IAS regulations. In these circumstances, pursuant to the recommendation included in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", due to the lack of detailed regulations in the IAS, the unit should prepare its own appropriate accounting principles for this type of transactions.

Pursuant to the recommendation, the Company has adopted an accounting policy consisting of recognising such transactions in accordance with their book values.

The adopted accounting policies are as follows:

The acquiring unit determines the assets, capital and liabilities of the target unit in accordance with their current book value, adjusted only in order to make the accounting policies of the merged units uniform. Goodwill and negative goodwill are not recognised. Any possible difference between the net book value of the assets being acquired and the fair value of the payment in the form of issued equity instruments and/or issued assets is shown as part of the Company's equity.

In applying the method based on book values, comparative data from the presented historical periods is not transformed.

The mergers/acquisitions of business units outside joint control are settled in accordance with IAS 3.

#### **Valuation methods of investments in subsidiaries, affiliates and jointly controlled units**

Subsidiaries are all units over whose financial and operating policies ENEA S.A. has control, which usually is accompanied by holding a majority of the votes in their corporate bodies. In evaluating whether ENEA S.A. controls a given unit, the existence and influence of the voting rights that at a given moment can be exercised or exchanged is taken into account. Subsidiaries are subject to full consolidation from the day on which ENEA S.A. acquired control over them. They cease being consolidated on the day control ceases.

Affiliates are all units over which ENEA S.A. has significant influence, but which it does not control, which is usually associated with holding between 20 and 50 per cent of the total votes in their corporate bodies.

Jointly controlled units are all units over which ENEA S.A. exercises joint control pursuant to contractual provisions.

Due to the fact that there is no active market for units in which ENEA S.A. holds shares, investments in subsidiaries, affiliates and jointly controlled units are recognised at their purchase price less impairment. Impairment is shown in financial costs. If the reason for an impairment write-off ceases, the equivalent of the whole or an appropriate part of the write-off increases the value of the investment and is shown in financial revenues.

#### **Transactions in foreign currencies and valuation of positions denominated in foreign currencies**

##### *(a) Functional currency and presentation currency*

Items presented in financial statements are recognised in the currency of the main economic environment in which a given unit conducts its operations (the functional currency). Financial statements are presented in Polish zlotys (PLN), which is a functional currency and a presentation currency.

##### *(b) Transactions and balances*

Transactions denominated in foreign currencies are converted at the moment of their first accounting into the functional currency in accordance with the exchange rate in effect on the transaction date.

As at the balance date cash positions denominated in foreign currencies are converted using the closing exchange rate (closing exchange rate – the mid-price exchange rate of the National Bank of Poland in effect for the valuation date).

Profits and losses due to exchange rate differences that appear as a result of settlements of transactions in foreign currencies and the balance sheet valuation of cash assets and liabilities denominated in foreign currencies are shown in the income statement.

#### **Tangible fixed assets**

Tangible fixed assets are recognised at their purchase price or the cost of production decreased by the accrued depreciation or impairment.

ENEA S.A. chose the optional exclusion of IAS 1 and adopted the fair value of tangible fixed assets as their assumed cost as at 1 January 2004, which was the day on which it adopted the EU IAS.

Later outlays are recorded at the balance sheet value of the given fixed asset or as a separate fixed asset (as appropriate) only where it is likely that ENEA S.A. will generate economic benefits from a given position, but the cost of the position cannot be reliably determined.

All other expenditures for repairs and maintenance are shown on the income statement for the financial period

in which they were incurred.

In the event of the exchange of a component of a fixed asset, the cost of the exchanged component of that asset is included in its balance sheet value; at the same time the balance sheet value of the component being exchanged is deleted from the balance sheet, regardless of whether it had been depreciated separately, and is included in the income statement.

Land is not subject to depreciation. The depreciation of other fixed assets is calculated using a linear function over the estimated period of usage. The basis of calculating depreciation is the initial value decreased by the final value, if it is significant. Each significant component of a fixed asset with a different time of usage is depreciated separately.

Usage periods for fixed assets are as follows:

|                                     |               |
|-------------------------------------|---------------|
| - buildings and structures          | 25 – 80 years |
| - technical equipment and machinery | 4 – 50 years  |
| - means of transport                | 5 – 20 years  |
| - remaining tangible assets         | 5 – 15 years  |

The final value and usage periods of fixed assets are verified at least once per year.

Depreciation begins when an asset becomes available for use. Depreciation ends when the asset is designated for sale or if it is deleted from the balance sheet.

The Company has received street lighting equipment free of charge from district authorities and accounts these fixed assets in accordance with IAS 20 Government Grants, i.e. it discloses them in tangible fixed assets at fair value, and discloses them in the balance sheet as settlements of revenues from grants, settled over time against revenues, proportionately to the accrued depreciation costs from this item, over a period of 35 years.

Profits and losses from the sale of fixed assets constituting the difference between sale revenues and the balance sheet value of the sold fixed asset are shown in the income statement.

### **Perpetual usufruct of land**

Land owned by the State Treasury, local government bodies or their associations may be handed over for perpetual usufruct (PU). Perpetual usufruct is a particular property right allowing the holder to: use the property exclusively of third parties and to dispose of this object (right).

Depending on the manner of acquisition of the rights, the Company classifies them as follows:

1. PUs obtained at no charge by operation of law pursuant to a decision of the province governor or the authorities of a local government body – are treated as operating leases.
2. PUs acquired against payment from third parties – are shown as assets under PU at the purchase price reduced by depreciation write-offs.
3. PUs purchased under agreements on the perpetual usufruct of land concluded with the State Treasury or local government units – are shown as the excess of the first payment over the annual fee and are accounted as assets under PU and depreciated.

The depreciation of the perpetual usufruct of land takes place over the period for which the right was granted (62 to 99 years).

### **Intangible assets**

#### *(a) Goodwill*

Goodwill consists of the excess of the price of acquisition over the fair value of the shares held by the Company's units in the identifiable assets, liabilities and conditional liabilities of the acquired subsidiary as at the date of its acquisition, or of an affiliate on the date of the acquisition of significant influence. Goodwill from the acquisition of subsidiaries is shown in intangible assets. Goodwill arising from the acquisition of investments in affiliated units is shown in the balance sheet value of those investments.

Goodwill is subject to annual tests for impairment and is shown in the balance sheet as its initial value less accrued impairment. In order to conduct a test for impairment, the goodwill is allocated to business units generating revenues that benefit from synergy effects.

Profits and losses from the sale of subsidiaries or affiliates take into account the balance sheet value of the

goodwill for the unit being sold.

*(b) Other intangible assets*

Intangible assets include: computer software, licences and other intangible assets. Intangible assets are recognised at their purchase price or the cost of production decreased by the accrued amortisation or accrued impairment.

Depreciation is calculated using a linear function, in accordance with the estimated period of usage, which amounts to:

- |  |              |
|--|--------------|
| - for licences and server software                           | 2 – 7 years  |
| - for licences, workstation software and anti-virus software | 4 – 7 years, |
| - for other intangible assets                                | 2 – 7 years  |

**Costs of research and development**

The costs of research and development that fulfil the criteria of their capitalisation, described below similarly to other intangible assets, are recognised at their purchase price or production cost reduced by accrued depreciation and accrued impairment.

Depreciation is calculated using a linear function, in accordance with the estimated period of usage, which amounts 2 – 7 years.

Capitalisation criteria:

- The technical possibility of completing the intangible asset so as to enable its use or sale,
- The intention to complete the intangible asset and to use or sell it,
- The ability to use or sell the intangible asset,
- The manner in which the intangible asset is to generate possible future economic benefits. Among other things, the business unit should prove the existence of a market for the goods being produced as a result of the intangible asset or for the asset itself – or, if the asset itself is to be used by the unit, the usefulness of the intangible asset.
- The availability of appropriate technical, financial and other means of completing the development works or the use or sale of the intangible asset.
- The possibility of reliably determining the outlays incurred during the development work, which can be assigned to that intangible asset.

**Costs of external financing**

The costs of external financing are shown in the income statement for the period in which they were incurred.

**Leasing**

A leasing agreement in which ENEA S.A. bears essentially the entire risk and obtains all benefits of ownership is classified as financial leasing. Leasing other than financial leasing is classified as operational leasing.

Objects under financial leasing are shown under assets at the day the leasing commences in accordance with the lower of the following two values: the fair value of the object under leasing or the current value of the minimum leasing fees. Each financial leasing fee is divided into an amount that decreases the balance of the liability and an amount of financial costs in such a way as to maintain a constant interest rate in relation to the outstanding portion of the liability. The interest component of the leasing fee is shown under financial costs in the income statement throughout the life of the leasing agreement. Assets that are subject to depreciation purchased under financial leasing are depreciated throughout the period during which the assets are used.

Leasing fees paid under operational leasing (after deducting possible promotional discounts obtained from the lessor) are settled as costs using a linear function throughout the life of the leasing agreement.

**Impairment**

The Company's assets are revalued whenever circumstances appear indicating that a given asset may have been impaired.

**Non-financial assets**

Impairment losses are shown in the amount in which the balance sheet value of a given asset exceeds its recoverable value. Recoverable value is determined as the higher of the two following values: the fair value

reduced by the costs of the sale or the usable value (i.e. the current estimated value of future cash flows expected from the continued use of the given asset or revenue-generating unit). For the purposes of impairment analysis, assets are grouped at the lowest level in relation to which identifiable cash flows appear (revenue-generating units).

All impairment is shown in the income statement. Impairment may be reversed in subsequent periods if circumstances appear that justify the finding that the assets did not lose value or lost a different proportion of their value.

#### **Financial assets**

Financial assets are analysed for each balance-sheet date in order to determine whether circumstances justifying the impairment of these assets have appeared. Permanent impairment is deemed to have taken place if objective circumstances show that one or more events had a negative impact on the estimated future cash flows from a given asset.

The impairment of financial instruments available for sale is calculated in relation to their fair value.

Individual financial instruments of significant value are assessed with regard to impairment individually. In assessing the impairment of other financial assets, they are divided into groups in accordance to their level of credit risk.

#### **Financial assets**

ENEA S.A. classifies financial instruments into the following categories: Financial assets at fair value through profit and loss, loans and receivables, held-to-maturity instruments, and available-for-sale financial assets.

The classification is based on the purpose of the investment's acquisition. The classification is performed as at the moment of first recognition, and is then verified for each balance sheet date if this is required or allowed by IAS 39.

##### *(a) Financial assets at fair value through profit and loss*

This category includes two sub-categories:

- financial assets designated for trading – a financial asset is classified into this category if it was purchased mainly for the purpose of selling it in the short-term (e.g. a portfolio of shares managed by a brokerage);
- financial assets designated as at their first recognition at their fair value through profit and loss.

Assets in this category are classified as trading assets, if they are designated for trading or if they are expected to be traded within 12 months of the balance date.

##### *(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments, not listed on an active market. They appear when ENEA S.A. spends cash, delivers goods or services directly to the debtor, without the intention of designating these receivables for trading.

Loans and receivables are classified as operating assets, if their date of maturity falls within 12 months of the balance sheet date. Loans and receivables with a maturity date falling more than 12 months from the balance sheet date are classified as fixed assets. Loans and receivables are shown in the balance sheet under "receivables for goods and services and other receivables".

##### *(c) Held-to-maturity instruments*

Held-to-maturity instruments are non-derivative financial assets with fixed or determinable payments and a set maturity date, which ENEA S.A. intends or is capable of holding to maturity.

##### *(d) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets designated as "available for sale" or not classified under any of the other categories. This category includes shares in non-affiliated entities. Available-for-sale financial assets are classified as fixed assets unless ENEA S.A. intends to sell the given investment within 12 months from the balance sheet date.

The sale and purchase of financial assets is disclosed as at the day on which the transaction is concluded – i.e. on the day on which ENEA S.A. undertakes to purchase or sell a given asset. Financial assets are initially



recognised at their fair value, increased by transaction costs, with the exception of investments classified as recognised at their fair value through profit and loss, which are initially recognised at their fair value without taking into account transaction costs.

Financial assets are excluded from the accounts when the rights to the cash flows attached to them expire or are transferred, and where ENEA S.A. transferred essentially the entire risk and all benefits of their ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are shown at their fair value after their initial disclosure. If it is not possible to determine their fair value and they have no set maturity date, available-for-sale financial assets are recognised at their purchase price less impairment. Receivables and loans, as well as financial assets held to maturity are recognised at their cost amortised in accordance with the effective interest rate.

The value of financial assets at fair value through profit or loss is shown in the income statement in the period in which they arose. The value of available-for-sale financial assets is shown under equity, with the exception of impairment and the profits and losses due to exchange rate differences that appear for cash assets. When an asset classified as "available for sale" is deleted from the accounts, the total profits and losses previously shown under equity are shown in the income statement.

The fair value of investments for which there is an active market is based on the current purchase price. If the market for a financial instrument is not active (or if the securities are not listed), ENEA S.A. establishes fair value by using a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models commonly used on the market, adjusted for the issuer's specific circumstances.

On each balance sheet date ENEA S.A. determines whether objective evidence has appeared of the impairment of a financial asset or a group of financial assets.

If such evidence exists in relation to available-for-sale financial assets, the total losses previously shown under equity – the difference between the purchase price and the current fair value, less possible impairment previously shown in the income statement – are excluded from equity and shown in the income statement. Impairment shown in the income statement and relating to equity instruments are not subject to reversal through profit and loss. The reversal of the impairment of debt instruments is recognised in the income statement if in subsequent periods after the impairment is written off the fair value of these financial instruments increased as a result of events taking place after the write-off was recognised.

If evidence of the impairment of loans and receivables or held-to-maturity investments recognised at amortised cost using the effective interest rate, the write-off is established as the difference between the balance sheet value of the assets and the current value of future cash flows discounted by the original effective interest rate for those assets (i.e. the effective interest rate calculated as at the initial recognition of fixed-interest assets and the effective interest rate established as at the last revaluation for variable-interest assets). Impairment is shown in the income statement. Impairment is reversed if in subsequent periods the impairment is reduced and the reduction may be related to events taking place after the recognition of the impairment. As a result of the reversal of impairment the balance sheet value of financial assets may not exceed the value of amortised costs that would have been established if there had been no impairment. The reversal of impairment is shown in the income statement.

If evidence exists of the impairment of unlisted equity instruments recognised at their purchase price (due to the impossibility of reliably establishing their fair value), the impairment is established as the difference between the asset's balance sheet value and the current value of estimated future cash flows discounted using the current market yield rate for similar financial assets. Such impairment is not reversed.

### **Energy certificates of origin**

Pursuant to Article 9a of the Energy Law, ENEA S.A. as a power company engaged in trading in electricity and selling that electricity to end users connected to its grid in the Republic of Poland is obliged to:

- a) obtain and to present to the President of URE, for cancellation, certificates of origin or
- b) pay a substitute fee.

Certificates of origin constitute confirmation of the generation of electricity from renewable sources and electricity generated in cogeneration (together with the generation of heat). They are issued by the President

of URE at the request of a power company engaged in the generation of electricity from renewable sources (wind, water, solar, biomass) and in cogeneration. Certificates of origin are transferable and are considered commodities.

Property rights attached to certificates of origin arise at the moment they are entered in the register of certificates of origin maintained by Towarowa Giełda Energii S.A. (the Energy Commodity Exchange, TGE).

The transfer of the property rights attached to the certificates of origin takes place at the moment when an appropriate entry is made in the register of certificates of origin.

ENEA S.A. is obliged to obtain and present for cancellation certificates in quantities defined in regulations issued under the Energy Law as a percentage of the total sale of electricity to end users. The deadline for carrying out the obligation to cancel certificates of origin or to pay substitute fees for a given year is 31 March of the following year.

The substitute fee consists of the product of the price established in the Energy Law and the difference between the amount of electricity stemming from the obligation to obtain and present certificates of origin for cancellation and the amount of electricity stemming from the certificates of origin that the power company presented for cancellation for a given year.

Depending on the purpose of acquisition, certificates of origin are classified as:

- long- or short-term financial assets if the certificates of origin were obtained in order to resell them later;
- a separate category of long- and short-term assets (“certificates of origin”) if the certificates of origin were obtained for cancellation.

Certificates of origin are initially recognised at their purchase price.

During a financial year and until 31 March of the following year, the Company presents certificates of origin for cancellation – the cancellation of certificates of origin in the accounts takes place as outflows using the method of the detailed identification of the certificate of origin.

As at the balance sheet date, certificates of origin, with the exception of those obtained for the purpose of later resale, are shown at their purchase price less possible impairment.

As at the balance sheet date, certificates of origin obtained for the purpose of later reselling them are shown at fair value, and their value is shown in the income statement.

If it does not have a sufficient quantity of certificates of origin on the balance sheet date, the Company creates a provision for the substitute fee or the purchase of certificates at Towarowa Giełda Energii S.A. in order to fulfil the obligations imposed by the Energy Law. The provision covers a quantity of certificates equivalent to the difference between the number of certificates cancelled for a given financial year and the quantity required to be cancelled in accordance with the requirements of the Energy Law. Provisions are recognised firstly based on their purchase price for the quantity of certificates of origin held but not cancelled as at the balance sheet date; secondly based on the unitary substitute fee or (if transaction volumes at Towarowa Giełda Energii S.A. are sufficient to carry out the needed transactions within a time that makes it possible to cancel the certificates by 31 March of the following financial year) based on the weighted average value of indices published by the TGE from the four sessions preceding the end of the quarter.

The provision reduces the value of certificates of origin held by the Company.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank deposits payable on demand, other short-term investments with an initial maturity date of up to three months and those with high liquidity. Cash is shown at the balance sheet date at fair value, and revaluation differences increase the financial costs or revenues from the given period.

### **Share capital**

The core capital of the Company consists of the share capital shown in an amount defined in the statute and entered into the court register, corrected appropriately for the effects of hyperinflation and the settlement of the merger and acquisition of companies. A share capital increase that as at the balance sheet date was paid in by the shareholders but which is awaiting registration in the National Court Register is also presented as share

capital.

### **Borrowings**

Borrowings are initially recognised at fair value less transaction costs incurred.

After initial recognition, borrowings are shown at amortised cost using the effective interest rate.

### **Income tax (including deferred income tax)**

Income tax in the income statement consists of: current tax and deferred tax.

Current tax burden is calculated based on the taxable result (taxable base) for the given reporting period. The taxable profit/loss differs from the accounting net profit/loss by the exclusion of taxable revenues and costs of revenues in subsequent years, as well as costs and revenues that will never be subject to taxation. Tax burdens are calculated based on tax rates in force in the given reporting period.

Provisions for withholding tax for positive temporary differences between the value of assets and liabilities and their balance sheet value are shown in the financial statements in their full value.

Assets due to deferred income tax are shown if it is probable that in the future taxable income will arise that will make it possible to deduct temporary differences or apply tax losses.

Provisions for deferred tax or assets for deferred tax are not shown if they stem from the initial recognition of an asset or liabilities stemming from a transaction, if the transaction does not consist of the merger of business units, and at the time of its appearance does not influence the gross financial result or taxable income. Provisions for deferred tax are also not shown against temporary differences stemming from the initial recognition of goodwill or goodwill whose amortisation is not recognised as a tax-deductible cost.

Assets and provisions for deferred tax are created against all temporary differences related to investments in affiliates, with the exception of a situation where the two following conditions are fulfilled jointly:

- the Company is able to control the reversal dates of temporary differences, and
- it is likely that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax is measured using tax rates (and provisions) expected to apply when the asset is realised or the provision settled, basing on tax rates (and provisions) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is included in the income statement for the given period, except where the deferred tax:

1. relates to transactions or events that are recognised directly in equity – then the deferred tax is also recognised in the appropriate component of equity, or
2. stems from the merger of business units – then the deferred tax is recognised in goodwill or the excess of the share in the fair value of net assets over the cost of acquisition.

Deferred tax assets and deferred tax liabilities should be offset if there is a legal right to offset against current income tax receivables and liabilities and if the assets and provisions for deferred tax relate to income tax levied by the same taxing authority on the same entity.

### **Employee benefits**

The following types of employee benefits are available in ENEA S.A.:

#### **A. Short-term employee benefits**

Short-term employee benefits at ENEA S.A. include, among others: monthly remuneration, annual bonus remuneration, the right to discounts on electricity purchases, short-term paid time off together with the applicable social insurance premiums.

The liability on account of short-term (accumulated) paid leaves of absence (holiday pay) is disclosed even if the paid leaves of absence do not carry an entitlement to an equivalent cash payment. ENEA S.A. determines the forecast cost of accumulated paid leaves of absence as an additional amount which, according to the forecasts, it will pay on account of unused entitlements, established as at the balance-sheet date.

#### **B. Specific benefit programmes**

ENEA S.A.'s specific benefits programmes include:

### *1) Retirement severance payments*

Retiring employees (or those leaving employment due to a disability) are entitled to receive a retirement severance payment in the form of a cash gratuity. The amount of the severance payments depends on length of service and the amount of remuneration received by the employee. Actuarial methods are used to estimate liabilities on this account.

### *2) Right to discounts on purchases of electricity after retirement*

When employees who have worked in ENEA S.A. for at least one year retire, they are entitled to a discount on 3,000 kWh of electricity per year. If the employee dies, that right passes to his/her spouse, provided that the spouse collects a family allowance.

Pensioners and people on allowances have the right to a cash equivalent payment in the amount of 3000 kWh x 80 per cent of the price of electricity and the variable component of the transmission fee as well as 100 per cent of the fixed grid fee and the subscription fee, according to the single-phase tariff generally applicable for households. A cash equivalent is payable twice annually: by 31 May and by 30 November, each in an amount constituting half of the annual equivalent.

### *3) Length-of-service awards*

ENEA S.A.'s other long-term employee benefits include length of service awards. The amount of those awards depends on both length of service and the amount of remuneration received by the employee. Actuarial methods are used to estimate liabilities on this account.

### *4) Withholding for the Company Social Benefits Fund for retirees*

Pursuant to the Collective Labour Agreement, in calculating the annual withholding for the Company Social Benefits Fund (CSBF), ENEA S.A. also takes into account retirees entitled to use the fund. The obligation is recognised proportionally to the period for which the employees are expected to continue working. The value of the provisions is estimated using actuarial methods.

Liabilities for the benefits referred to in points 1 – 4 are estimated using the projected unit credit method. Actuarial profits and losses are reflected in the income statement in their entirety.

## **C. Employees' retirement programme**

In accordance with Appendix 18 of the Collective Bargaining Agreement, ENEA S.A. conducts an Employee Retirement Programme in the form of group insurance of employees with a capital fund, according to the principles set out in an act of parliament and negotiated with the trade unions.

The Employees' Retirement Programme can be used by employees of ENEA S.A. after they have worked for the Company for one year, regardless of the type of their employment contract.

Employees' join the Employees' Retirement Programme on the following conditions:

- insurance is taken out in the form of group life insurance with insurance cover,
- the amount of the basic premium is set at seven per cent of the participant's remuneration;
- 90 per cent of the basic premium is designated as an investment contribution and 10 per cent for insurance cover.

## **D. Payments in the form of company shares**

Payments in the form of company shares refer to transactions settled in equity instruments or their equivalents, in which ENEA S.A. receives services (work by employees) in exchange for its own equity instruments (shares) or their equivalents.

ENEA S.A. discloses services received as part of transactions paid in the form of shares settled in equity instruments and the corresponding increase in share capital at the moment it receives those services. If the services received as part of transactions paid in the form of shares do not qualify for recognition as assets, the Company shows them under costs.

The costs are shown at fair value and are recognised on the day on which the instruments are awarded. In light of the fact that the fair value of employee services cannot be directly assessed, their value is established based on the fair value of the equity instruments being awarded.

In transactions paid in the form of shares settled in cash, the Group shows the liability at fair value for each reporting date, as well as for the settlement date, and shows possible changes in value in profits and losses for the given period.

### **Provisions**

Provisions are created when ENEA S.A. is bound by an obligation (legally or by custom) because of past circumstances, and it is probable that the fulfilment of this obligation will necessitate the outflow of funds containing economic benefits and it will be possible to reliably estimate the value of this obligation.

The sum for which a provision is created is the best estimate of outlays required to fulfil the obligation, discounted as at the balance sheet date.

### **Recognition of revenues**

Sales revenues are recognised at fair value of the received or due payment, after deducting VAT, rebates and discounts.

Revenues from electricity sales are recognised at the moment the electricity is delivered. For the purposes of establishing the value of revenues for the period between the preceding invoicing date and the balance sheet date, an estimate of revenues is prepared, which is shown in the balance sheet under receivables for goods and services and others.

Revenues from the sale of goods and materials are recognised when a given unit has transferred significant risk and benefits stemming from the ownership of the goods or materials and there is a probability that economic benefits will arise from the transaction.

Interest revenues are recognised on an accrual basis using the effective interest rate if their receipt is not in doubt.

Dividend income is recognised at the moment at which the right to receive payment is acquired.

### **Grants**

ENEA S.A. receives grants in the form of fixed assets and in the form of refunds for expenditures incurred on fixed assets. The Company recognises these grants in accordance with IAS 20 - Government Grants.

Grants are recognised in the balance sheet as revenues from future periods if there is a reasonable assurance that the grant will be received and that the Company will comply with any conditions attached to the grant. Grants received as reimbursement of costs already incurred by the Company are systematically recognised as revenue in the income statement for the periods in which the costs related to them was incurred. Grants received as reimbursement of investment outlays incurred by the Company are systematically recognised, in proportion to depreciation write-offs, as other operating revenue in the income statement for the period in which the asset is used.

### **Dividend payment**

The payment of dividends to shareholders is recognised as a liability in the financial statements of ENEA S.A. at the moment in which they are approved by the Company's shareholders.

Payments of profits from Single-Shareholder State Treasury Companies, which amount to 15 per cent of gross profit decreased by income tax, are also treated as dividends.

### **Segment reporting**

The basic model used in segment reporting is the business segment. A business segment is a group of assets and liabilities engaged in providing a single product or service that is subject to risks and returns on incurred investment outlays that are different from those of other business segments.

ENEA S.A. has the following business segments:

- trading – the sale of electricity to end users,
- distribution – electricity transmission services
- other operations.

The Company operates within a single geographical area – in Poland, and therefore has no geographical segments.

## **Abbreviated Consolidated Mid-Year Financial Statements**

The abbreviated mid-year consolidated financial statements for the financial year ending 30 June 2009 was prepared in accordance with the requirements of the International Financial Reporting Standards approved by the European Union (the “EU IAS”)

These abbreviated mid-year consolidated financial statements were prepared in accordance with the principle of historical costs, with the exception of financial assets recognised at fair value through the income statement, available-for-sale financial assets and payments in the form of shares.

### **Principles of consolidation**

#### *Subsidiaries*

Subsidiaries are all units over whose financial and operating policies ENEA S.A. has control, which usually is accompanied by holding a majority of the votes in their corporate bodies. In evaluating whether ENEA S.A. controls a given unit, the existence and influence of the voting rights that at a given moment can be exercised or exchanged is taken into account. Subsidiaries are subject to full consolidation from the day on which the Group acquired control over them. They cease being consolidated on the day control ceases.

With regard to company acquisition transactions that are not subject to joint control, the cost of acquisition is established as the fair value of the transferred assets, issued equity instruments and liabilities contracted or transferred as at the day of transfer, increased by costs directly related to the transfer. Identifiable assets purchased and liabilities and conditional liabilities acquired as part of a merger of business units are initially recognised at fair value on the date of transfer, regardless of the amount of minority interest. The excess of the transfer costs over the fair value of the Group’s share in identifiable acquired assets, liabilities and conditional liabilities is recognised as goodwill. If the transfer costs are lower than the fair value of the assets, liabilities and conditional liabilities of the acquired subsidiary, the difference is recognised directly in the income statement.

Transactions, settlements and unrealised profits on transactions between the Group’s companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence for the impairment of the transferred asset. Accounting principles used by subsidiaries have been changed where necessary to ensure compliance with the accounting principles used by the Group.

#### *Affiliates and jointly controlled units*

Affiliates are all entities over which ENEA S.A. has significant influence, but which it does not control, which is usually associated with holding between 20 and 50 per cent of the total votes in their corporate bodies. Investments in affiliates are calculated using the equity method and initially recognised at cost. The Group’s investments into affiliates includes goodwill (less possible accrued impairment), established on the day of acquisition.

Jointly controlled units are all units over which ENEA S.A. exercises joint control pursuant to contractual provisions.

The Group’s share in the financial results of affiliates and/or jointly controlled units from the day of acquisition are recognised in the income statement, and its share in changes of equity from the day of acquisition – under other capital. The balance sheet value of the investments is corrected by the aggregate changes in equity from the acquisition date. If the Group’s share in the affiliate’s or jointly controlled unit’s losses are equal to or greater than the Group’s share in that affiliate or jointly controlled unit, including possible other unsecured receivables, the Group ceases to recognise further losses, unless it has undertaken obligations or made payments on behalf of the given affiliate or jointly controlled unit.

Unrealised profits from transactions between the Group and its affiliates or jointly controlled units are eliminated in proportion to the Group’s share in the affiliates or jointly controlled units. Unrealised losses are also eliminated, unless a given transaction provides evidence for the impairment of the asset being transferred. Accounting principles used by affiliates or jointly controlled units have been changed where necessary to ensure compliance with the accounting principles used by the Group.

### **Merger/acquisition of business units under joint control**

#### *Accounting principles/(policy)*

Merger/acquisition transactions involving units under joint control are excluded from the scope of IFRS

regulations. In these circumstances, pursuant to the recommendation included in IAS 8 “*Accounting Policies, Changes in Accounting Estimates and Errors*”, due to the lack of detailed regulations in the IAS, the unit should prepare its own appropriate accounting principles for this type of transactions.

Pursuant to the recommendation, the Company has adopted an accounting policy consisting of recognising such transactions in accordance with their book values.

The adopted accounting policies are as follows:

The acquiring unit determines the assets, capital and liabilities of the target unit in accordance with their current book value, adjusted only in order to make the accounting policies of the merged units uniform. Goodwill and negative goodwill are not recognised. Any possible difference between the net book value of the assets being acquired and the fair value of the payment in the form of issued equity instruments and/or issued assets is recognised as part of the Company’s equity.

In applying the method based on book values, comparative data from the presented historical periods is not transformed.

The mergers/acquisitions of business units outside common control are settled using IAS 3.

### **Transactions in foreign currencies and valuation of positions denominated in foreign currencies**

#### *(a) Functional currency and presentation currency*

Items presented in financial statements are recognised in the currency of the main economic environment in which a given unit conducts its operations (the functional currency). The consolidated financial statements are presented in Polish zlotys (PLN), which are the functional currency and the presentation currency for all entities of the Capital Group.

#### *(b) Transactions and balances*

Transactions denominated in foreign currencies are converted at the moment of their first accounting into the functional currency in accordance with the exchange rate in effect on the date of the transaction.

As at the balance date cash positions expressed in foreign currencies are converted using the closing exchange rate (closing exchange rate – the mid-price exchange rate of the National Bank of Poland in effect for the valuation date).

Profits and losses due to exchange rate differences that appear as a result of settlements of transactions in foreign currencies and the balance sheet valuation of cash assets and liabilities denominated in foreign currencies are shown in the income statement.

### **Tangible fixed assets**

Tangible fixed assets are recognised at their purchase price or the cost of production decreased by the accrued depreciation or accrued impairment.

ENEA S.A. chose the optional exclusion of IAS 1 and adopted the fair value of tangible fixed assets as their assumed cost as at 1 January 2004, which was the date on which it adopted the EU IAS.

Later outlays are recorded at the balance sheet value of the given fixed asset or as a separate fixed asset (as appropriate) only where it is likely that ENEA S.A. will generate economic benefits from a given position, but the cost of the position cannot be reliably determined. All other expenditures for repairs and maintenance are reflected in the income statement for the financial period in which they were incurred.

In the event of the exchange of a fixed asset, the cost of the exchanged element of that asset is included in its balance sheet value; at the same time the balance sheet value of the element being exchanged is deleted from the balance sheet, regardless of whether it had been depreciated separately, and is included in the income statement.

Land is not subject to depreciation. The depreciation of other fixed assets is calculated using a linear function over the estimated period of usage. The basis of calculating depreciation is the initial value decreased by the final value, if it is significant. Each significant element of a fixed asset with a different time of usage is depreciated separately.

Usage periods for fixed assets are as follows:

|                                     |               |
|-------------------------------------|---------------|
| - buildings and structures          | 25 – 80 years |
| including power grids               | 33 years      |
| - technical equipment and machinery | 4 – 50 years  |
| - means of transport                | 5 – 20 years  |
| - remaining tangible assets         | 5 – 15 years  |

The final value and usage periods of fixed assets are verified at least once per year.

Depreciation begins when an asset becomes available for use. Depreciation ends when the asset is designated for sale or if it is deleted from the balance sheet.

As part of its operations the Group receives partial or full reimbursement of outlays incurred for fixed assets related to the connection of new clients to the power grid. Accepted fixed assets are recognised at their purchase price or cost of production, and the corresponding sum of reimbursement of outlays is at the same time recognised for settlements of income from connection fees and is subject to settlement over time as for the depreciation of these fixed assets.

The Company has received street lighting equipment free of charge from district authorities and accounts these fixed assets in accordance with IAS 20 Government Grants, i.e. it discloses them in tangible fixed assets at fair value, and discloses them in the balance sheet as settlements of revenues from grants, settled over time against revenues, proportionately to the accrued depreciation costs from this item, over a period of 35 years.

Profits and losses from the sale of fixed assets constituting the difference between sale revenues and the balance sheet value of the sold fixed asset are shown in the income statement.

#### **Perpetual usufruct of land**

Land owned by the State Treasury, local government bodies or their associations may be handed over for perpetual usufruct (PU). Perpetual usufruct is a particular property right allowing the holder to: use the property exclusively of third parties and to dispose of this right.

Depending on the manner of acquisition of the rights, the Company classifies them as follows:

1. PU obtained at no charge by operation of law pursuant to a decision of the province governor or the authorities of a local government body – is treated as operating lease.
2. PUs acquired against payment from third parties – are shown as assets under PU at the purchase price after deduction of depreciation write-offs.
3. PUs purchased under agreements on the perpetual usufruct of land concluded with the State Treasury or local government units – are shown as the excess of the first payment over the annual fee and are accounted as assets under PU and depreciated.

The depreciation of the perpetual usufruct of land takes place over the period for which the right was granted (62 to 99 years).

#### **Intangible assets**

##### *(a) Goodwill*

Goodwill consists of the excess of the price of acquisition over the fair value of the shares held by the Group's entities in the identifiable assets, liabilities and conditional liabilities of the acquired subsidiary as at the day of its acquisition, or of an affiliate on the day of the acquisition of significant influence. Goodwill from the acquisition of subsidiaries is shown in intangible assets. Goodwill arising from the acquisition of investments in affiliated units is shown in the balance sheet value of those investments.

Goodwill is subject to annual tests for impairment and is shown in the balance sheet as its initial value reduced by accrued impairment. In order to conduct a test for impairment, the goodwill is allocated to business units generating revenues that benefit from synergy effects.

Profits and losses from the sale of subsidiaries or affiliates take into account the balance sheet value of the goodwill for the unit being sold.

##### *(b) Other intangible assets*

Intangible assets include: computer software, licences and other intangible assets. Intangible assets are recognised at their purchase price or the cost of production decreased by the accrued amortisation or accrued



impairment.

Depreciation is calculated using a linear function, in accordance with the estimated period of usage, which amounts to:

- |  |              |
|--|--------------|
| - for licences and server software                           | 2 – 7 years  |
| - for licences, workstation software and anti-virus software | 4 – 7 years, |
| - for other intangible assets                                | 2 – 7 years  |

#### *(c) CO<sub>2</sub> emissions rights*

Emissions rights awarded free of charge under the National Distribution Plan, as well as purchased rights, constitute intangible assets, with the proviso that rights obtained free of charge are recognised at zero value and purchased rights at their purchase price.

Provisions for the actual emissions of CO<sub>2</sub> is recognised at zero value, under the condition that actual emissions do not exceed the number of emissions rights held by the Group in a given year. If actual emissions exceed the number of CO<sub>2</sub> emissions rights held by the Group for the given year, the Group must create a provision for the purchase of the missing rights in accordance with the market value of the CO<sub>2</sub> emissions rights as at the balance sheet date.

Revenues from the sale of surplus emissions rights are recognised at the moment of their sale.

#### **Costs of research and development**

*The costs of research are shown in the income statement for the period in which they were incurred.*

The costs of development that fulfil the criteria of their capitalisation, described below similarly to other intangible assets, are recognised at their purchase price or production cost reduced by accrued depreciation and accrued impairment. Depreciation is calculated using a linear function, in accordance with the estimated period of usage, which amounts 2 – 7 years.

Capitalisation criteria:

- The technical possibility of completing the intangible asset so as to enable its use or sale,
- The intention to complete the intangible asset and to use or sell it,
- The ability to use or sell the intangible asset,
- The manner in which the intangible asset is to generate possible future commercial benefits. Among other things, the business unit should prove the existence of a market for the goods being produced as a result of the intangible asset or for the asset itself – or, if the asset itself is to be used by the unit, the usefulness of the intangible asset.
- The availability of appropriate technical, financial and other means of completing the development works or the use or sale of the intangible asset.
- The possibility of reliably determining the outlays incurred during the development work, which can be assigned to that intangible asset.
- Costs of external financing

The costs of external financing are shown in the income statement for the period in which they were incurred.

#### **Leasing**

A leasing agreement in which ENEA S.A. bears essentially the entire risk and obtains all benefits of ownership is classified as financial leasing. Leasing other than financial leasing is classified as operational leasing.

Objects under financial leasing are shown under assets at the day the leasing commences in accordance with the lower of the following two values: the fair value of the object under leasing or the current value of the minimum leasing fees. Each financial leasing fee is divided into an amount that decreases the balance of the liability and an amount of financial costs in such a way as to maintain a constant interest rate in relation to the outstanding portion of the liability. The interest element of leasing instalments is recognised under financial costs in the income statement over the term of the leasing agreement, in such a way as to obtain a constant interest rate for each period in relation to the outstanding portion of the liability. Assets that are subject to depreciation purchased under financial leasing are depreciated throughout the period during which the assets are used.

Leasing fees paid under operational leasing (after deducting possible promotional discounts obtained from the

lessor) are settled as costs using a linear function throughout the life of the leasing agreement.

### **Impairment**

The Company's assets are revalued whenever circumstances appear indicating that a given asset may have been impaired.

### **Non-financial assets**

Impairment losses are shown in the amount in which the balance sheet value of a given asset exceeds its recoverable value. Recoverable value is determined as the higher of the two following values: the fair value reduced by the costs of the sale or the usable value (i.e. the current estimated value of future cash flows expected from the continued use of the given asset or revenue centre). For the purposes of impairment analysis, assets are grouped at the lowest level in relation to which identifiable cash flows appear (revenue-generating units).

All impairment write-offs are shown in the income statement. Impairment write-offs may be reversed in subsequent periods if circumstances appear that justify the finding that the assets did not lose or lost a different proportion of their value.

### **Financial assets**

Financial assets are analysed for each balance-sheet date in order to determine whether circumstances justifying the impairment of these assets have appeared. Permanent impairment is deemed to have taken place if objective circumstances show that one or more events had a negative impact on the estimated future cash flows from a given asset.

The impairment of financial instruments available for sale is calculated in relation to their fair value.

Individual financial instruments of significant value are assessed with regard to impairment individually. In assessing the impairment of other financial assets, they are divided into groups in accordance to their level of credit risk.

### **Investment real estate**

Investment real estate is held in order to obtain revenues from rent, from increases of its value or both. For valuation after initial recognition the Group has selected the purchase price model.

Investments in real estate are depreciated using a linear function. Depreciation begins in the month following the acceptance of the real estate for use. The estimated period of use is as follows:

|           |               |
|-----------|---------------|
| Buildings | 25 – 33 years |
|-----------|---------------|

### **Financial assets**

The Group classifies financial instruments into the following categories: financial assets recognised at their fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets.

The classification is based on the purpose of the investment's acquisition. The classification is performed as at the moment of first recognition, and then is verified for each balance sheet date if this is required or allowed by IAS 39.

#### *(b) Financial assets recognised at fair value through profit and loss*

This category includes two sub-categories:

- financial assets designated for trading – a financial asset is classified into this category if it was purchased mainly for the purpose of selling it in the short-term (e.g. a portfolio of shares managed by a brokerage);
- financial assets designated as at their first disclosure as recognised at their fair value through profit and loss.

Assets in this category are classified as trading assets, if they are designated for trading or if they are expected to be traded within 12 months of the balance date.

#### *(c) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments, not listed on an

active market. They appear when the group spends cash, delivers goods or services directly to the debtor, without the intention of designating these receivables for trading.

Loans and receivables are classified as operating assets, if their term of maturity falls within 12 months of the balance sheet date. Loans and receivables with a maturity date more than 12 months from the balance sheet date are classified as fixed assets. Loans and receivables are shown in the balance sheet under “receivables for goods and services and other receivables”.

*(d) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a set maturity date, which ENEA S.A. intends or is capable of holding to maturity.

*(e) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets designated as “available for sale” or not classified under any of the other categories. This category includes shares in non-affiliated entities. Available-for-sale financial assets are classified as fixed assets unless the Group intends to sell the given investment within 12 months from the balance sheet date.

The sale and purchase of financial assets is disclosed as at the day on which the transaction is concluded – i.e. on the day on which the Group undertakes to purchase or sell a given asset. Financial assets are initially shown at their fair value, increased by transaction costs, with the exception of investments classified as recognised at their fair value through profit and loss, which are initially recognised at their fair value without taking into account transaction costs.

Financial assets are excluded from the accounts when the rights to the cash flows attached to them expire or are transferred, and where the Group transferred essentially the entire risk and all benefits of their ownership.

Available-for-sale financial assets and financial assets recognised at their fair value through profit and loss are shown at their fair value after their initial recognition. If it is not possible to determine their fair value and they have no set maturity date, available-for-sale financial assets are recognised at their purchase price less impairment. Receivables and loans, as well as held-to-maturity financial assets are recognised at their cost depreciated in accordance with the effective interest rate.

The value of financial assets recognised at their fair value through profit and loss is shown in the income statement for the period in which they arose. The value of financial assets available for sale is shown under equity, with the exception of impairment write-offs and the profits and losses due to exchange rate differences that appear for cash assets. When an asset classified as “available for sale” is deleted from the accounts, the total profits and losses previously shown under equity are shown in the income statement.

The fair value of investments for which there is an active market is based on the current purchase price. If the market for the given financial assets is not active (or if the securities are not listed), ENEA S.A. establishes fair value by using a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models commonly used on the market, adjusted for the issuer's specific circumstances.

On each balance sheet date the Group determines whether objective evidence has appeared of the impairment of a financial asset or a group of financial assets.

If such evidence exists in relation to available-for-sale financial assets, the total losses previously shown under equity – the difference between the purchase price and the current fair value, less possible impairment previously shown in the income statement – are excluded from equity and shown in the income statement. Impairment shown in the income statement and relating to equity instruments are not subject to reversal in relation to the income statement. The reversal of the impairment of debt instruments is recognised in the income statement if in subsequent periods after the impairment is written off the fair value of these financial instruments increased as a result of events taking place after the write-off was recognised.

If evidence of the impairment of loans and receivables or held-to-maturity investments recognised at cost depreciated using the effective interest rate, the write-off is established as the difference between the balance sheet value of the assets and the current value of future cash flows discounted by the original effective interest rate for those assets (i.e. the effective interest rate calculated as at the initial recognition of fixed-interest

assets and the effective interest rate established as at the last revaluation for variable-interest assets). Impairment is shown in the income statement. Impairment is reversed if in subsequent periods the impairment is reduced and the reduction may be related to events taking place after the recognition of the impairment. As a result of the reversal of impairment the balance sheet value of financial assets may not exceed the value of depreciated costs that would have been established if there had been no impairment. The reversal of impairment is shown in the income statement.

If evidence exists of the impairment of unlisted equity instruments recognised at their purchase price (due to the impossibility of reliably establishing their fair value), the impairment is established as the difference between the asset's balance sheet value and the current value of estimated future cash flows discounted using the current market yield rate for similar financial assets. Such impairment is not reversed.

### **Inventories**

Inventories are recognised at their purchase price or cost of production no higher than the net sale price.

Costs are established using the first in, first out (FIFO) method with the exception of production coal, biomass and calcium powder, whose costs are established using the weighted average purchase price method.

### **Energy certificates of origin**

Pursuant to Article 9 of the Energy Law, ENEA S.A. as a power company engaged in trading in electricity and selling that electricity to end users connected to its grid in the Republic of Poland is obliged to:

- a) obtain and to present to the President of URE for cancellation certificates of origin or
- b) pay a substitute fee.

Certificates of origin constitute the confirmation of the generation of electricity from renewable sources and electricity generated in cogeneration (together with the generation of heat). They are issued by the President of URE at the request of a power company engaged in the generation of electricity from renewable sources (wind, water, solar, biomass) and in cogeneration. Certificates of origin are saleable and are listed.

Property rights attached to certificates of origin arise at the moment they are entered in the register of certificates of origin maintained by Towarowa Giełda Energii S.A. (the Energy Commodity Exchange, TGE). The transfer of the property rights attached to the certificates of origin takes place at the moment when an appropriate entry is made in the register of certificates of origin.

ENEA S.A. is obliged to obtain and present for cancellation certificates in quantities defined in regulations issued under the Energy Law as a percentage of the total sale of electricity to end users. The deadline for carrying out the obligation to cancel certificates of origin or to pay substitute fees for a given year is 31 March of the following year.

The substitute fee consists of the product of the price established in the Energy Law and the difference between the amount of electricity stemming from the obligation to obtain and present certificates of origin for cancellation and the amount of electricity stemming from the certificates of origin that the power company presented for cancellation for a given year.

Depending on the purpose of purchase, certificates of origin are classified as:

- long- or short-term financial assets if the certificates of origin were purchased in order to later resell them;
- a separate category of long- and short-term assets ("certificates of origin") if the certificates of origin were obtained for cancellation.

Certificates of origin generated internally are recognised at the moment the power is generated (or as at the day on which their issuance became probable), unless there is justified doubt with regard to the possibility their issuance by the President of URE.

Certificates of origin are initially recognised at their purchase price, while certificates of origin generated internally are recognised at the market price from the last day of the month in which the power to which the certificates relate was generated.

During a financial year and until 31 March of the following year, the Company presents certificates of origin for cancellation – the cancellation of certificates of origin in the accounts takes place as outflows using the method of the detailed identification of the certificate of origin.

As at the balance sheet date, certificates of origin, with the exception of those obtained for the purpose of later reselling them, are recognised at their purchase price less possible impairment, while certificates of origin generated internally are recognised at the market price from the last day of the month in which the power to which the certificates relate was generated.

As at the balance sheet date, certificates of origin obtained for the purpose of later reselling them are shown at fair value, and their value is shown in the income statement.

If it does not have a sufficient quantity of certificates of origin on the balance sheet date, the Group creates a provision for the substitute fee or the purchase of certificates on the TGE in order to fulfil the obligations imposed by the Energy Law. The provision covers a quantity of certificates equivalent to the difference between the number of certificates cancelled for a given financial year and the quantity required to be cancelled in accordance with the requirements of the Energy Law. Provisions are valued firstly based on their purchase price for the quantity of certificates of origin held but not cancelled as at the balance sheet date; secondly based on the unitary substitute fee or (if transaction volumes at the TGE are sufficient to carry out the needed transactions within a time that makes it possible to cancel the certificates by 31 March of the following financial year) based on the weighted average value of indices published by the TGE from the four sessions preceding the end of the quarter.

The provision reduces the value of certificates of origin held by the Group.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank deposits payable on demand, other short-term investments with an initial maturity date of up to three months and those with high liquidity. Cash is shown at the balance sheet date at fair value, and revaluation differences increase the financial costs or revenues from the given period.

#### **Share capital**

The base capital of the Company consists of the share capital shown in an amount defined in the statute and entered into the court register, corrected appropriately for the effects of hyperinflation and the settlement of the merger and acquisition of companies. A share capital increase that as at the balance sheet date was paid in by the shareholders but which is awaiting registration in the National Court Register is also presented as share capital.

#### **Borrowings**

Borrowings are initially recognised at fair value less transaction costs incurred.

After initial recognition borrowings are shown at cost depreciated using the effective interest rate.

#### **Income tax (including deferred income tax)**

The following are obligatory deductions from the financial result: current tax and deferred tax.

Current tax burden is calculated based on the taxable result (taxable base) for the given reporting period. The taxable profit/loss differs from the accounting net profit/loss by the exclusion of taxable revenues and costs of revenues in subsequent years, as well as costs and revenues that will never be subject to taxation. Tax burdens are calculated based on tax rates in force in the given reporting period.

Provisions for withholding tax for positive temporary differences between the value of assets and liabilities and their balance sheet value are shown in the consolidated financial statements in their full value.

Assets due to deferred income tax are shown if it is probable that in the future taxable income will arise that will make it possible to deduct temporary differences or apply tax losses.

Provisions for deferred tax or assets for deferred tax are not shown if they stem from the initial recognition of an asset or liabilities stemming from a transaction, if the transaction does not consist of the merger of business units, and at the time of its appearance does not influence the gross financial result or taxable income. Provisions for deferred tax are also not shown against temporary differences stemming from the initial

recognition of goodwill or goodwill whose amortisation is not recognised as a tax-deductible cost.

Assets and provisions for deferred tax are created against all temporary differences related to investments in affiliates, with the exception of a situation where the two following conditions are fulfilled jointly:

- The Group is able to control the reversal dates of temporary differences, and
- it is likely that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax is measured using tax rates (and provisions) expected to apply when the asset is realised or the provision settled, basing on tax rates (and provisions) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is included in the profit or loss statement for the given period, except where the deferred tax arises from:

1. relates to transactions or events that are recognised directly in equity – then the deferred tax is also recognised in the appropriate component of equity, or
2. stems from the merger of business units – then the deferred tax is recognised in goodwill or the excess of the share in the fair value of net assets over the cost of acquisition.

Deferred tax assets and deferred tax liabilities should be offset if the Group's companies are legally entitled to offset against current income tax receivables and liabilities and if the assets and provisions for deferred tax relate to income tax levied by the same taxing authority on the same entity.

### **Employee benefits**

The Capital Group offers the following types of employee benefits:

#### **A. Short-term employee benefits**

Short-term employee benefits in the Group include, among others: monthly remuneration, annual bonus remuneration, the right to discounts on electricity purchases, short-term paid time off together with the applicable social insurance premiums.

The liability on account of short-term (accumulated) paid leaves of absence (pay for unused holidays) is disclosed even if the paid leaves of absence do not carry an entitlement to an equivalent cash payment. The Group determines the forecast cost of accumulated paid leaves of absence as an additional amount which, according to the forecasts, it will pay on account of unused entitlements, established as at the balance-sheet date.

#### **B. Specific benefit programmes**

The Group classifies the following as specific benefit programmes:

##### *1) Retirement severance payments*

Retiring employees (or those leaving employment due to a disability) are entitled to receive a retirement severance payment in the form of a cash gratuity. The amount of the severance payments depends on length of service and the amount of remuneration received by the employee. Actuarial methods are used to estimate liabilities on this account.

##### *2) Right to discounts on purchases of electricity after retirement*

When employees who have worked in the Group for at least one year retire, they are entitled to a discount on 3,000 kWh of electricity per year. If the employee dies, that right passes to his/her spouse, provided that the spouse collects a family allowance.

Pensioners and people receiving allowances have the right to a cash equivalent payment in the amount of 3000 kWh x 80 per cent of the price of electricity and the variable component of the transmission fee as well as 100 per cent of the fixed grid fee and the subscription fee, according to the single-phase tariff generally applicable for households. A cash equivalent is payable twice annually: by 31 May and by 30 November, each in an amount constituting half of the annual equivalent.

##### *3) Length of service awards*

The Group's other long-term employee benefits include length of service awards. The amount of those awards depends on both length of service and the amount of remuneration received by the employee. Actuarial methods are used to estimate liabilities on this account.

#### *4) Withholding for the Company Social Benefits Fund for retirees*

Pursuant to the Collective Labour Agreement, in calculating the annual withholding for the Company Social Benefits Fund (CSBF) the Capital Group also takes into account retirees entitled to use the fund. The obligation is recognised proportionally to the period for which the employees are expected to continue working. The value of the provisions is estimated using actuarial methods.

Liabilities for the benefits referred to in points 1 – 4 are estimated using the projected unit credit method. Actuarial profits and losses are reflected in the income statement in their entirety.

#### **C. Specified premiums programme**

In accordance with Appendix 18 of the Collective Bargaining Agreement, the Group conducts an Employee Retirement Programme in the form of group insurance of employees with a capital fund, according to the principles set out in an act of parliament and negotiated with the trade unions.

The Employee Retirement Programme can be used by employees of the Group after they have worked for the Company for one year, regardless of the type of their employment contract.

Employees' join the Employees' Retirement Programme on the following conditions:

- a) insurance is taken out in the form of group life insurance with insurance protection;
- b) the amount of the basic premium is set at seven per cent of the participant's remuneration;
- c) 90 per cent of the basic premium is designated as an investment contribution and 10 per cent for insurance cover.

#### **D. Payments in the form of company shares**

Payments in the form of company shares refer to transactions settled in equity instruments or their equivalents, in which the Group receives services (work by employees) in exchange for its own equity instruments (shares) or their equivalents.

The Group discloses services received as part of transactions paid in the form of shares settled in equity instruments and the corresponding increase in share capital at the moment it receives those services. If the services received as part of transactions paid in the form of shares do not qualify for recognition as assets, the Group shows them under costs.

The costs are shown at fair value and are recognised on the day on which the instruments are awarded. In light of the fact that the fair value of employee services cannot be directly assessed, their value is established based on the fair value of the equity instruments being awarded.

In transactions paid in the form of shares settled in cash, the Group shows the liability at fair value for each reporting date, as well as for the settlement date, and shows possible changes in value in profits and losses for the given period.

#### **Provisions**

Provisions are created when the Group's companies are bound by an obligation (legally or by custom) because of past circumstances, and it is probable that the fulfilment of this obligation will necessitate the outflow of funds containing economic benefits and it will be possible to reliably estimate the value of this obligation.

The sum for which a provision is created is the best estimate of outlays required to fulfil the obligation as at the balance sheet date.

#### **Recognition of revenues**

Sales revenues are recognised at fair value of the received or due payment, after deducting VAT, rebates and discounts.

Revenues from the sale of electricity and distribution services are recognised at the moment when the electricity is delivered or the power transmission services are provided to the recipient.

For the purposes of establishing the value of revenues for the period between the preceding invoicing date and

the balance sheet date, an estimate of revenues is prepared, which is shown in the balance sheet under receivables for goods and services and others.

Revenues from the sale of goods and materials are recognised when a given unit has transferred significant risk and benefits stemming from the ownership of the goods or materials and there is a probability that economic benefits will arise from the transaction.

Revenues from the leasing of investment real estate are recognised in the income statement using a linear function throughout the life of the lease.

Interest revenues are recognised on an accrual basis using the effective interest rate if their receipt is not in doubt.

Dividend income is recognised at the moment at which the right to receive payment is acquired.

### **Grants**

The Group receives grants in the form of fixed assets and in the form of refunds for expenditures incurred on fixed assets. The Group recognises these subsidies in accordance with IAS 20 - Government Grants.

Grants are recognised in the balance sheet as revenues from future periods, if their receipt is sufficiently secure and the Group fulfils conditions related to them. Grants received as reimbursement of costs already incurred by the Group are systematically recognised as revenue in the income statement for the periods in which the costs related to them were incurred. Grants received as reimbursement of investment outlays incurred by the Group are systematically recognised, in proportion to depreciation write-offs, as other operating revenue in the income statement for the period in which the asset is used.

### **Compensation for stranded costs arising in connection with the early termination of long-term power and electricity sales agreements (KDT)**

Compensation for stranded costs is systematically recognised as revenue in the income statement for the periods in which the stranded costs related to it were incurred.

Compensation for stranded costs is recognised at the value of advance payments due in the given accounting period as shown in Appendix 4 of the Act on the Principles for Covering Costs Arising for Generators Due to the Early Termination of Long-Term Power and Electricity Sales Agreements of 29 June 2007, corrected by the estimated amount of correction for the given period. Compensation for stranded costs for a given year is settled by the President of URE by 31 July of the subsequent year and by 31 August after the last year in which the KDT remain in force.

### **Connection charges**

From clients for which it carried out connections to the grid, the Group receives reimbursement of a part or all of the costs incurred as a result of the connection. The value of the reimbursed connection costs are recognised in the Group's liabilities and are shown in revenues over the depreciation period of the connections, namely 35 years.

### **Dividend payment**

The payment of dividends to shareholders (including minority shareholders in the case of dividends from subsidiaries) is recognised as a liability in the Group's financial statements in the period for which it was approved by the shareholders of the Dominant Entity.

Payments of profits from Single-Shareholder State Treasury Companies, which amount to 15 per cent of gross profit decreased by income tax, are also treated as dividends.

### **Segment reporting**

The basic model used in segment reporting is the business segment. A business segment is a group of assets and liabilities engaged in providing products or services that are subject to risks and returns on incurred investment outlays that are different from those of other business segments. The Capital Group has four separate business segments:

- trading – the sale of electricity to end users,
- distribution – electricity transmission services
- generation – the generation of electricity,



– other operations.

The Group operates within a single geographical area – in Poland, and therefore has no geographical segments.

## **7. Additional information**

### ***7.1. Entity entitled to audit financial statements***

The entitled entity is Deloitte Audyt sp. z o.o. with its registered office at ul. Marcelesińska, 90 60-324 Poznań, entered in the register of certified auditors maintained by the National Chamber of Certified Auditors on 7 February 1995 under registration number 73.

### ***7.2. Other information which is significant for evaluating the Issuer's employment, asset or financial condition, its financial results and changes to them, as well as information that is significant for evaluating the Issuer's ability to meet its obligations***

Regardless of the information included in the remaining parts of the half-yearly report, in the opinion of the Management Board the following information regarding ENEA S.A. should be kept in mind:

#### **Strong market position**

We have a strong market position in Poland in all segments of the electrical power market in which we conduct operations. We are among the four largest entities in Poland in the electricity generation, distribution and trade sector.

#### **Effective generation assets**

The Group's Kozenice power plant is one of the most efficient black coal-fired power plants in Poland. It has modernised generation units which produce electricity while respecting the ecosystem in the vicinity of the company, in line with EU environmental protection norms. As one of the first power plants in Poland, construction has begun on two new power units of superior parameters with a capacity of 1000 MW each.

Kozenice has one of the lowest indicators of carbon dioxide emissions in Poland: in 2007 the level was 860 kg/MW, and in 2008 849 kg/MW. It also has one of the lowest indicators of coal used per MWh of electricity generated. The level in 2008 was 0.410 Mg/MWh.

#### **A diversified client portfolio**

The portfolio of clients to whom we sell electricity is to a large extent diversified.

As at 30 June 2009 ENEA S.A. provided comprehensive services (consisting of the sale of electricity and provision of distribution services) or sold electricity to more than two million individual customers and about 300,000 business clients.

In the first half of 2009, revenues from the sale of electricity to the largest of our clients amounted to about 4.5 per cent of total revenues from the sale of electricity and provision of distribution services, and the share of the largest 10 clients slightly exceeded 15 per cent.

#### **Vertical integration**

As a result of the inclusion of Kozenice in the Group in October 2007, we have become a vertically integrated power company. At the end of the first six months of the year, the vast majority of the electricity generated by Kozenice (90 per cent), with the exception of electricity sold on the balancing market and as part of regulation system services, as well as insignificant amounts sold to local recipients, is sold to ENEA S.A. Because of this the Company to a significant degree covers the needs of clients to whom it sells electricity generated by Kozenice.

#### **Convenient location for developing wind farms**

Investments in renewable wind power are a significant element of our strategy. Our distribution network covers the north-western part of Poland which, due to the prevailing atmospheric conditions in this part of the country – plenty of wind – is a good location for building wind farms. In the coastal region, considered an area very favourable for building wind farms, winds reach an estimated average of more than 6 m/s. In Q1 2009 we took action to obtain wind farm projects in order to fulfil the obligation indicated in the issue prospectus

regarding the achievement of a target volume of installed power capacity from 300 to 500 MW, in accordance with the description of the use of proceeds from the issue.

#### **Risks relating to activities and the surroundings**

Notwithstanding the above positive factors in an evaluation of the management, property and financial situation and the financial result of the Issuer and its Group, a series of factors exist which are identifiable as risks relating to the activities carried on and the surroundings in which they take place. Among them, the potential influence of circumstances and conditions described in item 3 of this report should be taken into consideration.

#### **Information on transactions aimed at managing the exchange rate risk**

As part of their operations neither ENEA S.A. nor its subsidiaries concluded any transactions securing currency exchange risk in half-yearly 2009.

### **7.3. Awards, distinctions, achievements**

**Ninth place from among more than 370 companies listed on the Warsaw Stock Exchange in a ranking of publicly traded companies with the best prospects for growth, published by Puls Biznesu.**

The ranking indicates companies that despite visible signs of an economic crisis have the greatest chances of achieving success in implementing their growth strategies and plans.

**43rd place in a ranking of the year's 100 best listed companies published by Puls Biznesu.**

The ranking was based on evaluations performed by stock analysts, investment advisors and bankers in the largest survey of its kind in Poland. The following seven key factors were analysed: the management board's qualifications, growth prospects, investor relations, the quality of products and services offered, broadly understood success in the previous year, the effects of management changes and purchase recommendations of the company's stock.

**The president of ENEA S.A., Paweł Mortas, was awarded the title "One Who Changes Polish Industry 2008" by the awards jury of the Polish Enterprise Promotion Association – the publisher of the Nowy Przemysł business monthly and the business portal WNP.pl.**

The jury grants awards to companies, institutions, persons and events that significantly impacted economic transformations and the face of Polish industry in the preceding year. Mr Mortas received a distinction in the events category for the company's privatisation and "in recognition of a courageous decision – a breakthrough for the power sector and significant for the whole Polish economy".

**The president of ENEA S.A., Paweł Mortas, received the title of "Player of the Year 2009" from the prestigious Forbes magazine.**

Player of the Year 2009 is an award for business people who in the opinion of experts and analysts will have a key impact on the shape and growth of the six main sectors of the Polish economy. Paweł Mortas received his distinction in the Power and Heavy Industry category.

**ENEA S.A. was awarded the Acanthus Aureus statue for its participation in the EXPOPOWER 2009 International Power Industry Fair in Poznań, with a stand most likely to aid in implementing its marketing strategy.**

Nearly 200 exhibitors took part in the event organised on the grounds of the International Trade Fair in Poznań, including the leaders of the power sector.

**ENEA S.A. was recognised as a "Pearl of the Polish Exchange", placed second in a ranking of the most valuable listed companies organised by the *Parkiet* daily, and first place in the "Raw Materials and Power" sub-category.**

The final results of individual companies reflected the sum of points received on the basis of more than ten indicators, including revenue growth, as well as growth of operating profit, net profit, equity and capitalisation.

**ENEA S.A. obtained a high 19th place in Newsweek's ranking of Poland's 100 most valuable companies in 2008.**

The companies that took part were analysed in regard to their revenues, profitability and brand recognition among Poles. For companies listed on the Warsaw Stock Exchange, such as ENEA S.A., the ranking also took into account their stock prices, which are the most objective evaluation factor for public companies.

**ENEA S.A. took a high 21st place in the *Polityka* weekly's ranking of Poland's 500 largest companies in 2008.**

The ranking was intended to select from among Polish businesses leaders who have the greatest influence on the growth of the domestic economy. The main factor analysed by the authors of the ranking were sales revenues.

**ENEA S.A. was 29th in the *Rzeczpospolita* daily's ranking of the largest companies in 2008.**

The ranking was intended to select from among Polish businesses leaders who have the greatest influence on the growth of the domestic economy. The main factor analysed by the authors of the ranking were sales revenues.

**DECLARATION OF THE MANAGEMENT BOARD  
ON THE RELIABILITY OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ON THE ENTITY  
AUTHORISED TO AUDIT THE FINANCIAL STATEMENTS**

**Declaration of the Management Board on the reliability of the consolidated financial statements:**

The Management Board of ENEA S.A. declares that, to the best of its knowledge:

- the short-form consolidated mid-year financial statements for 2009, together with comparative data, were prepared in accordance with binding accountancy principles and reflect the property and financial situation of the ENEA Capital Group and its financial result for the period presented in a manner which is true, reliable and clear;
- the report of the Management Board on the operations of the ENEA Capital Group for the first half of 2009 contains a true depiction of the development, achievements and situation of the ENEA Capital Group, and this also applies to the description of fundamental risks and threats.

**Declaration of the Management Board on the entity authorised to audit the financial statements:**

The Management Board of ENEA S.A. declares that Deloitte Audyt Sp. z o.o., the entity authorised to audit the financial statements which is conducting a review of the short-form consolidated financial statements of the ENEA Capital Group for the first half of 2009, was selected in accordance with the applicable provisions of law. The entity and the certified auditors conducting the review of those financial statements meet the criteria for issuing an impartial and independent report of the review of the mid-year short-form consolidated financial statements, in accordance with the applicable provisions of law and professional standards.

**Maciej Owczarek – President of the Management Board**

**Piotr Koczorowski – Member of the Management Board for Corporate Affairs**

**Sławomir Jankiewicz – Member of the Management Board for Business Affairs**

**Czesław Koltermann – Member of the Management Board elected by the employees**

**Marek Malinowski – Member of the Management Board for Strategy and Development**

**Tomasz Treider – Member of the Management Board for Commercial Affairs**