Dear Shareholders and Investors,

The past two years have been a period full of landmarks for ENEA S.A. and the entire Capital Group. The Distribution System Operator was separated from the ENEA S.A. structure in July 2007, in October the Capital Group was enlarged by Elektrownia Kozienice (the biggest power station fired by bituminous coal in Poland), and finally, in mid-November 2008, ENEA S.A. made its successful début on the Warsaw Stock Exchange. Each of these events was preceded by many months of work, full of sacrifice and difficulties. Those efforts have made it possible for us to enjoy our success today and to look forward to the future with optimism.

Among these events, the début on the stock market was particularly valuable in positioning our Company among the leaders of the transformations taking place in the electricity sector. ENEA S.A. is the first Polish company in this industry to be listed on the Warsaw Stock Exchange, and, considering the value of the issue, its début last year was not only one of the biggest in Poland, but also in the whole of Europe. It turned out to be a success on an international scale, all the more so because it occurred at a time of global recession. ENEA S.A. is proof that, despite the crisis on the capital markets, it is possible and necessary to invest in companies with potential and prospects for growth.

At the heart of the decision on commencing the IPO process and the stock market début which finalised it lay ambitious visions for development and the awareness of the need to participate in business processes which enable those plans to be carried out. As a result, ENEA S.A. will become a fully independent organism with its sights set on development and bringing benefits to its customers, who will have total security of electricity supply and top-quality services. The road to this leads through investment in new power generation, renewable energy sources, the expansion of the distribution system and supplementing the chain of values by acquiring shares in the extraction industry. This will guarantee the Company competitive superiority on the market and the readiness to meet further challenges.

ENEA S.A.'s development plans for 2009 and the years to come have been laid out precisely. I am convinced that they will be fully implemented, guaranteeing the Company's development, strengthening its market position, and bringing many benefits to its shareholders, investors and customers.

Acting President of the Management Board
Piotr Koczorowski

Selected consolidated financial information

	in thousands of PLN		in thousands of EUR	
	12 months ended 31.12.2008	12 months ended 31.12.2007	12 months ended 31.12.2008	12 months ended 31.12.2007
Net revenues	6 157 762	5 445 804	1 743 371	1 441 910
Operating profit	251 359	83 348	71 164	22 068
Profit before taxation	293 466	109 083	83 085	28 882
Net profit for the reporting period	215 367	521 676	60 974	138 126
Net cash generated from operating activities	825 491	650 469	233 711	172 228
Net cash generated from investing activities	(899 524)	232 914	(254 671)	61 670
Net cash generated from financing activities	1 753 900	(294 310)	496 560	(77 926)
Net total cash flow	1 679 867	589 073	475 600	155 971
Weighted average number of ordinary shares	359 016 443	250 042 308	359 016 443	250 042 308
Net profit per share (in PLN per share)	0.60	2.09	0.17	0.55
Diluted profit per share (in PLN/EUR per share)	0.60	2.09	0.17	0.55

	As at 31.12.2008	As at 31.12.2007	As at 31.12.2008	As at 31.12.2007
Total assets	11 985 917	9 816 186	2 872 667	2 740 420
Liabilities and provisions for liabilities	2 961 664	3 049 811	709 823	851 427
Non-current liabilities	1 518 009	1 387 190	363 822	387 267
Current liabilities	1 443 655	1 662 621	346 001	464 160
Equity	9 024 253	6 766 375	2 162 845	1 888 994
Ordinary shares	588 018	494 796	140 930	138 134
Net book value per share (in PLN/EUR)	20.44	19.43	4.90	5.42
Diluted net book value per share (in PLN/EUR)	20.44	19.43	4.90	5.42

The above financial information for the year 2008 and 2007 was translated into EUR according to the following rules:

- balance sheet items were translated using the average NBP exchange rate as at 31 December 2008 – 4.1724 PLN/EUR (as at December 2007 - 3.5820 PLN/EUR)
- income statement and cash flow statement items were translated into EUR using the exchange rate being an arithmetic average of the average NBP exchange rates for the last day of each month of a reporting period from 1 January to 31 December 2008 - 3.5321 PLN/EUR (for the period from 1 January to 31 December 2007 - 3.7768 PLN/EUR).

KPMG

TRANSLATION

ENEA S.A. Group

Opinion and Report
of the independent auditor
Financial year ended
31 December 2008

The opinion contains 3 pages
The report supplementing the auditor's opinion
contains 19 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the consolidated financial statements
for the finacial year ended
31 December 2008

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of ENEA S.A.

We have audited the accompanying consolidated financial statements of ENEA S.A. Group, seated in Poznań ("the Group"), which comprise the consolidated balance sheet as at 31 December 2008, with total assets and total liabilities and equity of PLN 11,985,917 thousand, the consolidated income statement for the year then ended with a net profit of PLN 215,367 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 2,257,878 thousand, the consolidated cash flow statement for the year then ended with an increase in cash and amounting to PLN 1,679,867 thousand and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the parent entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) ("the Accounting Act"), the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Qualified Opinion

According to information disclosed in Note 22 of the accompanying consolidated financial statements, the Entitled Employees of the ENEA S.A. Group, on the basis of the Law on Commercialization and Privatization dated 30 August 1996 ("Law on Commercialization and Privatization"), are entitled to acquire free of charge 15% of shares of ENEA S.A. The Group recognizes costs of services (employment services) received in share-based payments transactions and a corresponding increase in the equity at the moment when these services are rendered. Due to the fact that it is impossible to determine directly the fair value of employees' services, it is measured by reference to the fair value of the granted equity instruments (shares of ENEA S.A.) as at the Grant Date i.e. the date when all significant conditions of the employee shares grant are determined. The determination of the Grant Date depends on the moment when the first share is sold by the State Treasury based on general conditions. Till 31 December 2008 such sale has not occurred. In connection with the above the Group should determine at each balance sheet date until the Grant Date, the fair value of shares attributable to Entitled Employees in order to revise the cost of employees' services. As at 31 December 2008 the Management Board did not revise the value of share-based payments program considering that the share's price of PLN 14, actual as at the balance sheet date, does not reflect the fair value of shares of ENEA S.A. As a result, as at 31 December 2008 the accumulated cost of services performed by the Entitled Employees was recognized based on the valuation of shares of ENEA S.A. adopted for the purposes of preparation of the consolidated financial statements as at 30 June 2008, i.e. PLN 27.48 per share. In our opinion, the Management Board of ENEA S.A. should have revised the valuation of ENEA S.A. shares attributable to Entitled Employees as at 31 December 2008, in order to revise the costs of services performed by these employees. The potential adjustments to costs of employee benefits, net profit and share-based payments reserve have not been determined.

Qualified Opinion

In our opinion, except for the effect of the potential adjustment resulting from the matter described in the paragraph "Basis for Qualified Opinion", the accompanying consolidated financial statements of ENEA S.A. Group have been prepared and present fairly in all material respects the financial position of the Group as at 31 December 2008 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Other Matters

As required under the Accounting Act, we also report that the Report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) and the information is consistent with the consolidated financial statements.

Signed on the Polish original	*Signed on the Polish original*
....	....
Certified Auditor No. 10176/7521 Michał Karwatka	For KPMG Audyt Sp. z o.o. ul. Chłodna 51; 00-867 Warsaw Certified Auditor No. 90061/7541 Marek Gajdziński, Member of the Management Board

Poznań, 17 April 2009

ENEA S.A. Group
Consolidated financial statements
for the year ended 31 December 2008

Poznań, 17 April 2009

Contents of the consolidated financial statements

These consolidated financial statements were prepared according to the International Financial Reporting Standards approved by the European Union and accepted by the Management Board of the Company.

Members of the Management Board

Acting as President of the Management Board	**Piotr Koczorowski**	**……………………………….**
Member of the Management Board	**Sławomir Jankiewicz**	**…………..……………………**
Member of the Management Board	**Czesław Koltermann**	**……………………………….**
Member of the Management Board	**Marek Malinowski**	**……………………………….**

Prepared by: Robert Kiereta …………….……………
Consolidation Department Manager

Poznań, 17 kwietnia 2009 r.

(all amounts are presented in PLN thousand, unless otherwise stated)

Consolidated balance sheet

	Note	As at 31.12.2008	As at 31.12.2007
ASSETS			
Non-current assets			
Tangible fixed assets	7	7 944 815	7 871 161
Perpetual usufruct right	8	15 321	13 366
Intangible assets	9	36 606	40 518
Investment properties	10	5 034	4 332
Investments in associates and joint venture accounted for using the equity method	11	189 941	5 207
Available-for-sale financial assets	12	8 965	14 981
Financial assets at fair value through profit or loss	12	1 033	1 379
Trade and other receivables	13	2 316	129
		8 204 031	**7 951 073**
Current assets			
Inventories	15	270 044	149 065
Trade and other receivables	13	780 098	715 110
Current income tax assets		5 538	7 531
Available-for-sale financial assets	12	4 806	3 292
Held-to-maturity investments	12	100 741	49 323
Cash and cash equivalents	16	2 620 659	940 792
		3 781 886	**1 865 113**
Total assets		**11 985 917**	**9 816 186**

(all amounts are presented in PLN thousand, unless otherwise stated)

		As at	
EQUITY AND LIABILITIES	**Note**	**31.12.2008**	**31.12.2007**
Equity			
Equity attributable to equity holders of the Parent Company			
Ordinary shares	18	588 018	494 796
Treasury shares	18	(17 396)	-
Share premium	18	3 632 464	1 801 078
Share based payments reserve	18, 22	1 144 336	901 110
Financial instruments revaluation reserve	18	(1 099)	1 552
Other reserves	17, 18	(28 226)	-
Retained earnings	18	3 675 078	3 564 675
		8 993 175	**6 763 211**
Minority interest	18	31 078	3 164
Total equity		**9 024 253**	**6 766 375**
Liabilities			
Non-current liabilities			
Borrowings	20	152 785	184 376
Trade and other payables	19	708	19
Finance lease liabilities	24	1 515	453
Deferred income from subsidies and connections' fee	21	767 514	684 593
Deferred tax liabilities	25	123 480	170 747
Employee benefits	26	438 796	335 766
Provisions for other liabilities and charges	28	33 211	11 236
		1 518 009	**1 387 190**
Current liabilities			
Borrowings	20	52 605	69 244
Trade and other payables	19	865 581	787 702
Finance lease liabilities	24	877	296
Deferred income from subsidies and connections' fee	21	26 079	28 426
Current tax liabilities		18 705	22 945
Employee benefits	26	129 880	102 023
Liabilities due to cash settled share based payments	22	163 799	514 920
Provision for certificates of origin	27	101 403	66 638
Provisions for other liabilities and charges	28	84 726	70 427
		1 443 655	**1 662 621**
Total liabilities		**2 961 664**	**3 049 811**
Total equity and liabilities		**11 985 917**	**9 816 186**

(all amounts are presented in PLN thousand, unless otherwise stated)

Consolidated income statement

	Note	12 months ended 31.12.2008	12 months ended 31.12.2007
Revenues		6 376 006	5 508 919
Excise tax		(218 244)	(63 115)
Net revenues	29	**6 157 762**	**5 445 804**
Other operating income	32	80 914	69 020
Amortization and depreciation	30	(631 364)	(470 557)
Employee benefits	30, 31	(940 080)	(619 974)
Consumption of raw materials and cost of merchandise sold	30	(1 223 245)	(467 631)
Cost of energy sold	30	(1 893 710)	(2 644 120)
Transmission services	30	(670 930)	(806 395)
Other external services	30	(348 436)	(187 831)
Taxes and charges	30	(159 507)	(154 539)
Loss on sales and liquidation of tangible fixed assets		(9 340)	(7 149)
Other operating expenses	32	(110 705)	(73 280)
Operating profit		**251 359**	**83 348**
Financial costs	34	(51 178)	(19 394)
Financial income	33	92 871	44 982
Share of profits/(loses) of equity accounted investees	11	414	147
Profit before tax		**293 466**	**109 083**
Income tax	35	(78 099)	412 593
Net profit for the reporting period		**215 367**	**521 676**
Attributable to:			
Equity holders of the Parent Company		215 361	521 514
Minority interest		6	162

Net profit attributable to shareholders of Parent Company		215 361	521 514
Weighted average number of ordinary shares		359 016 443	250 042 308
Net profit per share (in PLN per share)	37	**0.60**	**2.09**
Diluted profit per share (in PLN per share)	37	**0.60**	**2.09**

(all amounts are presented in PLN thousand, unless otherwise stated)

Consolidated statement of changes in equity

	Note	Share capital (nominal value)	Revaluation of share capital	Total share capital	Treasury shares	Share based payments reserve	Share premium	Financial instruments revaluation reserve	Other reserves	Retained earnings	Minority interest	Total equity
As at 01.01.2008		**348 221**	**146 575**	**494 796**	**-**	**901 110**	**1 801 078**	**1 552**	**-**	**3 564 675**	**3 164**	**6 766 375**
Net profit for the reporting period										215 361	6	215 367
Valuation of available-for-sale financial assets								(1 099)				(1 099)
Sale of available-for-sale financial assets								(1 552)				(1 552)
Total recognized income and losses for the period								**(2 651)**		**215 361**	**6**	**212 716**
Dividends	36									(115 552)	(269)	(115 821)
Redemption of shares	18	(10 594)		**(10 594)**						10 594		-
Conversion of cash equivalents into shares	22					224 042						224 042
Change in fair value of share based payments program	22					19 184						19 184
Increase in share capital	18	103 816		**103 816**			1 836 419					1 940 235
Treasury shares acquired under stabilization option	18				(17 396)							(17 396)
Acquisition of subsidiaries											28 226	28 226
Put option concerning minority interest in acquired subsidiaries	17								(28 226)			(28 226)
Other	36						(5 033)				(49)	(5 082)
As at 31.12.2008		**441 443**	**146 575**	**588 018**	**(17 396)**	**1 144 336**	**3 632 464**	**(1 099)**	**(28 226)**	**3 675 078**	**31 078**	**9 024 253**

(all amounts are presented in PLN thousand, unless otherwise stated)

	Note	Share capital (nominal value)	Revaluation of share capital	Total share capital	Share premium	Share based payments reserve	Financial instruments revaluation reserve	Retained earnings	Minority interest	Total equity
As at 01.12.2007		**221 595**	**146 575**	**368 170**	**-**	**901 110**	**-**	**3 088 596**	**6 002**	**4 363 878**
Sale of available-for-sale financial assets							1 552			1 552
Net profit for the reporting period								521 514	162	521 676
Total recognized income and losses for the period							**1 552**	**521 514**	**162**	**523 228**
Increase in share capital	18	126 626		**126 626**	1 801 078					1 927 704
Change of ownership	18								(2 195)	(2 195)
Dividends	36							(45 435)	(805)	(46 240)
As at 31.12.2007		**348 221**	**146 575**	**494 796**	**1 801 078**	**901 110**	**1 552**	**3 564 675**	**3 164**	**6 766 375**

(all amounts are presented in PLN thousand, unless otherwise stated)

Consolidated cash flow statement

	Note	12 months ended 31.12.2008	12 months ended 31.12.2007
Cash flows from operating activities			
Net profit for the reporting period		215 367	521 676
Adjustments for:			
Income tax as per income statement	35	78 099	(412 593)
Amortization and depreciation	30	631 364	470 557
Share based payments expense		19 433	-
(Profit)/loss on sales and liquidation of tangible fixed assets		9 340	7 149
Impairment loss on tangible fixed assets	7	7 784	-
(Profit)/loss on sales of financial assets		(1 469)	(1 683)
Interest income		(89 784)	(43 963)
Dividend income		(478)	-
Interest expense		15 673	9 316
Share in (profit)/losses of equity accounted investees		(414)	(147)
Exchange (gains)/losses on borrowings		13 963	(1 497)
Other adjustments		(494)	2 869
		683 017	**30 008**
Income tax paid		(126 108)	(130 018)
Interest received		82 536	47 484
Interest paid		(16 514)	(9 261)
Changes in working capital			
Inventories		(114 356)	(2 811)
Trade and other receivables		(77 049)	31 973
Trade and other payables		40 791	(8 921)
Employee benefits		128 239	71 252
Deferred income from subsidies and connections' fee		66 283	19 786
Provision for certificates of origin		34 757	61 515
Liabilities due to cash settled share based payments		(127 328)	-
Provisions for other liabilities and charges		35 856	17 786
		(12 807)	**190 580**
Net cash generated from operating activities		**825 491**	**650 469**
Cash flows from investing activities			
Acquisition of tangible and intangible fixed assets		(631 650)	(334 092)
Proceeds from sale of tangible fixed assets		19 011	15 182
Acquisition of financial assets		(49 446)	-
Proceeds from sale of financial assets		3 722	191 615
Acquisition of subsidiaries, associates and joint venture - net of acquired cash and cash equivalents		(241 672)	360 305
Dividends received		1 322	-
Other outflows		(811)	(96)
Net cash generated from investing activities		**(899 524)**	**232 914**
Cash flows from financing activities			
Proceeds from borrowings		2 924	977
Repayment of borrowings		(67 859)	(253 832)
Dividends paid to the Parent Company's shareholders		(100 629)	(39 828)
Outflows related to financial lease liabilities		(2 339)	(1 378)
Proceeds from shares issue		1 940 235	-
Acquisition of treasury shares under stabilization option	18	(17 396)	-
Other changes		(1 036)	(249)
Net cash generated from financing activities		**1 753 900**	**(294 310)**
Net increase/ (decrease) in cash and cash equivalents		**1 679 867**	**589 073**
Cash and cash equivalents at the beginning of the reporting period	16	940 792	351 719
Cash and cash equivalents at the end of the reporting period	16	**2 620 659**	**940 792**

The consolidated cash flow statement should be read together with explanatory notes which are an integral part of the consolidated financial statements

(all amounts are presented in PLN thousand, unless otherwise stated)

Notes to the consolidated financial statements

1. General information

1.1. General information on ENEA S.A. and ENEA S.A. Group

Company name:	ENEA Spółka Akcyjna
Legal form:	joint stock company (spółka akcyjna)
Country of jurisdiction:	Republic of Poland
Seat:	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
E-mail:	enea@enea.pl
Web site:	www.enea.pl
REGON:	630139960
NIP:	777-00-20-640

ENEA S.A. Group ("ENEA Group" "Group") main activity is:
- production of electric energy (Elektrownia "Kozienice" S.A., Elektrownie Wodne Sp. z o.o.),
- trade with electric energy (ENEA S.A.),
- distribution of electric energy (ENEA Operator Sp. z o.o.).

As at 31 December 2008 the shareholders structure was as following (taking into consideration the increase in share capital which resulted from the initial public offer, registered on 13 January 2009) the State Treasury of the Republic of Poland 76.48% of shares, Vattenfall AB 18.67%, European Bank for Reconstruction and Development 2.50%, ENEA S.A. 0.26% (shares acquired under stabilization option), other shareholders 2.09%.

As at 31 December 2008 the statutory equity of ENEA S.A. amounted to PLN 441 443 thousand (PLN 588 018 thousand after the conversion to the IFRS EU taking into consideration the hyperinflation and other adjustments) and was divided into 441 442 578 shares (taking into consideration the increase in share capital which resulted from the initial public offer, registered in the National Court Register on 13 January 2009).

As at 31 December 2008 ENEA S.A. ("the Company", "the Parent Company") was the Parent Company of the ENEA S.A. Group which comprised of 25 subsidiaries, 3 associated companies and 1 joint venture.

The consolidated financial statements were prepared under the assumption of the going concern in foreseeable future. There are no circumstances indicating that the going concern assumption of the Company is threatened.

1.2. Management and Supervisory Board Members

As at 31 December 2008 the Management Board comprised:
Paweł Mortas – Chairman of the Management Board
Marek Hermach – Member of the Management Board responsible for Commercial Affairs
Czesław Koltermann -Member of the Management Board elected by the employees of the Company
Sławomir Jankiewicz – Member of the Management Board responsible for Economic Affairs
Piotr Koczorowski – Member of the Management Board responsible for Corporate Affairs
Marek Malinowski – Member of the Management Board responsible for Strategy and Development

On 26 March 2008 the Supervisory Board of ENEA S.A. adopted during a meeting the Resolution No. 14/VI/2009 on the dismissal of Paweł Mortas from the position of the Chairman of the Management Board and adopted the Resolution No. 15/VI/2009 on the dismissal of Marek Hermach from the position of the Management Board Member responsible for Commercial Affairs.
By the Resolution No. 16/VI/2009 of the Supervisory Board Piotr Koczorowski was appointed to act temporarily as the Chairman of the Management Board of ENEA S.A.

In the reporting period the Management Board comprised also:

- Zbigniew Piętka - Management Board Member responsible for the Infrastructure- dismissed on 3 June 2008 by force of Resolution of the Supervisory Board No. 47/VI/2008,
- Renata Czech - Management Board Member responsible for Economic Affairs - dismissed on 15 July 2008 by force of Resolution of the Supervisory Board No. 55/VI/2008,

On 29 November 2008 as a result of qualification proceedings, the Supervisory Board adopted resolutions numbered from 106/VI/2008 to 108/VI/2008 concerning the appointment of the following individuals to the position of Members of the Management Board for the VI term:
Sławomir Jankiewicz – Member of the Management Board responsible for Economic Affairs
Piotr Koczorowski – Member of the Management Board responsible for Corporate Affairs
Marek Malinowski – Member of the Management Board responsible for Strategy and Development

Aa at 31 December 2008 the Supervisory Board of the VI term comprised:
Michał Łagoda – Chairman of the Supervisory Board
Wiesław Alfred Pawliotti
Marian Janas
Piotr Krzysztof Begier
Marzena Gajda
Tadeusz Dachowski – Member of the Supervisory Board elected by the employees
Andrzej Łopuszko – Member of the Supervisory Board elected by the employees
Mieczysław Pluciński – Member of the Supervisory Board elected by the employees

On 25 February 2009 Mrs Marzena Gajda resigned from the position of the Member of the Supervisory Board of ENEA S.A.

On 25 February 2009 the Extraordinary Shareholders Meeting adopted a resolution on the appointment of the following individuals to the Supervisory Board for the VI term:
Wojciech Chmielewski
Marcin Bruszewski
Graham Wood

Following changes in the composition of the Supervisory Board were made during the reporting period:

On 28 February 2008 the Extraordinary Shareholders Meeting appointed to the position of the Member of the Supervisory Board of ENEA S.A. the following individuals:
Michał Łagoda
Marian Kłysz
Wiesław Alfred Pawliotti
Marcin Lemkowski
Marian Janas
Piotr Krzysztof Begier
and dismissed the following:
Krzysztof Misiołek
Mirosław Rawa
Piotr Meteniowski
Tomasz Karusewicz
Jacek Jastrzębski

On 13 May 2008 the Extraordinary Shareholders Meeting dismissed from the Supervisory Board Mr. Marcin Lemkowski.

2. Statement of conformity

These consolidated financial statements were prepared according to the International Financial Reporting Standard which were approved by the European Union and which were adopted by the Management Board of ENEA S.A.

The Management Board of the Parent Company used its best knowledge in the application of standards and interpretations as well as valuation methods and principles with regard to individual items of the consolidated financial statements of the ENEA S.A. Group prepared in accordance with IFRS EU for the financial year ended 31 December 2008. The presented statements and explanations were prepared with due diligence. These consolidated financial statements were audited by a certified auditor.

3. Description of significant accounting policies applied

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all reporting periods presented.

3.1. Basis of preparation

The consolidated financial statements for the period from 1 January 2008 to 31 December 2008 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union („IFRS EU").

These consolidated financial statements have been prepared under the historical cost convention except for certain financial assets valued at fair value through profit or loss, financial assets available-for-sale and share-based payments.

3.2. Consolidation principles

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanied by a shareholding of more than a half of the voting rights. The existence and the effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity or not. Subsidiaries are fully consolidated from the date the control commences until the date the control ceases.

The cost of business combination, which is not under common control, is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities acquired in a business combination are measured initially at their fair value at the acquisition date, irrespective of the minority interest, if any. The excess of the cost of acquisition over the fair value of the group's share of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognized directly in the income statement.

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

(b) Associates and joint ventures

Associates are all entities over which the group has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Group's investment in associates includes goodwill determined at acquisition date, net of any accumulated impairment loss.

Joint ventures are entities which are jointly controlled based on contractual agreements by ENEA S.A. and other companies

The Group's share in profits or losses of associates and/or joint ventures post-acquisition is recognized in the income statement, and Group's share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements of the associate's equity are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the equity accounted associate or joint venture, including any other unsecured receivables, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealized gains on transactions between the Group and associates are eliminated proportionally to the Group's interest in associates or joint ventures. Unrealized losses are also eliminated unless the transaction indicates an impairment of the transferred asset. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.3. Business combinations under common control

Accounting policies

The accounting for business combinations among entities under common control is excluded from the scope of IFRS. As such, following the applicable guidance in IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*", in the absence of any specific guidance within IFRS, an entity should itself develop an appropriate accounting policy for such transactions.

Under this guidance the Group made an accounting policy election to recognize such transactions using the book values.

The elected accounting policy is as follow:
The combining entity recognizes the assets and liabilities of the combined enterprises at their existing carrying amounts adjusted only as a result of harmonizing the combining enterprises' accounting policies. There is no recognition of any goodwill or negative goodwill.

The difference between the carrying amount of the net assets received and the fair value of the consideration paid in form of equity instruments issued and/or assets given, if any, is recognized in the Group's equity. In applying the book value method of accounting, comparative periods presented are not restated.

Business combinations of entities beyond common control are accounted for using the acquisition method according to IFRS 3.

3.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in "Polish zloty' ('PLN'), which is the functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the moment of their original recognition using the exchange rates prevailing at the dates of these transactions.

As at the balance sheet date transactions denominated in foreign currencies are translated using the closing rate (closing rate means the average National Bank of Poland exchange rate prevailing at the date of valuation).

Foreign exchange gains and losses resulting from the settlement of such transactions in foreign currencies and the balance sheet valuation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

3.5. Tangible fixed assets

Tangible fixed assets are stated at acquisition price or at construction cost less accumulated depreciation and accumulated impairment losses.

On 1 January 2004 the ENEA S.A. Group applied the optional exclusion of IFRS 1 and as at the day of transition to IFRS EU it recognized the fair value of certain tangible fixed assets as deemed cost.

Subsequent costs are added to the asset's carrying amount or are recognized as separate assets, if applicable, only if it is probable that future economic benefits associated with the asset will flow to the entity and only if its costs can be reliably measured. Other related repair and maintenance expenses are charged to the income statement during the financial period when incurred.

In case of replacement of any part of an asset the cost of the replaced part is recognized at the carrying amount of the given asset. Simultaneously, the carrying amount of the exchanged part is derecognized (regardless of the fact it was previously depreciated separately) and recognized in the income statement.

Land is not depreciated. Depreciation of other fixed assets is calculated using the straight-line method over their estimated useful lives. The basis for the calculation is the initial value less residual value, if significant. Each part of an asset with a different economic useful life is depreciated separately.

Useful economic lives are calculated as follows:

- Buildings and structures	25 – 80 years
incl. power grids	33 years
- Machinery and equipment	4 – 50 years
- Vehicles	5 – 20 years
- Other fixed assets	5 – 15 years

Tangible fixed assets' residual values and useful lives are reviewed at least once during a financial year.

Depreciation of an asset commences, when the asset is available for use. Depreciation ceases, when the asset is held for sale in accordance with IFRS 5 or, if it is derecognized.

As an enterprise the Group receives a return, partial or in full amount, of expenditures for fixed assets concerning the connection of new clients to the national power grid. The fixed assets are valued at acquisition or production cost. The corresponding amount of return is at the same time recognized in revenues from connection fees and is accounted for in accordance with the depreciation period of a given asset.

The Company received from local authorities free of charge, road light infrastructure and recognizes these fixed assets in accordance with IAS 20 *Government grants* i.e. these assets are recognized at fair value as tangible fixed assets with corresponding entry as deferred income from subsidies, which are amortized in the income statement over the useful lives of related assets, over 35 years.

Gains and losses on disposals of fixed assets are determined by comparing the proceeds from sale against the carrying amount of the disposed fixed asset and are recognized in the income statement.

3.6. Perpetual usufruct rights

Land owned by the State Treasury, local authorities or their associations may be subject to perpetual usufruct right (PWUG). The perpetual usufruct right is a special kind of property right which entitles the holder to: use a property exclusively and transfer the right to dispose.

Depending on the way of the acquisition of perpetual usufruct rights the Company classifies them as follows:
1. Perpetual usufruct right received free of charge as a result of a decision of the provincial governor or as a result of the decision of an executive board of local authorities – as operating lease.
2. Perpetual usufruct right acquired, against payment, from third parties – as assets held under perpetual usufruct right at acquisition price less accumulated amortization.
3. Perpetual usufruct right acquired on the basis of a perpetual usufruct right agreement with the State Treasury or local authorities **–** is stated at excess of the initial charge over the annual charge and is recognized as an asset (PWUG) and is subject to amortization.

The perpetual usufruct right is amortized over the period for which it has been granted (62 to 99 years).

3.7. Intangible assets

(a) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share in the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented under 'intangible assets'. Goodwill of investments in associates is included in the carrying amount of the investment.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses and is presented in the balance sheet. In order to perform a test for impairment, goodwill is allocated to cash-generating units, which are expected to benefit from the business combination.

Gains and losses on the disposal of any subsidiary or associated entity include the carrying amount of goodwill relating to the disposed entity.

(b) Other intangible assets
Intangible assets include: software, licenses and other intangible assets. Intangible assets are recognized at their acquisition price or construction cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated using the straight-line method according to their estimated useful lives, i.e.:
- licenses and network software 2 -7 years,
- licenses and end user software, antivirus software 4- 7 years,
- other intangible assets 2 -7 years.

(c) CO_2 emission rights

CO_2 emission rights granted free of charge by the State Distribution Plan (Krajowy Plan Rozdziału) as well as acquired rights are classified as intangible assets and are subject to the following distinction: rights granted free of charge are recognized at nil cost whereas acquired rights are recognized at acquisition price.

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

Revenues from the sale of the surplus emission rights are recognized at the moment of the sale's transaction.

3.8. Costs of research and development

Research and development costs described below, which meet capitalization criteria, as well as other intangible assets are recognized at acquisition price or construction cost less accumulated amortization and accumulated impairment losses.
Amortization is calculated using the straight line method over the estimated useful life i.e. 2-7 years.

Capitalization criteria:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- a intention to complete the intangible asset and use or sell it;
- an ability to use or sell the intangible asset;
- demonstration of how the intangible asset will generate future economic benefits. The entity must demonstrate, among other things, the existence of a market for the intangible asset itself or the output of the asset or, in the case of internal use, the usefulness of the respective intangible asset;
- availability of adequate technical, financial and other resources to complete the development and to use or sell the given intangible asset,
- ability to measure reliably the expenditure attributable to the intangible asset during the development phase and the ability to assign the expenditures to the intangible asset.

3.9. Borrowing costs

Borrowing costs are recognized in the income statement, in the period during which they were incurred.

3.10. Leasing

A lease contract that transfers substantially all the risks and rewards to the Group is classified as finance lease. A lease, other than a finance lease is classified as operating lease.

Finance leases are recognized as an asset at the inception of the lease, at the lower value of the fair value of the leased property and the present value of the minimum lease payments. Each financial lease payment is apportioned between the finance charge and the reduction of the outstanding liability, maintaining a constant interest rate against the outstanding liability. Interest is recognized as financial costs during the lease period, in the income statement maintaining constant periodic interest rate of the outstanding liability. Depreciable assets acquired as a result of a finance lease are depreciated over their useful lives.

Operating lease payments (less special promotion offers obtained from the lessor, if any) are recognized at cost using the straight-line method over the lease period.

3.11. Impairment losses

Assets of the Group are reviewed for impairment, whenever there is an indication of impairment losses.

Non-financial assets

An impairment loss is recognized to the extent the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (i.e. the present estimated value of future cash flows, which are expected during the use of the asset or the cash-generating unit). For the purposes of assessing the impairment, assets are grouped at the lowest level, for which separate cash flows may be identified (cash-generating units).

All impairment losses are recognized in the income statement. Impairment losses may be reversed in future periods (except for goodwill), if there are circumstances justifying the reversal of impairment losses.

Financial assets

Financial assets are reviewed for impairment at each balance sheet date in order to check, if there is an indication of impairment losses. Impairment is assumed if there is an objective indication, that one or more events had a negative effect on the estimated future cash flows, which are expected during the use of the given asset.

Impairment losses on assets available for sale are calculated on the basis of the fair value.

Significant financial assets are individually tested for impairment. Other financial assets for purposes of the impairment test are divided into groups of a similar credit risk.

Principles regarding the calculation of impairment losses on financial assets are described precisely in note 3.13.

3.12. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. After the initial recognition the Group elected the cost model.

Investment properties are depreciated using the straight-line method. Depreciation is commenced starting in the month subsequent to the month the investment property is brought into use.
Estimated useful lives:

Buildings	25-33 years

3.13. Financial assets

The Group classifies financial assets under the following categories: financial assets measured at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and financial assets available-for-sale.

The classification is based on the intention for which the financial assets were acquired. Classification is determined at initial recognition and subsequently verified at each balance sheet date, if required or permitted by IAS 39.

(a) Financial assets valued at fair value through profit or loss
This category consists of two subcategories:
- financial assets held for trading, if an asset was acquired principally for the purpose of selling in the short-term (for example a securities portfolio managed by a brokerage company);
- financial assets, which at their initial recognition are classified at fair value through profit or loss (for example participation units in an investment fund).

Financial assets at fair value through profit or loss are classified as current assets, if meant for trading or if they are expected to be realized within 12 months from the balance sheet date.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They arise, when the Group spends cash, delivers goods or services directly to the debtor without the intention of classifying them as receivables for trading.

Loans and receivables are classified as a current asset except if the payment date is longer than 12 months after the balance sheet date. Loans and receivables with a maturity date longer than 12 months after the balance sheet date are classified as long-term assets. Loans and receivables are presented as "trade and other receivables".

(c) Investments held-to-maturity

Investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity, which ENEA S.A. intends and is able to hold till maturity.

(d) Available- for-sale financial assets

Financial assets available- for-sale are non-derivative financial assets that are either designated as "available-for-sale" or not classified in any other category. This category includes shares and treasury shares in non-associated entities. Financial assets available-for-sale are classified as non-current assets, unless the Group intends to sell them within 12 months from the balance sheet date.

Purchases and sale of financial assets are recognized at the trade-date i.e. the date on which the Group is committed to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs, except for financial assets valued at fair value through profit or loss, which are initially recognized at fair value without transaction costs.

Financial assets are derecognized, when rights to receive cash flows from these assets expired or have been transferred and the Group transferred substantially all related risks and rewards.

Financial assets available- for-sale and financial assets valued at fair value through profit or loss are valued after their initial recognition at fair value. Financial assets available-for-sale, in cases when it is impossible to determine their fair value and to define their maturity date, are valued at acquisition price less impairment losses. Receivables, loans and financial assets held to maturity date are valued at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets valued at fair value through profit or loss are presented in the income statement in the period during which they arise. The gains or losses of the financial assets available-for-sale are recognized in equity except for impairment losses and exchange rate differences in relation to monetary assets. When assets classified as available-for-sale are disposed, the accumulated gains and losses recognized in equity are transferred to the income statement.

The fair values of investments quoted in an active market are based on current bid prices. If there is no active market for a financial asset (or securities are not listed), the Group measures the fair value using available valuation techniques. These include the recent similar arm's length transactions, reference to other instruments that are substantially of the similar nature, discounted cash flow analysis, option pricing models and other available valuation techniques commonly used, adjusted to the specific situation of the issuer.

ENEA S.A. Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If such evidence exists in relation to available-for-sale financial assets, the cumulative loss recognized in equity – measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that financial asset previously recognized in the income statement – is excluded from equity and recognized in profit or loss. Impairment losses related to equity instruments recognized in the income statement are not reversed through the income statement. Impairment losses in relation to debt instruments are reversed through the income statement in the subsequent period if the fair value of these financial assets has increased due to the subsequent event.

If there is evidence which indicates potential impairment of loans and receivables or investments held to maturity valued at amortized cost, the impairment loss is determined as the difference between the carrying amount of an asset and the present value of future estimated cash flows discounted at the original discount rate for these assets (i.e. the effective interest calculated at initial recognition for assets based on a fixed interest rate and the effective interest rate determined at the moment of the last revaluation for assets based on a variable interest rate). Impairment losses are recognized in the income statement. Reversals of impairment are recognized, if the impairment loss decreases in subsequent periods and the decrease may be attributable to events occurring after the impairment recognition. As a result of the reversal the carrying amount of financial assets may not exceed the amortized cost, which would be recognized, if the impairment losses were not recognized. The reversal is recognized in the income statement.

If there is evidence which indicates impairment losses of unquoted financial instruments, which are carried at acquisition cost (because their fair value cannot be measured reliably), impairment losses are determined as the difference between the carrying amount of an asset, and the present value of future estimated cash flows discounted at the current market rate for similar financial assets. These impairment losses are not reversed.

3.14. Inventories

Inventories are stated at acquisition cost or production cost unless the net realizable value is lower.
Cost is determined using the first-in, first-out (FIFO) method except for production coal, biomass and limestone powder, in relation to which the cost is determined using weighted average purchase price method.

3.15. Certificates of origin

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

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

b) pay a substitute fee.

The certificates of origin confirms the generation of electrical energy from a renewable source or in a cogeneration (generation in relation to heat production). The certificates are issued by the President of the Energy Regulatory Office on request of an energy company generating electrical energy from renewable sources (solar energy, wind, water or biomass power) and as a result of cogeneration. Certificates of origin are transferable and are being traded at commodity exchange.

Rights resulting from a certificate of origin arise at the moment of its entry in the register of certificates maintained by Towarowa Giełda Energii S.A. (the Energy Commodity Exchange). The transfer of right under a certificate of origin is valid after the entry into the register of certificates of origin.

ENEA S.A. is obliged to obtain and submit for redemption certificates of origin in the amount corresponding with the limits stated in decrees issued based on the Law on Energy and expressed as a proportion to its total energy sales to end consumers. Date of certificates redemption's or substitute fee payment's requirement expires on 31 March of the following year.

The substitute fee is the product of the price stated in the Law on Energy and the difference between the amount of electric energy resulting from the requirement of acquisition and redemption of certificates of origin and the amount of electric energy resulting from the certificates of origin, which were submitted for redemption by an energy company in a given year.

Depending on the purpose of their purchase, the certificates of origin are classified as:

- long- or short-term financial assets, if purchased for subsequent resale;
- a separate category of short- or long-term assets ("Certificates of origin"), if the certificates have been purchased for redemption.

Certificates of origin generated on the Group's own account are recognized at the moment of energy generation (or at the day when their issue became probable), unless there is a justified doubt as to their issue by the President of the Energy Regulatory Office.

Certificates of origin are initially valued at the acquisition price, while certificates generated on the Group's own account are valued at the present market price as at the last day of the month, during which energy and related certificates were generated.

During the financial year and until 31 March of the following year, the Group submits certificates for redemption. The cost of redeemed certificates is recognized in the accounts using the method of specific identification of their individual costs.

As at the balance sheet date, the certificates of origin (except for those purchased for further resale) are carried at their acquisition price, less impairment losses. Self generated certificates of origin are valued at market price as at the last day of the month that they relate to.

As at the balance sheet date, the certificates of origin purchased for subsequent resale are carried at their fair value and a gain or loss arising from a change in the fair value is recognised in profit or loss.

If, as at the balance sheet date the number of certificates of origin in the Group's possession is insufficient, the Group raises a provision for the substitute fee or for the purchase of certificates at the Energy Commodity Exchange required to fulfil obligations of the Law on Energy. The provision covers such number of certificates which represents a difference between the number of certificates redeemed for the given year and the number of certificates required to be redeemed according to the Law on Energy. Provisions are valued primarily based on the acquisition price for the number of certificates held by the Company but not redeemed as at the balance sheet date and alternatively based on the unit substitute fee or (if the volumes of transactions at the Energy Commodity Exchange are sufficient to effect the required transactions in a period permitting redemption of the certificates by 31 March of the following year) based on the weighted average value of indexes published by TGE S.A. from the last four trading sessions preceding the end of a quarter.

The provision decreases the value of certificates of origin held by the Group.

3.16. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits paid on demand, other short-term highly liquid investments with an original maturity of less than 3 months. Cash and cash equivalents are valued at fair value at the balance sheet date and the valuation effect increase the financial income or financial expenses for the period.

3.17. Share capital

The Group's share capital is the share capital in the amount specified in the Articles of Association of the Parent Company and registered in the court register, adjusted by hyperinflation and the results of business combinations. The increase in the share capital covered as at balance sheet date by shareholders but awaiting for the registration in the National Court Register is also presented as share capital.

3.18. Borrowings

Borrowings are initially recognized at fair value less transaction costs incurred.

After the initial recognition borrowings are stated at amortized cost using the effective interest rate method.

3.19. Income tax (including deferred income tax)

Income tax charge in the income statement comprises of: the current income tax and the deferred income tax.

The current income tax charge is calculated on the basis of a taxable basis of the given reporting period. Tax profit/ loss differs from the accounting profit/loss because of the temporary exclusion of taxable revenues and tax deductible costs in future periods and costs and revenues permanently excluded from taxation. Current tax charges are calculated on the basis of a tax rate according to tax laws binding in a given reporting period.

Deferred tax liabilities, resulting from positive temporary differences between the tax base of assets and liabilities and their carrying amount are recognized in full in the financial statements.

Deferred tax assets are recognized, to the extent that it is probable, that future taxable profit will be available against which the temporary differences or tax losses can be utilized.

Neither the deferred tax liabilities nor deferred tax assets are recognized, when they arise from the initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting profit or loss nor the taxable profit or loss. Deferred tax is not recognized for temporary differences resulting from the initial recognition of goodwill or goodwill with amortization, which is not treated as tax deductible expense.

Deferred tax assets or liabilities are recognized for all temporary differences arising from investment in related entities except to the extent that both of the following conditions are satisfied:

- the Group is able to control the timing of the reversal of the temporary difference,
- it is probable that the temporary difference will not reverse in the future.

Deferred tax is determined using tax rates (and laws) which are legally or factually applied as at the balance sheet date and are expected to be applied when the related deferred tax asset is to be realized or the deferred tax liability is to be settled.

Deferred tax is recognized in the income statement of the given reporting period, except when:

1. it relates to transactions and events, which are directly recognized in equity; in this case the deferred tax is also recognized in the equity,
2. it is a result of business combinations; in this case the deferred tax adjusts the goodwill or the excess of the share in the fair value of net assets over the cost of business combination.

Deferred tax assets and liabilities are set off, when there is a legally enforceable right to set off the current tax asset against current tax liabilities and if deferred tax assets and the deferred tax liabilities relate to the income taxes imposed by the same tax authority.

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3.20. Employee benefits

Within ENEA S.A. Group there are the following schemes of employee benefits:

A. Short-term employee benefits

Short-term employee benefits include: monthly wages and salaries, annual bonuses, electricity allowance, short-term holiday accrual with social security contributions.

The liabilities resulting from the short-term (accumulated) holiday accrual is recognized, even though the employees are not entitled to a monetary equivalent for paid holiday. The Group calculates the estimated cost of accumulated holiday accrual as an additional amount, which will likely be paid as a result of an unused entitlement as at the balance sheet date.

B. Defined benefit plans

The Group' s defined benefit plans are:

1) Retirement allowances

Employees who retire due to disability or old age are entitled to monetary retirement allowances. The amount of such allowances depends on the length of employment and the amount of salary of the employee concerned. Actuarial techniques are used to estimate the related liabilities.

2) Electricity allowance for pensioners

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

Pensioners and disability pensioners acquire the right to the cash equivalent of 3,000 kWh x 80% of the energy price and the variable part of the transmission cost component and 100% of the fixed part of transmission cost and subscription price at the general single-zone household rate. The equivalent is paid twice a year: by 31 May and by 30 November, each time in the amount of the half of the annual equivalent.

3) Jubilee awards

Other long-term employee benefits of the Group include jubilee awards. The amount of the awards depends on the employee's length of employment and salary. Actuarial techniques are used to estimate the related liabilities.

4) Social Fund charge for pensioners

Pursuant to the Collective Employment Agreement, the Group takes into account pensioners entitled to receive benefits from the fund when calculating the annual charge for the Social Fund. The liability is recognized proportionally to the expected length of employment by a given employee. Actuarial techniques are used to estimate the amount of the related provision.

Liabilities on account of benefits referred to in points 1-4 are estimated by an actuary using the Projected Unit Credit Method. The actuarial profit or loss is recognized in full in the income statement.

C. Employee Premium Scheme

Pursuant to Appendix No. 18 to the Collective Employment Agreement, the Group operates the Employee Pension Scheme in the form of a collective insurance of the employees involving a capital fund on the basis of the statutory principles as well as those negotiated with the unions.

The Employee Pension Fund is available to all employees of the Group after one year of employment irrespective of the type of employment contract.

Employees join the Employee Pension Fund on the following terms and conditions:

a) the insurance is a group life insurance including accident coverage of insured employees,

b) the amount of the basic premium is set at 7% of the participant’s salary,

c) 90% of the basic premium is allocated for investment premium and 10% - for accident coverage.

D. Share-based payments

Share based payments refer to transactions settled in equity instruments or their equivalent, in which the Group, in exchange for own equity instruments (shares) or their equivalent, receives a provision of services (employees’ services).

ENEA S.A. Group recognizes the cost of services received in a share based payments transaction settled in equity instruments or their equivalents and the respective increase in equity when the services are received. If services received in a share based payments transaction do not qualify for recognition as an asset, the Group recognizes them as expenses.

The cost is stated based on fair value and is valued as at grant date of equity instruments. Considering the fact that the fair value of employees’ services can not be estimated reliably, their value is measured by reference to the fair value of the equity instruments granted.

In cash settled share-based payments transactions the Group re-measures the fair value of the liabilities at the end of each reporting period until the liabilities is settled and at the date of the settlement of the liabilities, recognizing any changes in fair value in profit or loss for the period.

3.21. Provisions

Provisions are raised, when ENEA S.A. has a present legal or constructive obligation resulting from past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

The amount of the provision is the most reliable estimate of economic outflows necessary to fulfil the present obligations discounted as at the balance sheet date.

3.22. Revenue recognition

Revenue is recognized at fair value of the consideration received or receivable, net of VAT, rebates and discounts.

Revenues from the sales of energy are recognized at the moment of energy delivery to the customer. In order to determine revenues for the period between the last invoice date and the balance sheet date the Group estimates the accrued revenue, which is recognized in the balance sheet as trade and other receivables.

Revenues from sales of merchandise and goods are recognized, when the entity has transferred significant risks and benefits and it is probable that future economic benefits resulting from these transactions will flow to the Group.

Revenues from investment property lease agreements are recognized in the profit and loss account using the straight-line method during the agreement period.

Interest revenue is recognized on the accrual basis using the effective interest rate, if it is not doubtful that they will be received.

Dividend revenue is recognized when the right to receive dividend is formally approved.

3.23. Subsidies

ENEA S.A. Group receives subsidies in the form of fixed assets and in the form of reimbursement of expenses incurred in relation to non-current assets under construction. The Group recognizes these subsidies in accordance with IAS 20 *Government grants.*

Subsidies are recognized in the balance sheet as deferred income, if it is sufficiently certain that subsidies will be received and the Group fulfils all necessary provisions of the subsidies.

Subsidies received as a compensation of costs already incurred by the Group are authorized in the income statement in periods when related expenses are incurred. Subsidies which compensate the Group for capital expenditures are recognized, in proportion to depreciation charge, in the income statement as other operating income on a systematic basis over the useful life of the given asset.

3.24. Compensations of stranded costs incurred as a result of early termination of long-term contracts on the sale of energy (KDT)

Compensation for stranded costs is recognized as revenue in the income statement in the same period when the stranded costs are incurred.

Compensation of stranded costs is recognized in the amount of advance payments receivable for the given period described in Appendix 4 to *the Law on the rules for covering costs incurred by the producers in relation to an early termination of long-term contracts* dated 29 June 2007 adjusted by an estimated adjustment for the given period. The settlement of compensation of stranded costs for a given period is made by the President of the Energy Regulatory Office till 31 July of the subsequent year or till 31 August after the end of the last year of the long-term contract.

3.25. Connections' fee

The Group receives from customers a reimbursement of all or a part of costs incurred in relation to having connected such customers to a power grid network. The value of the reimbursed cost is recognized as deferred income and is amortized over the useful life of the power grid connections i.e. 35 years.

3.26. Dividends distribution

Dividends payments to shareholders (including minority shareholders in case of subsidiaries) are recognized as a liability in the Group's financial statements for the period in which dividend payments where approved by the shareholders of the Parent Company.

The Group classifies as dividends the payment from profit being an obligation of companies that are 100% owned by the State Treasury and amounting to 15 % of the gross profit less the current income tax due.

3.27. Segment reporting

The primary reporting format applied to segments is a 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 from investments different from other business segments. There are four business segments of the ENEA S.A. Group:

- trade - sale of electric energy to an end customer,
- distribution – transmission of electric energy,
- production – generation of electric energy,
- other activities.

The Group operates within one particular economic environment – the territory of Poland, and therefore it does not present any geographical segments.

3.28. New accounting standards and interpretations

(i) For reporting periods started after 1 January 2008 or subsequent new standard approved by the European Union are applicable. The Group did not exercise its right to an earlier application of these standards.

- **Revised IFRS 2 - Share-based payments**

The revised standard enters into force for annual reporting periods starting on 1 January 2009 or subsequent. Changes to this standard precisely define vesting conditions and introduce the definition of non-vesting conditions.
The Group does not expect the revised standard to have an impact on the consolidated financial statements of the Group.

- **IFRS 8 - Operating Segments**

IFRS 8 enters into force for annual reporting periods starting on 1 January 2009 or subsequent. The standard requires segments disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are of an entity about which separate financial information is available and is evaluated regularly in deciding how to allocate resources and in assessing performance.
The Group does not expect the standard to have a significant impact on the presentation and information disclosure on operating segments in the consolidated financial statements.

- **Revised IAS 1 – Presentation of Financial Statements**

IFRS 8 enters into force for annual reporting periods starting on 1 January 2009 or subsequent. The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income (effectively combining the income statement and all non-owner changes in equity in a single statement), or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Group has not yet decided how to implement the changes in presentation according to the revised standard.

- **Revised IAS 23 – Borrowing Costs**

The revised standard enters into force for annual reporting periods starting on 1 January 2009 or subsequent. The standard requires capitalization of borrowings costs that relate to qualifying assets (those that take a substantial period of time to get ready for use or sale).
The Group will apply revised IAS 23 to qualifying assets from which capitalization of borrowing costs commences on or after 1 January 2009. Therefore, there will be no impact on prior periods in the Group's consolidated financial statements for the year 2009.

- **Amendments to IAS 27- Consolidated and Separate Financial Statements**

The amendments to IAS 27 enters into force for annual periods starting on 1 January 2009 or subsequent. The amendments remove the definition of "cost method" currently set out in IAS 27, and instead require all dividends from a subsidiary, jointly controlled entity or associate to be recognized as income in the separate financial statements of the investor when the right to receive the dividend is established. In addition, the amendments provide guidance when the receipt of dividend income is deemed to be an indicator of impairment.

The amendments to IAS 27 are not expected to have any impact on consolidated financial statements when adopted as the amendments apply prospectively.

- **Amendments to IAS 32 Financial Instruments: Presentation, and IAS 1, Presentation of Financial Statements**

The amendments enters into force for annual periods starting on 1 January 2009 or subsequent. The amendments introduce an exemption to the principle otherwise applied in IAS 32 for the classification of instruments as equity; the amendments allow certain puttable instruments issued by an entity that would normally be classified as liabilities to be classified as equity if, and only if, they meet certain conditions.

The amendments are not relevant to the Group's consolidated financial statements as the Group has not issued in the past puttable instruments that would be affected by the amendments.

- **Improvements to International Financial Reporting Standards 2008**

The improvements to IFRS enter into force for annual reporting periods starting on 1 January 2009 or subsequent, in case of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*- for periods after 1 July 2009 and subsequent.

Improvements to IFRS 2008 introduce 35 changes and are divided into two parts:

1. Part I introduces 24 changes of 15 standards that result in changes for presentation, recognition and measurements purposes;
2. Part II introduces 11 changes to 9 standards that are terminology and editorial changes; the International Accounting Standards Board does not expect these changes to have any influence on the accounting principles or claim their impact will be minimal.

The Group has not yet completed the analysis of the impact of the revised standard on the consolidated financial statements of the Group.

- **IFRIC 13 – Loyalty Programmes**

The interpretation enters into force for annual reporting periods starting on 1 July 2008 or subsequent. The interpretation explains how entities that grant loyalty award credits to customers who buy goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations.

The Group does not expect the interpretation to have any impact on consolidated financial statements of the Group.

- **IFRIC 14 - IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

According to European Commission Regulation the interpretation enters into force for annual reporting periods starting after 31 December 2008 or subsequent. The interpretation addresses: when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, how a minimum funding requirements might affect the availability of reductions in future contributions, and when a minimum funding requirements might give rise to a liability.
The Group has not yet completed the analysis of the impact of the interpretation on the consolidated financial statements of the Group.

(ii) Amendments to standards effective, but not yet endorsed by the EU

- **Amendment to IAS 39 Reclassification of Financial Assets: Effective Date and Transition**

The amendment clarifies the effective date when reclassification of non-derivative financial assets out of the fair value through profit and loss or out of available-for-sale categories is permitted (applies to reclassifications in circumstances allowed by amendments to IAS 39 issued on 27 November 2008). The amendments described above are applicable on or after 1 July 2008 and no reclassification shall be applied retrospectively. Any reclassification made on or after 1 November 2008 shall take effect only from the date when the reclassification is made and hence may not be applied retrospectively.
The amendment is not relevant to the Group's consolidated financial statements as the Group has not reclassified any financial instruments.

(iii) For reporting periods starting after 1 January 2008 or subsequent periods there are certain standards and interpretations which still await the approval of the European Union.

- **Revised IAS 27 – Consolidated and Separate Financial Statements**

The standard enters into force for annual reporting periods starting on 1 July 2009 or subsequent. In the revised standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest.
The Group has not yet completed the analysis of the impact of the revised standard on the consolidated financial statements of the Group.

- **Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards**

The amendments to IFRS enter into force for annual reporting periods starting on 1 January 2009 or subsequent. The revised version restructures the format of the IFRS without changing the standard's technical content. The revised version moves the exemptions and exceptions contained in the main body of the standard to different appendices.
This change does not have any impact on the consolidated financial statements of the Group.

- **Amendments to IFRS 7 Improving Disclosures about Financial Instruments**

The amendments enters into force for annual periods starting on 1 January 2009 or subsequent. The amendments require disclosures relating to fair value measurement using a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values (Level 1 – fair value measured using quoted prices; Level 2 – other observable inputs; Level 3 – inputs not based on observable market data). The amendments provide more direction on the form of quantitative disclosures about fair value measurements and require specific Level 3 disclosures and disclosures of any transfers between levels.
Moreover the definition of liquidity risk has been amended. The amendments require disclosure of a maturity analysis for derivative financial liabilities (contractual maturities are not required to be disclosed). Additionally the amendment requires to disclose as to how the data was determined and how the entity manages the liquidity risk.
The Group has not yet completed its analysis of the impact of the revised standard on the consolidated financial statements of the Group.

- **Amendments to IFRS 3 – Business combinations**

The amendments enter into force for annual reporting periods starting on 1 July 2009 or subsequent. The scope of the revised standard has been amended and the definition of a business has been expanded. The revised standard also includes a number of other potentially significant changes including:

- All items of consideration transferred by the acquirer are recognized and measured at fair value as of the acquisition date, including contingent consideration.
- Subsequent change in contingent consideration will be recognized in profit or loss.
- Transaction costs, other than share and debt issuance costs, will be expensed as incurred.
- The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

The Group has not yet completed the analysis of the impact of the revised standard on the consolidated financial statements of the Group.

- **Revised IAS 39 – Financial Instruments: Recognition and Measurement**

The revised standard enters into force for annual reporting periods starting on 1 July 2009 or subsequent. The amended standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances.
The amendments to IAS 39 are not relevant to the Group’s consolidated financial statements as the Group does not apply hedge accounting..

- **Amendments to IFRIC 9 and IAS 39 Embedded Derivatives**

The amendments enter into force for annual reporting periods starting on 30 June 2009 or subsequent. The amendment requires an entity to assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The assessment should be made on the basis of the circumstances that existed on the later date of:

- when entity first became a party to the contract; and
- when there was a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

If the entity is unable to measure separately the fair value of an embedded derivative that would have to be separated on reclassification out of the fair value through profit or loss category, then reclassification is prohibited and the entire hybrid financial instrument must remain in the fair value through profit or loss category.

The amendments are not relevant to the Group's consolidated financial statements as the Group has not reclassified any financial instruments.

- **IFRIC 15 - Agreements for the Construction of Real Estate**

The Interpretation enters into force for annual reporting periods starting on 1 January 2009 or subsequent. The interpretation clarifies, which standard (IAS 11 *Construction contracts* or IAS 18 *Revenue*) should be applied for construction contracts concerning real estates as well as the moment of revenue recognition.

IFRIC 15 is not relevant to the Group's operations as the Group has not provided services of construction of real estate.

- **IFRIC 16 - Hedges of a Net Investment in a Foreign Operation**

The interpretation enters into force for annual reporting periods starting on 1 October 2008 or subsequent. The interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation.

IFRIC 16 is not relevant to the Group's operations as the Group does not own any shares in net assets of foreign entities.

- **IFRIC 17 - Distributions of Non—Cash Assets to Owners**

The interpretation enters into force for annual reporting periods starting on 1 July 2009 or subsequent. Because of the fact, that the interpretation is applied to the future periods it will not have an impact on the financial statements for periods before its first application. Moreover because the interpretation relates to future dividend payments, which are subject to the decision of the Management Board/ General Meeting of Shareholders it is not possible to assess in advance its influence on the financial statements.

- **IFRIC 18 – Transfer of assets from Customers**

The interpretation enters into force for annual reporting periods starting on 1 July 2009 or subsequent. The interpretation applies to agreements in which an entity receives an item of property, plant and equipment from

a customer that the entity must use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services, or to do both. This interpretation also applies to agreements in which the entity receives cash from customer when that amount of cash must be used only to construct or acquire an item of property. The entity that received a contribution within the scope of the interpretation recognises this item as an asset if it determines that the transferred item meets the definition of an asset. The corresponding amount will be recognised as revenue. The exact timing of the revenue recognition will depend on the facts and circumstances of each particular arrangement.
The Group has not yet completed the analysis of the impact of the revised standard on consolidated financial statements of the Group.

4. Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS EU requires the Management to make judgments, estimates and assumptions that affect the application of adopted accounting policies and the reported amounts in the financial statements and notes thereto. Accounting estimates and judgments are based on the best knowledge of the Management in relation to the present and future events and activities. Actual results, however, may differ from these estimates.

The major areas in which the Management Board's estimates have a significant impact on the consolidated financial statements are as follows:

- ***post-employment benefits*** **–** a valuation of provisions for employee benefits has been calculated on the basis of the initial, as at the balance sheet date, balance of liabilities due to future estimated payments of benefits, calculated with the use of actuarial method. The increase in the discount rate and the change in the long-term growth rate of salaries affects the accuracy of the provision (Note 26);
- ***allowances for trade and other receivables*** **–** the amount of the allowances is determined as the difference between the carrying amount and the present value of estimated future cash flows discounted using effective interest rate. A change in the estimated future cash flows would affect the allowance for trade and other receivables (Note 13),
- ***accrued sales revenues as at the end of the financial year*** **–** the estimation of the sales volume of uninvoiced electric energy is based on estimated consumption of energy from the last meter reading date till the end of the financial period (Note 13),
- ***useful lives*** – the estimation relates to remaining useful lives of non-current assets and is made on the basis of the present knowledge regarding the estimated useful life of a given asset; it is subject to a periodical revision in accordance with applicable provisions of law (Note 7),
- ***indemnities for property owners*** **–** the estimation relates to the potential payment of compensations for the so called non-contractual use of land and tenancy rent and it is performed by technical service of the Group based upon an individual analysis of claims (Notes 28 and 45.4),
- ***provision for the storage yard restoration*** - Elektrownia "Kozienice" S.A. is obliged to restore the land after the storage yard for slag and ash either reaches its capacity or is closed. Due to the fact, that the company has large and unused storage yards, the expected land restoration will take place in 2060.

Future estimated costs of land restoration have been discounted to their present value as of 31 December 2008 using the 5.7% discount rate (Note 28),

- ***provision for the costs of storage or disposal of the slag-ash mixture*** - there are two kinds of waste obtained by Elektrownia "Kozienice" S.A. as a result of the burning process of coal: ash and slag-ash mixture. Due to the fact, that the company incurs costs for the disposal of the mixture, it raises a necessary provision. Future estimated costs of storage or disposal of the slag-ash mixture have been discounted to their present value as of 31 December 2008 using the 5.7% discount rate (Note 28),
- ***share-based payments*** - the Group recognizes the cost of services (employees' services) in an share based payment transaction settled in equity instruments and the corresponding increase in equity in the period when these services are received. Given the fact that the fair value of employees' services received can not be estimated reliably, their fair value is measured indirectly, by reference to the fair value of equity instruments granted. The Group, at each balance sheet date as well as at the Grant Date, re-measures the fair value of equity instruments granted with any changes in fair value recognized in the income statement. As at 31 December 2008 the Management Board of the Company did not decide to revalue the share-based payments program concluding that the Company's share price as at the end of the reporting period do not reflect the actual fair value of the Company (Note 22).
- ***compensations of stranded costs incurred as a result of early termination of long-term contracts on the sale of energy (KDT)*** - the Group recognizes compensations in the amount of advance payments for the given period, adjusted by the estimated amount of the adjustment to be determined by the President of the Energy Regulatory Office, that depends on many factors in particular on the operating results of the energy producer, the energy sales volume and average market prices of electric energy (Note 40),
- ***impairment of tangible fixed assets*** - the Group tested tangible fixed assets related with distribution for impairment. There is uncertainty connected with the adopted assumption concerning the period of equalization of the Assets' Regulatory Value ("ARV") with the carrying amount of those assets. The ARV is subject to an approval by the President of the Energy Regulatory Office and is used in the calculation of the Group's sales tariffs (Note 7).

(all amounts are presented in PLN thousand, unless otherwise stated)

5. Group structure – list of subsidiaries, associates and joint venture

No.	Entity's name and address	Share of ENEA S.A. in the total votes in % 31.12.2008	Share of ENEA S.A. in the total votes in % 31.12.2007
1.	ENERGOMIAR Sp. z o.o. *Poznań, ul Strzeszyńska 58*	100	100
2.	BHU S.A. *Poznań, ul. Strzeszyńska 58*	87.97	87.77
3.	Energetyka Poznańska Biuro Usług Technicznych S.A. *Poznań, ul. Strzeszyńska 58*	100	100
4.	Energetyka Poznańska Hotel „EDISON" Sp. z o.o. *Baranowo k/Poznania*	100	100
5.	Energetyka Wysokich i Najwyższych Napięć „EWiNN" Sp. z o.o. *Poznań, ul. Strzeszyńska 58*	100	100
6.	Energetyka Poznańska Zakład Transportu Sp. z o.o. *Poznań, ul. Strzeszyńska 58*	100	100
7.	COGEN Sp. z o.o. *Poznań, ul. Nowowiejskiego 11*	100	95
8.	EnergoPartner Sp. z o.o. *Poznań, ul. Warszawska 43*	100	100
9.	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. *Lipno, Gronówko 30*	100	99.05
10.	Energetyka Poznańska Zakład Obsługi Socjalnej ENERGO-TOUR Sp. z o.o. *Poznań, ul. Marcinkowskiego 27*	99.92	99.92
11.	ENEOS Sp. z o.o. *Szczecin, ul. Ku Słońcu 34*	100	100
12.	ENTUR Sp. z o.o. *Szczecin, ul. Malczewskiego 5/7*	100	100
13.	Niepubliczny Zakład Opieki Zdrowotnej Centrum Rehabilitacyjno – Wczasowe ENERGETYK Sp. z o.o. *Inowrocław, ul. Wilkońskiego 2*	99.92	99.92
14.	STEREN Sp. z o.o. *Bydgoszcz, ul. Lenartowicza 33-3*5	100	100
15.	Elektrownie Wodne Sp. z o.o. *Samociążek, 86-010 Koronowo*	100	100
16.	Zakład Usług Przewozowych ENERGOTRANS Sp. z o.o. *Gorzów Wlkp., ul. Energetyków 4*	100	100
17.	Zakład Usług Motoryzacyjnych ENERGOAUTO Sp. z o.o. *Gorzów Wlkp., ul. Energetyków 4*	-	100
18.	IGG Zachód Sp. z o.o. w likwidacji *Zielona Góra, ul. Zacisze 15*	-	50.35
19.	„PWE Gubin" Sp. z o.o. Sękowice 100 gm. Gubin	50	-
20.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. w Obornikach Oborniki, ul. Wybudowanie 56	87.99	-
21.	Zakład Usług Teleinformatycznych ZZE S.A. „IT Serwis" Sp. z o.o. *Zielona Góra, ul. Zacisze 28*	100	100
22.	Zakład Handlowo – Usługowy „Auto – Styl" Zielonogórskich Zakładów Energetycznych S.A. Sp. z o.o. *Zielona Góra, ul. Zacisze 15*	100	100
23.	FINEA Sp. z o.o. *Poznań, ul.Warszawska 43*	100	100
24.	Przedsiębiorstwo Energetyki Cieplnej –Gozdnica Sp. z o.o. *Gozdnica, ul. Świerczewskiego 30*	100	50.35
25.	ENEA Operator Sp. z o.o. *Poznań, ul. Strzeszyńska 58*	100	100
26.	Elektrownia „Kozienice" S.A. *Świerże Górne, gmina Kozienice, Kozienice 1*	100	100
27.	Miejska Energetyka Cieplna Sp. z o.o. w Pile *64-920 Piła, ul. Kaczorska 20*	64.997	-
28.	Kozienice II Sp. z o.o. *Świerże Górne, gmina Kozienice, Kozienice 2*	30	-

(all amounts are presented in PLN thousand, unless otherwise stated)

29.	Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A. *Ostrów Wlkp., ul. Chłapowskiego 51*	49	49
30.	Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. *Śrem, ul. Staszica 6*	41.65	-
31.	Elektrociepłownia Białystok S.A. *Białystok, ul. Gen. Andersa 3*	30.36	-

Changes in the ENEA S. A. Group's structure in the period covered by these consolidated financial statements

On 1 July 2007 a liquidation proceeding was implemented in Energetyka Poznańska Biuro Usług Technicznych S.A. The General Shareholders Meeting by force of resolution No. 17/2008 dated 30 June 2008 in form of a notarial deed Rep. A. 7097/2008 based on Art. 460 § 31 letter H of the Articles of Association of the company has dismissed the liquidation proceeding and decided to continue the activity of the company.

Since 1 February 2008 Finea Sp. z o.o. was put into state of liquidation (Resolution No. 3 NZW of the company, dated 1 February 2007). The entry into the National Court Register was made on 23 February 2007.

On 27 February 2008 by force of Resolution No. 1 of the Extraordinary Shareholders Meeting of Finea Sp. z o.o. the liquidation process has been stopped and it was decided to continue the activity of the company.

On 18 June 2008 ENEA S.A. acquired from the subsidiary IGG Zachód Sp. z o.o. w likwidacji (in liquidation) an organized part of the enterprise which comprised inter alia 100 % of its shares in Przedsiębiorstwo Energetyki Cieplnej Gozdnica Sp. z o.o. (PEC Gozdnica Sp. z o.o.). As a result of this transaction ENEA S.A. increased its share from 50,35% to 100% of all shares.

On 8 August 2008 ENEA S.A. and Elektrownia „Kozienice" S.A. signed an agreement on the establishment of a new company - Kozienice II Sp. z o.o. seated in Świerże Górne. According to the agreement 30 % of shares were acquired by ENEA S.A. and 70% by Elektrownia "Kozienice" S.A. The company was established to build a new power unit. The company was established for a definite period. The agreement will expire after all activities related to realization of the project are finished. Kozienice II Sp. z o.o. was registered in the National Court Register on 7 October 2008 under the number KRS 0000315037.

On 23 February 2008 the Extraordinary Shareholders Meeting of Kozienice II Sp. z o. o. decided to increase share capital by PLN 34 000 thousand. ENEA S.A. covered 17 200 new shares of a nominal value of PLN 1000 each. The rest of shares was covered by Elektownia "Kozienice" S.A. After the increase in share capital ENEA S.A. and Elektrownia "Kozienice" S.A. hold 50% of shares and voting rights each.

On 8 September 2008 ENEA S.A. and Kopalnia Węgla Brunatnego „KONIN" w Kleczewie S.A. („KWB Konin") established PWE Gubin Sp. z o.o. The main activity of the company is brown coal mining. The newly established company is a joint venture, ENEA S.A. and KWB Konin hold 50% of all shares each. The entry into the National Court Register was made on 13 November 2008 under number KRS 0000317521.

On 6 October 2008 the Extraordinary Shareholders Meetings of two subsidiaries of ENEA S.A. - Zakład Usług Przewozowych Energotrans Sp. z o.o. („Energotrans”) and Zakład Usług Motoryzacyjnych Energoauto Sp. z o.o. („Energoauto”) adopted a resolution on the combination of these entities through the transfer of all property of Energoauto to Energotrans. The combination of those entities was entered into the National Court Register on 31 October 2008.

On 3 December 2008 the Extraordinary Shareholders Meeting of Finea Sp. z o.o. by force of Resolution No. 1 increased the share capital of the company by PLN 423 000 i.e. to the amount of PLN 5 323 000. All new shares were covered by the sole shareholder ENEA S.A. They were covered by contribution in kind - a part of liabilities due to ENEA S.A.

On 3 December 2008 ENEA S.A. acquired 100 ordinary registered shares of BHU S.A. from EP Biuro Usług Technicznych S.A. and 100 ordinary registered shares of BHU S.A. from EP Zakład Transportu Sp. z o.o. ENEA S.A. holds currently 89 184 shares of BHU S.A. of a value of PLN 100 each - this comprises 87.97% of the share capital.

On 22 December 2008 ENEA S.A. acquired 100 shares of COGEN Sp. z o.o. from Baltic Sustainable Technology B.V. and thus ENEA S.A. became the sole shareholder.

On 11 December 2008 ENEA S.A. acquired from the Authorities of Oborniki 9 120 shares of Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. seated in Oborniki of a nominal value PLN 500 each for the total amount of PLN 11,628 thousand. These shares constitute 87.99% of the share capital of the company.

On 29 December 2008 ENEA S.A. acquired from the Authorities of Piła 17 375 shares of Miejska Energetyka Cieplna Sp. z o.o. seated in Piła of a nominal value PLN 1 000 each for the total amount of PLN 48,650 thousand. These shares constitute 64.997% of the share capital of the company.

On 18 December 2008 ENEA S.A. acquired from the State Tresury of the Republic of Poland 6 860 A series ordinary registered shares of Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. seated in Śrem of a nominal value of PLN 1 000 each for the total amount of PLN 9,055 thousand. These shares constitute 41.65% of the share capital of the company.

On 30 December 2008 ENEA S.A. acquired from the State Tresury of the Republic of Poland 560 000 A series ordinary registered shares of Elektrociepłownia Białystok S.A. seated in Białystok for the total amount of PLN 173.600 thousand. These shares constitute 30.36 % of the share capital of the company.

On 16 October 2008 IGG Zachód Sp. z o.o. w likwidacji (in liquidation) was removed from the court register.

(all amounts are presented in PLN thousand, unless otherwise stated)

6. Segmental information

Primary reporting format – business segments
Segment results for the period from 1.01.2008 to 31.12.2008 are as follows:

	Trade	Distribution	Production	Other activities	Eliminations	Group
Net revenues	3 393 620	2 278 735	202 819	282 588	-	6 157 762
Net inter-segment revenues	287 027	-	1 531 763	454 758	(2 273 548)	-
Total net revenues	**3 680 647**	**2 278 735**	**1 734 582**	**737 346**	**(2 273 548)**	**6 157 762**
Total costs *	(3 436 479)	(2 209 614)	(1 666 610)	(731 179)	2 259 101	(5 784 781)
Segment result	**244 168**	**69 121**	**67 972**	**6 167**	**(14 447)**	**372 981**
Unallocated costs of the Group (administration and general expanses)						(121 622)
Operating profit						**251 359**
Financial costs						(51 178)
Financial income						92 871
Net share in profits/(losses) of associates						414
Income tax						(78 099)
Net profit						**215 367**
Minority interest						6

Segment results for the period from 1.01.2007 to 31.12.2007 are as follows:

	Trade	Distribution	Production	Other activities	Eliminations	Group
Net revenues	2 614 661	2 206 634	332 583	291 926	-	5 445 804
Net inter-segment revenues	147 602	277	151 596	387 188	(686 663)	-
Total net revenues	**2 762 263**	**2 206 911**	**484 179**	**679 114**	**(686 663)**	**5 445 804**
Total costs *	(2 686 368)	(2 126 989)	(472 385)	(640 159)	679 790	(5 246 111)
Segment result	**75 895**	**79 922**	**11 794**	**38 955**	**(6 873)**	**199 693**
Unallocated costs of the Group (administration and general expanses)						(116 345)
Operating profit						**83 348**
Financial costs						(19 394)
Financial income						44 982
Net share in profits/(losses) of associates						147
Income tax						412 593
Net profit						**521 676**
Minority interest						162

* - including other operating revenues and other operating costs

(all amounts are presented in PLN thousand, unless otherwise stated)

Primary reporting format – business segments (cont.)

Other information on business segments as at 31 December 2008 and for the 12 month period then ended are as follows:

	Trade	**Distribution**	**Production**	**Other activities**	**Eliminations**	**Group**
Tangible fixed assets	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 tangible fixed assets						245 416
- including trade and other receivables						15 876
TOTAL: ASSETS						**11 985 917**
Trade and other payables	508 560	244 077	280 232	109 904	(403 066)	739 707
Equity and liabilities excluded from segmentation						11 246 210
- including trade and other payables						126 582
TOTAL: EQUITY & LIABILITIES						**11 985 917**
Capital expenditures on tangible and intangible assets	-	410 282	212 272	20 184	(22 632)	620 106
Capital expenditures on tangible and intangible assets excluded from segmentation						24 813
Amortization and depreciation	321	350 454	237 001	27 469	(4 059)	611 186
Amortization and depreciation excluded from the segmentation						20 178
Bad debt allowances as at 31.12.2008	92 751	2 762	22 597	6 122	-	124 232

(all amounts are presented in PLN thousand, unless otherwise stated)

Primary reporting format – business segments (cont.)

Other information on business segments as at 31 December 2007 and for the 12 month period then ended are as follows:

	Trade	Distribution	Production	Other activities	Eliminations	Group
Tangible fixed assets	18 759	4 510 804	2 814 058	306 070	(10 815)	7 638 876
Trade and other receivables	278 163	245 079	137 190	142 635	(174 035)	629 032
Total	296 922	4 755 883	2 951 248	448 705	(184 850)	8 267 908
Assets excluded from segmentation						1 548 278
- including tangible fixed assets						232 285
- including trade and other receivables						86 207
TOTAL: ASSETS						**9 816 186**
Trade and other payables	236 308	215 327	253 726	108 442	(174 035)	639 768
Equity and liabilities excluded from segmentation						9 176 418
- including trade and other payables						147 953
TOTAL: EQUITY & LIABILITIES						**9 816 186**
Capital expenditures on tangible and intangible assets	2 064	345 598	28 784	20 996	(4 973)	392 469
Amortization and depreciation	3 427	377 052	56 919	21 846	(4 911)	454 333
Amortization and depreciation excluded from the segmentation						16 224
Bad debt allowances as at 31.12.2007	83 413	-	19 790	20 615	-	123 818

Revenues of a segment are the revenues from sales to external customers and transactions with other segments that can be directly attributed to a given segment together with an adequate part of the Company's revenues attributed to this segment upon reasonable prerequisites.

Costs of a segment are the costs consisting of cost of sales to external customers and costs of transactions with other segments within the Group that result from the operating activity of a given segment and can be directly assigned to this segment together with an adequate part of the Group's costs attributed to this segment upon reasonable prerequisites.

In the inter-segment transactions market prices are applied that enable individual entities to earn contribution margin suitable for autonomous operation in the market. For the sales of energy and transmission services the prices are defined by the Law on Energy apply, i.e. the act dated 10 April 1997 Law on Energy and related bylaws.

Complementary segment reporting – geographic segments

The Group operates in only one economic environment – the territory of Poland, therefore the Group does not present any geographic segments.

(all amounts are presented in PLN thousand, unless otherwise stated)

7. Tangible fixed assets

	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
As at 01.01.2008							
Gross book value	**27 303**	**5 940 932**	**3 859 461**	**91 116**	**342 153**	**164 970**	**10 425 935**
Accumulated depreciation	**-**	**(1 391 220)**	**(909 496)**	**(36 780)**	**(217 278)**	**-**	**(2 554 774)**
Net book value	**27 303**	**4 549 712**	**2 949 965**	**54 336**	**124 875**	**164 970**	**7 871 161**
Changes during 12 month period till 31.12.2008							
Transfers	-	20 281	153 494	1 592	1 344	(177 246)	**(535)**
Additions	2 306	286 788	80 748	10 735	21 812	222 387	**624 776**
Acquisition of subsidiary (gross book value)	-	77 941	51 028	1 272	699	579	**131 519**
Acquisition of subsidiary (accumulated depreciation)	-	(20 788)	(28 526)	(856)	(595)	-	**(50 765)**
Sales (gross book value)	(8)	(1 426)	(2 493)	(626)	(1 001)	-	**(5 554)**
Sales (accumulated depreciation)	-	247	1 835	682	905	-	**3 669**
Depreciation charge	-	(335 878)	(259 922)	(7 055)	(14 121)	-	**(616 976)**
Impairment loss	-	(3 901)	(3 809)	(9)	(65)	-	**(7 784)**
Liquidation and other changes (gross book value)	-	(14 497)	(5 663)	(1 876)	(3 164)	-	**(25 200)**
Liquidation and other changes (accumulated depreciation)	-	6 500	3 722	1 276	2 972	-	**14 470**
Other (gross book value)	(5)	12 201	(1 092)	696	(1 795)	(6 401)	**3 604**
Other (accumulated depreciation)	-	(109)	1 144	93	1 302	-	**2 430**
As at 31.12.2008							
Gross book value	**29 596**	**6 322 220**	**4 135 483**	**102 909**	**360 048**	**204 289**	**11 154 545**
Accumulated depreciation	**-**	**(1 741 248)**	**(1 191 243)**	**(42 640)**	**(226 815)**	**-**	**(3 201 946)**
Impairment loss	**-**	**(3 901)**	**(3 809)**	**(9)**	**(65)**	**-**	**(7 784)**
Net book value	**29 596**	**4 577 071**	**2 940 431**	**60 260**	**133 168**	**204 289**	**7 944 815**

(all amounts are presented in PLN thousand, unless otherwise stated)

	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
As at 01.01.2007							
Gross book value	**24 733**	**4 916 141**	**1 414 646**	**74 465**	**321 984**	**92 630**	**6 844 599**
Accumulated depreciation	**-**	**(987 813)**	**(305 071)**	**(28 249)**	**(207 194)**	**-**	**(1 528 327)**
Net book value	**24 733**	**3 928 328**	**1 109 575**	**46 216**	**114 790**	**92 630**	**5 316 272**
Changes during 12 month period till 31.12.2007							
Transfers	471	89 174	18 498	930	414	(109 487)	-
Additions	2 209	159 994	37 348	6 411	20 193	164 386	**390 541**
Acquisition of Elektrownia "Kozienice" S.A. (gross book value)	196	789 079	2 392 612	10 396	9 273	24 186	**3 225 742**
Acquisition of Elektrownia "Kozienice" S.A. (accumulated depreciation)	-	(102 121)	(478 188)	(2 466)	(2 216)	-	**(584 991)**
Sales (gross book value)	(306)	(16 153)	(2 856)	(1 226)	(4 227)	(39)	**(24 807)**
Sales (accumulated depreciation)	-	2 856	750	1 036	4 173	-	**8 815**
Depreciation charge	-	(303 116)	(124 427)	(6 996)	(16 524)	-	**(451 063)**
Liquidation and other changes (gross book value)	-	2 697	(787)	140	(5 484)	(6 706)	**(10 140)**
Liquidation and other changes (accumulated depreciation)	-	(1 026)	(2 560)	(105)	4 483	-	**792**
As at 31.12.2007							
Gross book value	**27 303**	**5 940 932**	**3 859 461**	**91 116**	**342 153**	**164 970**	**10 425 935**
Accumulated depreciation	**-**	**(1 391 220)**	**(909 496)**	**(36 780)**	**(217 278)**	**-**	**(2 554 774)**
Net book value	**27 303**	**4 549 712**	**2 949 965**	**54 336**	**124 875**	**164 970**	**7 871 161**

Pledges on the Group’s tangible fixed assets were presented in Note 14.

Impairment test of tangible fixed assets

As at 30 June 2008 tangible fixed assets of the Group were tested for impairment. Based on the test there was no impairment of assets related with distribution as at 30 June 2008.

As a result of changes in regulatory environment related to distribution of energy which were inconsistent with assumptions made for the purpose of the test performed as at 30 June 2008, the Group has repeated the test for impairment of tangible fixed assets related with distribution as at 31 December 2008.

In comparison to the analysis performed as at 30 June 2008 the forecasts of operating costs were adjusted to reflect steps undertaken by the Group to minimize the impact of changes in regulations on the result of the Group.

In order to calculate the return on capital employed, starting from 2010 a new methodology was applied, which according to the Group's expectations will be approved by the President of Energy Regulatory Office ("the President of ERO") together with the Tariff for 2010. That results in an assumption that future decisions of the President of ERO on sales tariffs valid for the period of 2010-2013 and for the following periods will include more favorable Assets' Regulatory Value ("ARV") comparing to ARV used by the President of ERO when determining the sales tariffs for 2009. Therefore the starting point in determining the ARV was the net book value after the adjustment to fair value made as at the date of transition to IFRS EU. It is assumed that ARV will reach distribution related assets net book value within 4-years period i.e. from 2010-2013.

Based on the conducted test there was no impairment of tangible fixed assets related to distribution as at 31 December 2008.

The current ARV adopted by the President of ERO is significantly lower than net book value of distribution related assets. If the President of ERO applies present method of the ARV calculation for the period 2010-2013 and the following periods there is a risk, that it will be necessary to recognize impairment loss in the future periods.

(all amounts are presented in PLN thousand, unless otherwise stated)

Finance lease

The Group as a lessor uses on the basis of financial lease agreement the following fixed assets:

	31.12.2008			31.12.2007		
	Initial cost – capitalized finance lease	**Accumulated depreciation**	**Net book value**	**Initial cost – capitalized finance lease**	**Accumulated depreciation**	**Net book value**
Technical equipment and machinery	461	(364)	**97**	461	(228)	**233**
Vehicles	3 509	(522)	**2 987**	903	(238)	**665**
Other fixed assets	-	-	-			-
Total	**3 970**	**(886)**	**3 084**	**1 364**	**(466)**	**898**

The Group does not appear in any lease agreement as a financing party.

8. Perpetual usufruct rights

	31.12.2008	31.12.2007
Gross book value at the beginning of the period	**13 577**	**10 468**
Additions	1 062	3 132
Acquisition of subsidiaries (gross book value)	1 611	-
Sales (gross book value)	(12)	-
Disposals and other changes (gross book value)	-	(23)
Gross book value at the end of the period	**16 238**	**13 577**
Accumulated amortization at the beginning of the period	**(211)**	**(178)**
Acquistion of subsidiaries (accumulated amortization)	(670)	-
Sales (accumulated amortization)	-	-
Disposals and other changes (accumulated amortization)	-	24
Amortization charge	(36)	(57)
Accumulated amortization at the end of the period	**(917)**	**(211)**
Net book value at the beginning of the period	**13 366**	**10 290**
Net book value at the end of the period	**15 321**	**13 366**

(all amounts are presented in PLN thousand, unless otherwise stated)

9. Intangible assets

2008	Development costs	Goodwill	Software, licenses, concessions, patents	Total
As at 01.01.2008				
Gross book value	**212**	**385**	**107 862**	**108 459**
Accumulated amortization	**(151)**	**-**	**(67 790)**	**(67 941)**
Impairment loss	**-**	**-**	**-**	**-**
Net book value	**61**	**385**	**40 072**	**40 518**
Changes during 12 month period till 31.12.2008				
Transfers	-	-	1 346	**1 346**
Additions	-	-	6 500	**6 500**
Acquisition of subsidiaries (gross book value)			540	**540**
Acquisition of subsidiaries (accumulated amortization)			(264)	**(264)**
Sales (gross book value)	-	-	(464)	**(464)**
Sales (accumulated amortization)	-	-	464	**464**
Amortization charge	(42)	-	(11 992)	**(12 034)**
Impairment loss	-	-	55	**55**
Liquidation and other changes (gross book value)	-	-	(67)	**(67)**
Liquidation and other changes (accumulated amortization)	-	-	12	**12**
Others (gross book value)	-	-	(437)	**(437)**
Others (accumulated amortization)	-	-	437	**437**
As at 31.12.2008				
Gross book value	**212**	**385**	**115 280**	**115 877**
Accumulated amortization	**(193)**	**-**	**(79 133)**	**(79 326)**
Impairment loss	**-**	**-**	**55**	**55**
Net book value	**19**	**385**	**36 202**	**36 606**

(all amounts are presented in PLN thousand, unless otherwise stated)

2007	Development costs	Goodwill	Software, licenses, concessions, patents	Total
As at 01.01.2007				
Gross book value	**185**	**385**	**77 639**	**78 209**
Accumulated amortization	**(121)**	**-**	**(52 352)**	**(52 473)**
Net book value	**64**	**385**	**25 287**	**25 736**
Changes during 12 month period till 31.12.2007				
Additions	27	-	1 902	**1 929**
Acquisition of Elektrownia "Kozienice" (gross book value)	-	-	28 651	**28 651**
Acquisition of Elektrownia "Kozienice" (accumulated amortization)	-	-	(5 969)	**(5 969)**
Sales (gross book value)	-	-	(291)	**(291)**
Sales (accumulated amortization)	-	-	289	**289**
Depreciation charge	(30)	-	(9 804)	**(9 834)**
Liquidation and other changes (gross book value)	-	-	(39)	**(39)**
Liquidation and other changes (accumulated amortization)	-	-	46	**46**
As at 31.12.2007				
Gross book value	**212**	**385**	**107 862**	**108 459**
Accumulated amortization	**(151)**	**-**	**(67 790)**	**(67 941)**
Net book value	**61**	**385**	**40 072**	**40 518**

The Group's intangible assets are not subject to collateral.

10. Investment properties

	31.12.2008	31.12.2007
Gross book value at the beginning of the period	**4 839**	**-**
Additions	415	4 833
Transfer to/from tangible fixed assets	457	6
Gross book value at the end of the period	**5 711**	**4 839**
Accumulated depreciation at the beginning of the period	**(507)**	**-**
Acquisition of Elektrownia "Kozienice" S.A.	-	(466)
Depreciation charge	(170)	(41)
Accumulated depreciation at the end of the period	**(677)**	**(507)**
Net book value at the beginning of the period	**4 332**	**-**
Net book value at the end of the period	**5 034**	**4 332**

The Group's investment properties are not subject to collateral.

(all amounts are presented in PLN thousand, unless otherwise stated)

11. Investments in associates and joint venture

	31.12.2008	31.12.2007
Value at the beginning of the year	5 207	5 060
Share in the net assets change	(430)	147
Acquisition of investment	185 164	-
Value at the end of the year	**189 941**	**5 207**

In 2008 the Company acquired shares in two associated entities: Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. and Elektrociepłownia Białystok S.A. for the total amount of PLN 184,664 thousand.

In 2008 ENEA S.A. and Kopalnia Węgla Brunatnego „KONIN" w Kleczewie S.A. („KWB Konin") established PWE Gubin Sp. z o.o. The newly established company is a joint venture, ENEA S.A. and KWB Konin hold 50% of all shares which amount to PLN 500 thousand each.

The share in net profit of associated entities and joint venture consolidated using the equity method amounted to PLN 414 thousand for 2008 (PLN 147 thousand in 2007).

(all amounts are presented in PLN thousand, unless otherwise stated)

Summary financial information for equity accounted investees are presented in the table below:

31.12.2008	**Share in equity**	**Current assets**	**Non-current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Revenues**	**Costs**	**Net profit**
Wirbet S.A. (associated entity)	49,00%	8 093	7 991	**16 084**	4 588	1 532	**6 120**	25 810	(24 470)	**1 340**
Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. (associated entity)	41,65%	9 900	8 590	**18 490**	1 232	217	**1 449**	8 600	(8 296)	**304**
Elektrociepłownia Białystok S.A. (associated entity)	30,36%	98 973	383 002	**481 975**	42 946	43 973	**86 919**	208 324	(182 630)	**25 694**
PWE Gubin Sp. z o.o. (joint venture)	50,00%	926	5	**931**	140	-	**140**	2	(211)	**(209)**
		117 892	**399 588**	**517 480**	**48 906**	**45 722**	**94 628**	**242 736**	**(215 607)**	**27 129**

31.12.2007	**Share in equity**	**Current assets**	**Non-current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Revenues**	**Costs**	**Net profit**
Wirbet S.A. (associated entity)	49,00%	8 709	6 238	**14 947**	3 844	475	**4 319**	24 822	(22 814)	**2 008**
		8 709	**6 238**	**14 947**	**3 844**	**475**	**4 319**	**24 822**	**(22 814)**	**2 008**

(all amounts are presented in PLN thousand, unless otherwise stated)

12. Financial assets

	31.12.2008	31.12.2007
Non-current financial assets available-for-sale (shares and interests in non-related entities)	8 965	14 981
Non-current financial assets carried at the fair value through profit or loss	1 033	1 379
Non-current financial assets	**9 998**	**16 360**
Current financial assets available-for-sale	4 806	3 292
Current financial assets held-to-maturity	100 741	49 323
Current financial assets	**105 547**	**52 615**
Total financial assets	**115 545**	**68 975**

13. Trade and other receivables

	31.12.2008	31.12.2007
Non-current trade and other receivables		
Financial receivables	-	107
Prepayments	-	22
Non-current trade receivables	2 203	-
Other receivables	113	-
Non-current trade and other receivables	**2 316**	**129**
Current trade and other receivables		
Trade receivables	594 753	541 784
Taxation and other related receivables	46 482	35 784
Other receivables	39 612	76 473
Prepayments	1 202	310
Receivables due to accrued sales	219 073	181 726
Prepaid property insurance	3 208	2 851
	904 330	**838 928**
Less: allowance for receivables	(124 232)	(123 818)
Current trade rand other eceivables	**780 098**	**715 110**
Total trade receivables and other receivables	**782 414**	**715 239**

Allowances for trade and other receivables:

	31.12.2008	31.12.2007
Opening balance of allowance	**123 818**	**106 476**
Acquisition of Elektrownia "Kozienice" S.A.	-	29 521
Additions	17 306	18 127
Reversals	(15 426)	(28 643)
Utilized	(1 466)	(1 663)
Closing balance of allowance	**124 232**	**123 818**

Receivables subject to collateral or limited use are presented in the note 14.

(all amounts are presented in PLN thousand, unless otherwise stated)

14. Limitations in disposal and security titles established on the Group's assets

Property, plant and equipment in relation to which an entity has a limited title of ownership and which constitute a security for settlement of liabilities.

Entity's name	Collateral in respect of	Type of collateral	Entity for the benefit of which collateral has been put up	Indebtness as at 31.12.2008	Indebtness as at 31.12.2007	Expiry date
BHU S.A.	Bank account overdraft	Deposit mortgage up to the amount of PLN 5 250 thousand	Bank Zachodni WBK S.A.	-	-	November 2009
EP PUE ENERGOBUD Leszno Sp. z o.o.	Investment loan	Ordinary mortgage up to the amount of PLN 3 500 thousand, deposit mortgage up to the amount of PLN 225 thousand	Bank Zachodni WBK S.A. Branch in Leszno	505	1 500	June 2009
EP PUE ENERGOBUD Leszno Sp. z o.o	Bank account overdraft	Deposit mortgage up to the amount of PLN 530 thousand	Bank Zachodni WBK S.A. Branch in Leszno	-	-	March 2008 - a request to release mortgage was submitted
Elektrownie Wodne Sp. z o.o.	Loan, interest and costs of potential legal proceeding	Ordinary mortgage up to the amount of PLN 3 500 thousand Deposit mortgage up to the amount of PLN 1 440 thousand	Bank Ochrony Środowiska S.A. w Warszawie Branch in Poznań	1 670	2 500	December 2010
Energetyka Wysokich i Najwyższych Napięć „EWiNN" Sp. z o.o.	Investment loan	Ordinary mortgage in the amount of PLN 4 000 thousand	Nordea Bank Polska S.A.	2 573	2 932	February 2016
Energetyka Poznańska Hotel „EDISON" Sp. z o.o	Bank account overdraft	Deposit mortgage up to the amount of PLN 400 thousand	BZ WBK S.A.	-	149	September 2009
Zakład Handlowo-Usługowy Auto-Styl Sp. z o.o.	Investment loan	Registered pledge on technical equipment and machinery in the carrying amount of PLN 329 thousand	BGŻ S.A.	224	293	March 2012
PEC Sp. z o.o. w Obornikach	Lease	Deposit mortgage, assignment of receivables	BZ WBK Finanse & Leasing S.A.	438	-	November 2012
PEC Sp. z o.o. w Obornikach	Working capital loan	Assignment of receivables	BZ WBK Finanse & Leasing S.A.	960	-	April 2009
MEC Sp. z o.o. w Pile	Bank account overdraft	Zastaw rejestrowy	PKO BP S.A.	-	-	August 2010
Elektrownia "Kozienice" S.A.	Long-term loan	Registered pledge on fixed asset	BOŚ S.A.	-	856	June 2008 mortgage released based on the court decision issued 15 Oct 2008
Elektrownia "Kozienice" S.A.	Long-term loan	Assignment of receivables	NFOŚiGW	19 907	27 907	June 2011
Elektrownia "Kozienice" S.A.	Long-term loan	Registered pledge on fixed asset and 16 blank promissory notes	Nordic Bank S.A.	94 666	94 486	November 2014
Elektrownia "Kozienice" S.A.	Long-term loan	Registered pledge on fixed asset and assignment of receivables up to the amount of the liability	PKO BP S.A.	72 817	91 021	December 2012

(all amounts are presented in PLN thousand, unless otherwise stated)

Other collateral including those referring to borrowings presented also in the above table:

No	Entity's name	Collateral in respect of	Type of collateral	Entity for the benefit of which collateral has been put up	Indebtness as at 31.12.2008	Indebtness as at 31.12.2007	Expiry date
1.	**Energobud Leszno**	Investment loan	Transfer of rights from the property insurance policy; power of attorney to debit the borrowers bank account	**BZ WBK S.A.**	505	1 500	June 2009
2.	**Energobud Leszno**	Security regarding products and services acquired under Fleet Cards Agreement	Blank promissory note	**PKN Orlen S.A.**	not specified	not specified	not determined
3.	**Energobud Leszno**	Bank current account overdraft	Blank promissory note	**BZ WBK S.A.**	-	300	1 March 2008 a request to return promissory note was issued
4.	**Energobud Leszno**	Lease agreements	Blank promissory note	**Pekao Leasing Sp. z o.o.**	163	282	July 2012
5.	**Energobud Leszno**	Tender guarantee	Blank promissory note	**PZU S.A.**	not specified	not specified	not determined
6.	**EWiNN**	Investment loan	Power of attorney to the account Transfer of rights from property insurance policy	**NORDEA BANK POLSKA S.A.**	2 573	2 932	February 2016
7.	**EWiNN**	Security for potential claims resulting from signed contracts	Guarantee for proper completion of the contract and removal of potential faults	**MTP Sp. z o.o. Poznań**	42	42	31 August 2010
8.	**EWiNN**	Security for potential claims resulting from signed contracts	Guarantee for proper completion of the contract and removal of potential faults	**PSE Zachód Poznań**	42	-	January 2010
9.	**Elektrownie Wodne**	Investment loan	Power of attorney to the account, assignment of receivables from the energy sale agreement, assignment of rights from insurance policy of real estate - hydropower plant in Dobrzyca upon mortgage security and blank promissory note have been established	**Bank Ochrony Środowiska S.A. w Warszawie O/Poznań**	1 670	2 500	December 2010
10.	**Elektrownie Wodne**	Lease agreements	Blank promissory note	**Europejski Fundusz Leasingowy**	45	81	August 2010
11.	**Eneos**	Investment loan	Assignment of agreement and blank promissory notes	**PKO BP S.A.**	3 935	2 317	November 2017
12.	**Auto-Styl**	Bank current account overdraft	Blank promissory note	**Volkswagen Bank Polska S.A.**	715	1 000	June 2009
13.	**Auto-Styl**	Bank overdraft	Blank promissory note and transfer of rights from insurance policy	**Volkswagen Bank Polska S.A.**	2 072	2 500	February 2009
14.	**Auto-Styl**	Credit guarantee	Transfer of rights from insurance policy	**BGŻ S.A.**	388	380	June 2009
15.	**BHU**	Purchase limits guarantee	Blank promissory note, blank premisory note guarantee	**Philips Lighting Farel Mazury Sp. z o.o.**	400	400	period of agreement
16.	**BHU**	Lease agreements	Blank promissory note	**BRE Leasing Sp. z o.o.**	170	340	December 2010

(all amounts are presented in PLN thousand, unless otherwise stated)

No	Entity's name	Collateral in respect of	Type of collateral	Entity for the benefit of which collateral has been put up	Indebtness as at 31.12.2008	Indebtness as at 31.12.2007	Expiry date
17.	**ENEA.**	Collateral debt obligation	Blank promissory note	**PSE Operator S.A.**	15 000	15 000	period of agreement
18.	**ENEA**	Property rental agreement	Bank guarantee	**RONDO PROPERTY INVESTMENT Sp. z o.o.**	120	104	13 December 2009
19.	**ENEA**	Working capital loan	Power of attorney to the bank current account	**PKO BP S.A.**	-	20 112	1 August 2008
20.	**Energomiar**	Lease agreements	Blank promissory note	**Raiffeisen-Leasing Polska S.A.**	19	46	30 May 2010
21.	**Energomiar**	Lease agreements	Blank promissory note	**Volkswagen Leasing Polska Sp. z o.o.**	33	32	September 2010
22.	**Zakład Transportu**	Security for damages compensation (insurance policy)	Promissory note for the amount of PLN 50 thousand	**PZU S.A.**	Not specified	Not specified	25 May 2009
23.	**Zakład Transportu**	Security for payments for conducting products promotion	Promissory note for the amount of PLN 58 thousand	**Castol Lubricant Sp.z o.o.**	Not specified	Not specified	25 July 2010
24.	**IT Serwis**	Security for potential claims of agencies	Promissory note for the amount of PLN 2 950 thousand	**Polkomtel S.A.**	1 110	1 367	period of agreement
25.	**IT Serwis**	Lease agreements	Blank promissory note	**BZ WBK Leasing S.A.**	86	132	20 December 2010
26.	**IT Serwis**	Bank current account overdraft	Blank promissory note and power of attorney to the bank current account	**BRE Bank S.A.**	588	351	12 September 2009
27.	**IT Serwis**	Bank current account overdraft	Blank promissory note	**BZ WBK S.A.**	781	427	15 September 2009
28.	**Hotel Edison**	Commercial agreement	Promissory note for the amount of PLN 5 thousand	**FEDRUS S.A.**	-	-	period of agreement
29.	**MEC**	Borrowing	Blank promissory note and assignment of receivables	**WFOŚiGW**	1 783	-	5 July 2011
30.	**ENEA Operator**	Investment loan	Power of attorney to the bank current account	**PKO BP S.A.**	4 000	-	22 March 2009

In addition to the above, according to the loan agreements signed by ENEA S.A., there are power of attorney to the Company's bank accounts and statements of voluntary submission to enforcement procedures issued by ENEA S.A. as a security for the unused credit facilities.

(all amounts are presented in PLN thousand, unless otherwise stated)

15. Inventories

	31.12.2008	31.12.2007
Raw materials	252 347	121 479
Semi-products and work in progress	2 291	2 122
Finished products	214	326
Merchandise	20 058	30 425
	274 910	**154 352**
Inventory allowance	(4 866)	(5 287)
Total inventories net of allowance	**270 044**	**149 065**

There were no securities established on the Group's inventories.

16. Cash and cash equivalents

	31.12.2008	31.12.2007
Cash on hand and at bank	**2 528 625**	**533 426**
- cash on hand	814	790
- cash at bank	2 527 811	532 636
Other cash and cash equivalents	**92 034**	**407 366**
- cash in transit	746	1 044
- bank deposits	91 279	406 322
- other	9	-
Total cash and cash equivalents	**2 620 659**	**940 792**
Cash recognized in the cash flow statement	**2 620 659**	**940 792**

Collaterals established on cash and cash equivalents are presented in note 14.

As at 31 December 2008 the Company had restricted cash in the amount of PLN 1,946,250 thousand, representing net cash inflow from the initial public offer which as at 31 December 2008 has not yet been registered.

As at 31 December 2008 restricted cash comprised of:

- escrow account (cash restricted until the completion of registration of the new shares issue in the National Court Register and in the National Deposit of Securities) : PLN 1,939,615 thousand;
- option escrow account (cash restricted for the purpose of the execution of a stabilization option): PLN 6,635 thousand.

As a result of the completed registration in the National Court Register on 13 January 2009 and the registration of new shares in the National Deposit of Securities on 30 January 2009, as at the day of the preparation of these consolidated financial statements the restrictions on cash were abolished.

(all amounts are presented in PLN thousand, unless otherwise stated)

17. Accounting for the acquisition of new subsidiaries and associates

In 2008 ENEA S.A. acquired shares in two subsidiaries: Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Oborniki („PEC Oborniki") and Miejska Energetyka Cieplna Sp. z o.o. in Piła („MEC Piła") as well as shares in two associated entities: Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. and Elektrociepłownia Białystok S.A. (details of these transactions are presented in Note 5). As at the balance sheet date of these consolidated financial statements the Group did not finish the process of allocation of the purchase price to the identifiable acquired net assets. Due to this fact, the Group decided to apply an initial accounting using provisional amounts. The Group assumed, that the difference between the acquisition price of individual entities and the carrying amount of theirs net assets attributable to the acquired shares result mainly from the difference between the fair value of tangible fixed assets and their net carrying amounts at the acquisition date of the given entity. Possible adjustments of estimated provisional amounts during the measurement period will be completed within 12 month from the acquisition date of a given entity.

As per the agreements on the acquisition of shares in PEC Oborniki and MEC Piła there are binding offers for the acquisition of the remaining shares which are valid 6 and 5 years respectively, starting from the date the agreement was concluded. Therefore, in these consolidated financial statements, the Group presented a financial liability resulting from the above mentioned commitments in the amount of PLN 28,226 thousand in correspondence with other reserves.

Accounting for acquisition of subsidiaries

	"MEC Piła"	"PEC Oborniki"
Number of shares (in %)	64,997%	87,99%
Number of voiting rights (in %)	64,997%	87,99%
Carrying amount of net assets	41 581	8 034
Tangible fixed assets fair value adjustment	34 394	5 586
Acquisition price, incl.	49 384	11 986
transaction costs	734	358
Put option concerning minority interest in acquired subsidiaries	26 591	1 634
Minority interest	26 591	1 634

Accounting for acquisition of associates

	Elektrociepłownia Białystok S.A.	Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A.
Number of shares (in %)	30,36%	41,45%
Number of voiting rights (in %)	30,36%	41,45%
Carrying amount of the acquired net assets	119 939	7 093
Tangible fixed assets fair value adjustment corresponding to the acquired share	55 495	2 137
Acquisition price, incl.	175 434	9 230
transaction costs	1 834	175

(all amounts are presented in PLN thousand, unless otherwise stated)

18. Equity

As at 31.12.2008

Series of shares	Number of shares (in units)	Nominal or value per share in PLN	Value
„A" Series	295 987 473	1	295 988
„B" Series	41 638 955	1	41 639
„C" Series *	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Ordinary shares			**441 443**
Share capital (nominal value)			**441 443**
Share capital from business combinations			38 810
Share capital from hyperinflation revaluation			107 765
Total share capital			**588 018**
Trasury shares			(17 396)
Share premium			3 632 464
Share based payments reserve			1 144 336
Financial instruments revaluation reserve			(1 099)
Other reserves due to put options concerning minority interests in acquired subsidiaries			(28 226)
Retained earnings			3 675 078
Minority interest			31 078
Total equity			**9 024 253**

* - increase in share capital through the issue of C series shares in a public offer was registered in the National Court Register on 13 January 2009.

As at 31.12.2007

Series of shares	Number of shares (in units)	Nominal or value per share in PLN	Value
„A" Series	13 224 510	1	13 225
„B" Series	5 116 410	1	5 116
Seria „C"	3 770 835	1	3 771
„D" Series	3 276 750	1	3 277
„E" Series	7 850 730	1	7 851
„F" Series	74 938 890	1	74 939
„G" Series	28 992 990	1	28 993
„H" Series	21 368 065	1	21 368
„I" Series	18 568 250	1	18 568
„J" Series	44 487 470	1	44 487
„K" Series	126 625 657	1	126 626
Total number of shares	**348 220 557**		
Ordinary shares			**348 221**
Share capital (nominal value)			**348 221**
Share capital from business combinations			38 810
Share capital from hyperinflation revaluation			107 765
Total share capital			**494 796**
Share premium			1 801 078
Share based payments reserve			901 110
Financial instruments revaluation reserve			1 552
Retained earnings			3 564 675
Minority interest			3 164
Total equity			**6 766 375**

On 16 May 2008 the Shareholders Meeting amended the ENEA S.A.'s statute pursuant to which all series of shares existing as at that date were merged into two series A and B. Furthermore, due to the planned initial public offer the Shareholders Meeting adopted a resolution concerning the increase in the share capital up to PLN 149,237 thousand through the stock issue of up to 149,237,382 ordinary shares of a C series and a nominal value of PLN 1 each. The amended statute was registered in the National Court Register on 5 June 2008.

On 1 August 2008 the Shareholders Meeting adopted a resolution on the redemption of 10,594,129 ordinary B series shares of a nominal value PLN 1 each and a resolution on the reduction of share capital by PLN 10,594,129 i.e. from PLN 348,220,557 to PLN 337,626,428. The resolution on the redemption of shares was required by law and was related to the payment of shares' cash equivalent to Entitled Employees (Note 22). The obligation to redeem shares resulted from art. 38b par. 2 of the Law on Commercialization and Privatization dated 30 August 1996. The reduction of the Company's share capital was registered in the National Court Register on 5 September 2008.

In connection with changes to the planned public offer the Extraordinary Shareholders Meeting adopted on 3 November 2008 a Resolution on the change of the earlier resolution dated 16 May 2008 on the increase in share capital of the Company through a initial public offer and concluded finally on the issue of 103,816,150 ordinary shares of the C series of a nominal value PLN 1 each. The share capital was increased from PLN 337,626,428 to PLN 441,442,578. The increase in capital was registered in the National Court Register on 13 January 2009.

In connection with the initial public offer and the commencement of public trading of rights to shares on the Warsaw Stock Exchange the Company acquired under stabilization option till 31 December 2008 1,129,608 rights to own shares for the total amount of PLN 17 369 thousand.

(all amounts are presented in PLN thousand, unless otherwise stated)

19. Trade and other liabilities

	31.12.2008	31.12.2007
Non-current trade and other payables		
Other financial liabilities	-	19
Other	708	-
Total non-current	**708**	**19**
Current trade and other payables		
Trade payables	604 316	588 225
Prepayments received from customers	26 921	21 457
Tax and other related liabilities	154 439	132 007
Dividend liabilities	8 464	-
Special funds	9 955	9 481
Liabilities due to put options concerning minority interest in acquired subsidiaries	28 226	-
Other non-financial liabilities	33 260	36 532
Total current	**865 581**	**787 702**
Total	**866 289**	**787 721**

20. Borrowings

	31.12.2008	31.12.2007
Non-current		
Bank loans	151 310	184 140
Other loans	1 475	236
	152 785	**184 376**
Current		
Bank loans	52 031	69 204
Other loans	574	40
	52 605	**69 244**
Total	**205 390**	**253 620**

Ageing of non-current borrowings	31.12.2008	31.12.2007
Between 1 and 3 years	84 906	46 643
Between 3 and 5 years	51 305	109 553
More than 5 years	16 574	28 180
Total	**152 785**	**184 376**

(all amounts are presented in PLN thousand, unless otherwise stated)

21. Deferred income from subsidies and connections' fee

	31.12.2008	31.12.2007
Non-current		
Deferred income from subsidies	229 900	224 902
Deferred income from connections' fee	537 614	459 691
	767 514	**684 593**
Current		
Deferred income from subsidies	14 020	16 057
Deferred income from connections' fee	12 059	12 369
	26 079	**28 426**

Amortization schedule of deferred income

	31.12.2008	31.12.2007
Less than 1 year	26 079	28 426
Between 1 and 5 years	97 322	96 952
More than 5 years	670 192	587 641
	793 593	**713 019**

22. Share based payments reserve and liabilities due to cash settled share based payments

Employees of the Group on the basis of the Act on the Commercialization and Privatization dated 30 August 1996 ("Act on the Commercialization and Privatization") are entitled to acquire free of charge 15% of the Company's shares. The aforementioned right is granted to Entitled Employees i.e. to employees, who were employed at the day of the Company and Elektrownia "Kozienice" S.A. commercialization (the transformation of a State Enterprise into joint stock company fully owned by State Treasury) and persons, who have worked in the State Enterprise for at least 10 years as well as persons who meet other additional criteria stipulated in Article 2, Paragraph 5 of the Act on the Commercialization and Privatization. The right to acquire free of charge shares arises after three months from the date of the State Treasury 's disposal of first shares based on general conditions.
Moreover, according to the Act on the Commercialization and Privatization Entitled Employees of Elektrownia "Kozienice" S.A. as at the date of the contribution of 100% of the company's shares to ENEA S.A. acquired the right to a cash equivalent. The cash equivalent is paid by ENEA S.A. and is accompanied by the redemption of shares of ENEA S.A., subject to the equivalent, held by the State Treasury.

In 2007 in connection with the consolidation of the energy sector the Act on the acquisition of shares from the State Treasury as a result of the energy sector consolidation process dated 7 September 2007 was passed ("Act from 2007"). The abovementioned Act, among the others, grants Entitled Employees of the consolidated entity (Elektrownia "Kozienice" S.A.) the option to exchange the right to the cash equivalent into the right to acquire free of charge shares of consolidating entity (ENEA S.A.).

According to IFRS 2 *Share based payments* the costs of such scheme should be recognized in the period, when Entitled Employees performed services. The cost of the employees' services is measured as at the Grant Date i.e. the date when all significant provisions of the employees' share based payments are determined.

The Grant Date to acquire shares or cash equivalents is the day, when Management agrees with trade unions of the Company on the number of shares attributable to particular groups of Entitled Employees. Such agreement is concluded after the State Treasury sells first shares based on the general conditions.

There are specific rules in relation to Entitled Employees of Elektrownia "Kozienice" S.A. The number of shares attributable to each Entitled Employees' group was determined after the contribution of Elektrownia "Kozienice" S.A.'s shares to ENEA S.A. On 16 May 2008 Management of Elektrownia "Kozienice" S.A. and Trade Unions concluded final agreement on the amount of shares to be allocated to particular groups of Entitled Employees.

The final cost of share based program referring to Entitled Employees of Elektrownia "Kozienice" S.A. amounts to PLN 515 million.

The value of the share based program as at 31 December 2008, which applies to the Entitled Employees, was determined on the basis of the valuation conducted for the purposes of preparation of the consolidated financial statements for the period ended 30 June 2008 and amounts (with the exclusion of Entitled Employees of Elektrownia "Kozienice" S.A.) to PLN 921 million (PLN 901 million as at 31 December 2007).

At the end of 2008 and the beginning of 2009 the Company's share price quoted on the Warsaw Stock Exchange was subject to high volatility. As a result the Management Board did not decide to revalue share based payments program as at 31 December 2008 concluding that the share price as at that date at the level of PLN 14 does not reflect the actual fair value of the Company. Consequently, the Management Board applied for the valuation of the share based payments program as at 31 December 2008 the ENEA S.A.'s share price resulting from the valuation used for the purpose of preparation of the consolidated financial statements for the period ended 30 June 2008 i.e. PLN 27.48 per share.

Entitled Employees of Elektrownia "Kozienice" S.A., based on the Act on the acquisition of shares from the State Treasury as a result of the energy sector consolidation process dated 7 September 2007, shall have submitted the declaration until 18 January 2008 if they intended to exchange the cash equivalent into shares of ENEA S.A. After taking into account submitted declarations and further complaint process the amount of shares subject to cash equivalent amounted to PLN 291,127 thousand (PLN 514,920 thousand as at 31 December 2007). The change in the liability due to cash settled share based payments amounting to PLN 224,042 thousand was recognized in equity of the Group under share based payments reserve with corresponding decrease of liabilities due to cash settled share based payments.

(all amounts are presented in PLN thousand, unless otherwise stated)

In November and December 2008 a part of the equivalent was paid to the Entitled Employees of Elektownia "Kozienice" S.A. As at 31 December 2008 remaining liabilities due to cash settled share based payments amounted to PLN 163,799 thousand (as at 31 December 2007 this liability amounted to PLN 514 920 thousand).

The following table presents information on shares and cash equivalents for eligible employees of Elektrownia "Kozienice" S.A.:

Number of eligible employees	3 557
Total number of Elektrownia "Kozienice" S.A.'s shares to which eligible employees are entitled	6 750 000
Fair value of Elektrownia "Kozienice" S.A.'s one share for the purpose of program valuation	76.28
Total program's value expensed in previous periods	514 920
Value of shares to be settled in cash equivalent	290 878
Value of shares to be converted into shares of ENEA S.A.	224 042

The following table presents information on shares for eligible employees of the Group (excluding eligible employees of Elektrownia "Kozienice" S.A.:

Number of eligible employees	8 665
Total number of ENEA S.A.'s shares to which eligible employees are entitled	33 498 649
Fair value of ENEA S.A.'s one share for the purpose of program valuation	27.48
Total program's value expensed in previous periods	920 543

23. Financial instruments

23.1. Rules of financial risk management

The Group's activity is subject to the following categories of risk related to financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Interest rate risk

This note contains information regarding the exposure of the Group to each risk category listed above and describes objectives, policy and procedures related to risk and equity management. Disclosures of numerical data were included in these consolidated financial statements.

Responsibility for settlement and fulfillment of risk management policy bears the Management Board of ENEA S.A.
Risk Management in the Group is managed as an ongoing process, which is not fully formalized. Risks are analyzed by the Group in connection with external environment's influence as well as changes in its structure and activity. Based on this analysis there are actions taken to mitigate risks or to transfer risks out of the Group. In order to do so the Group raises the employees' awareness regarding possibility of risk occurrence and its impact on the activity of organizational units and Group.

(all amounts are presented in PLN thousand, unless otherwise stated)

To achieve unified standards of risk management in the whole Group, the Parent Company decided to introduce a formalized process of formulation of risk management procedures. The process started by conducting internal audit aiming at risks' identification in ENEA S.A., ENEA Operator Sp. z o.o. and Elektrownia "Kozienice" S.A. and evaluation of current internal controls as well as identification of weaknesses of internal control and indication of areas, where improvements are possible. Based on internal audit the Group performed risk mapping, which in a graphic way enabled to illustrate extent of risks, based on their occurrence and possible consequences. Actions that have been undertaken form baselines for further development and implementation of formalized and integrated risk management process within the whole Company in accordance with international standards in Group.

In the current reporting period the Parent Company and its subsidiaries did not enter into hedge transactions. Only one of the associated companies, Elektrownia Białystok S.A. is a party in a currency call option agreement. This option is to cover the currency risk connected with the purchase of coal in contracts denominated in USD. The outcome on this transaction was positive as at the day of the preparation of the financial statements and is not significant for the results of the Group.

23.2. Credit risk

Credit risk is the risk of incurring financial losses to which the Group is exposed if a customer or a counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk is mainly connected with the collection of receivables. Main factors, which have an impact on the existence of credit risk, are:

- a large number of retail customers increases costs of monitoring of accounts receivable;
- obligation to deliver electricity to State related organizations which are in a difficult financial condition;
- legal regulations on suspension of electricity delivery due to lack of payment.

The Management Board applies a credit policy according to which the exposure to credit risk is systematically monitored.

The assessment of the financial credibility is performed in relation to all clients, who require a credit limit over a certain amount.

The Company does not require any securities from clients in relation to financial assets.

Maximum exposure of the Group to the credit risk is presented in the table below:

	31.12.2008	31.12.2007
Current and non-current financial assets held-to-maturity	100 741	49 323
Trade and other receivables	782 414	715 239
Cash and cash equivalents	2 620 659	940 792
Total	**3 503 814**	**1 705 354**

Within ENEA S.A. Group the credit risk in relation to receivables differs between market segments, in which the Group operates:

- electric energy sales and distribution to individual clients – in this segment there is a large number of overdue receivables. Although they do not constitute a significant threat to the Group's financing, there were actions taken aiming at their reduction. Implementing of unified rules for the debt collection shortened the reaction time and evaded long and inefficient court execution. A legal proceeding is initiated for cases exceeding a cost to benefit ratio limit for debt collection,
- electric energy sales and distribution to corporate clients and a social sector, i.e. small business entities – amounts of overdue receivables in this segment are higher than in the individual clients segment. Debt collection procedures are similar and particular actions are taken after 4-5 working days from the due date,
- other receivables – in comparison with two previous segments amounts of overdue receivables are insignificant.

Key role in the debt collection process is played by employees supervising contacts with clients. These are persons monitoring debt collection process. The Group tends to collect overdue receivables through the direct contact with a client. The cooperation with a debtor, identification of its current and future financial situation is one of the main tasks of the function dedicated to this role.

ENEA S.A. Group monitors the amount of overdue receivables on an ongoing basis and in justified cases initiates a legal proceeding and raises an allowance for the receivables.

ENEA S.A. Group makes current financial investments which mainly consist of bank deposits and treasury bonds.

The Group does not grant securities and guaranties to non-related parties.

23.3. Liquidity risk

Liquidity risk arises when the Group is not able to meet its financial obligations as they become due.

The Group's approach to managing the liquidity risk is to ensure that the Group will have sufficient funds necessary to settle its financial and investment liabilities while taking advantage of the most attractive sources of financing, i.e. the issue of debt securities.

The Group's liquidity management concentrates on the detailed analysis of the receivables collection scheme, systematic monitoring of bank accounts as well as the current concentration of cash on consolidated bank accounts. The Group undertakes actions in order to shorten the receivables collection period and attempts to extend the settlement periods for its liabilities. Financial surpluses resulting from these actions are invested in short-term financial assets in the form of bank term deposits.

Consistent risk management in aforementioned areas and the market and financial position of the Group allows to ensure that the risk of insufficient liquidity remains at the minimum level.

The Group manages liquidity risk also by maintaining open and unused credit facilities amounting to PLN 107 916 thousand as at 31 December 2008 (PLN 52 628 thousand as at 31 December 2007) .

(all amounts are presented in PLN thousand, unless otherwise stated)

The following table presents the Group's financial assets and liabilities as they come due:

	Trade and other payables	Finance lease liabilities	Bank loans	Loans	Cash and cash equivalents	Trade and other receivables	Financial instruments held-to-maturity	Total
31.12.2008								
Carrying amount	866 289	2 392	203 341	2 049	(2 620 659)	(782 414)	(100 741)	**(2 430 324)**
Undiscounted contractual cash flows	(866 289)	(2 599)	(230 722)	(2 049)	2 620 770	782 414	104 745	**2 394 667**
less than 6 months	(863 409)	(550)	(32 682)	(561)	2 620 770	771 837	31 012	**2 515 962**
6 - 12 months	(2 172)	(441)	(28 895)	(13)	-	8 261	73 733	**50 473**
1 – 2 years	(708)	(1 065)	(52 400)	(52)	-	2 209	-	**(53 164)**
2 – 5 years	-	(543)	(98 833)	(1 287)	-	107	-	**(100 556)**
more than 5 years	-	-	(17 912)	(136)	-	-	-	**(18 048)**

	Trade and other payables	Finance lease liabilities	Bank loans	Loans	Cash and cash equivalents	Trade and other receivables	Financial instruments held-to-maturity	Total
31.12.2007								
Carrying amount	787 721	749	253 344	276	(940 792)	(715 239)	(49 323)	**(663 264)**
Undiscounted contractual cash flows	(787 721)	(749)	(292 380)	(399)	940 796	715 239	49 990	**624 776**
less than 6 months	(787 702)	(124)	(47 332)	(24)	940 796	715 110	49 990	**870 714**
6 - 12 months	-	(173)	(35 105)	(29)	-	-		**(35 307)**
1 – 2 years	(19)	(319)	(56 036)	(33)	-	129		**(56 278)**
2 – 5 years	-	(133)	(124 028)	(101)	-	-		**(124 262)**
more than 5 years	-	-	(29 879)	(212)	-	-		**(30 091)**

23.4. Market risk

Market risk is related to changes in supply and demand, price changes as well as other factors which may influence the Company's results or the value of the Company's assets (exchange rates, interest rates, cost of capital). The purpose of the market risk management is to maintain the risk exposure within acceptable level while optimizing the return on risk.

Energy trade is subject to a large number of detailed regulations which are frequently changed; moreover it is subject to supervision by regulatory bodies, in particular the supervision of the President of the Energy Regulatory Office (URE) and the President of the Office for Competition and Consumer Protection. The main risk is the possibility of unexpected changes of legal regulations and decisions of regulatory bodies, which significantly influence the conditions of business activity.

The main market risk connected with the main business activity related with energy trade is expose is the obligation to submit to the President of the Energy Regulatory Office tariffs for electric energy for households (group G electric energy tariffs for the households and prepayment packages) connected to the transmission grids of ENEA Operator Sp. z o.o. The President of the Energy Regulatory Office approves tariffs for electric energy on the basis of costs which are justified and taking into consideration a high profit margin for trade. Costs recognized by the President of the Energy Regulatory Office not always cover the real costs borne by a company selling electric energy for a specific target customer in a given segment of the market. In such cases the Company has a right to submit a application for the adjustment of the tariff. The adjustment of the tariff is subject to the assessment of the President of URE whether there are objective prerequisites for adjustment of the tariff or not.

Starting with 1 July 2007 each energy consumer has the right to choose the vendor of electric energy. As a result of this regulation the competition in the retail electric energy became bigger. This constitutes for ENEA S.A. a chance to win new clients, but also creates a risk of loosing existing clients.

(all amounts are presented in PLN thousand, unless otherwise stated)

23.5. Currency risk

The following table presents the Group's exposure to the currency risk.

31.12.2008	**Carrying amount**	**including amount in foreign currency expressed in functional currency (PLN)**	**Currency risk's influence on profit**	
			1%	**-1%**
Financial assets				
Cash and cash equivalents	2 620 659	17	0	(0)
Trade and other receivables	782 414	-	-	-
Other financial assets	115 545	-	-	-
Financial liabilities				
Borrowings	(205 390)	(94 666)	(947)	947
Trade and other payables	(866 289)	(211)	(2)	2
Finance lease liabilities	(2 392)	-	-	-
Impact on profit before taxation			(949)	949
Income tax 19%			180	(180)
Impact on the net profit			**(768)**	**768**

31.12.2007	**Carrying amount**	**including amount in foreign currency expressed in functional currency (PLN)**	**Currency risk's influence on profit**	
			1%	**-1%**
Financial assets				
Cash and cash equivalents	940 792	-	-	-
Trade and other receivables	715 239	-	-	-
Other financial assets	68 975	-	-	-
Financial liabilities				
Borrowings	(253 620)	(94 486)	(945)	945
Trade and other payables	(787 721)	-	-	-
Finance lease liabilities	(749)	-	-	-
Impact on profit before taxation			(945)	945
Income tax 19%			180	(180)
Impact on the net profit			**(765)**	**765**

23.6. Interest rate risk

Interest rate risk exists in respect of interest on raised loans and interest on bank deposits. The interest rate is variable and is calculated based on the WIBOR rate. Changes in the interest rates of financial assets and liabilities are synchronized both in timing and percentage. The Group controls the interest rate risk by choosing credit periods convenient for the Group, inter alia depending on the level of WIBOR, as well as the ability to settle its debts. It is impossible to avoid a part of the risk, which relates to changes in macroeconomic trends.

(all amounts are presented in PLN thousand, unless otherwise stated)

The following table presents the Group's exposure profile to the risk of interest rate changes by presenting the division of financial assets and liabilities into fixed and variable interest rate positions:

Instruments of fixed interest rate	**31.12.2008**	**31.12.2007**
Financial assets	793 184	1 469 327
Financial liabilities	(866 289)	(787 721)
Total	**(73 105)**	**681 606**
Instruments of variable interest rate		
Financial assets	2 710 630	236 027
Financial liabilities	(207 782)	(254 369)
Total	**2 502 848**	**(18 342)**

The following table presents the effective interest rate of interest bearing assets and liabilities

	31.12.2008		**31.12.2007**	
	Weighted average interest rate	**Carrying amount**	**Weighted average interest rate**	**Carrying amount**
Cash and cash equivalents	5,75	2 620 659	5,01	940 792
Finance lease liabilities	5,26	(2 392)	7,50	(749)
Other loans	-	(2 049)	5,63	(276)
Bank loans with variable interest rate	5,45	(203 341)	5,44	(253 344)
Total		**2 412 877**		**686 423**

Effective interest rates in the table above are stated as weighted average of interest rates.

(all amounts are presented in PLN thousand, unless otherwise stated)

The following table presents sensitivity of the Group's net profit to changes in interest rate:

	Carrying amount 31.12.2008	Interest rate risk's impact on the profit (12 month period) + 1 p.p.	- 1 p.p.	Carrying amount 31.12.2007	Interest rate risk's impact on the profit (12 month period) + 1 p.p.	- 1 p.p.
Financial assets						
Cash and cash equivalents	2 620 659	26 207	(26 207)	940 792	9 408	(9 408)
Trade and other receivables	782 414	-	-	715 239	-	-
Other financial assets	115 545	-	-	68 975	-	-
Impact on the profit before taxation		26 207	(26 207)		9 408	(9 408)
Income tax 19%		(4 979)	4 979		(1 788)	1 788
Impact on the net profit		**21 227**	**(21 227)**		**7 620**	**(7 620)**
Financial liabilities						
Borrowings	(205 390)	(2 054)	2 054	(253 620)	(2 536)	2 536
Trade and other liabilities	(866 289)	-	-	(787 721)	-	-
Finance lease liabilities	(2 392)	(24)	24	(749)	(7)	7
Impact on the profit before taxation		(2 078)	2 078		(2 544)	2 544
Income tax 19%		395	(395)		483	(483)
Impact on the net profit		**(1 683)**	**1 683**		**(2 060)**	**2 060**
Total		**19 544**	**(19 544)**		**5 560**	**(5 560)**

23.7. Equity management

The key assumption of the Group's policy in equity management is to maintain an optimal capital structure to lower its cost, to ensure good credit rating and safe capital ratios, which would support the Group's operating activity and increase its value for shareholders. It is important to maintain a strong capital base being a foundation of building the trust of future investors, creditors and market and ensuring the future development of the Group. In order to maintain or correct its capital structure the Group can issue new shares or sell its assets. ENEA S.A. Group monitors capital using the debt ratio and the return on equity ratio. The aim of the Group is to reach the optimal level of these ratios.

(all amounts are presented in PLN thousand, unless otherwise stated)

23.8. Fair value

The following table presents fair values versus carrying amounts of financial assets and liabilities

	31.12.2008		31.12.2007	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Non-current financial assets available-for-sale (shares and interests in non-related entities)	8 965	*	14 981	*
Non-current financial assets carried at fair value through profit or loss	1 033	1 033	1 379	1 379
Current financial assets available-for-sale	4 806	4 806	3 292	3 292
Current financial assets held-to-maturity	100 741	100 741	49 323	49 323
Trade and other receivables	782 414	782 414	715 239	715 239
Cash and cash equivalents	2 620 659	2 620 659	940 792	940 792
Borrowings	205 390	204 648	253 620	252 353
Finance lease liabilities	2 392	2 392	749	749
Trade payables and other liabilities	866 289	866 289	787 721	787 721

* - the Group owns shares and interest in entities that are not listed on an active market, which are valued based on purchase price netted off allowances.

Financial assets available-for-sale are shares and interests in non-related entities, in which the Group's interest in the share capital is less than 20%. The Group decided that the fair value of such financial instruments is neither calculated nor disclosed, because the equity instruments issued by those entities are not publicly traded, therefore their fair value cannot be reliably measured. Due to a relatively insignificant share of these assets in the total assets, the difference between the carrying amount and the potential fair value does not, in the opinion of the Management Board, distort in any material aspect a true and fair presentation of the financial position of the Group.

Financial assets valued at fair value reflect participation units in the Pioneer investment fund, which are traded in an active market, therefore it is possible to perform a fair value assessment. The fair value of these assets was determined based on the market price of these participation units and the change in the fair value was recognized through profit or loss.

24. Liabilities due to finance lease

	31.12.2008	31.12.2007
Liabilities due to finance lease – minimum lease payments		
Less than 1 year	877	296
Between 1 and 5 years	1 515	453
More than 5 years	-	-
Present value of minimum lease payments	**2 392**	**749**

(all amounts are presented in PLN thousand, unless otherwise stated)

25. Deferred income tax

	31.12.2008	31.12.2007
Deferred tax assets		
– deferred tax asset falling due after more than 12 months	238 991	207 350
– deferred tax asset falling due within 12 months	134 722	92 067
	373 713	**299 417**
Set off of deferred tax assets and liabilities within the Group	(373 713)	(299 417)
Deferred tax asset in the balance sheet	**-**	**-**
Deferred tax assets liabilities		
– deferred tax liabilities falling due after more than 12 months	365 855	381 781
– deferred tax liabilities falling due within 12 months	131 338	88 383
	497 193	**470 164**
Set off of deferred tax assets and liabilities within the Group	(373 713)	(299 417)
Deferred tax liability in the balance sheet	**123 480**	**170 747**

Changes in deferred tax (included set off of deferred tax assets and liabilities) are as follows:

	31.12.2008	31.12.2007
Opening balance	170 747	362 826
Income statement charge	(46 525)	(491 800)
Change due to acquisition of subsidiaries	(484)	299 721
Change recognized in equity	(258)	-
Closing balance	**123 480**	**170 747**

On 30 June 2007 ENEA S.A. contributed in kind an organized part of enterprise to ENEA Operator Sp. z o. o. As a result of this transaction the tax value of fixed assets increased by PLN 2 256 037 thousand an therefore the provision for deferred tax in the amount of PLN 428 647 thousand had been reversed.

(all amounts are presented in PLN thousand, unless otherwise stated)

Changes in the deferred tax (after taking into consideration set off of deferred tax assets and liabilities) are as follows:

Deferred tax assets:

	Allowance for trade receivables	Employee benefits	Deferred income from connections' fee	Provision for costs of redemption of certificates of origin	Subsidies	Provision for storage and land restoration and CO_2 emission rights	Expenses deductible after settlement period	Other	Total
As at 01.01.2007 at 19% tax rate	**3 825**	**53 295**	**71 332**	**3 633**	**37 038**	**-**	**25 348**	**18 073**	**212 544**
Acquisition of subsidiaries	-	16 263	-	-	-	2 135	-	7 864	26 262
Charged/credited to the income statement	(93)	14 399	8 820	13 520	8 078	18	4 696	13 715	63 153
Change recognized in equity	-	-	-	-	-	-	-	(2 542)	(2 542)
As at 31.12.2007 at 19% tax rate	**3 732**	**83 957**	**80 152**	**17 153**	**45 116**	**2 153**	**30 044**	**37 110**	**299 417**
Acquisition of subsidiaries	-	-	-	-	-	-	-	484	484
Charged/credited to the income statement	(487)	34 770	13 519	13 531	(1 737)	4 511	16 348	(7 546)	72 909
Change recognized in equity	-		-	-	-	-	-	903	903
As at 31.12.2008 at 19% tax rate	**3 245**	**118 727**	**93 671**	**30 684**	**43 379**	**6 664**	**46 392**	**30 951**	**373 713**

Deferred tax liabilities:

	Revenue taxable after settlement period	Accrued sales revenue	Revaluation of fixed assets to the fair value	Other	Total
As at 01.01.2007 at 19% tax rate	**31 395**	**26 722**	**512 471**	4 782	**575 370**
Acquisition of subsidiaries	-	-	317 125	8 857	325 982
Charged/credited to the income statement	2 951	4 210	(445 452)	7 103	(431 188)
As at 31.12.2007 at 19% tax rate	**34 346**	**30 932**	**384 144**	**20 742**	**470 164**
Charged/credited to the income statement	15 824	11 185	(6 277)	5 652	26 384
Change recognized in equity	-	-	-	645	645
As at 31.12.2008 at 19% tax rate	**50 170**	**42 117**	**377 867**	**27 039**	**497 193**

(all amounts are presented in PLN thousand, unless otherwise stated)

26. Employee benefits

	31.12.2008	31.12.2007
Defined benefits plans		
Retirement benefits		
- non-current	76 341	61 060
- current	11 659	9 927
	88 000	**70 987**
Electricity allowance for pensioners		
- non-current	131 704	82 718
- current	6 269	5 533
	137 973	**88 251**
Jubilee awards		
- non-current	196 169	165 885
- current	19 132	17 312
	215 301	**183 197**
Social fund charge for pensioners		
- non-current	19 696	11 245
- current	953	529
	20 649	**11 774**
Total: Defined benefits plans		
- non-current	**423 910**	**320 908**
- current	**38 013**	**33 301**
	461 923	**354 209**
Payroll liabilities and other		
- non-current	14 886	14 858
- current	91 867	68 722
	106 753	**83 580**
Employee benefits		
- non-current	**438 796**	**335 766**
- current	**129 880**	**102 023**
	568 676	**437 789**

By virtue of the agreement between representatives of employees and representatives of the Group, employees of the Group are entitled to specific benefits plans such as:

- Jubilee awards,
- Retirement benefits,
- Right to buy electricity at reduced prices.
- Social security – allowances for the Company Social Contribution Plan

The present value of the future payments resulting from the above-mentioned defined benefits was determined with the use of the actuarial methods. The basis for calculation are individual data of each person employed by the Group as at 31 December 2008, (taking into account the gender).The data include in particular:

- the age of the employee,
- work experience in the Group,
- total work experience,
- remuneration received, which is the basis of measurement of the jubilee award as well as the retirement severance payment.

Additionally, the following assumptions were adopted for the purposes of the analysis:

- staff rotation is based on the statistical information of the Group's entities for the period 2002-2008,
- mortality rate and the probability of receiving retirement benefits is based on the Polish Tables of Life Expectancy 2007, published by the Central Statistical Office (GUS),
- disability retirements benefits were not calculated separately, instead employees who took advantage of disability retirement were not included in calculation of employees' rotation,
- retirement age: for men – 65 years, for women – 60 years,
- salary increase rate was defined at the level of 6% (as at 31 December 2007 also 6%),
- percentage rate used to discount future benefits was defined at 5.7% (7% as at 31 December 2007),
- baseline value of an annual equivalent of the right to buy electricity at reduced prices after being retired was determined at the level of PLN 1 147.46 in 2008 (PLN 1 019.96 as at 31 December 2007),
- increase in price of electricity for 2008 - 14.20%, in 2009 - 21.00%, in 2010 – 25.40%, in 2011 – 4.20%, in 2012 – 9.00%, for the following years starting with 2013 (as at 31 December 2007 an increase of 11.3% for 2008, 4.4% for 2009 and 2010, and for subsequent years 2.5%),
- increase in the distribution charges for the year 2008 was determined at 1.36%, for 2009 – 0.00%, in 2010 – 5.78% and in 2011 – a decrease of 0.36% (as at 31 December 2007 – for 2008 an increase of 2.42%, in 2009 an increase of 2.93% and an increase of 2.5% in subsequent periods)
- average increase in the cash settled electricity allowance was determined in the year 2009 at 18.5%, in 2010 – 23.4%, in 2011 – 3.8%, in 2012 – 8.50%, in 2013 – 3.00% and 3.0% for the following years (as at 31 December 2007 – for 2008 an increase of 10.1%, in 2009 an increase of 4.2%, in 2010 an increase of 4.15%, and an increase of 2.5% for subsequent periods).

(all amounts are presented in PLN thousand, unless otherwise stated)

Change in value of defined benefits programmes in the 12 month period ended on 31 December 2008.

2008

	Retirement benefits	Electricity allowance for pensioners	Jubilee awards	Social fund charge for pensioners	Total
As at 01.01.2008	**70 987**	**88 251**	**183 197**	**11 774**	**354 209**
Changes during 12 months till 31.12.2008					
Liabilities acquired through business combinations	(2)	-	66	-	64
Costs recognized in the income statement, incl.:	23 112	54 736	50 333	9 168	137 349
- current service costs	3 280	1 603	10 179	202	15 264
- past service costs	18	1 090	32	7 994	9 134
- actuarial losses	16 311	46 121	30 520	626	93 578
- interest expense	3 503	5 922	9 602	346	19 373
Amounts paid	(6 069)	(5 008)	(18 142)	(290)	(29 509)
Other changes	(28)	(6)	(153)	(3)	(190)
Total	**17 013**	**49 722**	**32 104**	**8 875**	**107 714**
As at 31.12.2008	**88 000**	**137 973**	**215 301**	**20 649**	**461 923**

(all amounts are presented in PLN thousand, unless otherwise stated)

Change in value of defined benefits programmes in the 12 month period ended on 31 December 2007.

2007	Retirement benefits	Electricity allowance for pensioners	Jubilee awards	Social fund charge for pensioners	Total
As at 01.01.2007	**32 820**	**72 392**	**107 201**	**9 000**	**221 413**
Changes during 12 months till 31.12.2007					
Liabilities acquired through business combinations	19 517	10 216	41 001	2 537	73 271
Costs recognized in the income statement, incl.:	20 903	9 720	46 526	237	77 386
- current service costs	6 302	6 916	14 992	237	28 447
- past service costs	304	1 094	620	-	2 018
- actuarial losses	13 350	(1 343)	27 680	-	39 687
- interest expense	947	3 053	3 234	-	7 234
Amounts paid	(1 836)	(3 701)	(9 821)	-	(15 358)
Other changes	(417)	(376)	(1 710)	-	(2 503)
Total	**38 167**	**15 859**	**75 996**	**2 774**	**132 796**
As at 31.12.2007	**70 987**	**88 251**	**183 197**	**11 774**	**354 209**

(all amounts are presented in PLN thousand, unless otherwise stated)

27. Provision for certificates of origin

	31.12.2008	31.12.2007
Certificates of origin	(57 364)	(4 095)
Advance payments on certificates of origin	(2 985)	(19 547)
Provision for costs of redemption of certificates of origin	161 752	90 280
Provision for certificates of origin	**101 403**	**66 638**

28. Provisions for liabilities and other charges

Provision for estimated losses resulting from pending claims

	31.12.2008	31.12.2007
Opening balance	**62 902**	**51 673**
Additional provisions	54 681	21 353
Decrease of provisions	(36 555)	(10 124)
Closing balance	**81 028**	**62 902**

Provisions for liabilities are measured at a justified and reliably assessed value. Specific provisions are established on probable losses related to legal actions against the Group. Those provisions are stated in the amount of the claim value, taking into consideration the legally measured probability of loosing the case. They are accounted for as other operating expenses, which are not tax deductible. Contingent liabilities in this regard are described in notes 45.1, 45.4 and 45.5.

Provisions for liabilities and other charges comprise mainly of provisions for claims for non-contractual use of land. These claims concern mainly claims for compensations for the so called non-contractual use of land, the establishment of rent charge or, in single cases, claims for relocation of energy distribution assets (and restoration of property to its former condition). As at 31 December 2008 the majority of those claims was not submitted to any court. The Group established a provision for claims which already are in court proceeding as well as for claims which have not been yet submitted to court.

As at 31 December 2008 the Management Board of the Parent Company conducted an analysis of claims raised but not yet subjected to court proceedings. As a result of the analysis the decision was taken to reverse partially the provision for claims at the pre-court proceeding stage of PLN 20 350 thousand.

Other provisions

	31.12.2008	31.12.2007
Opening balance	**18 761**	**1 667**
Additional provisions	24 441	7 173
Acquisition of Elektrownia "Kozienice" S.A.	-	11 234
Unused amounts reversed	(6 293)	(1 313)
Closing balance	**36 909**	**18 761**

(all amounts are presented in PLN thousand, unless otherwise stated)

Provision for the storage yard restoration

The Group is obliged to restore the land after the storage yard for slag and ash either reaches its capacity or is closed. Due to the fact, that the Group has large and unused storage yards, the expected land restoration will take place in 2060. Future estimated costs of land restoration have been discounted to their present value using the 5.7% discount rate (as at 31 December 2007 – 6%).

As at 31 December 2008 the provision amounted to PLN 8,716 thousand (as at 31 December 2007 – PLN 8,877 thousand).

Provision for the costs of storage or disposal of the slag-ash mixture

There are two kinds of waste obtained as a result of the burning process of coal: ash and slag-ash mixture. Due to the fact, that the Group incurs costs for the disposal of the mixture, it raises a necessary provision. Future estimated costs of storage or disposal of the slag-ash mixture have been discounted to their present value using the 5.7% discount rate (as at 31 December 2007 – 6%).

As at 31 December 2008 the provision amounted to PLN 2,721 thousand (as at 31 December 2007 – PLN 2,456 thousand).

Provision for purchase of the CO_2 emission rights

In 2008 the Group exceeded the CO_2 emission limit granted for 2008 in accordance with the most current draft of the National Allocation Plan for years 2008-2012 dated 12 February 2008 and approved by the Council of Ministers. As a result the Group has made a provision for deficit of the CO_2 emission rights as at 31 December 2008 based on the market value of the CO_2 emission rights. As at 31 December 2008 the provision determined based on the market value of the CO_2 emission rights amounted to PLN 23,635 thousand (as at 31 December 2007 there was no provision).

Classification of provisions and other charges as current and non-current

	31.12.2008	31.12.2007
Non-current	33 211	11 236
Current	84 726	70 427
Closing balance	**117 937**	**81 663**

(all amounts are presented in PLN thousand, unless otherwise stated)

29. Net sales renevues

	01.01.2008 -31.12.2008	01.01.2007 - 31.12.2007
Net revenues from sale of electric energy	3 475 324	2 938 409
Net revenues from distribution services	2 279 868	2 202 634
Net revenues from sale of merchandise and raw materials	172 908	249 390
Net revenues from sale of other services	140 611	53 642
Compensation of stranded costs	80 976	-
Net revenues from sale of heat energy	8 075	1 729
Total	**6 157 762**	**5 445 804**

30. Cost by type

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Depreciation and amortization	(631 364)	(470 557)
Raw materials and consumables used	(1 223 245)	(467 631)
- materials and energy	(999 668)	(231 346)
- bonus from suppliers	(1 425)	820
- cost of merchandise and raw materials sold	(222 152)	(237 105)
External services	(1 019 366)	(994 226)
- transmission services	(670 930)	(806 395)
- other external services	(348 436)	(187 831)
Employee benefits	(940 080)	(619 974)
- payroll	(667 928)	(476 116)
- social security and other benefits	(272 152)	(143 858)
Taxes and charges	(159 507)	(154 539)
Energy purchased for resale	(1 893 710)	(2 644 120)
Total costs of sold products, merchandises, raw materials, selling, marketing and administrative expenses	**(5 867 272)**	**(5 351 047)**

31. Employee benefits expenses

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Payroll, including:	(667 928)	(476 116)
- current payroll	(597 243)	(432 782)
- jubilee awards	(43 611)	(28 215)
- retirement benefits	(20 697)	(15 119)
- other	(6 377)	-
Social security and other benefits	(272 152)	(143 858)
- social security	(112 016)	(77 468)
- social fund charge	(43 147)	(16 060)
- other social benefits	(91 115)	(50 991)
- other pensioners' benefits	(7 898)	661
- other	(17 976)	-
Total	**(940 080)**	**(619 974)**

Employment guarantees

Based on the agreement between the Group and trade unions there are specific guaranties granted to employees employed by the Group (excluding Elektrownia "Kozienice" S.A.) before 29 June 2007; the guarantees expire on 31 December 2018.

Moreover, the agreement has been extended for the employees, who at the expiry date of the guarantee have less than four years necessary to fulfil prerequisites to acquire pension rights. It means that in case the employer does not respect the guarantees, it cannot terminate the employment contract without paying an additional severance payment to an employee, who at the guarantee expiry date has less than four years left to the retirement age.

Guarantees of employment imply that if the employer terminates the contract of employment the Group is obliged to pay the employee an amount representing monthly remunerations for the period remaining to the guarantee expiry date.

By virtue of the social agreement dated 10 August 2007 between Elektrownia "Kozienice" S.A. and trade unions, the employees employed in Elektrownia "Kozienice" S.A. on the date when the agreement came into force were granted an extended period of 11 years of employment guarantee, which expires at 30 January 2019.

Agreements with the employees of the Group

As a result of collective labour agreements with trade unions concluded by the Group in February 2005 and July 2007 the parties committed to undertake actions aiming at the potential payment of compensations to the Group's employees who, due to various reasons, did not qualify to receive ENEA S.A.'s shares within the 15% package eligible to Entitled Employees. The parties to these agreements decided, that determination of potential compensations would be subject to a separate collective agreement.

In relation to the abovementioned agreements on 28 May 2008 the Management Board of the Parent Company concluded an agreement with trade unions that assumes payment of compensations in the amount of PLN 14.5 million. The benefit was to become due within 24 months from the date of sale by the State Treasury of at least 1 share of ENEA S.A. in accordance with the Act on the Commercialization and Privatization. This agreement replaced earlier settlements related to employees' shares and compensations included in the abovementioned agreements from 2005 and 2007. The agreement did not violate, in any way, the employees' rights earned based on other contracts and agreements. In a case of any discrepancy between the agreement and other contracts and agreements the more favourable to employees were binding.

Due to the fact that there is no formal approval from the Minister of the State Treasury of the abovementioned agreement, the employees questioned the conclusion of the collective dispute in this regard by the submission of a letter on 18 August 2008 addressed to the Chairman of the Management Board of the Parent Company with the demand for further negotiations with the Management Board.

(all amounts are presented in PLN thousand, unless otherwise stated)

As at 31 December 2008 the liability resulting from the abovementioned compensations presented in these consolidated financial statements amounts to PLN 14,858 thousand (PLN 14,858 thousand as at 31 December 2007). This amount represents the compensation amounting to PLN 14,500 thousand increased by the cost of social security contributions to be incurred by the employer and adjusted for discount factor.

32. Other operating revenues and costs

Other operating revenues

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Release of provisions for legal proceedings	36 555	10 124
Insurance received	12 944	14 299
Other operating revenues	12 314	14 220
Release of allowance for accounts receivable	1 880	10 516
Amortization of subsides and connections' fee	12 606	12 983
Housing activity	1 806	928
Received compensations, penalties, fines	1 759	4 181
Bonus from suppliers	580	-
Revealed tangible fixed assets	468	-
Collection of previously written-off receivables	2	1 019
Dividends and share in profits	-	750
Total	**80 914**	**69 020**

Other operating costs

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Other operating costs	(15 845)	(16 200)
Provision for estimated losses resulting from legal proceedings	(54 681)	(21 353)
Costs of social activities	(1 875)	(1 317)
Costs of court proceedings	(2 058)	(4 245)
Costs of restoration of demaged property and equipment	(12 259)	(5 562)
Costs of trade unions	(856)	(898)
Impairment loss on tangible fixed assets	(7 784)	-
Written-off bad debts	(2 039)	(6 131)
Impairment loss of shares	(289)	(1 006)
Other expenses by kind	(10 197)	(14 176)
Donations	(2 133)	(374)
Contributions for trade unions and other institutions	(594)	(829)
Loss on sales and liquidation of tangible fixed assets	(95)	(1 189)
Total	**(110 705)**	**(73 280)**

(all amounts are presented in PLN thousand, unless otherwise stated)

33. Financial income

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Interests from deposits	68 990	27 921
Penalty interests for overdue receivables	12 808	15 285
Release of allowance for interests accrued	558	1 019
Dividend income	479	-
Other interests	7 986	757
Other financial income	2 050	-
Total	**92 871**	**44 982**

34. Financial costs

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Interest expense	(17 106)	(10 654)
- bank borrowings	(13 727)	(8 961)
- interest on overdue liabilities	(1 846)	(483)
- interest on lease	(100)	(355)
- raising of allowance for accrued interest	(1 433)	(855)
Employee benefits discounting effect	(19 225)	(7 007)
Foreign currency exchange differences	(13 974)	-
Other	(873)	(1 733)
Total	**(51 178)**	**(19 394)**

35. Income tax

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Current tax	(124 624)	(80 821)
Deferred tax (note 25)	46 525	491 800
Adjustment of tax charge for 2003 and 2004	-	1 614
Total	**(78 099)**	**412 593**

(all amounts are presented in PLN thousand, unless otherwise stated)

The income tax on the Group's gross profit before tax differs from the theoretical amount which was calculated using the nominal tax rate on profit of consolidated entities in the following way:

	01.01.2008 - 31.12.2008	**01.01.2007 - 31.12.2007**
Profit/(Loss) before tax	293 466	109 083
Tax calculated at 19% rate	**(55 759)**	**(20 726)**
Expenses not deductible for tax purposes decreased by non-taxable income (permanent differences * 19%)	(22 179)	(6 473)
Non-taxable income (permanent differences * 19%)	41	-
Other *19%	(202)	1 614
Release of deferred tax provision resulting from increase of fixed asset's tax value	-	428 647
Increase of deferred tax assets resulting from change of the tax value of connections' fee	-	9 531
Tax charge	**(78 099)**	**412 593**

36. Dividend

On 9 June 2008 the Ordinary Shareholders Meeting of ENEA S.A. adopted resolution no 2 on the distribution of the net profit for the reporting period from 1 January 2007 to 31 December 2007, according to which dividends to the State Treasury amounted to PLN 88,630 thousand (dividend per share amounted to PLN 0.25). Until 31 December 2008 the dividend was fully paid.

On 28 June 2007 the Ordinary Shareholders Meeting adopted Resolution no 2 on the distribution of the net profit for the reporting period from 1 January 2006 to 31 December 2006, according to which dividends to the State Treasury amounted to PLN 38,550 thousand (dividend per share amounted to PLN 0.17). Until 31 December 2007 the dividend was fully paid.

The Parent Company, on the basis of the Act on Obligatory Payments From the Profit of Companies Fully Owned by the State Treasury dated 1 December 1995, made quarterly profit payments (profit in this case is defined as profit before tax, less current tax) amounting to 15%, which are presented as a dividend payment. The Company is subjected to the above described scheme until the end of the month, during which the share capital increase, being a result of the 2008 public issue of shares, is registered in the National Court Register i.e. January 2009.

The accrued profit share payments for the period from 1 January to 31 December 2008 amounted to PLN 29,151 thousand. In these consolidated financial statements the Group recognized also an adjustment to obligatory payments accrued for 2007 in the amount of PLN 2,229 thousand. In the period from 1 January to 31 December 2007 the accrued profit payments amounted to PLN 6,885 thousand. The amount of the accrued and unpaid profit payment amounted to PLN 8,464 thousand as at 31 December 2008 and is presented in the consolidated financial statements as trade and other liabilities.

Elektrownia "Kozienice" S.A. was also a subject to obligatory profit share payments until the last day of the month in which the shares of Elektrownia "Kozienice" S.A. were transferred by the State Treasury to ENEA S.A. as a contribution in-kind. In the consolidated financial statements for the year ended 31 December

(all amounts are presented in PLN thousand, unless otherwise stated)

2007 there was presented a liability due to profit share payments accrued for the period ending 30 November 2007. On this date the transaction was registered in the National Court Register (21 November 2007) . The amount of the obligatory profit share liability recognized as at 31 December 2007 was estimated by the Group due to the fact that till the date of the approval of the consolidated financial statements for the year 2007 Elektrownia “Kozienice” S.A. has not prepared the statutory financial statements for the year 2007 in accordance with the Accounting Act dated 29 September 1994, which forms the basis of obligatory payments’ calculation. In these consolidated financial statements the final amount of the obligatory profit share payments for the period till the end of October 2007 was calculated on the basis of the amended declaration submitted in August 2008. The difference in the amount of PLN 5,033 thousand was recognized as an adjustment to the share premium.

37. Profit per share

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Net profit attributable to shareholders of the Parent Company	215 361	521 514
Number of ordinary shares	359 016 443	250 042 308
Net profit per share (in PLN per share)	**0.60**	**2.09**
Diluted profit per share (in PLN per share)	**0.60**	**2.09**

38. Transactions with related parties

Transactions between the Group’s companies and related parties:

- Group’s companies – these transactions are eliminated during consolidation,
- Transactions between the Group and Members of the Executive Bodies of the Group which should be divided into three categories:
  - resulting from employment contracts with members of the Management Board of the Parent Company as well as concerning the appointment of the Supervisory Board Members,
  - concerning loans granted from the Company’s Social Fund for the Parent Company’s Management Board members as well as Supervisory Board members, who are the ENEA S.A. employees,
  - resulting from other civil contracts.
- Transactions with entities related to the State Treasury of the Republic of Poland,

(all amounts are presented in PLN thousand, unless otherwise stated)

Transactions with Members of Executive Bodies:

Title	Management Board of the Parent Company 01.01.2008 - 31.12.2008	Management Board of the Parent Company 01.01.2007 - 31.12.2007	Supervisory Board of the Parent Company 01.01.2008 - 31.12.2008	Supervisory Board of the Parent Company 01.01.2007 - 31.12.2007
Salaries based on employment contract	936	1 020	-	-
Remuneration related to the appointment to management or supervisory bodies	-	-	336	313
Remuneration related to positions in the supervisory boards of subsidiaries	140	114	-	-
Other employee benefits (electricity allowance)	164	52	-	-
Total	**1 240**	**1 186**	**336**	**313**

The Management and the Supervisory Boards' Members in relation to their salaries are subject to the Act on salaries of persons managing certain legal entities dated 3 March 2000 (companies with the State majority shareholding). According to the Act, the maximum monthly salary can not exceed the value of 6 average monthly salaries in the enterprises' sector excluding payments from profit-related bonuses, the fourth quarter of the preceding year published by the Central Statistical Office. The amount of annual bonus can not exceed the value of the three average monthly salaries due in the year preceding awarding bonus.

Transactions related to loans granted from the Company's Social Fund are presented in the table below:

Executive Bodies	Balance as at 01.01.2008	Granted from 01.01.2008	Repayments by 31.12.2008	Balance as at 31.12.2008
Management Board	27	-	(9)	**18**
Supervisory Board	6	-	(6)	**-**
Total	**33**	**-**	**(15)**	**18**

Executive Bodies	Balance as at 01.01.2007	Granted from 01.01.2007	Repayments by 31.12.2007	Balance as at 31.12.2007
Management Board	32	-	(5)	**27**
Supervisory Board	9	-	(3)	**6**
Total	**41**	**-**	**(8)**	**33**

Other transactions resulting from service contracts between the Parent Company and Members of the Executive Bodies of the Parent Company concern the private use of vehicles by Members of the Management Board.

Additionally, the Group enters into transactions with state administration, local authorities and companies related to the State Treasury of the Republic of Poland.
The subject of these transactions is mainly:

- the purchase of coal, electric energy, rights from certificates of origin of energy generated from renewable resources or in cogeneration with heat and transmission and distribution services, which Group conduct with companies related to the State Treasury, and

- the sale of electric energy, distribution services, connection to the grid and other related services which Group made to state administration and local authorities (sale to an end user) as well as to companies related to the State Treasury (both wholesale and retail sales).

These transactions are made on an arm's length basis and the applied prices are consistent with those offered to third parties. The Group does not maintain accounting records which would enable to aggregate all transactions realized with all related to the State Treasury entities.

39. License agreements concerning the rendering of public services

The Group's main economic activity is the generation, distribution and trading in electric energy.

In accordance with the provisions of the Act "Law on Energy", the Parent Company was granted on 26 November 1998 two licenses in the following scopes of business:

- licence to trade in electricity granted for a period of 10 years, i.e. until 30 November 2008;
- licence to transmit and distribute electricity, also granted for 10 years – until 30 November 2008.

ENEA Operator Sp. z o.o. was granted with license to distribute electricity till 1 July 2017.

On 23 April 2007 ENEA S.A. applied to the President of the Energy Regulatory Office for the renewal of the license to trade electricity. On 5 October 2007 ENEA S.A. received the decision issued by the President of the Energy Regulatory Office on the renewal of the license to trade electricity till 31 December 2025.

According to the Law on Energy, the President of the Energy Regulatory Office is responsible for granting licenses, regulation of business activities of companies acting in the energy sector and approving the tariff. Based on an administrative decision he approved prices of energy, the level of rates as well as principles of applying them.

The President of the Energy Regulatory Office, while approving the tariffs, examines whether they are in accordance with the following acts:

- Law on Energy dated 10 April 1997 (Official Journal from 2003 No. 153, item 1504 and No. 203, item 1966, Official Journal from 2004. No 29, item 257, No. 34, item 293, No. 91, item 875, No. 96, item 959 and No. 173, item 1808 and Official Journal from 2005 No. 62, item 552);
- Regulation issued by the Minister of Economy, Labour and Social Policy dated 23 April 2004 on details of the formation and calculation of the tariff and on principles of settlements of accounts of electric power (Official Journal from 2004, No. 105, item 1114);
- Regulation issued by the Minister of Economy and Labour dated 20 December 2004 on detailed conditions for connections to the power grid, movement and exploitation of power grids (Official Journal from 2004 r. No. 2, item 6).

In 2007 tariffs were divided into:

- the tariff for services of electric energy distribution provided by ENEA Operator Sp. z o.o.,
- the tariff for electric energy for ENEA S.A.'s tariff groups in the following packages: corporate, standard, economical, universal, based on advance payments (applies to consumers of the A, B, C tariff groups),
- the tariff for electric energy for ENEA S.A.'s tariff groups in the following packages: domestic, based on advance payments (applies to consumers of the G tariff groups).

ENEA S.A. and ENEA Operator Sp. z o.o. calculates the tariffs on the basis of costs accepted by the President of the Energy Regulatory Office as justified, taking into account operating costs and contribution margin (trading) as well as transferred costs, operating costs, costs of balance differences and return on equity (distribution) planned for the next tariff period.

Pursuant to the decision of the President of the Energy Regulatory Office, ENEA S.A. has been exempted from the obligation of submitting the Tariff for consumers from A, B, C tariff groups. On 13 December 2007 the Management Board of ENEA S.A. adopted a resolution on the implementation of the Tariff for consumers from A, B, C tariff groups beginning with 1 January 2008.
On 17 January 2008, the President of the Energy Regulatory Office approved the Tariff for the G tariff groups in the following packages: for the households, based on advance payments, which became binding on 1 February 2008. The tariff approved for the year 2007 remained in force until 31 January 2008.

The main business activity of Elektrownia "Kozienice" S.A is the generation of electric energy and heat, which are carried based on the licenses granted by the President of the Energy Regulatory Office.
Licenses to generate electric energy:

- No. WEE/1271/U/OT-4/98/JG dated 12 October 1998, with further amendments, on generation of heat in the heat generating units.

  (The license is effective from 12 October 1998 for the period till 30 October 2008).

- No. WEE/11-ZTO/1271/W/OWA/2007/RW dated 31 August 2007 on generation of the electric energy in the units of the total installed capacity of 2820 MW.

  (The license is effective from 31 August 2007, for the period till 31 December 2025).

- No. WEE/11-ZTO-B/1271/W/3/2008/ARS dated 24 January 2008 on generation of electric energy in the source called Elektrownia "Kozienice" S.A. of the total installed capacity of 2,820 MW and the total reached capacity of 2,880 MW. The license extends the economic activity of Elektrownia "Kozienice" S.A. The change concerns the ability to generate the energy in cogeneration on units with total installed capacity of 535 MW and 560 MW in connection with combustion of conventional fuel (hard coal and stove coal) as well as the ability to generate the electric energy in cogeneration on 8 units with total attainable capacity 1-215 MW, 1-220 MW, 6-225 MW in connection with common combustion of conventional fuel (hard coal and stove coal) and biomass.

  (The license was granted for the period from 24 January 2008 to 31 December 2025).

License to trade in electric energy:

- No. OEE/334/1271/W/1/2002/MW dated 21 December 2002 on trading in electric energy for the use of consumers within the territory of the Republic of Poland.
  (The license is effective from 1 January 2003, for the period till 1 January 2013).

License to generate heat:

- No. WCC/256/1271/U/OT-4/98/JG dated 12 October 1998 on heat co-generated with the electric energy, produced from hard coal burning.
  (The license is effective from 12 October 1998, for the period till 30 October 2008).
- No. WCC/256-ZTO/1271/W/OWA/2007/RW dated 31 August 2007 on heat co-generated in the power plant located at Świerże Górne, of a total thermal capacity of 266 MW (since 31 August 2007).
  (The license is effective from 31 August 2007, for the period till 31 December 2025).
- No. WCC/256-ZTO-B/1271/W/2009/ARS dated 24 January 2008 on generation of heat in the source called Elektrownia "Kozienice" S.A. of the total attainable capacity of 266 MWt. Heat comes from the combustion of conventional fuel (hard coal and furnace oil) in two steam boilers supplying with steam two complexes of turbo-generators generating heat in cogeneration as well as from common combustion of fuel and biomass in eight steam boilers supplying with steam eight complexes of turbo-generators generating heat in cogeneration.
  The license results from extending economic activity of Elektrownia "Kozienice" S.A. by generation of heat in connection with combustion of biomass.
  (The license is effective from 24 January 2008, for the period till 31 December 2025).

License to transmit heat:

- No. PCC/269/1271/U/OT-4/98 dated 12 October 1998 on the transmission and distribution of heat co-generated with electric energy of a total thermal power of 105 MWt, with the use of two networks: water and steam networks.
  (The license is effective from 12 October 1998, for the period till 30 October 2008).
- No. PCC/ 269-ZTO/1271/W/OWA/2007/RW dated 31 August 2007 on the transmission and distribution of heat generated in own sources, with the use of two heat distribution networks located in Świerże Górne.
  (The license is effective from 31 August 2007, for the period till 31 December 2025).

40. Long-term contracts on the sale of electric energy (KDT)

With regard to the fact, that the European Commission has recognized long-term contracts for sales of electricity with state owned PSE S.A. as illegal public subsidy, the Polish Parliament passed a law to eliminate such contracts. In accordance with the provisions of *the Law on the Rules for Covering the Costs Incurred by the Producers in Relation to an Early Termination of Long-term Contracts* dated 29 June 2007 ("The Law on termination of the long-term contracts"), the Group (Elektrownia "Kozienice" S.A.), effective from 1 April 2008, is entitled to receive a compensation of stranded costs resulting from an early termination of long-term contracts. According to this law, the Group will be entitled to receive compensations till 2014.

According to Appendix 4 to the Law on termination of long-term contracts the Group will receive advance payments of compensation of stranded costs for the period from 1 April to 31 December 2008 in the total amount of PLN 93,132 thousand. Till 31 December 2008 the Group has received compensation advance payments in the amount of PLN 62,088 thousand. Advance payment for the last quarter of 2008 in the amount of PLN 31,044 thousand was received in January 2009. The amount of the compensation will be subject to adjustments determined by the President of the Energy Regulatory Office in accordance with regulations included in the chapter 5 of the Law on the termination of long-term contracts.

The amount of the annual adjustment of stranded costs for 2008 and the final adjustment made at the end of the adjusting period i.e. period during which long-term contracts would remain in force if not terminated, depends on many factors, in particular on the operating results of the energy producer (Elektrownia “Kozienice” S.A.) in 2008 and in the following years, the energy sales volume and average market prices of electric energy.

At the same time some of the regulations of the Law on termination of the long-term contracts, including those which relate to the methods of calculation and adjustment of stranded costs, are unambiguous and require further interpretation and which are currently subject to analysis conducted by the energy producers in cooperation with the Energy Regulatory Office. Due to the fact that there has been no practice so far in this area, there is an uncertainty concerning the final amount of the compensation due for the period presented in these consolidated financial statements.

As at 31 December 2008 the Group recognized compensation for stranded costs in the amount of the advance payment due for the period ended 31 December 2008, as provided in the Appendix 4 to the Law on the termination of long-term contracts, adjusted by the estimated amount of the annual adjustment corresponding to the period covered by these consolidated financial statements. The final amount of the compensation due for the period ended 31 December 2008 may differ significantly from the amount estimated by the Group due to possible changes in factors and conditions described above as well as due to possible changes of interpretation of the respective regulations based on which the annual adjustment and the final adjustment of stranded cost will be made by the President of the Energy Regulatory Office.

The income recognized due to the estimated compensation of stranded costs for the twelve month period ended 31 December 2008 amounts to PLN 80,976 thousand (2007: nil).

(all amounts are presented in PLN thousand, unless otherwise stated)

41. Future payments from the usage of purchased or received free of charge perpetual usufruct right of land and rental and operating lease contracts

Future minimal liabilities from usage of perpetual usufruct right of land refer to a remaining period till the agreement's termination and equals from 62 to 99 years (according to the payments' level as at 31 December 2007). These are presented according to IFRS EU as operating lease, where ENEA S.A Group is a lessor:

	31.12.2008	31.12.2007
Less than one year	2 949	4 021
Between one and five years	12 772	13 013
More than five years	221 345	187 207
	237 066	**204 241**

42. Commitments due to binding contracts as at the balance sheet date

Commitments due to binding contracts as at the balance sheet date but not presented in the balance sheet are presented below:

	31.12.2008	31.12.2007
Property, plant and equipment	370 857	91 351
Intangible assets	8 055	71
	378 912	**91 422**

43. Employment

	12 months ended 31.12.2008	12 months ended 31.12.2007
Blue collar workers	5 552	4 219
White collar workers	4 582	4 024
Total	**10 133**	**8 243**

Information presented in the above table refers to full time employment. Managerial positions were classified together with white collar workers.

44. Information concerning the seasonal and cyclical nature of the Group's activities

The sale of energy during the year is subject to seasonal fluctuations. The sale of energy increases during winter months and decreases during summer months. It is connected with the temperatures and the length of the daytime. The magnitude of these fluctuations is determined by lower temperatures and shorter daytime in the winter and higher temperatures and longer daytime during summer. The seasonal character of electric energy sales is to a larger extent related to individual recipients (they represent 40.52 % of total sales), rather than to industrial recipients.

45. Contingent liabilities, court, arbitration and administrative proceedings

45.1. Pending common court cases

Proceedings initiated by the Group

Proceedings initiated by the Group in common courts relate to the collection of receivables for the delivery of electric energy (the so-called energy cases) and to the collection of other receivables - illegal consumption of energy, illegal connections to the power grids and other specialist services provided by the Group (non-energy cases).

The proceedings initiated in common courts by Elektrownia „Kozienice" S.A. mainly concern the collection of receivables for the failure to fulfil forwarding contracts.

As at 31 December 2008 there were altogether 8,277 cases pending before common courts against the Company in a total amount of PLN 28,088 thousand (as at 31 December 2007 there were 6,775 in the total amount of PLN 40,582 thousand).

None of the results of these proceedings is significant to the financial result of the Group.

Proceedings against the Group

Proceedings against the Group are actions brought by individuals and legal entities. Among others they concern the following issues: compensation for energy supply shortages, determination whether the illegal energy consumption occurred and compensation claimed from the Group for the use of property, on which electricity equipment is located. The Group considers the actions against the Group concerning the non contractual use of third party's property to be of particularly significant (Note 45.4).

Proceedings against Elektrownia "Kozienice" S.A. concern among other the following issues: reinstatement to work, compensation of the cash equivalent for the employee's right to a free of charge acquisition of shares resulting from the commercialization of Elektrownia „Kozienice" S.A.

As at 31 December 2008 there were in total 251 cases pending before common courts against the Group of a total value of PLN 18,043 thousand (as at 31 December 2007 there were respectively 185 cases in the total amount of PLN 19,579 thousand). Provisions regarding these cases are presented in the Note 28.

45.2. Arbitration proceedings

As at 31 December 2008 there were no pending arbitration proceedings.

45.3. Proceedings pending before public administration authorities

By the decision of the President of the Office of Competition and Consumer Protection dated 12 September 2008 which terminates legal proceeding concerning customers illegally charged with a double service fee for January 2008, ENEA S.A. was obliged to pay a penalty in the amount of PLN 160 thousand. On 30 September 2008 ENEA S.A. appealed against this decision. As at the date of the preparation of these consolidated financial statements the appeal was still pending.

By the decision of the President of the Office of Competition and Consumer Protection dated 30 September 2008 which terminates legal proceeding concerning the abuse of a dominant position by violations of deadlines of delivering conditions of the connection to the power grid and determining the impact of projected wind-farm on the electro-energetic system, ENEA Operator Sp. z o.o. was obliged to pay a penalty in the amount of PLN 11,626 thousand. ENEA Operator Sp. z o.o. appealed against this decision. As at the date of the preparation of these consolidated financial statements the appeal was still pending. As at 31 December 2008 the Group created a provision for the above-mentioned penalty payment in full amount.

As a result of a administrative proceeding the President of the Energy Regulatory Office under the decision No DPE-451-206(4)/2688/2008MOS dated 27 November 2008 imposed on ENEA S.A. a fine in the amount of PLN 7,594,613.28, which constitutes 0.2771 % of revenue from licensed activity in 2006, in connection with the failure to perform in 2006 the duty, under article 9a section 8 of the Energy Law, to purchase the electric energy cogenerated with heat in energy sources connected to the grid and located in the territory of the Republic of Poland. On 17 December 2008 ENEA S.A. filed an appeal via Energy Regulatory Office to the District Court in Warsaw – Court for Consumer and Competition Protection, on the ground that ENEA S.A. had exercised due diligence in performing the required by Law duty, specified in article 9a section 8 of the Energy Law. These consolidated financial statements include a full amount of provision for the afore-mentioned fine.

Due to the nature of the Group's activities as at 31 December 2008 there was a number of other pending proceedings before public administration authorities.

The majority of these proceedings are initiated upon the request of the Group, which apply to competent public administration authorities for:

- an administrative enforcement to be instituted in order to collect receivables for an illegal consumption of electricity,
- a permit to construct new buildings and to modernize existing ones,
- a permit to situate electric equipment on a traffic lane,
- rates to be determined for annual fees for perpetual usufruct right,
- land for electric equipment to be separated.

Some of these proceedings are also complaint proceedings brought into government administration and local administration bodies or administrative courts in connection with decisions made in the above mentioned cases. None of the results of these cases should have significant impact on the net profit of the Group.

In connection with the control carried out by the Supreme Chamber of Control in the context of the *Restructuring of the energy sector starting from 2005 and safety of the power network* on 16 March 2009 the Company received a report on the control. On 23 March 2009 the Management Board of the Company presented formal reservations to this report indicating non-compliance with the regulations of the Law on Supreme Chamber of Control dated 23 December 1994 as well as other reservations to conclusions included in the report. These reservations are currently under investigation of the Appeal Committee of the Supreme Chamber of Control.

The nature of activities of ENEA Operator Sp. z o.o. (it operates in a regulated market under monopoly conditions) is a ground for many actions brought against the company by the President of the Energy Regulatory Office and the President of the Office of Competition and Consumer Protection, which are initiated upon requests of end consumers, who are serviced by the company.

The President of the Energy Regulatory Office as the principal government administration authority is entitled to regulate the business activity of energy companies, this is the reason why the President handles disputes concerning the refusal to sign agreements on the connection to the power grid, the sale and delivery of electricity, and the determination of the content of the mentioned above agreements.

As at 31 December 2008 the President of the Energy Regulatory Office conducted a number of explanatory and administrative proceedings against the Group.
None of the results of these proceedings should have significant impact on the net profit of the Group.

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

The risk related to the legal status of property used by the Group results from the fact, that the Group does not possess all legal titles to use the land, on which the Company's electric power grids and related equipment are located. The Group may be in the future obliged to incur costs for non-contractual use of these properties. There is also a risk of actions to be brought against the Group in order to prevent further use of these properties.
The lack of specific regulations of the legal status of property, on which the electric power grids and related equipment is situated, exposes the Group to the risk of compensations for the non-contractual use of land, tenancy cost or exceptionally, in individual cases the risk of relocation of the electricity related assets (and restoration of property to the original condition).

Claims asserted against the Group are the claims for payment (compensations for the non-contractual use of property, for the decrease in the property's value, for lost profits) and claims to desist from the trespassing of possession (demand to remove the equipment).

The results of these cases are important as they significantly influence the Group's actions in respect of persons asserting pre-court claims related to equipment located at their property in the past, as well as the Group's actions in respect of the regulation of a legal status of equipment in the case of new investments.

The Group has created a provision for all claims asserted by the owners of the affected properties based on the best possible, in the opinion of the Management Board, estimate of expenditures necessary to settle those claims. As at 31 December 2008 the Management Board of ENEA S.A. conducted an analysis of all submitted claims, which have not been submitted to court. Based on the results of the analysis the estimate was revalued and it was decided to reverse partially the provision for claims submitted by owners of property used without a contractual agreement (Note 28).

The Group does not create a provision for potential un-asserted claims in relation to land with an unregulated legal status. Potential amounts claimed may be significant for the Group given the total area of land subject to an unregulated legal status (with power grids and related equipment located on these properties). The Group does not have sufficient records and the knowledge of a legal status of used land and therefore is not able to assess reliably the maximum amount of potential claims from the non-contractual use of land.

45.5. Risk related to the participation in costs of usage of land owned by State Forests for the purpose of power grids

Due to the lack of particular legal regulations, provisions for claims resulting from the use of the forest land, which is owned by the State Forest, for the purpose of power grids, which are property of the Group were not recognized in the accounting books as at 31 December 2008. The meeting initiated by the Minister of Environment with the participation of representatives of the State Forests, the Minister of the State Treasury, PSE-Operator and the Polish Society of Transmission and Distribution of Electricity representing the interests of distribution (transmission) companies took place on 29 November 2006. The proposal of the State Forests to reach tenancy contracts in relation to land, on which the power grids are located, was not adopted. It has been acknowledged that it is necessary to develop a comprehensive solution based on appropriate legislative changes. The assessment of provisions for the participation in costs of the property tax for the land owned by the State Treasury incurred by State Forests as at this day is impossible. Taking into consideration the area of the land, potential liabilities in this regard might be significant.

Apart from the actions mentioned above, which were taken in order to develop a comprehensive solution concerning a legal status of State Forest property, some of the local forestries asserted claims against the Group for compensations regarding the non-contractual use of lands by the Group. These claims are included in the provision described in the Note 28.

46. Carbon dioxide emission rights

As at 31.12.2008 carbon dioxide emission rights amounted to:

	Amount in thousands of tons
Carbon dioxide emission rights for the year 2008	
Granted	9 637
Used	(10 005)
Purchased	-
Sold	-
As at 31.12.2008	**(368)**

As at 31.12.2007 carbon dioxide emission rights amounted to:

	Amount in thousands of tons
Carbon dioxide emission rights for the year 2007	
Transferred from the previous year	247
Granted	10 539
Used	(10 547)
Purchased	175
Sold	(400)
As at 31.12.2007	**14**

Information on the amount of provision for the purchase of CO_2 emission rights was presented in the Note 28.

The potential growth, in 2008 and following years, of restrictions concerning the reduction of the carbon dioxide emission may seriously influence the profitability of the Group activities.

47. Launch of negotiations regarding the acquisition of Zespół Elektrowni Pątnów-Adamów-Konin S.A.

In 2008 the Parent Company commenced negotiations with a bankruptcy trustee of Elektrim S.A. regarding the acquisition of 45.95% shares of Zespół Elektrowni Pątnów-Adamów-Konin S.A. (ZE PAK). Submitting a binding offer by ENEA S.A. is however subject to a list of conditions including conducting a legal, financial, tax, technical, environmental and operational due diligence of ZE PAK and its capital group, reconciling all the sales agreement conditions and a satisfactory solution of the issues regarding claims raised by creditors of Elektrim S.A. in relation to shares of ZE PAK. Until the date of approval of these consolidated financial statements no binding decisions have been taken.

48. Changes in excise duty

On 1 March 2009 the Amendment to the Act on Excise Duties dated 23 January 2004 has entered into force. New regulations in terms of excise duty were necessary in order to bring Polish regulations in line with EU regulations. According to these changes tax obligation in the field of excise duty arises at the moment of the supply of energy to an end-users (previously at the moment of production of electric energy). Therefore, with the effect from 1 March 2009, ENEA S.A. is the entity responsible for the excise duty payment (previously Elektrownia „Kozienice S.A.)

Simultaneously, on the 12 February 2009, the European Court of Justice has passed a judgment stating that the previously binding Polish provisions defining the tax obligation moment in the excise duty on electric energy were in breach with the EU Energy Directive.

In connection with the above facts in February 2009 Elektrownia "Kozienice" S.A. filed an application to the Head of the Customs Office in Radom for the excise duty overpayment return in the amount of PLN 694,574 thousand for the period from January 2006 to December 2008. Because of the uncertainty about the outcome of the case, the excise duty return subject to that application has not been included in these consolidated financial statements.

49. Subsequent events

49.1. Registration of the share capital increase

On 3 November 2008 the Extraordinary Shareholders Meeting adopted a resolution on the increase in share capital of the Company in connection with the planned initial public offer of 103,816,150 new ordinary shares of the C series of a nominal value PLN 1 each. The share capital was increased from the amount of PLN 337,626,428 to the amount of PLN 441,442,578. This increase in share capital was registered in the National Court Register on 13 January 2009. On 30 January 2009 new shares were registered in the National Deposit of Securities.

49.2. Action taken in order to acquire a mining company

The Group intends to acquire an organized part of the enterprise of Kopalnia Węgla Kamiennego “Brzeszcze – Silesia” Ruch II Silesia and submitted a non-binding offer to the present owner. As at the date of the preparation of the consolidated financial statements no binding decisions have been taken.

TRANSLATION

ENEA S.A. Group

Report supplementing
the auditor's opinion
on the consolidated financial
statements
Financial year ended
31 December 2008

The report supplementing the auditor's opinion
contains 19 pages
Report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2008

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation

Contents

1. General

1.1 Identification of the Group

1.1.1 Name of the Group

ENEA S.A. Group

1.1.2 Registered office of the Parent Company of the Group

ul. Nowowiejskiego 11,
60-967 Poznań

1.1.3 Registration of the Parent Company in the National Court Register

Registration court:	District Court in Poznań, XIV Commercial Department of the National Court Register
Date:	21 May 2001
Registration number:	KRS 0000012483

1.1.4 Registration of the Parent Company in the Tax Office and Statistical Office

NIP number:	777-00-20-640
REGON:	630139960

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2008, the following companies were consolidated by the Group:

Parent Company:

- ENEA S.A.

Subsidiaries fully consolidated:
- ENERGOMIAR Sp. z o.o.
- BHU S.A.
- Energetyka Poznańska Biuro Usług Technicznych S.A.
- Energetyka Poznańska Hotel „EDISON" Sp. z o.o.
- Energetyka Wysokich i Najwyższych Napięć „EWiNN" Sp. z o.o.
- Energetyka Poznańska Zakład Transportu Sp. z o.o.
- COGEN Sp. z o.o.,
- EnergoPartner Sp. z o.o.
- Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o.
- Energetyka Poznańska Zakład Obsługi Socjalnej ENERGO-TOUR Sp. z o.o.

- ENEOS Sp. z o.o.
- ENTUR Sp. z o.o.
- Niepubliczny Zakład Opieki Zdrowotnej Centrum Rehabilitacyjno – Wczasowe ENERGETYK Sp. z o.o.
- STEREN Sp. z o.o.
- Elektrownie Wodne Sp. z o.o.
- Zakład Usług Przewozowych ENERGOTRANS Sp. z o.o.
- Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Oborniki
- Zakład Usług Teleinformatycznych ZZE S.A. „IT Serwis" Sp. z o.o.
- Zakład Handlowo – Usługowy „Auto - Styl Zielonogórskich Zakładów Energetycznych S.A. Sp. z o.o.
- FINEA Sp. z o.o.
- Przedsiębiorstwo Energetyki Cieplnej – Gozdnica Sp. z o.o.
- ENEA Operator Sp. z o.o.
- Elektrownia „Kozienice" S.A.
- Miejska Energetyka Cieplna Sp. z o.o. in Piła
- Kozienice II Sp. z o.o.

The following subsidiaries were consolidated for the first time due to the acquisition of a controlling interest by the Parent Company during the financial year ended 31 December 2008:

- Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Oborniki – consolidated for the period from 11 to 31 December 2008,

- Miejska Energetyka Cieplna Sp. z o.o. in Piła – consolidated for the period from 29 to 31 December 2008,

- Kozienice II Sp. z o.o. – consolidated for the period from 8 August to 31 December 2008.

Associated entities:

- Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A.

- Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A.

- Elektrociepłownia Białystok S.A.

Joint venture:

- „PWE Gubin" Sp. z o.o.

The company was established as joint venture with Kopalnia Węgla Brunatnego „KONIN" w Kleczewie S.A. on 8 September 2008.

Associated entities and joint venture are carried in the consolidated financial statements using the equity method.

1.2.2 Entities excluded from consolidation

As at 31 December 2008 all subsidiaries, associated entities and entities under common control comprising the ENEA S.A. Group were consolidated.

1.3 Auditor information

Name:	KPMG Audyt Sp. z o.o.
Registered office:	Warsaw
Address:	ul. Chłodna 51, 00-867 Warsaw
Registration number:	KRS 0000104753
Registration court:	District Court for the Capital City Warsaw in Warsaw, XII Commercial Department of the National Court Register
Share capital:	PLN 125,000
NIP number:	526-10-24-841

KPMG Audyt Sp. z o.o. is entered in the register of entities authorized to audit financial statements under number 458.

1.4 Legal status

1.4.1 Share capital

The Parent Entity was established on 12 July 1993 as a result of the transformation of a state enterprise operating under the name Zakład Energetyczny Poznań seated in Poznań into a joint stock company wholly owned by the State Treasury under the name „Energetyka Poznańska S.A." seated in Poznań (notarial deed registered in Repertory A under no 2432/93).

ENEA S.A. operating under the former name Energetyka Poznańska S.A. was registered in the National Court Register on 21 May 2001 in the District Court in Poznań under the number KRS 0000012483.

On 2 January 2003 the court registered the business combination of the following companies: Energetyka Poznańska S.A., Energetyka Szczecińska S.A., Zielonogórskie Zakłady Energetyczne S.A., Zakład Energetyczny Gorzów S.A. and Zakład Energetyczny Bydgoszcz S.A. The businesses combination was conducted through an acquisition and the acquirer was Energetyka Poznańska S.A.

The name Energetyka Poznańska S.A was changed to Grupa Energetyczna ENEA S.A on 2 January 2003.

The Parent Company changed the name to ENEA S.A on 13 October 2004.

According to the Resolution of the Extraordinary Meeting of Shareholders dated 23 July 2007 the share capital of the Parent Company was increased by PLN 126,626 thousand by the issue of 126,625,657 ordinary registered shares of a nominal value of PLN 1 each. The State Treasury in exchange for the Parent Company's new issued shares has contributed 100 % of shares of Elektrownia ”Kozienice” S.A. The capital increase was registered on 30 January 2008.

On 1 August 2008 the General Shareholders Meeting adopted a Resolution on the redemption of 10,594,129 B series registered shares of a nominal value of PLN 1 each and a Resolution on the decrease of share capital of the Parent Company by PLN 10,594,129 i.e. from PLN 348,220,557 to PLN 337,626,428. The redemption of shares was an obligation imposed by law and was connected with the cash equivalents of share-based payments to Entitled Employees. The decrease in share capital was registered in the National Court Register on 5 September 2008.

On 3 November 2008 the Extraordinary Shareholders Meeting adopted a Resolution on the increase in share capital of the Parent Company through the public offer of 103,816,150 C series ordinary bearer shares of a nominal value of PLN 1 each. The share capital was increased from the amount of PLN 337,626,428 to PLN 441,442,578. The increase in share capital was registered in the National Court Register on 13 January 2009.

As at 31 December 2008 the share capital of the Parent Company amounted, according to the National Court Register, to PLN 337,626 thousand and was divided into 337,626,428 shares of a nominal value of PLN 1 each.

As at the day of the adoption of the International Financial Reporting Standards, approved by the European Union, i.e. 1 January 2004 the share capital of the Parent Company was restated according to IAS 29 “*Financial Reporting in Hyperinflationary Economies*” by the amount of PLN 107,765 thousand and adjusted by the amount of PLN 38,810 thousand resulting from other adjustments.

As at 31 December 2008 (after the increase in share capital by the public offer of shares, which was registered in the National Court Register on 13 January 2009) the shareholders structure was as follows:

Name of the Shareholder	**Number of shares**	**Voting rights (%)**	**Nominal value of shares PLN '000**	**Percentage of share capital (%)**
State Treasury	337 626 428	76.48%	337 626	76.48%
Vattenfall AB	82 395 573	18.67%	82 396	18.67%
EBRD	11 038 962	2.50%	11 039	2.50%
ENEA S.A.	1 129 608	0.26%	1 130	0.26%
Other	9 252 007	2.09%	9 252	2.09%
	441 442 578	**100.0%**	**441 443**	**100.0%**

Share capital from business combinations	38 810
Share capital from hyperinflation revaluation	107 765
Share capital	**588 018**

1.4.2 Management of the Parent Company

The Management Board is responsible for management of the Parent Company.

At 31 December 2008, the Management Board of the Parent Company comprised the following members:

- Paweł Mortas - Chairman of the Management Board
- Marek Hermach - Member of the Management Board responsible for Commercial Affairs
- Czesław Koltermann - Member of the Management Board elected by employees of the Company
- Sławomir Jankiewicz Member of the Management Board responsible for Economic Affairs
- Piotr Koczorowski - Member of the Management Board responsible for Corporate Affairs
- Marek Malinowski - Member of the Management Board responsible for Strategy and Development

On 26 March 2008 the Supervisory Board adopted a Resolution on the dismissal of Mr. Paweł Mortas from the position of the Chairman of the Management Board and adopted a Resolution on the dismissal of Mr. Marek Hermach from the position of the Management Board Member responsible for Commercial Affairs.

By the Resolution of the Supervisory Board Mr. Piotr Koczorowski was appointed to act temporarily as the Chairman of the Management Board of ENEA S.A.

Following changes have been made in the composition of the Management Board in 2008:

By the Resolution of the Supervisory Board dated 3 June 2008 Mr Zbigniew Piętka was dismissed from the position of the Management Board Member responsible for ENEA's Infrastructure.

By the Resolution of the Supervisory Board dated 15 July 2008 Mrs. Renata Czech was dismissed from the position of the Management Board Member responsible for Economic Affairs.

On 29 November 2008 as a result of selection process, the Supervisory Board adopted Resolutions concerning the appointment of the following individuals to the position of Members of the Management Board:

- Sławomir Jankiewicz - Member of the Management Board responsible for Economic Affairs
- Piotr Koczorowski - Member of the Management Board responsible for Corporate Affairs
- Marek Malinowski - Member of the Management Board responsible for Strategy and Development

1.4.3 Scope of activities

The Company's main activity is energy trade.

The Parent Company has also rendered number of services during the period including the maintenance of street lightning facilities, maintenance of power grids and other energy related services.

The main activity of subsidiaries of the ENEA Group according to the Statute are:

- production of electric and heat energy,
- distribution of electric energy,
- wholesale and delivery of products used in the power industry and in the distribution of energy,
- trading street and industrial lightning equipment,
- maintenance of street lightning,
- services related to the design of power grids.

1.5 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2007 were audited by KPMG Audyt Sp. z o.o. and received on 3 June 2009 an unqualified opinion with the following emphasis of matters:

„Without qualifying our opinion, we draw attention to Note 2.1 of the supplementary information to the consolidated financial statements. According to the regulations of the Accounting Act i.e. article 55 paragraph 6d in connection with article 55 paragraph 6b the General Meeting adopted in 2005 the Resolution that starting from 1 January 2005 the Group was preparing its consolidated financial statements according to the International Financial Reporting Standards approved by the European Union ("IFRS EU"). In connection with changes in the concept of the privatization of the national power industry, in 2006 ENEA S.A. lost its status of an issuer applying for the admission to trade on the regulated market. In connection with the above the regulations of the Accounting Act i.e. article 55 paragraph 6b concerning the preparation of the consolidated financial statements according to IFRS EU are not applicable. The Accounting Act does not govern the situation described above. The Management Board of ENEA S.A. taking into consideration the information presented in Note. 2.1. decided to continue to apply adopted accounting policies and prepared the consolidated financial statements for the year ended 31 December 2007 in accordance with IFRS EU."

The consolidated financial statements were approved at the General Meeting on 9 June 2008.

The closing balances as at 31 December 2007 have been properly recorded as the opening balances of the audited year.

The consolidated financial statements were submitted to the Registry Court on 1 July 2008 and were published in Monitor Polski B No. 1908 on 4 December 2008.

1.6 Audit scope and responsibilities

This report was prepared for the General Meeting of ENEA S.A., seated in Poznań ("the Group"), which comprise the consolidated balance sheet as at 31 December 2008, with total assets and total liabilities and equity of PLN 11,985,917 thousand, the consolidated income statement for the year then ended with a net profit of PLN 215,367 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 2,257,878 thousand, the consolidated cash flow statement for the year then ended with an increase in cash amounting to PLN 1,679,867 thousand and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements have been audited in accordance with the contract dated 9 October 2008, concluded on the basis of the resolution of the Supervisory Board of ENEA S.A. dated 6 September 2008 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act, the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing.

We conducted the interim audit of the consolidated financial statements in the Parent Company's head office during the period from 17 November 2008 to 19 December 2009.

We conducted the audit of the final consolidated financial statements in the Parent Company's head office during the period from 2 to 28 February 2009 and in the period from 7 to 8 April 2008 and on 15 April 2009.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

Our responsibility is to express an opinion and to prepare a supplementing report on the financial statements.

The Management Board of the Parent Company submitted a statement, dated the same date as this report, as to the true and fair presentation of the consolidated financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

KPMG Audyt Sp. z o.o., the members of its Management Board and Supervisory Board and other persons involved in the audit of the consolidated financial statements fulfil independence requirements from the companies included in the Group.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o. o.

1.7 Information on audits of the financial statements of the consolidated companies

1.7.1 Parent Company

The financial statements of the Parent Company for the year ended 31 December 2008 were audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received on 17 April 2009 a qualified opinion.

The qualification relates to the lack of the revaluation of the share-based program as at 31 December 2008.

1.7.2 Other consolidated entities

Company name	Auditor	Balance sheet date	Opinion of the independent auditor
ENERGOMIAR Sp. z o.o.	Kancelaria Biegłych Rewidentów "K.B.R." Sp. z o.o., 60-856 Poznań, ul. Mylna 21/15-16	31 December 2008	unqualified
BHU S.A.	KPMG Audyt Sp. z o.o.	31 December 2008	unqualified
Energetyka Poznańska Biuro Usług Technicznych S.A.	Audyt i Rachunkowość "UZR-CBR" Sp. z o.o., 60-152 Poznań, ul. Junacka 23	31 December 2008	unqualified
Energetyka Poznańska Hotel "EDISON" Sp. z o.o.	Kancelaria Biegłych Rewidentów "K.B.R." Sp. z o.o., 60-856 Poznań, ul. Mylna 21/15-16	31 December 2008	unqualified
Energetyka Wysokich i Najwyższych Napięć "EWiNN" Sp. z o.o.	Audyt i Rachunkowość "UZR-CBR" Sp. z o.o., 60-152 Poznań, ul. Junacka 23	31 December 2008	unqualified
Energetyka Poznańska Zakład Transportu Sp. z o.o.	Kancelaria Biegłych Rewidentów "K.B.R." Sp. z o.o., 60-856 Poznań, ul. Mylna 21/15-16	31 December 2008	unqualified
COGEN Sp. z o.o.	Not audited	31 December 2008	n/a
EnergoPartner Sp. z o.o.	CGS-Audytor Sp. z o.o., 61-541 Poznań, ul. Przemysłowa 46A/141	31 December 2008	unqualified

Company name	Auditor	Balance sheet date	Opinion of the independent auditor
Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2008	qualified in relation to inventory as at 31 December 2007
Energetyka Poznańska Zakład Obsługi Socjalnej ENERGO-TOUR Sp. z o.o.	Kancelaria Biegłych Rewidentów "K.B.R." Sp. z o.o., 60-856 Poznań, ul. Mylna 21/15-16	31 December 2008	unqualified
Eneos Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2008	unqualified
STEREN Sp. z o.o.	Not audited	31 December 2008	n/a
ENTUR Sp. z o.o.	Firma Audytorsko-Konsultingowa "Per saldo" Sp. z o.o., 70-900 Szczecin, ul. H.Pobożnego 5	31 December 2008	unqualified
Niepubliczny Zakład Opieki Zdrowotnej Centrum Rehabilitacyjno - Wczasowe ENERGETYK Sp. z o.o.	"Controlling" - Kancelaria Biegłych Rewidentów Sp. z o.o., 62-400 Słupca, ul. Plac Szkolny 11	31 December 2008	unqualified
Elektrownie Wodne Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2008	unqualified
Zakład Usług Przewozowych ENERGOTRANS Sp. z o.o.	Biuro audytorskie Łucja Frelich, 74-300 Myślibórz, ul. Północna 26	31 December 2008	unqualified
Zakład Usług Teleinformatycznych ZZE SA "IT Serwis" Sp. z o.o	Euro-Profit Sp. z o.o., 60-548 Poznań, ul. Kadłubka 9/1	31 December 2008	unqualified
Zakład Handlowo-Usługowy "Auto-Styl" Zielonogórskich Zakładów Energetycznych S.A. Sp. z o.o.	Firma Auditingu i Rachunkowości "Fair" Sp. z o.o., 65-484 Zielona Góra, ul. Sikorskiego 4	31 December 2008.	n/a
FINEA Sp. z o.o.	Not audited	31 December 2008	n/a
Przedsiębiorstwo Energetyki Cieplnej – Gozdnica Sp. z o.o.	Not audited	31 December 2008	n/a
ENEA Operator Sp. z o.o.	KPMG Audyt Sp. z o.o.	31 December 2008	qualified in relation to accounting for tax on civil law transactions
Elektrownia „Kozienice” S.A.	Deloitte Audyt Sp. z o.o., 00-549 Warszawa, ul. Piękna 18	31 December 2008	unqualified

Company name	Auditor	Balance sheet date	Opinion of the independent auditor
Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. w Obornikach	Biuro Usług Rachunkowych "Alwex" Alicja Wekwert, 62-100 Wągrowiec, ul. M. Reja 39	31 December 2008	unqualified
Miejska Energetyka Cieplna Sp. z o.o. w Pile	Biuro doradztwa finansowo - księgowego i badania sprawozdań finansowych Kazimierz Kluska, 64-730 Wieleń, ul. Strzelecka 1C/3	31 December 2008	unqualified
Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A.	Audyt i Rachunkowość "UZR-CBR" Sp. z o.o., 60-152 Poznań, ul. Junacka 23	31 December 2008	unqualified
Elektrociepłownia Białystok S.A.	PricewaterhouseCoopers Sp. z o.o., 00-638 Warszawa, Al. Armii Ludowej 14	31 December 2008	unqualified
Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A.	KPMG Audyt Sp. z o.o.	31 December 2008	unqualified
"PWE Gubin" Sp. z o.o.	Not audited	31 December 2008	n/a

The financial statements of 15 subsidiaries included in the consolidation were audited by other than KPMG Audyt Sp. z o.o., certified auditors. The proportion of balance sheet totals of those entities in the consolidated balance sheet total of the Group (before intra-group eliminations), amounted to 30% and the proportion of total revenues of those entities in the total revenue of the Group (before inter-group eliminations) amounted to 31 % for the year ended 31 December 2008.

Financial statements of 2 associated entities were audited by other than KPMG Audyt Sp. z o.o. certified auditors.

Financial statements of other entities comprising the Group were not subject to an obligatory audit of the financial statements for the financial year ended 31 December 2008.

2 Financial analysis of the Group

2.1 Summary of the consolidated financial statements

2.1.1 Consolidated balance sheet

ASSETS	31.12.2008 (PLN '000)	% of total	31.12.2007 (PLN '000)	% of total
Non-current assets				
Tangible fixed assets	7 944 815	66.3	7 871 161	80.2
Perpetual usufruct rights	15 321	0.1	13 366	0.1
Intangible assets	36 606	0.3	40 518	0.4
Investment property	5 034	0.0	4 332	0.0
Investments in associates and joint venture accounted for using the equity method	189 941	1.6	5 207	0.1
Financial assets available-for-sale	8 965	0.1	14 981	0.2
Financial assets at fair value through profit or loss	1 033	0.0	1 379	0.0
Trade and other receivables	2 316	0.0	129	0.0
Total non-current assets	**8 204 031**	**68.4**	**7 951 073**	**81.0**
Current assets				
Inventories	270 044	2.3	149 065	1.5
Trade and other receivables	780 098	6.6	715 110	7.3
Current income tax assets	5 538	0.0	7 531	0.1
Available-for-sale financial assets	4 806	0.0	3 292	0.0
Held-to-maturity investments	100 741	0.8	49 323	0.5
Cash and cash equivalents	2 620 659	21.9	940 792	9.6
Total current assets	**3 781 886**	**31.6**	**1 865 113**	**19.0**
TOTAL ASSETS	**11 985 917**	**100.0**	**9 816 186**	**100.0**

EQUITY AND LIABILITIES	31.12.2008 PLN '000	% of total	31.12.2007 PLN '000	% of total
Equity				
Share capital	588 018	4.9	494 796	5.0
Treasury shares	(17 396)	0.1	-	-
Share premium	3 632 464	30.3	1 801 078	18.3
Share based payments reserve	1 144 336	9.5	901 110	9.2
Financial instruments revaluation reserve	(1 099)	0.0	1 552	0.0
Other reserves	(28 226)	0.2	-	-
Retained earnings	3 675 078	30.8	3 564 675	36.4
Total equity attributable to equity holders of the Parent Company	**8 993 175**	**75.8**	**6 763 211**	**68.9**
Minority interest	**31 078**	**0.3**	**3 164**	**0.0**
Total equity	**9 024 253**	**76.0**	**6 766 375**	**68.9**
Liabilities				
Borrowings	152 785	1.3	184 376	1.9
Trade and other payables	708	0.0	19	0.0
Finance lease liabilities	1 515	0.0	453	0.0
Deferred income from subsidies and connections' fee	767 514	6.5	684 593	7.1
Deferred tax provision	123 480	1.0	170 747	1.7
Employee benefits	438 796	3.7	335 766	3.4
Provisions for other liabilities and charges	33 211	0.3	11 236	0.1
Total non-current liabilities	**1 518 009**	**12.8**	**1 387 190**	**14.2**
Borrowings	52 605	0.4	69 244	0.7
Trade and other payables	865 581	7.3	787 702	8.1
Finance lease liabilities	877	0.0	296	0.0
Deferred income from subsidies and connections' fee	26 079	0.2	28 426	0.3
Current tax liabilities	18 705	0.2	22 945	0.2
Employee benefits	129 880	1.1	102 023	1.0
Liabilities due to cash settled share based payments	163 799	1.4	514 920	5.2
Provision for certificates of origin	101 403	0.8	66 638	0.7
Provisions for other liabilities and charges	84 726	0.7	70 427	0.7
Total current liabilities	**1 443 655**	**12.1**	**1 662 621**	**16.9**
Total liabilities	**2 961 664**	**24.9**	**3 049 811**	**31.1**
TOTAL EQUITY AND LIABILITIES	**11 985 917**	**100.0**	**9 816 186**	**100.0**

2.1.2 Consolidated income statement

	1.01.2008 - 31.12.2008 (PLN '000)	% of total sales	1.01.2007 - 31.12.2007 (PLN '000)	% of total sales
Revenues	6 376 006	103.5	5 508 919	101.2
Excise tax	(218 244)	3.5	(63 115)	1.2
Net revenues	6 157 762	100.0	5 445 804	100.0
Other operating revenues	80 914	1.3	69 020	1.3
Amortization and depreciation	(631 364)	10.2	(470 557)	8.6
Employee benefits	(940 080)	15.3	(619 974)	11.6
Consumption of raw materials and cost of merchandise sold	(1 223 245)	19.9	(467 631)	8.6
Cost of energy sold	(1 893 710)	30.7	(2 644 120)	48.6
Transmission services	(670 930)	10.9	(806 395)	14.8
Other external services	(348 436)	5.6	(187 831)	3.4
Taxes and charges	(159 507)	2.6	(154 539)	2.8
Loss on sales and liquidation of tangible fixed assets	(9 340)	0.2	(7 149)	0.1
Other operating expenses	(110 705)	1.8	(73 280)	1.3
Operating profit	**251 359**	**4.1**	**83 348**	**1.5**
Financial income	(51 178)	0.8	(19 394)	0.3
Financial costs	92 871	1.5	44 982	0.8
Share in profits of associates and joint ventures	414	0.0	147	0.0
Profit before tax	**293 466**	**4.8**	**109 083**	**2.0**
Income tax	(78 099)	1.3	412 593	7.6
Net profit for the reporting period	**215 367**	**3.5**	**521 676**	**9.6**
Attributable to:				
Equity holders of the Parent Company	215 361	3.5	521 514	9.6
Minority interest	6	0.0	162	0.0

2.2 Selected financial ratios

		2008	2007	2006
1.	**Return on sales**			
	net profit x 100% / net revenues	3.5%	9.6%	3.8%
2.	**Return on equity**			
	net profit x 100% / equity - net profit	2.4%	8.4%	4.9%
3.	**Debtors turnover**			
	average trade receivables (gross) x 365 days / net revenues	34 days	36 days	35 days
4.	**Debt ratio**			
	liabilities x 100% / equity and liabilities	24.7%	31.1%	31.8%
5.	**Current ratio**			
	current assets / current liabilities	2.6	1.1	1.3

- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, excluding allowances for receivables.

2.3 Interpretation of selected financial ratios

Return on sales and return on equity
Return on sales and return on equity ratios were significantly lower comparing to 2007. The decrease was mainly a result of the reversal of the provision for deferred income tax in 2007, which resulted from the increase in tax value of tangible fixed assets which were contributed in kind to ENEA Operator Sp. z o.o.

Debtors turnover
Debtors turnover remained at a similar level as in the previous years.

Debt ratio
The debt ratio of the Group decreased in comparison to the previous years mainly due to the increase in share capital through an issue of new shares.

Current ratio
The current ratio increased in comparison to the previous year. The significant increase of the cash balance which resulted from the inflow of cash from the issue of shares in 2008 resulted in an increase in the current ratio in comparison to the previous year from 1.1 to 2.6.

3 Detailed report

3.1 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

Due to the fact that not all entities included in the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company appropriate adjustments of the financial statements of these entities were conducted for the purposes of the preparation of the consolidated financial statements. Financial data in the financial statements were adjusted to the accounting principles applied by the Group.

Financial statements of entities comprising the Group and included in the consolidated financial statements were prepared as at the same date as the financial statements of the Parent Company,

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the ENEA S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements of the Decree of the Ministry of Finance dated 12 December 2001 on principles for the preparation of financial statements of related entities by entities other than banks and insurance companies (Official Journal from 2001, No. 152 item 1729).

3.3 Method of consolidation

The method of consolidation is described in note 3.2 of the notes to the consolidated financial statements.

3.4 Consolidation of equity and calculation of minority interest

The share capital of the Group is equal to the share capital of the Parent Company.

Share premium of the Group is the share premium of the Parent Company adjusted by the difference between the fair value of the contribution in kind for the increase in share capital and the carrying value of net assets of Elektrownia "Kozienice" S.A. included in the consolidated equity of the Group.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the balance sheet date to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

Minority interests in subsidiaries included in the consolidated financial statements were determined based on the minority shareholders' share in the subsidiaries' equity as at the balance sheet date.

3.5 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of ENEA S.A. (or subsidiary entities) and agreed with information received from the subsidiaries.

3.6 Notes to the consolidated financial statements

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the consolidated financial statements taken as a whole.

3.7 Report of the Management Board of the Parent Company on the Group's activities

The Report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) and the information is consistent with the consolidated financial statements.

3.8 Information on the opinion of the independent auditor

Based on our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2008, we have issued an opinion with the following qualification:

"According to information disclosed in Note 22 of the accompanying consolidated financial statements, the Entitled Employees of the ENEA S.A. Group, on the basis of the Law on Commercialization and Privatization dated 30 August 1996 ("Law on Commercialization and Privatization"), are entitled to acquire free of charge 15% of shares of ENEA S.A. The Group recognizes costs of services (employment services) received in share-based payments transactions and a corresponding increase in the equity at the moment when these services are rendered. Due to the fact that it is impossible to determine directly the fair value of employees' services, it is measured by reference to the fair value of the granted equity instruments (shares of ENEA S.A.) as at the Grant Date i.e. the date when all significant conditions of the employee shares grant are determined. The determination of the Grant Date depends on the moment when the first share is sold by the State Treasury based on general conditions. Till 31 December 2008 such sale has not occurred. In connection with the above the Group should determine at each balance sheet date until the Grant Date, the fair value of shares attributable to Entitled Employees in order to revise the cost of employees' services. As at 31 December 2008 the Management Board did not revise the value of share-based payments program considering that the share's price of PLN 14, actual as at the balance sheet date, does not reflect the fair value of shares of ENEA S.A. As a result, as at 31 December 2008 the accumulated cost of services performed by the Entitled Employees was recognized based on the valuation of shares of ENEA S.A. adopted for the purposes of preparation of the consolidated financial statements as at 30 June 2008, i.e. PLN 27.48 per share. In our opinion, the Management Board of ENEA S.A. should have revised the valuation of ENEA S.A. shares attributable to Entitled Employees as at 31 December 2008, in order to revise the costs of services performed by these employees. The potential adjustments to costs of employee benefits, net profit and share-based payments reserve have not been determined."

Signed on the Polish original	*Signed on the Polish original*
....	....
Certified Auditor No. 10176/7521 Michał Karwatka	For KPMG Audyt Sp. z o.o. ul. Chłodna 51; 00-867 Warsaw Certified Auditor No. 90061/7541 Marek Gajdziński, Member of the Management Board

Poznań, 17 April 2009

Management Report on the Operations of the ENEA Capital Group

Poznan, 17 April 2009

Table of contents

1. Organisation of the ENEA Capital Group

1 The ENEA Capital Group

As at 31 December 2008, 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. (electricity trading), ENEA Operator Sp. z o.o. (electricity distribution) and Elektrownia "Kozienice" S.A. (electricity generation). The remaining entities provide support activities in relation to the above companies. A detailed description of the main entities comprising the ENEA Capital Group is provided 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:	Poznan
Address:	ul. Nowowiejskiego 11, 60-967 Poznań
National Court Register - District Court in Poznan	KRS 0000012483
Telephone number:	(+48 61) 856 10 00
Fax number:	(+48 61) 856 11 17
Email:	enea@enea.pl
Website:	www.enea.pl
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. **Zakład Usług Teleinformatycznych ZZE S.A. „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 Cieplna Sp. z o.o.** with its registered office in Piła, engaged in the generation, transmission and distribution of heat.
23. **Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. w Obornikach** with its registered office in Oborniki, engaged in the generation, transmission and distribution of heat.
24. **Przedsiębiorstwo Energetyki Cieplnej „Gozdnica" Sp. z o.o.** with its registered office in Gozdnica, 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 Cieplnej 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 5,460,081,600 and which, as at 31 December 2008, constituted 99.8 per cent of their share capital, amounting to PLN 5,472,032,600 in total.

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

Item	Company name and address	Share capital - nominal value [PLN '000]	Shareholding of ENEA S.A. [PLN '000]	Percentage of capital and voting rights held by ENEA S.A.
1	BHU Spółka Akcyjna ul. Strzeszyńska 58, 60-479 Poznań	10 138.40	8 918.40	87.97
2	Energetyka Poznańska Biuro Usług Technicznych S.A. ul. Strzeszyńska 58, 60-479 Poznań	1 973.70	1 973.70	100.00
3	Energetyka Poznańska Hotel EDISON Sp. z o.o. Baranowo k/Poznania, 62-081 Przeźmierowo	21 236.50	21 236.50	100.00
4	"Energetyka Poznańska Zakład Transportu" Sp. z o.o. 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. ul. Strzeszyńska 58, 60-479 Poznań	2 447.00	2 447.00	100.00
6	ENERGOMIAR Sp. z o.o. ul. Strzeszyńska 58, 60-479 Poznań	2 344.00	2 344.00	100.00
7	"COGEN" Sp. z o.o. ul. Nowowiejskiego 11, 60-967 Poznań	1 000.00	1 000.00	100.00
8	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych "ENERGOBUD" Leszno Sp. z o.o. Gronówko 30, 64-111 Lipno k/Leszna	3 524.50	3 491.00	100.00
9	EnergoPartner Sp. z o.o. ul. Warszawska 43, 61-028 Poznań	8 000.00	8 000.00	100.00
10	ENERGO-TOUR Sp. z o.o. ul. Marcinkowskiego 27, 61-745 Poznań	9 543.00	9 535.00	99.92
11	ENEA Operator Sp. z o.o. ul. Strzeszyńska 58, 60-479 Poznań	4 678 050.00 *	4 678 050.00	100.00
12	Elektrownia "Kozienice" S.A. Świerże Górne, gmina Kozienice, 26-900 Kozienice 1	450 000.00**	450 000.00	100.00
13	Zakład Usług Teleinformatycznych ZZE S.A. „IT SERWIS" Sp. z o. o. ul. Zacisze 28, 65-775 Zielona Góra	100.00	100.00	100.00
14	Zakład Handlowo-Usługowy „AUTO-STYL" Zielonogórskich Zakładów Energetycznych S.A. Sp. z o.o. ul. Zacisze 15, 65-775 Zielona Góra	2 200.00	2 200.00	100.00
15	FINEA Sp. z o.o. ul. Warszawska 43, 60-028 Poznań	5 323.00	5 323.00	100.00
16	Przedsiębiorstwo Energetyki Cieplnej „Gozdnica" Sp. z o.o. ul. Świerczewskiego 30, 68-130 Gozdnica	340.00	340.00	100.00
17	"Eneos" Sp. z o.o. ul. Ku Słońcu 34, 71-080 Szczecin	19 559.00	19 559.00	100.00
18	ENTUR Sp. z o .o. ul. Malczewskiego 5/7 71-616 Szczecin	100.00	100.00	100.00
19	Elektrownie Wodne Sp. z o.o. Samociążek 92, 86-010 Koronowo	204 690.50	204 690.50	100.00
20	Niepubliczny Zakład Opieki Zdrowotnej Centrum Rehabilitacyjno – Wczasowe Energetyk Sp. z o.o. ul. Wilkońskiego 2, 88-100 Inowrocław	12 488.00	12 478.00	99.92
21	STEREN Sp. z o.o. ul. Lenartowicza 33-35, 85-133 Bydgoszcz	200.00	200.00	100.00

22	Zakład Usług Przewozowych "ENERGOTRANS" Sp. z o.o. ul. Energetyków 4, 66-400 Gorzów Wielkopolski	885.00	885.00	100.00
23	PEC Oborniki Sp. z o.o. ul. Wybudowanie 56, 64-600 Oborniki	5 182.50	4 560.00	87.99
24	Miejska Energetyka Cieplna Sp. z o.o. ul. Kaczorska 20, 64-920 Piła	26 732.00	17 375.00	64.997
25	„Kozienice II" Sp. z o.o.	1 000.00	300.00	30.00
	TOTAL	5 472 032.60	5 460 081.60	99.80

* - 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.

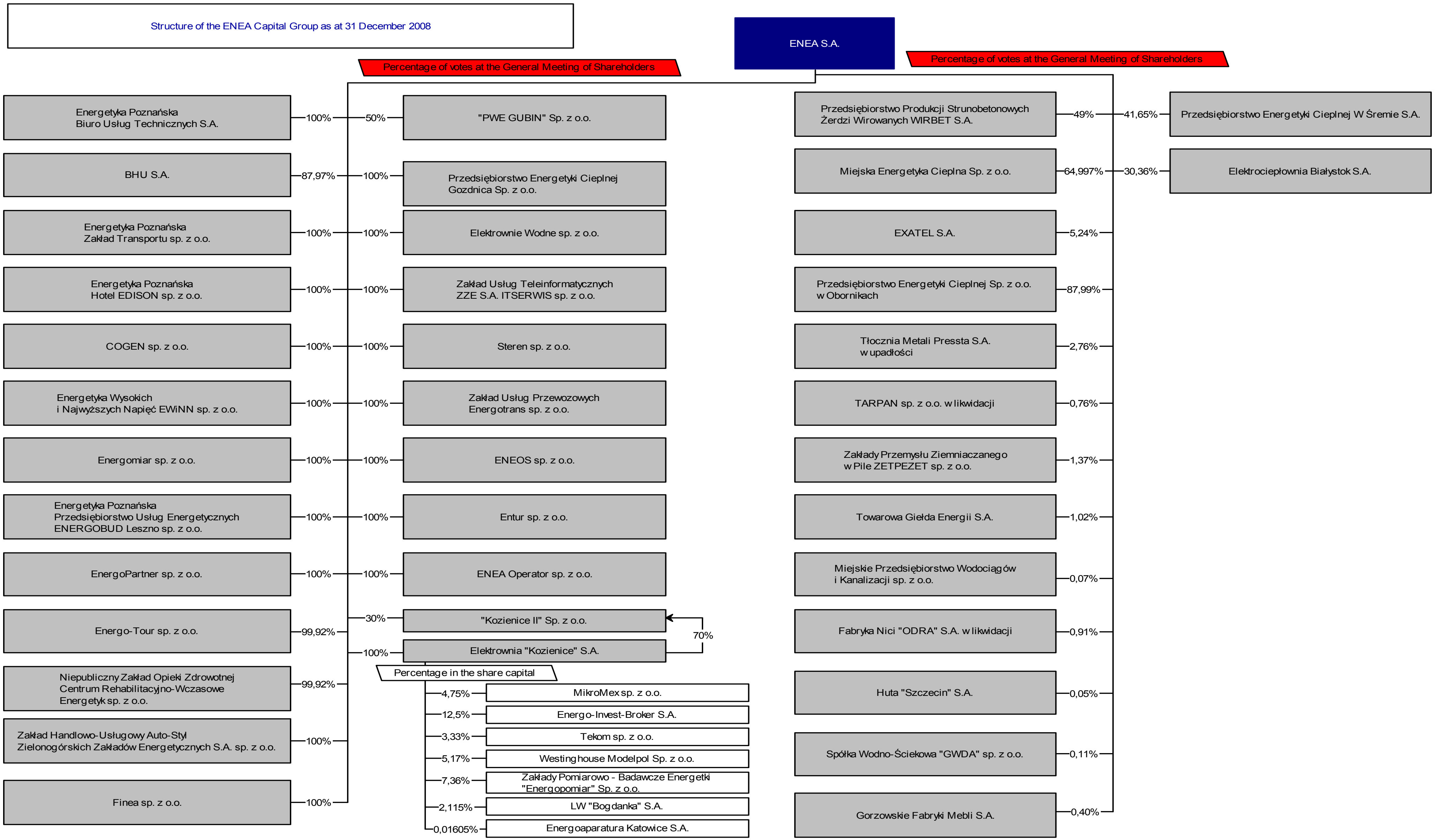
** - Share capital in accordance with the statute and the National Court Register. In the financial statements drawn up in accordance with the EU IFRSs, the share capital is stated after adjustment for hyperinflation.

Jointly-controlled company

1	PWE Gubin Sp. z o.o. 66-620 Sękowice 100 gm. Gubin Gubin	1 000.00	500.00	50.00

Affiliates *(more than 10% of share capital)*

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


Structure of the ENEA Capital Group as at 31 December 2008
ENEA S.A.
Percentage of votes at the General Meeting of Shareholders
Percentage of votes at the General Meeting of Shareholders
Energetyka Poznańska Biuro Usług Technicznych S.A.
100%
BHU S.A.
87,97%
Energetyka Poznańska Zakład Transportu sp. z o.o.
100%
Energetyka Poznańska Hotel EDISON sp. z o.o.
100%
COGEN sp. z o.o.
100%
Energetyka Wysokich i Najwyższych Napięć EWiNN sp. z o.o.
100%
Energomiar sp. z o.o.
100%
Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno sp. z o.o.
100%
EnergoPartner sp. z o.o.
100%
Energo-Tour sp. z o.o.
99,92%
Niepubliczny Zakład Opieki Zdrowotnej Centrum Rehabilitacyjno-Wczasowe Energetyk sp. z o.o.
99,92%
Zakład Handlowo-Usługowy Auto-Styl Zielonogórskich Zakładów Energetycznych S.A. sp. z o.o.
100%
Finea sp. z o.o.
100%
50%
"PWE GUBIN" Sp. z o.o.
100%
Przedsiębiorstwo Energetyki Cieplnej Gozdnica Sp. z o.o.
100%
Elektrownie Wodne sp. z o.o.
100%
Zakład Usług Teleinformatycznych ZZE S.A. ITSERWIS sp. z o.o.
100%
Steren sp. z o.o.
100%
Zakład Usług Przewozowych Energotrans sp. z o.o.
100%
ENEOS sp. z o.o.
100%
Entur sp. z o.o.
100%
ENEA Operator sp. z o.o.
30%
"Kozienice II" Sp. z o.o.
70%
100%
Elektrownia "Kozienice" S.A.
Percentage in the share capital
4,75%
MikroMex sp. z o.o.
12,5%
Energo-Invest-Broker S.A.
3,33%
Tekom sp. z o.o.
5,17%
Westinghouse Modelpol Sp. z o.o.
7,36%
Zakłady Pomiarowo - Badawcze Energetki "Energopomiar" Sp. z o.o.
2,115%
LW "Bogdanka" S.A.
0,01605%
Energoaparatura Katowice S.A.
Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A.
49%
41,65%
Przedsiębiorstwo Energetyki Cieplnej W Śremie S.A.
Miejska Energetyka Cieplna Sp. z o.o.
64,997%
30,36%
Elektrociepłownia Białystok S.A.
EXATEL S.A.
5,24%
Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. w Obornikach
87,99%
Tłocznia Metali Pressta S.A. w upadłości
2,76%
TARPAN sp. z o.o. w likwidacji
0,76%
Zakłady Przemysłu Ziemniaczanego w Pile ZETPEZET sp. z o.o.
1,37%
Towarowa Giełda Energii S.A.
1,02%
Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o.
0,07%
Fabryka Nici "ODRA" S.A. w likwidacji
0,91%
Huta "Szczecin" S.A.
0,05%
Spółka Wodno-Ściekowa "GWDA" sp. z o.o.
0,11%
Gorzowskie Fabryki Mebli S.A.
0,40%

2 Changes within the Capital Group

Reasons for restructuring the Capital Group

The year 2007 was key in terms of the Group's restructuring, when in order to comply with Article 9d of the Energy Law of 10 April 1997 (Journal of Laws of 2006 No. 89, item 625 as amended) read together with Article 22 of the Act amending the Energy Law and the Environmental Protection Act of 4 March 2005 (Journal of Laws No. 62 item 552 as amended) ENEA S.A., being legally obliged to separate its Distribution System Operator not later than 1 July 2007, established ENEA Operator Sp. z o.o.

In addition, a vertically integrated energy group was formed in accordance with the principles underlying energy policy. One of the decisions entailed including Elektrownia Kozienice S.A. in the ENEA Capital Group as of October 2007.

The remaining subsidiaries were established as part of the outsourcing policy, which involved devolving some functions performed by particular units to commercial companies created from the Company's own assets. New, independent commercial entities concentrating in their areas of expertise have the aim of opening up new markets and diversifying activities, thus ensuring competitiveness and increased effectiveness. The creation of companies was justified economically, mainly by the need to:

- increase the economic effectiveness of particular types of operations.
- increase independence in taking business decisions,
- adapt operations to market demands,
- create conditions and better opportunities for utilising highly-qualified managers and exploiting assets, mainly through developing deliveries, works and services on the external market,
- use the opportunity for creating an appropriate system for recording and accounting for revenues, expenses and outlays,
- separate payrolls and to link employee remuneration to company results.

Asset restructuring in 2008

After carrying out major organisational changes within the Group in 2007, in financial year 2008 further asset restructuring took place:

On 27 February 2008, the Extraordinary General Meeting of Shareholders of FINEA Sp. z o.o. in liquidation adopted Resolution No. 1 on discontinuing liquidation and on the future existence of the company.

On 18 June 2008, ENEA S.A. acquired from the company Infrastruktura Gminna Grupa Zachód Sp. z o.o. in liquidation with its registered office in Zielona Góra 100 per cent of the shares (i.e. 680 shares with a nominal value of PLN 500.00 each) in the company Przedsiębiorstwo Energetyki Cieplnej „Gozdnica” Sp. z o.o. with its registered office in Gozdnica, thereby becoming the sole shareholder in the Company.

On 30 June 2008 the Ordinary General Meeting of Shareholders of Energetyka Poznańska Biuro Usług Technicznych S.A. with its registered office in Poznań, adopted Resolution No. 17 on discontinuing liquidation and on the future existence of the company.

On 19 September 2008, the District Court in Zielona Góra recorded an entry to the National Court Register deleting the company Infrastruktura Gminna Grupa Zachód Sp. z o.o. in liquidation with its registered office in Zielona Góra. On 16 October 2008, the company IGG Zachód Sp. z o.o. in liquidation was deleted from the court register.

On 5 March 2009, an agreement was signed regarding the sale of shares in Spółka Wodno – Ściekowa „GWDA” Sp. z o.o., pursuant to which ENEA S.A. sold to the District of Piła 45 shares with a nominal value of PLN 500 each for PLN 514 per share. Title to the shares passed to the District of Piła on 17 March 2009, after payment for the entire share packet was made.

3 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. Activities are also under way aimed at acquiring the organised part of the mine Kopalni Wêgla Kamiennego "Brzeszcze – Silesia" Ruch II Silesia (KWK Silesia).

Apart from the possibility of obtaining additional capacity through acquiring existing entities, we are also planning to increase production capacity by building new units, incudling 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 1,0000 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.

4 Structure of key equity investments

In implementing the Company strategy as regards the development of the ENEA Capital Group, a number of capital investments were made in 2008. Of the main equity investments, the following purchases merit mention:

PEC Oborniki

The project involved an acquisition of 9,120 shares of the company Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. with its registered office in Oborniki, comprising in total 87.99 per cent of the share capital (current report No. 24/2008 of 12 December 2008).

MEC Piła

The project involved the acquisition of 17,375 shares of the company Miejskiej Energetyki Cieplnej Sp. z o.o. with its registered office in Piła, comprising in total 64.997 per cent of the share capital (current report No. 32/2008 of 29 December 2008).

Purchase of shares in Elektrociepłowni Białystok S.A.

The project involved an acquisition of 560,000 ordinary registered shares of the company Elektrociepłownia Białystok S.A. with its registered office in Białystok, comprising in total 30.36 per cent of the share capital (representing 30.36 per cent of the votes at the General Meeting of Shareholders). The share purchase was in accordance with the concept of restructuring the thermal power sector within the ENEA Capital Group (current report No. 33/2008 of 29 December 2008).

Purchase of shares in PEC w Śremie

The project involved the acquisition of 6,860 ordinary registered ordinary shares of the company Przedsiębiorstwo Energetyki Cieplnej w Śremie, comprising in total 41.65 per cent of the share capital (representing 41.65 per cent of the votes at the General Meeting of Shareholders). The share purchase was in accordance with the concept of restructuring the thermal power sector within the ENEA Capital Group (current report No. 29/2008 of 29 December 2008).

5 Other equity investments

In addition to the key equity investments described above, the Company made the following equtiy investments in entities producing energy through cogeneration in 2008:

On 7 July 2008, the Extraordinary General Meeting of Shareholders of the company EnergoPartner Sp. z o.o. adopted Resolution No. 1 on increasing the company's share capital from PLN 1,000,000 (one million zlotys) to PLN 8,000,000 (eight million zlotys), that is, by the amount of PLN 7,000,000 (seven million zlotys), through the creation of 7,000 (seven thousand) new shares with a nominal value of PLN 1,000 (one thousand zlotys) each. Those shares were subscribed in cash by the existing shareholder - ENEA S.A. The increase in the share capital of the company EnergoPartner Sp. z o.o. was registered by the District Court in Poznan, VIII Commercial Division of the National Court Register on 29 September 2008.

On 8 August 2008, ENEA S.A. and Elektrownia „Kozienice" S.A. established the company Kozienice II Sp. z o.o. with its registered office in Świerże Górne. In accordance with the Articles of Association, 30 per cent of the shares were subscribed by ENEA S.A. and 70 per cent of the shares by Elektrownia "Kozienice" S.A. The company was created for the purpose of building a new energy unit. The duration of the Company is limited. The company will be dissolved upon completion of all the works connected with implementing the project for which it was created. An entry to the National Court Register was made on 7 October 2008 under KRS 0000315037.

On 8 September 2008, ENEA S.A. and Kopalnia Węgla Brunatnego "KONIN" w Kleczewie S.A. ("KWB Konin") established the company PWE Gubin Sp. z o.o. The basic corporate purpose of the company is the extraction of brown coal. The company is jointly controlled, with ENEA and KWB Konin each holding 50 per cent of the shares. An entry to the National Court Register was made on 13 November 2008 under KRS 0000317521.

On 6 October 2008 the Extraordinary General Meeting of Shareholders of two subsidiary companies of ENEA S.A., Zakład Usług Przewozowych Energotrans Sp. z o.o. ("Energotrans") and Zakład Usług Motoryzacyjnych Energoauto Sp. z o.o. ("Energoauto"), adopted resolutions merging those companies through a transfer of all the assets of Energoauto to Energotrans. The merger of the companies was entered in the National Court Register on 31 October 2008.

On 3 December 2008, the Extraordinary General Meeting of Shareholders of the company Finea Sp. z o.o. adopted Resolution No. 1 on increasing its share capital by PLN 423 000, i.e., to PLN 5,323,000. All the new shares were subscribed by the sole sharehodler, ENEA S.A. They were covered by an in-kind contribution - some of the receivables due to ENEA S.A.

On 3 December 2008, ENEA S.A. purchased 100 ordinary registered shares in BHU S.A. from EP Biuro Usług Technicznych S.A. and 100 ordinary registered shares in BHU S.A. from EP Zakład Transportu Sp. z o.o. ENEA S.A. currently holds 89,184 BHU S.A. shares with a nominal value of PLN 100 each, constituting a total of 87.97 per cent of the share capital.

On 22 December 2008, ENEA S.A. acquired 100 shares of the company COGEN Sp. z o.o. from the company Baltic Sustainable Technology B.V., as a result of which ENEA S.A. holds 100 per cent of the shares.

On 5 March 2009, an agreement was signed regarding the sale of shares in Spółka Wodno – Ściekowa „GWDA" Sp. z o.o., pursuant to which ENEA S.A. sold to the District of Piła 45 shares with a nominal value of PLN 500 each for PLN 514 per share. Title to the shares passed to the District of Piła on 17 March 2009, after payment for the entire share packet was made.

6 Changes in organisation and management rules of the Capital Group

In 2008, 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 share capital by the takeover of Elektrownia Kozienice S.A.

7 Information on branches

The Company ENEA S.A. has no branches. Outside of Poznan, however, there are Key Customer Sales Offices operating in Bydgoszcz, Gorzów Wlkp, Zielona Góra and Szczecin.

2. The operations of the ENEA Capital Group

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, which became part of the Group in October 2007. The Kozienice power plant 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, the Elektrownia Kozienice power plant also began producing electricity from renewable sources (through the co-burning of biomass). In 2008, the Kozienice power plant generated a gross 11,790,882.425 MWh of electricity.

Generation of electricity from renewable sources is mainly the concern of our subsidiary, Elektrownie Wodne Sp. z o.o. In 2008, it obtained 144.072.563 energy certificates of energy from renewable sources. The annual power capacity of the 20 hydroelectric plants belonging to our Group amounts to 56 MW. The power generated in hydroelectric plants and transferred to the grid in 2008 amounted to 142,612,087 MWh.

Distribution

Within our Group, the distribution of electricity is the responsibility of ENEA Operator Sp. z o.o. ("ENEA Operator"), which acts as the operator of the electricity distribution system. 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 more than 124,500 km (including connections) and about 34,000 transmission stations (as at 31 December 2008).

Trade

Within our Group, trade in electric energy on the wholesale and retail markets is the task of ENEA S.A. In 2008 total sales of electric energy amounted to 19,978.8 GWh. Sales to retail customers amounted to 17,453.2 GWh, including 952.9 GWH to customers connected to an OSD power grid other than Enea Operator. As at 31 December 2009, we had 2,326,948 customers.

Other operations

Moreover, 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 Sales markets

The portfolio of customers to whom we sell electricity is highly diversified. Currently we sell electricity to ca. 2.3 million consumers, including some 2.0 million private individual customers and 0.3 million business customers. In 2008, the value of electricity sales to our largest customer amounted to 4.7 per cent of the total value of electricity sold, and the share of the 10 largest customers only slightly exceeded 15 per cent.

In 2008, total electricity sales amount to 19,978.8 GWh. Sales to retail customers amounted to 17,453.2 GWh, including 952.9 GWH to customers connected to an OSD power grid other than Enea Operator. As at 31 December 2009, we had 2,326,948 customers.

Sale of comprehensive services

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

Set of tariff groups	Description
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

The comprehensive services offer is addressed to customers on the domestic market connected to ENEA Operator's 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. Tariff group set C is used by non-household buildings connected to low-voltage grids, such as shops, service points, hotels, cities and districts for the purposes of street lighting. 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 operated by entities other than ENEA Operator, are concluded for fixed terms, most frequently of 12 months, though if the parties agree prices for subsequent periods, these agreements may be extended.. Termination notice periods are usually one month (in approx. 2.2 million agreements), and less often for two, three or six months (approx. 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

In 2008 revenues from the sale of electricity to end users grew 26.8 per cent compared with 2007. Growth was evident in every quarter as compared with the same quarter from the previous year. The largest increases of electricity sales to end users as compared with the previous year were made in the third and fourth quarters of 2008. Growth in both of these quarters exceeded 30 per cent. The value of electricity sold in each of the above periods of 2008 amounted to more than PLN 800,000, 000. The growth rate in particular quarters was as follows:

Item	Revenues from energy sales [PLN '000]		
	2007	2008	Growth [%]
Q1	675 030.1*	785 348.6	116.34
Q2	616 812.7*	796 169.7	129.08

Q3	614 189.4	803 681.7	130.85
Q4	674 091.1	886 909.9	131.57
TOTAL	2 580 123.3	3 272 109.9	126.82

Sales growth within particular tariff groups was as follows:

Item	Sale of Energy [MWh]		
	2007	2008	Growth [%]
Tariff group set A	2 019 758	2 262 937	112.0
Tariff group set B	7 208 127	7 188 358	99.7
Tariff group set C	3 593 018	3 706 147	103.1
Tariff group set G	4 187 616	4 295 743	102.6
TOTAL	17 008 519	17 453 185	102.6

In 2008 there was an increase in energy sales within almost all the tariff group sets. A decrease in sales of 0.3 per cent occurred only in tariff group set B. The largest increase in energy sales was observed in tariff group set A, by 112.0 per cent as compared with 2007. Sales of energy in tariff group set C for 2008 increased over the previous year by 3.2 per cent. Sales of energy in tariff group set G for 2008 increased over the previous year by 2.6 per cent. In 2008, total sales were 444,666 MWh greater than in 2007, which represents an increase of 2.6 per cent.

3 Supply markets

Purchase of energy from the Kozienice Power Plant

Since Kozienice Power Plant joined the Group, 88 per cent of electricity reserves – 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 – are sold to ENEA S.A.

The total electricity generation capacity within the Group is 2,936 MW, of which 2,880 MW is generated by Kozienice Power Plant, and 56 MW by the 20 hydroelectric power stations within the Group. The technical generation potential of the Kozienice Power Plant is 14.1 TWh net (15.0 TWh gross) annually. From 2005-2007, Elektrownia generated net electricity in the amount of 11.4, 12.5 and 11.6 TWh, respectively (corresponding to a gross generation of 12.1, 13.2 and 12.4 TWh). In 2008, Kozienice Power Plant produced a gross of almost 11.8 TWh. Taking into account the current size and efficiency of the Kozienice Power Plant's generating capacity and the planned assignment levels of carbon dioxide emission rights in 2008-2012 (9.6 million tonnes annually), the Kozienice Power Plant 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

In order to optimise its portfolio, ENEA purchases the remaining about of energy mainly on the basis of bilateral agreements (with generators, traders and on trading platforms), but also through concluding purchase transactions on the Polish Power Exchange and on the balancing market. ENEA also concludes arbitrage transactions in particular market segments.

Purchase of transmission services from PSE Operator

In 2008, ENEA Operator Sp. z o.o. bought transmission services from PSE Operator accounting for 11.5% of the net revenues of the ENEA Capital Group. PSE Operator is not affiliated with ENEA S.A.

Coal supply

Bituminous coal is the basic fuel used to generate electricity by the Issuer's main generation assets, i.e. the Kozienice Power Plants (the other leading power companies in Poland face the same situation). In 2008 the cost of coal constituted about 53 per cent of all operating expenses.

With regard to coal supplies, companies from the Issuer's Capital Group are dependent on Lubelski Węgiel "Bogdanka" S.A., Katowicki Holding Węglowy S.A., Jastrzębska Spółka Węglowa S.A. and Kompania Węglowa S.A. The Polish coal market is highly monopolised by State Treasury-owned companies, which control the vast majority of domestic coal supply volumes.

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 the Kozienice Power Plant, 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., to be implemented in Q1 2009.

Coal transport

The basic means of transport used to deliver bituminous coal to Kozienice Power Station is rail transport. More than 90 per cent of deliveries of that raw material to Kozienice Power Station are carried out by the state carrier PKP Cargo, the largest rail carrier in Poland.

4 Information about concluded agreements

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 Kozienice Power Plant. With regard to coal supplies, we are dependent on four producers: Lubelski Węgiel "Bogdanka" S.A., which by volume provided more than 57 per cent of our coal in 2007 and 54 per cent in 2008; Katowicki Holding Węglowy S.A.; Jastrzębska Spółka Węglowa S.A., and Kompania Węglowa S.A. All agreements described in this point were concluded in the normal course of operations.

Bituminous coal supply agreements

Fuel coal supply agreement of 24 January 2008 concluded between the Kozienice Power Plant and Kompania Węglowa S.A.

The subject matter of the agreement is the regulation of fuel coal supplies to the Kozienice Power Plant 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 sets out detailed terms of the delivery and taking delivery of coal, the method for calculating its price, the procedure and rules for document circulation, the rules for measuring the coal, quantity and quality settlements, as well as minimum quality parameters for the supplied coal for each of the mines/mining plants owned by Kompania Węglowa S.A. and each supply class. For providing a batch of coal failing to meet the minimum quality parameters, the seller must give the Kozienice Power Plant a discount in accordance with rules set out in the agreement. Moreover, the parties have provided contractual penalties for failure to deliver or to take delivery of the quantities of coal set out in the delivery schedule. The payment of contractual penalties does not preclude compensation liability on general terms as stipulated in the Civil Code. Each of the parties may terminate the agreement with a one-month notice period, the beginning of which falls on the first day of the month following the notice of termination. The agreement (together with an annex of 5 December 2008) is in force until 31 December 2008.

Fuel coal supply agreement of 29 February 2008 concluded between the Kozienice Power Plant and Jastrzębska Spółka Węglowa S.A.

The subject matter of the agreement is the sale and delivery of coal by Jastrzębska Spółka Węglowa S.A. to the Kozienice Power Plant. The prices and detailed rules for quantities of deliveries are negotiated at the signing of one-year agreements. Each of the parties may terminate the agreement with six months' notice. The agreement was concluded for a fixed term ending on 31 December 2010. The annual fuel coal supply agreement for 2008 was concluded on 29 February 2008.

Annual Agreement of 5 December 2007 on the provision of energy coal for 2008, constituting Attachment No. 3 to the Long-term Agreement No. UW/LW/02/04 and the Annual Agreement of 26 June 2008 on the provision of energy coal for 2009 constituting Attachment No. 4 to the Long-term Agreement No. UW/LW/01/04 concluded between Elektrownia "KOZIENICE" S.A. and Lubelski Węgiel S.A.

The subject of both annual agreements is the provision of energy coal which meets defined quality parameters, carried out during the life of the agreements, i.e.: 1 January 2008 - 12 December 2008 (AA 2008) and 1 January 2009 - 31 December 2009 (AA 2009), from the mine belonging to LW S.A. - KKW "Bogdanka".
The annual agreements set out the price of goal, the basic quantities to be delivered, the parametric limits of the coal (beyond which Elektrownia may impose contractual penalties in its monthly settlement), the method of transport, the method of financial settlement as well as the particular provisions under which the amounts and quality of the coal are to be accounted. The agreements may be terminated by either Party upon one year's notice, the first day of which will fall on the first day of a financial quarter, or at any moment as agreed by the Parties.
Either Party may impose contractual penalties for failure to deliver or failure to accept the amounts of coal according to the provisions specified in the Agreement.

The Annual Agreement of 17 December 2007 on the provision of energy coal for 2008 constituting Attachment No. 6 to the Long-term Agreement No. UW/KHW/02/04, concluded between Elektrownia "KOZIENICE" S.A. and Katowicki Holding Węglowy S.A.

The subject of the annual agreement is deliveries of energy coal carried out by the Seller in favour of Elektrownia „KOZIENICE" S.A during the life of the Agreement, i.e.: 1 January 2008 - 31 December 2008.
The annual agreement defines the basic quantities to be delivered together with an initial schedule of deliveries divided into quarters, the mines designated for providing the shipments, the price of specific categories of coal, the parametric quality limits (beyond which Elektrownia may impose contractual penalties in its monthly settlement), the method of transport, the method of financial settlement as well as the particular provisions under which the amounts and quality of the coal are to be accounted for. The agreements may be terminated by either Party upon one year's notice, which will commence on the first day of a financial quarter. In the case of a failure to perform or improper performance of the Agreement, either Party may impose contractual penalties as provided for in the Agreement.

Coal transport agreements

Fuel coal transport services provision agreement of 12 March 2008 concluded between the Kozienice Power Plant and PKP Cargo

The agreement governs the provision of fuel coal transport services by PKP Cargo for the Kozienice Power Plant from Silesian mines belonging to Katowicki Holding Węglowy S.A. and Kompania Węglowa S.A., as well as Lubelski Węgiel "Bogdanka" S.A. between 5 March 2008 and 4 March 2010. The agreement regulates the estimated amount of coal to be transported, the maximum price and prices of transport per tonne from individual suppliers while it remains in force. The agreement sets out monthly transport schedules, rules for receiving coal transports and rules for the settlement of receivables for transport, including complaint procedures. PKP Cargo has provided cash security for the proper performance of the agreement. The agreement provides contractual penalties for PKP Cargo for failing to carry out more than 10 per cent of the contracted transports for reasons within the control of PKP Cargo, and contractual penalties for the Kozienice Power Plant if it terminates the agreement for reasons within its control. The Kozienice Power Plant may terminate the agreement with immediate effect in case of a flagrant breach by PKP Cargo, and may demand compensation for the cost differential of services provided by another carrier. The agreement does not permit either party to terminate before its expiry without grounds.

Other significant agreements concluded by subsidiaries

Below we present other agreements concluded by ENEA Capital Group companies that are significant to the Group's operations:

1. Agreement between Elektrownia Kozienice S.A. and PSE Operator S.A. concluded on 31 December 2008 – understanding with regard to the conditions for providing system services (with an estimated net sales value in 2009 – PLN 28,684,068.84).

2. Fuel coal sale agreement between Jastrzębska Spółka Węglowa S.A. and Elektrownia Kozienice S.A., mentioned above, concluded on 29 February 2008, with net coal value of PLN 47,141,000.00 (with shipping PLN 53,641,000 net).

3. Fuel coal sale agreement between Kompania Węglowa S.A. and Elektrownia Kozienice S.A., mentioned above, concluded on 24 January 2008, with net coal value of PLN 127,753,964.50.

4. Fuel coal sale agreement between SUEK Polska Sp. z o.o. and Elektrownia Kozienice S.A., mentioned above, concluded on 18 December 2008, with net coal value of PLN 45,570,000.00 (with shipping PLN 54,970,000 net).

5. Fuel sale agreements between Lotos Jasło S.A. and Elektrownia Kozienice S.A. concluded on 23 January 2008 and 6 March 2008, with a total net value of fuel oil of PLN 10,642,497.04 (with shipping 11,272,909.69 net).

2. Significant transactions with affiliated entities

The Capital Group's companies subject to consolidation have concluded transactions with the following affiliated entities:

a) Companies included in the Capital Group that are subject to consolidation – these transactions are eliminated at the consolidation stage;
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,
- other civil-law agreements;

Transactions with members of the Group's corporate bodies

	Item	Company Management Board 01.01.2008-31.12.2008	Company Management Board 01.01.2007-31.12.2007	Company Supervisory Board 01.01.2008-31.12.2008	Company Supervisory Board 01.01.2007-31.12.2007
1.	Remuneration from employment agreement	936	1 020		
2.	Remuneration from appointment to management or supervisory bodies			336	313
3.	Remuneration from performing duties in the supervisory boards of dependent entities	140	114		
4.	Remuneration from other employee benefits, including: (reduced rates for electricity)	164	52		
	TOTAL	**1 240**	**1 186**	**336**	**313**

With regard to their remuneration levels Management Board and Supervisory Board members are subject to the provisions of the Act on the Remuneration of Persons Managing Selected Legal Entities of 3 March 2000 (regarding companies in which the State Treasury is a majority shareholder) The act sets the maximum monthly remuneration at six times the average remuneration in the commercial sector, excluding profit-related bonuses paid in the fourth quarter of the preceding year, as announced by the president of the Central Statistical Office. The annual bonus may not exceed three times the average monthly remuneration in the year preceding the award of the bonus.

Transactions consisting of loans from the Company Social Benefits Fund have been presented in the table below:

Body	State as at 01.01.2008	Granted as from 01.01.2008	Repayments to 31.12.2008	State as at 31.12.2008
Management Board	27	-	(9)	**18**
Supervisory Board	6	-	(6)	
TOTAL	**33**		**(15)**	**18**

Body	State as at 01.01.2007	Granted as from 01.01.2007	Repayments to 31.12.2007	State as at 31.12.2007
Management Board	32	-	(5)	**27**
Supervisory Board	9	-	(3)	**6**
TOTAL	**41**		**(8)**	**33**

Other transactions stemming from civil-law agreements concluded between the Dominant Entity and members of its corporate bodies relate exclusively to the use of company cars by ENEA S.A. Management Board members for personal purposes.

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 concluded between ENEA S.A. and affiliated entities in 2008. Determination of which transactions between the company and affiliated entities are significant was made on the criterion of the net value of an agreement concluded or performed in 2008. The threshold value of an agreement was set at PLN 1 million net.

No.	Subsidiary	Agreement conclusion date	Subject	Net value [PLN '000]
1.	ENEA Operator Sp. z o.o.	11.02.2008	Provision of financial and accounting services	5 306.44
2.	ENEA Operator Sp. z o.o.	23.09.2008	Provision of customer services	56 505.60
3.	ENEA Operator Sp. z o.o.	01.07.2008	Settlement with the Employer's employees who benefit from the right to reduced payments for electricity for household needs under the rules specified in the Interorganisational Collective Labour Agreement for employees of the Energy Industry of 13 May 1993.	5 985.03
4.	ENEA Operator Sp. z o.o.	19.03.2008	Maintenance and repair of street lighting elements. *The agreement value is given in euros.	5 000.00*
5.	ENEA Operator Sp. z o.o.	24.12.2007	Agreement No. ENEA/OSD/S/2008: agreement for the sale of electricity to cover losses of electricity in the grid of ENEA Operator Sp. z o.o., which was in force for a fixed term from 1 January 2008 to 31 December 2008. The agreement value shown is the value achieved in 2008.	277 236.81
6.	ENEA Operator Sp. z o.o.	30.06.2007	Agreement No. OSD/PO/ENEA/2007 on the provision of electricity distribution services, which was in force for a fixed term from 1 January 2008 to 31 December 2008. Its term has been extended with the following annexes: Annex 2 of 8 February 2008, to 31 March 2009, Annex 5 of 8 December 2008, to 30 June 2009 The value shown is the net value for 2008.	2 214 126.40
7.	Eneos Sp. z o.o.	07.12.2007	Commercial collaboration in providing services improving the quality and effectiveness of street lighting in the City	2 054.00

			of Stargard Szczeciński.	
8.	Eneos Sp. z o.o.	17.12.2007	Modernisation of the street lighting in the District of Inowrocław.	1 272.62
9.	Eneos Sp. z o.o.	10.01.2008	Modernisation of the street lighting in the District of Inowrocław.	1 558.27
10.	Eneos Sp. z o.o.	12.02.2008	Maintenance of street lighting equipment which is the property of ENEA S.A. in the City of Poznan	4 465.49
11.	Eneos Sp. z o.o.	25.07.2008	Lease of a set of lighting equipment serving to improve the quality and effectiveness of street lighting in the City of Stargard Szczeciński - stage 1.	1 260.66
12.	Eneos Sp. z o.o.	12.03.2008	Lease of a set of lighting equipment aimed at improving the quality and efficiency of street lighting in the City of Stargard Szczeciński.	1 196.22
13.	Eneos Sp. z o.o.	20.11.2008	Carrying out an investment task - services improving the quality and effectiveness of street lighting in the District of Września.	1 100.00
14.	Eneos Sp. z o.o.	22.12.2008	Carrying out an investment task - services improving the quality and effectiveness of street lighting in the District of Barcin.	1 425.00
15.	Elektrownie Wodne Sp. z o.o.	31.01.2008	electricity	1 016.26
16.	Elektrownie Wodne Sp. z o.o.	04.01.2008	certificates of origin	2 966. 67
17.	Elektrownie Wodne Sp. z o.o.	29.02.2008	electricity	1 031.30
18.	Elektrownie Wodne Sp. z o.o.	03.03.2008	certificates of origin	1 543.53
19.	Elektrownie Wodne Sp. z o.o.	31.03.2008	certificates of origin	1 562.72
20.	Elektrownie Wodne Sp. z o.o.	31.03.2008	electricity	1 257.34
21.	Elektrownie Wodne Sp. z o.o.	30.04.2008	electricity	1 367.85
22.	Elektrownie Wodne Sp. z o.o.	06.05.2008	certificates of origin	2 110.09
23.	Elektrownie Wodne Sp. z o.o.	31.05.2008	electricity	1 034.40
24.	Elektrownie Wodne Sp. z o.o.	10.06.2008	certificates of origin	2 336.23
25.	Elektrownie Wodne Sp. z o.o.	01.07.2008	certificates of origin	1 448.02
26.	Elektrownie Wodne Sp. z o.o.	01.09.2008	certificates of origin	1 421.58
27.	Elektrownie Wodne Sp. z o.o.	31.08.2008	electricity	1 077.38
28.	Elektrownie Wodne Sp. z o.o.	30.09.2008	certificates of origin	1 388.49
29.	Elektrownie Wodne Sp. z o.o.	30.09.2008	electricity	1 138.46
30.	Elektrownie Wodne Sp. z o.o.	31.10.2008	electricity	1 318.73
31.	Elektrownie Wodne Sp. z o.o.	03.11.2008	certificates of origin	1 471.08
32.	Elektrownie Wodne Sp. z o.o.	30.11.2008	electricity	1 481.56
33.	Elektrownie Wodne Sp. z o.o.	01.12.2008	certificates of origin	1 423.75
34.	Elektrownie Wodne Sp. z o.o.	23.12.2008	certificates of origin	1 403.92
35.	Entur Sp. z o.o.	20.03.2008	administration of holiday resorts belonging to ENEA S.A.	1 359.00
36.	Elektrownia "Kozienice" S.A.	9 November 2007 (Agreement in effect in 2008)	Sale of electricity	1 372 196.00
37.	Elektrownia "Kozienice" S.A.	10 October 2006 (agreement for an	Trade in electricity	115 282.67

		undefined period, in effect in 2008)		
38.	Elektrownia "Kozienice" S.A.	2 October 2008 (Agreement in effect in 2009)	Sale of electricity	-----
39.	Elektrownia "Kozienice" S.A.	11.12.2008	Sale of property rights resulting from certificates of origin from OZE obtained in 2008. Agreement to be realised in 2009.	38 672.00 (estimated value)
40.	EnergoPartner Sp. z o.o.	2008	Investment supervision over Wiśniewo wind farm construction	to 6.801.00

3. Credit and loan agreements concluded and terminated

In 2008, 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 31 December 2008 was PLN 100,000,000.

The status of the credit lines as at 31 December 2008 is presented in the table below.

No.	Borrower	Credit facility value [PLN '000]	Costs of credit [PLN '000]	Debt on credit facilities as at 31 December 2008 [PLN '000]	Commence ment date	End date	Repayment period
Working capital credit facilities drawn by ENEA S.A. in 2008							
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 Pekso 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	0,0	0,00	2007.04.12	2011.11.17	2011.11.17
TOTAL			0,00	0.00			

4. Loans granted

During the 2008 financial year ENEA S.A. granted loans of PLN 500,000 to its subsidiary, Cogen Sp. z o.o. The loan agreement is in force from 31 August 2008 until 31 August 2011. The interest rate on the loan is the 1M WIBOR rate plus a 1 per cent margin.

5. Granted and received suretyships and guarantees

In 2008, the Company renewed the following bank guarantee:

item	Date security granted	Date of security validity	Entity to which security is granted	Agreement type	Form of security	Secured amount
1	13-12-2008	13-12-2009	**RONDO PROPERTY INVESTMENT Sp. z o.o. in Warsaw**	**premises lease agreement**	**bank guarantee**	**EUR 28,692.24**

The total off-balance sheet value of suretyships and guarantees granted as at 31 December 2008 was PLN 204,000.

In 2008, ENEA S.A. did not grant any suretyships or guarantees.

Suretyships and guarantees granted by ENEA S.A. that expired in 2008:

- on 23 April 1999, a guarantee to Energopartner Sp. z o.o. as security for potential liabilities towards third parties arising from inadequate performance of activities under a license to trade in electricity (including environmental damage) in the Wielkopolski, Zachodniopomoskie, Lubuski, Dolonśląslaki provinces.

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).

The status of the suretyships and guarantees as at 31 December 2008 is presented in the table below.

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 31 December 2008 [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 204 EUR 49,000*	-
Total:						**PLN 204**	-

Other conditional obligations contracted by ENEA S.A. as at 31 December 2008				
	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	Open-ended

*The mid EUR exchange rate as at 31 December 2008 was 4.1724 - NBP table No. 254/A/NBP/2008 of 31 December 2008

Other conditional obligations assumed by the ENEA Capital Group are described in the consolidated financial statements under Note 45.

3. Presentation of the financial position of the ENEA Capital Group

1 Discussion of key economic and financial figures disclosed in the financial statements

1. Financial results

Consolidated income statement

Income statement in PLN '000	2007	2008	Growth 2008/2007	Change 2008-2007
Net revenues	**5 445 804**	**6 157 762**	**113.1%**	**711 958**
Cost of sales	**-5 351 047**	**-5 867272**	**109.6%**	**-516 225**
Other operating income	69 020	80 914	117.2%	11 894
Loss on sales and liquidation of tangible fixed assets	-7 149	-9 340	130.6%	-2 191
Other operating expenses	-73 280	-110 705	151.1%	-37 425
Operating profit (loss)	**83 348**	**251 359**	**301.6%**	**168 011**
Financial costs	-19 394	-51 178	263.9%	-31 784
Financial income	44 982	92 871	206.5%	47 889
Share of profits (losses) of affiliates and jointly-controlled entities accounted for using the equity method	147	414	281.6%	267
Profit (loss) before tax	**109 083**	**293 466**	**269.0%**	**184 383**
Income tax	412 593	-78 099	-18.9%	-490 692
Net profit (loss) for the reporting period	**521 676**	**215 367**	**41.3%**	**-306 309**

The figures presented for 2008 differ from the results for 2007 and therefore affect the rate of growth of revenues and costs. This is attributable to the acquisition of the shares of Elektrowni Kozienice S.A. from the Ministry of the State Treasury on 10 October 2007. The results of the ENEA Capital Group for 2007 include the results of Elektrownia Kozienice S.A.'s business activities achieved from the moment of the takeover, i.e. for the fourth quarter of 2007. However, the results presented for 2008 take a full year of that company's operations into account.

In the reporting period, the Group posted revenues of PLN 6,157,762,000, an increase of PLN 711,958,000, i.e. 13.1 per cent, relative to 2007.

The table below shows the value and structure of revenues generated in 2008.

Item	2007		2008		Growth 2008/2007
	[PLN '000]	%	[PLN '000]	%	
Revenues from the sale of electricity	2 938 409	54.0	3 475 324	56.5	118.3%
Revenues from the sale of distribution services	2 202 634	40.4	2 279 868	37.0	103.5%
Revenues from the sale of foods and materials	249 390	4.6	172 908	2.8	69.3%
Revenues from the sale of Rother services	53 642	1.0	140 611	2.3	262.1%
Recovery of stranded costs	0	0.0	80 976	1.3	x
Revenues from the sale of thermal energy	1 729	0.0	8 075	0.1	467.0%
Total net revenues	**5 445 804**	**100.0**	**6 157 762**	**100.0**	**113.1%**

The Group's revenues mainly consist of revenuesfrom the sale of electricity and revenue from the sale of distribution services, which amount to 56.5 per cent and 37.0 per cent of total revenues respectively. Revenue from sales of electricity in 2008 amounted to PLN 3,475,324,000, an increase of 18.3 per cent relative to the previous year. This is mainly due to the revenues of Kozienice Power Station being taken into account, a 2.6 per cent increase in the quantity of electricity sold, and a 25.9 per cent increase in the average sale price of electricity in ENEA S.A. Revenue from the sale of distribution services in 2008 amounted to PLN 2,279,868,000, an increase of 3.5 per cent relative to the previous year. That increase was caused by a 2.0 per cent increase in the amount of electricity supplied and a 2.6 per cent increase in the average price of distribution services sold.

The 30.7 per cent decrease in revenue from the sale of goods and materials was mainly caused by a decrease in external sales for BHU due to a decrease in investment in the domestic economy and an increase in trading within the Group.

Revenues for 2008 are affected by compensation payments to cover stranded costs, which amounted to PLN 80,976,000 and result from recognised compensation payments for Kozienice Power Station to cover stranded costs (the difference between advance payments towards stranded costs and the estimated annual adjustment of stranded costs for 2008) in connection with the early termination of a long-term contract on 1 April 2008 being taken into account.

Revenue from the sale of heat energy in 2008 amounted to PLN 8,075,000, i.e. only 0.1 per cent of revenues. The increase for such revenue is mainly due to the revenues of Kozienice Power Station being taken into account.

In 2008, the total cost of sales amounted to PLN 5,856,239,000, an increase of 9.4 per cent relative to the previous year.

The table below shows the value and structure of the costs of products, goods and materials sold in 2008.

Item	2007		2008		Growth 2008/2007
	[PLN '000]	%	[PLN '000]	%	
Amortisation and depreciation	470 557	8.8	631 364	10.8	134.2%
Costs of employee benefits	619 974	11.6	940 080	16.0	151.6%
Consumption of raw materials and value of goods sold	467 631	8.7	1 223 245	20.8	261.6%
Purchase of energy for sales purposes	2 644 120	49.4	1 893 710	32.3	71.6%
Transmission services	806 395	15.1	670 930	11.5	83.2%
Other external services	187 831	3.5	348 436	5.9	185.5%
Taxes and charges	154 539	2.9	159 507	2.7	103.2%
Total cost of sales	**5 351 047**	**100.0**	**5 867 272**	**100.0**	**109.6%**

The main item in the Capital Group's costs are the cost of energy sold and the consumption of raw materials and cost of merchandise sold, which constitute 32.3 per cent and 20.8 per cent of the costs of obtaining revenues respectively.

The costs of energy sold amounted to PLN 1,893,710,000 in 2008, a decrease of 28.4 per cent relative to the previous year. This is due to increased purchases within the Group and therefore larger consolidation adjustments. Electricity was purchased from Kozienice Power Station as a subsidiary throughout 2008, while in 2007 such purchases were only made in the fourth quarter.

The substantial increase in the consumption of raw materials and cost of merchandise sold in 2008 (a growth rate of 261.6 per cent) is mainly the result of the costs of Kozienice Power Station being taken into account, which primarily consist of coal consumption costs.

The cost of transmission services decreased by 16.8 per cent in 2008, amounting to PLN 670,930,000, which is primarily the result of a decrease in the average price of electricity transmission from PLN 57.2/MWh in 2007 to PLN 51.6/MWh in 2008.

The increase in the other cost items is mainly the result of the costs of Kozienice Power Station being taken into account in 2008. To sum up, we may conclude that the structure of costs in 2008 changed substantially relative to 2007, largely due to the situation that occurred in the fourth quarter of 2007 (the take up of shares of Elektrownia Kozienice S.A.).

In 2008, the ENEA Capital Group generated an operating profit of PLN 251,359, which was higher than the result generated in the previous year by 201.6 per cent, i.e. PLN 168,011.

Consolidated profits before tax in 2008, i.e. after financial activities had been taken into account, amounted to PLN 293,466, an increase of PLN 184,383 (169.0 per cent) relative to the previous year.

The net profit generated by the Group in 2008 amounted to PLN 215,367 and was down PLN 306,309 on the profit attained in the preceding year. The decrease in the net profit was caused by the release of a provision for deferred tax in 2007 in the amount of PLN 428,647,000, relating to fixed assets transferred by way of an in-kind contribution to ENEA Operator Sp. z o.o.

2. Assets - structure of assets and liabilities in the consolidated balance sheet

Consolidated balance sheet

Total assets in PLN ‘000	As at: 31 Dec. 2007	As at: 31 Dec. 2008	Growth 2008/2007	Change 2008-2007
Non-current assets	**7 951 073**	**8 204 031**	**103.2%**	**252 958**
Tangible fixed assets	7 871 161	7 944 815	100.9%	73 654
Perpetual usufruct right	13 366	15 321	114.6%	1 955
Intangible assets	40 518	36 606	90.3%	-3 912
Investment properties	4 332	5 034	116.2%	702
Investments in subsidiaries and associated and co-dependent entities, accounted for using the equity method jointly-controlled entities accounted for using the equity method	5 207	189 941	3647.8%	184 734
Available-for-sale financial assets	14 981	8 965	59.8%	-6 016
Financial assets at fair value through profit or loss	1 379	1 033	74.9%	-346
Trade and other receivables	129	2 316	1795.3%	2 187
Current assets	**1 865 113**	**3 781 886**	**202.8%**	**1 916 773**
Inventories	149 065	270 044	181.2%	120 979
Trade and other receivables	715 110	780 098	109.1%	64 988
Current income tax assets	7 531	5 538	73.5%	-1 993
Available-for-sale financial assets	3 292	4 806	146.0%	1 514
Held-to-maturity investments	49 323	100 741	204.2%	51 418
Cash and cash equivalents	940 792	2 620 659	278.6%	1 679 867
Total assets	**9 816 186**	**11 985 917**	**122.1%**	**2 169 731**

Total liabilities in PLN '000	As at: 31 Dec. 2007	As at: 31 Dec. 2008	Growth 2008/2007	Change 2008-2007
Total equity	**6 766 375**	**9 024 253**	**133.4%**	**2 257 878**
Ordinary shares	494 796	588 018	118.8%	93 222
Treasury shares	-	-17 396	X	-17 396
Share premium	1 801 078	3 632 464	201.7%	1 831 386
Share based payments reserve	901 110	1 144 336	127.0%	243 226
Financial instruments revaluation reserve	1 552	-1 099	X	-2 651
Other reserves	-	-28 226	X	-28 226
Retained earnings	3 564 675	3 675 078	103.1%	110 403
Minority interest in equity	3 164	31 078	982.2%	27 914
Total liabilities	**3 049 811**	**2 961 664**	**97.1%**	**-88 147**
Non-current liabilities	1 387 190	1 518 009	109.4%	130 819
Current liabilities	1 662 621	1 443 655	86.8%	-218 966
Total equity and liabilities	**9 816 186**	**11 985 917**	**122.1%**	**2 169 731**

As at 31 December 2008, the balance sheet total of the ENEA Capital Group amounted to PLN 11,985,917, an increase of PLN 2,169,731, i.e. 22.1 per cent, relative to that as at 31 December 2007.

Non-current at the end of 2008 amounted to PLN 8,204,031, an increase of PLN 252,958 (3.3 per cent) compared to the previous year. The increase in fixed assets is mainly the result of investments in affiliates and subsidiaries in connection with ENEA S.A. purchasing shares in PEC Oborniki, MEC Piła, PEC w Śremie and Elektrociepłownia Białystok.

In 2008, current assets amounted to PLN 3,781,886,000, an increase relative to 2007 of PLN 1,916,773,000 (102.8 per cent). This is mainly due to ENEA S.A. holding restricted access funds amounting to PLN 1,946,250 related to proceeds obtained from the issue of new shares. The amount of current assets is also affected by an increase in inventories of PLN 120,979,000, primarily due to an increase in coal inventories in Kozienice Power Station.

The predominant source of financing for the Group's assets is equity capital. At the end of 2008, equity amounted to PLN 9,024,253, an increase relative to the balance at the end of 2007 (PLN 6,766,375,000) of PLN 2,257,878, i.e. 33.4 per cent. The increase in equity capital is mainly the result of an increase in capital from a share premium in connection with a public issue of shares of ENEA S.A.

The value of the Group's non-current liabilities as at 31 December 2008 amounted to PLN 1,518,009, an increase of PLN 130,819, i.e., 9.6 per cent, relative to the balance at the end of 2007. This is primarily due to an increase in provisions for employee benefits in connection with an actuarial valuation. Short-term liabilities amounted to PLN 1,443,655,000, a decrease of PLN 218,966,000 (13.2 per cent) relative to the previous year, mainly due to part of an equivalent payment being paid to entitled employees of Kozienice Power Station.

Current liabilities amounted to PLN 1,443,655 and were down PLN 218,966 (13.2 per cent) on the preceding year, mainly as a result of distributing part of an equivalent payment to eligible employees of the Kozienice Power Plant.

3. Cash

Consolidated cash flow statement

Cash flow statement in PLN '000	As at			
	31 Dec. 2007	31 Dec. 2008	Growth 2008/2007	Change 2008-2007
Net cash generated from operating activities	650 469	825 491	126.9%	175 022
Net cash generated from investing activities	232 914	-899 524	-386.2%	-1 132 438
Net cash generated from financing activities	-294 310	1 753 900	-595.9%	2 048 210
Net increase in cash and cash equivalents	589 073	1 679 867	285.2%	1 090 794
Cash and cash equivalents at the end of the reporting period	**940 792**	**2 620 659**	**278.6%**	**1 679 867**

The balance of cash and cash equivalents of the ENEA S.A. Capital Group at the end of 2008 amounted to PLN 2,620,659,000, an increase of PLN 1,679,867,000 relative to the amount achieved in 2007 (PLN 940,792,000).

Cash generated operating activities amounted to PLN 825,491 in 2008, an increase of PLN 175,022 relative to the figure for 2007 (PLN 650,469,000). That increase was primarily due to higher profits being obtained from operating activities in the trade segment.

Cash generated from investing activities amounted to PLN -899,524 in 2008, a change of PLN 1,132,438 relative to the figure for 2007 (PLN 232,914,000). This was due to higher investment outlays being incurred in 2008 and ENEA S.A. purchasing shares of Elektrociepłownia Białystok, PEC Oborniki, MEC Piła and PEC in Śremie.

Cash generated from financing activities amounted to PLN 1,753,900,000 for 2008, i.e. PLN 2,048,210,000 more than in 2007 (PLN -294,310,000). That increase was mainly due to proceeds from the issue of shares of ENEA S.A.

4. Ratio analysis

Item	2007	2008
PROFITABILITY RATIOS		
ROE - return on equity *Gross profit (loss)* *equity*	1.6%	3.3%
ROA - return on assets *Operating profit (loss)* *total assets*	0.8%	2.1%
Net profitability *Net profit (loss)* *Revenues*	9.6%	3.5%
Operating profitability *Operating profit (loss)* *Revenues*	1.5%	4.1%
EBITDA profitability *Operating profit (loss) + amortisation and depreciation* *Revenues*	10.2%	14.3%

LIQUIDITY AND FINANCIAL STRUCTURE RATIOS		
Current liquidity ratio		
current assets	1.1	2.6
Current liabilities		
Equity-to-fixed assets ratio		
equity	85.1%	110.0%
Non-current assets		
Total debt ratio		
total liabilities	31.1%	24.7%
total assets		
ECONOMIC ACTIVITY RATIOS		
Current receivables turnover in days		
average balance of trade and other receivables x number of days	44	44
Revenues		
Turnover of trade and other payables in days		
average balance of trade and other payables x number of days	58	69
Cost of products, goods and materials sold		

In 2008, the ENEA Capital Group achieved a positive financial result and positive profitability ratios. EBITDA profitability amounted to 14.3 per cent, an increase relative to the figure for 2007 (10.2 per cent), which is a result of a higher operating profit being generated.

The net profitability achieved by the Group in 2008 amounted to 3.5 per cent, a decrease relative to the profitability achieved in 2007 of 6.1 percentage points (from 9.6 per cent), the result of lower net profit being generated in the reporting period. This is primarily due to the higher net profit in 2007 related to the release of a provision for deferred tax relating to non-current assets transferred by way of an in-kind contribution to ENEA Operator Sp. z o.o.

There was also an increase in the efficiency of the Group's operations, measured by the ROE and ROA business activity ratios. In 2007, the ROE ratio amounted to 1.6 per cent, and it increased to 3.3 per cent in 2008, the result of higher pre-tax profits being generated in 2008 than in the previous year. The ROA ratio increased from 0.8 per cent in 2007 to 2.2 per cent in 2008, the result of a higher operating profit being generated.

The ENEA Capital Group is able to settle its ongoing liabilities on time, which is confirmed by the level of the current liquidity ratio, which amounted to 2.6 in 2008. The amount of that ratio results from the high balance of cash held by ENEA S.A. due to proceeds from the issue of new shares.

The receivables turnover rate, calculated as at 31 December 2008, remained at the same level as in the previous year, i.e. 44 days, while the payables turnover rate amounted to 69 days in 2008, i.e. 11 days more than in the previous year. Please note that a correct relationship was maintained between the receivables and payables turnover rates (liabilities are settled after receivables are obtained), which in turn has a beneficial effect on the Group's financial liquidity.

The asset financing structure ratios indicate that the ENEA Capital Group makes relatively limited use of debt financing. At the end of 2008, the total debt ratio amounted to 24.7 per cent (compared to 31.1 per cent in 2007). As at 31 December 2008, the equity-to-fixed assets ratio amounted to 110 per cent (compared to 85.1 per cent in 2007).

2 Financial results forecasts

The Management Board of ENEA S.A did not publish any financial results forecasts for 2008.

On 5 February 2009, in current report No. 11/2009, ENEA S.A. published preliminary estimated results for the Group for 2008, according to which it was forecast on a preliminary basis that the Group's result for the last financial year might be around PLN 250 million. The final financial result of the Group for 2008 amounted to PLN 215 million.

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.

In 2008, ENEA S.A. had five working capital loans: two loans in BZ WBK S.A., two loans in Pekao S.A., and a credit limit in PKO BP S.A.

The total non-utilised limit of the working capital facilities available to the ENEA Capital Group as at 31 December 2008 was PLN 100,000,000.

ENEA S.A. did not, during the financial year, make use of working capital facilities to finance ongoing operations, 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 of 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 procedures.

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 for managing the risk of losing financial liquidity involves ensuring that sufficient funds are available for the Company to fulfil its financial and investment liabilities, using the most attractive sources of financing, e.g. issues of debt securities.

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.

3) *exchange rate risk* - The Group is vulnerable to exchange rate risk, mainly in relation to foreign currency credits held by Elektrownia Kozienice. 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 calculated on the basis of the WIBOR rate. Information on the influence of the risk of changes in interest rates has been presented in the consolidated financial statements for 2008 in Note 23.6.

Some risks cannot be avoided, due to the influence of legislative changes and changes in macroeconomic tendencies.

5 Unusual factors and events that affect the result

Unusual factors and events affecting the financial result for 2008 are presented in Section 1 above, which presents an analysis of the basic financial quantities presented in the annual consolidated financial statements.

6 Major events that have, or could have in the future, a material effect on the Company's operations and financial results

Events that could in the future affect the Capital Group's operations and financial results also include the circumstances and factors that determine the Company's development prospects described in Section 4 of this report.

7 Description of key off-balance sheet items

A description of key off-balance sheet items is presented in Section 2.4.5 of this report.

4. Development prospects and description of risks and threats

ENEA Capital Group's development prospects depend on several internal and external legal and macroeconomic factors which, in the event of material deviations occurring from standard or assumed parameters (or circumstances associated with those factors), could also constitute risks and threats for the achievement of the desired results or development of the Group.

1 Key legal and macroeconomic factors

1. The general condition of the economy

The position of the Group in 2008 was to a certain extent shaped by the general trends in the national economy. The Polish economy experienced a slowdown in economic growth in 2008, especially in the second half of the year. Gross Domestic Product (GDP) for 2008 was 4.8 per cent, with domestic demand and exports at a lower level relative to the previous year (the final figure for exports was 12.5 per cent). With regard to the macroeconomic outlook, this year was not the best for the Polish economy. In particular, the pace of economic growth was slower than in the previous year. Unfortunately, the economic downturn was accompanied by an increase in the prices of consumer goods and services to an annual average of 4.2 per cent (compared to 2.5 per cent in 2007). The deteriorating business outlook in 2008 was also accompanied by a slowdown in investment processes. 2008 was another year in which the high rate of unemployment decreased. The growth rate of the basic macroeconomic indicators relative to the previous year is as follows:

Item	Unit of measure	2007	2008
GDP	growth in %	6.7	4.8
Value added in industry	growth in %	9.9	3.7
Domestic demand	growth in %	8.6	4.8
Gross outlays on fixed assets	growth in %	17.6	7.9
Industrial production sold	growth in %	11.2	3.3
Average gross salary	growth in %	9.2	10.1
Rate of unemployment	%	11.2	9.5
Inflation	%	2.5	4.2
Export (EUR)	growth in %	15.0	12.5
Export (EUR)	growth in %	17.8	15.7

The above figures indicate that in 2008 the rate of increase in gross domestic demand fell relative to the previous year and reached the same level as the rate of increase in GDP, i.e. 4.8 per cent. The rate of increase in investment outlays on fixed assets also slowed down, from 17.6 per cent in 2007 to 7.9 per cent in 2008. In 2008, there was a further increase in wages and salaries of 10.1 per cent, which was reflected in a relatively high rate of individual consumption being maintained.

Positive trends in 2008 include an improvement in the outlook for the labour market, with the rate of unemployment falling relative to 2007 by 1.7 per cent, reaching 9.5 per cent at the end of the year. The improvement of conditions on the labour market was mainly due to the still healthy level of investment, despite the slowdown relative to the previous year.

It is anticipated that the relative decrease in macroeconomic indicators and the continuing deterioration of the business outlook will persist or even worsen next year, which will cause a decrease in profitability in the private sector and therefore an increase in unemployment.

At the end of the third quarter of 2008, the market collapsed as part of a global slump. Last year, global markets were more volatile than they have been for 30 years. The extraordinarily high aversion to risk in the last quarter of 2008 led to the exhaustion of financial liquidity, worsening of credit terms, problems for companies whose business activities rely on highly-leveraged transactions, the collapse of several large financial institutions in the USA and Europe, and a high degree of volatility in emerging global markets. Unfortunately, the global economic crisis also affected Poland, as indicated by the macroeconomic indicators presented for 2008.

The general condition of Poland's economy and the economic downturn that occurred, as well as the resulting fall in industrial production, was not reflected in a decrease in the production or supply of electricity. The sale of electricity in 2008 increased relative to 2007. However, due to the further deepening of the economic crisis in Poland, sales of energy will fall in 2009, and therefore also its production.

2. Legal regulation and tariffs

The operating results that we achieve depend on several regulations and decisions issued by regulatory authorities. As at the date of disclosing this report, this particularly applies to the regulation of setting rates for charges and establishing the principles of their application, according to which we can carry out settlements with customers for electricity distribution services, and the regulation of setting electricity prices for customers from the G tariff groups, who consume energy for the needs of households.

We conduct our activities in an environment which is subject to a special legal framework. Our situation is particularly affected by the provisions of the Energy Law and European Union regulations, especially those relating to environmental protection. Those laws and regulations are subject to frequent amendments, which we are unable to foresee and which could result in a lack of consistency in the provisions of law that form the basis for our operations.

The authority responsible for regulating the energy sector in Poland is the president of the Energy Regulatory Authority (the “ERO”). Key powers of the president of the ERO include approving tariffs and inspecting their application and granting and withdrawing exemptions from the obligation to submit tariffs for approval, granting and withdrawing licences, appointing entities to be system operators, agreeing development plans, imposing fines, and inspecting energy companies’ performance of the obligations set out in the Energy Law. Besides the president of the ERO, other authorities can also exercise substantial influence over our operations by exercising their inspection and regulatory powers. These include the president of the OCCP and the European Commission, which have key powers in the process of liberalising the energy sector and related to the supervision of its implementation. The inspection and regulatory powers of the president of the ERO and other authorities enable them to significantly influence our operations, particularly the amount of revenues that we generate. The scope of those powers might change in the future, as a result of which those authorities could obtain additional powers relating to the activities that we conduct. Decisions made by those authorities could have a material adverse effect on the amount of revenues we generate.

The tariffs approved by the president of the ERO which we apply in our operations are calculated on the basis of elements whose amount is subject to a high degree of discretion on the part of the president of the ERO.

We are obliged to submit to the president of the ERO for approval tariffs relating to the sale of electricity to households and distributing power to customers connected to our distribution network. By law, the manner in which tariffs are calculated should ensure that the power company: (i) has sufficient funds to cover the costs planned for the tariff period in question, provided that the president of the ERO deems them to be justified; and (ii) obtains a particular margin (in trading) or return on capital (in distribution) while ensuring that customers are protected from unreasonably high prices and rates for charges. Some elements of the tariff calculations are calculated on the basis of financial models and other assumptions adopted by the president of the ERO, which do not take into account the actual costs of our operations and the value of our assets disclosed in our financial statements. As a result, elements of the tariff calculations are the subject of often lengthy negotiations with the president of the ERO, which may not lead to us generating the revenues we have planned.

This can have an adverse effect on the amounts of the margins we obtain and return on capital. In practice, tariffs are usually approved for a period of one year. The president of the ERO also determines the length of regulatory periods (from three to five years) for which he lays down a model level of costs deemed to be justified in relation to power distribution. If we incur additional costs during a regulatory period that were not included in the model or were included in a lower amount, we are limited in our ability to take such costs into account in the tariff. In practice, the president of the ERO will only accept a tariff adjustment if there is a substantial increase in costs for reasons that are beyond our control. For example, such a situation occurred at the beginning of 2008, when ENEA Operator submitted an application for an increase in the rates for charges for electricity distribution services. The tariff amendment that it applied for was approved by the president of the ERO on 16 April 2008 and will be applicable from 1 May 2008. However, there is no guarantee that the president of the ERO will agree with our position in other cases where our costs increase and we apply for a tariff adjustment or that he will issue a decision amending it in a manner that is satisfactory for us.

Furthermore, if the president of the ERO fails to approve a new tariff after a particular tariff period, in principle we are obliged to apply the existing tariff, which might not take into account an increase in the costs of our operations. If such a situation occurs in the future, it could have an adverse effect on our operations, financial standing, financial results or development prospects.

Until 31 December 2007, ENEA S.A.'s activities relating to sales of electricity to end customers were subject to an obligation to present tariffs to the president of the ERO for approval. As at the date when this report is disclosed, due to a decision of the president of the ERO of 14 May 2008 we are exempt from the obligation to submit electricity tariffs to the president of the ERO for approval, except for the tariff for customers from the G tariff groups (households) connected to the grid of ENEA Operator. On 30 June 2008, ENEA S.A. submitted an application to the president of the ERO for an exemption from the obligation to submit electricity trading tariffs for approval relating to customers from the G tariff groups connected to the grid of ENEA Operator.

On 17 January 2008, the president of the ERO approved ENEA S.A.'s "Electricity Tariff" for customers consuming power for the needs of households, which was applicable from 1 February 2008 to 31 December 2008. That tariff was amended by a decision of the president of the ERO of 16 April 2008. The amendment related to electricity prices and was applicable from 1 May 2008. In his decision of 7 October 2008, the president of the ERO approved a further amendment to that tariff relating to electricity prices. The "Electricity Tariff" for households contains two tariff packages: a home package and a pre-paid package, within which there are three and two tariff groups respectively.

With regard to sales of electricity to customers other than households (tariff groups A, B and C), since 1 January 2008 the "Electricity Tariff" approved by a resolution of the Management Board, amended with regard to electricity prices from 1 April 2008 and from 1 November 2008, has been applicable.

With regard to sales to customers from the G set of tariff groups for 2009, on 7 November 2008 ENEA S.A. applied to the president of the ERO for the approval of the "Electricity Tariff" for the G tariff groups for 2009. The administrative proceedings relating to the approval of the "Electricity Tariff" for the G tariff groups for 2009 ended with Decision No. DTA-4211-127(14)/2008/2688/II/BM of 2 January 2009 being issued, whereby the president of the ERO approved the Tariff for the G tariff groups for the period up to 31 December 2009. Pursuant to the Resolution of ENEA S.A.'s Management Board No. 2/2009 of 5 January 2009, that tariff has been applicable since 17 January 2009.
With regard to sales of electricity to customers other than households (tariff groups A, B and C) for 2009, on 25 November 2008, by Resolution No. 786/2008 ENEA S.A.'s Management Board approved the "Electricity Tariff" for the A, B and C sets of tariff groups, which has been applicable since January 2009.

3. Wholesale electricity prices

Wholesale electricity prices depend on a number of factors, including market and regulatory factors. Because our costs, which are mainly associated with producing electricity, are to large degree fixed, we are unable to reduce them in periods when electricity prices are falling. Furthermore, the wholesale market for electricity trading is currently fully liberalised, so the amount of revenues that we generate depends on the electricity prices that are applicable on the market at a particular time. Because the free market for electricity in Poland has not been functioning long, it is difficult to foresee how electricity prices will develop in the future. If retail prices for the sale of electricity on the free market are too low to cover our future costs, it could have an adverse effect on the margins we achieve or our development prospects.

4. Supplies and prices of bituminous coal and other fuels

The basic fuel used to produce electricity by our basic production assets, i.e. Kozienice Power Station, is bituminous coal. In 2008, the cost of coal constituted approximately 53 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 (in terms of quantity), 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 Kozienice Power Station or supplies of coal are suspended or interrupted for a different reason (e.g. as a result of a mine employees' strike), Kozienice 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 Kozienice 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.

5. 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.

6. Limits of CO_2 emission rights and their market prices

Our electricity production operations depend on the quantity of rights allocated to us to emit CO_2 and other gases and substances for a particular settlement period. CO_2 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_2 emission rights (2008-2012), Kozienice Power Station was granted rights to emit 9.6 million tonnes of CO_2 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 Kozienice Power Station, that quantity of CO_2 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 Kozienice Power Station produced in 2008. Starting from 2013, it is expected that gratuitous allocations of CO_2 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.

7. 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.

Kozienice 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 Kozienice 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.

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.

8. 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.
The current regulatory value of assets assumed by the president of the ERO is the same as the value assumed in the aforementioned analysis while the period for arriving at fair value was extended.

9. 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 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.

10. 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.

11. 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 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 our revenue. However, even if our present customers choose another electricity seller, our Group will continue to obtain revenue from energy distribution to customers connected to our distribution network.

At the same time, ENEA S.A. is an active participant on the competitive market, engaging in activities aimed at selling energy to customers connected to the grids of operators other than ENEA Operator. In 2008, we sold 952.9 GWh to such customers.

12. Purchasing electricity from external entities

The electricity produced by Kozienice 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.

13. Dominant position on the local market

Because we have a dominating position on the local market with regard to providing distribution services, we are subject to additional legal restrictions and we could be subjected to a special inspection of anti-monopoly authorities.

We have a dominant position with regard to providing distribution services on the local market covering north-west Poland. The actions we take are therefore subject to inspection by Polish and European anti-monopoly institutions (including the president of the OCCP and the European Commission). If those authorities find that we are applying monopolistic practices, they will issue a decision ordering us to refrain from applying them and possibly fine us. Furthermore, any legal acts that are a manifestation of an abuse of a dominating position will be invalid, either entirely or partially, as appropriate. As at 31 December 2008, no proceedings being conducted by the president of the OCCP against ENEA Operator were pending.

14. 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 ERO. 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 Kozienice 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 ERO 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 ERO 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 ERO 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.

15. Bituminous coal transportation

We depend on a single railway carrier for bituminous coal transportation.

The basic means of transport used to deliver bituminous coal to Kozienice Power Station is rail transport. More than 90 per cent of deliveries of that raw material to Kozienice Power Station are carried out by the state carrier PKP Cargo, the largest rail carrier in Poland. The transport potential of other carriers is in many cases insufficient to satisfy our coal transport needs. There is no guarantee that if unforeseen disruptions occur in PKP Cargo's activities or if our agreement with PKP Cargo is terminated we will be able to ensure the continuity of deliveries of bituminous coal to Kozienice Power Station, which could lead to us being forced, albeit temporarily, to reduce our electricity production, which in turn could have an adverse effect on our revenues.

16. Strategy implementation

We might not be able to implement our development strategy and planned investment outlays due to factors that are beyond our control.

Our development strategy provides for the achievement of specific targets and includes, in particular, improving our operational efficiency, increasing existing production capacities and obtaining new ones, further vertical integration of our operations, and investments in renewable energy sources. The implementation of our strategy is affected by several factors, most of which are independent of us, particularly decisions of our majority Shareholder, i.e. the State Treasury, measures taken by our competitors, the business outlook on the market, and changes in the applicable law. A key aspect of the implementation of our strategy is the need to ensure appropriate financing on terms that are favourable for us. There is no guarantee that such financing will be available for us. As a result, we could be forced to postpone the achievement of certain strategic goals, as well as to reduce or forgo planned investment outlays, which could have a material effect on our operations, financial standing, financial results or development prospects.

17. Synergy

The acquisitions and equity investments that we plan might not have the expected results.

We plan to take over controlling interests or make other equity investments in several companies operating in the electricity sector. There is no guarantee, for example due to factors that are beyond our control, including competition from other energy companies, that our plans will be fulfilled. The valuation of our future acquisitions and investments will depend on market conditions, as well as on other factors that are beyond our control, and it might turn out that we are unable to correctly assess the value of acquisitions and investments that we have carried out. Furthermore, the results achieved by companies in which we invest might turn out to be worse than our initial estimates, which could result in the rate of return from those transactions being less than initially anticipated. Furthermore, as a result of acquisitions and investments that we carry out, we will be forced to take steps to reorganise the organisational structures of those entities, integrate individual business areas, centralise the management of assets and liabilities and integrate IT systems. Those processes may turn out to be time-consuming and costly, and there is no guarantee that they will be implemented in accordance with the planned timetable or in the planned manner, or that they will be implemented at all. Integration processes within individual companies could also lead to permanent differences in the procedures applied in the Group or to the loss of existing customers or business partners. If it is not possible to effectively carry out the integration of the entities that we take over due to the events described above, or for any other reason, it could have an adverse effect on our operations, financial standing, financial results or development prospects.

18. The modernisation of our production assets

We might not be able to carry out appropriate modernisation of our production and distribution assets or complete our investments due to events that are beyond our control, including actions of third parties.

Our activities involving the production and distribution of electricity require ongoing and regular refurbishments and modernisations, as well as new investments in production and distribution assets. Such undertakings are subject to material risks relating, in particular, to unfavourable weather conditions, delays in the execution of construction, refurbishment and modernisation works, an increase in planned investment costs, insolvency of contractors or subcontractors, employee disputes at contractors or subcontractors, shortfalls of construction materials or equipment, accidents, unforeseen technical difficulties, or inability to obtain required permits. If any of those risks occurs, it could lead to delays in implementing plans to modernise our distribution or production assets or prevent them from being implemented, which could have an adverse effect on our financial results and development prospects.

19. Events of *force majeure* and malfunctions

Events of *force majeure* or other malfunctions of electricity infrastructure that belongs to us or other power companies or of production assets could lead to us failing to comply with electricity supply conditions, being held liable, or receiving administrative penalties.

Maintaining the electricity system and our distribution infrastructure in proper working order is of key significance for our business activities. The law also imposes certain obligations on us to maintain and repair key elements of our electricity infrastructure. A malfunction of the electricity system (including transmission or distribution grids and production assets belonging to third parties) or our electricity infrastructure could prevent or reduce the purchase or sale of electricity or system services and the provision of electricity distribution services. Our distribution infrastructure is ageing, despite regular modernisation. More than 50 per cent of our electricity lines and more than 40 per cent of electricity stations are more than 30 years old, which means we are also exposed to a risk of a malfunction occurring. In the event of a malfunction in the distribution infrastructure due to its current technical condition, problems related to it or events of *force majeure*, because ENEA Operator is obliged under the provisions of the Energy Law to maintain and repair the distribution grid it may become necessary to incur substantial unforeseen costs. Such a situation occurred in April 2008 when, due to an event of *force majeure* (large quantities of moist snow), transmission lines belonging to PSE-Operator and distribution lines belonging to ENEA Operator supplying the left-bank district of Szczecin shut down, which resulted in almost all of Szczecin and the surrounding areas being deprived of electricity for many hours.

It is of key significance for our production activities to ensure continuous supplies of electricity and regulatory system services (RSS), in accordance with the terms and conditions of agreements we have concluded and market demand. This means that we need to ensure that the tendency of production equipment to malfunction is kept at a low level. Because malfunctions are likely to occur in production equipment, particularly those which are partially worn out, there is a risk that we will fail to comply with power supply conditions, which could result in substantial repair costs, contractual penalties and costs of emergency purchases on the balancing market.

Malfunctions of our distribution infrastructure or production assets could give rise to liability with respect to third parties, which could result in an obligation to pay substantial damages. Additionally, a breakdown in our distribution or generating infrastructure may be grounds for imposition on us by the president of the ERO of a penalty of up to 15% of our revenues from business conducted under licence.

20. Insuring our operations

The insurance policies concluded on our behalf may not cover losses incurred in connection with our operations.

Our operations involve many risks. For example, malfunctions in the electricity system could prevent us from selling electricity or make it necessary to incur unforeseen costs in order to repair the distribution infrastructure. Our key assets, particularly production assets, power lines and transformer units, could be destroyed due to an event of *force majeure* or other events, including fires, other natural disasters or a terrorist attack. Our Group's activities could also result in claims being asserted relating to damage caused to third parties. The scope of the insurance policies we hold corresponds to the scope of the insurance policies held by other power companies in Poland, though it may differ from the scope of insurance policies held by foreign entities. There is no guarantee that the insurance policies concluded on our behalf will be sufficient to cover all the losses incurred by us or by third parties in connection with our operations. The occurrence of any of the above circumstances or similar circumstances could therefore lead to us being unable to resume the full scope of our activities within a reasonable time or at all, which could have an adverse effect on our operations, financial standing, financial results or development prospects.

21. Management personnel

We could have difficulty obtaining and retaining suitably qualified management personnel.

The future success of our Group depends on its ability to employ and retain management personnel with wide experience of managing power companies and identifying, purchasing, financing and implementing energy projects, as well as technical personnel with an appropriate educational profile in the field of energy. Key factors in this respect are the increasing competition in the electricity sector and the fact that the companies in our Group is subject to the provisions of the Public Sector Salary Cap Act, which limits the remuneration of people holding certain managerial positions. On 13 June 2008, the *Sejm* (the lower chamber of parliament) adopted the Act Amending the Act on Commercialisation and Privatisation and Certain Other Acts, which was subsequently (on 26 June 2008) adopted without amendments by the Senate. Under the proposed amendments, the provisions of the Public Sector Salary Cap Act will not be applicable to members of management bodies and supervisory bodies of companies wholly owned by the State Treasury (among others) or to companies in which the State Treasury's share exceeds 50 per cent. On 24 July 2008, the aforementioned act was vetoed by the president of the Republic of Poland. There is no guarantee that the act will be re-adopted by the *Sejm* and come into force.

If we do not manage to recruit and retain appropriate personnel, this could have an adverse effect on our operations, financial standing, financial results or development prospects.

22. Collective disputes and agreements

Collective disputes with employees may cause disruptions to our business.

About 70% of our employees belong to trade unions. The position of trades unions in the power sector is particular 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.

In the period from May to June 2008 the Company conducted discussions with trade unions functioning in the Company on resolving the issue of Employee Shares. These discussions covered, among other matters, the subject of payment of monetary benefits as compensation for loss of rights to some Employee Shares as a result of restructuring processes in the Group and the payment of monetary benefits to employees of the Company who are not entitled to acquire Employee Shares. As an effect of the discussions, on 28 May 2008 an agreement was signed between the Company and the employee side which ended the collective dispute about Employee Shares. Because the Minister of the State Treasury did not sign the appendix to the 28 May 2008 agreement, the position of some of the trade unions that signed the agreement on concluding the dispute differs from the Company's position in this matter. The risk therefore exists of renewal of the collective dispute about Employee Shares and this may lead to disruptions in our ongoing activities, and in particular to stoppages, which may have a negative effect on our business, financial situation, financial results or development prospects.

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.

23. Court and administrative proceedings

We are now and may be in the future a party to court and administrative proceedings.

In the event of administrative proceedings being taken against us by the president of the ERO or the president of the OCCP, if our actions are judged to be in conflict with the law, a penalty may be imposed to us amounting to up to 15% of revenue from activity conducted under licence and in the event of our activities being judged to breach the conditions of a licence there is a risk that the licence may be withdrawn. A similar risk applies to those of our subsidiary companies that hold concessions.

24. 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 activities have a significant effect on the natural environment and require possession of a series of permits to make use of the environment. In particular, the activity of the Kozienice Power Station is based on an integrated permit. We will hold such permit for Tyree years. Failure to meet these obligations or cancellation of these permits may result in our incurring liabilities, on penalties being imposed on us or may lead to an interruption in exploiting some installations. n turn the activity of ENEA Operator requires measurement of emission of electromagnetic fields.

Regulations in the area of protection of the environment 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 the field of 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. 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 ability to pursue our business.

25. Real estate

ENEA Operator does not hold legal title to part of the real property that it makes use of and in addition, the properties used by ENEA Operator may be the subject of reprivatisation claims.

The ENEA Operator does not hold an appropriate legal title to some of the real properties that it uses. Furthermore, the real properties that ENEA Operator uses could be the subject of reprivatisation claims.

In connection with the general electrification and nationalisation carried out after World War II, and due to the absence of an appropriate legal framework relating to the use of real estate for the purposes of developing distribution grids, ENEA Operator uses many real properties on which its electricity distribution equipment is located without an appropriate legal title. This applies to approximately 35 per cent of all the real properties on which electricity infrastructure is located (except for electricity lines). As at 31 December 2008, the relevant figures are as follows:

- grid facilities that we consider to be of key significance (high and medium voltage transformer stations) – approximately 12 per cent of the 212 transformer stations are located on real properties for which ENEA Operator does not hold an appropriate legal title;
- enclosed medium and low voltage transformer stations – approximately 39 per cent of the almost 14,100 enclosed transformer stations are located on real properties for which ENEA Operator does not hold an appropriate legal title;
- electricity lines – according to our estimates, ENEA Operator does not hold an appropriate legal title for the vast majority of real properties that are crossed by electricity lines.

Claims relating to the use of forest land managed by State Forests for the purposes of electricity lines owned by ENEA Operator belong to a special category.

With regard to real properties used by ENEA Operator without an appropriate legal title, we are exposed to a risk of their being returned to their owners and of third parties asserting claims relating to the non-contractual use of such properties. In 2005-2008, the total costs of damages paid by our Group on that account amounted to a little over PLN 3 million. As at 31 December 2008, the companies of our Group (ENEA and ENEA Operator) were a party in 211 court proceedings relating to non-contractual use of real properties, where the total value of the subject of the dispute amounts to approximately PLN 16.32 million, as well as being a party in pre-court disputes. The provision for claims (including claims associated with non-contractual use of real properties) being the subject of pending court proceedings and pre-court claims amounted to a total PLN 72.7 million as at 30 June 2008.

Provisions for liabilities are valued at their justified, reliably estimated value. We do not create provisions for potential claims of owners of real properties that we use where we do not know the status of the real property, particularly where we are unable to determine the type of claim that may be asserted against us, as this prevents use from estimating the maximum amount of the potential claim. The amount of damages that we are ordered to pay in relation to such claims could be significant for us due to the number of real properties in question. However, we are unable to estimate the maximum amount of such damages.

Furthermore, as a result of the nationalisation carried out in Poland in the post-war years, many real properties and companies in the hands of legal and natural persons were taken over on behalf of the State Treasury. In many cases, the property was appropriated either without any legal basis or in breach of applicable laws. As at 31 December 2008, 11 administrative proceedings are pending, initiated upon the motion of owners of real properties or their legal successors, relating to the invalidation of administrative decisions issued by public administration authorities, by virtue of which real properties currently used by ENEA Operator were taken away from those persons. These consist of:

- 10 proceedings relating to real properties occupied by medium and low voltage transformer stations;
- 1 proceedings relating to real properties occupied by other structures.

The possibility cannot be ruled out that in the future we will be obliged to pay further costs on account of non-contractual use of real properties, which will have an adverse effect on our operations and the financial results that we achieve. There is also no guarantee that proceedings will not be initiated against us to prevent us from continuing to use real properties to which we do not have an appropriate legal title or to change the manner in which we use such real properties, which could make it necessary for us to incur substantial costs.

26. 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 the Kozienice Power Station and of power lines require significant investment expenditures 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 finance. 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.

27. Factors related to business operations

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 effect on revenues from the sale of electricity and the provision of distribution services, particularly in relation to individual consumers.

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

Our Group is exposed to the risk of changes in 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 operations of our Group are also strongly influenced by changes in taxation 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.

2 Development strategy

One of the fundamental factors for the development of the Capital Group and its prospects is the implementation of the Group's strategy, which is reflected in actions undertaken such as:

- Making further investments in modernisation of Elektrownia "Kozienice" S.A. 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 this end the Company plans such improvements as, by 2011, construction of an installation for fume desulphurisation and to modernise the electrostatic precipitators;
- Completion of the process of integrating generating activity with trading, including integration of the Company's information technology systems with those of Elektrowni "Kozienice" S.A., which will allow greater control of the use made of Elektrowni "Kozienice" S.A.'s productive capacity.
- 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 generating units, e.g. on Elektrowni "Kozienice" S.A.'s land;
- Continuation of the conclusion of long term contracts for the purchase of certificates from external entities confirming the generation of electricity from renewable sources of energy and in cogeneration;
- Investment in renewable sources of energy and in particular in wind farms;
- Continuation of actions related to acquiring shares in selected heating plants, which the Company intends to modernise and turn into combined heat-and-power plants.

The Company's attaining its planned strategic goals in implementing the development strategy is dependent, however, on a series of factors both external and internal (described in point 1 above) which include: changes in the law in force (including in EU regulations), actions undertaken by the competitors of ENEA S.A, the situation in the market, trades unions' activities and the decisions of the majority Shareholder, i.e. the State Treasury.

One of the crucial aspects of implementation of the strategy is the need to ensure appropriate financing on conditions that are favourable for ENEA S.A. The ability of the Company to obtain financing and the cost of capital depend on many factors, and in particular on: (i) general market conditions and the situation in capital markets; (ii) the availability of bank loans; (iii) investors' confidence; (iv) the Company's financial situation; and (v) tax regulations and regulations on trading in securities.

The Company's activities are conducted in an environment that is particularly subject to legal regulation. ENEA S.A.'s situation is affected in particular by the provisions of the Energy Law and by European Union regulations, including those on protection of the environment. These legal regulations are subject to frequent changes (which ENEA S.A. is not in a position to forecast) and there is a tendency to increase gradually requirements relating to 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 the Company to incur additional investment expenditure. In addition, legal provisions impose an obligation on the Company to obtain and present certificates of origin to the president of the ERO 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. Actions undertaken by the Company in its development strategy are dependent also on the level of permits for emissions of carbon dioxide and other gases and substances received for each specific settlement period.

Operations planned by the Company in regard to acquisitions and capital investments may not achieve the expected effect because of factors beyond the control of ENEA S.A., such as competition from other power companies and market conditions. Furthermore the results obtained by the companies in which ENEA S.A. invests 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 purchases or investments made the Company 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 ENEA Capital Group. The above actions are dependent also on the behaviour of the trade unions involved in the acquisitions or capital investments made.

The activity undertaken by ENEA S.A in modernising generating capacity as well as in new investment in generating 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 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.

The actions of the Capital Group described in the introduction fall into four basic areas of the Capital Group's development:

1. Increasing operating efficiency by reducing costs and thus increasing the profitability of activity, and in particular: making further investments in modernisation of Elektrowni "Kozienice" S.A. 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 and to improve servicing of customers (which should protect the Company against loss of customers as the electricity market is liberalised and competition grows);
2. Increasing existing and obtaining new generating capacity by acquiring entities that are engaged in electricity generation and by building new units, e.g. on Elektrownia "Kozienice" S.A.'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 in wind farm projects at various stages of implementation and acquisition of heating plants and combined heat-and-power plants;
4. Vertical integration of activities by securing access to its own coal deposits through the acquisition of coalmining companies, which will permit ENEA S.A. to obtain control over fuel costs and thus to limit risks associated with possible significant price rises in the future.

Raising operating efficiency

A fundamental element of the Company's strategy is to continually increase operating efficiency so as to reduce costs and thus increase the profitability of the business conducted by the Company. The Company's plans for the next few years therefore include:

- making further investments in modernising Elektrownia "Kozienice" S.A. so as to maintain the optimal efficiency of electricity generation, to increase the reliability of generation and to limit the impact on the natural environment. To this end Company plans include constructing in 2008-11 an installation for fume desulphurisation and modernising the electrostatic precipitators;
- completing the process of integrating generating activity with trading, including integration of the Company's information technology systems with those of Elektrownia "Kozienice" S.A., which will allow greater control of the use made of Elektrownia "Kozienice" S.A.'s productive capacity.
- improving customer servicing by , e.g., introducing CRM class information technology solutions (i.e. solutions that assist management of relationships with customers);

Increasing existing and obtaining new generating capacity

The Company's long-term strategic aim is to secure access to its own electricity generation resources with potential sufficient to at least meet the demand for electricity from all the Group's customers.
The first step in implementing this strategy was the acquisition in October 2007 of the Kozienice power station, in terms of pull-out power the largest black-coal fired power station in Poland. Analytical work is now in hand on 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 on the grounds 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 approx. 1,0000 MW. We are also analysing the possibility of building new units which burn fuels to be 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. Since requirements relating to renewable energy sources and producing electricity in cogeneration are expected to increase, the Company is undertaking actions designed to increase its control over costs associated with meeting the requirements that arise from legal regulations in this area. Towards this end, we plan 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. The Company is concentrating its activities above all on investments in wind farms located in North-West Poland, particularly along the coast of the Baltic Sea, where atmospheric conditions are favourable for the construction of wind farms. The Company's intention is to invent in projects that have already been begun and that are at various stages of development by acquiring existing entities or by investing together with external entities. In 2008 the Company acquired: shares in the company Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. with its registered office in Oborniki and in the company Miejska Energetyka Cieplna Sp. z o.o. with its registered office in Pila, and also packets of shares in the company Przedsiębiorstwo Energetyki Cieplnej w Śremie Spółka Akcyjna with its registered office in Śrem and in the company Elektrociepłownia Białystok S.A. with its registered office in Białystok. In the next few years the Company plans to continue its activities related to acquiring shares in selected heat-producing companies. The Company plans to modernise heat-producing plants and convert them into combined hear-and-power plants, 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.

Further vertical integration of our activities

In view of the liberalisation of the market that is taking place and the Polish government's privatisation plans, the Company is examining the possibility of securing access to its own sources of coal by taking over existing hard-coal and brown-coal mines. In reply to an invitation to negotiate the Company has made a preliminary offer to acquire from Kompania Węglowa S.A. an organised part of the latter's enterprise named Ruch II Silesia KWK "Brzeszcze-Silesia." The Company is also considering acquiring a packet of shares in the Lubelski Węgiel "Bogdanka" S.A. mine, which is the principal supplier of hard-coal to Elektrowni "Kozienice" S.A. Further more on 8 September 2008 the Company established together with Kopalnia Węgla Brunatnego "KONIN" w Kleczewie S.A. a company named "PWE Gubin" Sp. z o.o. with its registered office in Sękowice, the aim of which is to prospect for deposits of brown-coal on the territory of the communes of Gubin and Brody, which lie close to the Polish-German border, and in due course to construct an opencast mine and a power station with pull-out power of about 800 MW. Further integration of our activities by acquiring mines will make possible greater control over fuel costs and should thus lead to limitation of the risks associated with possible price rises in the future.

3 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.

4 Description of the Use of Issue Proceeds

As a result of the issue of Series C shares in the Company, ENEA S.A. raised funds amounting to a net PLN 1,940,235,000.

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 17.11.2008 to 08.02.2009 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 minimum risk instruments, i.e. debt instruments issued, secured 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.

5. The Corporate Bodies of ENEA S.A.

1 Personal Composition, Basis of Appointment and Description of Extent of Authority

The personal composition of the Company's authorities and changes in it that occurred in the course of the last financial year together with a description of the actions of the Company's management and supervisory bodies and their committees, and also a description of the principles relating to the appointment and dismissal of these people to these bodies and their authority, and in particular to their right to take decisions on issuing or purchasing shares is to be found in point 8 under the title "Declaration on the Application of the Principles of Corporate Governance".

2 Principles of Remuneration

The remuneration of Members of the Management Board is set in accordance with the Act of 3 March 2000 on the Remuneration of Persons Managing Certain Legal Entities. In accordance with Article 8 point 3) the maximum amount of monthly remuneration of people employed in one-person companies established under commercial law by the State Treasury may not exceed six times the 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. In addition, Management Board members may be granted an annual bonus upon a justified request by the Supervisory Board, in an amount not to exceed three times the empolyee's average monthly remuneration in the year preceding the granting of the bonus, as well as other payments pursuant to the Company Collective Labour Agreement (ZUZP). That agreement does not cover the principles of remuneration of Members of the Management and Supervisory Boards. Apart from monthly remuneration and an annual bonus, Members of the Management Board are entitled to severance pay amounting to three times their monthly remuneration in the event of their dismissal or the termination of their employment. Additionally a non-competition agreement is concluded between Members of the Management Board and the Company. Under this agreement the Employer undertakes, for a period of six months, to pay an employee monthly compensation amounting to the value of monthly remuneration received during the last full month for which his or her contract of employment was in force so long as he or she refrains from undertaking activity that competes with the Company.

ENEA S.A. has not concluded any agreements with management that would provide for compensation in the event of their resignation or dismissal without citing a material reason, or where their recall or dismissal results from a merger of the issuer by way of a takeover.

The remuneration of the Supervisory Board is set on the basis of the Minister of the State Treasury's declaration of 20 June 2000 on establishing the remuneration of members of Supervisory Boards in one-person companies of the State Treasury and is set at the level of average monthly remuneration in the enterprise section 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.

3 Amount of Remuneration

The remuneration of ENEA S.A. Management Board members in financial year 2008 is presented in the table below.

Member of the Management Board	Position	Multiple	Basic consideration **	Additional consideration ***	Total
Mortas Paweł	President of the Management Board	6	223 410.24	0.00	223 410.24
Hermach Marek	Member of the Management Board	5,9	269 624.82	1 370.51	270 995.33
Kolltermann Czesław	Member of the Management Board	5,9	221 186.21	16 299.28	237 485.49
Piętka Zbigniew	Member of the Management Board	5,9	164 420.31	8 969.60	173 389.91
Koczorowski Piotr	Member of the Management Board	5,9	18 307.23	0.00	18 307.23
Malinowski Marek	Member of the Management Board	5,9	18 307.23	1 281.51	19 588.74
Jankiewicz Sławomir	Member of the Management Board	5,9	18 307.23	0.00	18 307.23
Czech Renata	Member of the Management Board	5,9	129 569.92	8 775.49	138 345.41
Total	**-**	**-**	**1 063 133.19**	**36 696.39**	**1 099 829.58**

* The coefficient is defined as a multiplier of the average remuneration in the industrial sector, excluding profit-based bonuses paid in the fourth quarter of the preceding year, as announced by the president of the Central Statistical Office. The amount of the multiple is derived from the Act on the Remuneration of Persons Managing Certain Legal Entities.
** Basic pay, namely:
- monthly remuneration,
- annual bonus,
- severance pay following dismissal from membership of the Management Board
- long-service bonus
*** Additional consideration – this means
- reimbursement of part of the costs of using housing made available by the Company
- consideration related to the use of electricity sold at a discount
- contributions made to the Employee Pension Plan

Value of remuneration for fulfilling roles in the authorities of subsidiaries

Paweł Mortas	37 235.04
Renata Czech	23 789.04
Marek Hermach	37 235.04

Marek Malinowski	13 446.00
Czesław Koltermann	28 236.58

The remuneration of ENEA S.A. Supervisory Board members in financial year 2008 is presented in the table below.

No.	SURNAME AND GIVEN NAME	2008
1	ŁAGODA MICHAŁ	31 236.06
2	DACHOWSKI TADEUSZ	37 235.04
3	BEGIER PIOTR	31 236.06
4	JANAS MARIAN	31 236.06
5	KŁYSZ MARIAN	25 030.22
6	ŁOPUSZKO ANDRZEJ	37 235.04
7	PAWLIOTTI WIESŁAW	31 236.06
8	PLUCIŃSKI MIECZYSŁAW	37 235.04
9	LEMKOWSKI MARCIN	7 713.92
10	MISIOŁEK KRZYSZTOF	5 895.53
11	METENIOWSKI PIOTR	5 895.53
12	RAWA MIROSŁAW	5 895.53
13	KARUSEWICZ TOMASZ	5 895.53
14	GAJDA MARZENA	37 235.04
15	JASTRZĘBSKI JACEK	5 895.53
16	**TOTAL**	**336 106.19**

4 Schedule of Shares in Entities that are Members of the ENEA Capital Group that are Held by Members of the Management and Supervisory Boards

On the day that this report was submitted, Mr Tadeusz Dachowski, the Deputy Chair of the Company's Supervisory Board, held 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.

6. The shareholder and share capital structure of ENEA S.A.

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.

Following the registration of the increase in the Issuer's share capital, the capital structure is as follows:

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

2 Treasury shares

From 17 November 2008 to 16 December 2008, Credit Suisse Securities (Europe) Limited, acting as stabilising manager, took action to stabilise the price of rights to series C shares, in accordance with the principles set out in the issue prospectus published on 23 October 2008. In its capacity as stabilising manager, Credit Suisse Securities (Europe) Limited exercised a stabilisation option on the basis of the Underwriting Agreement concluded on 22 October 2008 between the Company, the stabilising manager, Bank Zachodni WBK S.A. and Dom Maklerski BZ WBK S.A. Exercising the above-mentioned stabilisation option involved the stabilising manager selling the Company a total of 1,129,608 rights to series C shares from the total maximum number of 1,557,242 rights to series C shares subject to that option. The unit price of purchasing a right to series C shares was PLN 15.40.

As a result of the measures described above and the registration of the share capital increase by the court, ENEA S.A. now holds 0.26 per cent of its own shares acquired under 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.

The rights to series C shares acquired by the Company as part of the stabilisation transactions will be redeemed by it in accordance with the relevant provisions of law.

3 Shareholder structure

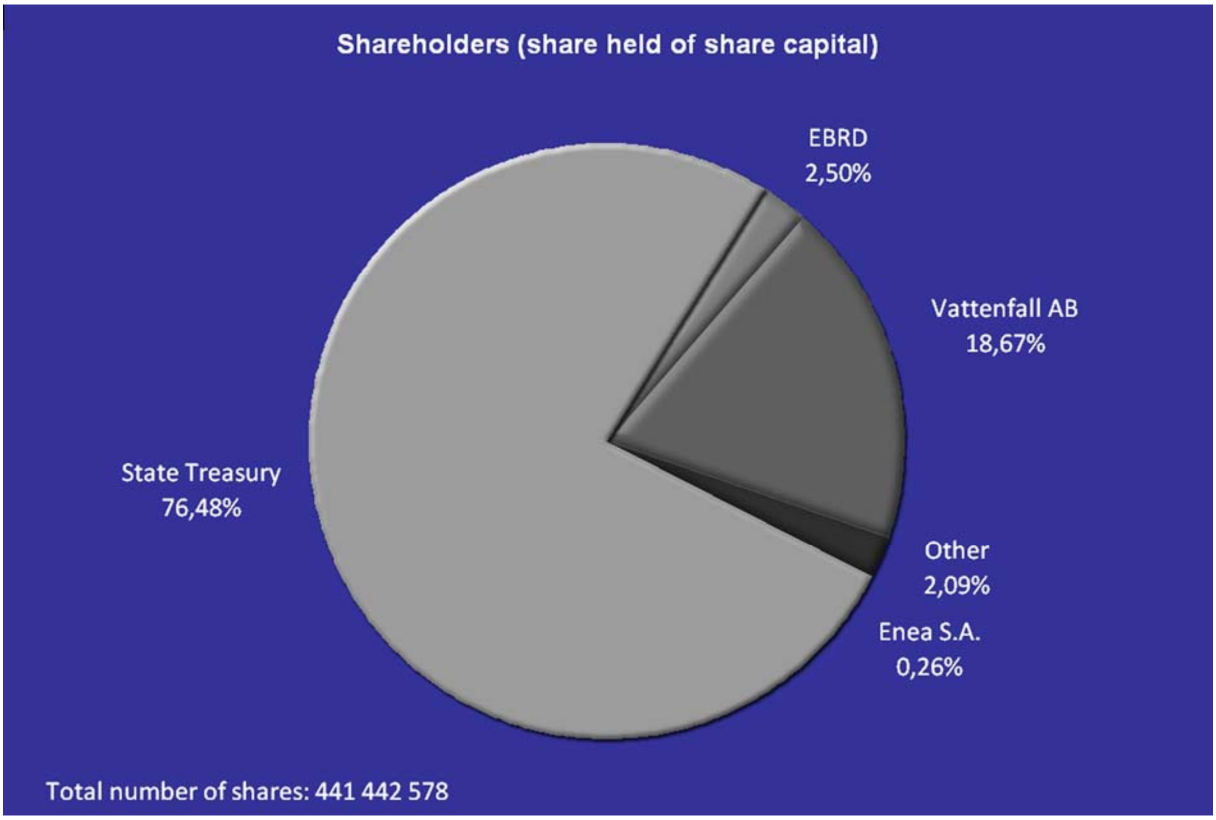
As at 31 December 2008, after including the share capital increase resulting from the share issue registered on 13 January 2009, the structure of shareholders holding substantial blocks of shares of the Issuer, either directly or indirectly, is as follows:

Name of shareholder	Number of shares held	Number of votes held	Share in the share capital	Share in 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%

Shareholders holding less than five per cent of the total number of votes also include ENEA S.A., which holds 0.26 per cent of its own shares. Those shares were acquired in connection with the stabilisation option referred to in Item 2 above being exercised.

Since the end of the financial year, changes have occurred in the structure of ownership of substantial blocks of shares of ENEA S.A. On 31 December 2008, in accordance with the commercial register, the shareholder holding 100 per cent of the votes at the General Meeting of Shareholders of ENEA S.A. was the State Treasury. The State Treasury was the owner of 337,626,428 shares, carrying an entitlement to 337,626,428 votes at the General Meeting of Shareholders of ENEA S.A., constituting 100 per cent of the existing share capital and carrying an entitlement to exercise 100 per cent of the votes at the General Meeting of Shareholders. As a result of the public offer of series C shares being carried out and the registration of a share capital increase on 13 January 2009 by the District Court for Poznań-Nowe Miasto and Wilda in Poznań, ENEA S.A.'s share capital is now divided into 441,442,578 shares, carrying an entitlement to 441,442,578 votes at the General Meeting of Shareholders of ENEA S.A. The shareholder structure following the registration of the capital increase is shown above.

The shareholder structure is shown in the graph that appears below:



4 Potential changes in the shareholder structure

The Company does not know of any agreements that could result in future changes in the proportions of shares held by the existing shareholders.

However, please note that under the privatisation programme the Ministry of the State Treasury plans to dispose of its entire block of shares in ENEA S.A. (41,638,955 series B shares, i.e. 9.43 per cent of the share capital, are employee shares). The contemplated procedure for disposing of the shares is an invitation to negotiations or a response to a tender offer announced by a shareholder.

7. Declaration of the application of corporate governance principles

1 The set of principles that are applied

The management board of ENEA S.A. declares that it applies principles of corporate governance which are described in the set of principles adopted by Resolution of the Supervisory Board of the Warsaw Stock Exchange (the "WSE") No. 12/1170/2007 of 4 July 2007, entitled: "Good Practices of Companies Listed on the WSE" (Corporate Governance Principles) and have been published on the website of the Warsaw Stock Exchange (http://corp-gov.gpw.pl). That set of Corporate Governance Principles contains a section entitled "Recommendations Regarding Good Practices of Listed Companies", which describes the good practice principles that the Issuer can decide to apply at its own discretion.

2 Principles which have not been applied

The Management Board of ENEA S.A. declares that in view of the factual status existing in the Company as at the date on which this report was drawn up, the following principle of Good Practices of Companies Listed on the WSE have not been applied:

Principle No. 6 Part III of Good Practices:

"At least two members of the supervisory board should fulfil the criteria of independence from the company and from entities that have significant affiliations with the company. With regard to the independence criteria for members of the supervisory board, Annex II to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should be applied. Irrespective of the provisions of Item b) of that Annex, a person who is an employee of the company or its subsidiary or affiliate cannot be deemed to fulfil the independence criteria referred to in that Annex. Furthermore, an affiliation with a shareholder excluding the independent status of a member of the supervisory board in the meaning of this principle is understood to mean an actual and significant affiliation with a shareholder which has the right to exercise five per cent or more of the total number of votes at the general meeting of shareholders."

The Management Board intended to comply with all the corporate governance principles, and it therefore recommended that the Shareholders appoint two independent members of the Supervisory Board. However, the Company's Extraordinary General Meeting of Shareholders of 25 February 2009, whose agenda included an item relating to the appointment of two new members of the Supervisory Board, only appointed one member of the Supervisory Board who fulfilled the independence criteria specified in the above-mentioned corporate governance principle, and at present only one of the members of the Supervisory Board fulfils those criteria.

The possible reinstatement of the application of the rule of part III point 6 of the Best Practices is dependent on the Shareholders making a decision acting as the Company's General Meeting of Shareholders.

It is the Management Board's intention for the Company to apply all the principles set out in Good Practices in the future. However, please note that the final decision regarding compliance with individual principles of Good Practices will belong to our shareholders, particularly with regard to the functioning of the audit committee within the Supervisory Board and the election of a certain number of Supervisory Board members who fulfil the criteria relating to independence from the Company and entities which have a significant affiliation with it. Our Statute does not require that the shareholders elect at least two independent members of the Supervisory Board, as is required by Good Practices.

Under the provisions of the Company's Statute, starting from the date falling one month after the date of the first listing of the Shares on the regulated market, at least one member of the Supervisory Board from among those appointed by the General Meeting of Shareholders should: (i) fulfil the independence requirements (ii) be elected by the General Meeting of Shareholders in a separate vote; and (iii) not be an employee of the Company or its subsidiaries or affiliates.

The Supervisory Board Regulations of ENEA S.A. also provide for the appointment of two Committees of the Supervisory Board, i.e. the Audit Committee and the Nominations and Remuneration Committee. Within the structure of the Supervisory Board there is an Audit Committee composed of all the current members of the Board.

3 Shareholders holding substantial blocks of shares

As at 31 December 2008, 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:

Name of shareholder	Number of shares held	Number of votes held	Share in the share capital	Share in 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	110,389,62	2.50%	2.50%
Others	10,381 615	10,381,615	2.35%	2.35%

Detailed information on the shareholder structure is set out in Section 6.3 above.

4 Holders of securities carrying special inspection rights

ENEA S.A. has not issued any securities that could give special inspection rights with respect to the Issuer.

5 Restrictions on exercising voting rights

There are no restrictions on exercising voting rights in the Company, other than those provided for in generally applicable provisions of law.

6 Restrictions on assigning the ownership title to securities

As at the date of drawing up this report, there are no restrictions in the Company on assigning the ownership title to the Issuer's securities.

As a result of the ongoing privatisation of the Company which, pursuant to the Act on Commercialisation and Privatisation of 30 August 1996, will lead to the gratuitous acquisition of shares by entitled employees, there may be restrictions in the future on the assignment of the ownership title to the Issuer's shares. If shares are acquired by employees free of charge, they cannot be traded for two years from the date when the State Treasury disposes of the first shares on general principles, and shares acquired by employees being members of the Company's Management Board cannot be disposed of for three years from the date when the State Treasury disposes of the first shares on general principles.

7 Principles relating to appointing and recalling management personnel

Under Clause 12 par. 1 of the Statute, the Company's Management Board consists of from three to eight persons, including the President of the Management Board. Management Board members are appointed for a joint term of three years.

Management Board members or the entire Management Board are appointed and recalled by the Supervisory Board. In appointing members of the Management Board and Supervisory Board application is made of the principles contained in the Regulation of the Council of Ministers of 18 March 2003 concerning qualification proceedings for Management Board members of certain commercial companies. Pursuant to the provisions of the Act on Commercialisation and Privatisation, if average annual employment in the Company amounts to 500 employees, the Supervisory Board appoints one person to the Management Board elected by the Company's employees for the term of the Management Board. The Company's Statute lays down the following principles and procedure for electing the Management Board member elected by the employees.

1. Candidates can be a persons nominated according to the procedure set out in Items 2 and 3 below.
2. Each trade union organisation operating within the Company and groups of at least 300 employees have the right to nominate candidates. Each employee can only support one candidate.
3. Candidates must be nominated in writing to the Main Election Committee, not later than seven days before the scheduled date of voting.
4. If a candidate is not elected in the first round of elections (for a Management Board Member to be elected in the first round of the elections, the candidate must obtain an absolute majority of votes, with at least 50 per cent of all the employees taking part in the elections), a second round of elections is held, in which the two candidates who obtained the greatest number of votes in the first round participate.
5. The second round of elections is carried out in accordance with the procedure established for the first round, taking into account the changes provided for in Item 4.
6. After the final results of the elections have been established, the Main Election Committee (appointed by the Supervisory Board) declares that they are valid and then makes an appropriate announcement and delivers the election documentation to the Supervisory Board.
7. As soon as it receives the election documentation, the Supervisory Board appoints the Management Board Member elected by the employees.

Upon the written request of at least 15 per cent of the total number of the Company's employees, the Supervisory Board will order a vote to be held on whether to recall the Management Board Member elected by the employees. The results of the voting will be binding for the Supervisory Board under the condition that at least 50 per cent of all employees take part in it and that the necessary majority is obtained as in the election. A motion on recalling the Management Board Member elected by the employees should be submitted to the Management Board, which will then deliver it to the Supervisory Board.

The competencies of the Shareholders Meeting include, aside from matters specified in mandatory provisions of law and other provisions of the Statute, taking decisions on convertible or exchangable bond issues and other instruments providing an entitlement to acquire or assume control over the Company's shares.

8 Powers of the management board members

The Management Board conducts the Company's affairs and represents it.

Any matters that exceed the scope of the Company's normal business require a resolution of the Management Board, in particular:

1. Adopting the Company's organisational regulations, subject to approval by the Supervisory Board;
2. Creating and liquidating branches;
3. Appointing an authorised signatory or an authorised representative, except for an attorney ad litem; appointing an authorised signatory requires the consent of all the members of the Management Board;
4. Taking out loans or credit facilities;
5. Adopting annual material and financial plans, including investment plans, and long-term strategic plans, subject to approval by the Supervisory Board;
6. Contracting conditional obligations, including the Company granting guarantees and sureties and issuing promissory notes;

7. Acquiring, disposing of or encumbering real property, rights of perpetual usufruct or shares in real property, on the basis of one or more legal acts in a period of 12 consecutive months, with a value greater than or equal to the equivalent of EUR 50,000;
8. Giving over the Company's real property under a leasing, tenancy, lease, lending or usufruct agreement or for any other use;
9. accepting real estate under a leasing, tenancy, lease, usage arrangement or any other method of use, based upon one or more legal actions within a period of 12 consecutive months, with rent equal to or exceeding the equivalent of EUR 50,000 in a period of 12 consecutive months
10. Acquiring, disposing of or encumbering a fixed asset, except for real property, rights of perpetual usufruct or shares in real property, on the basis of one or more legal acts in a period of 12 consecutive months, with a value greater than or equal to the equivalent of EUR 50,000;
11. Giving over fixed assets, except for real property, under a leasing, tenancy, lease, lending or utilisation agreement or for any other use;
12. Taking over a fixed asset, except for real property, under a leasing, tenancy, lease or utilisation agreement or for any other use, on the basis of one or more legal acts in a period of 12 months, where the value of the rent for 12 consecutive months is greater than or equal to the equivalent of EUR 50,000;
13. matters for the consideration of which the Management Board turns to the Supervisory Board or the General Meeting of Shareholders.
14. Determining the manner in which the Company exercises its voting rights at the General Meeting of Shareholders or at shareholders meetings of Significant Subsidiaries, subject to Clause 20 par. 6 pt. 5

Other than the provisions specified above, the Company's Statute contains no provisions that grant additional powers to the management board members, including powers to make decisions on the issuance or redemption of shares.

9 Description of the principles governing the amendment of ENEA S.A.'s Statute

Pursuant to the Commercial Companies Code, the Company's Statute is amended by a resolution of the General Meeting of Shareholders and an entry in the register.

In accordance with the Statute, a resolution of the General Meeting of Shareholders amending the following wording of Clause 32 of the Statute:

"In a situation where the State Treasury ceases to hold more than 50 per cent of the share capital, resolutions regarding the following matters may be adopted by a majority of four-fifths of the votes if at least half of the Company's share capital is represented at the General Meeting of Shareholders:

1) the dissolution of the Company;
2) transferring the Company's registered office abroad;
3) changing the subject of the Company's business activities thereby limiting the possibility of it conducting the activities referred to in Clause 5 pt 1-4 of the Statute;
4) disposing of or leasing the Company's business undertaking or an organised part thereof, whose subject are the activities referred to in Clause 5 pt 1-4 of the Statute, or establishing a limited right *in rem* on the Company's business undertaking or an organised part thereof;
5) merging the Company by transferring all of its assets to a different company;
6) dividing the Company;
7) establishing preferential terms for shares;
8) incorporating a European company, transforming the Company into such a company, or acceding to such a company",

can be adopted if at least half of the Company's share capital is represented at the General Meeting of Shareholders, and it will require a majority of four fifths of the votes when and if the State Treasury ceases to hold more than 50 per cent of the share capital.

Other than those specified above, the Company's Statute contains no provisions that differ from the provisions of the Commercial Companies Code.

10 The procedure and basic powers of the General Meeting of Shareholders and a description of shareholders' rights and the procedure for exercising them

The Company's Statute states that the Management Board convenes a General Meeting of Shareholders in the situations specified in the provisions of law and in the Statute, and also if the shareholder being the State Treasury submits a written request to that effect.

As long as the State Treasury continues to be a shareholder of the Company, regardless of its share in the share capital, it can demand that an Extraordinary General Meeting of Shareholders be convened under Article 400 par. 2 of the Commercial Companies Code, as well as that particular matters be included on the agenda of the next General Meeting of Shareholders. The State Treasury must submit such a demand in writing to the Management Board not later than one month before the proposed date of the General Meeting of Shareholders. If the demand referred to in par. 1 is submitted after the announcement of the convening of a General Meeting of Shareholders, then it will be treated as a motion for the convening of another General Meeting of Shareholders.

If a General Meeting of Shareholders is not convened within two weeks from the date when a demand is submitted, the shareholder being the State Treasury will be entitled to convene a General Meeting of Shareholders under Article 354 par. 1 of the Commercial Companies Code.

A scheduled General Meeting of Shareholders on whose agenda certain matters have been included at the request of entitled entities, or which was convened at the request of entitled entities, can only be cancelled with the consent of the parties that submitted the request. In other cases, a scheduled General Meeting of Shareholders can be cancelled if holding that meeting is subject to extraordinary obstructions (an event of *force majeure*) or becomes clearly unnecessary. Such cancellation is effected in the same way as convening a meeting, ensuring that the adverse effects for the company and the shareholders are minimised, and in any event not later than three weeks before the originally planned time of the meeting. The scheduled time of a General Meeting of Shareholders is changed by the same procedure as cancelling it, even if the proposed agenda of the meeting has not changed.

Besides the matters specified in mandatory provisions of law, the powers of the General Meeting of Shareholders include:

1) appointing and recalling members of the Supervisory Board, subject to the provisions of the Company's Statute authorising the shareholder being the State Treasury to appoint and recall one member of the Supervisory Board (under Article. 354 par. 1 of the Commercial Companies Code);
2) adopting the Regulations of the General Meeting of Shareholders laying down the detailed principles for conducting meetings and adopting resolutions;
3) issuing convertible or exchangeable bonds and other instruments carrying an entitlement to acquire or take up shares in the Company.

Acquiring and disposing of real property, rights or perpetual usufruct or a share in a real property, i.e. the acts specified in Article 393 pt. 4 of the Commercial Companies Code, do not require the consent of the General Meeting of Shareholders.

As long as the State Treasury holds more than half of the total number of shares of the Company, the acts referred to in Article 18 par. 2 of the Act on Commercialisation and Privatisation of 30 August 1996 will require the consent of the General Meeting of Shareholders, except for:

1. Acts for which the Statute requires the consent of the Supervisory Board, provided that the Supervisory Board has granted such consent;
2. Other acts than those specified in Item 1 above, if those acts involve:
3. the Company incorporating or acceding to a different company in the Republic of Poland, if the price of acquiring or taking up the share (or shares) or a contribution towards a share in a partnership does not exceed EUR 5,000,000;
4. taking up or acquiring shares, where their par value does not exceed EUR 5,000,000;
5. disposing of or encumbering shares of a different company that have been acquired or taken up, if their par value does not exceed EUR 5,000,000;
6. acquiring shares in exchange for claims of the Company as part of mediation, corporate recovery, or bankruptcy proceedings.

Besides those specified above, the Company's Statute does not contain any provisions on the procedure of the General Meeting of Shareholders and its powers that are not directly provided for in provisions of law.

As at the date of drawing up this report, the Regulations of the General Meeting of Shareholders have not been adopted in the Company.

11 The composition of the management and supervisory boards of ENEA S.A., changes to it, and a description of their operations

Management Board

The Issuer's current Management Board was appointed for a joint three-year term, which ends on 28 June 2010. The mandates of the members of the Management Board will expire not later than the date of the General Meeting of Shareholders that approves the financial statements for 2009.

Since the beginning of 2008, the Management Board for the 6th term as been composed of:

- Paweł Mortas – President of the Management Board;
- Renata Czech – Member of the Management Board for Business Affairs;
- Marek Hermach – Member of the Management Board for Commercial Affairs;
- Zbigniew Piętka – Member of the Management Board for Infrastructure;
- Czesław Koltermann – Member of the Management Board elected by the employees.

By a Resolution of the Supervisory Board of 3 June 2008, the Management Board Member for ENEA S.A.'s Infrastructure, Mr Zbigniew Piętka, was recalled from his position. On 15 July 2008, the Supervisory Board recalled Ms R. Czech from the position of Member of the Management Board for Business Affairs. On 29 November 2008, as a result of qualification proceedings, the Supervisory Board adopted resolutions on the appointment of the following persons to the Management Board for the 6th term:

- Sławomir Jankiewicz – Member of the Management Board for Business Affairs;
- Piotr Koczorowski – Member of the Management Board for Corporate Affairs;
- Marek Malinowski – Member of the Management Board for Strategy and Development.

As a result, the composition of the Management Board from the date when those persons were appointed to the end of 2008 was as follows:

- Paweł Mortas – President of the Management Board;
- Marek Hermach – Member of the Management Board for Commercial Affairs;
- Czesław Koltermann – Member of the Management Board elected by the Company's employees;
- Sławomir Jankiewicz – Member of the Management Board for Business Affairs;
- Piotr Koczorowski – Member of the Management Board for Corporate Affairs;
- Marek Malinowski – Member of the Management Board for Strategy and Development.

On 26 March 2009, the Issuer's Supervisory Board adopted resolutions recalling Mr Paweł Mortas from the position of President of the Management Board and Mr Marek Hermach from the position of Member of the Management Board for Commercial Affairs and adopted a resolution temporarily entrusting the duties of President of the Management Board of ENEA S.A. to Mr Piotr Koczorowski, previously the Member of the Management Board for Corporate Affairs. The Supervisory Board also initiated qualification proceedings for the positions of President of the Management Board and Member of the Management Board for Commercial Affairs.

As at the date of drawing up this Report, the Company's Management Board has the following composition:

Given name and surname	Position
Piotr Koczorowski	Acting President of the Management Board
Czesław Koltermann	Member of the Management Board elected by the Company's employees
Sławomir Jankiewicz	Member of the Management Board for Business Affairs
Marek Malinowski	Member of the Management Board for Strategy and Development

The Management Board directs the Company's operations and represents it in relations with third parties. Two Members of the Management Board acting jointly or one Member of the Management Board acting jointly with an authorised signatory are authorised to make declarations on behalf of the Company. The powers, organisation and operating principles of the Management Board are set out in the Statute, the Management Board Regulations, and the Commercial Companies Code.

Pursuant to the Management Board Regulations, as a general rule the Management Board convenes once a week in the Company's registered office. Participation in meetings of the Management Board is compulsory. Management Board meetings are convened by the President of the Management Board, either on his own initiative or at the request of two Members of the Management Board or, if he is absent, by the Member of the Management Board appointed to perform that act by the Supervisory Board.

Employees of the Company, experts and external advisors can be invited to attend Management Board meetings.

The agenda and the required document for a Management Board meeting will be provided by the Management Board Office, at least one business day before the Management Board meeting. For valid reasons, a meeting can be convened immediately and without materials being provided. For a meeting to be held, all the members of the Management Board must be effectively notified of the meeting.

Decisions of the Management Board associated with conducting the Company's affairs, as referred to in the Statute, are made in the form of Management Board resolutions. The Management Board may adopt resolutions if at a given meeting at least half of its members are present, and all members were duly notified about the meeting. The Management Board adopts resolutions by an absolute majority of votes, i.e. by a majority of more than half the votes cast. Abstentions are deemed to be votes cast against the resolution. In the event of an equal number of votes in adopting a management board resolution, the casting vote is held by the Management Board President. The Management Board can adopt resolutions in writing or remotely using a means of direct communication. Adopting resolutions in this manner requires a justification and that the draft resolution be presented in advance to all the members of the Management Board. Resolutions adopted in writing or remotely using a means of direct communication are presented at the next meeting of the Management Board with the outcome of the vote.

Supervisory Board

Members of the Supervisory Board of the sixth term of office were appointed by a resolution of the Ordinary General Meeting of the Company's Shareholders on 30 June 2006, for a joint three-year term of office, which ends on 30 June 2006. The mandates of the members of the Supervisory Board will expire not later than the date of General Meeting of Shareholders that approves the financial statements for 2008.
From 1 January 2008 to 28 February 2008, the composition of the Supervisory Board was as follows: Mr Krzysztof Misiołek, Mr Tadeusz Dachowski, Mr Piotr Meteniowski, Ms Marzena Gajda, Mr Jacek Jastrzębski, Mr Tomasz Karusewicz, Mr Andrzej Łopuszko, Mr Mieczysław Pluciński, and Mr Mirosław Rawa.

On 28 February 2008, the Extraordinary General Meeting of Shareholders recalled the following Supervisory Board members: Mr Krzysztof Misiołek, Mr Piotr Meteniowski, Mr Jacek Jastrzębski, Mr Tomasz Karusewicz and Mr Mirosław Rawa, and appointed Mr Michał Łagoda, Mr Piotr Begier, Mr Marian Janas, Mr Marian Kłysz, Mr Wiesław Pawliotti and Mr Marcin Lemkowski. All the Supervisory

Board members appointed on that date, except for Mr Marian Kłysz and Mr Marcin Lemkowski, have performed their functions to date. On 13 May 2008, the Company's Extraordinary General Meeting of Shareholders recalled Mr Marcin Lemkowski from the Supervisory Board, and Mr Marian Kłysz resigned from his position as member of the Supervisory Board on 31 October 2008.

On 25 February 2009, Ms Marzena Gajda tendered her resignation from the position of member of the Supervisory Board. On the same day, the Extraordinary General Meeting of Shareholders appointed Mr Wojciech Chmielewski, Mr Marcin Bruszewski and Mr Graham Wood to the Supervisory Board.

As at the date of drawing up this report, the Company's Supervisory Board has the following composition:

Given name and surname	Position
Michał Łagoda	Chairman of the Supervisory Board
Tadeusz Dachowski	Vice-Chairman of the Supervisory Board
Piotr Begier	Secretary of the Supervisory Board
Marcin Bruszewski	Member of the Supervisory Board
Wojciech Chmielewski	Member of the Supervisory Board
Marian Janas	Member of the Supervisory Board
Andrzej Łopuszko	Member of the Supervisory Board
Wiesław Pawliotti	Member of the Supervisory Board
Mieczysław Pluciński	Member of the Supervisory Board
Graham Wood	Member of the Supervisory Board

The Supervisory Board exercises ongoing supervision over all areas of the Company's activities. The special duties of the Supervisory Board include assessing the Management Board report on the Company's operations and the financial statements for the previous financial year, to ensure their compliance with the books of account and documents and the factual status, and motions of the Management Board on the distribution of profits or covering of losses, as well as submitting an annual written report on the results of that assessment to the General Meeting of Shareholders. The powers, organisation and operating principles of the Supervisory Board's are set out in the Statute, the Supervisory Board Regulations of ENEA S.A. in Poznań and the Commercial Companies Code.

In accordance with the Company's Statute, the Supervisory Board consists of from six to fifteen members appointed by: (i) the General Meeting of Shareholders, (ii) the Company's employees – to the extent of their entitlement under the Act on Commercialisation and Privatisation (the employees can elect two, three or four members of the Supervisory Board if it has up to six, from seven to ten, or more than 11 members respectively) and (iii) the State Treasury – the State Treasury has the right to appoint one member of the Supervisory Board. Furthermore, under the provisions of the Company's Statute, starting from the date falling one month after the date of the first listing of the Shares on the regulated market, at least one member of the Supervisory Board from among those appointed by the General Meeting of Shareholders should: (i) fulfil the independence requirements (ii) be elected by the General Meeting of Shareholders in a separate vote; and (iii) not be an employee of the Company or its subsidiaries or affiliates. The Supervisory Board member referred to in the previous sentence is elected by the General Meeting of Shareholders in a separate vote. Each shareholder of the Company present at the General Meeting of Shareholders held to elect the independent member of the Supervisory Board representing at least one per cent of the total number of votes represented at the General Meeting of Shareholders in question, has the right to nominate one candidate for that member of the Supervisory Board. If there are no nominations for candidates for independent members of the Supervisory Board, the Supervisory Board will nominate candidates and submit the nominations to the General Meeting of Shareholders for voting. The number of members of the Supervisory Board is determined by the General Meeting of Shareholders. On 25 February 2009, in accordance with the above-mentioned provisions of the Statute, the Extraordinary General Meeting of Shareholders elected Mr Graham Wood as independent Member of the Supervisory Board.

Pursuant to the Regulations of the Supervisory Board, the Board must meet at least once every two months. Meetings of the Board are convened by the Chair or Vice-Chair of the Board, who will also present a detail agenda. A meeting of the Board should be convened at the request of any member of the Board or at the request of the Management Board. A meeting of the Board will be convened within two weeks from the date when a request is received. In order to convene a meeting of the Supervisory

Board, all members of the Board must be invited no later than seven days before the Board's meeting. For valid reasons, the Chairman of the Board can reduce that notice period to two days, specifying the manner of delivering the invitations. In an invitation to a meeting of the Board, the Chair will specify the time and venue of the meeting and include a detailed draft agenda. He will also enclose materials with the invitation relating to the matters included on the agenda.

Meetings of the Board are conducted by the Chair of the Board or, if he is absent, by the Vice-Chair. The proposed agenda can be changed if all the members of the Board are present at the meeting and no one objects to the agenda. Any matters that are not included on the agenda will be included on the agenda of the next meeting. Participation in Supervisory Board meetings is obligatory for Board members. A Supervisory Board member must provide reasons for not attending in writing. A resolution of the Board is required to excuse a member of the Board for being absent.

The Supervisory Board may adopt resolutions if at a given meeting at least half of its members are present, and all members were invited. The Supervisory Board adopts resolutions by an absolute majority of votes, that is a majority of more than half of votes cast, with the provision that an "abstaining" vote is counted as a vote against the resolution. In the event of an equal number of votes in adopting a Supervisory Board resolution, the casting vote is held by the chairman of the Supervisory Board. The Supervisory Board can also adopt resolutions in writing, by signing the same copy (or copies) or the draft resolution or separate documents with the same content, or by telephone or by other means of remote communication, in a manner that allows all the members participating in the meeting to directly communicate with each other. Adopting a resolution by this procedure requires that a justification for the resolution be drawn up in advance and that a draft resolution be presented to all the members of the Supervisory Board together with the justification. Resolutions cannot be adopted in writing or remotely using means of direct communication for elections of the Chair or Vice-Chair of the Board, appointing a member of the Management Board or recalling or suspending those persons. Resolutions adopted in writing or remotely using means of direct communication are presented at the next meeting of the Supervisory Board with the outcome of the voting.

The Supervisory Board Regulations of ENEA S.A. also provide for the appointment of two Committees of the Supervisory Board, i.e. the Audit Committee and the Nominations and Remuneration Committee.

Pursuant to the Regulations of the Supervisory Board, a committee is to be composed of at least three members appointed by the Board from among its members for a period equivalent to the Board's term of office. The members of the committee elect a chair of the committee from among their number. The chair of the committee directs and supervises the committee's work, particularly the organisation and procedure of committee meetings. Committee meetings are convened by the chair of the committee or, if he is absent, by a member of the Board indicated by him. The first committee meeting is convened by the Chair of the Board or by a member of the Board indicated by him. Notifications of committee meetings are subject to the provisions on notifications of Board meetings, as appropriate. However, committee meetings should be held once per quarter, before the Company publishes its financial statements. Only persons invited by the chair can take part in committee meetings. Committee resolutions are adopted by an ordinary majority of votes. In the event of an equal number of votes, the chair of the committee has the casting vote. Committee resolutions are adopted at meetings or remotely using a means of direct communication. The chair of the committee submits resolutions, motions and reports on matters on the Board's agenda to the Board, as well as other motions, including motions regarding the need to draw up an expert opinion or an opinion concerning the scope of the committee's tasks for the needs of the committee or employ an adviser.

The task of the Audit Committee is to advise the Board regarding the internal policy and budget procedures adopted by the Company and inspect them and advise on the Company's contacts with the certified auditor, in particular:

a) monitoring the accuracy of the financial information presented by the Company, particularly by reviewing the appropriateness and consistency of the application of the accounting methods adopted by the Company and its group (including the criteria for consolidating the financial statements of the companies in the group);
b) discussing any problems or reservations that might result from auditing financial statements;
c) discussing the nature and scope of the audit with the Company's certified auditors before the commencement of each audit of the annual financial statements and monitoring the coordination of work between the Company's certified auditors;

d) reviewing internal control and risk management systems at least once a year, in order to ensure that key risks (including those associated with compliance with applicable provisions of law and regulations) are correctly identified, managed and disclosed;
e) ensuring the effectiveness of the internal auditing function by issuing recommendations regarding the selection, appointment, re-appointment and dismissal of the head of the internal audit department and the budget of that department, and by monitoring the response of the Company's Management Board to its determinations and recommendations;
f) analysing reports of the Company's internal auditors and the key conclusions of other internal analysts and the Management Board's response to those conclusions, including examining the degree of independence of internal auditors;
g) monitoring the work of certified auditors and presenting recommendations to the Board regarding the selection, appointment, re-appointment and dismissal of the external auditor by the authorised body and regarding the terms and conditions of his employment;
h) monitoring the independence of the external auditor and his objectivity, in particular by reviewing the auditing firm's compliance with applicable guidelines relating to the rotation of audit partners, the amount of fees paid by the Company, and regulatory requirements in that respect;
i) inspecting the nature and scope of non-auditing services, in particular on the basis of the external auditor disclosing the sum total of all fees paid by the Company and its group to the auditing firm and its chain, in order to prevent a material conflict of interests in that context;
j) reviewing the effectiveness of the external auditing process and monitoring the response of the Management Board to written recommendations presented to it by external auditors;
k) examining issues being the reason for dismissing an external auditor and issuing recommendations on required action;
l) cooperating with the Company's organisational units responsible for auditing and control and periodically assessing their work;
m) reviewing the Company's system of management accounting.

The task of the Nominations and Remuneration Committee is to promote the achievement of the Company's strategic objectives by presenting opinions and motions to the Board regarding the structure of employment and the remuneration paid to the Company's personnel, particularly management personnel. The Committee's tasks include:

a) analysing solutions related to the system of nominating members of the Management Board and the Management Board's policy for selecting and appointing senior management personnel;
b) analysing solutions proposed by the Management Board relating to the system of managing the Company in order to ensure that the Company is managed efficiently, consistently and securely;
c) presenting proposals to the Board relating to the remuneration and forms of employment of members of the Management Board, taking into account their previous achievements;
d) presenting opinions to the Supervisory Board on the justification for awarding performance-based remuneration and on incentives based on the Company's shares, in the context of assessing the degree to which particular tasks and objectives of the Company have been achieved and proposals in that respect;
e) assessing the Company's human resources management system;
f) periodically assessing the skills, knowledge and experience of individual members of the Management Board and management personnel and presenting the results of the assessment to the Board.

On 9 March 2009, the Supervisory Board appointed the Audit Committee of the Supervisory Board, composed of all the current members of the Board.

8. Other information

1 Description of the main features of the internal control and risk management systems applied in the issuer's company

The Management Board of ENEA S.A. is responsible for the internal control system in the Company and its effectiveness in the process of drawing up financial statements and periodic reports. The task of an effective internal control system in financial reporting is to ensure that the financial information set out in financial statements and periodic reports is appropriate and correct.

At present, the Capital Group does not have a formal comprehensive risk management process in place regarding the process of drawing up the financial statements of the Issuer. However, the Issuer's Management Board intends to make every effort to update and formalise the risk management process, including in connection with drawing up financial statements, covering all companies of the ENEA S.A. Capital Group.

Irrespective of the above, to ensure correctness and reliability in keeping accounts of the ENEA S.A. Capital Group on the basis of constant principles, and to generate high-quality financial data on that basis, a joint Accounting Policy for ENEA S.A. was introduced, as well as Stand-alone Consolidation Package Instructions of the ENEA S.A. Capital Group and a series of internal procedures regarding control systems arising from the activities of ENEA S.A. and the Capital Group, and the scope and principles of financial reporting on the basis of the International Financial Reporting Standards approved by the EU were also established.

The financial data being the basis for financial statements and periodic reports and the monthly management and operational reporting carried out by ENEA S.A. is taken from the Company's financial and accounting system. After all the predetermined processes of closing the books of account at the end of each month have been carried out, detailed management reports on financial and operational matters are drawn up. Those reports are drawn up by the Controlling Office, with the participation of middle and senior managers from individual organisational units. With regard to completed reporting periods, the Company's financial results are subjected to detailed analysis with reference to budget assumptions and the forecasts carried out in the month preceding the reporting period being analysed, and any deviations are identified and appropriately clarified.

The companies of the Capital Group process and present financial data on the basis of their own procedures of identifying, recording and controlling economic operations. The companies also accept their own internal control and risk assessment procedures arising from their activities. The scope and principles of reporting are established in agreement with the dominant entity.

The Group applies organisational and systemic solutions with respect to ensuring the appropriate use and protection of systems, data, security of access to data and computer equipment. Access to the system of financial and accounting records and financial reporting – both stand-alone and consolidated – is restricted by appropriate powers granted to authorised employees exclusively with respect to the obligations they perform.

An important risk management element with regard to the process of drawing up the financial statements of the ENEA S.A. Capital Group is also the internal control of an internal audit. The basic tasks of an internal audit include examining and assessing control mechanisms designed to minimise the probability of risks materialising in processes which directly or indirectly influence the correct preparation of financial statements. In connection with this, risk management processes are assessed, when performing the tasks of the internal audit, concerning those risks which directly or indirectly influence the financial statements, and also the processes and controls in operation in them, the purpose of which includes ensuring that economic transactions are correctly recorded.

The internal audit operates on the basis of the "Internal audit regulations of the ENEA S.A. Capital Group" approved by the Management Board of the dominant entity, drawn up on the basis of the International Standards of Professional Practice of Internal Auditing. The internal audit is concerned with controlling processes occurring in the dominant entity and in other companies forming part of the Group, in accordance with the audit plan approved by the Management Board of the dominant entity.

As a result of carrying out the auditing tasks for 2008, the ENEA S.A. debt recovery process was controlled and audits were carried out of the sale process, the billing system and its cooperation with the financial and accounting system in the Szczecin branch of ENEA Operator Sp. z o.o.

The dominant entity also carries out annual reviews of business and financial strategies and plans. Middle and senior management personnel are engaged in the process of detailed planning and budgeting, which covers all the areas of operations of ENEA S.A. The financial plan prepared by the

Control Office for the next year is accepted by the Company's Management Board and approved by the Supervisory Board. During the course of the year, ENEA S.A.'s Management Board analyses current financial results and compares them to the adopted financial plan, presenting the execution of the plan and any deviations to the Supervisory Board, which acts as the Audit Committee. This is constructed on the basis of the Company's accounting principles convergent with the adopted accounting policy (EU International Financial Reporting Standards) and applies the format and degree of detail of the financial data presented in the periodic financial statements of ENEA S.A. and the ENEA S.A. Capital Group.

2 Information on the system of inspecting employee share programmes

ENEA S.A. maintains a register of persons entitled to the free of charge acquisition of employee shares in the Company.
Simultaneously we have a register of persons who, as compensation for lost rights to shares or having no rights to share, would receive an equivalent. Under a resolution of the ENEA S.A management, a team was formed with responsibility for all matters related to employee shares.
The Human Resources and Training Department of Elektrownia "Kozienice" S.A., which reports directly to the President of the Management Board, is responsible for realisation of the employee share programme.
A list of persons entitled to equivalents/shares is stored at Elektrownia "Kozienice" S.A. both in hard copy and electronically. Each entitled person also has a seperate file. Additionally, a complete compliation of persons entitled to an equivalent right to gratuitous acquisition of shares, is evidenced in a separate programme set up for carrying out the process of payment of equivalents, ensuring complete control over the process.

3 The entity authorised to audit the financial statements

By way of a resolution of the Supervisory Board of 6 September 2008 KPMG Audyt Sp. z o.o. was selected to carry out an examination of the annual stand-alone and consolidated financial statements of ENEA S.A. for 2008. The relevant agreement was signed on 9 October 2008. Examination of the annual stand-alone and consolidated financial statements of ENEA S.A. for 2007 was carried out by KPMG Audyt Sp. z o.o. pursuant to an agreement of 5 October 2007, concluded on the basis of a resolution of the Supervisory Board of 20 August 2007.

The table below presents the net fees due to KPMG Audyt Sp. z o.o. under services to ENEA S.A. concerning a given financial year (expressed in '000 PLN):

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
KPMG Audyt Sp. z o.o.'s remuneration for auditing and reviewing the stand-alone and consolidated financial statements of ENEA S.A.	374	473
KPMG Audyt Sp. z o.o.'s remuneration for other certification services provided to ENEA S.A. – including review of the financial statements	2 006	215
KPMG Audyt Sp. z o.o.'s remuneration for other certification services provided to ENEA S.A.	1 083	-
Total	**3 463**	**688**

4 Achievements in the area of research and development

The Capital Group has no significant research and development achievements.

5 Environmental issues

Issues related to the natural environment of key importance to the Company have been listed in pt. 4.1.24 of this report. The issues described below should also be considered.

ENEA S.A., as a business entity that uses the environment, must fulfil a number of legal requirements. With regard to environmental protection, the Company was subject to the following basic legislation:

The Environmental Protection Law of 27 April 2001, as amended (uniform text published in Journal of Laws No. 129, item 902 of 2006);

- The Waste Materials Act of 27 April 2001, as amended;

- The Water Law of 18 July 2001, as amended (uniform text: the Announcement of the Speaker of the Sejm of the Republic of Poland of 18 November 2005, Journal of Laws No. 239, item 2019),

- The Act on Used Electrical and Electronic Equipment of 29 July 2005 (Journal of Laws No. 180, item 1495 of 2005)

- The Act on Making Information Available on the Environment, Environmental Protection, and Society's Participation in Environmental Protection and on Environmental Impact Assessments of 3 October 2008 (Journal of Laws No. 199, item 1227 of 2008).

ENEA S.A. owns office buildings and holiday centres. The Company uses the environment by:

a) collecting water from its own intakes;
b) disposing of sewage into a river,
c) polluting the air by,

- fuel combustion in the engines of the Company's vehicles;
- fuel combustion in heating devices.

The boiler houses operated in ENEA S.A.'s facilities did not require permits and did not have to be notified to the county administrator in accordance with the Regulation of the Minister of the Environment of 22 December 2004 on types of installation whose operation requires notification (Journal of Laws No. 283, item 2839 of 2004).

Because ENEA S.A. fulfilled its obligations under environmental protection laws, in 2008 it was not threatened with any penal sanctions for failing to fulfil such requirements and it did not receive any penalties.

Specifications and nature of the operations of Elektrownia "Kozienice" S.A.

Elektrownia „Kozienice" S.A. is a condensation power plant in which the basic fuel utilised in the generation of electricity is bituminous coal.
The main impact of Elektrownia "Kozienice" is in connection with emissions of atmospheric pollution, storage of combustion waste, intake of water and disposal of sewage. The most harmful pollutants emitted into the atmosphere include sulphur dioxide, nitric oxide, dust and carbon dioxide.

The amounts of pollutants emitted in 2008 are:

- SO_2 – 32 595 Mg

- NOx - 21 824 Mg

- ash - 1 570 Mg

- CO - 1 497 Mg

- CO_2– 10 004 616 Mg

- waste (mixture of ash and cinders) – 340 123 Mg.

Reduction of emission of pollutants

The power plant has fume anti-dust installations with high-efficiency electrostatic precipitators mounted on each of its energy units. The electrostatic precipitators on unit No. 2 were changed in

2006, on unit No. 1 in 2007, and on unit No. 6 in 2008. Thanks to these installations, the requirements for allowable concentrations at a level of 50 mg/Nm3 are being met.
In the Company, installations for initial reduction of nitric oxides are in operation. These limit the concentration of nitric oxides to a guaranteed limit of 500 mg/Nm3, utilising such devices as ROBTAS low-emissions burners and a system of air nozzles installed on the front and rear walls of the furnaces above the burner zone (so-called OFA, SOFA nozzles).
Restricting emissions of SO2is handled by fume desulphurisation installations using the wet limestone method: IOS I for 500 MW of installed power, covering units No. 9 and 10, and IOS II for 800 MW of installed power covering the 200 MW units No. 2-8. In order to bring emissions of SO2 in line with the tighter norms resulting from implementation of the provisions of relevant Community law, an investment was begun in 2008 for constructing a fume desulphurisation installation using the wet limestone method for the 500 MW unit No. 10, with a planned completion date of 2011.

Waste management

Waste management is conducted in accordance with the binding regulations, i.e. pursuant to the Law on waste of 21 April 2001. The Company has an ash and cinder storage facility with an active storage area of 313 ha, consisting of 6 storage fields from which have also been delineated a burner waste warehouse and a storage facility and warehouse for gypsum from the Fume Desulphurisation Installation.
In 2008, activities were undertaken aimed at making the greatest possible use of burner waste, with a waste use ratio of 65.08 per cent. In 2008, 157,200 tonnes of gypsum resulting from the work of the IOS was used (the amount produced was 159,300 tonnes). In the vicinity of the waste storage facilities, systematic monitoring of the quality of the environment is carried out in accordance with the relevant binding regulations. The physical and chemical properties of the ash and cinders are tested, as is water quality. The results of tests carried out indicate only a small impact on the environment.
The power plant undertakes activity designed to avoid repeated spread of dust, through periodic sprinkling of fields, flooding of fields not in use and protecting surfaces with membrane-forming chemicals.

Fuel management in terms of the requirements of the trade in entitlements to CO2 emissions, generation of electricity in high-efficiency cogeneration, and production from renewable energy sources (RES)

As a result of the application of the requirements of Directive of the European Parliament and the Council of Europe in Polish jurisdiction, at Elektrownia "Kozienice" S.A. certain activities are conducted in relation to the introduction of:

- the system for trading in emission CO_2 rights
- production from renewable sources of energy
- generation of electricity

To meet the needs of emissions trading, emissions of CO2are monitored using, since 2008, our own, certified chemical laboratory. All annual reports, including that for 2008 (the first year off settlement period II), have been approved.

A biomass co-burner installation built in 2007 makes possible the continuous production of electricity from RES - 160,455.218 MWh in 2008. It will be expanded in 2009, and this, together with the planned startup in the near future of a liquid biomass co-burner installation, will make it possible for us to increase our production of energy from RES.
In 2008, 98,656.4 Mg of biomass was burnt as fuel. That amount of biomass consumed means a reduction in carbon dioxide emissions of 151,138 Mg.
At an early stage, parts of the power plant, such as the 200 MW and 500 MW units, were modernised, resulting in a reduction of coal used per unit. This means a reduction in both the amount of coal used and amount of CO2 emitted.

6 Information on employment

Issues related to employment of key importance to the Company have been listed in pt. 4.01.21 of this report.

The table below shows average employment in ENEA S.A. broken down into trading and other activities.

	Annual average
TRADE	**98.31**
OTHER ACTIVITIES	**171.21**
TOTAL	**269.52**

The table below shows employment at subsidiaries in 2008.

Item	Employment at the end of the month in positions	Average employment, cumulative
Elektrownie Wodne	165.00	164.90
NZOZ Centrum Rehabilitacyjno - Wczasowe Energetyk	85.00	84.75
STEREN	94.50	92.29
ZUP ENERGOTRANS GORZÓW	41.00	45.42
ENEOS	115.80	111.85
ENTUR	5.00	5.00
ZUT ZZE ITSERWIS	113.75	119.12
ZHU AUTO STYL	51.00	47.75
FINEA	8.00	5.26
ENERGOMIAR	98.75	101.27
B H U	194.00	187.55
B U T	3.50	2.83
Hotel EDISON	22.00	21.73
Zakład Transportu	62.25	66.68
EnergoPartner	9.00	2.83
ENERGO-TOUR	23.50	22.67
EWiNN	69.25	71.09
EP PUE ENERGOBUD Leszno	516.05	517.01
ENEA Operator Sp. z o.o.	5 880.99	5 845.21
Spółka Elektrownia "Kozienice" S.A.	2 391.00	2 344.00
Kozienice II	7.00	4.70
TOTAL	**9 956.34**	**9 863.91**

Signatures of the Management Board

Acting President of the Management Board	**Piotr Koczorowski**
Member of the Management Board	**Sławomir Jankiewicz**
Member of the Management Board	**Marek Malinowski**
Member of the Management Board	**Czesław Koltermann**

Poznan, 17 April 2009

STATEMENTS OF THE MANAGEMENT BOARD

ON THE RELIABILITY OF THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ON THE ENTITY AUTHORISED TO AUDIT THE FINANCIAL STATEMENTS

Statement of the Management Board concerning the reliability of the preparation of the consolidated financial statements:

The Management Board of ENEA S.A. states that, to its best knowledge:

- the consolidated annual financial statements and comparable data have been prepared in accordance with applicable accounting principles and correctly, reliably and clearly reflect the situation regarding the assets and finances of the ENEA Capital Group and the financial results of the ENEA Capital Group for the periods presented,
- the Management Board's report on the activities of the ENEA Capital Group in 2008 presents a correct picture of the development, achievements and situation of the ENEA Capital Group, including a description of fundamental risks and dangers.

Statement of the Management Board concerning the entity authorised to audit the financial statements:

The Management Board of ENEA S.A. states that KPMG Audyt Sp. z o.o., an entity authorised to audit financial statements, which audited the annual consolidated financial statements of the ENEA Capital Group, was appointed in accordance with the applicable legal regulations. This entity and the auditors auditing those financial statements have met the conditions for expressing an impartial and independent opinion on the annual consolidated financial statements, in accordance with the appropriate legal regulations and professional standards.

Piotr Koczorowski – Acting President of the Management Board

Czesław Koltermann – Member of the Management Board elected by employees

Sławomir Jankiewicz – Member of the Management Board for Economic Affairs

Marek Malinowski – Member of the Management Board for Strategy and Development