

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 stand-alone financial information

	in thousands of PLN		in thousands of EUR	
	12 months ended	12 months ended	12 months ended	12 months ended
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Net revenues	5 941 996	4 983 879	1 682 284	1 319 604
Operating profit	118 285	45 297	33 489	11 993
Profit before taxation	246 347	87 110	69 745	23 064
Net profit for the reporting period	203 785	431 099	57 695	114 144
Net cash generated from operating activities	332 025	282 997	94 002	74 930
Net cash generated from investing activities	(191 741)	(186 985)	(54 285)	(49 509)
Net cash generated from financing activities	1 824 510	(58 430)	516 551	(15 471)
Net total cash flow	1 964 794	37 582	556 268	9 951
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)	0.57	1.72	0.16	0.46
Diluted profit per share (in PLN/EUR per share)	0.57	1.72	0.16	0.46
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31.12.2008</b>	<b>31.12.2007</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Total assets	11 093 233	8 788 994	2 658 718	2 453 655
Liabilities and provisions for liabilities	1 380 315	1 324 975	330 820	369 898
Non-current liabilities	124 163	102 447	29 758	28 601
Current liabilities	1 256 152	1 222 528	301 062	341 298
Equity	9 712 918	7 464 019	2 327 897	2 083 757
Ordinary shares	588 018	494 796	140 930	138 134
Net book value per share (in PLN/EUR)	22.00	21.43	5.27	5.98
Diluted net book value per share (in PLN/EUR)	22.00	21.43	5.27	5.98

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).



## **ENEA S.A**

**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 15 pages  
Opinion of the independent auditor  
and report supplementing the auditor's opinion  
on the 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.*

## **OPINION OF THE INDEPENDENT AUDITOR**

*To the General Meeting of ENEA S.A.*

We have audited the accompanying unconsolidated financial statements of ENEA S.A., seated in Poznań (“the Company”), which comprise the balance sheet as at 31 December 2008, with total assets and total liabilities and equity of PLN 11,093,233 thousand, the income statement for the year then ended with a net profit of PLN 203,785 thousand, the statement of changes in equity for the year then ended with an increase in equity of PLN 2,248,899 thousand, the cash flow statement for the year then ended with an increase in cash amounting to PLN 1,964,794 thousand, and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

### *Management’s Responsibility for the Financial Statements*

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of these unconsolidated 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 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 unconsolidated financial statements and whether the financial statements are derived from properly maintained accounting records. 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 financial statements and the accounting records from which they are derived are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 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 17 of the accompanying unconsolidated 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 Company 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 employees' 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 Company 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 Entitled Employees was recognized based on the valuation of shares of ENEA S.A. adopted for the purposes of preparation of the 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 cost 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 unconsolidated financial statements of ENEA S.A. have been prepared and present fairly in all material respects the financial position of the Company 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, are in compliance with the respective regulations and the provisions of the Company's Statute that apply to the Company's financial statements

and have been prepared from accounting records, that in all material respects have been properly maintained.

*Other Matters*

As required under the Accounting Act, we also report that the Report on the Company'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 unconsolidated financial statements.

*Signed on the Polish original*

.....  
Certified Auditor No. 10176/7521  
Michał Karwatka

*Signed on the Polish original*

.....  
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.**  
**Stand-alone financial statements**  
**for the year ended 31 December 2008**

**Poznań, 17 April 2009**

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These stand-alone financial statements were prepared according to the International Financial Reporting Standards approved by the European Union and accepted by the Management of the Company as to be published and submitted to proper bodies of the Company for approval according to the regulations of the Polish Accounting Act and the Code of Commercial Companies.

**Members of the Management Board**

**Acting as Chairman 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**

**Poznań, 17 April 2009**

Prepared by: Renata Góra  
Senior Accounting Specialist

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**Stand-alone balance sheet**

	Note	As at	
		31.12.2008	31.12.2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible fixed assets	6	212 361	202 617
Perpetual usufruct right	7	990	1 003
Intangible assets	8	982	749
Investments in subsidiaries, associates and joint venture	9	7 780 241	7 525 908
Deferred tax assets	20	39 701	29 351
Available-for-sale financial assets	10	3 866	8 617
Financial assets at fair value through profit or loss	10	1 033	1 379
		<b>8 039 174</b>	<b>7 769 624</b>
<b>Current assets</b>			
Trade and other receivables	11	732 673	659 486
Available-for-sale financial assets	10	-	3 292
Cash and cash equivalents	12	2 321 386	356 592
		<b>3 054 059</b>	<b>1 019 370</b>
<b>Total assets</b>		<b>11 093 233</b>	<b>8 788 994</b>
<b>EQUITY</b>			
Ordinary shares	13	588 018	494 796
Share premium	13	4 627 673	2 791 254
Treasury shares	13	(17 396)	-
Share based payments reserve	13,17	1 144 336	901 110
Financial instruments revaluation reserve	13	(3 847)	1 552
Other reserve capital	13	754 425	412 400
Retained earnings	13	2 619 709	2 862 907
<b>Total equity</b>		<b>9 712 918</b>	<b>7 464 019</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	-	4 000
Finance lease liabilities	19	5 821	5 109
Deferred income from subsidies and connections' fee	16	34 301	36 230
Employee benefits	21	84 041	57 108
		<b>124 163</b>	<b>102 447</b>
<b>Current liabilities</b>			
Borrowings	15	-	16 112
Trade and other payables	14	879 458	529 691
Finance lease liabilities	19	1 967	1 201
Deferred income from subsidies and connections' fee	16	2 437	1 652
Current tax liabilities		11 654	16 213
Employee benefits	21	9 018	15 701
Liabilities due to cash settled share based payments	17	163 799	514 920
Provision for certificates of origin	22	143 942	64 774
Provisions for other liabilities and charges	23	43 877	62 264
		<b>1 256 152</b>	<b>1 222 528</b>
<b>Total liabilities</b>		<b>1 380 315</b>	<b>1 324 975</b>
<b>Total equity and liabilities</b>		<b>11 093 233</b>	<b>8 788 994</b>

**Stand-alone income statement**

	Note	12 months ended 31.12.2008	12 months ended 31.12.2007
Revenues	24	5 941 996	4 983 879
Other operating income	27	55 753	43 058
Amortization and depreciation	25	(16 796)	(202 485)
Employee benefits	25, 26	(88 062)	(270 390)
Consumption of raw materials and cost of merchandise sold	25	(5 154)	(57 939)
Cost of energy sold	25	(3 388 861)	(2 692 122)
Transmission and distribution services	25	(2 212 702)	(1 495 802)
Other external services	25	(117 471)	(150 994)
Taxes and charges	25	(10 616)	(66 071)
Profit/(loss) on sales and liquidation of tangible fixed assets		7	(2 746)
Other operating expenses	27	(39 809)	(43 091)
<b>Operating profit</b>		<b>118 285</b>	<b>45 297</b>
Financial costs	29	(2 055)	(3 038)
Financial income	28	58 573	26 162
Dividend income		71 544	18 689
<b>Profit before tax</b>		<b>246 347</b>	<b>87 110</b>
Income tax	30	(42 562)	343 989
<b>Net profit for the reporting period</b>		<b>203 785</b>	<b>431 099</b>
Net profit attributable to shareholders of the Company		203 785	431 099
Weighted average number of ordinary shares		359 016 443	250 042 308
<b>Net profit per share (in PLN per share)</b>	32	<b>0.57</b>	<b>1.72</b>
<b>Diluted profit per share (in PLN per share)</b>	32	<b>0.57</b>	<b>1.72</b>

**Stand-alone statement of changes in equity**

	Note	Share capital (nominal value)	Revaluation of share capital	Total share capital	Share premium	Share based payments reserve	Financial instruments revaluation reserve	Other reserve capital	Retained earnings	Total equity
<b>As at 1 January 2008</b>		<b>348 221</b>	<b>146 575</b>	<b>494 796</b>	<b>2 791 254</b>	<b>901 110</b>	<b>1 552</b>	<b>412 400</b>	<b>2 862 907</b>	<b>7 464 019</b>
Valuation of available-for-sale financial assets							(3 847)			(3 847)
Sale of available-for-sale financial assets							(1 552)			(1 552)
Net profit for the reporting period									203 785	<b>203 785</b>
<b>Total recognized income and expenses for the period</b>							<b>(5 399)</b>		<b>203 785</b>	<b>198 386</b>
Redemption of shares	13	(10 594)		<b>(10 594)</b>					10 594	-
Conversion of cash equivalents into shares	17					224 042				<b>224 042</b>
Change in fair value of share based payments program	17					19 184				<b>19 184</b>
Net profit distribution								342 025	(342 025)	-
Dividends	31								(115 552)	<b>(115 552)</b>
Increase in share capital	13	103 816		<b>103 816</b>	1 836 419					<b>1 940 235</b>
Treasury shares acquired under stabilization option	13									<b>(17 396)</b>
<b>As at 31 December 2008</b>		<b>441 443</b>	<b>146 575</b>	<b>588 018</b>	<b>4 627 673</b>	<b>1 144 336</b>	<b>(3 847)</b>	<b>754 425</b>	<b>2 619 709</b>	<b>9 712 918</b>

**ENEA S.A.**

Stand-alone financial statements prepared according to IFRS EU for the financial year ended 31 December 2008

*(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	Other reserve capital	Retained earnings	Total equity
<b>As at 1 January 2007</b>		<b>221 595</b>	<b>146 575</b>	<b>368 170</b>	<b>-</b>	<b>901 110</b>	<b>-</b>	<b>264 129</b>	<b>2 625 514</b>	<b>4 158 923</b>
Valuation of available-for-sale financial assets							1 552			1 552
Net profit for the reporting period								431 099		431 099
<b>Total recognized income and expenses for the period</b>							<b>1 552</b>		<b>431 099</b>	<b>432 651</b>
Net profit distribution								148 271	(148 271)	-
Dividends	31								(45 435)	(45 435)
Increase in share capital	13	126 626		126 626	2 791 254					2 917 880
<b>As at 31 December 2007</b>		<b>348 221</b>	<b>146 575</b>	<b>494 796</b>	<b>2 791 254</b>	<b>901 110</b>	<b>1 552</b>	<b>412 400</b>	<b>2 862 907</b>	<b>7 464 019</b>

**Stand-alone cash flow statement**

		<b>12 months ended</b>	<b>12 months ended</b>
	<b>Note</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Cash flows from operating activities</b>			
Net profit for the reporting period		<b>203 785</b>	<b>431 099</b>
Adjustments for:			
Income tax as per income statement	30	42 562	(343 989)
Amortization and depreciation	25	16 796	202 485
Cost of share based payments		19 433	-
Loss on sales and liquidation of tangible fixed assets		(7)	2 746
Impairment loss on tangible fixed assets	6	7 784	-
Profit on sales of financial assets		(1 469)	2 267
Interest income		(58 573)	(25 144)
Dividend income		(71 544)	(18 689)
Interest expense		2 055	2 183
Other adjustments		-	4 159
		<b>(42 963)</b>	<b>(173 982)</b>
Income tax paid		(56 567)	(103 941)
Interest received		54 221	28 665
Interest paid		(1 178)	(2 319)
Changes in working capital:			
Inventories		-	14 855
Trade and other receivables		(101 910)	(81 941)
Trade and other payables		325 111	85 427
Employee benefits		20 250	11 779
Deferred income from subsidies and connections' fee		(2 177)	(5 234)
Provision for certificates of origin		79 168	60 169
Liabilities due to cash settled share based payments		(127 328)	-
Provisions for other liabilities and charges		(18 387)	18 420
		<b>174 727</b>	<b>103 475</b>
<b>Net cash generated from operating activities</b>		<b>332 025</b>	<b>282 997</b>
<b>Cash flows from investing activities</b>			
Acquisition of tangible and intangible fixed assets		(14 931)	(174 060)
Proceeds from sales of tangible fixed assets		-	267
Proceeds from sales of financial assets		3 766	-
Acquisition of subsidiaries, associates and joint venture		(251 620)	(31 881)
Dividends received		71 544	18 689
Other outflows		(500)	-
<b>Net cash generated from investing activities</b>		<b>(191 741)</b>	<b>(186 985)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(20 000)
Dividends paid		(96 464)	(37 311)
Outflows related to financial lease liabilities		(1 865)	(1 119)
Net inflows from issue of shares		1 940 235	-
Treasury shares under stabilization option	13	(17 396)	-
<b>Net cash generated from financing activities</b>		<b>1 824 510</b>	<b>(58 430)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1 964 794</b>	<b>37 582</b>
Cash and cash equivalents at the beginning of the reporting period	12	356 592	319 010
<b>Cash and cash equivalents at the end of the reporting period</b>	12	<b>2 321 386</b>	<b>356 592</b>

## Notes to the financial statements

### 1. General information

#### 1.1. General information on ENEA S.A.

<b>Company name:</b>	ENEA Spółka Akcyjna
<b>Legal form:</b>	joint stock company (spółka akcyjna)
<b>Country of jurisdiction:</b>	Republic of Poland
<b>Seat:</b>	Poznań
<b>Address:</b>	ul. Nowowiejskiego 11, 60-967 Poznań
<b>National Court Register – District Court in Poznań</b>	KRS 0000012483
<b>Telephone number:</b>	(+48 61) 856 10 00
<b>Fax number:</b>	(+48 61) 856 11 17
<b>e-mail:</b>	<a href="mailto:enea@enea.pl">enea@enea.pl</a>
<b>Web site:</b>	<a href="http://www.enea.pl">www.enea.pl</a>
<b>REGON:</b>	630139960
<b>NIP:</b>	777-00-20-640

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 number KRS 0000012483.

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).

ENEA S.A.'s ("ENEA", "Company") main activity is electric energy trading.

ENEA S.A. is the parent company of the ENEA S.A. Group which as at 31 December 2008 comprised of 25 subsidiaries, 3 associated companies and 1 joint venture.



The 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 ENEA S.A. 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

As 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 Misiółek

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. Description of significant accounting policies applied**

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

### **2.1. Basis of preparation**

The stand-alone 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 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.

The Company is obliged to prepare consolidated financial statements of the ENEA S.A. Group in accordance with IFRS EU. In the consolidated financial statements entities in which the Company is directly or indirectly a shareholder possessing at least half of all voting rights or controls the given entity in any other way were consolidated in full. The consolidated financial statements of the ENEA S.A. Group were approved by the Management Board of ENEA S.A. at the same day as the stand-alone financial statements. The readers of the stand-alone financial statements of ENEA S.A. should read them together with the consolidated financial statements of the ENEA S.A. Group for the period from 1 January 2008 to 31 December 2008 in order to obtain full information on the financial condition and the financial result of the Group as a whole.

## **2.2. 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 Company 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.

## **2.3. Investments in subsidiaries, associated companies and joint ventures principles**

Subsidiaries are all entities over which ENEA S.A. has the power to govern the financial and operating policies generally accompanied by holding 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 ENEA S. A. controls another entity or not. Subsidiaries are fully consolidated from the date the control commences until the date the control ceases.

Associates are all entities over which the ENEA S. A. has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights.

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

Due to the fact that there is no active market for entities' shares which are owned by ENEA S.A., investments in subsidiaries, associates and joint ventures are valued at acquisition cost less impairment allowances. Impairment allowances for investments are recognized as finance cost. If the prerequisite for the allowance made does not exist any more than the full amount or the proportional part of the allowance increases the value of the investment and is to be classified as financial income.

## **2.4. Foreign currency translation**

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

Items included in the financial statements 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.

## **2.5. 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. 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
- 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.

The Company received from local authorities free of charge, road light infrastructure and recognizes these fixed assets in accordance with ISA 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.

## **2.6. 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).

## **2.7. 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. |

## **2.8. 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.

## **2.9. Borrowing costs**

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

## **2.10. Leasing**

A lease contract that transfers substantially all the risks and rewards to the ENEA S.A. 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.

## **2.11. Impairment losses**

Assets of the Company 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 2.12.

### **2.12. Financial assets**

ENEA S.A. 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 ENEA S.A. 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 ENEA S.A. 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 ENEA S.A. 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 ENEA S.A. 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), ENEA S.A. 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. 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.

### **2.13. 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 are initially valued at acquisition cost.

During the financial year and until 31 March of the following year, the Company 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.

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 Company's possession is insufficient, the Company 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 Company.

**2.14. 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.

**2.15. Share capital**

The Company's share capital is the share capital in the amount specified in the Articles of Association of the 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.

**2.16. 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.

**2.17. 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 Company 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.

## **2.18. Employee benefits**

Within ENEA S.A. 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. ENEA S.A. 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**

ENEA' 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 ENEA S.A. for at least one year are entitled to a reduced price of consumed energy amounting to 3,000 kWh/year. In case of 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 ENEA S.A. 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, ENEA S.A. 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, ENEA S.A. 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 ENEA S.A. 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 ENEA S.A., in exchange for own equity instruments (shares) or their equivalent, receives a provision of services (employees' services).

ENEA S.A. 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, ENEA S.A. 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 Company 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.

## **2.19. 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.

## **2.20. 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 Company estimates the accrued revenue, which is recognized in the balance sheet as trade and other receivables.

Revenues from sales of merchandise and raw materials 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 Company.

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.

## **2.21. Subsidies**

ENEA S.A. 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 Company 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 Company fulfils all necessary provisions of the subsidies.

Subsidies received as a compensation of costs already incurred by the Company are authorized in the income statement in periods when related expenses are incurred. Subsidies which compensate the Company 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.

## **2.22. Dividend distribution**

Dividends distribution to the shareholders (including minority interest in the case of subsidiaries) is recognized as liability in financial statements of ENEA S.A. in the period, in which the dividends were approved by the Company's shareholders.

ENEA S.A. 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.

## **2.23. 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 three business segments of ENEA S.A.:

- trade - sale of electricity to the final customer,
- distribution – transmission of electricity services,
- other activities.

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



## **2.24. 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 Company 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 Company does not expect the revised standard to have an impact on the financial statements of the Company.

- **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 Company does not expect the standard to have a significant impact on the presentation and information disclosure on operating segments in the stand-alone 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 Company 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 Company 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 Company's 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 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 Company’s financial statements as the Company 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 Company has not yet completed the analysis of the impact of the revised standard on the financial statements of the Company.

- **IFRIC 12 - Service Concession Arrangements**

According to European Commission Regulation each entity shall apply IFRIC 12 at the latest, as from the commencement date of its first financial year starting after the date of entry into force of the Regulation i.e. 29 March 2009.

The Interpretation provides guidance to private sector entities on certain recognition and measurement with respect to accounting for public-to-private service concession arrangements.

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

- **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 Company does not expect the interpretation to have any impact on financial statements of the Company.

- **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 Company has not yet completed the analysis of the impact of the interpretation on the stand-alone financial statements of the Company.

(ii) Amendments to standards effective, but not yet endorsed by the European Union:

- **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 Company's financial statements as the Company 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 Company has not yet completed the analysis of the impact of the revised standard on the stand-alone financial statements of the Company.

• **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 financial statements of the Company.

• **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 Company has not yet completed its analysis of the impact of the revised standard on the financial statements of the Company.

• **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 Company has not yet completed the analysis of the impact of the revised standard on the financial statements of the Company.

- **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 Company's financial statements as the Company does not apply hedge accounting.

- **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 Company's operations as the Company 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 Company's operations as the Company 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 Company has not yet completed the analysis of the impact of the revised standard on financial statements of the Company.

### 3. Critical accounting estimates and judgments

The preparation of the stand-alone 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 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 21);
- **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 11);
- **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 11),
- **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 6),
- **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 Company based upon an individual analysis of claims (Notes 23 and 37.5),
- **share-based payments** - the Company recognizes the cost of services (employees' services) in a 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 Company, 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 17).

#### 4. 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.	EnergPartner 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 Stońcu 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 33-35	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 Ciepłej 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 Ciepłej –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 Ciepła 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	-

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

**Changes in the ENEA S. A. Group's structure in the period covered by these 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 Ciepłej Gozdnicza Sp. z o.o. (PEC Gozdnicza 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 Elektrownia “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



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Energogauto 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 Ciepłej 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 Ciepła 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 Treasury of the Republic of Poland 6 860 A series ordinary registered shares of Przedsiębiorstwo Energetyki Ciepłej 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 Treasury 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.

## 5. Segmental information

Segment results for the period from 1.01.2008 to 31.12.2008 are as follows:

	Trade	Distribution *	Other activities	Total
Net revenues **	5 893 552	-	48 444	5 941 996
Net inter-segment revenues	-	-	-	-
Total net revenues	5 893 552	-	48 444	5 941 996
Total costs ***	(5 658 250)	-	(43 829)	(5 702 079)
<b>Segment result</b>	<b>235 302</b>	<b>-</b>	<b>4 615</b>	<b>239 917</b>
Unallocated administration and general expenses				(121 632)
<b>Operating profit</b>				<b>118 285</b>
Financial cost				(2 055)
Financial income				58 573
Dividend income				71 544
Net share in profits/losses of associates				-
Income tax				(42 562)
<b>Net profit</b>				<b>203 785</b>

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

	Trade	Distribution *	Other activities	Total
Net revenues ****	3 800 412	1 105 700	77 767	4 983 879
Net inter-segment revenues	-	-	-	-
Total net revenues	3 800 412	1 105 700	77 767	4 983 879
Total costs ***	(3 727 859)	(1 048 189)	(68 420)	(4 844 468)
<b>Segment result</b>	<b>72 553</b>	<b>57 511</b>	<b>9 347</b>	<b>139 411</b>
Unallocated administration and general expenses				(94 114)
<b>Operating profit</b>				<b>45 297</b>
Financial cost				(3 038)
Financial income				26 162
Dividend income				18 689
Net share in profits/losses of associates				-
Income tax				343 989
<b>Net profit</b>				<b>431 099</b>

\* - since 1 July 2007 distribution business has been transferred to ENEA Operator Sp. z o.o.

\*\* - under net revenues in the trade segment there are also presented revenues from the sale of distribution services, which in the consolidated financial statement of ENEA S.A. Group are separated in distribution segment

\*\*\* - including other operating income and expenses

\*\*\*\* - under net revenues in the trade segment there are also presented revenues from sale of distribution services for the period from 1 July 2007, i.e. from the moment of separation of the distribution business to the ENEA Operator Sp. z o.o., in the consolidated financial statement of the ENEA S.A. Group these revenues are separated in distribution segment.

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*(all amounts are presented in PLN thousand, unless otherwise stated)***Segmental information (cont.)**

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

	<b>Trade</b>	<b>Distribution *</b>	<b>Other activities</b>	<b>Total</b>
Tangible fixed assets	18 439	-	140 710	159 149
Inventories	-	-	-	-
Trade and other receivables	713 082	-	5 896	718 978
<b>Total:</b>	<b>731 521</b>	<b>-</b>	<b>146 606</b>	<b>878 127</b>
Assets excluded from segmentation				10 215 106
- including tangible fixed assets				53 212
- including trade and other receivables				13 695
<b>TOTAL: ASSETS</b>				<b>11 093 233</b>
Trade and other payables	840 957	-	5 912	846 869
Equity and liabilities excluded from segmentation				10 246 364
- including trade payables and other liabilities				32 589
<b>TOTAL: EQUITY &amp; LIABILITIES</b>				<b>11 093 233</b>
Capital expenditures on tangible and intangible assets	-	-	13 421	13 421
Capital expenditures on tangible and intangible assets excluded from segmentation				21 893
Amortization and depreciation	321	-	16 179	16 500
Amortization and depreciation excluded from the segmentation				296
Bad debt allowances as at 31 December 2008	92 752	-	767	93 519

\* - since 1 July 2007 distribution business has been transferred to ENEA Operator Sp. z o.o.

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*(all amounts are presented in PLN thousand, unless otherwise stated)***Segmental information (cont.)**

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

	<b>Trade</b>	<b>Distribution *</b>	<b>Other activities</b>	<b>Total</b>
Tangible fixed assets	18 759	-	151 812	170 571
Inventories	-	-	-	-
Trade and other receivables	456 296	-	133 105	589 401
<b>Total:</b>	<b>475 055</b>	<b>-</b>	<b>284 917</b>	<b>759 972</b>
Assets excluded from segmentation				8 029 022
- including tangible fixed assets				32 046
- including trade and other receivables				70 084
<b>TOTAL: ASSETS</b>				<b>8 788 994</b>
Trade and other payables	348 319	-	104 331	452 650
Equity and liabilities excluded from segmentation				8 336 344
- including trade payables and other liabilities				77 040
<b>TOTAL: EQUITY &amp; LIABILITIES</b>				<b>8 788 994</b>
Capital expenditures on tangible and intangible assets	2 064	116 854	1 270	120 188
Capital expenditures on tangible and intangible assets excluded from segmentation				7 598
Amortization and depreciation	3 427	186 172	9 946	199 545
Amortization and depreciation excluded from the segmentation				2 940
Bad debt allowances as at 31 December 2007	83 413	-	13 107	96 520

\* - since 1 July 2007 distribution business has been transferred to ENEA Operator Sp. z o.o.

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

**6. Tangible fixed assets**

	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
<b>As at 01.01.2008</b>							
Gross book value	2 404	242 785	11 723	1 217	2 345	3 458	263 932
Accumulated depreciation	-	(56 767)	(3 689)	(196)	(663)	-	(61 315)
<b>Net book value</b>	<b>2 404</b>	<b>186 018</b>	<b>8 034</b>	<b>1 021</b>	<b>1 682</b>	<b>3 458</b>	<b>202 617</b>
<b>Changes during 12 month period till 31.12.2008</b>							
Transfers	-	4 864	6 228	31	87	(12 029)	(819)
Additions	-	3 175	120	1 291	-	30 728	35 314
Depreciation charge	-	(15 433)	(679)	(181)	(127)	-	(16 420)
Impairment loss	-	(3 901)	(3 809)	(9)	(65)	-	(7 784)
Disposals and other changes (gross book value)	-	(974)	(4)	-	-	-	(978)
Disposals and other changes (accumulated depreciation)	-	430	1	-	-	-	431
Other (gross book value)	-	122	(122)	-	-	-	-
Other (accumulated depreciation)	-	(82)	82	-	-	-	-
<b>As at 31.12.2008</b>							
Gross book value	2 404	249 972	17 945	2 539	2 432	22 157	297 449
Accumulated depreciation	-	(71 852)	(4 285)	(377)	(790)	-	(77 304)
Impairment loss	-	(3 901)	(3 809)	(9)	(65)	-	(7 784)
<b>Net book value</b>	<b>2 404</b>	<b>174 219</b>	<b>9 851</b>	<b>2 153</b>	<b>1 577</b>	<b>22 157</b>	<b>212 361</b>

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	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
<b>As at 01.01.2007</b>							
Gross book value	22 250	4 672 264	1 308 095	52 189	314 717	81 998	<b>6 451 513</b>
Accumulated depreciation	-	(957 435)	(257 763)	(15 381)	(206 321)	-	<b>(1 436 900)</b>
<b>Net book value</b>	<b>22 250</b>	<b>3 714 829</b>	<b>1 050 332</b>	<b>36 808</b>	<b>108 396</b>	<b>81 998</b>	<b>5 014 613</b>
<b>Changes during 12 month period till 31.12.2007</b>							
Transfers	471	70 812	8 149	745	111	(80 754)	<b>(466)</b>
Additions	-	5 333	213	110	7 947	114 183	<b>127 786</b>
Contribution in kind (gross book value)	(20 064)	(4 496 847)	(1 303 666)	(51 827)	(318 344)	(107 487)	<b>(6 298 235)</b>
Sales (gross book value)	(253)	(8 568)	(726)	-	(9)	-	<b>(9 556)</b>
Sales (accumulated depreciation)	-	1 675	362	-	9	-	<b>2 046</b>
Depreciation charge	-	(148 554)	(39 985)	(2 142)	(6 297)	-	<b>(196 978)</b>
Contribution in kind (accumulated depreciation)	-	1 046 794	293 626	17 325	209 817	-	<b>1 567 562</b>
Liquidation and other changes (gross book value)	-	(209)	(342)	-	(2 077)	(4 482)	<b>(7 110)</b>
Liquidation and other changes (accumulated depreciation)	-	753	71	2	2 129	-	<b>2 955</b>
<b>As at 31.12.2007</b>							
Gross book value	<b>2 404</b>	<b>242 785</b>	<b>11 723</b>	<b>1 217</b>	<b>2 345</b>	<b>3 458</b>	<b>263 932</b>
Accumulated depreciation	-	<b>(56 767)</b>	<b>(3 689)</b>	<b>(196)</b>	<b>(663)</b>	-	<b>(61 315)</b>
<b>Net book value</b>	<b>2 404</b>	<b>186 018</b>	<b>8 034</b>	<b>1 021</b>	<b>1 682</b>	<b>3 458</b>	<b>202 617</b>

**Tangible fixed assets (cont.)**

ENEA S.A. 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
Buildings	-	-	-	-	-	-
Constructions	10 181	(784)	9 397	8 128	(418)	7 710
Technical equipment and machinery	-	-	-	-	-	-
Vehicles	1 401	(77)	1 324	110	-	110
Other fixed assets	-	-	-	-	-	-
<b>Total</b>	<b>11 582</b>	<b>(861)</b>	<b>10 721</b>	<b>8 238</b>	<b>(418)</b>	<b>7 820</b>

ENEA S.A. does not appear in any lease agreement as a financing party.

None of tangible fixed assets of the Company, except for tangible fixed assets used under finance lease agreements is pledged.

**7. Perpetual usufruct rights**

	31.12.2008	31.12.2007
<b>Gross book value at the beginning of the period</b>	<b>1 074</b>	<b>10 526</b>
Additions	-	52
Contribution in kind (gross book value)	-	(9 506)
Other	-	2
<b>Gross book value at the end of the period</b>	<b>1 074</b>	<b>1 074</b>
<b>Accumulated amortization at the beginning of the period</b>	<b>(71)</b>	<b>(527)</b>
Contribution in kind (accumulated amortization)	-	527
Amortization charge	(13)	(71)
<b>Accumulated amortization at the end of the period</b>	<b>(84)</b>	<b>(71)</b>
<b>Net book value at the beginning of the period</b>	<b>1 003</b>	<b>9 999</b>
<b>Net book value at the end of the period</b>	<b>990</b>	<b>1 003</b>



## 8. Intangible assets

	<b>Software, licenses, concessions, patents</b>
<b>As at 01.01.2008</b>	
Gross book value	2 465
Accumulated amortization	(1 716)
<b>Net book value</b>	<b>749</b>
<b>Changes during 12 month period till 31.12.2008</b>	
Transfers	778
Accumulated amortization	(545)
<b>As at 31.12.2008</b>	
Gross book value	3 243
Accumulated amortization	(2 261)
<b>Net book value</b>	<b>982</b>

	<b>Development costs</b>	<b>Software, licenses, concessions, patents</b>	<b>Total</b>
<b>As at 01.01.2007</b>			
Gross book value	49	71 206	<b>71 255</b>
Accumulated amortization	(40)	(46 871)	<b>(46 911)</b>
<b>Net book value</b>	<b>9</b>	<b>24 335</b>	<b>24 344</b>
<b>Changes during 12 months period till 31.12.2007</b>			
Transfers	-	405	<b>405</b>
Contribution in kind (gross book value)	(49)	(69 141)	<b>(69 190)</b>
Disposals (gross book value)	-	(2)	<b>(2)</b>
Amortization charge	(4)	(4 792)	<b>(4 796)</b>
Disposals (accumulated amortization)	44	49 947	<b>49 991</b>
Other (gross book value)	-	(3)	<b>(3)</b>
<b>As at 31.12.2007</b>			
Gross book value	-	2 465	<b>2 465</b>
Accumulated amortization	-	(1 716)	<b>(1 716)</b>
<b>Net book value</b>	<b>-</b>	<b>749</b>	<b>749</b>

No collaterals were set up for intangible fixed assets

## 9. Investments in subsidiaries, associates and joint venture

	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Value at the beginning of the year</b>	<b>7 525 908</b>	<b>111 812</b>
Acquisition of investments	254 543	7 416 097
Impairment charge	(210)	(2 001)
<b>Value at the end of the year</b>	<b>7 780 241</b>	<b>7 525 908</b>

In 2008 ENEA S.A. acquired shares in two subsidiaries: Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki („PEC Oborniki”) and Miejska Energetyka Ciepła Sp. z o.o. in Piła („MEC Piła”) in the total amount

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of PLN 61,370 thousand (including transaction costs) as well as shares in two associated entities: Przedsiębiorstwo Energetyki Ciepłej w Śremie S.A. and Elektrociepłownia Białystok S.A. in the total amount of PLN 184,664 thousand (including transaction costs).

In 2008 ENEA S.A. established a subsidiary Kożienice II Sp. z o.o. Shares were covered by the Company and Elektrownia "Kożienice" S.A. The total value of shares covered by ENEA S.A. amounts to PLN 300 thousand.

In 2008 the Company did not sell any investment in subsidiary, associate or joint venture.

**Impairment of investments in related parties**

	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Opening balance</b>	<b>13 514</b>	<b>11 513</b>
Increase during the reporting period	210	2 001
<b>Impairment at the end of the year</b>	<b>13 724</b>	<b>13 514</b>

**10. Financial assets**

	<b>31.12.2008</b>	<b>31.12.2007</b>
Non-current financial assets available-for-sale (shares and interests in non-related entities)	3 866	8 617
Non-current financial assets carried at the fair value through profit or loss	1 033	1 379
<b>Non-current financial assets</b>	<b>4 899</b>	<b>9 996</b>
Short-term financial assets available-for -sale	-	3 292
<b>Current financial assets</b>	<b>-</b>	<b>3 292</b>
<b>Total financial assets</b>	<b>4 899</b>	<b>13 288</b>

**11. Trade and other receivables**

	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Current trade and other receivables</b>		
Trade receivables	545 178	468 624
Taxation and other related receivables	44 744	28 861
Other receivables	17 362	74 040
Receivables due to accrued sales	218 908	184 481
	<b>826 192</b>	<b>756 006</b>
Less: allowance for receivables	(93 519)	(96 520)
<b>Current trade and other receivables net of allowance</b>	<b>732 673</b>	<b>659 486</b>

Allowances for trade and other receivables:

	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Opening balance of allowance</b>	<b>96 520</b>	<b>100 565</b>
Additions	9 153	14 512
Reversals	(11 237)	(16 339)
Utilized	(917)	(2 218)
<b>Closing balance of allowance</b>	<b>93 519</b>	<b>96 520</b>

## 12. Cash and cash equivalents

	<u>31.12.2008</u>	<u>31.12.2007</u>
<b>Cash on hand and at bank</b>	<b>2 320 744</b>	<b>355 667</b>
- cash on hand	145	129
- cash at bank	2 320 599	355 538
<b>Other cash and cash equivalents</b>	<b>642</b>	<b>925</b>
- cash in transit	642	925
<b>Total cash and cash equivalents</b>	<b><u>2 321 386</u></b>	<b><u>356 592</u></b>
<b>Cash recognized in the cash flow statement</b>	<b><u>2 321 386</u></b>	<b><u>356 592</u></b>

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 stand-alone financial statements the restrictions on cash were abolished.

## 13. Share capital

Share capital as at 31 December 2008:

Series of shares	Number of shares (in units)	Face value per share in PLN	Share capital
„A” Series	295 987 473	1	295 988
„B” Series	41 638 955	1	41 639
„C” Series *	103 816 150	1	103 816
<b>Total number of shares</b>	<b>441 442 578</b>		
<b>Share capital (nominal value)</b>			<b>441 443</b>
Share capital from business combinations			38 810
Share capital from hyperinflation revaluation			107 765
<b>Total share capital</b>			<b>588 018</b>
Treasury shares			(17 396)
Share premium			4 627 673
Share based payments reserve			1 144 336
Financial instruments revaluation reserve			(3 847)
Reserve capital			754 425
Retained earnings			2 619 709
<b>Total equity</b>			<b>9 712 918</b>

\* - 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.

Share capital as at 31 December 2007:

Series of shares	Number of shares (in units)	Face value per share in PLN	Share capital
„A” Series	13 224 510	1	13 225
„B” Series	5 116 410	1	5 116
„C” Series	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
<b>Total number of shares</b>	<b>348 220 557</b>		
<b>Share capital (nominal value)</b>			<b>348 221</b>
Share capital from business combinations			38 810
Share capital from hyperinflation revaluation			107 765
<b>Total share capital</b>			<b>494 796</b>
Share premium			2 791 254
Share based payment reserve			901 110
Financial instruments revaluation reserve			1 552
Reserve capital			412 400
Retained earnings			2 862 907
<b>Total equity</b>			<b>7 464 019</b>

On 16 May 2008 the Shareholders Meeting amended the ENEA’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. 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 1,129,608 rights to own shares till 31 December 2008.

#### 14. Trade and other liabilities

	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Current trade and other payables</b>		
Trade payables	831 478	501 438
Prepayments received from customers	26 248	19 353
Tax and other related liabilities	21 733	8 900
<b>Total</b>	<b>879 459</b>	<b>529 691</b>

#### 15. Borrowings

	31.12.2008		31.12.2007	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Non-current</b>				
Bank loans	-	-	4 000	4 000
	-	-	<b>4 000</b>	<b>4 000</b>
<b>Current</b>				
Bank loans	-	-	16 112	16 112
	-	-	<b>16 112</b>	<b>16 112</b>
<b>Total</b>	-	-	<b>20 112</b>	<b>20 112</b>

#### Repayment scheme of long-term borrowings

<b>Ageing of non-current borrowings</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Between 1 and 3 years	-	4 000
Between 3 and 5 years	-	-
More than 5 years	-	-
<b>Total</b>	-	<b>4 000</b>

#### 16. Accounting for revenues from fixed assets received free of charge and connections to the power grid

	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Non-current</b>		
Deferred income from subsidies	34 301	36 230
	<b>34 301</b>	<b>36 230</b>
<b>Current</b>		
Deferred income from subsidies	2 437	1 652
	<b>2 437</b>	<b>1 652</b>

**Amortization schedule of deferred income**

	<b>31.12.2008</b>	<b>31.12.2007</b>
Less than 1 year	2 437	1 652
Between 1 and 5 years	9 422	8 649
More than 5 years	24 879	27 581
	<b>36 738</b>	<b>37 882</b>

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

Employees of the Company and other subsidiaries (ENEA S.A. 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 acquired the right to a cash equivalent. The cash equivalent is paid by ENEA and is accompanied by the redemption of shares of ENEA, 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 is determined after the contribution of Elektrownia "Kozienice" S.A.'s shares to ENEA. On 16 May 2008 Management of Elektrownia "Kozienice" S.A. and Trade

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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 m (recognized in full in the prior periods).

The value of the share based program which applies to the Entitled Employees was determined as at 31 December 2008 on the basis of the valuation used for the purposes of the preparation of the financial statements for the period ended 30 June 2008 and amounts (with the exception 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 stand-alone 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 transferred to equity of the Company (Share based payments reserve).

In November and December 2008 a part of the equivalent was paid to the Entitled Employees of Elektrownia "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 ENE S.A.'s shares to which eligible employees are entitled	33 498 649
Fair value of ENE S.A.'s one share for the purpose of program valuation	27.48
Total program's value expensed in previous periods	920 543

## 18. Financial instruments

### 18.1. Rules of financial risk management

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

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

This note contains information regarding the exposure of the Company 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 stand-alone financial statements.

Responsibility for settlement and fulfillment of risk management policy bears the Management Board of ENE S.A.

Risk Management in the Company is managed as an ongoing process, which is not fully formalized. Risks are analyzed by the Company 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 Company. In order to do so the Company raises the employees' awareness regarding possibility of risk occurrence and its impact on the activity of organizational units.

To achieve unified standards of risk management in the whole ENE S.A. Group, the 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 ENE S.A. and ENE Operator Sp. z o.o. and Elektrowni “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.

ENE S.A. does not take advantage of any hedge financial instruments.



**18.2. Credit risk**

Credit risk is the risk of incurring financial losses to which the Company 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.

There is no significant concentration of credit risk in the Company.

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

	<b>31.12.2008</b>	<b>31.12.2007</b>
Current financial assets held-to-maturity	-	3 292
Trade and other receivables	732 673	659 486
Cash and cash equivalents	2 321 386	356 592
<b>Total</b>	<b>3 054 059</b>	<b>1 019 370</b>

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

- electricity sales to individual clients – in this segment there is a large number of overdue receivables. Although they do not constitute a significant threat to the Company'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,
- electricity sales 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 Company 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. 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 makes current financial investments which mainly consist of bank deposits and treasury bonds.

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

### **18.3. Liquidity risk**

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

The Company's approach to managing the liquidity risk is to ensure that the Company 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 Company'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 Company 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 Company allows to ensure that the risk of insufficient liquidity remains at the minimum level.

The Company manages liquidity risk also by maintaining open and unused credit facilities amounting to PLN 100 000 thousand.

**ENEA S.A.**

Stand-alone financial statements prepared according to IFRS EU for the financial year ended 31 December 2008

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

<b>31.12.2008</b>	<b>Trade and other payables</b>	<b>Finance lease liabilities</b>	<b>Cash and cash equivalents</b>	<b>Trade and other receivables</b>	<b>Total</b>
Carrying amount	879 458	7 788	(2 321 386)	(732 673)	<b>(2 166 813)</b>
Undiscounted contractual cash flows	<b>(879 458)</b>	<b>(9 193)</b>	<b>2 321 386</b>	<b>732 673</b>	<b>2 165 408</b>
less than 6 months	(879 458)	(1 414)	2 321 386	732 673	<b>2 173 187</b>
6 - 12 months	-	(1 465)	-	-	<b>(1 465)</b>
1 - 2 years	-	(4 067)	-	-	<b>(4 067)</b>
2 - 5 years	-	(2 051)	-	-	<b>(2 051)</b>
more than 5 years	-	(196)	-	-	<b>(196)</b>

<b>31.12.2007</b>	<b>Trade and other payables</b>	<b>Finance lease liabilities</b>	<b>Bank loans</b>	<b>Cash and cash equivalents</b>	<b>Trade and other receivables</b>	<b>Total</b>
Carrying amount	529 691	6 310	20 112	(356 592)	(659 486)	<b>(459 965)</b>
Undiscounted contractual cash flows	<b>(529 691)</b>	<b>(7 747)</b>	<b>(20 833)</b>	<b>356 592</b>	<b>659 486</b>	<b>457 807</b>
less than 6 months	(529 691)	(900)	(8 544)	356 592	659 486	<b>476 943</b>
6 - 12 months	-	(995)	(8 242)	-	-	<b>(9 237)</b>
1 - 2 years	-	(1 773)	(4 047)	-	-	<b>(5 820)</b>
2 - 5 years	-	(3 892)	-	-	-	<b>(3 892)</b>
more than 5 years	-	(187)	-	-	-	<b>(187)</b>

**18.4. 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 losing existing clients.

**18.5. Currency risk**

The Company is not exposed to this kind of risk due to the fact it does not have any transactions in foreign currencies.

**18.6. Interest rate risk**

Interest rate risk exists in respect of financial instruments. As at the balance sheet date i.e. 31 December 2008 the Company did not have any liabilities resulting from bank loans. Financial securities with a variable interest rate as at 31 December 2008 concern only liabilities resulting from lease agreements.

The following table presents the Company'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:

	31.12.2008	31.12.2007
<b>Instruments of fixed interest rate</b>		
Financial assets	742 710	968 756
Financial liabilities	(879 458)	(529 691)
<b>Total</b>	<b>(136 748)</b>	<b>439 065</b>
<b>Instruments of variable interest rate</b>		
Financial assets	2 311 349	47 321
Financial liabilities	(7 788)	(26 422)
<b>Total</b>	<b>2 303 561</b>	<b>20 899</b>

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	5,41	2 321 386	4,43	356 592
Finance lease liabilities	7,60	(7 788)	6,03	(6 310)
Bank loans with variable interest rate	-	-	4,83	(20 112)
<b>Total</b>		<b>2 313 598</b>		<b>350 282</b>

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

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

	Carrying amount 31.12.2008	Interest rate risk's impact on the profit (12 month period)		Carrying amount 31.12.2007	Interest rate risk's impact on the profit (12 month period)	
		+ 1 p.p.	- 1 p.p.		+ 1 p.p.	- 1 p.p.
<b>Financial assets</b>						
Cash and cash equivalents	2 321 386	23 214	(23 214)	356 592	3 566	(3 566)
Trade and other receivables	732 673	-	-	659 486	-	-
Other financial assets	4 899	-	-	13 288	-	-
<b>Impact on the profit before taxation</b>	-	<b>23 214</b>	<b>(23 214)</b>	-	<b>3 566</b>	<b>(3 566)</b>
Income tax 19%	-	(4 411)	4 411	-	(678)	678
<b>Impact on the net profit</b>	-	<b>18 803</b>	<b>(18 803)</b>	-	<b>2 888</b>	<b>(2 888)</b>
<b>Financial liabilities</b>						
Borrowings	-	-	-	(20 112)	(201)	201
Trade and other liabilities	(879 458)	-	-	(529 691)	-	-
Finance lease liabilities	(7 788)	(78)	78	(6 310)	(63)	63
<b>Impact on the profit before taxation</b>	-	<b>(78)</b>	<b>78</b>	-	<b>(264)</b>	<b>264</b>
Income tax 19%	-	15	(15)	-	50	(50)
<b>Impact on the net profit</b>	-	<b>(63)</b>	<b>63</b>	-	<b>(214)</b>	<b>214</b>
<b>Total</b>	-	<b>18 740</b>	<b>(18 740)</b>	-	<b>2 674</b>	<b>(2 674)</b>

**18.6. Equity management**

The key assumption of the Company'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 Company'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 Company. In order to maintain or correct its capital structure the Company can issue new shares or sell its assets.

ENE S.A. monitors capital using the debt ratio and the return on equity ratio. The aim of the Company is to reach the optimal level of these ratios.

**18.8. 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)	3 866	*	8 617	*
Non-current financial assets carried at fair value though profit or loss	1 033	1 033	1 379	1 379
Current financial assets available-for-sale	-	-	3 292	3 292
Trade and other receivables	732 673	732 673	659 486	659 486
Cash and cash equivalents	2 321 386	2 321 386	356 592	356 592
Borrowings	-	-	20 112	20 112
Finance lease liabilities	7 788	7 788	6 310	6 310
Trade payables and other liabilities	879 458	879 458	529 691	529 691

\* the Company owns shares and interests in entities, which 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 Company's interest in the share capital is less than 20%. The Company 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 Company.

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.

## 19. Liabilities due to finance lease

	<u>31.12.2008</u>	<u>31.12.2007</u>
<b>Liabilities due to finance lease – minimum lease payments</b>		
Less than 1 year	1 967	1 201
Between 1 and 5 years	5 625	4 901
More than 5 years	196	208
<b>Present value of minimum lease payments</b>	<u><b>7 788</b></u>	<u><b>6 310</b></u>

## 20. Deferred income tax

	<u>31.12.2008</u>	<u>31.12.2007</u>
<b>Deferred tax assets</b>		
– deferred tax asset falling due after more than 12 months	33 813	29 793
– deferred tax asset falling due within 12 months	87 596	58 487
	<u><b>121 409</b></u>	<u><b>88 280</b></u>
Set off of deferred tax assets and liabilities	(81 708)	(58 929)
<b>Deferred tax asset in the balance sheet</b>	<u><b>39 701</b></u>	<u><b>29 351</b></u>
<b>Deferred tax assets liabilities</b>		
– deferred tax liabilities falling due after more than 12 months	4 234	4 373
– deferred tax liabilities falling due within 12 months	77 474	54 556
	<u><b>81 708</b></u>	<u><b>58 929</b></u>
Set off of deferred tax assets and liabilities	(81 708)	(58 929)
<b>Deferred tax liability in the balance sheet</b>	<u><b>-</b></u>	<u><b>-</b></u>

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

	<u>31.12.2008</u>	<u>31.12.2007</u>
<b>Opening balance</b>	<u><b>(29 351)</b></u>	<u><b>368 540</b></u>
Income statement charge	(9 447)	(397 891)
Recognized in equity	(903)	-
<b>End of the year</b>	<u><b>(39 701)</b></u>	<u><b>(29 351)</b></u>

As at 30 June 2007 ENEA S.A. contributed in kind an organized part of enterprise to ENEA Operator Sp. z o. o. Due to the fact that the contribution in kind was a transaction between companies under common control, the carrying value of the covered shares presented in the stand-alone financial statements was based on the carrying value of the contribution in kind. The tax base of shares covered in ENEA Operator Sp. z o. o. in exchange for the contribution in kind was determined based on the present tax base of net assets which constituted the contribution in kind. After the transaction was finalized temporary differences on net assets remain without changes but they relate to the value of shares received in exchange for the contribution in kind. IAS 12.39 and IAS 12.44 are applied. According to these standards the Company should establish a provision and assets due to deferred tax from all positive temporary differences which are related with investments in related entities except for a situation in which two requirements are jointly met:

- the parent company is able to control deadlines for reversals of temporary differences (this requirement is met by ENEA S.A.)
- it is probable that temporary differences will not be reversed in foreseeable future (this requirement is also met by ENEA S.A., the Company does not intend to sell its shares in ENEA Operator Sp. z o. o.).

Due to the fact that both requirements are met the provision for deferred income tax in the amount of PLN 365 257 thousand which relates to shares in ENEA Operator Sp. z o. o. was reversed in correspondence with the net result.

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

	Allowance for trade receivables	Employee benefits	Deferred income from connections' fee	Provision for costs of redemption of certificates of origin	Subsidies	Expenses deductible after settlement period	Impairment of tangible fixed assets	Valuation of shares	Other	Total
As at 01.01.2007 at 19% tax rate	3 745	35 047	71 332	3 633	37 038	25 348	-	4 800	24 217	205 160
Charged/credited to the income statement	(619)	(23 415)	(71 332)	13 520	(31 258)	4 696	-	256	(8 728)	(116 880)
As at 31.12.2007 at 19% tax rate	3 126	11 632	-	17 153	5 780	30 044	-	5 056	15 489	88 280
Charged/credited to the income statement	(702)	6 537	-	13 531	(121)	20 309	1 479	65	(8 872)	32 226
Recognized in equity	-	-	-	-	-	-	-	903	-	903
As at 31.12.2008 at 19% tax rate	2 424	18 169	-	30 684	5 659	50 353	1 479	6 024	6 617	121 409

	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	31 394	29 669	512 471	166	573 700
Charged/credited to the income statement	2 952	(11 757)	(508 098)	2 132	(514 771)
As at 31.12.2007 at 19% tax rate	34 346	17 912	4 373	2 298	58 929
Charged/credited to the income statement	15 784	6 707	(139)	427	22 779
As at 31.12.2008 at 19% tax rate	50 130	24 619	4 234	2 725	81 708



## 21. Employee benefits

	31.12.2008	31.12.2007
Defined benefits plans		
Retirement benefits		
- non-current	783	530
- current	209	147
	<b>992</b>	<b>677</b>
Electricity allowance for pensioners		
- non-current	59 633	39 967
- current	4 110	3 731
	<b>63 743</b>	<b>43 698</b>
Jubilee awards		
- non-current	2 242	1 753
- current	221	236
	<b>2 463</b>	<b>1 989</b>
Social fund charge for pensioners		
- non-current	6 525	-
- current	557	-
	<b>7 082</b>	<b>-</b>
<b>Total: Defined benefits plans</b>		
- non-current	<b>69 183</b>	<b>42 250</b>
- current	<b>5 097</b>	<b>4 114</b>
	<b>74 280</b>	<b>46 364</b>
Payroll liabilities and other		
- non-current	14 858	14 858
- current	3 921	11 587
	<b>18 779</b>	<b>26 445</b>
<b>Employee benefits</b>		
- non-current	<b>84 041</b>	<b>57 108</b>
- current	<b>9 018</b>	<b>15 701</b>
	<b>93 059</b>	<b>72 809</b>

By virtue of the agreement between representatives of employees and representatives of the Company, employees of ENEA S.A. 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 ENEA S.A. as at 31 December 2008, (taking into account the gender). The data include in particular:

- the age of the employee,
- work experience in the Company,
- 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 Company'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 2009 - 21.0%, in 2010 - 25.40%, in 2011 – 4.2%, in 2012 – 9.00%, 3.00 % 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 2009 was determined at 1.36%, for 2010 – 5.78% in 2010, a decrease of 0.36% in 2011, ( 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).

**ENEA S.A.**

Stand-alone financial statements prepared according to IFRS EU for the financial year ended 31 December 2008

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

	<b>Retirement benefits</b>	<b>Electricity allowance for pensioners</b>	<b>Jubilee awards</b>	<b>Social fund charge for pensioners</b>	<b>Total</b>
<b>Balance as at 01.01.2008</b>	<b>677</b>	<b>43 698</b>	<b>1 989</b>	<b>-</b>	<b>46 364</b>
<b>Changes during 12 month period till 31.12.2008</b>					
Costs recognized in the income statement, incl.:	<b>380</b>	<b>23 757</b>	<b>803</b>	<b>7 082</b>	<b>32 022</b>
- current service costs	81	29	366	-	476
- past service costs	-	-	-	6 820	6 820
- actuarial losses	267	21 331	332	262	22 192
- interest expense	32	2 397	105	-	2 534
Amounts paid	(65)	(3 712)	(329)	-	(4 106)
<b>Total</b>	<b>315</b>	<b>20 045</b>	<b>474</b>	<b>7 082</b>	<b>27 916</b>
<b>Balance as at 31.12.2008</b>	<b>992</b>	<b>63 743</b>	<b>2 463</b>	<b>7 082</b>	<b>74 280</b>

	<b>Retirement benefits</b>	<b>Electricity allowance for pensioners</b>	<b>Jubilee awards</b>	<b>Total</b>
<b>Balance as at 01.01.2007</b>	<b>26 994</b>	<b>67 949</b>	<b>89 517</b>	<b>184 460</b>
<b>Changes during 12 month period till 31.12.2007</b>				
Costs recognized in the income statement, incl.:	<b>5 423</b>	<b>2 197</b>	<b>15 578</b>	<b>23 198</b>
- current service costs	155	19	1 726	1 900
- past service costs	-	-	-	-
- actuarial (gains) / losses	5 256	(44)	13 787	18 999
- interest expense	12	2 222	65	2 299
Amounts paid	(401)	(2 536)	(740)	(3 677)
Separation of the ENEA Operator Sp. z o.o.	(31 339)	(23 912)	(102 366)	(157 617)
<b>Total</b>	<b>(26 317)</b>	<b>(24 251)</b>	<b>(87 528)</b>	<b>(138 096)</b>
<b>Balance as at 31.12.2007</b>	<b>677</b>	<b>43 698</b>	<b>1 989</b>	<b>46 364</b>

## 22. Certificates of origin

	<b>31.12.2008</b>	<b>31.12.2007</b>
Certificates of origin	(14 572)	(5 959)
Advance payments on certificates of origin	(2 985)	(19 547)
Provision for costs of redemption of certificates of origin	161 499	90 280
<b>Provision for certificates of origin</b>	<b>143 942</b>	<b>64 774</b>

## 23. Provision for liabilities and other charges

### Provision for estimated losses resulting from pending claims

	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Opening balance</b>	<b>61 676</b>	<b>51 673</b>
Additional provisions	17 023	20 126
Utilisation of provision	(36 431)	(10 123)
Decrease of provisions	-	-
<b>Closing balance</b>	<b>42 268</b>	<b>61 676</b>

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 Company. Those provisions are stated in the amount of the claim value, taking into consideration the legally measured probability of losing the case. They are accounted for as other operating expenses, which are not tax deductible. Contingent liabilities in this regard are described in notes 37.2, 37.5 and 37.6.

Provisions for liabilities and other charges comprise mainly of provisions for claims for non-contractual use of land. These claims concern mainly compensations for the so called non-contractual use of land, the establishment of rent charge or, in single cases, claims for relocation of electricity 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 Company established a provision for claims which already are a legal 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

	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Opening balance</b>	<b>588</b>	<b>807</b>
Additional provisions	1 021	-
Utilisation of provision	-	(219)
Unused amounts reversed	-	-
<b>Closing balance</b>	<b>1 609</b>	<b>588</b>

Provision for estimated losses resulting from pending claims and other provisions are presented as current liabilities.

**24. Net sales revenues**

	<b>01.01.2008 - 31.12.2008</b>	<b>01.01.2007 - 31.12.2007</b>
Net revenues from sale of electricity	5 893 552	3 800 412
Net revenues from distribution services	-	1 105 700
Net revenues from sale of merchandise and raw materials	-	21 732
Net revenues from sale of other services	48 444	56 035
<b>Total</b>	<b>5 941 996</b>	<b>4 983 879</b>

**25. Costs by type**

	<b>01.01.2008 - 31.12.2008</b>	<b>01.01.2007 - 31.12.2007</b>
Depreciation and amortization	(16 796)	(202 485)
Employee benefits	(88 062)	(270 390)
- payroll	(48 156)	(199 616)
- social security and other benefits	(39 906)	(70 774)
Raw materials and consumables used	(5 154)	(57 939)
- materials and energy	(5 154)	(36 806)
- cost of merchandise and raw materials sold	-	(21 133)
Electricity purchased for resale	(3 388 861)	(2 692 122)
External services	(2 330 173)	(1 646 796)
- transmission and distribution services	(2 212 702)	(1 495 802)
- other external services	(117 471)	(150 994)
Taxes and charges	(10 616)	(66 071)
<b>Total costs of sold products, merchandises, raw materials, selling, marketing and administrative expenses</b>	<b>(5 839 662)</b>	<b>(4 935 803)</b>

**26. Employee benefits expenses**

	<b>01.01.2008 - 31.12.2008</b>	<b>01.01.2007 - 31.12.2007</b>
Payroll, including:	<b>(48 156)</b>	<b>(199 616)</b>
- current payroll	(47 366)	(179 756)
- jubilee awards	(474)	(14 838)
- retirement benefits	(316)	(5 022)
Social security and other benefits	<b>(39 906)</b>	<b>(70 774)</b>
- social security	(3 524)	(30 120)
- social fund charge	(1 271)	-
- other benefits	(34 460)	(40 962)
- other pensioners' benefits	(651)	308
<b>Total</b>	<b>(88 062)</b>	<b>(270 390)</b>

***Employment guarantees***

Based on the agreement between the Company and trade unions there are specific guaranties granted to employees employed by the Company 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 ENEA S.A. is obliged to pay the employee an amount representing monthly remunerations for the period remaining to the guarantee expiry date.

***Agreements with the employees of ENEA S.A***

As a result of collective labour agreements with trade unions concluded by the Company in February 2005 and July 2007 the parties committed to undertake actions aiming at the potential payment of compensations to the Company'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 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 replaces 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 favorable 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 with the demand for further negotiations with the Management Board.

As at 31 December 2008 ENEA S.A. recognized a liability resulting from the abovementioned compensations amounting to PLN 14,858 thousand (as at 31 December 2007 – PLN 14 858 thousand). 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 by discount factor.

**27. Other operating revenues and costs**

**Other operating revenues**

	<b>01.01.2008 - 31.12.2008</b>	<b>01.01.2007 - 31.12.2007</b>
Release of provisions for legal proceedings	36 431	10 123
Insurance received	8 857	13 225
Release of allowance for accounts receivable	2 083	1 827
Housing activity	1 202	620
Allowance for property, plan and equipment received free of charge	1 155	7 881
Received compensations, penalties, fines	177	3 267
Collection of previously written-off receivables	-	950
Other operating revenues	5 848	5 165
<b>Total</b>	<b>55 753</b>	<b>43 058</b>

### Other operating costs

	<b>01.01.2008 - 31.12.2008</b>	<b>01.01.2007 - 31.12.2007</b>
Provision for estimated losses resulting from court proceedings	(9 464)	(983)
Provision for estimated losses resulting from claims	(9 435)	(20 126)
Other expenses by kind	(5 514)	(6 126)
Written-off bad debts	(1 998)	(8 113)
Donations	(1 945)	(224)
Costs of court proceedings	(1 435)	(1 045)
Impairment loss of shares	(289)	(3 007)
Contributions for trade unions and other institutions	(233)	(544)
Costs of trade unions	(47)	(527)
Other operating costs	(9 449)	(2 396)
<b>Total</b>	<b>(39 809)</b>	<b>(43 091)</b>

### 28. Financial income

	<b>01.01.2008 - 31.12.2008</b>	<b>01.01.2007 - 31.12.2007</b>
Interests from deposits	45 815	13 617
Dividend income	71 544	18 689
Penalty interests for overdue receivables	11 550	10 776
Other interests	772	750
Release of allowance for interests accrued	436	1 019
<b>Total</b>	<b>130 117</b>	<b>44 851</b>

### 29. Financial costs

	<b>01.01.2008 - 31.12.2008</b>	<b>01.01.2007 - 31.12.2007</b>
Interest expense	(2 055)	(3 038)
- bank borrowings	-	(1 380)
- interests on overdue liabilities	(1 246)	(448)
- lease interest	(550)	(355)
- raising of allowance for accrued interest	(259)	(855)
<b>Total</b>	<b>(2 055)</b>	<b>(3 038)</b>

### 30. Income tax

	<b>01.01.2008 - 31.12.2008</b>	<b>01.01.2007 - 31.12.2007</b>
Current tax	(52 009)	(55 516)
Deferred tax	9 447	397 891
Adjustment of tax charge for 2003 and 2004	-	1 614
<b>Total</b>	<b>(42 562)</b>	<b>343 989</b>

**ENEA S.A.**

Stand-alone financial statements prepared according to IFRS EU for the financial year ended 31 December 2008

*(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 the Company in the following way:

	<b>01.01.2008 - 31.12.2008</b>	<b>01.01.2007 - 31.12.2007</b>
Profit before tax	246 347	87 110
Tax calculated at 19% rate	<b>(46 806)</b>	<b>(16 551)</b>
Expenses not deductible for tax purposes (permanent differences * 19%)	(9 349)	(9 882)
Adjustment of tax charge for 2003 and 2004	-	1 614
Release of deferred tax relating to shares in ENEA Operator Sp. z o. o.	-	365 257
Non-taxable income (permanent differences * 19%)	-	-
Other - Dividends received * 19%	13 593	3 551
<b>Tax charge</b>	<b>(42 562)</b>	<b>343 989</b>

**31. Dividends**

On 9 June 2008 the Ordinary Shareholders Meeting 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 shareholders of the Company 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 shareholders of the Company amounted to PLN 38,550 thousand (dividend per share amounted to PLN 0.17). Until 31 December 2007 the dividend was fully paid.

ENEA S.A. 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. 13 January 2009).

The accrued profit share payments for the period from 1 January to 31 December 2008 amounted to PLN 29,151 thousand. However, in these stand-alone financial statements the Company 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 calculation of profit payments amounted to PLN 6,885 thousand. The amount of the calculated and unpaid profit payments amounted to PLN 8,464 thousand as at 31 December 2008 and is presented in the stand-alone financial statements as trade and other liabilities.



### 32. Profit per share

	<b>1.01.2008-31.12.2008</b>	<b>01.01.2007- 31.12.2007</b>
Net profit attributable to shareholders of the Company	203 785	431 099
Weighted average number of ordinary shares	359 016 443	250 042 308
<b>Net profit per share (in PLN per share)</b>	<b>0.57</b>	<b>1.72</b>
<b>Diluted profit per share (in PLN per share)</b>	<b>0.57</b>	<b>1.72</b>

### 33. Transactions with related parties

The Company enters into transactions with the following related entities:

(i) Companies which are a part of the ENEA S.A. Group:

	<b>01.01.2008 - 31.12.2008</b>	<b>01.01.2007 - 31.12.2007</b>
<b>Purchases, including:</b>	<b>3 861 807</b>	<b>1 708 683</b>
capital expenditures	26 628	58 847
purchases of raw materiale	1 263	29 138
purchases of services	2 293 876	1 076 757
other (incl. energy)	1 540 040	543 941*
<b>Sales, including:</b>	<b>302 316</b>	<b>180 416</b>
sales of energy	287 027	144 779
sales of materiale and merchandise	0	20 744
sales of services	2 245	2 533
other sale	13 044	12 360

\* - including purchases of energy from Elektrownia "Kozienice" S. A. recognized for the whole year 2007. The entity is a subsidiary since 10 October 2007.

	<b>31.12.2008</b>	<b>31.12.2007</b>
Receivables	49 166	53 249
Liabilities	642 363	284 502

(ii) Transactions between the Company and Members of the Executive Bodies of the Company are divided into three categories:

- resulting from employment contracts with members of the Management Board of the Company as well as concerning the appointment as Members of the Supervisory Board,
- concerning loans granted from the Company's Social Fund for Members of the Management Board of the Company as well as Members of the Supervisory Board, who are employees of ENEA S.A.,
- resulting from other civil contracts.

In the respect of first category, the summary of transaction is illustrated in the table below:

Title	Management Board of the Company		Supervisory Board of the Company	
	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007	01.01.2008 - 31.12.2008	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	-	-
<b>Total</b>	<b>1 240</b>	<b>1 186</b>	<b>336</b>	<b>313</b>

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)	-
<b>Total</b>	<b>33</b>	<b>-</b>	<b>(15)</b>	<b>18</b>

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
<b>Total</b>	<b>41</b>	<b>-</b>	<b>(8)</b>	<b>33</b>

\* - PLN 5 thousand relates to elimination of the loan granted to Renata Czech, who was dismissed by force of Resolution of the Supervisory Board No. 55/VI/2008 from the position of the Member of the Management Board on 15 July 2008.

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

*(iii) Transactions with companies related with the State Treasury of the Republic of Poland*

ENEA S.A. 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 electric energy, rights from certificates of origin of energy generated from renewable resources or in cogeneration with heat, which the Company conduct with companies related to the State Treasury, and
- the sale of electric energy, distribution services and other related services which the Company 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 Company does not maintain accounting records which would enable to aggregate all transactions realized with all related to the State Treasury entities, therefore all balances and turnover connected with related parties presented in these stand-alone financial statements do not include data referring to the transactions with entities related to the State Treasury.

**34. License agreements concerning the rendering of public services**

The Company's main economic activity is trading electric energy. In accordance with the provisions of the Act "Law on Energy" dated 26 November 1998, the Company was granted 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.

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 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 tariff groups in the following packages: domestic, based on advance payments (applies to consumers of the G tariff groups).

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.

### **35. 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 2008). These are presented according to IFRS EU as operating lease, where ENEA S.A is a lessor:

	<u>31.12.2008</u>	<u>31.12.2007</u>
Less than one year	966	2 001
Between one and five years	3 771	3 312
More than five years	43 188	42 262
	<u>47 925</u>	<u>47 575</u>

### **36. 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:

	<u>31.12.2008</u>	<u>31.12.2007</u>
Property, plant and equipment	17 164	3 501
Intangible assets	-	-
	<u>17 164</u>	<u>3 501</u>

### **37. Contingent liabilities, court, arbitration and administrative proceedings**

#### **37.1. Pledges and guarantees**

Pledges and securities in the total amount of PLN 7 000 thousand granted by ENEA S.A. expired in 2008. In 2008 ENEA S.A. has not granted any pledges and guarantees. The total amount of contingent liabilities as at 31 December 2008 amounted to PLN 204 thousand. In addition, 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.

In 2007 ENEA S.A. has not granted any pledges and guarantees. The total amount of contingent liabilities as at 31 December 2007 amounted to PLN 7 176 thousand.

**Pledges and guarantees as at 31.12.2008**

No.	Entity for the benefit of which collateral has been put up	Total liabilities collateralized	Expire date	Relationship between the Company and the entity, which assumed obligation
1.	EP Zakład Transportu Sp. z o.o.	PLN 204 thousand (EUR 49 thousand)	31-08-2017	subsidiary

**Pledges and guarantees as at 31.12.2007**

No	Entity for the benefit of which collateral has been put up	Total liabilities collateralized	Expire date	Relationship between the Company and the entity, which assumed obligation
1.	EP Zakład Transportu Sp. z o.o.	PLN 176 thousand (EUR 49 thousand)	31-08-2017	subsidiary
2.	Energopartner Sp. z o.o.	PLN 7 000 thousand	without time limit	subsidiary

**Other securities including liabilities presented in the table above:**

Entity's name	Collateral in respect of	Type of collateral	Value 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	Expire date
ENE S.A.	collateral of receivables from electricity payments	Blank promissary note	PLN 15 000 thousand	PSE Operator S.A.	PLN 15 000 thousand	PLN 15 000 thousand	without time limit
ENE S.A.	tenancy agreement	Bank guarantee	PLN 120 thousand (EUR 29 thousand)	RONDO PROPERTY INVESTMENT Sp. z o.o. in Warsaw	PLN 120 thousand	PLN 104 thousand	13-12-2009

### **37.2. Pending common court cases**

#### **Proceedings initiated by the Company**

Proceedings initiated by the Company 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 Company (non-energy cases).

As at 31 December 2008 there were altogether 7,637 cases pending before common courts against the Company in a total amount of PLN 12,167 (as at 31 December 2007 there were 6,762 in the total amount of PLN 13,511 thousand).

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

#### **Proceedings against the Company**

Proceedings against the Company 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 Company for the use of property, on which electricity equipment is located. The Company considers the actions against the Company concerning the non contractual use of third party's property to be of particularly significant (Notes: 23 and 37.5).

As at 31 December 2008 there were in total 166 cases pending before common courts against the Company of a total value of PLN 12,734 thousand (as at 31 December 2007 there were respectively 167 cases in the total amount of PLN 18,223 thousand).

### **37.3. Arbitration proceedings**

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

### **37.4. 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 financial statements the appeal was still pending.

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.

As at the day of the preparation of the financial statements the appeal was still pending. The Company has made a provision in the full amount of the claim.

Due to the nature of the Company'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 request of the Company, 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 Company.

As at 31 December 2008 the President of the Energy Regulatory Office conducted a number of explanatory and administrative proceedings against the Company.

None of the results of these proceedings should have significant impact on the net profit of the Company.

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.



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

The risk related to the legal status of property used by the Company (currently by ENEA Operator Sp. z o.o. ) results from the fact, that the Company does not possess all legal titles to use the land, on which the Company's electric power grids and related equipment are located. The Company may be in the future obliged to incur costs for non-contractual use of these properties, which were used by the Company in previous years until ENEA Operator Sp. z o.o. became an independent entity. There is also a risk of actions to be brought against the Company 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 Company to 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 Company'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 Company 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. Since the ENEA Operator Sp. z o. o. is the operator of the energy distribution system, claims are also addressed to ENEA Operator Sp. z o. o., which is currently the owner of transmission grids and all related facilities. 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 23).

The Company 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 Company given the total area of land subject to an unregulated legal status (with power grids and related equipment located on these properties). The Company 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.

### 37.6. 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 Company 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 Company for compensations regarding the non-contractual use of lands by the Company. These claims are included in the provision described in the Note 37.2.

### 38. Employment in ENE S.A.

The average employment in the Company in 2008 and 2007 was as follows:

	12 months ended 31.12.2008	12 months ended 31.12.2007
Blue collar workers	-	1 395
White collar workers	270	1 624
<b>Total</b>	<b>270</b>	<b>3 019</b>

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

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

In 2008 ENE S.A. 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 ENE 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 stand-alone financial statements no binding decisions have been taken.

**40. 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.

**41. Information concerning the seasonal and cyclical nature of the Company'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.

**42. Subsequent events****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.

**Action taken in order to acquire a mining company**

The Company 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 financial statements no binding decisions have been taken.



**ENEA S.A.**

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

The report supplementing the auditor's opinion  
contains 15 pages  
Report supplementing the auditor's opinion  
on the financial statements  
for the financial year ended  
31 December 2008



**ENEA S.A.**

*Report supplementing the opinion on the unconsolidated 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*

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## **1. General**

### **1.1. General information about the Company**

#### **1.1.1. Company name**

ENE A S.A.

#### **1.1.2. Registered office**

ul. Nowowiejskiego 11,  
60-967 Poznań

#### **1.1.3. Registration 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. Tax Office and Provincial Statistical Office registration**

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

### **1.2. 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 authorised to audit financial statements under number 458.

### **1.3. Legal status**

#### **1.3.1. Share capital**

The Company 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 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 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 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 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 cash equivalents of the 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 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 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 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 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%
	<b>441 442 578</b>	<b>100.0%</b>	<b>441 443</b>	<b>100.0%</b>
Share capital from business combinations			38 810	
Share capital from hyperinflation revaluation			107 765	
<b>Share capital</b>			<b>588 018</b>	

### 1.3.2. Related parties

The Company is the Parent Company of the ENEA S.A. Group. The consolidated financial statements of the ENEA S.A. Group were approved by the Management Board of ENEA S.A. at the same date as the unconsolidated financial statements of ENEA S.A.

### 1.3.3. Management of the 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

#### **1.3.4. Scope of activities**

The Company's main activity is energy trade.

ENE A S.A. has also rendered number of services during the period including the maintenance of street lightning facilities, maintenance power grids and other energy related services.

#### **1.4. Prior period financial statements**

The unconsolidated financial statements for the period ended 31 December 2007 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion with the following emphasis of matters:

„Without qualifying our opinion, we draw attention to Note 2 of the supplementary information to the unconsolidated financial statements. According to the regulations of the Accounting Act i.e. article 45 paragraph 1c in connection with article 45 paragraph 1a the General Meeting adopted in 2005 the Resolution that starting from 1 January 2005 the Company was preparing its unconsolidated 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 ENE A 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 45

paragraph 1a, concerning the preparation of the 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, decided to continue to apply adopted accounting policies and prepared the unconsolidated financial statements for the year ended 31 December 2007 in accordance with IFRS EU.”

The unconsolidated financial statements were approved at the General Meeting of Shareholders on 9 June 2008 where it was resolved to allocate the profit for the prior financial year of PLN 431,099 thousand as follows:

- PLN 290,878 thousand for the increase in reserve capital dedicated to payments of equivalents to Entitled Employees of Elektrownia „Kozienice” S.A.,
- PLN 51,396 thousand for the increase in reserve capital dedicated to investments’ financing,
- PLN 88,630 thousand for dividend payments for the State Treasury,
- PLN 195 thousand for the Company’s Social Contribution Fund.

The General Meeting of Shareholders in the allocation of the net profit did not take into consideration the obligatory payment from profit for the Companies wholly owned by the State Treasury which for 2007 amounted to PLN 6,885 thousand calculated as 15% of the gross profit reduced by the current income tax which based on the International Financial Reporting Standards approved by the European Union is classified as dividend. As a result the amount allocated for reserve capital is higher than the net profit after dividend payments. For 2008 the obligatory payment from profit amounted to PLN 29,151 thousand.

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

The unconsolidated financial statements were submitted to the Registry Court on 1 July 2008 and were published in Monitor Polski B No. 2023 on 15 December 2008.

## **1.5. Audit scope and responsibilities**

This report was prepared for the General Meeting of ENEA S.A. seated in Poznań, ul. Nowowiejskiego 11 and relates to the unconsolidated financial statements comprising: the balance sheet as at 31 December 2008 with total assets and total liabilities and equity of PLN 11,093,233 thousand, the income statement for the year then ended with a net profit of PLN 203,785 thousand, the statement of changes in equity for the year then with an increase in equity of PLN 2,248,899 thousand, the cash flow statement for the year then ended with an increase in cash amounting to PLN 1,964,794 thousand and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

The unconsolidated financial statements have been audited in accordance with the contract dated 9 October 2008, concluded on the basis of the resolution of 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 audited the unconsolidated financial statements in the Company's head office during the period from 17 November 2008 do 19 December 2008, from 2 to 28 February 2009, from 7 to 8 April 2009 and on 16 April 2009.

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

Management of the Company and members of the Supervisory Board are obliged ensure that the unconsolidated financial statements and the Report on the Company's activities are in compliance with the requirements set forth in the Accounting.

Our responsibility is to express an opinion and to prepare a supplementing report on the unconsolidated financial statements and whether the unconsolidated financial statements are derived from properly maintained accounting records based on our audit.

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

## 2. Financial analysis of the Company

### 2.1. Summary of the unconsolidated financial statements

#### 2.1.1. Balance sheet

ASSETS	31.12.2008 (PLN '000)	% of total	31.12.2007 (PLN '000)	% of total
<b>Non-current assets</b>				
Tangible fixed assets	212 361	1.9	202 617	2.3
Perpetual usufruct rights	990	0.0	1 003	0.0
Intangible assets	982	0.0	749	0.0
Investments in subsidiaries, associates and joint ventures	7 780 241	70.2	7 525 908	85.6
Deferred tax assets	39 701	0.4	29 351	0.4
Available-for-sale financial assets	3 866	0.0	8 617	0.1
Financial assets at fair value through profit or loss	1 033	0.0	1 379	0.0
<b>Total non-current assets</b>	<b>8 039 174</b>	<b>72.5</b>	<b>7 769 624</b>	<b>88.4</b>
<b>Current assets</b>				
Trade and other receivables	732 673	6.6	659 486	7.5
Available-for-sale financial assets	-	-	3 292	0.0
Cash and cash equivalents	2 321 386	20.9	356 592	4.1
<b>Total current assets</b>	<b>3 054 059</b>	<b>27.5</b>	<b>1 019 370</b>	<b>11.6</b>
<b>TOTAL ASSETS</b>	<b>11 093 233</b>	<b>100.0</b>	<b>8 788 994</b>	<b>100.0</b>



<b>EQUITY AND LIABILITIES</b>	<b>31.12.2008</b>	<b>% of total</b>	<b>31.12.2007</b>	<b>% of total</b>
	<b>(PLN '000)</b>		<b>(PLN '000)</b>	
<b>Equity</b>				
Ordinary shares	588 018	5.3	494 796	5.6
Share premium	4 627 673	41.8	2 791 254	31.7
Treasury shares	(17 396)	(0.2)	-	-
Share based payments reserve	1 144 336	10.3	901 110	10.3
Financial instruments revaluation reserve	(3 847)	(0.0)	1 552	0.0
Other reserve capital	754 425	6.8	412 400	4.7
Retained earnings	2 619 709	23.6	2 862 907	32.6
<b>Total equity</b>	<b>9 712 918</b>	<b>87.6</b>	<b>7 464 019</b>	<b>84.9</b>
<b>Liabilities</b>				
Borrowings	-	-	4 000	0.1
Finance lease liabilities	5 821	0.0	5 109	0.1
Deferred income from subsidies and connections' fee	34 301	0.3	36 230	0.4
Employee benefits	84 041	0.8	57 108	0.6
<b>Total non-current liabilities</b>	<b>124 163</b>	<b>1.1</b>	<b>102 447</b>	<b>1.2</b>
Borrowings	-	-	16 112	0.2
Trade and other payables	879 458	7.9	529 691	6.0
Finance lease liabilities	1 967	0.0	1 201	0.0
Deferred income from subsidies and connections' fee	2 437	0.0	1 652	0.0
Current tax liabilities	11 654	0.1	16 213	0.2
Employee benefits	9 018	0.1	15 701	0.2
Liabilities due to cash settled share based payments	163 799	1.5	514 920	5.9
Provision for certificates of origin	143 942	1.3	64 774	0.7
Provisions for other liabilities and charges	43 877	0.4	62 264	0.7
<b>Total current liabilities</b>	<b>1 256 152</b>	<b>11.3</b>	<b>1 222 528</b>	<b>13.9</b>
<b>Total liabilities</b>	<b>1 380 315</b>	<b>12.4</b>	<b>1 324 975</b>	<b>15.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11 093 233</b>	<b>100.0</b>	<b>8 788 994</b>	<b>100.0</b>

## 2.1.2. Income statement

	<b>1.01.2008 - % of total 31.12.2008 sales (PLN '000)</b>		<b>1.01.2007 - % of total 31.12.2007 sales (PLN '000)</b>	
Revenues	5 941 996	100.0	4 983 879	100.0
Other operating income	55 753	0.9	43 058	0.9
Amortization and depreciation	(16 796)	0.3	(202 485)	4.1
Employee benefits	(88 062)	1.5	(270 390)	5.4
Consumption of raw materials and cost of merchandise sold	(5 154)	0.1	(57 939)	1.2
Cost of energy sold	(3 388 861)	57.0	(2 692 122)	54.0
Transmission and distribution services	(2 212 702)	37.2	(1 495 802)	30.0
Other external services	(117 471)	2.0	(150 994)	3.0
Taxes and charges	(10 616)	0.2	(66 071)	1.3
Profit/(loss) on sales and liquidation of tangible fixed assets	7	0.0	(2 746)	0.1
Other operating expenses	(39 809)	0.6	(43 091)	0.9
	<b>(5 879 464)</b>	<b>98.9</b>	<b>(4 981 640)</b>	<b>100.0</b>
<b>Operating profit</b>	<b>118 285</b>	<b>2.0</b>	<b>45 297</b>	<b>0.9</b>
Financial costs	(2 055)	0.0	(3 038)	0.1
Financial income	58 573	0.9	26 162	0.5
Dividend income	71 544	1.2	18 689	0.4
<b>Profit before tax</b>	<b>246 347</b>	<b>4.1</b>	<b>87 110</b>	<b>1.7</b>
Income tax	(42 562)	0.7	343 989	6.9
<b>Net profit for the reporting period</b>	<b>203 785</b>	<b>3.4</b>	<b>431 099</b>	<b>8.6</b>

## 2.2. Selected financial ratios

	2008	2007	2006
<b>1. Return on sales</b>			
<u>profit for the period x 100%</u> revenue	3.4%	8.6%	3.9%
<b>2. Return on equity</b>			
<u>profit for the period x 100%</u> equity - profit for the period	2.1%	6.1%	4.9%
<b>3. Debtors' days</b>			
<u>average trade receivables (gross) x 365 days</u> revenue	31 days	34 days	35 days
<b>4. Debt ratio</b>			
<u>liabilities x 100%</u> equity and liabilities	12.7%	15.1%	31.5%
<b>5. Current ratio</b>			
<u>current assets</u> current liabilities	2.4	0.8	1.2

- 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 decreased in the reporting period compared to the prior year. It is mainly attributable to the reversal of the income tax provision in 2007, which was connected with the contribution in kind of an organized part of the enterprise to ENEA Operator Sp. z o. o. As a result the basis for temporary taxable difference changed from net assets to shares in subsidiary, acquired through contribution in kind.

### Debtors' days

In the reporting period debtor's days amounted to 31 days, which reflects decrease by 3 days in comparison to the prior year. This is a result of the improvement of debt collection.



**Debt ratio**

The debt ratio decreased in comparison to the prior year by 2.7 percentage points and as at 31 December 2008 amounted to 12.4%. The change results mainly from the increase in share capital through the public offer of new shares which were acquired by new shareholders and also results from repayment of borrowings.

**Current ratio**

The current ratio increased in comparison to the prior year by 1.6 and as at 31 December 2008 amounted to 2.4. The change results mainly from the cash inflow from the issue of new shares in the public offer.



### **3. Detailed report**

#### **3.1. Proper operation of the accounting system**

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system. Our assessment covered in particular:

- appropriateness and consistency of the accounting principles used,
- correctness of the documentation of transactions,
- fairness, accuracy and verifiability of the accounting records, including the matching of accounting entries with supporting documentation and the financial statements,
- compliance of the adopted policies relating to the safeguarding of the supporting documentation, the accounting records and the financial statements with the Accounting Act.

On the basis of the work performed, we have not identified material irregularities in the accounting system which have not been corrected and that could have a material impact on the financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

#### **3.2. Asset verification**

The Company performed a physical verification of assets in accordance with the requirements and time frame specified in Art. No. 26 of the Accounting Act. The following categories of assets were included in the verification:

- cash,

Count differences have been recorded in the period covered by the unconsolidated financial statements.

#### **3.3. Notes to the unconsolidated financial statements**

All information included in the notes to the 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 unconsolidated financial statements taken as a whole.

#### **3.4. Report on the Company's activities**

The Report on the Company's activities includes, in all material respects, 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 unconsolidated financial statements.

### **3.5. Information on the opinion of the independent auditor**

Based on our audit of the unconsolidated financial statements 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 17 of the accompanying unconsolidated 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 Company 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 employees’ 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 Company 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 Entitled Employees was recognized based on the valuation of shares of ENEA S.A. adopted for the purposes of preparation of the 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 cost 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*

.....  
Certified Auditor No. 10176/7521  
Michał Karwatka

*Signed on the Polish original*

.....  
For KPMG Audyty 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 **ENEA S.A.**

**Poznan, 17 April 2009**

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## 1. ENEA S.A. organisational and capital ties

### 1. ENEA S.A. as the dominant entity in 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. (trade in electricity), ENEA Operator Sp. z o.o. (distribution of electricity) and Elektrownia "Kozienice" S.A. (generation of electricity). The remaining entities provide support activities in relation to the above companies.

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

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.

### 2. Asset restructuring

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) legally obliged ENEA S.A. to separate its Distribution System Operator not later than 1 July 2007. In order to meet that requirement, ENEA S.A. established the company ENEA Operator Sp. z o.o.

In accordance with the assumptions of the energy policy of creating vertically-integrated energy groups, and in order to meet the need for electricity sold by ENEA S.A., a decision was taken to join Elektrownia Kozienice S.A. to the ENEA Capital Group.

After the main organisational changes carried out in the Company and the Group in 2007, further asset restructuring took place over the course of the last financial year:

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 Ciepłej "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 the company Energetyka Poznańska Biuro Usług Technicznych S.A. with its registered office in Poznan, 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 6 October 2008 the Extraordinary General Meeting of Shareholders of two subsidiary companies of ENEA, 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 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 ENEA S.A.**

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 also 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 Węgla 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, including such units on the site of Elektrownia Kozienice, where, by 2014, we plan to complete a new unit with a total capacity of approx. 1,000 MW, and, by 2015, another unit also with a total capacity of approximately 1,000 MW.

In connection with anticipated increases in the requirements for renewable and co-generated energy sources, we are taking action aimed at increasing our control over the costs of meeting the legal requirements. Towards this end, the Company plans to continue concluding long-term agreements for the purchase of energy certificates of origin for energy production from renewable sources and cogeneration from outside entities, as well as to carry out direct investments in such sources. Our intention is to invest in wind farm projects already begun and at varying stages of advancement, by acquiring existing entities or investing in cooperation with external entities.

Moreover, in the coming years, the Company plans to selectively acquire local thermal power stations and thermal-electric power stations. We plan to modernize and transform acquired thermal power stations into thermal-electric power stations that will generate electricity through cogeneration. This will enable us to obtain additional certificates of origin.

## 4. Structure of key equity investments

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

### PEC Oborniki

The project involved the acquisition of 9,120 shares of the company Przedsiębiorstwo Energetyki Ciepłej 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 Ciepłej 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 30 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 Ciepłej 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 19 December 2008).

## 5. Other equity investments

In addition to the key equity investments mentioned above, the Company made the following equity 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. signed an agreement on creating 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 3 December 2008 ENEA S.A. purchase 100 of the shares in EP BUT S.A. and EP Zakład Transportu Sp. z o.o., for PLN 231.83 for each share, thereby becoming the owner of 87.97 per cent of the shares of BHU S.A. The total amount of the transaction was PLN 46,366.00.



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 shareholder, ENEA S.A. They were covered by an in-kind contribution – a part of the receivables due to ENEA S.A.

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.

## **6. Changes in organisation and management rules**

In 2008, no significant changes took place in the organisation or management rules of ENEA S.A. 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.

Currently, the Company structure is organised according to type of activity, within which organisational units and cells report directly to the Supervisory board (Departments, Offices, Teams).

Under the binding Rules of the Company Enterprise, the basic licensed activity relating to trade in electricity is carried out by the Trade Department, within management cells and local units operate in the form of Key Customer Sales Offices located in Bydgoszcz, Gorzów Wielkopolskie, Poznan, Szczecin, Warsaw and Zielona Góra.

Activities supporting the management and services of the Company are performed by the remaining Departments (Development Strategy, ITC, Services, Corporate, Financial, Management and Administration, Corporate Communications) and units which report directly to the Management Board (the Office of the Management Board, the Control & Auditing Office, the Legal Services Office, the Information Protection Team).

The interdependencies established within the Company (including a diagram of its organisational structure) and the division of tasks, responsibilities and authorisations is formally reflected in the Organisational Rules:

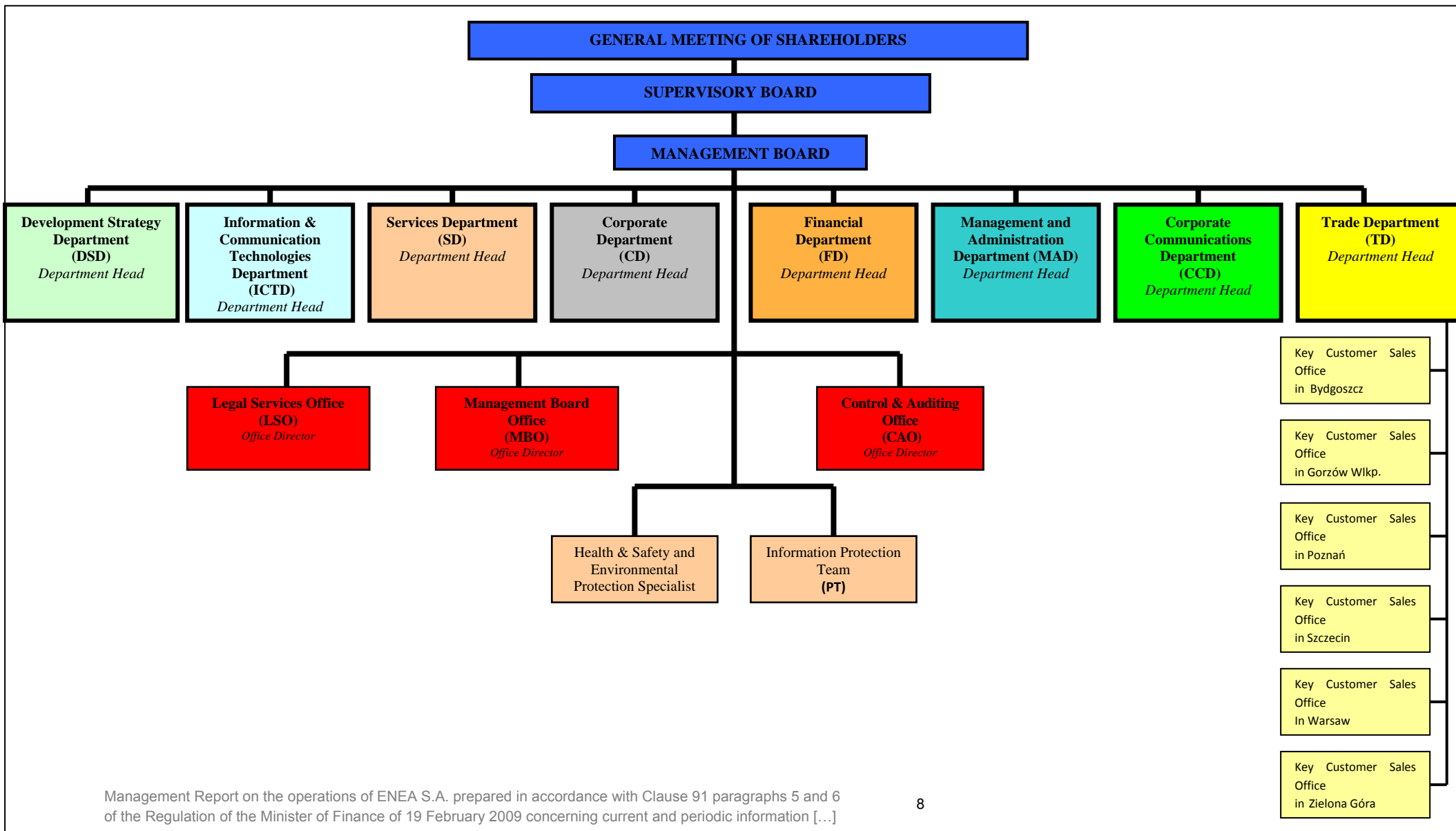
- Organisational Rules of the Company Enterprise,
- Rules of ENEA S.A. organisational units

In 2008, one organisational change took place, and modifications to the organisational structure of the Company Enterprise were introduced, involving:

1. Creation of a Department of Information & Communication Technologies,
2. Creation of a Development Strategy Department,
3. Creation of a Corporate Communications Department,
4. Creation of a Legal Services Office as a unit reporting directly to the Management Board,
5. Creation of the post, "Health & Safety and Environmental Protection Specialist", reporting directly to the Management Board,
6. Creation of an Information Protection Team reporting directly to the Supervisory Board.

The above changes were made to bring order to the organisational structure of the Company and to increase management effectiveness and efficiency.

Diagram 1 presents the current organisational structure (state as at 10 March 2009) of ENEA 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 ENEA S.A.

### 1. Information on basic products, goods and services

The main corporate purpose of ENEA S.A. is trade in electricity.

The remaining subsidiary entities deal in the generation and distribution of electricity and in support services. The above activities are performed by subsidiaries of ENEA S.A. on the basis of licenses granted by the President of the Energy Regulatory Authority, the body established to carry out regulatory tasks with regard to the management of fuels and energy and to encourage competition in the energy sector.

#### **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. The number of recipients as at 31 December 2008 was approximately 2,326,948 businesses and households.

### 2. Sales markets

The portfolio of customers to whom we sell electricity is stable and highly diversified. Currently we sell electricity to ca. 2.3 million consumers, including some 2 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. The number of customers as at 31 December 2008 was 2,326,948 businesses and households.

#### **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:

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

This offer is directed to customers on the domestic market.

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 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. The growth in those two quarters exceeded 30 per cent, where the value of electricity sales in 2008 for each of the above periods was more than PLN 800,000,000. The growth rate in particular quarters was as follows:

Item	Revenues from energy sales to end users [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	Sales 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	103.2
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 Elektrownia "Kozienice" S.A.***

Since Elektrownia "Kozienice" S.A. 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 Elektrownia "Kozienice" S.A. 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, Elektrownia "Kozienice" S.A. 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 Elektrownia "Kozienice" S.A. 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 amount 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. In addition, ENEA enters into arbitrage transactions in particular market segments. Furthermore, ENEA also concludes arbitrage transactions in particular market segments.

#### ***Purchase of distribution services***

With the exception of agreements for the provision of electricity transmission services concluded with PSE-Operator, ENEA S.A. is not dependent on other industrial, commercial or financial agreements. In

the event that the agreements with PSE-Operator are terminated, we will be forced to conclude agreements for the provision of electricity transmission services under new conditions.

#### 4. Information about concluded agreements

##### 1. Agreements of significance to the operations of ENEA S.A.

###### Agreement on the provision of electricity distribution services

Agreement No. OSD/PO/ENEA/2007 concerns electricity distribution services between ENEA SA and ENEA Operator Sp. z o.o., as well as for customers connected to the distribution grid who have concluded comprehensive agreements with ENEA SA. All on-going issues are regulated by annexes.

###### Agreement concerning the purchase and sale of electricity

- agreement EE/TG/ENEA/01/2008 concluded on 9 November 2007 between ENEA S.A. and Elektrownia "Kozienice" S.A. for the purchase of electricity in 2008.

- agreement ibee/ENEA/2006 concluded on 18 October 2006 for the purchase and sale of electricity between ENEA S.A. and Elektrownia "Kozienice" S.A. – is a framework agreement.

##### 2. Significant transactions with affiliated entities

The following table lists significant transactions 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 basis of the net value of an agreement concluded or performed in 2008. The threshold value 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 No. 1/2007 of 8 November 2007 Annex No. 2 of 8 February 2008 Annex No. 3 of 8 December 2008 The value shown is the net value for 2008.	2 213 967.30
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 of Stargard Szczeciński.	2 054.00
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	1 372 186.00
37.	Elektrownia "Kozienice" S.A.	10 October 2006 (agreement for an undefined period, in effect in 2008)	Trade in electricity	115 282.67
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

Other information on transactions with affiliated entities is to be found in the Financial Statements of ENEA S.A. for financial year 2008, note No. 33.

### 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 million.



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	Commencement date	End date	Repayment period
<b>Working capital credit facilities drawn by ENEA S.A. in 2008</b>							
1	PKO BP S.A.	50 000.00	0,00	0,00	2006.04.25	x	5 years from the first use of the credit facility
2	Bank 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
<b>TOTAL</b>			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 remains 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 security validity	Entity to which security is granted	Agreement type	Form 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, Zachodniopomorskie, Lubuski, Dolnośląski 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 o suretyship/ guarantee	Entity for which suretyship/ guarantee was granted	Entity to which suretyship/ guarantee was granted	Agreement number	Value 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 Transportu o.o.	Zakład Poznań Department of Communal Services and Housing	Surety's statement of 2 September 2003	PLN 204,000 EUR 49,000* EUR*	-
<b>Total:</b>						<b>PLN 204,000</b>	<b>-</b>

Other conditional obligations granted by ENEA S.A. as at 31 December 2008				
	Obligation type	Entity to which security is granted	Security Value	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

### 3. Presentation of the financial position of ENEA S.A.

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

The year 2008 was the first one in which ENREA S.A. operated in a new organisational and market situation (currently, the operations of the company consist solely in trade). Until July 2007, the Company was also involved in distribution (on 30 June 2007, distribution operations were separated, with the going concern transferred, by way of an in-kind contribution, to ENEA Operator Sp. z o.o.). This situation is reflected in the accounting records and has resulted in the absence of comparability with respect to the data attained by ENEA S.A. in 2007 and 2008, which is why the figures presented for 2008 differ from those for 2007, which thus impacts on the growth in revenues and costs.

## 1. Financial results

### Income statement of ENEA S.A.

Income statement	2007 [PLN '000]	2008 [PLN '000]	Growth 2008/2007	Change 2008-2007 [PLN '000]
1	2	3	3:2	3-2
Revenues	4 983 879	5 941 996	119.2%	958 117
Cost of sales and general administrative expenses	-4 935 803	-5 839 662	118.3%	903 859
Profit (loss) on sales	48 076	102 334	212.9%	54 258
Profit (loss) on sales and liquidation of tangible fixed assets	-2 746	7	X	2 753
Other operating income	43 058	55 753	129.5%	12 695
Other operating expenses	-43 091	-39 809	92.4%	-3 282
Operating profit (loss)	45 297	118 285	261.1%	72 988
Financial costs	-3 038	- 2 055	67.6%	-983
Financial income	26 162	58 573	223.9%	32 411
Dividend income	18 689	71 544	382.8%	52 855
Profit (loss) before tax	87 110	246 347	282.8%	159 237
Income tax	343 989	-42 562	X	-386 551
<b>Net profit (loss) for the reporting period</b>	<b>431 099</b>	<b>203 785</b>	<b>47,3%</b>	<b>-227 314</b>

In 2008, the revenues generated by ENEA S.A. amounted to PLN 5,941,996, of which 92.5% were revenues deriving from the core operations of the Company, i.e. revenues from the sale of electricity to end customers and the sale of distribution services of customers holding comprehensive agreements. Revenues rose by 19.2 per cent relative to 2007, which is mainly the result of an increase of 2.6 per cent in the amount of electricity sold, an increase of 25.9 per cent in the average price of electricity sold and an increase of 3.2 per cent in the average price of distribution services. The increase in revenues compared with 2007 was also attributable to an increase of 97.4 per cent in the sale of electricity to ENEA Operator Sp. z o.o. to cover a balancing difference.

Revenues from sales of non-concession services of ENEA S.A. mainly comprise services relating to the maintenance and modernisation of street lighting and accounting for barely 0.8 per cent of revenues. Revenues from connecting customers to a grid were generated by ENEA Operator Sp. z o.o. in 2008.

The growth rate for remaining revenues was mainly influenced by an increase in the sale of electricity to other entities, attributable to both an increase in the amount of energy sold and the procuring of higher prices for electricity on the market.

The table below shows the value and structure of revenues generated in 2008.

Item	ENE A S.A.				Growth in %
	2007 [PLN '000]	%	2008 [PLN '000]	%	
<b>Revenues</b>	<b>4 983 879</b>	<b>100.0</b>	<b>5 941 996</b>	<b>100.0</b>	<b>119.2</b>
<i>of which:</i>					
sales of electricity to end customers and sales of distribution services to customers holding comprehensive agreements	4 667 233	93.7	5 494 307	92.5	117.7
<b>sales of electricity to cover balancing differences</b>	<b>141 332</b>	<b>2.8</b>	<b>278 921</b>	<b>4.7</b>	<b>197.4</b>
<b>fees for customer grid connection</b>	<b>6 050</b>	<b>0.1</b>	<b>0</b>	<b>0.0</b>	<b>X</b>
sales of services	56 035	1.1	48 445	0.8	86.5
other revenues	113 229	2.3	120 323	2.0	106.3

In 2008, ENEA S.A. achieved a profit before tax of PLN 246,347 and a net profit of PLN 203,785. The increase in the pre-tax profit stems from the higher result obtained for trading in electricity. This was prompted by an increase of 25.9% in the average price of electricity sold and an increase of 2.6% in the volume of electricity sold. In addition, gross profit was also affected by the obtaining of a higher amount of dividends from subsidiaries (PLN 52,855) and higher financial income (PLN 32,411).

The growth rate for net profit in 2008 (47.3 per cent) relative to the preceding year was mainly influenced by the release of a provision for deferred taxes concerning fixed assets transferred to ENEA Operator Sp. z o.o., which occurred in 2007.

Item	2007 [PLN '000]	2008 [PLN '000]	Growth in %	Change [PLN '000] 2008 - 2007
Revenues	4 983 879	5 941 996	119.2	958 117
Profit before tax	87 110	246 347	282.8	159 237
Net profit	431 099	203 785	47.3	-227 314
<b>Gross profitability (%)</b>	<b>1.7</b>	<b>4.1</b>	<b>241.2</b>	<b>2.4</b>
<b>Net profitability (%)</b>	<b>8.6</b>	<b>3.4</b>	<b>39.5</b>	<b>-5.2</b>

Profitability was also analysed according to segment, i.e., on the basis of the revenues and results obtained by trade, distribution and other operations as shown in the table below.

Item	Trade [PLN '000]		Distribution [PLN '000]		Other operations [PLN '000]	
	2007	2008	2007	2008	2007	2008
Revenues	3 800 412	5 893 552	1 105 700	0	77 767	48 444
Segment result	72 553	235 302	57 511	0	9 347	4 615
<b>Segment profitability (%)</b>	<b>1.9%</b>	<b>4.0%</b>	<b>5.2%</b>	<b>x</b>	<b>12.0%</b>	<b>9.5%</b>

The core business of the Company displays positive profitability, which means that operations are conducted effectively. In 2008, trade achieved profitability of 4.0%, with the remaining operations attaining 9.5%.

## 2. Cost structure by type

Total costs for 2008 amounted to PLN 5,881,519 and were up 118.0 per cent on the preceding year.

item	Item	2007		2008		Growth in %
		[PLN '000]	%	[PLN '000]	%	
	<b>I. Total costs:</b>	<b>4 984 678</b>	<b>100.0</b>	<b>5 881 519</b>	<b>100.0</b>	<b>118.0</b>
1.	Amortisation and depreciation	202 485	4.1	16 796	0.3	8.3
2.	Costs of employee benefits	270 390	5.4	88 062	1.5	32.6
	<i>Salaries and wages</i>	199 615	4.0	48 156	0.8	24,1
	<i>social insurance and other benefits</i>	70 775	1.4	39 906	0.7	56,4
3.	Consumption of raw materials and value of goods and materials sold	57 939	1.2	5 154	0.1	8.9
	<i>costs of materials and energy used</i>	36 806	0.8	5 154	0.1	14,0
	<i>value of goods and materials sold</i>	21 133	0.4	-	-	-
4.	Purchase of energy for sales purposes	2 692 122	54.0	3 388 861	57.6	125.9
5.	External services	1 646 796	33.0	2 330 173	39.6	141.5
	<i>transmission and distribution services</i>	1 495 802	30.0	2 212 702	37.6	147,9
	<i>other external services</i>	150 994	3.0	117 471	2.0	77,8

6. Taxes and charges	66 071	1.3	10 616	0.2	16.1
7. Financial costs	3 038	0.1	2 055	0.0	67.6
8. Other costs	45 837	0.9	39 802	0.7	86.8

In terms of Company costs, the main cost item comprises expenses related to the purchase of electricity for re-sale purposes (57.6 per cent) and to the purchase of transmission and distribution services (37.6 per cent). The growth in these costs in 2008 amounted to 125.9 per cent and 147.9 per cent respectively. The increase in the cost of acquiring electricity is a consequence of the rise of 22.2 per cent in the average purchase price for electricity and of the growth of 3.0 per cent in the volume of electricity bought. The growth in costs associated with the purchase of distribution services in 2008 is influenced by the half-year level of those costs in 2007 (separation of the Distribution System Operator as of July 2007).

The remaining cost item account for 4.8% of the costs borne by the Company in 2008. The low level of growth in these costs is attributable to the separation of the **Distribution System Operator and the transfer of most of its assets and employees to ENEA Operator Sp. z o.o.**

In conclusion, it can be stated that the structure of costs in 2008 underwent a fundamental change relative to 2007, which change was influenced by the situation that arose half way through 2007 (separation of the Distribution System Operator).

### 3. Assets - structure of assets and liabilities

ASSETS	As at		Growth 2008/2007	Change 2008-2007 [PLN '000]
	31 Dec. 2007 [PLN '000]	31 Dec. 2008 [PLN '000]		
A. Non-current assets	7 769 624	8 039 174	103.5%	269 550
I. Tangible fixed assets	202 617	212 361	104.8%	9 744
II. Perpetual usufruct right	1 003	990	98.7%	-13
III. Intangible assets	749	982	131.1%	233
IV. Investments in subsidiaries as well as associated and jointly-controlled entities, accounted for using the equity method	7 525 908	7 780 241	103.4%	254 333
V. Deferred income tax assets	29 351	39 701	135.3%	10 350
VI. Available-for-sale financial assets	8 617	3 866	44.9%	-4 751
VII. Financial assets at fair value through profit or loss	1 379	1 033	74.9%	-346
B. Current assets	1 019 370	3 054 059	299.6%	2 034 689
I. Inventories	0	0	x	0
II. Trade and other receivables	659 486	732 673	111.1%	73 187
III. Current income tax assets	0	0	x	0
IV. Available-for-sale financial assets	3 292	0	x	-3 292
V. Cash and cash equivalents	356 592	2 321 386	651.0%	1 964 794
<b>Total assets</b>	<b>8 788 994</b>	<b>11 093 233</b>	<b>126.2%</b>	<b>2 304 239</b>

LIABILITIES	As at		Growth rate 2008/2007	Change 2008-2007 [PLN '000]
	31 Dec. 2007 [PLN '000]	31 Dec. 2008 [PLN '000]		
A. Equity	7 464 019	9 712 918	130.1%	2 248 899
I. Equity attributable to equity holders of the Company				
of which: ordinary shares	494 796	588 018	118.8%	93 222
Share premium	2 791 254	4 627 673	165.8%	1 836 419
Treasury shares	-	-17 396	x	-17 396
Share based payments reserve	901 110	1 144 336	127.0%	243 226
Financial instruments revaluation reserve	1 552	-3 847	x	-5 399
Reserves	412 400	754 425	182.9%	342 025
Retained earnings	2 862 907	2 619 709	91.5%	-243 198
LIABILITIES	1 324 975	1 408 541	106.3%	83 566
I. Non-current liabilities, of which:	102 447	124 163	121.2%	21 716
Borrowings	4 000	-	x	-4 000
Financial lease liabilities	5 109	5 821	113.9%	712
Deferred income from fixed assets received at no cost and connection fees	36 230	34 301	94.7%	-1 929
Retirement and similar benefits	57 108	84 041	147.2%	26 933
II. Current liabilities	1 222 528	1 256 152	102.8%	33 624
Trade and other payables	529 691	879 458	166.0%	349 767
Current tax liabilities	16 213	11 654	71.9%	-4 559
Financial lease liabilities	1 201	1 967	163.8%	766
Borrowings	16 112	-	x	-16 112
Deferred income from fixed assets received at no cost and connection fees	1 652	2 437	147.5%	785
Liabilities due to cash settling share based payments	514 920	163 799	31.8%	-351 121
Retirement and similar benefits	15 701	9 018	57.4%	-6 683
Provisions for other liabilities and charges	62 264	43 877	70.5%	-18 387
Certificates of origin	64 774	143 942	222.2%	79 168
<b>Total equity and liabilities</b>	<b>8 788 994</b>	<b>11 093 233</b>	<b>126,2%</b>	<b>2 304 239</b>

As at 31 December 2008, the balance sheet total of the ENEA S.A. amounted to PLN 11,093,233, an increase of PLN 2,304,239, i.e. 26.2 per cent, relative to that as at 31 December 2007.

Non-current assets at the end of 2008 amounted to PLN 8,067,400, an increase of PLN 297,776 (3.8 per cent) compared to the previous year. The increase in non-current assets is mainly the result of investments in associates 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 3,054,059, an increase relative to 2007 of PLN 2,034,689 (199.6 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 predominant source of financing for the Company assets is equity capital. At the end of 2008, equity amounted to PLN 9,712,918, an increase relative to the balance at the end of 2007 (PLN 7,464,019) of PLN 2,248,899, i.e. 30.1 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 124,163, an increase of PLN 21,716, i.e. 21.2 per cent, relative to the corresponding figure at the end of 2007. This is primarily due to an increase in provisions for employee benefits in connection with an actuarial valuation.

Current liabilities amounted to PLN 1,256,152 and were up PLN 33,624 (2.8 per cent) on the preceding year, mainly as a result of increased trade payables, a higher provision for the cancellation of certificates of origina, which was in part offset by lower liabilities for making compensatory payments for the right to the gratuitous acquisition of shares (distribution of part of an equivalent payment to eligible employees of the Koziernice Power Plant).

#### 4. Financial and non-financial ratios

Item	2007	2008	Growth
1	2	3	3/2
<b>PROFITABILITY RATIOS</b>			
<b>ROE - return on equity</b>			
$\frac{\text{gross profit}}{\text{equity}}$	1.2%	2.5%	208.3%
<b>ROA - return on assets</b>			
$\frac{\text{operating profit}}{\text{total assets}}$	0.5%	1.1%	220.0%
<b>ROACE</b>			
$\frac{\text{operating profit} - \text{tax}}{\text{net debt} + \text{equity}}$	7.1%	1.0%	14.1%
<b>Net profitability</b>			
$\frac{\text{net profit}}{\text{revenues}}$	8.6%	3.4%	39.5%
<b>Operating profitability</b>			
$\frac{\text{operating profit}}{\text{revenues}}$	0.9%	2.0%	222.2%
<b>EBITDA profitability</b>			
$\frac{\text{operating profit} + \text{amortisation and depreciation}}{\text{revenues}}$	5.0%	2.3%	46.0%

<b>LIQUIDITY, FINANCIAL STRUCTURE AND ECONOMIC ACTIVITY RATIOS</b>			
<b>Current liquidity ratio</b>			
$\frac{\text{current assets}}{\text{current liabilities and provisions}}$	0.8	2.4	300.0%
<b>Equity-to-fixed assets ratio</b>			
$\frac{\text{equity}}{\text{non-current assets}}$	96.1%	120.8%	125.7%
<b>- Total debt ratio</b>			
$\frac{\text{total liabilities}}{\text{total assets}}$	15.1%	12.4%	82.1%
<b>Current receivables turnover in days</b>			
$\frac{\text{average balance of trade and other receivables} \times \text{number of days}}{\text{revenues}}$	44.2	42.2	95.5%
<b>Turnover of trade and other payables in days</b>			
$\frac{\text{average trade and other receivables} \times \text{number of days}}{\text{cost of products, goods and materials sold}}$	41.9	45.1	107.6%

In 2008, ENEA S.A. generated an operating profit that was higher than in the preceding year, with the increase (216 per cent) significantly higher than the increase in revenues (119.2 per cent). As a result, there was an improvement in the operating profitability ratio, which was 2.0 per cent and thus, up 1.1 percentage points on the preceding year (0.9 per cent). On the other hand, EBITDA profitability declined from 5.0 per cent in 2007 to 2.3 per cent in 2008 and net profitability was 3.4 per cent in 2008, down from 8.6 per cent in 2007. The decline in the net profitability index is due to a higher net financial result being achieved in 2007, which was primarily due to the release of a provision for deferred taxes relating to tangible fixed assets transferred to ENEA Operator Sp. z o.o. In addition, the ROE index rose from 1.2 per cent in 2007 to 2.5 per cent in 2008 and the ROA index from 0.5 per cent to 1.1 per cent.

## 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 215.4 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 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 million.

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.

In accordance with the credit agreements signed, security for open credit lines comprises the following: powers of attorney in respect of current accounts with the banks where ENEA S.A. holds current accounts as well as a declaration voluntary submission to enforcement.

#### **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, 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* – ENEA S.A. is not exposed to exchange rate risk because there are no transactions in foreign currencies in its portfolio.
- 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.

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**

Factors and events, including unusual ones, affecting the financial result for 2008 were set out in Section 1 above, which presents an analysis of the basic economic and financial figures presented in the annual stand-alone 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 as 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**

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

### **1. Key legal and macroeconomic factors**

#### **1. The general condition of the economy**

To a certain degree, the Company's condition in 2008 was determined by 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 Office (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 the sale 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. As at the date of disclosing this report, the legal status has not changed in this respect.

On 17 January 2008, the president of the ERO approved ENEA'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 respect to electricity sales to customers other than households (A, B and C tariff group sets) for 2009, on 25 November 2008 in Resolution No. 786/2008 the Management Board of ENEA S.A. approved the "Tariff for electricity" for A, B and C tariff group sets, which applies as of 1 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. 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 quantity of certificates of origin which need to be obtained and cancelled results from legal provisions and is calculated as a percentage share of the 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 of origin, this could have an adverse effect on our cash flows and the margins that we achieve.

## **5. Customer service**

We might be obliged to make changes in organising customer services in our Group, which could result in the necessity to carry out an internal reorganisation in the Group, and this might cause an increase in the costs of our activities and lead to disputes with those employees affected by such a reorganisation.

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.

## **6. 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.

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

The electricity generated by Elektrownia Koźienice constitutes about 56 per cent of the electricity sold by us. 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.

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

Because of our dominant position on the local market with regard to providing distribution services, we are subject to additional legal restrictions and can be particularly subject to inspections by anti-trust 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 there were no proceedings being conducted by the president

of the OCCP against ENEA Operator. In the future, any decisions that might be issued by the president of the OCCP or the European Commission could negatively influence our operations, financial condition, financial results or prospects for growth.

## **9. Concessions**

The expiry or withdrawal of our concessions could restrict our core 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 Koźienice holds a concession for electricity generation which is valid until the end of 2025, and a concession for electricity trading which is valid until the end of 2012; and (v) Elektrownie Wodne holds a concession for electricity generation which is valid until 30 March 2011.

The Energy Law grants the president of the 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.

## **10. 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.

## **11. 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.

## 12. 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.

## 13. Management personnel

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

The Company's future success depends on its ability to recruit and retain management personnel with wide-ranging experience of managing energy businesses, and in identifying, acquiring, financing and realising energy projects, and also in respect of the recruitment and retention of technical personnel with appropriate energy related education. 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.

## 14. 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 particularly strong because of the volume of employment in the sector and its strategic influence on the functioning of the economy. Furthermore the expectations of the trades unions are based on the conditions won by the employees of other power companies or power generators in agreements concluded in relation to the earlier privatisation of these companies. Although we are endeavouring to maintain good relations with our employees and to resolve on an ongoing basis all problems that arise,



we cannot exclude the possibility of collective disputes' taking place in the future. Collective disputes with employees may lead to disruption of our ongoing activities, and in particular to stoppages, and may also cause an increase in labour costs, which may have a negative effect on our business, financial situation, financial results or development prospects.

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.

## **15. 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.

## **16. Environmental protection**

Our Company's operations do not have a significant impact on the environment. The operations of the subsidiaries Elektrownia Koźienice and ENEA Operator do, however, have a significant environmental impact.

## **17. Real estate**

On 31 December 2008, ENEA and its subsidiary ENEA Operator were parties to 211 court proceedings relating to use of real property without an agreement, with the total value at stake being about PLN 16.32 million and were parties to a number of disputes that are yet to get to court.

ENEA S.A. and ENEA Operator do not have legal title to part of the real property that they make use of and property used by ENEA Operator may be the subject of reprivatisation claims.

ENEA S.A. and ENEA Operator are taking actions designed to resolve the legal status of real property with an unsettled legal status.

## **18. 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 Koźienice 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.

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

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

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

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

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.

ENEA S.A. together with its Capital 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.

Our business is 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 of ENEA S.A.**

One of the fundamental factors for ENEA S.A.'s development and its prospects is implementation of the Company's strategy, which is reflected in actions undertaken by the ENEA Capital Group including:

- 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 ENEA's competitors, 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 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 ENEA's control such as competition from other power companies and market conditions. Furthermore the results obtained by the companies in which ENEA 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.

ENEA's activity in modernisation of generating capacity and also the making of new investments 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 relating to the Company's development strategy described in the introduction fall into four basic areas of ENEA S.A. and its 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 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. 1,000 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 invest 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 Ciepłej Sp. z o.o. with its registered office in Oborniki and in the company Miejska Energetyka Ciepła Sp. z o.o. with its registered office in Pila, and also packets of shares in the company Przedsiębiorstwo Energetyki Ciepłej 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 heat-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" (KWK 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 09.02.2009 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 7 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. Additionally Members of the Management Board may, by a motion of the Supervisory Board that presents the reasons for it, be awarded an annual bonus amounting to no more than three times the average monthly remuneration of an employee in the year preceding award of bonuses or other benefits, as determined by the workplace collective labour agreement. 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 members of ENEA S.A.'s Management Board in the financial year 2008 is presented in the following table.

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
<b>Total</b>	-	-	<b>1 063 133.19</b>	<b>36 696.39</b>	<b>1 099 829.58</b>

\* Multiple – defined as the multiple of the 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. The amount of the multiple is derived from the Act on the Remuneration of Persons Managing Certain Legal Entities.

\*\* Basic consideration, i.e.:

- 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 members of ENEA S.A.'s Management Board in the financial year is presented in the following table.

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 MIECZYŚLAW	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
<b>16</b>	<b>TOTAL</b>	<b>336 106.19</b>

#### **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**

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

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

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



## 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

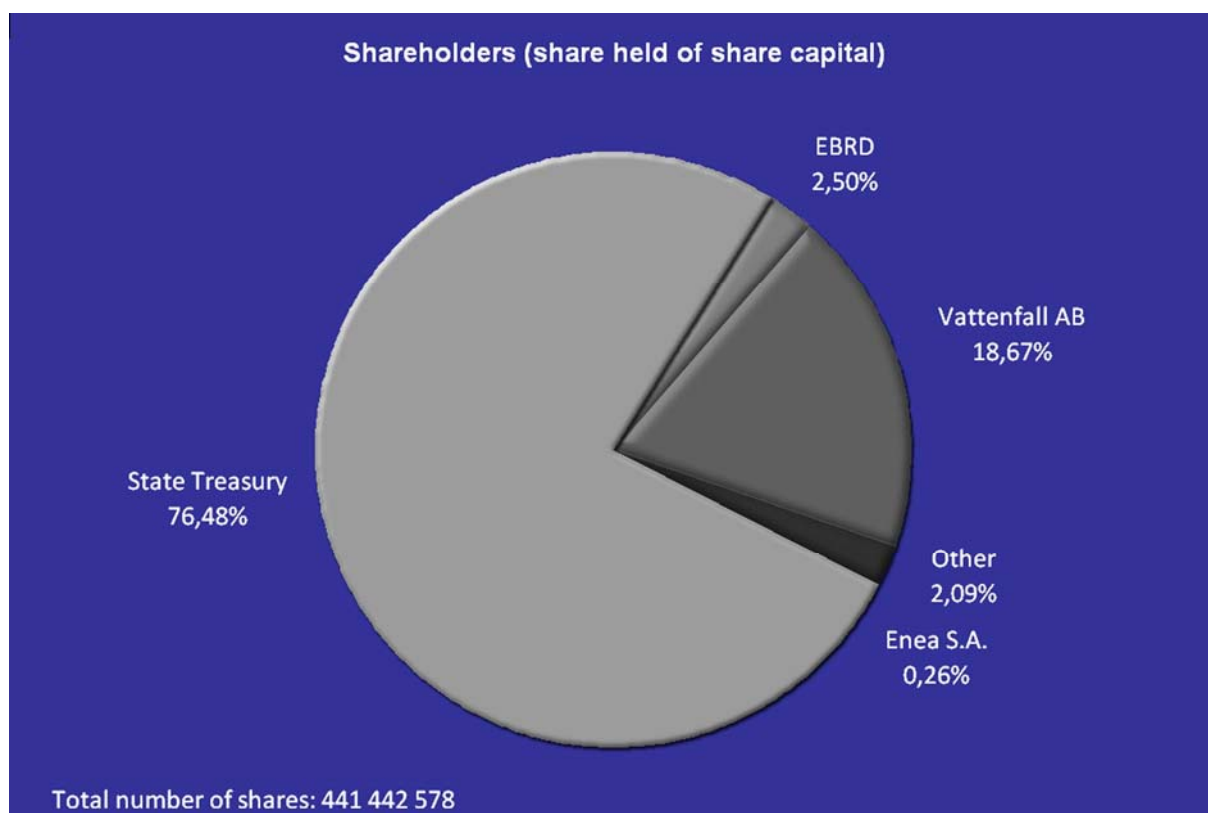
As at 31 December 2008, after including the share capital increase resulting from the share issue registered on 13 January 2009, the structure of shareholders holding substantial blocks of shares of the Issuer, either directly or indirectly, is as follows:

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.

#### **5. 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 separate file. Additionally, a complete compilation 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.

## **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 restoration of the application of the principle of Part III Item 6 of Good Practices depends on a decision being made by the Shareholders 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. 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.

One of the basic elements of control in the process of drawing up financial statements of ENEA S.A. and the ENEA Capital Group is the verification of the financial statements by an independent auditor. The auditor's tasks include reviewing semi-annual financial statements and auditing the stand-alone and consolidated annual financial statements. The independent auditor is selected by the Supervisory Board. Once the auditor has finished auditing the financial statements, they are sent to the members of the Company's Supervisory Board, which assesses the stand-alone and consolidated financial statements with regard to their compliance with the books of account, documents and the factual status. Under the provisions of the Accountancy Act, the members of the Management Board and the Supervisory Board are obliged to ensure that the financial statements and the report on operations fulfil the requirements set out in that act.

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 Control 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 Company 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 the Company's operations. 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 adopted accounting policy (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 Capital Group.

The Company applies consistent accounting principles and presents financial data in financial statements, periodic financial reports and other reports disclosed to the shareholders.

The Company regularly assesses the quality of its internal control and risk management systems with regard to the process of drawing up financial statements. On the basis of an assessment, the Management Board of ENEA S.A. confirms that as at 31 December 2008 there were no shortcomings that could significantly affect the effectiveness of internal control as it relates to financial reporting.

#### **4. 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	11 038 962	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.

#### **5. 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.

#### **6. 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.

#### **7. 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.

## **8. 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 management and supervisory board members 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. Any trade union organisation operating in the Company and groups of employees consisting of at least 300 people 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 outcome of the vote will be binding for the Supervisory Board, provided that at least 50 per cent of all the employees take part in it and the same majority required for the Management Board Member to be elected is returned. 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 exchangeable bond issues and other instruments providing an entitlement to acquire or assume control over the Company's shares.

## **9. 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. Taking over real property under a leasing, tenancy, lease or usufruct agreement or for any other use, on the basis of one or more legal acts in a period of 12 consecutive months, where the value of the rent for 12 consecutive months is greater than or equal to the equivalent of EUR 50,000;
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 that the Management Board requests that the Supervisory Board or General Meeting of Shareholders consider;
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.

## **10. 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:

"Resolutions concerning the following matters can be adopted if at least half of the Company's share capital is represented at the General Meeting of Shareholders, and they 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:

- 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.

## **11. 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 Paragraph 1 is submitted after the convocation of the General Meeting of Shareholders has been announced, it will be deemed to be a motion for another Extraordinary General Meeting of Shareholders to be convened.

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.

## **12. 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. Simultaneously the Supervisory Board commenced qualification proceedings for the position 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:

<b>Given name and surname</b>	<b>Position</b>
<b>Piotr Koczorowski</b>	Acting President of the Management Board
<b>Czesław Koltermann</b>	Member of the Management Board elected by the Company's employees
<b>Sławomir Jankiewicz</b>	Member of the Management Board for Business Affairs
<b>Marek Malinowski</b>	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.

According to the Management Board Regulations, meetings of the Management Board are generally held once a week at 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 necessary documents for a Management Board meeting are provided by the Management Board Office at least one business day before the 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 can adopt resolutions if at least half of its members are present at the meeting and all of the members have been correctly notified of 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**

The members of the Supervisory Board for the 6th term were appointed by a resolution of the Extraordinary General Meeting of Shareholders of 30 June 2006 for a joint three-year term, which ends on 30 June 2009. 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 Misiólek, 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 Misiólek, 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 date, 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:

<b>Given name and surname</b>	<b>Position</b>
<b>Michał Łagoda</b>	Chairman of the Supervisory Board
<b>Tadeusz Dachowski</b>	Vice-Chairman of the Supervisory Board
<b>Piotr Begier</b>	Secretary of the Supervisory Board
<b>Marcin Bruszewski</b>	Member of the Supervisory Board
<b>Wojciech Chmielewski</b>	Member of the Supervisory Board
<b>Marian Janas</b>	Member of the Supervisory Board
<b>Andrzej Łopuszko</b>	Member of the Supervisory Board
<b>Wiesław Pawliotti</b>	Member of the Supervisory Board
<b>Mieczysław Pluciński</b>	Member of the Supervisory Board
<b>Graham Wood</b>	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.

According to the Supervisory Board Regulations, the Board holds meetings 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. For a meeting of the Board to be convened, all the members of the Board must be invited in writing at least seven days before the 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. Members of the Board are obliged to attend meetings and should state their reasons for their absence in writing. A resolution of the Board is required to excuse a member of the Board for being absent.

The Management Board can adopt resolutions if at least half of its members are present at the meeting and all of the members have been correctly notified of 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 a votes cast 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 Supervisory Board Regulations, a committee consists of at least three members appointed by the Board from among its members for a period corresponding to the length of the Board's term. 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. 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):

	<b>01.01.2008 - 31.12.2008</b>	<b>01.01.2007 - 31.12.2007</b>
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	-
<b>Total</b>	<b>3 463</b>	<b>688</b>

## 2. Achievements in the area of research and development

There are no significant research and development achievements.

## 3. Environmental issues

Key issues for the Company related to protection of the natural environment are described in Section 4.1.2 of this report. The issues described below should also be considered.

Since it is a business entity which uses the environment, ENEA S.A. had to fulfil legal requirements provided for in the relevant provisions of law. 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.

#### 4. Information on employment

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
<b>TOTAL</b>	<b>269.52</b>

#### 5. Proceedings

Neither ENEA S.A. nor any of its subsidiaries is a party in any proceedings being conducted before a court, an authority competent to conduct arbitration proceedings or a public administration authority relating to liabilities or claims of ENEA S.A. or its subsidiary whose value amounts to at least 10 per cent of ENEA S.A.'s equity capital.

Furthermore, neither ENEA S.A. nor any of its subsidiaries is a party in two or more proceedings being conducted before a court, an authority competent to conduct arbitration proceedings or a public administration authority relating to liabilities or claims whose total value amounts to at least 10 per cent of ENEA S.A.'s equity capital.

A description of other pending proceedings in which ENEA S.A. or entities which are part of its capital group are a party is included in the financial statements for the financial year 2008, in Note 37, and in the consolidated financial statements for the financial year 2008, in Note 45.



## **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, 20 April 2009

**STATEMENTS OF THE MANAGEMENT BOARD**  
**ON THE RELIABILITY OF THE PREPARATION OF THE INDIVIDUAL 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 individual financial statements:**

The Management Board of ENEA S.A. states that, to its best knowledge:

- the annual individual 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 ENEA S.A. and the financial results of ENEA S.A. for the periods presented,
- the Management Board's report on the activities of ENEA S.A. in 2008 presents a correct picture of the development, achievements and situation of ENEA S.A., 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 individual financial statements of ENEA S.A., 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 individual 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**