

**Extended consolidated quarterly report  
of the ENEA Group  
for the first quarter of 2011**

**Poznań, 16 May 2011**

## **Contents of the extended consolidated quarterly report**

1. Selected consolidated financial data for the first quarter of 2011	3
2. Independent auditor's report on the review of the consolidated summary interim financial statements for the period from 1 January 2011 to 31 March 2011	4
3. Condensed interim consolidated financial statements of the ENEA Group for the first quarter of 2011	6
4. Selected individual financial data for the first quarter of 2011	43
5. Independent auditor's report on the review of the summary interim financial statements for the period from 1 January 2011 to 31 March 2011	44
6. Condensed interim individual financial statements of the ENEA S.A. for the first quarter of 2011	46
7. Miscellaneous information to the extended consolidated quarterly report	77

## Selected consolidated financial data of ENEA Capital Group

	in thousands of PLN	in thousands of EUR		
	3 months ended 31.03.2011	3 months ended 31.03.2010	3 months ended 31.03.2011	3 months ended 31.03.2010
Net revenues	2 472 230	2 021 380	622 070	509 562
Operating profit/loss	282 795	226 553	71 158	57 111
Profit/ loss before taxation	311 846	271 984	78 468	68 563
Net profit/loss for the reporting period	247 362	219 390	62 242	55 305
Net cash generated from operating activities	272 887	328 048	68 665	82 696
Net cash generated from investing activities	(254 410)	(328 612)	(64 015)	(82 838)
Net cash generated from financing activities	(5 147)	(4 317)	(1 295)	(1 088)
Net cash flow, total	13 330	(4 881)	3 354	(1 230)
Weighted average number of ordinary shares	441 442 578	441 442 578	441 442 578	441 442 578
Net profit per share (in PLN per share)	0,56	0,50	0,14	0,13
Diluted profit per share (in PLN/EUR per share)	0,56	0,50	0,14	0,13
	As at 31.03.2011	As at 31.12.2010	As at 31.03.2011	As at 31.12.2010
Assets total	12 809 751	12 836 705	3 192 939	3 241 347
Liabilities, total	2 679 925	2 960 234	667 994	747 477
Non-current liabilities	1 405 960	1 373 976	350 447	346 937
Current liabilities	1 273 965	1 586 258	317 547	400 540
Equity	10 129 826	9 876 471	2 524 945	2 493 869
Ordinary shares	588 018	588 018	146 568	148 478
Net book value per share (in PLN/EUR)	22,95	22,37	5,72	5,65
Diluted net book value per share (in PLN/EUR)	22,95	22,37	5,72	5,65

The above financial data for the first quarter of 2011 and 2010 were converted into EUR according to the following rules:

- assets and liabilities – on the basis of average exchange rate as of 31 March 2011 – 4,0119 PLN/EUR (as of 31 December 2010 – 3,9603 PLN/EUR),
- the items of the Income statement and Cash flow statement – on the basis of the exchange rate arithmetic mean of the average exchange rates fixed by the National Bank of Poland on the last day of each financial month from 1 January to 31 March 2011 – 3,9742 PLN/EUR (for the period from 1 January to 31 March 2010 – 3,9669 PLN/EUR).

**AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 MARCH 2011**

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

We have reviewed the attached condensed interim consolidated financial statements of the ENEA S.A. Capital Group (“Capital Group”), with ENEA S.A. with registered office in Poznań, Nowowiejskiego 11 Street, as the Parent (“Parent Company”), including: consolidated balance sheet prepared as at 31 March 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows prepared for the period from 1 January 2011 to 31 March 2011 as well as notes to condensed interim consolidated financial statements .

Compliance of these condensed interim consolidated financial statements with the requirements laid down in IAS 34 “Interim Financial Reporting” as endorsed by the European Union (“MSR 34”) and with other regulations in force is the responsibility of the Management Board and Supervisory Board of the Parent Company. Our responsibility was to review these financial statements.

Our review has been conducted in accordance with the national auditing standards issued by the National Council of Statutory Auditors. These Standards require that we plan and conduct the review in such a way as to obtain reasonable assurance that the condensed interim consolidated financial statements are free from material misstatement. Our review has been conducted mainly based on an analysis of data included in the condensed interim consolidated financial statements, examination of the accounting records as well as information provided by the management and the financial and accounting personnel of the Capital Group.

The scope and methodology of a review of condensed interim consolidated financial statements differ significantly from an audit, which serves as the basis for expressing an opinion on compliance of annual financial statements with the applicable accounting principles (policy) and an opinion on their fairness and clarity. Therefore, no such opinion on the attached financial statements may be issued.

Based on our review, we have not identified any issues which would prevent us from concluding that the condensed interim consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in IAS 34 “Interim Financial Reporting” as endorsed by the European Union.

.....  
Marcin Samolik  
Key certified auditor  
conducting the review  
No. 10066

.....  
represented by

.....  
entity authorized to audit  
financial statements entered under  
number 73 on the list kept by the  
National Council of Statutory Auditors

Warsaw, 16 May 2011

**The above auditor's report on the review is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.**

**Condensed interim consolidated  
financial statements of  
the ENEA Capital Group  
for the period from 1 January to 30 March 2011**

**Poznań, 16 May 2011**

## Index to the condensed interim consolidated financial statements

Consolidated Balance Sheet .....	9
Consolidated Statement of Comprehensive Income .....	11
Consolidated Statement of Changes in Equity .....	12
Consolidated Cash Flow Statement .....	13
1 General information about ENEA S.A. and the ENEA Capital Group .....	14
2 Statement of compliance .....	14
3 Accounting principles .....	15
4 New accounting standards and interpretations .....	15
5 Material estimates and assumptions .....	15
6 Composition of the Capital Group – list of subsidiaries, associates and jointly-controlled entities .....	16
7 Segment reporting .....	19
8 Property, plant and equipment .....	23
9 Intangible assets .....	23
10 Investment property .....	24
11 Investments in associates and jointly-controlled entities .....	24
12 Revaluation write-downs on trade and other receivables .....	24
13 Inventories .....	24
14 Cash assets of limited disposability .....	24
15 Investment portfolio .....	25
16 Settlement of newly acquired subsidiary company .....	25
17 Equity related to share-based payments and liabilities due to the equivalent of the right to acquire shares free of charge .....	26
18 Credit facilities and loans .....	27
19 Settlement of income due to subsidies and connection fees .....	28
20 Deferred income tax .....	28
21 Certificates of origin .....	29
22 Provisions for liabilities and other charges .....	29
23 Dividend .....	31
24 Related party transactions .....	31
25 Long-term contracts for the sale of electricity (LTC) .....	32
26 Future liabilities under contracts concluded as of the balance sheet date .....	35
27 Explanations of the seasonal and cyclical nature of the Capital Group's business .....	35
28 Contingent liabilities and proceedings before courts, arbitration or public administration bodies .....	36
28.1 Guarantees for credit facilities and loans as well as other sureties granted by ENEA S.A and its subsidiaries .....	36
28.2 Pending proceedings before common courts .....	36
28.3 Arbitration proceedings .....	37
28.4 Proceedings before public administration bodies .....	37
28.5 Risk related to the legal status of property used by the Capital Group .....	40
28.6 Risk related to participation in costs incurred due to the use of woodland managed by the National Forests for the needs of electricity lines .....	40
29 Changes in excise .....	41
30 Negotiations concerning acquisition of shares .....	41
31 Post-balance sheet events .....	42

These condensed interim consolidated financial statements have been prepared in compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*, as endorsed by the European Union (EU), and approved by the Management Board of ENEA S.A.

**Members of the Management Board**

**Chairman of the Management Board** **Maciej Owczarek** .....

**Member of the Management Board** **Maksymilian Górnjak** .....

**Member of the Management Board** **Hubert Rozpędek** .....

**Member of the Management Board** **Krzysztof Zborowski** .....

**Poznań, 16 May 2011**

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 31 March 2011

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

**Consolidated Balance Sheet**

	<b>As at</b>	
	<b>31.03.2011</b>	<b>31.12.2010</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible fixed assets	8 290 132	8 308 650
Perpetual usufruct right	30 982	29 208
Intangible assets	155 847	145 141
Investment properties	8 319	8 203
Investments in associates accounted for using the equity method	172 092	170 220
Available-for-sale financial assets	82 124	74 867
Financial asset or financial liability at fair value through profit and loss	1 409	1 411
Trade and other receivables	156	168
	<b>8 741 061</b>	<b>8 737 868</b>
<b>Current assets</b>		
Inventories	248 544	242 058
Trade and other receivables	947 400	922 460
Current income tax assets	19 324	1 819
Held-to-maturity investments	469 696	250 934
Financial asset or financial liability at fair value through profit and loss	1 470 769	1 781 939
Cash and cash equivalents	912 957	899 627
	<b>4 068 690</b>	<b>4 098 837</b>
<b>Fixed assets for sale</b>	-	-
<b>Assets total</b>	<b>12 809 751</b>	<b>12 836 705</b>

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

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 31 March 2011

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

	As at	
	31.03.2011	31.12.2010
<b>LIABILITIES</b>		
<b>Equity</b>		
<b>Equity attributable to equity holders of the Parent Company</b>		
Ordinary shares	588 018	588 018
Share premium	3 632 464	3 632 464
Share based payments reserve	1 144 336	1 144 336
Revaluation reserve of financial instruments	56 915	50 922
Other capitals	(22 110)	(22 110)
Retained earnings	4 705 383	4 458 944
	<b>10 105 006</b>	<b>9 852 574</b>
<b>Minority interest in equity</b>	24 820	23 897
<b>Total equity</b>	<b>10 129 826</b>	<b>9 876 471</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	93 093	72 362
Trade and other payables	-	2
Finance lease liabilities	2 132	1 742
Deferred income from subsidies and connections' fee	702 608	713 215
Deferred tax liabilities	98 562	80 453
Employee benefits	433 707	428 134
Provisions for other liabilities and charges	75 858	78 068
	<b>1 405 960</b>	<b>1 373 976</b>
<b>Current liabilities</b>		
Borrowings	45 211	42 398
Trade and other payables	810 790	1 017 805
Finance lease liabilities	1 644	2 134
Deferred income from subsidies and connections' fee	108 921	122 370
Current tax liabilities	20 914	72 159
Employee benefits	116 358	146 864
Liabilities due to cash settled share based payments	552	557
Provision for certificates of origin	85 287	92 646
Provisions for other liabilities and charges	84 288	89 325
	<b>1 273 965</b>	<b>1 586 258</b>
<b>Total liabilities</b>	<b>2 679 925</b>	<b>2 960 234</b>
<b>Total equity and liabilities</b>	<b>12 809 751</b>	<b>12 836 705</b>

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

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 31 March 2011

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

**Consolidated Statement of Comprehensive Income**

	<b>3 months ended</b>	<b>3 months ended</b>
	<b>31.03.2011</b>	<b>31.03.2010</b>
Revenues	2 530 027	2 094 808
Excise tax	(57 797)	(73 428)
<b>Net revenues</b>	<b>2 472 230</b>	<b>2 021 380</b>
Other operating income	25 452	11 410
Amortization and depreciation	(156 645)	(163 179)
Employee benefits	(225 795)	(227 255)
Consumption of raw materials and cost of merchandise sold	(361 077)	(368 056)
Cost of energy sold	(1 134 437)	(730 275)
Transmission services	(179 762)	(176 338)
Other external services	(75 220)	(77 604)
Taxes and charges	(54 786)	(51 989)
Profit/(Loss) on sales and liquidation of tangible fixed assets	(291)	263
Other operating expenses	(26 874)	(11 804)
<b>Operating profit</b>	<b>282 795</b>	<b>226 553</b>
Financial costs	(6 963)	(6 304)
Financial income	34 142	47 010
Share of profits/(loses) of equity accounted investees	1 872	4 725
<b>Profit before tax</b>	<b>311 846</b>	<b>271 984</b>
Income tax	(64 484)	(52 594)
<b>Net profit for the reporting period</b>	<b>247 362</b>	<b>219 390</b>
<b>Other items of comprehensive income</b>		
Measurement of financial assets available for sale	7 399	2 312
Income tax related to other items of comprehensive income	(1 406)	(439)
<b>Other items of net comprehensive income</b>	<b>5 993</b>	<b>1 873</b>
<b>Comprehensive income for the period</b>	<b>253 355</b>	<b>221 263</b>
<b>Including net profit:</b>		
Equity holders of the Parent Company	246 439	218 150
Minority interest	923	1 240
<b>Including comprehensive income:</b>		
Equity holders of the Parent Company	252 432	220 023
Minority interest	923	1 240
Net profit attributable to shareholders of Parent Company	246 439	218 150
Weighted average number of ordinary shares	441 442 578	441 442 578
<b>Net profit per share (in PLN per share)</b>	<b>0,56</b>	<b>0,50</b>
<b>Diluted profit per share (in PLN per share)</b>	<b>0,56</b>	<b>0,50</b>

The consolidated statement of comprehensive income should be analyzed together with explanatory notes which constitute an integral part of the condensed interim consolidated financial statements.

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 31 March 2011

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

**Consolidated Statement of Changes in Equity**

	Share capital (face value)	Revaluation of share capital	Total share capital	Treasury shares	Share-based capital	Share premium	Revaluation reserve (financial instruments)	Other capitals	Retained earnings	Capital attributable to minority interests	Total equity
Balance as of 01.01.2011	441 443	146 575	588 018	-	1 144 336	3 632 464	50 922	(22 110)	4 458 944	23 897	9 876 471
Comprehensive income							5 993		246 439	923	253 355
Balance as of 31.03.2011	441 443	146 575	588 018	-	1 144 336	3 632 464	56 915	(22 110)	4 705 383	24 820	10 129 826

	Share capital (face value)	Revaluation of share capital	Total share capital	Treasury shares	Share-based capital	Share premium	Revaluation reserve (financial instruments)	Other capitals	Retained earnings	Capital attributable to minority interests	Total equity
Balance as of 01.01.2010	441 443	146 575	588 018	-	1 144 336	3 632 464	20 756	(22 110)	3 985 386	23 778	9 372 628
Comprehensive income							1 873		218 150	1 240	221 263
Balance as of 31.03.2010	441 443	146 575	588 018	-	1 144 336	3 632 464	22 629	(22 110)	4 203 536	25 018	9 593 891

The consolidated statement of changes in equity should be analyzed together with explanatory notes which constitute an integral part of the condensed interim consolidated financial statements.

**Consolidated Cash Flow Statement**

	<b>3 months ended 31.03.2011</b>	<b>3 months ended 31.03.2010</b>
<b>Cash flows from operating activities</b>		
Net profit for the reporting period	247 362	219 390
Adjustments for:		
Income tax as per income statement	64 484	52 594
Amortization and depreciation	156 645	163 179
(Profit)/Loss on sales and liquidation of tangible fixed assets	(1 181)	(263)
Impairment loss on tangible fixed assets	997	-
(Profit)/Loss on sales of financial assets	2	(981)
Interest income	(31 294)	(42 617)
Interest expense	2 090	2 793
Share in (profit)/losses of equity accounted investees	(1 872)	(4 725)
Exchange gains on borrowings	386	(4 092)
Other adjustments	18 803	2 352
	<b>209 060</b>	<b>168 240</b>
Income tax paid	(115 696)	(104 157)
Interest received	12 707	40 343
Interest paid	(1 353)	(1 508)
Changes in working capital		
Inventories	(4 685)	40 576
Trade and other receivables	(24 099)	(68 278)
Trade and other payables	16 807	26 607
Employee benefits	(24 933)	(14 401)
Deferred income from subsidies and connections' fee	(28 277)	(7 070)
Provisions for certificates of origin	(7 359)	37 692
Liabilities due to cash settled share based payments	(5)	(1)
Other provisions	(6 642)	(9 385)
	<b>(79 193)</b>	<b>5 740</b>
Net cash generated from operating activities	<b>272 887</b>	<b>328 048</b>
<b>Cash flows from investing activities</b>		
Acquisition of tangible and intangible fixed assets	(339 805)	(199 103)
Proceeds from sales of tangible fixed assets	1 385	2 602
Acquisition of financial assets	(320 573)	(136 757)
Proceeds from sales of financial assets	430 194	5 063
Purchase of subordinated company	(24 742)	-
Other outflows	(869)	(417)
Net cash generated from investing activities	<b>(254 410)</b>	<b>(328 612)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	2 986	2 442
Repayment of borrowings	(6 459)	(6 020)
Outflows related to financial lease liabilities	(1 236)	(722)
Other changes	(438)	(17)
Net cash generated from financing activities	<b>(5 147)</b>	<b>(4 317)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the reporting period	<b>13 330</b>	<b>(4 881)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>899 627</b>	<b>902 543</b>
	<b>912 957</b>	<b>897 662</b>

The consolidated statement of cash flows should be analyzed together with explanatory notes which constitute an integral part of the condensed interim consolidated financial statements.

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

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

The main activities of the ENEA Capital Group (“Group”, “Capital Group”) are:

- production of electricity (Elektrownia ”Kozienice” S.A., Elektrownie Wodne Sp. z o.o.);
- trade in electricity (ENEA S.A.);
- distribution of electricity (ENEA Operator Sp. z o.o.);

As of 31 March 2011, the shareholding structure of the Parent was as follows: the State Treasury of the Republic of Poland – 51.91% of shares, Vattenfall AB – 18.67%, other shareholders – 29.42%.

As of 31 March 2011, the Company’s statutory share capital equalled PLN 441,443 thousand (PLN 588,018 thousand upon adoption of EU-IFRS and considering hyperinflation and other adjustments) and was divided into 441,442,578 shares.

As of 31 March 2011, the Capital Group consisted of the parent ENEA S.A. (“Company”, “Parent”), 18 subsidiaries, 2 indirect subsidiaries and 3 associates.

These condensed interim consolidated financial statements have been prepared as a going concern. There are no circumstances indicating that the Group’s ability to continue as a going concern might be at risk.

**2 Statement of compliance**

These condensed interim consolidated financial statements have been prepared in compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*, as endorsed by the European Union (IFRS-EU), and approved by the Management Board of ENEA S.A.

The Management Board of the Parent has used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to the individual items of the condensed interim consolidated financial statements of the ENEA Capital Group in accordance with IFRS UE as of 31 March 2011. The presented statements and explanations have been prepared using due diligence. These condensed interim consolidated financial statements have been reviewed by a certified auditor.

### **3 Accounting principles**

These condensed interim consolidated financial statements have been prepared in accordance with accounting policies consistent with those applied during the preparation of the most recent annual consolidated financial statements, except for changes in standards and interpretations endorsed by the European Union which apply to the reporting periods beginning after 1 January 2011.

The accounting principles applied by the Group were presented in the consolidated financial statements of the ENEA Capital Group for the financial year ended 31 December 2010.

The Polish zloty has been used as the measurement and reporting currency of these condensed interim consolidated financial statements. The data in the condensed interim consolidated financial statements have been presented in PLN thousand (PLN '000), unless stated otherwise.

These condensed interim consolidated financial statements should be read together with the consolidated financial statements of the ENEA Capital Group for the financial year ended 31 December 2010.

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

For the annual periods beginning after 1 January 2011 the EU introduced changes to the standards in force, but these changes did not have any impact on the preparation of these condensed interim consolidated financial statements.

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

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

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

No	Name and address of the Company	% share of ENEA S.A. in the total number of votes 31.03.2011	% share of ENEA S.A. in the total number of votes 31.12.2010
1.	ENERGOMIAR Sp. z o.o. <i>Poznań, ul. Strzeszyńska 58</i>	100	100
2.	BHU S.A. <i>Poznań, ul. Strzeszyńska 58</i>	92.55	91.47
3.	Energetyka Poznańska Biuro Usług Technicznych S.A. in liquidation <i>Poznań, ul. Św. Wojciecha 7/9</i>	100	100
4.	Hotel „EDISON” Sp. z o.o. <i>Baranowo k/Poznania</i>	100	100
5.	Energetyka Poznańska Zakład Transportu Sp. z o.o. <i>Poznań, ul. Strzeszyńska 58</i>	100	100
6.	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. <i>Lipno, Gronówko 30</i>	100	100
7.	ENERGO-TOUR Sp. z o.o. <i>Poznań, ul. Marcinkowskiego 27</i>	99.92	99.92
8.	ENEOS Sp. z o.o. <i>Poznań, ul. Strzeszyńska 58</i>	100	100
9.	ENTUR Sp. z o.o. <i>Szczecin, ul. Małczewskiego 5/7</i>	100	100
10.	Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. <i>Inowrocław, ul. Wilkońskiego 2</i>	99,94	99,94
11.	Elektrownie Wodne Sp. z o.o. <i>Samociążek, 86-010 Koronowo</i>	100	100
12.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. Oborniki, ul. Wybudowanie 56	87.99	87.99
13.	„ITSERWIS” Sp. z o.o. <i>Zielona Góra, ul. Zacziske 28</i>	100	100
14.	“Auto – Styl” Sp. z o.o. <i>Zielona Góra, ul. Zacziske 15</i>	100	100
15.	FINEA Sp. z o.o. in liquidation <i>Poznań, ul. Warszawska 43</i>	100	100
16.	ENEA Operator Sp. z o.o. <i>Poznań, ul. Strzeszyńska 58</i>	100	100
17.	Elektrownia "Kozienice" S.A. <i>Świerże Górnne, gmina Kozienice, Kozienice 1</i>	100	100
18.	Miejska Energetyka Cieplna Piła Sp. z o.o. <i>64-920 Piła, ul. Kaczorska 20</i>	65.03	64.064
19.	Kozienice II Sp. z o.o. <i>Świerże Górnne, gmina Kozienice, Kozienice 1</i>	-	100
20.	Przedsiębiorstwo Produkcji Strunobetonowych Źerdzi Wirowanych WIRBET S.A. <i>Ostrów Wlkp., ul. Chłapowskiego 51</i>	49	49
21.	Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. <i>Śrem, ul. Staszica 6</i>	41.65	41.65
22.	Elektrociepłownia Białystok S.A. <i>Białystok, ul. Gen. Andersa 3</i>	30.36	30.36
23.	ELKO Trading Sp. z o.o. <i>Świerże Górnne, gmina Kozienice, Kozienice 1</i>	-*	-*
24.	Elektrownie Wiatrowe – Energetyka Poznańska Biuro Usług Technicznych Spółka Akcyjna Spółka Komandytowa <i>Samociążek 92, 86-010 Koronowo</i>	-**	-

\*100% of the company *ELKO Trading Sp. z o.o.* shares are held by *Elektrownia „Kozienice” S.A.*

\*\* 99% of total rights and responsibilities of the company *Elektrownie Wiatrowe – Energetyka Poznańska Biuro Usług Technicznych Spółka Akcyjna Spółka Komandytowa* are held by the company *Elektrownie Wodne Sp. z o.o.* and 1% by the company *Energetyka Poznańska Biuro Usług Technicznych S.A.*

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

On 27 December 2011, the Extraordinary General Meeting of BHU S.A. adopted a Resolution to increase the share capital up to PLN 16,375.1 thousand, by PLN 2,072 thousand, issuing 20,720 shares of K series, by way of private placement. The new shares in the Company's share capital were acquired by ENEA S.A. for a contribution in kind.

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

On 30 December 2010 the Extraordinary Shareholders' Meeting took place, during which share capital of the company MEC Piła Sp. z o.o. was increased by PLN 773 thousand up to the amount of PLN 28,689 thousand, by way of issuing 773 new shares with the face value of PLN 1,000 each. The new shares in the Company's share capital were acquired by ENEA S.A. for a contribution in kind.

On 24 February 2011 increased share capital of the MEC Piła Sp. z o.o. was registered in the National Court Register.

On 27 January 2011 call for tender (auction) was published concerning the sale of shares in the share capital of Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. The auction covered 6,860 common registered shares of Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. with the face value of PLN 1,000 each and totaling to PLN 6,860 thousand, which accounts for 41.65% of total share capital. Total market value of the company shares – equal to the reserve price – amounts to PLN 9 611 820,40 and was set on the basis of the valuation as of 30 June 2010. None of the bidders deposited the bid security within the deadline, thus the auction ended without designating any buyer and as a result the shares were withheld by ENEA S.A. By a letter received by ENEA S.A. on 21 February 2011, Centrozap S.A. (holder of 51% of PEC Śrem S.A. shares) declared that it was willing to buy the package of shares offered, which, due to corporate procedures, can take place after 16 May 2011. Centrozap S.A. offered to pay reserve price set in the call for tender.

Further proceedings shall be as follows:

- 1) ENEA S.A. shall offer Centrozap S.A. to conclude preliminary contract to purchase the package of shares for the reserve price by 31 May 2011,
- 2) consent of Supervisory Board of PEC Śrem S.A. to sell the package of shares (required in the Articles of Association of PEC Śrem S.A.),
- 3) sale of the package of shares by 30 June 2011.

On 7 February 2011 increased share capital – by PLN 26,000 thousand, i.e. to PLN 239 841 thousand – of the company Elektrownie Wodne Sp. z o.o. was registered in the National Court Register. All of the new shares in the Company's share capital were acquired by a to-date associate – ENEA S.A. and were fully covered by a contribution in kind by a separately organised part of the company ENEA S.A. operating with the business name: ENEA S.A. Oddział Elektrownia Biogazowa Liszkowo.

On 15 February 2011 the Extraordinary Shareholders' Meeting took place, during which share capital of the company Hotel EDISON Sp. z o.o. was increased by PLN 35,000 up to the amount of PLN 21,271.5 thousand, by way of issuing 70 new shares with the face value of PLN 500 each. All of the new shares in the share capital of Hotel EDISON Sp. z o.o. will be acquired in its entirety by its sole associate – ENEA S.A. – and fully covered by a contribution in cash. The registration of the increased share capital is pending in National Court Register.

On the 30 March 2011 the merger of the companies Elektrownia „Kozienice” S.A. (acquiring company) and Kozienice II Sp. z o.o. (acquired company) was registered by transferring all assets of the acquired company to the acquiring company, accompanied by an increase in share capital of the acquiring company, by way of issuing shares for ENEA S.A. As a result of merger the share capital of Elektrownia „Kozienice” S.A. was increased by PLN 12,482 thousand to the amount of PLN 462,482 thousand, by way of issuing 1 248 244 common bearer shares of B series, of face value PLN 10 each.

The aim of the merger was to benefit from multiannual experience and potential of Elektrownia „Kozienice” in management of production facilities and investing in new capacity.

On 30 March 2011 the Group acquired 100% of total rights and obligations of the company ZU-AN Sp. z o.o. sp.k. for the total amount of PLN 28,383 thousand (the company Elektrownie Wodne Sp. z o.o. paid PLN 28,117 thousand, of which PLN 1,773 thousand was paid after the balance sheet date, while PLN 266 thousand was paid by Energetyka Poznańska Biuro Usług Technicznych S.A.). The company acquired was given business name Elektrownie Wiatrowe – Energetyka Poznańska Biuro Usług Technicznych Spółka Akcyjna Spółka Komandytowa. 99% of total rights and obligations is held by Elektrownie Wodne Sp. z o.o. (limited partner) and 1% by the company Energetyka Poznańska Biuro Usług Technicznych S.A. (general partner).

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2010

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

**7 Segment reporting**

Segment reporting for the period from 1 January to 31 March 2011:

	<b>Turnover</b>	<b>Distribution</b>	<b>Production</b>	<b>All other segments</b>	<b>Exclusions</b>	<b>Total</b>
Net revenues	1 073 142	671 703	647 565	79 820		2 472 230
Net inter-segment revenues	1 599		48 413	79 793	(129 805)	-
<b>Total net revenues</b>	<b>1 074 741</b>	<b>671 703</b>	<b>695 978</b>	<b>159 613</b>	<b>(129 805)</b>	<b>2 472 230</b>
Total costs	(996 515)	(544 979)	(589 963)	(158 058)	122 181	(2 167 334)
<b>Segment result</b>	<b>78 226</b>	<b>126 724</b>	<b>106 015</b>	<b>1 555</b>	<b>(7 624)</b>	<b>304 896</b>
Unallocated costs of the Group (administration and general expenses)					(22 101)	
<b>Operating profit</b>					<b>282 795</b>	
Financial costs					(6 963)	
Financial income					34 142	
Dividend income					-	
Net share in profits/(losses) of associates					1 872	
Income tax					(64 484)	
<b>Net profit</b>					<b>247 362</b>	
Minority interest					923	

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2010

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

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

	Turnover	Distribution	Production	All other segments	Exclusions	Total
Net revenues	1 101 020	669 971	181 542	68 847	-	2 021 380
Net inter-segment revenues	78 935	-	406 524	79 678	(565 137)	-
<b>Total net revenues</b>	<b>1 179 955</b>	<b>669 971</b>	<b>588 066</b>	<b>148 525</b>	<b>(565 137)</b>	<b>2 021 380</b>
Total costs	(1 124 818)	(543 527)	(518 347)	(143 601)	560 448	(1 769 845)
<b>Segment result</b>	<b>55 137</b>	<b>126 444</b>	<b>69 719</b>	<b>4 924</b>	<b>(4 689)</b>	<b>251 535</b>
Unallocated costs of the Group (administration and general expenses)					(24 982)	
<b>Operating profit</b>					<b>226 553</b>	
Financial costs					(6 304)	
Financial income					47 010	
Dividend income					-	
Net share in profits/(losses) of associates					4 725	
Income tax					(52 594)	
<b>Net profit</b>					<b>219 390</b>	
Minority interest					1 240	

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2010

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

**Segment reporting (cont'd)**

Other segment reporting information as of 31 March 2011:

	<b>Turnover</b>	<b>Distribution</b>	<b>Production</b>	<b>All other segments</b>	<b>Exclusions</b>	<b>Total</b>
Tangible fixed assets	18 518	4 845 523	2 874 394	355 407	(90 509)	8 003 333
Trade and other receivables	476 485	341 336	61 503	123 042	(66 575)	935 791
<b>Total</b>	<b>495 003</b>	<b>5 186 859</b>	<b>2 935 897</b>	<b>478 449</b>	<b>(157 084)</b>	<b>8 939 124</b>
Assets excluded from segmentation						3 870 627
- including tangible fixed assets						286 799
- including Trade and other receivables						11 765
<b>TOTAL: ASSETS</b>						<b>12 809 751</b>
Trade and other payables	146 300	286 047	283 929	93 320	(66 575)	743 021
Equity and liabilities excluded from segmentation						12 066 730
- including trade and other payables						67 769
<b>TOTAL: EQUITY &amp; LIABILITIES</b>						<b>12 809 751</b>
Capital expenditures on tangible and intangible assets	-	63 368	69 123	31 229	517	164 237
Capital expenditures on tangible and intangible assets excluded from segmentation						6 988
Amortization and depreciation	228	85 890	61 148	8 586	(886)	154 966
Amortization and depreciation excluded from the segmentation						1 679
Bad debt allowances na dzień 31.03.2011	83 372	14 757	57 195	3 210	-	158 534

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2010

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

**Segment reporting (cont'd)**

Other segment reporting information as of 31 December 2009:

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

Segment revenue is generated from sales to external clients and transactions with other segments, which are directly attributable to a given segment with a relevant portion of the Group's revenue that may be reasonably attributed to a given segment.

Segment costs include costs of goods sold to external clients and costs of transactions with other Group segments, which result from operations of a given segment and may be directly allocated to a given segment with a relevant portion of the Group's costs that may be reasonably allocated to a given segment.

Market prices are used in inter-segment transactions, which allows individual entities to earn a margin sufficient to carry out independent operations the market. Trade in electricity and transmission services are subject to prices specified in the Energy Law of 10 April 1997 and secondary legislation.

### **Supplementary reporting – geographical segments**

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

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

During the 3 months ended 31 March 2011, the Group acquired property, plant and equipment for the total amount of PLN 145,254 thousand (during the 12 months ended 31 December 2010: PLN 928,953 thousand).

During the 3 months ended 31 March 2011, the Group sold and liquidated property, plant and equipment for the total net amount of PLN 1,844 thousand (during the 12 months ended 31 December 2010: PLN 54,500 thousand).

As of 31 March 2011 the total revaluation write-down on the carrying amount of property, plant and equipment was PLN 9,036 thousand (as of 31 December 2010: PLN 6,773 thousand).

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

Property, plant and equipment related to distribution were last tested for impairment on 31 December 2008.

The test did not reveal any impairment of property, plant and equipment related to distribution as of 31 December 2008. As of 31 December 2009 and 31 December 2010 there were no reasons to carry out another impairment test of property, plant and equipment.

## **9 Intangible assets**

During the 3 months ended 31 March 2011 the Group acquired intangible assets for the total amount of PLN 25,971 thousand (during the 12 months ended 31 December 2010 the Group acquired intangible assets for the total amount of PLN 113,291 thousand).

**ENEA Capital Group**

Condensed interim consolidated financial statements for the period from 1 January to 31 March 2011

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

During the 3 months ended 31 March 2011, the Group did not sell or liquidate intangible assets (during the 12 months ended 31 December 2010 the Group did not sell or liquidate intangible assets, either).

**10 Investment property**

During the 3 months ended 31 March 2011, the Group did not acquire investment property (during the 12 months ended 31 December 2010 the Group acquired investment property for the amount of PLN 81 thousand).

**11 Investments in associates and jointly-controlled entities**

During the 3 months ended 31 March 2011 the Group did not acquire any shares in associates (during the 12 months ended 31 December 2010 the Group acquired shares in associates and jointly-controlled entities for the total amount of PLN 3,000 thousand).

As of 31 December 2010 as a result of verifying the assumptions and testing the loss of value for the shares in associated combined heat and power stations (Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. oraz Elektrociepłownia Białystok S.A.), the Group carried out revaluation write-down at Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. for the amount of PLN 7,959 thousand.

**12 Revaluation write-downs on trade and other receivables**

	<b>31.03.2011</b>	<b>31.12.2010</b>
<b>Opening balance of allowance</b>	<b>155 597</b>	<b>150 632</b>
Additions	10 571	27 869
Reversals	(6 503)	(22 427)
Utilized	(1 131)	(477)
<b>Closing balance of allowance</b>	<b>158 534</b>	<b>155 597</b>

During the 3 months ended 31 March 2011, the revaluation write-down on the carrying amount of trade and other receivables increased by PLN 2,937 thousand (during the 12 months ended 31 December 2010 the revaluation write-down increased by PLN 4,965 thousand).

**13 Inventories**

As of 31 March 2011 the total revaluation write-down on the carrying amount of inventories was PLN 6,743 thousand (as of 31 December 2010: PLN 6,748 thousand).

During the 3 months ended 31 March 2011, the revaluation write-down on the carrying amount decreased by PLN 5 thousand (during the 12 months ended 31 December 2010 the revaluation write-down increased by PLN 471 thousand).

**14 Cash assets of limited disposability**

As of 31 March 2011 ENEA S.A. possessed cash assets of limited disposability amounting to PLN 9,303 thousand. These are cash assets:

- at a banking account (assets blocked as a guarantee deposit, settlement deposit, deposit for receivables and transaction deposit)

As of 31 December 2010 ENEA S.A. possessed cash assets of limited disposability amounting to PLN 10,341 thousand.

## 15 Investment portfolio

ENEA S.A. fulfilled the conditions necessary to release funds due to the issue of shares at the WSE from the ESCROW account. Therefore, on 6 February 2009 a specialized financial institution dealing with professional management of cash was transferred that amount. In accordance with the Agreement, the funds are invested only in safe securities, in line with the table below:

Type of assets	Minimum exposure	Maximum exposure
Debt instruments underwritten or guaranteed by the State Treasury and the National Bank of Poland	0%	100%
Bank deposits	0%	30%

As of 31 March 2011 the funds amounted to PLN 1,470,769 thousand (treasury bills and bonds of PLN 1,142,623 thousand) and deposits (in banks specified by the Company – PLN 328,146 thousand).

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

## 16 Settlement of newly acquired subsidiary company

On 30 March 2011 the Group acquired 100% of overall rights and obligations of a company ZU-AN Sp. z o.o. sp.k. for the total amount of PLN 28,383 thousand. As of the date of this Condensed interim consolidated financial statements the Group has not concluded the process of allocation of the purchase price for identifiable net assets. That is why the Group decided to carry out initial settlement based on preliminary findings. The Capital Group assumed that the difference between the price of purchasing a company and accounting value of net assets of the purchased shares is mainly due to the difference between the fair value of tangible fixed assets and their book value on the date of purchase of the company. Possible corrections of estimated values due to concluding the preliminary settlement will be assigned within 12 months of its purchase.

### Settlement of acquired company ZU-AN Sp. z o.o. sp.k

Share of total rights and obligations	100%
Net book value of the assets	8,573
Fair value adjustment of tangible fixed assets	19,810
Purchase price	28,383

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

On the basis of the Act on commercialization and privatization of 30 August 1996 (Act on commercialization and privatization) employees of the ENEA Capital Group are entitled to acquire 15% of the shares in ENEA S.A. free of charge ("plan").

Employees eligible to acquire shares free of charge are individuals who were employed by the ENEA S.A. Capital Group at the time of commercialization (i.e. in 1993 and 1996) and filed a written declaration to acquire shares within 6 months of the commercialization date.

As the first share was sold on general terms to investors by the State Treasury on 10 February 2010, after the lapse of three months the eligible individuals acquired the right to receive shares free of charge.

Pursuant to Resolution No. 441/2010 of 29 June 2010 the Management Board of ENEA S.A. determined the number of ENEA shares disposed of free of charge for the benefit of eligible individuals, attributable to each group specified based on the length of service as per Article 11 of the Ordinance of the Minister of the Treasury of 29 January 2003 laying down detailed principles for classification of eligible employees into groups, determining the number of shares attributable to each group and the conditions for acquisition of shares by eligible employees. In compliance with the aforementioned Ordinance, the Management Board of the Company provided the Minister of the Treasury with a list of eligible individuals and the number of shares assigned. The Minister of the Treasury made an announcement regarding the disposal of employee shares in a national and local newspaper and it is now entering into agreements for the sale of shares free of charge with eligible individuals (most individuals have already done so).

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

Pursuant to IFRS 2, the costs of the plan should be recognized in the period when eligible employees perform work and the cost of work should be determined as of the Grant Date, i.e. as of the date when all significant conditions for granting shares to employees are determined.

The value of the employee stock ownership plan was determined by the Company based on the measurement of shares in ENEA S.A. as of the date of drawing up the consolidated financial statements for the financial years ended 31 December 2007, 31 December 2006 and 31 December 2005, included in the prospectus of ENEA S.A. The value of the plan was estimated at PLN 901 million. The ENEA SA Capital Group recognized the total costs of the plan as a previous years' adjustment in equity of the earliest period presented in the consolidated financial statements, i.e. as of 1 January 2005, and it did not revalue the costs as of any of the dates ending the subsequent financial periods.

According to the Management Board, IFRS do not lay down detailed principles for accounting for a plan displaying the features specified in the Act on commercialization and privatization. In particular, they do not allow for unambiguous interpretation of a situation where the total number of shares due to staff employed at the moment of commercialization, i.e. before the Grant Date, was determined but the number of shares to be

granted to particular employees was not specified. In such a case an employee working in subsequent periods, by the Grant Date, is likely to be granted a higher number of shares. This, however, will not take place by way of an issue of additional shares but as a result of a reduction of the number of shares for other staff members.

Moreover, according to the Management Board, the key purpose of the plan was to grant employees compensation for work before the date of commercialization of the enterprise (i.e. in the past). Consequently, the total fixed number of shares for employees was determined and could not be changed with relation to work in subsequent periods.

Considering the above, the Management Board of ENEA S.A. decided that the value of the plan would not be changed. As a result, the value of the program as of 31 March 2011 stood at PLN 921 million.

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

As of 31 March 2011, a part of the equivalent was paid to the Eligible Employees of Elektrownia "Kozienice" S.A. As of 31 March 2011 the remaining liability due to the equivalent amounted to PLN 552 thousand (PLN 557 thousand as of 31 December 2010).

## 18 Credit facilities and loans

	31.03.2011	31.12.2010
	Carrying amount	Carrying amount
<b>Non-current</b>		
Bank loans	61 458	66 006
Loans	31 635	6 356
	<b>93 093</b>	<b>72 362</b>
<b>Current</b>		
Bank loans	41 561	41 285
Loans	3 650	1 113
	<b>45 211</b>	<b>42 398</b>
<b>Total</b>	<b>138 304</b>	<b>114 760</b>

During the 3 months ended 31 March 2011, the net increase in the carrying amount of credit facilities and loans was PLN 23,544 thousand (during the 12 months ended 31 December 2010 the carrying amount of credit facilities and loans decreased by PLN 42,247 thousand).

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

	<b>31.03.2011</b>	<b>31.12.2010</b>
	<b>Carrying amount</b>	<b>Carrying amount</b>
<b>Non-current</b>		
Deferred income from subsidies	169 048	210 797
Deferred income from connections' fee	533 560	502 418
	<b>702 608</b>	<b>713 215</b>
<b>Current</b>		
Deferred income from subsidies	14 984	14 767
Deferred income from connections' fee	93 937	107 603
	<b>108 921</b>	<b>122 370</b>
<b>Amortization schedule of deferred income</b>		
	<b>31.03.2011</b>	<b>31.12.2010</b>
Less than 1 year	108 921	122 370
Between 1 and 5 years	97 448	93 686
More than 5 years	605 160	619 529
	<b>811 529</b>	<b>835 585</b>

During the 9 months ended 31 March 2011 the carrying amount of the settlement of income due to subsidies and connection fees decreased by PLN 24,056 thousand net (during the 12 months ended 31 December 2010 the carrying amount decreased by PLN 13,745 thousand).

**20 Deferred income tax**

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

	<b>31.03.2011</b>	<b>31.12.2010</b>
<b>Opening balance</b>	80 453	112 366
Amount debited/(credited) to profit	16 703	(36 309)
Amount debited/(credited) to other items of comprehensive income	1 406	4 396
<b>Closing balance</b>	<b>98 562</b>	<b>80 453</b>

During the 3 months ended 31 March 2011, the Group's profit before tax was charged with PLN 16,703 thousand as a result of an increase in the deferred tax liability (during the 12 months ended 31 December 2010 the Group's profit before tax was credited with PLN 36,309 thousand due to a decrease in the liability).

## 21 Certificates of origin

	<b>31.03.2011</b>	<b>31.12.2010</b>
Certificates of origin	(66 001)	(119 538)
Advance payments on certificates of origin	(1 460)	(2 610)
Provision for costs of redemption of certificates of origin	152 748	214 794
<b>Provision for certificates of origin</b>	<b>85 287</b>	<b>92 646</b>

## 22 Provisions for liabilities and other charges

### Provision for estimated losses resulting from pending claims

	<b>31.03.2011</b>	<b>31.12.2010</b>
<b>Opening balance</b>	<b>135 472</b>	<b>87 738</b>
Additional provisions	4 459	66 124
Utilisation of provision	(6 750)	-
Decrease of provisions	(1 733)	(18 390)
<b>Closing balance</b>	<b>131 448</b>	<b>135 472</b>

Provisions for liabilities are determined in reasonable, reliably estimated amounts. Individual provisions are recognized for projected losses related to court action brought against the Group. The amount of the provision itself constitutes the most appropriate estimation of the amount necessary to satisfy the claims. The cost of provisions is recognized under other operating expenses.

A description of material claims and the related contingent liabilities has been presented in notes 28.2, 28.4, 28.5 and 28.6.

During the 3 months ended 31 March 2011, the provision for projected losses due to compensation proceedings decreased by PLN 4,024 thousand (during the 12 months ended 31 December 2010 it increased by PLN 47,734 thousand).

### Other provisions

	<b>31.03.2011</b>	<b>31.12.2010</b>
<b>Opening balance</b>	<b>31 921</b>	<b>23 979</b>
Additional provisions	4 373	93 582
Utilisation of provision	(6 718)	(83 454)
Unused amounts reversed	(878)	(2 186)
<b>Closing balance</b>	<b>28 698</b>	<b>31 921</b>

During the 9 months ended 31 March 2011, other provisions decreased by PLN 3,223 thousand (during the 12 months ended 31 December 2010 they increased by PLN 7,942 thousand).

**Provision for land reclamation**

After closing or filling a slag and ash dump, the Group is obliged to carry out appropriate land reclamation. As the Group has large unfilled dumps, land reclamation is planned for 2060. Future estimated costs of land reclamation were discounted to their present value using a 5.77% discount rate. The value of the provision for land reclamation is reviewed as of 31 December and 30 June, unless significant changes in estimation assumptions occur.

As of 31 March 2011 the provision amounted to PLN 9,981 thousand (as of 31 December 2010: PLN 9,890 thousand).

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

The Group produces two types of waste in the process of burning coal: ash and ash and slag mixture. As the Group incurs costs related to mixture disposal, it recognizes a relevant provision. Future estimated costs of disposal or storage of ash and slag mixture were discounted to their present value using a 5.77% discount rate. The provision for costs of disposal or storage of ash and slag mixture is reviewed as of 31 December and 30 June, unless significant changes in estimation assumptions occur.

As of 31 March 2011 the provision amounted to PLN 1,702 thousand (as of 31 December 2010: PLN 2,334 thousand).

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

As of 31 March 2011 the provision determined based on the market price of CO<sub>2</sub> emission rights amounted to PLN 0 thousand (as of 31 December 2010: PLN 906 thousand). As of 31 March 2011 the Group reports CO<sub>2</sub> emission rights in intangible assets and rights amounting to PLN 89,474 thousand.

A financial provision was established in November 2010 amounting to PLN 5,066 thousand (with interest amounting to PLN 1,159 thousand as of 30 November 2010) to cover potential additional payment charged by Marshal's Office (Decision No 132/10/OŚ and 133/10/OŚ of 16 July 2010), which consists in the difference between the payment for the first and second half of 2008 made to the banking account of the Marshal's Office and the payment calculated for the emission of substances reported in PRTR. Following the decision of Local Government Board of Appeals of 23 December 2010 payment of this amount and interest due was made to the banking account of Marshal's Office in January 2011. That is why in December 2010 a financial provision was made to cover the difference in payment made for 2009 and 2010 and the amount actually calculated for the emission of the substances referred to in PRTR report. The provision for 2009 amounts to PLN 4,887 thousand; for 2010 PLN 5,806 thousand. Interest for 2009 and first half of 2010 (the payment for the second half of 2010 has not been done yet) amounts to PLN 693 thousand and for the first and second half of 2008 (from 1 December 2010 to 31 December 2010) amounts to PLN 52 thousand. In the first quarter of 2011 the provision was increased to take into account the payment for the first quarter of 2011 amounting to PLN 1,390 thousand and a total of PLN 294 thousand to cover the interest on the payments for 2009 and 2010 and decreased by the amount already used of PLN 6,277 thousand.

**23 Dividend**

Decision concerning the payment of dividend for 2010 shall be taken by the shareholders during Extraordinary General Meeting.

**24 Related party transactions**

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

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

Transactions with members of the Group's governing bodies:

Title	Management Board of the Parent Company		Supervisory Board of the Parent Company	
	01.01.2011 - 31.03.2011	01.01.2010 - 31.03.2010	01.01.2011 - 31.03.2011	01.01.2010 - 31.03.2010
Salaries based on employment contract	225	306	-	-
Remuneration related to the appointment to management or supervisory bodies	-	-	110	104
Remuneration related to positions in the supervisory boards of subsidiaries	41	93	-	-
Other employee benefits (electricity allowance)	31	38	-	-
<b>Total</b>	<b>297</b>	<b>437</b>	<b>110</b>	<b>104</b>

Members of the Management Board and Supervisory Board are subject to the provisions of the Act of 3 March 2000 on remuneration of persons managing certain legal entities (companies with the majority interest of the State Treasury). Pursuant to the Act, the maximum monthly remuneration cannot exceed six average monthly remunerations in the enterprise sector, excluding profit bonuses in Q4 of the preceding year, announced by the President of the Central Statistical Office. The amount of the annual bonus cannot exceed three average monthly remunerations in the year preceding bonus granting.

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

Executive Bodies	Balance as at 01.01.2011	Granted from 01.01.2011	Repayments by 31.03.2011	Balance as at 31.03.2011
Management Board	-	-	-	-
Supervisory Board	29	-	(2)	27
<b>Total</b>	<b>29</b>	<b>-</b>	<b>(2)</b>	<b>27</b>
Executive Bodies	Balance as at 01.01.2010	Granted from 01.01.2010	Repayments by 31.12.2010	Balance as at 31.12.2010
Management Board	21	-	(21)	-
Supervisory Board	29	11	(11)	29
<b>Total</b>	<b>50</b>	<b>11</b>	<b>(32)</b>	<b>29</b>

Other transactions resulting from civil law agreements concluded between the Parent and Members of the entity's governing bodies concern only private use of company cars by Members of the Management Board of ENEA S.A.

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

The transactions concern mainly:

- purchase of coal, electricity and property rights resulting from certificates of origin as regards renewable energy and energy produced in the CHP system, transmission and distribution services provided by the Group to companies whose shares are held by the State Treasury;
- sale of electricity, distribution services, connection to the grid and other related fees, provided both to central and local administration bodies (sale to end users) and entities whose shares are held by the State Treasury (wholesale and retail sale to end users);

Such transactions are concluded under arm's length terms and their conditions do not differ from those applied in transactions with other entities. The Group does not keep a register which would allow it to aggregate the values of all transactions with state institutions and entities whose shares are held by the State Treasury.

## 25 Long-term contracts for the sale of electricity (LTC)

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

LTC are settled as follows:

- by 31 August each year companies file applications for advance payments relating to the settlements;
- by 31 July of the following year the President of the Energy Regulatory Office determines the value of the annual stranded cost adjustment (adjustment of advance payments);

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

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

The Group decided to recognize as revenue only the amounts resulting from the decision on the annual stranded cost adjustment.

#### a/ 2008 settlements

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

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

On 2 October 2009 Elektrownia "Kozienice" S. A. lodged a complaint against the above decision to the Court of Appeals in Warsaw, VI Civil Division. On 19 May 2010 the Court of Appeals changed the decision of the Court of Competition and Consumer Protection of 23 September 2009 and suspended enforcement of the decision of the President of the Energy Regulatory Office of 31 July 2009 on the annual stranded cost adjustment in whole. The Court of Appeals emphasised that the Court of Competition and Consumer Protection did not have legal grounds to refuse partial suspension of the enforcement of the decision. Therefore, if it had found grounds for suspending enforcement of the decision, it should have suspended the enforcement of the decision in whole.

Consequently, on 27 May 2010 Elektrownia "Kozienice" S. A. requested Zarządcę Rozliczeń S. A. to return PLN 40,577 thousand with interest due. However, Zarządcę Rozliczeń refused to do so claiming that the only legal basis for the return might be a change of the decision of the President of the Energy Regulatory Office of 31 July 2009. On 5 July 2010 Elektrownia "Kozienice" S. A. filed the final pre-trial demand for payment of PLN 40,577 thousand with interest due to Zarządcę Rozliczeń S. A. In a letter dated 12 July 2010 Zarządcę Rozliczeń S. A. upheld its original decision and refused to return the amount in question.

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

**b/ 2009 settlements**

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

**c/ 2010 and 2011 settlements**

For 2010 the Company requested a prepayment for stranded costs amounting to PLN 0.

For 2011 Elektrownia "Kozienice" S.A. requested a prepayment for stranded costs amounting to PLN 3,500 thousand. On 5 April Zarządcę Rozliczeń S. A. made a prepayment for the first quarter of 2011 of PLN 875 thousand. In the first quarter of 2011 the revenue resulting from compensations was not identified.

Assuming that the decisions obtained by Elektrownia "Kozienice" S.A. regarding the appeals against the decisions issued by the President of the Energy Regulatory Office determining the amounts of the annual adjustments for 2008 and 2009 are favourable for the Company:

- the annual adjustment for 2009 is estimated at PLN 111,100 thousand (+).

On 1 December 2010 the Court of Competition and Consumer Protection heard the case of LTC 2008. The Court decided to postpone the hearing until the Court of Appeal issues a binding decision as to whether Zarządcę Rozliczeń can obtain the status of a party to the case.

On 19 January 2011 a hearing took place in the case XVII Amz 53/10 concerning appeal of Elektrownia "Kozienice" against the decision of the President of the Energy Regulatory Office of 26 July 2010 concerning

denying the access to case LTC 2009 files. The Court dismissed the appeal of Elektownia "Kozienice" against the decision of the President of the Energy Regulatory Office of 26 July 2010. Official procedure is still ongoing.

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

As the President of the Energy Regulatory Office stepped down from the office, the proceedings concerning the annual stranded cost adjustments for 2008 and 2009 may be suspended until the proceedings are resumed after new President takes the office. On the date of this condensed interim consolidated financial statements it is impossible to state precisely what are the amounts of annual adjustments for 2008 and 2009 (as the results of proceedings concerning appeal against the decision of the President of the Energy Regulatory Office determining the adjustments for 2008 and 2009). Total amount of public aid allowed in relation to the annual stranded cost adjustments shall be set in a decision of the President of the Energy Regulatory Office, expected in 2015, fixing the level of final adjustment. Bearing this in mind, it should be said that the revenue due to LTC based on annual adjustments set by the President of the Energy Regulatory Office may change as a result of the abovementioned decision of the President fixing final adjustment.

## **26 Future liabilities under contracts concluded as of the balance sheet date**

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

	<b>31.03.2011</b>	<b>31.12.2010</b>
Property, plant and equipment	256 475	321 744
Intangible assets	10 821	8 459
	<b>267 296</b>	<b>330 203</b>

## **27 Explanations of the seasonal and cyclical nature of the Capital Group's business**

Sales of electricity during the year are subject to seasonal fluctuations. They increase during the winter months and decrease in summer. This depends on the temperature and the length of the day. The extent of fluctuations depends on low temperature and shorter days in winter as well as higher temperature and longer days in summer. Seasonal sales of electricity apply to a more considerable degree to small clients (46.59% of the sales value), rather than to the industrial sector.

**28 Contingent liabilities and proceedings before courts, arbitration or public administration bodies****28.1 Guarantees for credit facilities and loans as well as other sureties granted by ENEA S.A and its subsidiaries**

The Company and its subsidiaries did not grant any guarantees for credit facilities or loans, or sureties during the reporting period.

**28.2 Pending proceedings before common courts****Actions brought by the Group**

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

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

As of 31 March 2011, common courts heard the total of 6,075 cases brought by the Group for the total amount of PLN 45,613 thousand (as of 31 December 2010 there were 6,910 cases for the total amount of 44,571 thousand).

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

**Actions brought against the Group**

Actions against the Group are brought both by natural and legal persons. They mainly refer to such issues as compensation for interrupted delivery of electricity, identification of illegal electricity consumption and compensation for the Group's use of real property where electrical devices are located. The Group considers actions concerning non-contractual use of real property not owned by the Group as particularly important (note 28.5).

Court proceedings against Elektrownia "Kozienice" S.A. include claims of former employees of Gospodarstwo Ogrodnicze w Ryczywole Kamila Lewek Wiśniewska Jacek Pospiszyl spółka cywilna concerning salaries and damages amounting to PLN 658 thousand. The claim concerns remedying damages resulting from the operation of the plant owned by Elektrownia located on the land adjacent to the plot of Gospodarstwo Ogrodnicze, by way of paying PLN 5,082 thousand. Other claims include the claim of Centrum Konsultingu Menedżerskiego Gordion Sp. z o.o made after instituting amicable proceedings - the amount claimed is PLN 5,018 thousand. During a conciliatory meeting held on 17 June 2010, the parties did not reach an agreement and the Company Centrum Konsultingu Menedżerskiego Gordion Sp. z o.o. filed a statement of claim in the Regional Court in Lublin. Further, there is a claim of the company Polish Business Offers Sp. z o.o. concerning instituting amicable proceedings for the amount of PLN 2,370 thousand (alleged infringement of personal interests – an agreement was not reached).

As of 31 March 2011 common courts heard 557 cases against the Group for the total amount of PLN 74,878 thousand (respectively, as of 31 December 2010 there were 539 cases for the total amount of PLN 68,941 thousand). Provisions related to the court cases have been presented in note 22.

### **28.3 Arbitration proceedings**

As of 31 March 2011 there were no proceedings heard by arbitration bodies.

### **28.4 Proceedings before public administration bodies**

Pursuant to a decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 which closed the proceedings for charging customers with a double subscription fee for January 2008, ENEA S.A. was obliged to pay a fine of PLN 160 thousand. The Company appealed against the decision on 30 September 2008. On 31 August 2009 the Regional Court in Warsaw – Court of Competition and Consumer Protection reduced the fine to PLN 10 thousand. On 25 September 2009, ENEA appealed against the judgment issued by the Court of Competition and Consumer Protection to the Court of Appeals in Warsaw applying for reversal of the decision in whole. On 27 April 2010 the Court reversed the judgment and remanded the case for reconsideration. Under a court order of 27 January 2011 the Court of Competition and Consumer Protection dismissed the appeal of ENEA S.A. against the decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 and upheld the fine to be paid by the Company amounting to PLN 10 thousand. On 20 April 2011 the Company appealed against the decision of the Court of Competition and Consumer Protection of 27 January 2011.

Pursuant to a decision of the President of the Office of Competition and Consumer Protection of 30 September 2008 which closed the proceedings for abuse of market position by not keeping deadlines related to connection decisions and determining the impact of the designed wind power station on the electricity system, ENEA Operator Sp. z o.o. was obliged to pay a fine of PLN 11,626 thousand. ENEA Operator Sp. z o.o. lodged an appeal against the decision. Under a court decision of 23 March 2010 the Court of Competition and Consumer Protection dismissed the appeal of the Company. On 5 July 2010 plenipotentiary attorney of the Company appealed against this decision. On 17 March 2011 the Court of Appeal overruled the decision of the President of the Office of Competition and Consumer Protection. The decision is final and binding, even though the Company has not yet received the justification in writing. Moreover the President of the Office of Competition and Consumer Protection may appeal to the Supreme Court.

On 27 November 2008 the President of the Energy Regulatory Office issued a decision on ENEA's failure to comply with the obligation to purchase electricity produced in the CHP system in 2006, imposing a fine of PLN 7,594 thousand on the Company. On 17 December 2008, ENEA filed an appeal to the Regional Court in Warsaw - the Court of Competition and Consumer Protection. On 15 December 2009 the Court of Competition and Consumer Protection issued a judgment favourable for the Company, changing the decision of the President of the Energy Regulatory Office of 27 November 2008 and discontinuing the administrative proceedings. The President of the Energy Regulatory Office appealed against the decision to the Court of Appeals in Warsaw.

Under a decision of 24 November 2010 (VI ACa 327/10) the Court of Appeal reversed the judgement of the Regional Court in Warsaw against which the President of the Energy Regulatory Office appealed – the Court of Competition and Consumer Protection of 15 December 2009 – and ordered the Court of Competition and Consumer Protection to reconsider the case and rule on the costs of appeal proceedings.

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

On 11 February 2009 Elektrownia Kozienice applied to the Customs Office in Radom for ascertainment and refund of overpaid excise on electricity for the months from January 2006 to December 2008 in the amount of PLN 694.6 million with return correction.

On 24 November 2009 the Company applied to the Customs Office in Radom for ascertainment and refund of overpaid excise on electricity for subsequent months, i.e. January 2009 and February 2009 in the amount of PLN 34.6 million, including PLN 247 thousand of excise on renewable energy.

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

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

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

Administrative Court in Warsaw, Local Department VIII in Radom ruled on 12 January 2011 whereby he accepted the appeal of Elektrownia „Kozienice” S.A. and reversed the decisions of the Director of the Customs Chamber in Warsaw and earlier decisions of the Head of the Customs Office in Radom determining the amount of tax liabilities of excise for: April 2007, May 2007, June 2007, October 2007 and August 2006.

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

The Company appealed to the Provincial Administrative Court in Warsaw against the decisions of the Director of the Tax Chamber in Warsaw upholding the decisions of the Head of the Radom Customs Office concerning refusal to return overpaid amount of excise for the particular months in 2008 and determining tax liabilities for the period.

Proceedings related to overpaid tax for January 2008 and February 2009 – the Head of the Customs Office in Radom issued decisions determining the overpaid amount of excise only with respect to renewable electricity for January 2009 and February 2009 at PLN 247 thousand. As for the period when Polish regulations were inconsistent with those of the EC, he refused returning overpaid tax and specified tax liabilities in amounts reduced by the excise on energy from renewable resources for the period in question. The Company appealed against the above decisions to the Director of the Customs Chamber in Warsaw, who issued a decision upholding the decisions of the Head of the Customs Office in Radom concerning refusal to return overpaid tax for the particular months in 2009 and specifying tax liabilities for the months indicated in the amount initially declared by the Company reduced by the excise on renewable energy.

The Company appealed against the decisions of the Director of the Customs Chamber in Warsaw upholding the decisions of the Head of the Customs Office in Radom concerning refusal of returning overpaid excise for January 2009 and February 2009 and specifying tax liabilities for the period in question.

Elektrownia „Kozienice” S.A. received the decisions of the Marshal of the Mazowieckie Voivodship concerning environmental impact connected to gas or dust release into the air for the first and second half of 2008. By the decision no 132 a fee in the amount PLN 2,888 thousand was imposed and by the decision 133 a fee of PLN 2,178 thousand. Elektrownia „Kozienice” S.A. appealed against the decisions referred to above to Local Government Board of Appeals in Warsaw. Local Government Board of Appeals decided to uphold the decisions of the Marshal of the Mazowieckie Voivodship.

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

A vast majority of the proceedings have been instigated at the request of the Group, which has applied to relevant administration bodies for:

- instigation of administrative enforcement in order to recover receivables for illegal consumption of electricity;
- building permits with respect to new facilities and modernization of the existing ones;
- permit for occupation of a road lane by electricity equipment;
- determination of fees for perpetual usufruct of land;
- designation of land for electrical devices.

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

The result of these proceedings is unlikely to have a significant impact on the Group's net profit.

Due to the nature of operations of ENEA Operator Sp. z o.o. (operations in the regulated monopoly market) there have been numerous court actions brought against the Company by the President of the Energy Regulatory

Office and the President of the Office for Competition and Consumer Protection at the request of buyers of electricity supplied by the Group.

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

As of 31 March 2011 the President of the Energy Regulatory Office carried out a series of explanatory and administrative proceedings against the Group.

The result of these proceedings is unlikely to have a significant impact on the Group's net profit.

#### **28.5 Risk related to the legal status of property used by the Capital Group**

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

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

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

The Group recognized a provision for all claims lodged by owners of property located near transmission networks and devices based on best estimates of expenditures necessary to settle the claims adopted by the Management Board. The Group does not recognize provisions for possible claims which have not been yet filed by owners of land used non-contractually. Possible claim amounts may be significant for the Group, considering the area of non-contractually used land where the Group's transmission networks or the related devices are located. The Group does not keep any record and it has no knowledge of the legal status of land, therefore is it unable to reliably estimate the maximum amount of possible claims arising from non-contractual use of land.

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

On 29 November 2006 a meeting was held initiated by the Minister of Environment and attended by representatives of the National Forests, the Ministry of State Treasury, PSE-Operator Sp. z o.o. and Polskie Towarzystwo Przesyłu i Rozdziału Energii Elektrycznej representing distribution companies. The National Forests' proposal to conclude agreements for the lease of land where the lines are located was not accepted. Consequently, a more general solution based on legislative changes is required. In 2010 the Ministry of Economy prepared a draft act regulating the use of land managed by the National Forests by energy companies if transmission and distribution electricity lines are located on this land. The draft assumes that the use of such land

would be based on transmission easement against payment. As of the date of this Condensed interim consolidated financial statements the Act amending the Act on forests and the Act on environmental protection has been adopted by the Parliament (Sejm and Senate) and signed by the President. It assumes that the consideration for the transmission easement shall be determined in the amount of taxes and local charges paid by the National Forests for the land under easement.

In preparation to enforce the provisions of the Act the Group has carried out an inventory of the grounds managed by the National Forests, where energy transmission facilities owned by the Group are located, and created adequate provision to cover potential payments to the National Forests.

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

## **29 Changes in excise**

On 1 March 2009, an amendment to the Act on Excise Duty of 23 January 2004 came into force. Polish excise regulations required an amendment in order to comply with the EU laws. Based on the amendment, the excise obligation arises when electricity is supplied to end customers (not at the time of electricity production). Consequently, since 1 March 2009 ENEA S.A. has been obliged to pay excise (while before it was paid by Elektrownia "Kozienice" S.A.).

On 12 February 2009 the European Court of Justice issued a judgment stating that the previous Polish regulations determining the time of chargeability of excise on electricity did not comply with the regulations of the EU Energy Directive.

On 11 February 2009 Elektrownia Kozienice applied to the Customs Office in Radom for ascertainment and refund of overpaid excise in the amount of PLN 694,6 million for the period from January 2006 to December 2008. Additionally, on 24 November 2009 the Company applied to the Customs Office in Radom for ascertainment and refund of overpaid excise on electricity in the amount of PLN 34.6 million for January and February 2009. The related administrative proceedings have been presented in detail in Note 28.4.

As the outcome is not certain, the excise refund applied for has not been recognized in these condensed interim consolidated financial statements.

## **30 Negotiations concerning acquisition of shares**

On 28 June 2010 the Minister of the Treasury in Warsaw, acting on behalf of the State Treasury based on the Act on commercialization and privatization (Journal of Laws of 2002, No. 171, item 1397, as amended) and Regulation of the Council of Ministers on a detailed procedure for disposal of shares held by the State Treasury (Journal of Laws of 2009, No. 34, item 264), published a call for negotiations concerning the acquisition of 225,135,940 shares of the Company ENEA S.A., which account for 51% of Company share capital. The State Treasury intends to sell 225,135,940 shares with the face value of PLN 1 each. As of 31 March 2011 the State Treasury holds 51.91% of the Company's shares, but 0.91% are employee shares. Part of the employee shares out of 9.43% of the Company share capital has already been allocated to the entitled individuals on the basis of appropriate contracts concluded by the State Treasury and entitled individuals or their heirs.

Written replies to the public invitation to negotiations concerning the acquisition of shares by potential investors that received the Investment Memorandum were to be submitted by 28 July 2010. On 23 July 2010 the Minister of Treasury announced that the deadline had been extended until 13 August 2010.

In response to the invitation to negotiations concerning the acquisition of shares of ENEA S.A. 6 entities filed preliminary offers. Potential Investors had been informed of the related decision of the Minister of the Treasury by 24 August. The Minister of the Treasury approved five potential Investors to take part in the next stage of the privatisation.

On 30 August 2010 potential Investors were granted access to electronic Data Room (information, data and documents prepared for the due diligence analysis of the ENEA Capital Group).

5 October 2010 was the deadline for filing final offers for the acquisition of shares in ENEA S.A.

Binding offers were submitted by four potential investors. On 12 October 2010 the Ministry of the Treasury released a statement on parallel negotiations concerning sale of 51% of ENEA S.A shares with three entities, and afterwards on 19 October 2010 a statement on continuing parallel negotiations with two entities. On 28 October 2010 the Minister of the Treasury decided to set a deadline for exclusive negotiations with Kulczyk Holding (the guarantor) and Elektron Sp. z o. o. (the buyer) at 3 November 2010. Due to the expiry of exclusive negotiations period granted to Kulczyk Holding (without result), the Ministry of the Treasury announced its decision to restart parallel negotiations with potential investors and afterwards on 15 December 2010 its decision to grant the company Electricité de France S.A. exclusive rights of negotiations. On 1 April 2011 the Minister of the Treasury decided to conclude the sale process of 51% of ENEA S.A shares without any settlement.

### **31 Post-balance sheet events**

The Management Board of ENEA S.A. took a decision concerning sale of shares of the company "WIRBET" S.A. A press announcement on the sale was published on 12 April 2011. The sale in the form of an auction, will take place on 17 May 2011. Total market value of shares owned by ENEA S.A. – equal to the reserve price – amounts to PLN 14 208 580. ENEA S.A. holds 49% of shares in the share capital of Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych „WIRBET" S.A. The company is based in Ostrów Wielkopolski (registered office) and has a branch in Piła. As of the end of 2010 the company had 94 employees. Its main scope of activity is the production of precast concrete elements, particularly concrete poles for energy, telecommunication and railway purposes.

## Selected separate financial data

	in PLN '000		in EUR '000	
	3 months ended 31 March 2011	3 months ended 31 March 2010	3 months ended 31 March 2011	3 months ended 31 March 2010
Net sales revenue	1 550 385	1 728 395	390 112	435 704
Profit/loss on operating activities	56 628	31 551	14 249	7 954
Profit/loss before tax	78 662	66 289	19 793	16 711
Net profit/loss for the reporting period	61 821	53 748	15 556	13 549
Net cash flows from operating activities	(202 483)	5 204	(50 949)	1 312
Net cash flows from investing activities	267 920	(93 764)	67 415	(23 637)
Net cash flows from financing activities	(959)	(692)	(241)	(174)
Total net cash flows	64 478	(89 252)	16 224	(22 499)
Weighted average number of shares	441 442 578	441 442 578	441 442 578	441 442 578
Net earnings per share (in PLN per share)	0,14	0,12	0,04	0,03
Diluted earnings per share (in PLN/EUR)	0,14	0,12	0,04	0,03
	Balance as of 31 March 2011	Balance as of 31 March 2010	Balance as of 31 March 2011	Balance as of 31 March 2010
Total assets	10 885 458	11 075 352	2 713 292	2 796 594
Total liabilities	779 763	1 031 478	194 363	260 455
Non-current liabilities	120 656	120 115	30 075	30 330
Current liabilities	659 107	911 363	164 288	230 125
Equity	10 105 695	10 043 874	2 518 930	2 536 140
Share capital	588 018	588 018	146 568	148 478
Book value per share (in PLN/EUR)	22,89	22,75	5,71	5,75
Diluted book value per share (in PLN/EUR)	22,89	22,75	5,71	5,75

The above financial data for Q1 2011 and 2010 were translated into EUR in line with the following principles:

- individual assets and liabilities - as per the average exchange rate at 31 March 2011 – PLN/EUR 4.0119 (as of 31 December 2010 - PLN/EUR 3.9603);
- individual items from the income statement and the cash flow statement - as per the arithmetic mean of the average exchange rates determined by the National Bank of Poland as of the last day of each month of the financial period from 1 January to 1 March 2011 - PLN/EUR – 3.9742 (for the period from 1 January to 31 March 2010 – PLN/EUR 3.9669).

**AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED  
INTERIM SEPARATE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 MARCH 2011**

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

We have reviewed the attached condensed interim separate financial statements of ENEA S.A. ("the Company") with registered office in Poznań, Nowowiejskiego 11 Street, including: separate balance sheet prepared as at 31 March 2011, and separate statement of comprehensive income, separate statement of changes in equity, separate statement of cash flows prepared for the period from 1 January 2011 to 31 March 2011 as well as notes to condensed interim separate financial statements.

Compliance of these condensed interim separate financial statements with the requirements laid down in IAS 34 "Interim Financial Reporting" as endorsed by the European Union and with other regulations in force is the responsibility of the Management Board and Supervisory Board of the Company. Our responsibility was to review these financial statements.

Our review has been conducted in accordance with the national auditing standards issued by the National Council of Statutory Auditors. These Standards require that we plan and conduct the review in such a way as to obtain reasonable assurance that the condensed interim separate financial statements are free from material misstatement. Our review has been conducted mainly based on an analysis of data included in the condensed interim separate financial statements, examination of the accounting records as well as information provided by the management and the financial and accounting personnel of the Company.

The scope and methodology of a review of condensed interim separate financial statements differ significantly from an audit, which serves as the basis for expressing an opinion on compliance of annual financial statements with the applicable accounting principles (policy) and an opinion on their fairness and clarity. Therefore, no such opinion on the attached financial statements may be issued.

Based on our review, we have not identified any issues which would prevent us from concluding that the condensed interim separate financial statements have been prepared, in all material respects, in compliance with the requirements laid down in IAS 34 "Interim Financial Reporting" as endorsed by the European Union.

.....  
Marcin Samolik  
Key certified auditor  
conducting the review  
No. 10066

.....  
represented by

.....  
entity authorized to audit  
financial statements entered under  
number 73 on the list kept by the  
National Council of Statutory Auditors

Warsaw, 16 May 2011

**The above auditor's report on the review is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.**

**Condensed interim separate financial statement  
of ENEA S.A.  
for Q1 2011**

**Poznań, 16 May 2011**

## Index to the condensed interim separate financial statements

Separate balance sheet.....	49
Separate statement of comprehensive income .....	51
Separate statement of changes in equity.....	52
Separate cash flow statement.....	54
1. General information about ENEA S.A.....	55
2. Statement of compliance .....	55
3. Accounting principles applied.....	56
4. New accounting standards and interpretations .....	56
5. Material estimates and assumptions .....	56
6. Composition of the Capital Group - list of subsidiaries, associates and jointly-controlled entities .....	57
7. Segment reporting .....	60
8. Property, plant and equipment.....	63
9. Intangible assets .....	63
10. Investments in subsidiaries, associates and jointly-controlled entities.....	64
11. Revaluation write-downs on trade and other receivables .....	64
12. Cash and cash equivalents.....	64
13. Investment portfolio .....	65
14. Equity related to share-based payments and liabilities due to the equivalent of the right to acquire shares free of charge.....	65
15. Deferred income tax .....	67
16. Certificates of origin.....	67
17. Provisions for liabilities and other charges .....	68
18. Related party transactions .....	68
19. Future liabilities under contracts concluded as of the balance sheet date.....	70
20. Explanations of the seasonal and cyclical nature of the Company's business.....	71
21. Contingent liabilities and proceedings before courts, arbitration or public administration bodies.....	71
21.1 Guarantees for credit facilities and loans as well as other sureties granted by the Company .....	72
21.2 Pending proceedings before common courts of law .....	73
21.3 Arbitration proceedings .....	73
21.4 Proceedings before public administration bodies.....	73
21.5 Risk related to the legal status of property used by the Company .....	74
21.6 Risk related to participation in costs incurred due to the use of woodland managed by the National Forests for the needs of electricity lines.....	75
22. Post balance sheet events .....	75

These condensed interim separate financial statements have been prepared in compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*, as endorsed by the European Union (EU), and approved by the Management Board of ENEA S.A.

**Members of the Management Board**

**Chairman of the Management Board**      **Maciej Owczarek** .....  
.....

**Member of the Management Board**      **Maksymilian Górnjak** .....  
.....

**Member of the Management Board**      **Hubert Rozpędek** .....  
.....

**Member of the Management Board**      **Krzysztof Zborowski** .....  
.....

**Poznań, 16 May 2011**

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

**Separate balance sheet**

	Balance as of	
	31.03.2011	31.12.2010
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	206 479	209 566
Land perpetual usufruct right	1 526	1 488
Intangible assets	26 539	3 353
Investments in subsidiaries, associates and co-subsidiaries	7 874 580	7 874 545
Deferred tax asset	31 711	40 137
Financial assets available for sale	20 448	20 448
Financial assets held to maturity	26 000	-
Financial assets measured at fair value through profit or loss	1 409	1 411
	<b>8 188 692</b>	<b>8 150 948</b>
<b>Current assets</b>		
Trade and other receivables	776 850	775 466
Current income tax receivables	18 550	880
Financial assets measured at fair value through profit or loss	1 470 769	1 781 939
Cash and cash equivalents	430 597	366 119
	<b>2 696 766</b>	<b>2 924 404</b>
<b>TOTAL ASSETS</b>	<b>10 885 458</b>	<b>11 075 352</b>

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

	Balance as of	
	31.03.2011	31.12.2010
<b>TOTAL EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	588 018	588 018
Share premium	4 627 673	4 627 673
Share-based capital	1 144 336	1 144 336
Revaluation reserve (financial instruments)	10 941	10 941
Reserve capital	892 198	892 198
Retained earnings	2 842 529	2 780 708
<b>Total equity</b>	<b>10 105 695</b>	<b>10 043 874</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Credit facilities and loans	-	-
Finance lease liabilities	5 303	5 019
Settlement of income due to subsidies and connection fees	31 711	31 840
Liabilities due to employee benefits	83 642	83 256
	<b>120 656</b>	<b>120 115</b>
<b>Current liabilities</b>		
Credit facilities and loans	-	-
Trade and other liabilities	475 999	713 729
Finance lease liabilities	3 274	3 422
Settlement of income due to subsidies and connection fees	2 281	2 325
Current income tax liabilities	-	-
Liabilities due to employee benefits	15 092	17 022
Liabilities due to an equivalent of the right to acquire shares free of charge	552	557
Provision for certificates of origin	119 558	130 779
Provisions for other liabilities and charges	42 351	43 529
	<b>659 107</b>	<b>911 363</b>
<b>Total liabilities</b>	<b>779 763</b>	<b>1 031 478</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>10 885 458</b>	<b>11 075 352</b>

**Separate statement of comprehensive income**

	<b>3 months ended 31.03.2011</b>	<b>3 months ended 31.03.2010</b>
Sales revenue	1 608 175	1 801 816
Excise duty	(57 790)	(73 421)
<b>Net sales revenue</b>	<b>1 550 385</b>	<b>1 728 395</b>
Other operating revenue	4 337	1 151
Amortization/Depreciation	(4 381)	(4 652)
Costs of employee benefits	(16 825)	(11 127)
Consumption of materials and raw materials and costs of goods sold	(1 267)	(1 013)
Energy purchase for sale	(967 504)	(1 102 400)
Transmission and distribution services	(468 962)	(537 671)
Other external services	(29 365)	(31 772)
Taxes and charges	(3 413)	(3 417)
(Profit)/loss on sale and liquidation of property, plant and equipment	112	(285)
Impairment loss on property, plant and equipment	-	-
Other operating expenses	(6 489)	(5 658)
<b>Operating profit</b>	<b>56 628</b>	<b>31 551</b>
Financial expenses	(1 718)	(1 524)
Financial revenue	23 752	36 262
Dividend income	-	-
<b>Profit before tax</b>	<b>78 662</b>	<b>66 289</b>
Income tax	(16 841)	(12 541)
<b>Net profit for the reporting period</b>	<b>61 821</b>	<b>53 748</b>

**Other items of comprehensive income:**

Measurement of financial assets available for sale	-	-
Income tax related to other items of comprehensive income	-	-
<b>Other items of net comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income</b>	<b>61 821</b>	<b>53 748</b>

Earnings attributable to the Company's shareholders	61 821	53 748
Weighted average number of ordinary shares	441 442 578	441 442 578
<b>Net earnings per share (in PLN per share)</b>	<b>0,14</b>	<b>0,12</b>
<b>Diluted profit per share (in PLN per share)</b>	<b>0,14</b>	<b>0,12</b>

## Separate statement of changes in equity

	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Share-based capital	Revaluation reserve (financial instruments)	Reserve capital	Retained earnings	Total equity
<b>Balance as of 1 January 2011</b>	<b>441 443</b>	<b>146 575</b>	<b>588 018</b>	<b>4 627 673</b>	<b>1 144 336</b>	<b>10 941</b>	<b>892 198</b>	<b>2 780 708</b>	<b>10 043 874</b>
Measurement of financial assets available for sale									
Dividend									
Sale of financial assets available for sale									
Total profit for the period							61 821		<b>61 821</b>
<b>Total profit and loss recognized for the period</b>							<b>61 821</b>		<b>61 821</b>
Distribution of the financial profit									
Dividends									-
Increase in share capital									
<b>Balance as of 31 March 2011</b>	<b>441 443</b>	<b>146 575</b>	<b>588 018</b>	<b>4 627 673</b>	<b>1 144 336</b>	<b>10 941</b>	<b>892 198</b>	<b>2 842 529</b>	<b>10 105 695</b>

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Share-based capital	Revaluation reserve (financial instruments)	Reserve capital	Retained earnings	Total equity
<b>Balance as of 1 January 2010</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>754 841</b>	<b>2 721 427</b>	<b>9 832 448</b>
Measurement of financial assets available for sale									
Sale of financial assets available for sale									
Total profit for the period							53 748	<b>53 748</b>	
<b>Total profit and loss recognized for the period</b>							<b>53 748</b>	<b>53 748</b>	
Distribution of the financial profit									-
Dividends									
Share capital increase									
<b>Balance as of 31 March 2010</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>754 841</b>	<b>2 775 175</b>	<b>9 886 196</b>

The separate statement of changes in equity should be analyzed together with notes constituting an integral part of the condensed interim separate financial statements.

## Separate cash flow statement

	3 months ended 31.03.2011	3 months ended 31.03.2010
<b>Cash flows from operating activities</b>		
Net profit for the reporting period	61 821	53 748
Adjustments:		
Income tax disclosed in the income statement	16 841	12 541
Amortization/Depreciation	4 381	4 652
Costs of benefits due to share-based payments	-	-
Profit/Loss on disposal and liquidation of property, plant and equipment	(1 584)	285
Impairment loss on property, plant and equipment	997	-
(Gain)/loss on disposal of financial assets	2	(415)
Interest income	(21 197)	(36 262)
Dividend income	-	-
Interest expense	732	1 524
Exchange (gains)/losses related to credit facilities and loans	-	-
	<b>172</b>	<b>(17 675)</b>
Income tax paid	(26 085)	(21 335)
Interest received	6 469	35 083
Interest paid	(575)	(447)
Changes in working capital		
Inventories	-	-
Trade and other receivables	182	9 190
Trade and other liabilities	(229 949)	(82 347)
Liabilities due to employee benefits	(1 544)	706
Settlement of income due to subsidies and connection fees	(570)	(330)
Change in provisions for certificates of origin	(11 221)	28 397
Change in liabilities due to the equivalent of the right to acquire shares free of charge	(5)	(1)
Change in provisions	(1 178)	215
	<b>(244 285)</b>	<b>(44 170)</b>
<b>Net cash flows from operating activities</b>	<b>(202 483)</b>	<b>5 204</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment and intangible assets	(31 752)	(23 574)
Proceeds from disposal of property, plant and equipment and intangible assets	257	98
Proceeds from disposal of financial assets	325 400	5 589
Acquisition of financial assets	(26 000)	(71 317)
Acquisition of subsidiaries, associates and a jointly-controlled entity	(35)	(4 611)
Dividends received	-	-
Other payments for/proceeds from investing activities	50	51
<b>Net cash flows from investing activities</b>	<b>267 920</b>	<b>(93 764)</b>
<b>Cash flows from financing activities</b>		
Payment of finance lease liabilities	(959)	(692)
<b>Net cash flows from financing activities</b>	<b>(959)</b>	<b>(692)</b>
<b>Net increase (decrease) in cash</b>	<b>64 478</b>	<b>(89 252)</b>
Opening balance of cash	366 119	301 422
<b>Closing balance of cash</b>	<b>430 597</b>	<b>212 170</b>

The separate cash flow statement should be analyzed together with notes constituting an integral part of the condensed interim separate financial statements.

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

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

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

As of 31 March 2011 ENEA S.A.'s shareholder structure was as follows: the State Treasury of the Republic of Poland – 51.91 % of shares, Vattenfall AB – 18.67%, other shareholders – 29.42%.

As of 31 March 2011 the Company's statutory share capital equalled PLN 441,443 thousand (PLN 588,018 thousand upon adoption of EU-IFRS and considering hyperinflation and other adjustments) and was divided into 441,442,578 shares.

Trade in electricity is the core business of ENEA S.A. ("ENEA", "Company").

ENEA S.A. is the parent company in the ENEA S.A. Capital Group. As of 31 March 2011 the Group comprised 18 subsidiaries, 2 indirect subsidiaries and 3 associates.

These condensed interim separate financial statements have been prepared on the going concern basis. There are no circumstances indicating that the ability of ENEA S.A. to continue as a going concern might be at risk.

**2. Statement of compliance**

These condensed interim separate financial statements have been prepared in compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*, as endorsed by the European Union (IFRS-EU), and approved by the Management Board of ENEA S.A.

The Management Board of the Company used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to the individual items of the condensed interim individual financial statements of ENEA S.A. in accordance with EU-IFRS as of 31 March 2011. The presented statements and explanations have been determined using due diligence. These condensed interim separate financial statements have been reviewed by a certified auditor.

### **3. Accounting principles applied**

These condensed interim separate financial statements have been prepared in accordance with accounting policies consistent with those applied during the preparation of the most recent annual separate financial statements, except for changes in standards and interpretations endorsed by the European Union which apply to the reporting periods beginning after 1 January 2011.

Accounting policies applied by the Company were presented in the separate financial statements of ENEA S.A. for the financial year ended 31 December 2010.

Polish zloty has been used as a measurement and reporting currency of these condensed interim separate financial statements. The data in the interim separate financial statements have been presented in PLN thousand (PLN '000), unless stated otherwise.

These condensed interim separate financial statements should be read together with the separate financial statements of ENEA S.A. for the financial year ended 31 December 2010.

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

The standards applicable to annual periods beginning after 1 January 2011 as endorsed by the EU have been revised. However, the changes have not had any effect on the preparation of these condensed interim separate financial statements.

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

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

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

No.	Name and address of the Company	ENEA S.A. percentage share in the total number of votes 31.03.2011	ENEA S.A. percentage share in the total number of votes 31.12.2010
1.	ENERGOMIAR Sp. z o.o. <i>Poznań, ul. Strzeszyńska 58</i>	100	100
2.	BHU S.A. <i>Poznań, ul. Strzeszyńska 58</i>	92.55	91.47
3.	Energetyka Poznańska Biuro Usług Technicznych S.A. in liquidation <i>Poznań, ul. Dziadoszańska 10</i>	100	100
4.	Hotel „EDISON” Sp. z o.o. <i>Baranowo k/Poznania</i>	100	100
5.	Energetyka Poznańska Zakład Transportu Sp. z o.o. <i>Poznań, ul. Strzeszyńska 58</i>	100	100
6.	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. <i>Lipno, Gronówko 30</i>	100	100
7.	ENERGO-TOUR Sp. z o.o. <i>Poznań, ul. Marcinkowskiego 27</i>	99.92	99.92
8.	ENEOS Sp. z o.o. <i>Poznań, ul. Strzeszyńska 58</i>	100	100
9.	ENTUR Sp. z o.o. <i>Szczecin, ul. Małczewskiego 5/7</i>	100	100
10.	Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. <i>Inowrocław, ul. Wilkońskiego 2</i>	99.94	99.94
11.	Elektrownie Wodne Sp. z o.o. <i>Samociążek, 86-010 Koronowo</i>	100	100
12.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. Oborniki, ul. Wybudowanie 56	87.99	87.99
13.	„ITSERWIS” Sp. z o.o. <i>Zielona Góra, ul. Zaczisze 28</i>	100	100
14.	„Auto – Styl” Sp. z o.o. <i>Zielona Góra, ul. Zaczisze 15</i>	100	100
15.	FINEA Sp. z o.o. in liquidation <i>Poznań, ul. Warszawska 43</i>	100	100
16.	ENEA Operator Sp. z o.o. <i>Poznań, ul. Strzeszyńska 58</i>	100	100
17.	Elektrownia „Kozienice” S.A. <i>Świerże Górnne, gmina Kozienice, Kozienice 1</i>	100	100
18.	Miejska Energetyka Cieplna Piła Sp. z o.o. <i>64-920 Piła, ul. Kaczorska 20</i>	65.03	64.064
19.	Kozienice II Sp. z o.o. <i>Świerże Górnne, gmina Kozienice, Kozienice 2</i>	-	80.56
20.	Przedsiębiorstwo Produkcji Strunobetonowych Źerdzi Wirowanych WIRBET S.A. <i>Ostrów Wlkp., ul. Czapowskiego 51</i>	49	49
21.	Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. <i>Śrem, ul. Staszica 6</i>	41.65	41.65
22.	Elektrociepłownia Białystok S.A. <i>Białystok, ul. Gen. Andersa 3</i>	30.36	30.36
23.	ELKO Trading Sp. z o.o. <i>Świerże Górnne, gmina Kozienice, Kozienice 1</i>	-*	-*
24.	Elektrownie Wiatrowe – Energetyka Poznańska Biuro Usług Technicznych Spółka Akcyjna Spółka Komandytowa <i>Samociążek 92, 86-010 Koronowo</i>	-**	-

\*100% of shares in ELKO Trading Sp. z o.o. is owned by Elektrownia „Kozienice” S.A.

\*\* 99% of all the rights and obligations of Elektrownie Wiatrowe – Energetyka Poznańska Biuro Usług Technicznych Spółka Akcyjna Spółka Komandytowa are owned by Elektrownie Wodne Sp. z o.o., and 1% - by Energetyka Poznańska Biuro Usług Technicznych S.A.

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

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

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

On 30 December 2010 the Extraordinary Shareholders' Meeting adopted Resolution to increase the share capital of MEC Piła Sp. z o.o. by PLN 773 thousand to PLN 28 689 thousand by way of issuing 773 new shares with the face value of PLN 1,000 each. The new shares in the Company's share capital were acquired by ENEA S.A. for a contribution in cash.

The increased share capital of MEC Piła Sp. z o.o. was registered in the National Court Register on 24 February 2011.

On 27 January 2011, an announcement of the Auction for the sale of shares in the share capital of Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. was made. The object of sale under the auction includes 6,860 ordinary registered shares of Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A., with the face value of PLN 1,000 each and the total value of PLN 6,860 thousand, which represent in total 41,65 percent of shares in the company's share capital. The total market value of the company's shares – corresponding to the starting price – is PLN 9,611,820.40 and was determined based on the valuation made as at 30 June 2010. No bidder paid the bid bond by the agreed date, as a result of which no purchaser was selected and the shares remained the property of ENEA S.A. On 21 February 2011, ENEA S.A. received a letter, in which Centrozap S.A. (holding 51% of shares of PEC Średm S.A.) declared its intention to purchase the block of shares in question, however, at the soonest after 16 May 2011 due to its corporate procedures; at the same time, Centrozap S.A. accepted the starting price stated in the announcement.

The expected further course of proceedings:

- 1) proposal of ENEA S.A. to Centrozap S.A. for the conclusion of a preliminary agreement for the purchase of the block of shares by 31 May 2011 for the starting price specified in the auction,
- 2) obtaining an approval of the Supervisory Board of PEC Średm S.A. for the sale of the block of shares (under of the Articles of Association of PEC Średm S.A.),
- 3) sale of the block of shares by 30 June 2011.

On 7 February 2011, the increase in the share capital of Elektrownie Wodne Sp. z o.o. by PLN 26,000 thousand, i.e. to PLN 239,841 thousand, was registered in the National Court Register. The new shares in the Company's share capital were acquired by the current shareholder - ENEA S.A. for a contribution in cash in the form of an organised part of ENEA S.A. operating as: ENEA S.A. Oddział Elektrownia Biogazowa Liszkowo.

On 15 February 2011, the Extraordinary Shareholders' Meeting increased the share capital of Hotel EDISON Sp. z o.o. by PLN 35 thousand, i.e. to PLN 21,271.5 thousand by way of issuing 70 shares with the face value of PLN 500 each. All of the new shares in the share capital of Hotel EDISON Sp. z o.o. will be acquired by the current sole shareholder – ENEA S.A. for a contribution in cash. The increase of the share capital is pending registration in the National Court Register.

The merger of Elektrownia Kozienice S.A. (the Acquiring Company) and Kozienice II Sp. z o.o. (the Acquired Company) by way of transfer of all the assets of the Acquired Company to the Acquiring Company, including a simultaneous increase of the share capital of the Acquiring Company by way of issue of shares addressed to ENEA S.A. was registered in the National Court Register on 30 March 2011. As a result of the merger the share capital of Elektrownia „Kozienice” S.A. was increased by PLN 12,482 thousand up to PLN 462,482 thousand by way of issue of 1,248,244 ordinary B bearer shares with value of PLN 10 each.

The objective of the merger is to make use of the long-standing experience and potential of Elektrownia „Kozienice” in the field of managing the power generation assets and running investments in new production capacity.

On 30 March 2011, the Group acquired 100% of the total rights and obligations of ZU-AN Sp. z o.o. sp.k. for the total amount of PLN 28,383 thousand (PLN 28,117 thousand was paid by Elektrownie Wodne Sp. z o.o. – while the amount of PLN 1,773 thousand was paid after the balance sheet date - and PLN 266 thousand was paid by Energetyka Poznańska Biuro Usług Technicznych S.A.) The acquired company was named Elektrownie Wiatrowe – Energetyka Poznańska Biuro Usług Technicznych Spółka Akcyjna Spółka Komandytowa. 99% of all the rights and obligations are owned by Elektrownie Wodne Sp. z o.o. (the company's limited partner), and 1% - by Energetyka Poznańska Biuro Usług Technicznych S.A. (the company's general partner).

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

**7. Segment reporting**

Segment reporting for the period from 1 January to 31 March 2011 is as follows:

	Trade	All other segments	Total
Net sales revenue*	1 537 728	12 657	1 550 385
Inter-segment sales	-	-	-
<b>Total net sales revenue</b>	<b>1 537 728</b>	<b>12 657</b>	<b>1 550 385</b>
Total expenses **	(1 459 748)	(11 908)	(1 471 656)
<b>Segment profit/loss</b>	<b>77 980</b>	<b>749</b>	<b>78 729</b>
Unassigned general and administrative expenses			(22 101)
<b>Operating profit</b>			<b>56 628</b>
Financial expenses			(1 718)
Financial revenue			23 752
Dividend income			-
Income tax			(16 841)
<b>Net profit</b>			<b>61 821</b>

\* - net sales revenue under Trade also includes net revenue from sales of distribution services of PLN 468 924 thousand which was presented separately in the condensed interim consolidated financial statements of the ENEA S.A. Group under Distribution.

\*\* - total expenses:

- include the costs of sales of distribution services of PLN 468 962 thousand, which were presented separately in the condensed interim consolidated financial statements of the ENEA S.A. Group under Distribution
- include also other operating revenue and expenses

Segment reporting for the period from 1 January to 31 March 2010 is as follows:

	Trade	Production	All other segments	Total
Net sales revenue*	1 714 609	321	13 465	1 728 395
Inter-segment sales	-	-	-	-
<b>Total net sales revenue</b>	<b>1 714 609</b>	<b>321</b>	<b>13 465</b>	<b>1 728 395</b>
Total expenses **	(1 659 452)	(819)	(11 591)	(1 671 862)
<b>Segment profit/loss</b>	<b>55 157</b>	<b>(498)</b>	<b>1 874</b>	<b>56 533</b>
Unassigned general and administrative expenses				(24 982)
<b>Operating profit</b>				<b>31 551</b>
Financial expenses				(1 524)
Financial revenue				36 262
Dividend income				-
Income tax				(12 541)
<b>Net profit</b>				<b>53 748</b>

\* - net sales revenue under Trade also includes net revenue from sales of distribution services of PLN 537 635 thousand which was presented separately in the condensed interim consolidated financial statements of the ENEA S.A. Group under Distribution

\*\* - total expenses:

- include the costs of sales of distribution services of PLN 537 671 thousand, which were presented separately in the condensed interim consolidated financial statements of the ENEA S.A. Group under Distribution
- include also other operating revenue and expenses

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

**Segment reporting (cont'd)**

Other segment reporting information as of 31 March 2011:

<b><u>Balance as of 31.03.2011</u></b>	<b>Trade</b>	<b>All other segments</b>	<b>Total</b>
Property, plant and equipment	18 518	141 510	160 028
Trade and other receivables	757 307	7 109	764 416
Total:	<b>775 825</b>	<b>148 619</b>	<b>924 444</b>
ASSETS excluded from segmentation			9 961 014
- including property, plant and equipment			46 451
- including trade and other receivables			12 434
<b>TOTAL ASSETS</b>			<b>10 885 458</b>
Trade and other liabilities	427 791	3 667	431 458
Equity and liabilities excluded from segmentation			10 454 000
- including trade and other liabilities			44 541
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>10 885 458</b>
Capital expenditure for fixed assets and intangible assets	-	3 234	3 234
Capital expenditure for fixed assets and intangible assets excluded from segmentation			1 143
Depreciation/amortization of fixed assets/intangible assets	228	3 795	4 023
Depreciation/amortization of fixed assets/intangible assets excluded from segmentation			358
Revaluation write-down on receivables as of 30.09.2010	83 372	783	84 155

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

**Segment reporting (cont'd)**

Other segment reporting information as of 31 December 2010:

<b><u>Balance as of 31.12.2010</u></b>	<b>Trade</b>	<b>Production</b>	<b>All other segments</b>	<b>Total</b>
Property, plant and equipment	18 746		131 179	149 925
Trade and other receivables	757 212		6 964	764 176
Total:	<b>775 958</b>		<b>138 143</b>	<b>914 101</b>
ASSETS excluded from segmentation				10 161 251
- including property, plant and equipment				59 641
- including trade and other receivables				11 290
<b>TOTAL: ASSETS</b>				<b>11 075 352</b>
Trade and other liabilities	652 732		5 596	658 328
Equity and liabilities excluded from segmentation				10 417 024
- including trade and other liabilities				55 401
<b>TOTAL: EQUITY AND LIABILITIES</b>				<b>11 075 352</b>
Capital expenditure for fixed assets and intangible assets		24 814	21 816	46 630
Capital expenditure for fixed assets and intangible assets excluded from segmentation				2 703
Depreciation/amortization of fixed assets/intangible assets	610	1 298	14 765	16 673
Depreciation/amortization of fixed assets/intangible assets excluded from segmentation				772
Revaluation write-down on receivables as of 31.12.2010	81 578		765	82 343

Segment revenue is generated from sales to external clients and transactions with other segments, which are directly attributable to a given segment with a relevant portion of the Company's revenue that may be reasonably attributed to a given segment.

Segment costs include costs of goods sold to external clients and costs of transactions with other Group segments, which result from operations of a given segment and may be directly allocated to a given segment with a relevant portion of the Company's costs that may be reasonably allocated to a given segment.

Market prices are used in inter-segment transactions, which allows individual entities to earn a margin sufficient to carry out independent operations the market. Prices specified in the Energy Law of 10 April 1997 and the related secondary legislation apply to trade in electricity and provision of transmission services.

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

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

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

During the 3-month period ended 31 March 2011, the Company acquired property, plant and equipment for the total amount of PLN 4 377 thousand (during the period of 12 months ended 31 December 2010 it was PLN 49 333 thousand).

During the 3-month period ended 31 March 2011, the Company sold and liquidated property, plant and equipment for the total net amount of PLN 146 thousand (during the period of 12 months ended 31 December 2010 it was PLN 35 984 thousand).

As of 31 March 2011 the total revaluation write-downs on the carrying value of property, plant and equipment was PLN 3 042 thousand (as of 31 December 2010: PLN 770 thousand).

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

ENEA S.A. tested the book value of its equity against its market value (market capitalisation) as at 31 December 2009. ENEA S.A. found no basis for recognising impairment losses (provisions) of the assets analysed as at 31 December 2009.

As at 31 December 2010 no reasons were found indicating the need to re-perform the impairment test.

#### **9. Intangible assets**

During the 3-month period ended 31 March 2011, the Company incurred expenditure to acquire intangible assets – energy certificates of origin for the amount of PLN 23,008 thousand (during the period of 12 months ended 31 December 2010: PLN 0).

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

During the 3-month period ended 31 March 2011 intangible assets of PLN 397 thousand were transferred from fixed assets under construction (PLN 2,362 thousand during the period of 12 months ended 31 December 2010).

During the 3-month period ended 31 March 2011, the Company did not sell or liquidate intangible assets (during the period of 12 months ended 31 December 2010: PLN 668 thousand).

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

	<b>31.03.2011</b>	<b>31.12.2010</b>
Opening balance	7 874 545	7 844 884
Reclassification to non-current assets held for sale	-	-
Acquisition of investments	35	37 144
Revaluation write-down	-	(7 483)
<b>Closing balance</b>	<b>7 874 580</b>	<b>7 874 545</b>

During the 9-month period ended 31 March 2011 the Company acquired shares in subsidiary – Hotel “EDISON” Sp. z o.o. for the total amount of PLN 35 thousand (the value of shares in subsidiaries acquired during the period of 12 months ended 31 December 2010 was PLN 37,144 thousand).

Revaluation write-down on investments

	<b>31.03.2011</b>	<b>31.12.2010</b>
<b>Opening balance of revaluation write-down on investments</b>	<b>39 855</b>	<b>32 372</b>
Created	-	9 320
Released	-	(1 837)
<b>Closing balance of revaluation write-down on investments</b>	<b>39 855</b>	<b>39 855</b>

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

	<b>31.03.2011</b>	<b>31.12.2010</b>
<b>Opening balance of revaluation write-down on receivables</b>	<b>82 343</b>	<b>82 623</b>
Created	4 250	14 333
Released	(2 440)	(14 608)
Applied	2	(5)
<b>Closing balance of revaluation write-down on receivables</b>	<b>84 155</b>	<b>82 343</b>

During the 3-month period ended 31 March 2011 the revaluation write-down on the carrying amount of trade and other receivables increased by PLN 1,812 thousand (during the period of 12 months ended 31 December 2010 the revaluation write-down decreased by PLN 280 thousand).

## 12. Cash and cash equivalents

	<b>31.03.2011</b>	<b>31.12.2010</b>
<b>Cash in hand and cash in banks</b>	<b>430 019</b>	<b>365 762</b>
- Cash in hand	147	138
- Cash in banks	429 872	365 624
<b>Other cash</b>	<b>578</b>	<b>357</b>
- Cash in transit	578	357
<b>Total cash and cash equivalents</b>	<b>430 597</b>	<b>366 119</b>
<b>Cash disclosed in the cash flow statement</b>	<b>430 597</b>	<b>366 119</b>

Notes presented on pages 55 to 76 constitute an integral part of the condensed interim separate financial statements.

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

As at 31 March 2011, ENEA S.A. held cash with limited disposability in the amount of PLN 9,303 thousand, which includes cash:

- In banks (cash blocked under a security deposit, settlement deposit, deposit for liabilities and transaction deposits).

As at 31 December 2010, ENEA S.A. held cash with limited disposability in the amount of PLN 10,341 thousand.

### **13. Investment portfolio**

ENEA S.A. fulfilled the conditions necessary to release funds due to issuance of shares at the WSE from the ESCROW account. Therefore, on 6 February 2009 a specialized financial institution dealing with professional management of cash was transferred the funds. In accordance with the Agreement, transferred funds are invested only in safe securities, in line with the table below:

Type of assets	Minimum exposure	Maximum exposure
Debt instruments underwritten or guaranteed by the State Treasury and the National Bank of Poland	0%	100%
Bank deposits	0%	30%

As of 31 March 2011 the funds amounted to PLN 1,470,769 thousand (treasury bills and bonds of PLN 1,142,623 thousand) and deposits (in banks specified by the Company – PLN 328,146 thousand).

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

The selected strategy is to maximize profit at minimum risk.

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

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

Employees eligible to acquire shares free of charge are individuals who were employed by the ENEA S.A. Capital Group at the time of commercialization (i.e. in 1993 and 1996) and filed a written declaration to acquire shares within 6 months of the commercialization date.

As the first share was sold on general terms to investors by the State Treasury on 10 February 2010, after the lapse of three months the eligible individuals acquired the right to receive shares free of charge.

Pursuant to Resolution No. 441/2010 of 29 June 2010 the Management Board of ENEA S.A. determined the number of ENEA shares disposed free of charge for the benefit of eligible individuals, attributable to each group specified based on the length of service as per Article 11 of the Ordinance of the Minister of the Treasury of 29 January 2003 laying down detailed principles for classification of eligible employees into groups, determining the number of shares attributable to each group and the conditions for acquisition of shares by

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

eligible employees. In compliance with the aforementioned Ordinance, the Management Board of the Company provided the Minister of the Treasury with a list of eligible individuals and the number of shares assigned. The Minister of the Treasury has made an announcement regarding the disposal of employee shares in a national and local newspaper and it has been entering into agreements for the sale of shares free of charge with eligible individuals. The right to free-of charge acquisition of the shares of ENEA S.A. may be exercised from 16 May 2012. After the expiry of that period, the right to free-of-charge acquisition of the shares expires.

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

Pursuant to IFRS 2, the costs of the plan should be recognized in the period when eligible employees perform work and the cost of work should be determined as of the Grant Date, i.e. as of the date when all significant conditions for granting shares to employees are determined.

The value of the employee stock ownership plan was determined by the Company based on the measurement of shares in ENEA S.A. as of the date of drawing up the consolidated financial statements for the financial years ended 31 December 2007, 31 December 2006 and 31 December 2005, included in the prospectus of ENEA S.A. The value of the plan was estimated at PLN 901 million. The ENEA SA Capital Group recognized the total costs of the plan as a previous years' adjustment in equity of the earliest period presented in the consolidated financial statements, i.e. as of 1 January 2005, and it did not revalue the costs as of any of the dates ending the subsequent financial periods.

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

Moreover, according to the Management Board, the key purpose of the plan was to grant employees compensation for work before the date of commercialization of the enterprise (i.e. in the past). Consequently, the total fixed number of shares for employees was determined and could not be changed with relation to work in subsequent periods.

Considering the above, the Management Board of ENEA S.A. decided that the value of the plan would not be changed. As a result, the value of the program as of 31 March 2011 stood at PLN 921 million.

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

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

As at 31 March 2011, a part of the equivalent was paid to the Eligible Employees of Elektrownia "Kozienice" S.A. As of 31 March 2011 the remaining liability due to the equivalent amounted to PLN 552 thousand. (PLN 557 thousand as of 31 December 2010).

## 15. Deferred income tax

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

	<b>31.03.2011</b>	<b>31.12.2010</b>
<b>Opening balance</b>	(40 137)	(27 366)
Amount debited/(credited) to profit	8 426	(13 683)
Change recognized in other items of comprehensive income	-	912
<b>Closing balance</b>	<b>(31 711)</b>	<b>(40 137)</b>

During the 3-month period ended 31 March 2011, the Company's profit before tax was credited with PLN 8,426 thousand as a result of a decrease in the deferred tax asset (during the period of 3 months ended 31 December 2010 the Company's profit before tax was credited with PLN 13,683 thousand due to an increase in the asset).

## 16. Certificates of origin

	<b>31.03.2011</b>	<b>31.12.2010</b>
Certificates of origin	(36 465)	(85 950)
Advance payments for certificates of origin	(1 460)	(2 610)
Provision for costs of redemption of certificates of origin	157 483	219 339
<b>Provision for certificates of origin</b>	<b>119 558</b>	<b>130 779</b>

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

**17. Provisions for liabilities and other charges****Provision for projected losses due to compensation proceedings**

	<b>31.03.2011</b>	<b>31.12.2010</b>
<b>Opening balance</b>	<b>43 529</b>	<b>42 338</b>
Increase in provisions	518	19 450
Applied provisions	(458)	-
Decrease in provisions	(1 238)	(18 259)
<b>Closing balance</b>	<b>42 351</b>	<b>43 529</b>

Provisions for liabilities are determined in reasonable, reliably estimated amounts. Individual provisions are recognized for projected losses related to court action brought against the Company. The amount of the provision represents the most appropriate estimate of outlays necessary to satisfy the claim. The cost of provisions is recognized under other operating expenses. A description of material claims and the related contingent liabilities has been presented in note 21.

During the 3-month period ended 31 March 2011, the provision for projected losses due to compensation proceedings and fines decreased by PLN 1,178 thousand (during the period of 12 months ended 31 December 2010 the provision for projected losses due to proceedings for compensation and fines increased by PLN 1,191 thousand).

**18. Related party transactions**

The Company concludes transactions with the following related parties:

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

	<b>01.01.2011 - 31.03.2011</b>	<b>01.01.2010 - 31.12.2010</b>
<b>Purchases, including:</b>		
investment purchases	539 346	3 491 927
materials	1 289	12 921
services	242	836
Other (including energy)	489 033	1 803 098
	48 782	1 675 072
<b>Sales, including:</b>		
energy	4 374	344 754
materials and goods	1 598	332 399
services	0	-
other	236	2 162
	2 540	10 193
	<b>31.03.2011</b>	<b>31.12.2010</b>
Receivables	3 228	46 196
Liabilities	304 242	463 655

Notes presented on pages 55 to 76 constitute an integral part of the condensed interim separate financial statements.

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

(ii) Transactions concluded between the Company and members of its governing bodies fall within three categories:

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

The value of transactions falling within the scope of the first category has been presented below:

Item	Management Board of the Company		Supervisory Board of the Company	
	01.01.2011 - 31.03.2011	01.01.2010 - 31.03.2010	01.01.2011 - 31.03.2011	01.01.2010 - 31.03.2010
Remuneration under employment contracts	225	306	-	-
Remuneration relating to appointment of members of management or supervisory bodies	-	-	110	104
Remuneration due to the position held in supervisory boards of subsidiaries	41	93	-	-
Remuneration due to other employee benefits, including: (electricity allowance)	31	38	-	-
<b>TOTAL</b>	<b>297</b>	<b>437</b>	<b>110</b>	<b>104</b>

Members of the Management Board and Supervisory Board are subject to the provisions of the Act of 3 March 2000 on remuneration of persons managing certain legal entities. Pursuant to the Act, the maximum monthly remuneration cannot exceed six average monthly remunerations in the enterprise sector, excluding profit bonuses in Q4 of the preceding year, announced by the President of the Central Statistical Office. The amount of the annual bonus cannot exceed three average monthly remunerations in the year preceding bonus granting.

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

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

No.	Body	Balance as of 01.01.2011	Granted on 01.01.2011	Maturing on 31.03.2011	Balance as of 31.03.2011
1.	Management Board	-	-	-	-
2.	Supervisory Board	29	-	(2)	27
	<b>TOTAL</b>	<b>29</b>	<b>-</b>	<b>(2)</b>	<b>27</b>
<hr/>					
No.	Body	Balance as of 01.01.2010	Granted on 01.01.2010	Maturing on 31.12.2010	Balance as of 31.12.2010
No.	Body	Balance as of 01.01.2010	Granted on 01.01.2010	Maturing on 31.12.2010	Balance as of 31.12.2010
1.	Management Board	21	-	(21)*	-
2.	Supervisory Board	29	11	(11)	29
	<b>TOTAL</b>	<b>50</b>	<b>11</b>	<b>(32)</b>	<b>29</b>

\* - of which PLN 21 thousand concerns elimination of the loan granted to Piotr Koczorowski, who was dismissed from the position of Member of the Management Board as of 16 April 2010;

Other transactions resulting from civil law agreements concluded between ENEA S.A. and members of the Company's governing bodies concern only private use of company cars by Members of the Management Board of ENEA S.A.

(iii) Transactions with entities whose shares are held by the State Treasury of the Republic of Poland

ENEA S.A. also concludes business transactions with entities of the central and local administration and entities whose shares are held by the State Treasury of the Republic of Poland.

The transactions concern mainly:

- purchase of electricity and property rights resulting from certificates of origin as regards renewable energy and energy produced the CHP system from companies whose shares are held by the State Treasury;
- sale of electricity, distribution services and other related fees, provided by the Company both to central and local administration bodies (sale to end users) and entities whose shares are held by the State Treasury (wholesale and retail sale to end users).

Such transactions are concluded under arm's length terms and their conditions do not differ from those applied in transactions with other entities. As the Company does not keep a record of the aggregate value of all transactions concluded with all state institutions and entities controlled by the State Treasury, the turnover and balances of transactions with related parties disclosed in these condensed interim separate financial statements do not include data related to transactions with entities controlled by the State Treasury.

## 19. Future liabilities under contracts concluded as of the balance sheet date

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

	<b>31.03.2011</b>	<b>31.12.2010</b>
Acquisition of property, plant and equipment	12 496	14 172
Acquisition of intangible assets	-	160
	<b>12 496</b>	<b>14 332</b>

Notes presented on pages 55 to 76 constitute an integral part of the condensed interim separate financial statements.

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

Sales of electricity during the year are subject to seasonal fluctuations. They increase during the winter months and decrease in summer. This depends on the temperature and the length of the day. The extent of fluctuations depends on low temperature and shorter days in winter as well as higher temperature and longer days in summer. Seasonal sales of electricity apply to a more considerable degree to small clients (46.59% of the sales value), rather than to the industrial sector.

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

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

**21.1 Guarantees for credit facilities and loans as well as other sureties granted by the Company****Guarantees and sureties as of 31 March 2011**

No.	Name of entity to which a guarantee or surety was given	Total liabilities for which the guarantee or surety was given	Term	Relationship between the Company and the entity which assumed the liability
1.	EP Zakład Transportu Sp. z o.o.	PLN 197 thousand (EUR 49 thousand)	31-08-2017	subsidiary

**Guarantees and sureties as of 31 December 2010**

No.	Name of entity to which a guarantee or surety was given	Total liabilities for which the guarantee or surety was given	Term	Relationship between the Company and the entity which assumed the liability
1.	EP Zakład Transportu Sp. z o.o.	PLN 194 thousand (EUR 49 thousand)	31-08-2017	subsidiary

In the reporting period the Company did not give any guarantees or sureties for credit facilities or loans.

## **21.2 Pending proceedings before common courts of law**

### Actions brought by the Company

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

As at 31 March 2011 there were 4,810 cases pending before common courts of law which have been brought by the Company for the total amount of PLN 16,831 thousand (as of 31 December 2010 there were 5,767 cases for the total amount of PLN 15,748 thousand). None of the cases can significantly affect the Company's financial profit/loss.

### Actions brought against the Company

Actions against the Company are brought both by natural and legal persons. They mainly refer to such issues as compensation for interrupted delivery of electricity, identification of illegal electricity consumption and compensation for the Company's use of real property where electrical devices are located. The Company considers actions concerning non-contractual use of real property not owned by the Company as particularly important (note 21.5).

As at 31 March 2011 there were 141 cases pending before common courts of law which have been brought against the Company for the total amount of PLN 37,074 thousand (as of 31 December 2010 there were 157 cases for the total amount of PLN 37,691 thousand). Provisions related to the court cases have been presented in note 17.

## **21.3 Arbitration proceedings**

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

## **21.4 Proceedings before public administration bodies**

Pursuant to a decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 which closed the proceedings for charging customers with a double subscription fee for January 2008, ENEA S.A. was obliged to pay a fine of PLN 160 thousand. The Company appealed against the decision on 30 September 2008. On 31 August 2009 the District Court in Warsaw - the Court of Competition and Consumer Protection reduced the fine imposed on the Company to PLN 10 thousand. On 25 September 2009, ENEA appealed against the judgment issued by the Court of Competition and Consumer Protection to the Court of Appeals in Warsaw applying for reversal of the decision in whole. On 27 April 2010 the Court reversed the judgment and remanded the case for reconsideration. Pursuant to the decision of 27 January 2011 the Court of Competition and Consumer Protection dismissed the appeal of ENEA S.A. against the decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 and upheld the fine imposed on the

Company in the amount of PLN 10 thousand. On 20 April 2011, the Company filed an appeal against the decision of the Court of Competition and Consumer Protection of 27 January 2011.

On 27 November 2008 the President of the Energy Regulatory Office issued a decision on ENEA's failure to comply with the obligation to purchase electricity produced in the CHP system in 2006, imposing a fine of PLN 7,594 thousand on the Company. On 17 December 2008, ENEA filed an appeal to the District Court in Warsaw – the Court of Competition and Consumer Protection (SOKiK). On 15 December 2009 the Court of Competition and Consumer Protection issued a judgment favourable for the Company, changing the decision of the President of the Energy Regulatory Office of 27 November 2008 and discontinuing the administrative proceedings. The President of the Energy Regulatory Office appealed against the decision to the Court of Appeals in Warsaw. Pursuant to the decision of 24 November 2010 (VI A Ca 327/10) the Court of Appeal rescinded the decision of the District Court in Warsaw – the Court of Competition and Consumer Protection of 15 December 2009 appealed by the President of the Energy Regulatory Office and remanded the case to the Court of Competition and Consumer Protection for reconsideration and to decide on the costs of the appeal proceedings.

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

## **21.5 Risk related to the legal status of property used by the Company**

The risk related to the legal status of the property used by the Company (currently used by ENEA Operator Sp. z o.o.) results from the fact that the Company does not have all legal titles to use the land where transmission networks and the related devices are located. In the future the Company may have to incur costs related to non-contractual use of property, which was the case in the past until the unbundling of ENEA Operator Sp. z o.o.

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

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

The Company recognized a provision for all claims lodged by owners of property located near transmission networks and devices based on best estimates of expenditures necessary to settle the claims adopted by

the Management Board. Since the date of unbundling of the distribution system operator such claims have also been filed to ENEA Operator Sp. z o.o., which is currently the owner of the transmission networks and the related devices.

The Company does not recognize a provision for claims which have not been filed yet by owners of land used non-contractually. The value of the potential claims may be significant, considering the area of land used non-contractually. The Company does not keep any record and it has no knowledge of the legal status of land, therefore is it unable to reliably estimate the maximum amount of possible claims arising from non-contractual use of land.

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

On 29 November 2006 a meeting was held initiated by the Minister of Environment and attended by representatives of the National Forests, the Ministry of State Treasury, PSE-Operator Sp. z o.o. and Polskie Towarzystwo Przesyłu i Rozdziału Energii Elektrycznej representing distribution companies. The National Forests' proposal to conclude agreements for the lease of land where the lines are located was not accepted. Consequently, a more general solution based on legislative changes is required. In 2010 the Ministry of Economy prepared a draft act regulating the use of land managed by the National Forests by energy companies if transmission and distribution electricity lines are located on this land. The project assumes that the use of such land would be based on transmission easement for consideration. As at the date of this Condensed interim separate financial statement, the Act amending the Act on forests and the Environmental Protection Act was passed by the Sejm and Senate, and signed by the President. It assumes that the consideration for the transmission easement would be determined in the amount of taxes and local charges by the National Forests for the land under easement.

The Company does not establish a provision for pre-trial claims for the use of woodland managed by the National Forests for the purposes of electricity lines owned by 30 June 2007 by ENEA S.A. (on 30 June 2007 all the electricity lines were transferred to ENEA Operator Sp. z o.o.) The Company takes the view that in line with the generally applicable law claims covering a period exceeding three years are barred.

Regardless of the aforementioned actions aimed at general regulation of the legal status of land owned by the National Forests, individual forest district offices lodged claims against the Company for compensation due to its non-contractual use of land (court cases). The claims have been accounted for in the provision referred to in note 17.

## **22. Post balance sheet events**

The Management Board of ENEA S.A. decided to sell the shares of "WIRBET" S.A., and on 12 April 2011 an announcement of the sale was published in the press. The sale will take place on 17 May 2011 in the form of an

**ENEA S.A.**

Condensed interim separate financial statements for the period from 1 January to 30 September 2010.

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

auction. The total market value of the block of shares held by ENEA S.A. – corresponding to the starting price – is PLN 14,208,580. ENEA S.A. holds 49% of shares in the share capital of Przedsiębiorstwo Produkcji Strunobetonowych Źerdzi Wirowanych “WIROBET” S.A. The Company operates in Ostrów Wielkopolski (registered office) and through its branch in Piła. As at the end of 2010, the company employed 94 people. Its core business includes the production of pre-fabricated concrete elements, and in particular of concrete poles for the energy, telecommunications and the railways industries.

**Other information  
to the extended consolidated  
report for Q1 2011  
ENEA S.A.**

## **I. Description of the organisation of the ENEA Capital Group**

A description of the organisation of the Issuer's Capital Group, and an indication of the units subject to consolidation are contained in Note 6 to the consolidated quarterly financial statements (page 16 of this report).

### ***Description of changes in the structure of the Group***

In Q1 2011, the following events occurred that may result in present or future changes to the structure of the ENEA Capital Group:

On 28 June 2010, the Extraordinary General Meeting of Shareholders of Elektrownia Kozienice S.A. (ELKO) and the Extraordinary General Meeting of Shareholders of Kozienice II Sp. z. o.o. consented to actions aimed at merging Kozienice II and ELKO by incorporating Kozienice II into ELKO. Since then, the Management Boards of both companies have carried out the legally required actions in order to prepare the entire procedure required for the Extraordinary General Meeting of Shareholders of ELKO and of Kozienice II to adopt merger resolutions. As a result, on 30 March 2011 the merger of the companies Elektrownia Kozienice S.A. (the Acquiring Company) and Kozienice II Sp. z o.o. (the Target Company) by way of a transfer of all the assets of the Target Company to the Acquiring Company, with a simultaneous share capital increase, was registered. As a result of the merger, through a share issue directed towards ENEA S.A., the share capital of Elektrownia Kozienice S.A. was increased by PLN 12,482,440.00 to the amount of PLN 462,482,440.00 by the issue of 1,248,244 series B ordinary bearer shares of a nominal value of PLN 10 each.

The purpose of the merger is to make use of the many years of experience and competences of Elektrownia "Kozienice" in managing generation assets and carrying out investments in new production capacities.

### ***Description of equity investments within the Group***

On 21 January 2011, an increase in the share capital of BHU S.A. (increased by PLN 2,072,000, from PLN 14,303,100 to PLN 16,375,100) was registered in the National Court Register. On 27 December 2010, the Extraordinary General Meeting of Shareholders of BHU S.A. adopted a resolution on increasing the company's share capital by PLN 2,072,000, by issuing 20,720 series K shares, by way of a private placement, in exchange for an in-kind contribution in the form of a right of perpetual usufruct to a real property located in Zielona Góra and the ownership title to the buildings located on it, with the existing shareholders being completely deprived of a pre-emptive right. On 28 December 2010, an offer to take up the shares of BHU S.A. was accepted and the right of perpetual usufruct to the land and the ownership title to the real property were transferred.

On 7 February 2011, a share capital increase of PLN 26,000,000 in Elektrownie Wodne Sp. z o.o. up to PLN 239,841,000 was recorded in the National Court Register. All the new shares in the company's share capital were taken up by the sole shareholder, ENEA S.A., and fully covered by an in-kind contribution in the form of an organised part of the business of ENEA S.A. operating under the business name ENEA S.A. Oddział Elektrownia Biogazowa Liszkowo.

On 15 February 2011, the Extraordinary General Meeting of Shareholders was held at which the share capital of the company Hotel EDISON Sp. z o.o. was increased by PLN 35,000, i.e. up to PLN 21,271,500, through an

issue of 70 new shares with a nominal value of PLN 500 each. The shares in the share capital increase in the company Hotel EDISON Sp. z o.o. were covered in full by the existing sole shareholder, ENEA S.A., through a cash contribution. The share capital increase is due to be registered in the National Court Register.

On 24 February 2011, a share capital increase in the company MEC Piła Sp. z o.o. was registered. As of that date, the shareholders in MEC Piła Sp. z o.o. are ENEA S.A. with a 65.03 per cent stake, and Gmina Piła with a 34.97 per cent stake. The share capital increase, which was made on 30 December 2010 by a resolution of the Extraordinary General Meeting of Shareholders of MEC Piła Sp. z o.o., was in the amount of PLN 773,000.00 (from PLN 27,916,000 to PLN 28,689,000) and was made by way of an in-kind contribution of heating infrastructure in the town of Gozdnica. The shares in the share capital increase were covered in full by ENEA S.A.

## **II. Operations of the ENEA Capital Group**

As part of its basic activities, the ENEA Capital Group (the “Group”) is involved in generating, distributing and trading in electricity. The above activities are performed by companies from our Group on the basis of licences granted by the President of the Energy Regulatory Office, 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. Within our Group, we hold, specifically, the following concessions:

- (I) ENEA has a licence to trade in electricity, valid until the end of 2025;
- (II) ENEA Operator has a licence to distribute electricity, valid until mid-2017;
- (III) The Kozienice Power Station has a licence to generate electricity, valid until the end of 2025, and a licence to trade in electricity, valid until the end of 2012;
- (IV) Elektrownie Wodne holds a concession for the generation of electricity, valid until 31 December 2030.

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

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

### ***Generation***

In the ENEA S.A. Capital Group, electricity is produced by Elektrownia “Kozienice” S.A. (hereinafter the Kozienice Power Station), which joined the Group in October 2007. It is Poland’s largest commercial bituminous coal-fired power plant. It comprises 10 high-performance, modernised power units with a total generating capacity of 2905 MW. The power station emits low levels of carbon dioxide (in 2010, emission levels were at 880 kg/MW, with 866 kg/MW in Q1 2011) and has one of the lowest levels of coal consumption per MWh of generated electricity: 0.400 Mg/MWh for Q1 2011. In the first quarter of 2011, the overall gross generating efficiency of the Kozienice Power Station was 39.2 per cent.

The quantity of electricity generated by the Kozienice Power Station in Q1 2010 and 2011 (gross MWh):

<b>Gross electricity generated by the Kozienice Power Station (in MWh)</b>		
<b>period</b>	<b>2010</b>	<b>2011</b>
Q1	2 995 473.7	2 844 850.500

In the first quarter of 2011, the Kozienice Power Station generated a gross 2,844,850.500 MWh of electricity. This level is lower than in the same period of the previous year, when the power station generated gross electricity of 2,995,473.7 MWh. The decline in production in Q1 2011 was the result of an increase in the volume of commercial transactions for the sale of electricity as part of electricity trading in comparison with the equivalent period in 2010.

Since January 2008, the Kozienice Power Station has also been generating power from renewable sources by co-firing biomass with conventional fuels (bituminous coal). In Q1 2011, it acknowledged 85,762.85 MWh worth of renewable energy certificates. By way of comparison, in Q1 2010 it acknowledged 32,358.190 MWh worth of renewable energy certificates. When comparing the corresponding periods, it is important to emphasise the 165 per cent increase in the amount of renewable energy produced. The company intends to consistently increase the share of biomass in fuel, which, in terms of generated power, is to amount to 2.1 per cent in 2015 (1.5 per cent currently).

In 2010, the Kozienice Power Station purchased 175,800 tonnes of biomass for the purposes of generating renewable energy. Taken quarterly, purchases of biomass were as follows:

<b>Purchases of biomass by the Kozienice Power Station (in '000 tonnes)</b>		
<b>period</b>	<b>2010</b>	<b>2011</b>
Q1	18 522	47 990

In the Kozienice Power Station in Q1 2010 and Q1 2011, the amount of energy from renewable sources and co-generation, with a division into certificates, was as follows:

	<b>Energy from renewable sources Green certificates (MWh)</b>	<b>Energy from co-generation Red certificates (MWh)</b>
Q1 2010	32 358.190	26 826.461
Q1 2011	85 762.850	25 022.906

Our subsidiary, Elektrownie Wodne Sp. z o.o., also generates electricity from renewable sources. In Q1 2010 and Q1 2011, the quantity of electricity generated by the 20 hydroelectric power plants introduced into the grid and the green certificates obtained for it breaks down as follows:

	<b>Energy generated from renewable sources, for which we receive green certificates of origin (MWh)</b>	<b>Energy supplied to the grid (MWh)</b>
Q1 2010	35 597.833	35 105.623
Q1 2011	54 598.828	53 708.701

Currently, the activities of Elektrownie Wodne include pursuing the area of wind farm development. With regard to wind energy production, a project is being developed with a capacity of 22.5 MW (the Baczyńa Wind Farm). So far, land has been secured, an amendment has been made to the local zoning plan of the district, taking into account the possibility of constructing wind turbines with internal infrastructure, and an application for grid connection conditions has been submitted and supplemented in line with the requirements of the Energy Law. In addition, wind measurements have been carried out for 1.5 years. The above project is to be implemented in two stages, of which the first, with a capacity of 10 MW, should be performed in 2012.

Under a resolution of the General Meeting of Shareholders approving the adjusted 2010-2012 Material and Financial Schedule, Elektrownie Wodne refrained from implementing projects for which no amendment has been made to the local zoning plan within the statutory timeline that allows it to supplement the application for connection to the grid. In addition to the 22.5 MW project under development and a potential 30 MW greenfield project, the Company is searching for wind farm projects that can be acquired at the building permit or occupancy permit stage.

As part of the work described above, the purchase of a functioning wind power plant with a capacity of 6 MW, located in Pomorskie Province, has been finalised. After carrying out a due diligence review, valuation and price negotiations, a purchase agreement for the investment was concluded on 30 March 2011.

Also, non-binding offers have been submitted for the purchase of wind farm projects with a total capacity of 150 MW. Moreover, as part of the process of selling shares in a special purpose vehicle holding exclusive rights to a project with a capacity of 48 MW, after submitting a non-binding final offer, the Company was included on the short list of bidders, and, if its offer is accepted by the seller, it will enter into final negotiations over the conditions of the agreement.

Furthermore, in order to increase the Company's production capacity, the construction of a small hydroelectric plant is under way in Oborniki Wielkopolskie on the river Wełna. The investment is planned for completion and handover for use by 30 May 2011. Its estimated average annual production of energy is 1,440 MWh.

As part of its investments in renewable energy sources, in 2010 ENEA S.A. purchased a newly erected biogas power plant located in Liszkowo, in the District of Rojewo, Kujawsko-Pomorskie Province, with a capacity of 2.1 MW. The plant is innovative on a national scale, is advanced technologically, and serves as a low-energy

biomass by-product treatment facility (primarily wet distillery by-products). More information on this subject was provided in previous interim reports. Below are the production volumes and the quantity of certificates of origin for the Liszkowo biogas power plant for Q1 2010 and Q1 2011:

	<b>Volume of power generated and quantity of certificates of origin (MWh)</b>
Q1 2010	1 878.640
Q1 2011	2 686.912

With regard to work associated with obtaining energy from renewable sources and co-generation in MEC Piła (a company which belongs to the ENEA Capital Group), the project “Construction of a Biomass Co-generation Unit using ORC Technology in the District Boiler KR-Koszyce in Piła” was implemented. Currently, a procedure for selecting a general contractor to build the Co-generation Unit is under way. The investment is to be subsidised by the European Union from the Cohesion Fund as part of Measure 9.1 High-Efficiency Energy Generation, Priority IX Environmentally Friendly Energy Infrastructure and Energy Efficiency in the Infrastructure and Environmental Operating Programme 2007-2013. An ORC turbogenerator with a thermal capacity of 7.95 MWt and an electrical capacity of 1.67 MWe, fired by biomass (wood shavings), will generate electricity and heat from renewable sources and at the same time meet the requirements for high-efficiency co-generation. The unit, which will constitute a further source of obtaining energy certificates of origin in the ENEA Capital Group, is planned for completion at the end of 2012.

On 11 May 2011, ENEA S.A. acquired a Special Purpose Vehicle which owns a project for the construction of a 1.6-MW biogas power station located in Dolnośląski Province. The construction of the biogas plant will commence this May. The plant will operate on the basis of agricultural substrates.

### ***Distribution***

Within our Group, the distribution of electricity is the responsibility of ENEA Operator Sp. z o.o. (“ENEA Operator”), which acts as the operator of the electricity distribution system. It operates in north-western Poland (Wielkopolskie, Zachodniopomorskie, Lubuskie and Kujawsko-Pomorskie Provinces, and also, to a lesser extent, in Dolnośląskie and Pomorskie Provinces) in an area that coincides with the area served by ENEA S.A. ENEA Operator’s distribution network covers about 20 per cent of the territory of Poland. The Company has 109,796 km of power lines (together with connections of 127,544 km). Moreover, the Company has 34,804 transformer stations with a total capacity of 14,035 MVA (The information under discussion comprises data as at 31 December 2010. ENEA Operator prepares such data annually, in the form of reports to the Energy Market Agency (*Agencja Rynku Energi*i)).

On 2 February 2011, an annex to an agreement for the provision of electricity distribution services was concluded between the Issuer and ENEA Operator Sp. z o.o., about which the Issuer reported in Current Report No. 6/2010 of 15 January 2010. On 14 January 2010, an agreement for the provision of electricity distribution services was concluded aimed at ensuring the provision of and determining the rules for distribution services in order to implement comprehensive agreements and sales agreements concluded by the Issuer with end users connected to the network of ENEA Operator S.A. The annex set out the planned payments for distribution services in the period from 1 January 2011 to 31 December 2011, in a total amount of PLN 1.8 billion. That amount may be adjusted if discrepancies arise between the amount invoiced and the actual remuneration due. The Company announced the conclusion of the above annex in Current Report No. 10/2011 of 3 February 2011.

### ***Trade***

In our Capital Group, wholesale electricity trade and selling electricity to retail consumers is primarily handled by ENEA S.A. In Q1 2011, total electricity sales amounted to 4,225.3 GWh, of which retail consumer sales accounted for 4,039.4 GWh. As at 31 March 2011, the number of retail customers amounted to approximately 2.4 million companies and households.

ENEA S.A., due to the limited local generation capacity in the area of ENEA Operator S.A., covers its clients' demand for electrical energy almost fully through the energy wholesale market. In Q1 2011, a clear majority of wholesale purchases of electricity consisted of transactions concluded on the Polish Power Exchange and settled by the Warsaw Commodity Clearing House (WCCH). This type of purchase is a consequence of the increase in trading on the exchange market as an effect of changes imposing an obligation on power companies involved in generation, resulting from Article 49a of the Energy Law (*a power company involved in generation is obliged to sell not less than 15 per cent of the electricity produced in a given year on commodity exchanges or on the regulated market, with the proviso that a power company involved in generation which has the right to withhold funds to cover stranded costs is obliged to sell all of the electricity it generates in a manner which ensures public, equal access to that energy, by way of an open tender, on an internet trading platform on a regulated market or on commodity exchanges*). ENEA S.A. acquired the rest of its electricity from trading companies and other producers (including by using active brokerage platforms).

As of 9 August 2010, pursuant to Article 49a par. 1 of the Energy Law, the Kozienice Power Station is required to sell at least 15 per cent of its power through the Polish Power Exchange. In performance of that obligation, the electricity sold on the Polish Power Exchange between 9 August 2010 and 31 December 2010 accounted for 17.2 per cent of all contracts concluded. The net cumulative value of electricity sold on the Polish Power Exchange from 6 May 2010 to 31 March 2011 amounted to PLN 2,934,931,926.70. In Q1 2011, Elektrownia Kozienice S.A. sold electricity generated in its power units constituting 93.4 per cent of its production on the Polish Power Exchange. In Q1 2011, the total sales of the Kozienice Power Station under energy trading and generation was 3,239.5 GWh, including sales to retail customers of 0.3 GWh and sales within concessions held for trading electricity of 472.1 GWh.

### **III. Position of the management board in relation to the possibility of achieving previously published forecasts of the results for a given year**

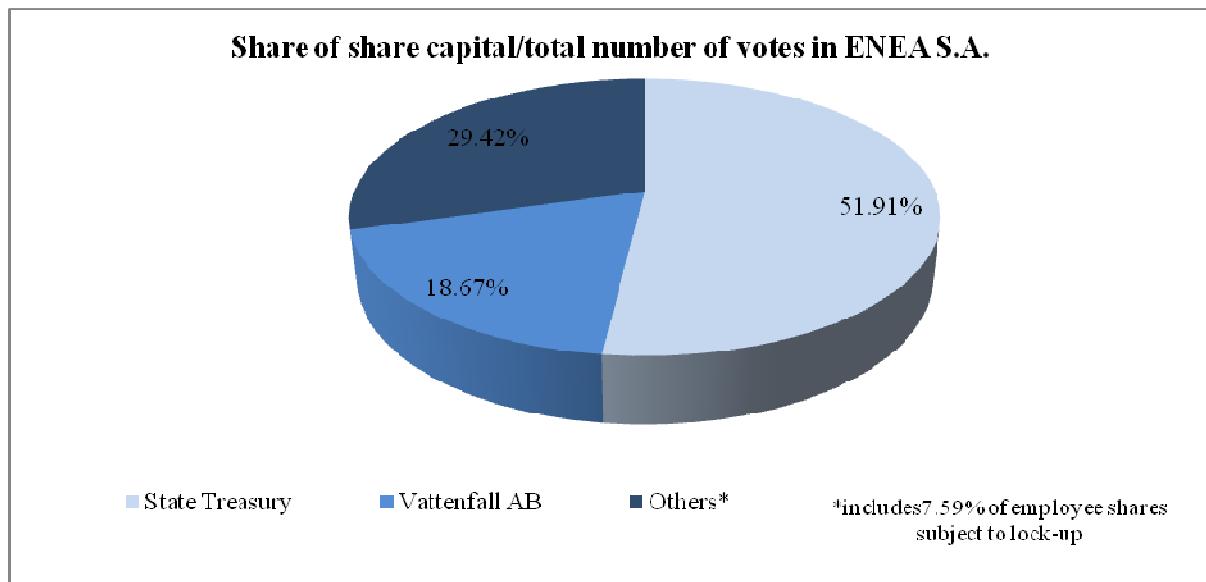
The Management Board of ENEA S.A. has not published any financial forecasts for 2011.

### **IV. List of shareholders holding at least 5 per cent of the total number of votes at the General Meeting of Shareholders of ENEA S.A.**

The structure of shareholders holding more than five per cent of the total number of votes at ENEA S.A.'s General Meeting of Shareholders is as follows:

No.	Shareholder	State as at 1 March 2011		State as at 16 May 2011	
		Number of shares/number of votes at the GMS	Percentage share in the share capital/share in total number of votes	Number of shares/number of votes at the GMS	Percentage share in the share capital/share in total number of votes
1	State Treasury	233 624 813	52.92%	229 160 835	51.91%
2	Vattenfall AB	82 395 573	18.67%	82 395 573	18.67%
3	Others	125 422 192	28.41%	129 886 170	29.42%
<b>Total</b>		<b>441 442 578</b>	<b>100.00%</b>	<b>441 442 578</b>	<b>100.00%</b>

#### **Shareholding structure as at the date of publication of the quarterly report**



A process is currently under way in the ENEA S.A. Capital Group under which eligible employees of the Group may acquire "employee shares" free of charge. The shares are transferred to eligible employees under agreements for the unpaid transfer of shares in ENEA S.A. by the State Treasury. The process is taking place in the companies ENEA S.A. and the Kozienice Power Station. The main part of the process of allocating employee shares in ENEA S.A. was completed at the beginning of December 2010, when the vast majority of eligible employees and their heirs concluded an agreement with the State Treasury. The right to acquire shares in ENEA S.A. free of charge expires on 16 May 2012 (in certain cases, an heir can sign an agreement on the unpaid

transfer of shares after 16 May 2012). Employee shares acquired free of charge are subject to a temporary lock-up. Pursuant to Article 38 par. 3 of the Act on Commercialisation and Privatisation of 30 August 1996, shares acquired free of charge by employees or heirs of ENEA S.A. cannot be traded before 16 February 2012, i.e. before the lapse of two years from the date when the State Treasury transfers the first shares on general principles, and shares acquired by employees performing the function of member of the Management Board of ENEA cannot dispose of their shares until three years have elapsed from the date when the State Treasury transferred the first shares on general principles, i.e. until 16 February 2013.

Furthermore, in connection with the takeover by ENEA S.A. of Elektrownia "Kozienice" S.A. on 10 October 2007, eligible employees of the Kozienice Power Station obtained the right to an equivalent for the right to acquire shares free of charge (the "Equivalent").

Eligible employees who have acquired the right to the Equivalent could exercise the right to exchange that right for a right to acquire shares in ENEA S.A. free of charge up to 18 January 2008. Employee shares acquired by eligible employees of the Kozienice Power Station are not subject to the temporary lock-up and, on 21 January 2011, they were admitted and introduced into trading, which the Issuer announced in Current Report No. 3 of 19 January 2011. Eligible employees of the Kozienice Power Station were allocated 8,141,025 shares in ENEA S.A.

All the series B shares of ENEA S.A., numbering 41,638,955 shares, are designated for purposes associated with carrying out the process of transferring employee shares.

#### ***Changes in the Shareholding Structure***

On 30 March 2011, the Issuer received notification from the Minister of the State Treasury of an amendment in the total number of votes in ENEA S.A., pursuant to which, between 22 November 2010 and 22 March 2011, the State Treasury disposed of 4,463,978 shares constituting 1.01 per cent of the share capital of ENEA S.A. Information on the above change in the total number of votes in the Issuer was published in Current Report No. 14/2011 of 31 March 2011.

#### **Breakdown of shares in the Issuer or entitlements held by managers or supervisors of ENEA S.A.**

Name and surname	Position	Number of shares in ENEA S.A. held as at 1 March 2011	Number of shares in ENEA S.A. held as at 16 May 2011
Tadeusz Dachowski	Member of the Supervisory Board	4 440	4 440
Paweł Balcerowski	Member of the Supervisory Board	4 140	4 140
Mieczysław Pluciński	Member of the Supervisory Board	4 140	4 140
Maksymilian Górniaak	Member of the Management Board for Business Affairs	3 740	3 740

As at the publication date of this interim report, other persons managing or supervising the Company do not hold shares in ENEA S.A.

As at the publication date of this interim report, no members of ENEA S.A.'s Management and Supervisory Boards own shares in subsidiaries of ENEA S.A.

**V. Proceedings underway before courts, bodies appropriate for arbitration proceedings or public administration bodies:**

**a) proceedings concerning liabilities or receivables of the Issuer or its subsidiaries:**

As at the publication date of this report, no proceedings are underway to which ENEA S.A. or a subsidiary is a party and whose value amounts to 10 per cent or more of ENEA S.A.'s equity.

**b) two or more proceedings concerning liabilities or receivables whose total value constitutes at least 10 per cent of the equity of the Issuer:**

As at the publication date of this report, no proceedings are underway to which ENEA S.A. or a subsidiary is party and whose value would amount to 10 per cent or more of ENEA S.A.'s equity.

A description of pending proceedings to which ENEA S.A. or its Group companies are party is set out in Note 28.2-4 to the consolidated quarterly financial statements (page 36 of this report).

**VI. Information on significant transactions with affiliated entities**

In Q1 2011, the Group did not conclude significant transactions under non-market conditions with affiliated companies.

A description of other transactions concluded by the Issuer or its subsidiary with affiliated companies is set out in Note 24 to the consolidated quarterly financial statements (page 31 of this report).

**VII. Information on suretyships, credit or loans or guarantees granted**

During the reporting period, neither ENEA S.A. nor any of its subsidiaries granted any suretyships, credit, loans or guarantees – jointly to a single entity or a subsidiary of that entity, where the total value was equivalent to 10 per cent or more of the Company's equity.

**VIII. Other information which, in the Issuer's opinion, is significant for evaluating its employment, asset or financial position, its financial results or changes thereto, as well as information that is significant for evaluating the Issuer's ability to meet its obligations**

**Description of financial position – financial results for Q1 2011**

**Presentation of the financial position of the ENEA Capital Group**

**1. Financial results**

Consolidated income statement

Income statement in PLN '000	Q1 2010	Q1 2011	Change	Difference
Net sales revenue	2 021 380	2 472 230	122.3%	450 850

<b>Operating costs from sales</b>	<b>1 794 696</b>	<b>2 187 722</b>	<b>121.9%</b>	<b>393 026</b>
Other operating income	11 410	25 452	223.1%	14 042
Profit (loss) on sales and liquidation of property, plant and equipment	263	-291	-110.6%	-554
Other operating expenses	11 804	26 874	227.7%	15 070
<b>Operating profit (loss)</b>	<b>226 553</b>	<b>282 795</b>	<b>124.8%</b>	<b>56 242</b>
Finance costs	6 304	6 963	110.5%	659
Financial revenue	47 010	34 142	72.6%	-12 868
Share in the net (loss)/profit of affiliates accounted for using the equity method	4 725	1 872	39.6%	-2 853
<b>Profit (loss) before tax</b>	<b>271 984</b>	<b>311 846</b>	<b>114.7%</b>	<b>39 862</b>
Income tax	52 594	64 484	122.6%	11 890
<b>Net profit (loss) for the reporting period</b>	<b>219 390</b>	<b>247 362</b>	<b>112.7%</b>	<b>27 972</b>
<b>EBITDA</b>	<b>389 732</b>	<b>439 440</b>	<b>112.8%</b>	<b>49 708</b>

The Group's net revenues from sales in the reporting period amounted to PLN 2,472,230,000 which, in relation to Q1 2010, constituted a growth of PLN 450,850,000 or 22.3 per cent.

The table below shows the value and structure of revenue from sales attained in Q1 2011.

Item	Q1 2010		Q1 2011		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Revenue from the sale of electricity	1 287 438	63.7	1 720 393	69.6	133.6%	432 955
Revenue from the sale of distribution services	669 822	33.1	673 558	27.2	100.6%	3 736
Revenue from the sale of goods and materials	32 215	1.6	21 920	0.9	68.0%	-10 295
Revenue from the sale of other services	9 836	0.5	35 676	1.4	362.7%	25 840
Recovery of stranded costs	0	0.0	0	0.0	x	0
Revenue from the sale of thermal energy	22 069	1.1	20 683	0.9	93.7%	-1 386
<b>Total net sales revenue</b>	<b>2 021 380</b>	<b>100.0</b>	<b>2 472 230</b>	<b>100.0</b>	<b>122.3%</b>	<b>450 850</b>

The Group's revenue mainly comes from the sale of electricity and the sale of distribution services, which amount to 69.6 per cent and 27.2 per cent of total revenue, respectively.

Revenue from the sale of electricity amounted to PLN 1,720,393,000 in Q1 2011, and rose in relation to the previous year by 33.6 per cent. This stems mainly from a PLN 461,119,000 increase in the sale of electricity by the Kozienice Power Station to other recipients. At the same time, sales of electricity by ENEA S.A. to end users declined by PLN 41,745,000, mainly because of a 194 GWh drop in the volume of electricity, with an average reduction in price of 0.9 per cent. In addition, revenue from sales of electricity to other entities declined by PLN 15,406,000, mainly because of the volume of electricity sold declined by 88 GWh.

Revenue from the sale of distribution services in Q1 2011 amounted to PLN 673,558,000 and was at the same level as in the preceding year.

The PLN 10,295,000 decrease in sales of goods and materials was mainly due to:

- erroneously qualified revenue from other services and revenue from sales of goods and materials in ENEA S.A. in Q1 2010, which led to an inflation of revenue from sales of goods and materials in Q1 2010,
- an increase in external sales in the company BHU i Auto-Styl.

The increase of PLN 25,840,000 in revenue from sales of other services results from:

- erroneously qualified revenue from other services and revenue from sales of goods and materials in ENEA S.A. in Q1 2010, which led to a lowering of revenue from sales of other services in Q1 2010,

an increase in external revenue from the same in the companies Energobud Leszno, Eneos and Energomiar.

Revenue from the sale of thermal energy in Q1 2011 came to PLN 20,683,000 and amounted to 0.9 per cent of sales revenue. The drop in this revenue (a change of 93.7 per cent) was caused mainly by unfavourable atmospheric conditions in comparison with the previous year.

In Q1 2011, the total operating costs from sales amounted to PLN 2,187,722,000 and grew by 21.9 per cent relative to the previous year.

The table below shows the value and structure of the operating costs from sales generated in Q1 2011.

Item	Q1 2010		Q1 2011		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Amortisation and depreciation	163 179	9.1	156 645	7.2	96.0%	-6 534
Costs of employee benefits	227 255	12.7	225 795	10.3	99.4%	-1 460
Consumption of materials and raw materials and value of goods sold	368 056	20.5	361 077	16.5	98.1%	-6 979
Purchase of energy for sales purposes	730 275	40.7	1 134 437	51.9	155.3%	404 162
Transmission services	176 338	9.8	179 762	8.2	101.9%	3 424
Other external services	77 604	4.3	75 220	3.4	96.9%	-2 384
Taxes and charges	51 989	2.9	54 786	2.5	105.4%	2 797
<b>Total operating costs from sales</b>	<b>1 794 696</b>	<b>100.0</b>	<b>2 187 722</b>	<b>100.0</b>	<b>121.9%</b>	<b>393 026</b>

The largest items in the Capital Group's costs are, firstly, the cost of purchasing electricity and consumption of materials and, secondly, the value of goods sold, which constitute respectively 51.9 per cent and 16.5 per cent of the operating costs.

The purchase of energy for sales needs rose in Q1 2011 by PLN 1,134,437,000, an increase of 55.3 per cent over the previous year, and this was mainly caused by an increase in energy purchases on the external market. In Q1 2011, 66.9 per cent of revenue from sales of energy by the Kozienice Power Station was achieved under contracts with ENEA S.A., whereas this is currently 0. The fall in sales of electricity by the Kozienice Power Station to ENEA S.A. results from an amendment to the Energy Law concerning sales of electricity by power

stations in possession of settlements for stranded costs. Pursuant thereto, starting from 9 August 2010, electrical energy producers are obliged to carry out a public sale of energy. It should also be noted that the average price of electricity sold decreased by 1.7 per cent in relation to 2010.

In Q1 2011, the ENEA Capital Group attained an operating profit of PLN 282,795,000, which was higher than the result attained in the previous year by 24.8 per cent, i.e. by PLN 56,242,000. This was due to increased revenue from operations in the amount of PLN 464,892,000 with a simultaneous increase in operational costs of PLN 408,650,000.

Consolidated profits before tax in Q1 2011, i.e. after financial activities and the share in associated companies had been taken into account, amounted to PLN 311,846,000, an increase of PLN 39,862,000 or 14.7 per cent relative to the previous year. That stems mainly from a better operating performance and lower financial revenue, in particular revenue from investment in financial assets (bonds, treasury bills, term deposits). The net profit generated by the Group in Q1 2011 amounted to PLN 247,362,000 and was PLN 27,972,000, or 12.7 per cent, higher than the profit attained in the first quarter of the previous year.

## 2. Results of particular operational areas

Areas	Q1 2010		Q1 2011		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Trade	55 137	24.3	78 226	27.7	141.9%	23 089
Distribution	126 444	55.8	126 724	44.8	100.2%	280
Generation	69 719	30.8	106 015	37.5	152.1%	36 296
Other operations	4 924	2.2	1 555	0.5	31.6%	-3 369
Disconnections	-4 689	-2.1	-7 624	-2.7	162.6%	-2 935
Unattributed Capital Group costs (costs of management)	-24 982	-11.0	-22 101	-7.8	88.5%	2 881
<b>Operating profit (loss)</b>	<b>226 553</b>	<b>100.0</b>	<b>282 795</b>	<b>100.0</b>	<b>124.8%</b>	<b>56 242</b>

**The growth in the Trade operational area** is caused by an increase in the margin and coverage by PLN 26,752,000. In Q1 2011, in order to meet the obligation of purchasing and cancelling property rights, and in connection with an insufficient number of property rights in the register, a provision was created which was larger than that in Q1 2010. After cancelling those rights by the ERO, a provision previously established was dissolved, which caused a reduction in the costs of purchases.

**The growth in the Generation operating area** is caused by an increase in revenue from sales of electricity, mainly from trading, but also under a concession for generation. It is also caused by an increase in revenue from energy certificates of origin obtained in the Kozienice Power Station. In Q1 2011, the Kozienice Power Station

generated less energy than in the previous year, and significantly increased the volume of transactions involving trading in electricity. In the company Elektrownie Wodne, an increase in electricity production (due to better hydrological conditions) and a rise in sales prices resulted in increased revenue from sales of electricity and revenue from certificates of origin.

**The decline in the Other Operations operational area** results from a lower result from non-concessioned services by ENEA Operator and a lower result from maintenance of street lighting in ENEA S.A.

**The decline in management costs** results mainly from fewer costs being incurred for external services relating to marketing activities.

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

Consolidated balance sheet

<b>Total assets in PLN '000</b>	<b>As at:</b>		<b>Change</b>	<b>Difference</b>
	<b>31 Dec.</b>	<b>31 March</b>		
	<b>2010</b>	<b>2011</b>		
<b>Non-current assets</b>	<b>8 737 868</b>	<b>8 741 061</b>	<b>100.0%</b>	<b>3 193</b>
Tangible assets	8 308 650	8 290 132	99.8%	-18 518
Perpetual usufruct right	29 208	30 982	106.1%	1 774
Intangible assets	145 141	155 847	107.4%	10 706
Investment properties	8 203	8 319	101.4%	116
Investments in associated entities, accounted for using the equity method	170 220	172 092	101.1%	1 872
Financial assets held for sale	74 867	82 124	109.7%	7 257
Financial assets valued at fair value by the income statement	1 411	1 409	99.9%	-2
Trade and other receivables	168	156	92.9%	-12
<b>Current assets</b>	<b>4 098 837</b>	<b>4 068 690</b>	<b>99.3%</b>	<b>-30 147</b>
Inventories	242 058	248 544	102.7%	6 486
Trade and other receivables	922 460	947 400	102.7%	24 940
Current income tax assets	1 819	19 324	1062.3%	17 505
Held-to-maturity investments	250 934	469 696	187.2%	218 762
Financial assets valued at fair value by the income statement	1 781 939	1 470 769	82.5%	-311 170
Cash and cash equivalents	899 627	912 957	101.5%	13 330
<b>Total assets</b>	<b>12 836 705</b>	<b>12 809 751</b>	<b>99.8%</b>	<b>-26 954</b>

<b>Total equity and liabilities in PLN '000</b>	<b>As at:</b>		<b>Change</b>	<b>Difference</b>
	<b>31 Dec.</b>	<b>31 March</b>		
	<b>2010</b>	<b>2011</b>		
<b>Total equity</b>	<b>9 876 471</b>	<b>10 129 826</b>	<b>102.6%</b>	<b>253 355</b>
Share capital	588 018	588 018	100.0%	0
Share premium	3 632 464	3 632 464	100.0%	0
Share based payments reserve	1 144 336	1 144 336	100.0%	0
Financial instruments revaluation reserve	50 922	56 915	111.8%	5 993
Other reserves	-22 110	-22 110	100.0%	0
Retained earnings	4 458 944	4 705 383	105.5%	246 439
Minority interest in equity	23 897	24 820	103.9%	923
<b>Total liabilities</b>	<b>2 960 234</b>	<b>2 679 925</b>	<b>90.5%</b>	<b>-280 309</b>
Non-current liabilities	1 373 976	1 405 960	102.3%	31 984
Current liabilities	1 586 258	1 273 965	80.3%	-312 293
<b>Total equity and liabilities</b>	<b>12 836 705</b>	<b>12 809 751</b>	<b>99.8%</b>	<b>-26 954</b>

As at 31 March 2011, the balance sheet total of the ENEA Capital Group amounted to PLN 12,809,751,000, a decrease of PLN 26,954,000 or 0.2 per cent relative to that as at 31 December 2010.

As at 31 March 2011, non-current assets amounted to PLN 8,741,061,000, a level close to that at the end of the previous year.

As at the end of March 2011, current assets amounted to PLN 4,068,690,000, a decrease relative to 2010 of PLN 30,147,000 (0.7 per cent). In current assets, financial assets valued at fair value by the income statement declined as a result of the dissolution of the 3-month term deposit and its transfer to cash resources in ENEA S.A. Moreover, held-to-maturity investments in the Kozienice Power Station increased because more cash resources were held with a period to maturity of more than 3 months. In addition, trade and other receivables increased. This was caused by a higher level of intra-Group receivables at the end of 2010, and current income tax assets in ENEA S.A.

The dominant source of financing the assets of the Group is equity, which at the end of March 2011 amounted to PLN 10,129,826,000 and increased by PLN 253,355,000 or 2.6 per cent since the end of December 2010, i.e. by the profit earned in Q1 2011.

The value of the Group's non-current liabilities as at 31 March 2011 amounted to PLN 1,405,960,000, an increase of PLN 31,984,000 or 2.3 per cent relative to the balance at the end of 2010. This is primarily due to an increase in the state of credit and loans in Elektrownie Wodne in connection with a loan from NFOSiGW for the construction of MEW Oborniki, and with a bonds issue for financing a transfer of rights and obligations in the company Elektrownia Wiatrowe sp. komandytowa.

Current liabilities were at a level of PLN 1,273,965,000, having decreased by PLN 312,293,000 (19.7 per cent) relative to the previous year, mainly in connection with a drop in liabilities from goods and services and other liabilities, which is connected with a reduction in investment-related liabilities. Additionally, liabilities from current income tax were down in connection with a settlement of advances and payment of the remaining part of CIT for 2010 in the Kozienice Power Station. Liabilities from employee benefits in ENEA Operator and the Kozienice Power Station also decreased, as did settlements of income from subsidies and connection fees in ENEA Operator, and the provision for energy certificates of origin in ENEA S.A.

#### 4. Cash

Consolidated cash flow statement

Cash flow statement in PLN '000	As at		Change	Difference
	31 March 2010	31 March 2011		
Net cash generated from operating activities	328 048	272 887	83.2%	-55 161
Net cash flows from investment activities	-328 612	-254 410	77.4%	74 202
Net cash flows from financing activities	-4 317	-5 147	119.2%	-830
Net increase (decrease) in cash and cash equivalents	-4 881	13 330	-273.1%	18 211
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>897 662</b>	<b>912 957</b>	<b>101.7%</b>	<b>15 295</b>

The balance of cash and cash equivalents of the ENEA Capital Group at the end of March 2011 amounted to PLN 912,957,000, an increase of PLN 15,295,000 relative to the amount achieved as at the end of March 2010 (PLN 897,662,000).

Operating cash flows amounted to PLN 272,887,000 at the end of March 2011, a decrease of PLN 55,161,000 relative to the end of March 2010 (PLN 328,048,000). This decrease was due mainly to growth in inventories, a drop in liabilities for employee benefits, and a drop in provisions against energy certificates in comparison to the changes that took place in Q1 2010. There was also an increase in trade receivables, but to a much lesser degree than in Q1 2010.

Cash flows from investment activities amounted to PLN -254,410,000 at the end of March 2011, changing by 74,202,000 in comparison with the end of March 2010, when they were PLN -328,612,000. This was mainly due to increased inflows from disposals of financial assets in which funds obtained in the share issue of 2008 had been held.

Cash flow on financial operations amounted to negative PLN 5,147,000 at the end of March 2011, compared to negative PLN 4,317,000 at the end of March 2010. This change (negative PLN 830,000) was caused mainly by increased outlays relating to the payment of financial leasing liabilities.

## 5. Ratio analysis

### Financial ratios

Item	Perf.	Perf.
	Q1 2010	Q1 2011
<b>PROFITABILITY RATIOS</b>		
<b>ROE - return on equity</b>		
gross profit (loss)	11.3%	12.3%
equity		
<b>ROA - return on assets</b>		
operating profit (loss)	7.3%	8.8%
total assets		
<b>Net profitability</b>		
net profit (loss)	10.9%	10.0%
sales revenue		
<b>Operating profitability</b>		
operating profit (loss)	11.2%	11.4%
sales revenue		
<b>EBITDA</b>		
operating profit (loss) + amortisation and depreciation	19.3%	17.8%
sales revenues		
<b>LIQUIDITY AND FINANCIAL STRUCTURE RATIOS</b>		
<b>Current ratio</b>		
current assets	3.1	3.2
current liabilities		
<b>Equity-to-fixed assets ratio</b>		
equity	115.2%	115.9%
tangible assets		
<b>Total debt ratio</b>		
total liabilities	22.3%	20.9%
total assets		
<b>ECONOMIC ACTIVITY RATIOS</b>		
<b>Current receivables turnover in days</b>		
average net trade and other receivables x number of days	43	34
sales revenues		

<b>Turnover of trade and other liabilities in days</b>			
average trade and other liabilities x number of days		58	44
cost of products, goods and materials sold			
<b>Inventory cycle in days</b>			
average inventory x number of days		17	12
cost of products, goods and materials sold			

In the first quarter of 2011, the ENEA Capital Group achieved a positive financial result and positive profitability ratios. EBITDA was 17.8 per cent, at a lower level than in Q1 2010 (19.3 per cent).

The net profitability achieved by the Group in Q1 2011 was 10.0 per cent, a decrease relative to the profitability achieved in Q1 2010 of 0.9 percentage points (from 10.9 per cent).

There was also an increase in the efficiency of the Group's operations, measured by the ROE and ROA business activity ratios. ROE in Q1 2010 was 11.3 per cent, and increased in Q1 2011 to 12.3 per cent as a result of a higher pre-tax profit earned in Q1 2011 relative to the previous year. The ROA ratio increased from 7.3 per cent in Q1 2010 to 8.8 per cent in Q1 2011 as a consequence of the achievement of a higher operating profit.

The ENEA Capital Group is able to settle its current liabilities on time, which is confirmed by the level of the current liquidity ratio, which was 3.2 in Q1 2011. That figure is the result of the high level of current assets due to the investment of funds obtained from the 2008 issue of shares on the Warsaw Stock Exchange in financial assets.

The receivables turnover calculated as at 31 March 2011 was at a level lower than that for the previous years, at 34 days, resulting from a level of trade receivables at the end of Q1 2011 which was lower than that at the end of Q1 2010. At 31 March 2011, however, the liabilities turnover was 44 days, 14 days longer than in the previous year, in connection with fewer trade liabilities at the end of March 2011 than at the end of March 2010. Please note that a correct relationship was maintained between the receivables and payables turnover rates (liabilities are settled after receivables are obtained), which in turn has a beneficial effect on the Group's financial liquidity. The inventory cycle reached a level of 12 days in Q1 2011, 5 days less than in the previous year, which was the result of a lower level of inventories in Q1 2011 in comparison with Q1 2010, and the high level of inventories held at the end of 2009.

As at the end of March 2011, the general indebtedness ratio amounted to 20.9 per cent and was at a lower level than at the end of the previous year. As at 31 March 2011, the equity-to-fixed assets ratio amounted to 115.9 per cent (compared to 115.2 per cent as at 31 March 2010).

### **Financial results of ENEA S.A. in Q1 2011 as compared to Q1 2010**

#### **1. Income statement of ENEA S.A.**

<b>data in PLN '000</b>	<b>Performance</b>		<b>Change</b>	<b>Difference</b>
	<b>Q1 2010</b>	<b>Q1 2011</b>		
Sales revenue	1 801 816	1 608 175	89.3%	-193 641

Excise duty	73 421	57 790	78.7%	-15 631
Net sales revenue	1 728 395	1 550 385	89.7%	-178 010
Other operating income	1 151	4 337	376.8%	3 186
Operating costs from sales	1 692 052	1 491 717	88.2%	-200 335
Other operating expenses	5 658	6 489	114.7%	831
Profit (loss) on sales of non-current assets	-285	112	-39.4%	397
<b>Operating profit</b>	<b>31 551</b>	<b>56 628</b>	<b>179.5%</b>	<b>25 077</b>
Financial revenue	36 262	23 752	65.5%	-12 510
Finance costs	1 524	1 718	112.8%	194
<b>Gross profit</b>	<b>66 289</b>	<b>78 662</b>	<b>118.7%</b>	<b>12 373</b>
<b>Net profit</b>	<b>53 748</b>	<b>61 821</b>	<b>115.0%</b>	<b>8 074</b>
<b>EBIDTA</b>	<b>36 203</b>	<b>61 009</b>	<b>168.5%</b>	<b>24 806</b>

## 2. Sales revenue

ENEA S.A. gross revenue from sales in the reporting period amounted to PLN 1,608,175,000, which in relation to Q1 2010 constituted a decrease of PLN 193,641,000, or 10.7 per cent.

The table below shows the value of sales revenue generated in Q1 2011.

data in PLN '000 (according to SAP)	Performance		Change	Difference
	Q1 2010	Q1 2011		
<b>Sales revenue</b>	<b>1 801 816</b>	<b>1 608 175</b>	<b>89.3%</b>	<b>-193 641</b>
including:				
Revenue from sales of electricity and distribution services to end users	1 653 493	1 540 043	93.1%	-113 450
including:				
Sales of electricity to end users	1 118 811	1 077 066	96.3%	-41 745
Sales of distribution services to users holding comprehensive agreements	534 660	462 978	86.6%	-71 682
Sales of electricity to cover balancing differences and own needs	76 263	0	0.0%	-76 263
Sales of electricity to other entities	50 240	34 834	69.3%	-15 406
Sales of services	13 465	12 657	94.0%	-808
Other revenue	8 355	20 641	247.0%	12 286

The decrease in ENEA S.A.'s sales revenue was caused mainly by:

- revenue from the sale of electricity to end users, which constitutes 67.0 per cent of all sales revenues. In Q1 2011, that revenue amounted to PLN 1,077,066,000, a decrease of PLN 41,745,000 or 3.6 per cent over the same period of the preceding year, which in turn stemmed from sold electricity volumes declining by 194

GWh and a 0.9 per cent decrease in the average sale price. The most significant decreases in the volume of electricity sold (by 106 GWh) and average sales price (by 0.32 per cent) were noted for customers in tariff group set C. Meanwhile, in tariff group sets A and B there was a drop in volume of 81 GWh and in the average sale price of 2.3 per cent. In tariff group set G, sales volume went down slightly, but there was an increase in value of 7.6 per cent and the average sale price in that tariff group set increased by 8.2 per cent.

- revenue from sales of distribution services to users holding comprehensive agreements, which constitute 28.8 per cent of all sales revenue. In Q1 2011 these revenues amounted to PLN 462,978,000, and were lower than in the same period of the preceding year by PLN 71,682,000 or 13.4 per cent. The decline in that revenue resulted chiefly from the recategorisation of comprehensive agreements into energy sales and distribution services agreements. The process is the result of growing competition on the market, which increases the importance of commercial services for customers. When providing comprehensive services, these are often considered secondary because of the much more serious problems involved in delivering distribution services (power excesses, breached quality standards, etc.). In addition, such a decrease in sales revenue also reflects the fact that some recipients connected to the ENEA Operator Sp. z o.o. network changed their seller, while on the other hand ENEA S.A. acquired new clients from the territories of other DSOs. The diminishing volume of the distribution services provided under comprehensive packages is a natural process and will intensify in the future.
- Sales of electricity to cover balancing differences in the previous year concerned agreements concluded with ENEA Operator which were not concluded in the current year.
- Revenue from electricity sales to other entities amounted to PLN 34,834,000, a reduction of PLN 15,406,000 or 30.7 per cent in comparison with Q1 2010, which stemmed mainly from an 88 GWh drop in the amount of electricity sold.

### **3. Operating costs from sales**

In Q1 2011, ENEA S.A.'s total operating costs from sales amounted to PLN 1,491,717,000, decreasing by PLN 200,335,000 or 11.8 per cent in relation to the same period of the previous year.

The table below shows the value of operating costs from sales generated in Q1 2011.

<b>data in PLN '000</b>	<b>Performance</b>		<b>Change</b>	<b>Difference</b>
	<b>Q1 2010</b>	<b>Q1 2011</b>		
Costs of electricity for resale	1 102 400	967 504	87.8%	-134 896
including: purchase of certificates of origin	140 922	124 627	88.4%	-16 296
value of unbalanced energy	0	8 840	x	8 840
Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	537 671	468 962	87.2%	-68 709
Depreciation and amortisation of fixed and intangible assets	4 652	4 381	94.2%	-271

Consumption of materials and energy and cost of sold materials	1 013	1 267	125.1%	254
Other external services	31 772	29 365	92.4%	-2 407
Costs of employee benefits	11 127	16 825	151.2%	5 698
Taxes and charges	3 417	3 413	99.9%	-4
<b>Operating costs from sales</b>	<b>1 692 052</b>	<b>1 491 717</b>	<b>88.2%</b>	<b>-200 335</b>

Differences in the costs of sales borne by ENEA S.A. are mainly a result of:

- the costs of electricity for resale, which amounted to PLN 967,504,000, a reduction of PLN 134,896,000 or 12.2 per cent in comparison with Q1 2010, mainly as a result of a decrease in the volume of purchased electricity by 860 GWh in connection with reduced customer demand for electricity and a lack of purchases of electricity to cover balancing differences for ENEA Operator. At the same time, in Q1 2011, in order to meet the obligation of purchasing and cancelling property rights, and in connection with the insufficient amount of property rights in the register, a provision was created for certificates of origin which was larger than that in Q1 2010. After cancelling those rights by the ERO at the end of March 2011, a provision previously established was dissolved, which caused a reduction in the costs of purchases.
- In Q1 2011, the costs of distribution services under comprehensive agreements amounted to PLN 468,962,000, a reduction of PLN 68,709,000 or 12.8 per cent in comparison with Q1 2010. This stemmed mainly from a drop in sales of distribution services to end users holding comprehensive agreements.
- In Q1 2011, those costs reached PLN 16,825,000 and rose by PLN 5,698,000, i.e. by 51.2 per cent, mainly due to growth in payroll with surcharges by PLN 5,024,000 following the increase of the average employment from 325.34 FTEs in Q1 2010 to 526.58 FTEs in Q1 2011. As a result of amendments to the Energy Law, in March 2010 ENEA S.A. took over customer service activities from ENEA Operator, together with the employees engaged in these tasks. At the same time, the growth in those costs was affected by the increased scale of training for company employees.
- The costs of other external services amounted to PLN 29,365,000, a decrease of PLN 2,407,000 or 7.6 per cent in comparison with the same period in the preceding year. This was caused by lower costs of marketing activities.

#### **4. Financial results**

The table below shows the value of the financial results achieved by ENEA S.A. in Q1 2011.

data in PLN '000	Performance		Change	Difference
	Q1 2010	Q1 2011		
Operating profit	31 551	56 628	179.5%	25 077
Gross profit	66 289	78 662	118.7%	12 373
Net profit	53 748	61 821	115.0%	8 074

In Q1 2011, ENEA S.A. attained an operating profit of PLN 56,628,000 which was higher than the result attained in the same period of the previous year by 79.5 per cent, i.e. by PLN 25,077,000. This was due to a

drop in revenue from operations in the amount of PLN 174,824,000 with a simultaneous decrease in operational costs of PLN 199,901,000.

Profits before tax, i.e. after financial activities had been taken into account, amounted in Q1 2011 to PLN 78,662,000 and constituted an increase of PLN 12,373,000 or 18.7 per cent relative to the previous year. That was mainly the result of lower financial revenues from changes in the fair value of financial instruments (by PLN 11,961,000).

The net profit generated by ENEA S.A. in Q1 2011 amounted to PLN 61,821,000 and was higher by PLN 8,074,000 or 15.0 per cent than the profit attained in the same period of the preceding year.

**Financial results of ENEA Operator in Q1 2011 as compared to  
Q1 2010**

**1. Income statement of ENEA Operator**

data in PLN '000	Performance		Change	Difference
	Q1 2010	Q1 2011		
Sales revenue	694 827	697 302	100.4%	2 475
Operating costs from sales	570 858	577 135	101.1%	6 277
Other operating income	5 088	15 488	304.4%	10 401
Other operating expenses	3 564	9 221	258.7%	5 657
Profit (loss) on sales and liquidation of tangible fixed assets	597	-336	-56.3%	-933
<b>Operating profit (loss)</b>	<b>126 090</b>	<b>126 098</b>	<b>100.0%</b>	<b>9</b>
Financial revenue	2 182	1 898	87.0%	-284
Finance costs	2 689	2 820	104.9%	131
<b>Gross profit (loss)</b>	<b>125 583</b>	<b>125 176</b>	<b>99.7%</b>	<b>-407</b>
<b>Net profit (loss)</b>	<b>100 939</b>	<b>101 140</b>	<b>100.2%</b>	<b>201</b>
<b>EBITDA</b>	<b>218 316</b>	<b>213 580</b>	<b>97.8%</b>	<b>-4 736</b>

**2. Sales revenue**

ENEA Operator's revenue from sales in the reporting period amounted to PLN 697,302,000, which in relation to Q1 2010 constituted a growth of PLN 2,475,000 or 0.4 per cent.

The table below shows the value of the sales revenue generated in Q1 2011.

data in PLN '000	Performance		Change	Difference
	Q1 2010	Q1 2011		
<b>Sales revenue</b>	<b>694 827</b>	<b>697 302</b>	<b>100.4%</b>	<b>2 475</b>
including:				
Revenues from sales of electricity and distribution	627 530	640 622	102.1%	13 092

services to end users, including:				
comprehensive agreements	534 657	462 980	86.6%	-71 677
other agreements	92 873	177 642	191.3%	84 769
Revenues from additional fees	723	832	115.0%	109
Sales of distribution services in the WO and DO settlement system	4 333	5 074	117.1%	742
Fees for customer grid connection	21 611	18 395	85.1%	-3 216
Revenues from the illegal collection of electricity	1 630	1 968	120.7%	338
Revenues from services	24 484	23 288	95.1%	-1 196
Sales of distribution services to other entities	4 921	6 018	122.3%	1 097
Sales of goods and services and other revenues	9 595	1 105	11.5%	-8 490

ENEA Operator's sales revenues increased mainly due to:

- revenues from the sale of distribution services, which constitute 91.9 per cent of all sales revenues. In Q1 2011 these revenues amounted to PLN 640,622,000 and were higher than in the same period of the preceding year by PLN 13,092,000 or 2.1 per cent. The level of those revenues was influenced mainly by an increase in the amount of electricity supplied to end users, by 63 GWh, with a simultaneous increase in the average sale price of distribution services of 0.7 per cent.
- Revenue from the sale of distribution services to other entities amounted to PLN 6,018,000, an increase of PLN 1,097,000 in comparison with Q1 2010, which stemmed mainly from a rise in the amount of electricity sold by 9 GWh and an increase of 15.8 per cent in the average price of services sold.
- Sales of goods and materials and other revenue were PLN 1,105,000 in Q1 2011, PLN 8,490,000 less than in Q1 2010, as a result of lower revenue from the balancing market, in which the Company is a direct participant.
- Revenue from network connection fees amounted to PLN 18,395,000 in Q1 2011, a decrease of PLN 3,216,000, which stemmed from crediting connections of a lower value to assets.

### **3. Operating costs from sales**

In 2010, ENEA Operator's total operating costs from sales amounted to PLN 577,135,000 and increased by PLN 6,277,000 or 1.1 per cent relative to the previous year.

The table below shows the value of operating costs from sales generated in Q1 2011.

data in PLN '000	Performance		Change	Difference
	Q1 2010	Q1 2011		
<b>Operating cost from sales</b>	<b>570 858</b>	<b>577 135</b>	<b>101.1%</b>	<b>6 277</b>
including:				
Depreciation and amortisation of fixed and intangible assets	92 226	87 482	94.9%	-4 744

Costs of employee benefits	130 980	124 190	94.8%	-6 790
Consumption of materials and energy and cost of sold materials	103 066	111 123	107.8%	8 057
including: purchase of electricity to cover balancing differences	87 912	94 021	106.9%	6 109
Costs of transmission services	174 065	179 289	103.0%	5 224
Other external services	39 516	42 966	108.7%	3 450
Taxes and charges	31 005	32 085	103.5%	1 080

Differences in the costs of sales borne by ENEA Operator are mainly a result of:

- costs of materials and energy used, as well as the value of goods sold, which amounted to PLN 111,123,000 and increased by PLN 8,057,000 or 7.8 per cent, mainly as a result of higher costs of purchased electricity for covering balancing differences. This was prompted by an increase of 5.3 per cent in the average price of electricity purchased and an increase of 8 GWh in the amount of electricity purchased.
- The costs of transmission services amounted to PLN 179,289,000, an increase of PLN 5,224,000 or 3.0 per cent, due mainly to a 5.0 per cent increase in the average price of services purchased, together with a drop in the amount of energy supplied from the LV network and distribution companies of 102 GWh or 2.7 per cent.
- In Q1 2011, the costs of employee benefits reached PLN 124,190,000, a reduction of PLN 6,790,000 or 5.2 per cent, mainly due to a 5.8 per cent decrease in the personnel fund together with surcharges, as a result of a decrease in average full-time employment, from 5,750.76 FTEs in Q1 2010 to 5,542.70 FTEs in Q1 2011. As a result of amendments to the Energy Law, in March 2010 ENEA S.A. took over customer service activities from ENEA Operator together with the employees engaged in these tasks.

### **Financial results of Kozienice Power Station in Q1 2011 as compared to Q1 2010**

#### **1. Income statement of Kozienice Power Station**

data in PLN '000	Performance		Change	Difference
	Q1 2010	Q1 2011		
Sales revenue	575 703	675 610	117.4%	99 907
Excise duty	7	7	100.0%	0
Net sales revenue	575 696	675 603	117.4%	99 907
Operating costs from sales	512 265	574 097	112.1%	61 832
Other operating income	4 372	3 236	74.0%	-1 136
Other operating expenses	2 042	9 483	464.4%	7 441
Profit (loss) on sales and liquidation of property, plant and equipment	-50	9	-18.0%	59
<b>Operating profit (loss)</b>	<b>65 711</b>	<b>95 268</b>	<b>145.0%</b>	<b>29 557</b>
Financial revenue	6 206	6 957	112.1%	751
Finance costs	1 476	1 994	135.1%	518

<b>Gross profit (loss)</b>	<b>70 441</b>	<b>100 231</b>	<b>142.3%</b>	<b>29 790</b>
<b>Net profit (loss)</b>	<b>56 493</b>	<b>79 708</b>	<b>141.1%</b>	<b>23 215</b>
<b>EBITDA</b>	<b>125 705</b>	<b>153 512</b>	<b>122.1%</b>	<b>27 807</b>

## 2. Sales revenue

The Kozienice Power Station's gross revenue from sales in the reporting period amounted to PLN 675,610,000 which, in relation to Q1 2010, constituted an increase of PLN 99,907,000, or 17.4 per cent.

The table below shows the value of sales revenues generated in 2010.

<b>data in PLN '000</b>	<b>Performance</b>		<b>Change</b>	<b>Difference</b>
	<b>Q1 2010</b>	<b>Q1 2011</b>		
<b>Gross sales revenues</b>	<b>575 703</b>	<b>675 610</b>	<b>117.4%</b>	<b>99 907</b>
including:				
Revenues from the sale of electricity, including:	562 541	647 487	115.1%	84 946
agreements with ENEA S.A.	376 173	0	0.0%	-376 173
other agreements	186 368	647 487	347.4%	461 119
Revenues from compensation for stranded costs	0	0	x	0
Revenue from the sale of certificates of origin	8 668	23 786	274.4%	15 118
Revenue from the sale of heat	1 999	1 873	93.7%	-126
Revenue from the sale of services	1 121	1 141	101.8%	20
Revenue from the sale of goods and materials	1 374	1 324	96.3%	-50

Differences in the sales revenue of the Kozienice Power Station are mainly a result of:

- Revenue from sales of electricity, which comprise 95.8 per cent of sales revenue, amounted in Q1 2011 to PLN 647,487,000. That was PLN 84,946,000 or 15.1 per cent more than in the same period of the previous year, due to an increase of PLN 461,119,000 in sales of electricity to other customers, i.e. to companies holding a concession for trading in electricity. As of 9 August 2010, under an amendment to the Energy Law, the Kozienice Power Station must sell electricity publicly, and therefore in 2011 no sales are being made to ENEA S.A. In Q1 2011, the volume of electricity sold was 3,239 GWh, which was 329 GWh more than in Q1 2010. At the same time, the average price of electricity sold went up by 3.6 per cent.
- Revenue from sales of certificates of origin was PLN 15,118,000 greater than in Q1 2010, due to an increase of 53 GWh in the production of energy from renewable sources, namely biomass.

## 3. Operating costs from sales

In Q1 2011, the Kozienice Power Station's total operating costs from sales amounted to PLN 574,097,000, an increase of PLN 61,832,000 or 12.1 per cent relative to the same period of the previous year.

The table below shows the value of operating costs from sales generated in Q1 2011.

data in PLN '000	Performance		Change	Difference
	Q1 2010	Q1 2011		
<b>Operating cost from sales</b>	<b>512 265</b>	<b>574 097</b>	<b>112.1%</b>	<b>61 832</b>
including:				
Depreciation and amortisation of fixed and intangible assets	59 994	58 244	97.1%	-1 750
Costs of employee benefits	58 652	56 847	96.9%	-1 805
Consumption of materials and raw materials and value of goods sold	321 370	310 103	96.5%	-11 267
Costs of purchases for resale	21 951	105 921	482.5%	83 970
Costs of transmission services	678	628	92.6%	-50
Other external services	32 913	26 067	79.2%	-6 846
Taxes and charges	16 707	16 287	97.5%	-420

Differences in the costs incurred by the Kozienice Power Station are mainly a result of:

- the costs of purchases for resale, which were PLN 105,921,000, an increase of PLN 83,970,000, in connection with an increase in the volume of energy sold under trading concessions. That situation was caused by an increase in the amount of activity under concessions for trading in electricity.
- costs of materials and energy used, as well as the value of goods sold, which amounted to PLN 310,103,000 and decreased by PLN 11,267,000 or 3.5 per cent. That situation resulted from a decrease in the costs of coal consumption (by PLN 36,006,000) as a result of lower electricity production, and a reduction in the price of coal (the average price of coal used declined by 3.8 per cent). At the same time, there was an increase in the cost of biomass consumed, by PLN 14,810,000, stemming from a 53 GWh increase in production from biomass and a 12.7 per cent increase in the average cost of biomass (together with transport). In addition, the costs of other materials decreased (by PLN 11,707,000), stemming mainly from higher costs of CO<sub>2</sub> emissions entitlements.
- the costs of other external services amounted to PLN 26,067,000, a decrease of PLN 6,846,000 or 20.8 per cent in comparison with the preceding year, which was mainly caused by lower costs of transporting coal (by PLN 5,331,000) and costs of renovations (by PLN 705,000).
- the costs of employee benefits in Q1 2011 were PLN 56,847,000, a decline of PLN 1,805,000 or 3.1 per cent. This was caused mainly by a reduction in provisions of PLN 5,552,000, mainly for: quarterly and annual bonuses and an award for Energy Day (PLN 2,344,000), pension benefits (PLN 1,514,000), energy equivalents (PLN 919,000), and a write-down from the Company Social Benefits Fund for pensioners (PLN 629,000). Moreover, there was a growth in the personnel fund together with public charges of 5.5 per cent (changes to base pay as from 1 March 2010) and a write-down from the Social Benefits Fund.

## **Other significant information**

Irrespective of the information provided above or in the remaining parts of the quarterly report, in the opinion of the Management Board the following information regarding ENEA S.A. should be borne in mind:

### ***Strong market position***

We have a strong market position in Poland in all segments of the electrical power market, in which we conduct operations. We are among the four largest entities in Poland in the electricity generation, distribution and trade sector.

### ***Effective generation assets***

Elektrownia "Kozienice" S.A., which forms part of the Capital Group, has one of the most efficient coal-fired power plants in Poland. It has updated generation units that produce electricity respecting the natural environment surrounding the company's facilities and in observance of environmental protection standards.

Our operations significantly affect the environment and require a number of approvals for the use of environmental resources. The Kozienice Power Station holds integrated permits which we obtained by virtue of a decision of the Governor of Mazowieckie Province of 20 December 2005, as amended. The main impact of Elektrownia "Kozienice" S.A. on the environment relates to emitting pollutants into the atmosphere, storing burner waste, drawing water, and disposing of sewage. The most harmful pollutants emitted into the atmosphere include sulphur dioxide, nitric oxide, dust, and carbon dioxide.

In Q1 2011, the emissions of pollutants were as follows:

- SO<sub>2</sub> - 8,135 Mg
- NOx - 4,964 Mg
- ash - 245 Mg
- CO - 244 Mg
- CO<sub>2</sub> - 2,462,327 Mg
- waste (mixture of ash and slag) - 102,099 Mg.

The above pollutants were emitted within the permitted monthly and 48-hour emission concentration levels set out in the integrated permit. The emission was also such as to allow the annual and mass levels to be maintained.

### **Reduction in emissions of pollutants**

The power station restricts emissions of pollutants through the proper use of environmental protection equipment. Levels of particulate pollutants are reduced through the use of high-efficiency electrostatic precipitators (ESP) and desulphurisation (scrubber) units which ensure a second degree of de-ashing. At present, the second stage of work on these installations is underway – the ESP on the 500-MW Unit 10 was replaced in 2010, and the ESP on the 200-MW Unit 4 will be replaced in 2011. A reduction in carbon dioxide emissions is ensured through the use of three high-efficiency scrubber units covering a total installed capacity of 1920 MWe. These units ensure that the currently binding standards are met. Compliance with the currently binding NOx emission levels is ensured through the use of primary low-emission burners installed in previous years. In the near future, the power station plans continued investments which will enable emission levels to be reduced to

those targeted for after the year 2015.

### **Waste management**

In respect of waste management, the power station carries out activities aimed at maximising its use of the waste it produces. In the first quarter of 2011, more than 50.5 per cent of boiler waste and about 95 per cent of the gypsum resulting from the desulphurisation of emissions was utilised. The power station systematically monitors the environment around its stockpile. In addition, secondary ash from the stockpile is limited – by spraying with membrane-forming substances and sprinkling or flooding fields.

### **Fuel management**

In Q1 2011, the following companies were the main suppliers of power coal to the Kozienice Power Station: LW Bogdanka S.A., Katowicki Holding Węglowy S.A., Kompania Węglowa S.A. and Jastrzębska Spółka Węglowa S.A., with more than 50 per cent of supplies being provided by LW Bogdanka S.A.

As a result of adapting Polish legislation to the requirements of the Directives of the European Parliament and of the Council of Europe, the Kozienice Power Station fulfils obligations resulting from the implementation of:

- the CO<sub>2</sub> emissions trading scheme,
- the production of energy from renewable sources,
- the generation of electricity.

To meet the needs of emissions trading, CO<sub>2</sub> emissions are monitored using our own certified chemical laboratory (launched in 2008).

The solid biomass co-combustion installation makes it possible to produce electricity from renewable energy sources. In 2011, the Company plans to complete the construction of a liquid biomass co-combustion installation.

In Q1 2011, the Company co-fired 47,503.2 tonnes of biomass. Such a quantity of biomass results in 78,893.3 tonnes of carbon dioxide emissions being ‘avoided’. The value of the entitlements corresponding to emissions avoided is approximately PLN 4,674,000 (average quarterly exchange rate: EUA = EUR 14.81/Mg; EUR 1 = PLN 4).

<b>Amount of biomass fired at Kozienice Power Station</b> (in tonnes)		
<b>period</b>	<b>2010</b>	<b>2011</b>
Q1	18 260	47 503

As a result of updating the spark ignition turbine engines in the 200 MW and 500 MW units, we effectively reduced coal consumption, thus reducing the levels of carbon dioxide released into the atmosphere.

### **New supercritical power unit with a capacity of up to 1,000 MW**

The Kozienice Power Station is one of Poland's first power plants to take action to develop a new supercritical power unit with a capacity of up to 1,000 MW. To this end, in 2008 ENEA S.A. and the Kozienice Power Station established the special purpose vehicle Kozienice II Sp. z o.o., whose primary objective was to prepare the investment and to develop the new power unit using bituminous coal as the primary fuel. On 30 March 2011, Kozienice II Sp. z o.o. became incorporated into the company Elektrownia Kozienice S.A., and on that day the Acquiring Company (Elektrownia Kozienice S.A.) assumed all the rights and obligations of the Target Company (Kozienice II Sp. z o.o.). The merger of the companies will make it possible to attain both organisational and economic advantages. A procedure for granting an order in the industry by way of negotiations, with an announcement for "Building a power unit with supercritical parameters fired with bituminous coal with a net electrical power rating of a minimum of 900 MWe and a maximum of 1,000 MWe" is being conducted within the newly established Power Unit Construction Division in accordance with the Public Procurement Act of 29 January 2004.

The new unit will be the eleventh unit at the Kozienice Power Station. The power block will be designed and built using high-performance technology that involves the combustion of coal in a supercritical power furnace that meets the most recent requirements of the BAT directive, and will feature a fume purification system with the required environmental components: electrofilters, nitrogen oxide reduction systems and fume desulphurisation systems. The unit will feature a closed cooling system with a cooling tower and a fume incinerator heat recovery system.

The new unit will be prepared so as to become a CO<sub>2</sub> capture-ready plant in the future. The net power capacity of the unit will amount to a minimum of 900 MW, and its net efficiency will amount to a minimum of 44.5 per cent.

### ***Diversified customer portfolio***

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

As at 31 March 2011, ENEA S.A. has provided end-to-end services (involving the sale of electricity and distribution services) or supplied electricity to more than 2.1 million retail customers and approximately 0.3 million corporate customers.

In Q1 2011, the proceeds from selling electricity to our largest customer accounted for 4.09 per cent of the overall value of electricity and distribution sales, and the share of the ten largest customers amounted to 11.89 per cent.

### ***Convenient location for developing wind farms***

Investments in renewable wind power are a crucial element of our strategy. Our distribution network covers the north-western part of Poland. Due to the prevailing atmospheric conditions in that part of the country – plenty of wind – it is a good location for building wind farms. In the seaside region, considered a very favourable area for building wind farms, winds reach an estimated average of more than 6 m/s. In Q1 2011 we continued actions

aimed at acquiring wind farm projects at various stages of completion, in order to expand wind power generation in the Group and to achieve installed power capacity of 250 to 350 MW by 2020 in this regard. Currently, the Group is conducting wind farm projects at various stages of completion with a total installed power capacity of 52.5 MW. In connection with amendments to the Energy Law, in particular the change in the requirements concerning submitting applications for issuing connection conditions, some projects conducted earlier (including one greenfield project) have been suspended. Their eventual re-startup is dependent on the results of ongoing analyses of the possibility of connecting those projects to the power grid. Also, in December 2010 ENEA S.A. concluded a framework cooperation agreement under which it obtained temporary exclusivity for negotiations and priority with regard to the purchase of shares in special purpose vehicles which own wind farm projects with target installed capacity of 214 MWe.

### ***Tariffs***

ENEA S.A. supplies electricity to customers in tariff group sets A, B and C (institutional buyers) and in tariff group set G (households). The supply of electricity to tariff group A, B and C customers is governed by the "Electricity Tariff" implemented on 1 January 2009 under Resolution of the Management Board of ENEA S.A. No. 786/2008 of 25 November 2008, and amended with respect to electricity pricing on 1 June 2009, under Resolution of the Management Board of ENEA S.A. No. 266/2009 of 27 April 2009.

The sale of electricity to end users in tariff group G connected to the network of ENEA Operator Sp. z o.o. is carried out on the basis of the "Electricity Tariff" approved by the President of the ERO for the period ending 31 December 2011. Under Resolution of the Management Board of ENEA S.A. No. 877/2010 of 21 December 2010, the tariff came into force on 1 January 2011. The cost bracket recognised as reasonable by the President of the ERO in that tariff is lower than the costs incurred by the Company under its power supply contracts.

### ***Sales by value and amount***

Sales of electrical energy in each tariff group set, in terms of value (without taking non-invoiced statistical sales into account), were as follows:

<b>Sales of energy (MWh)</b>	<b>Q1 2010</b>	<b>Q1 2011</b>
Tariff group set A	374 719	570 395
Tariff group set B	1 599 604	1 323 354
Tariff group set C	1 005 107	898 825
Tariff group set G	1 253 526	1 246 788
<b>TOTAL</b>	<b>4 232 956</b>	<b>4 039 362</b>

Revenues from sales of electricity in each tariff group set, in terms of value (without taking non-invoiced statistical sales into account), were as follows:

Sales revenue (in PLN '000)	Q1 2010	Q1 2011
Tariff group set A	91 458.6	132 873.2
Tariff group set B	429 930.6	355 665.2
Tariff group set C	296 709.9	264 888.6
Tariff group set G	300 712.2	323 636.8
<b>TOTAL</b>	<b>1 118 811.3</b>	<b>1 077 063.8</b>

On 17 December 2010, the President of the Energy Regulatory Office approved the electricity tariff for tariff group set G in home and prepaid packages for 2011 for ENEA S.A. and the tariff for electricity distribution services for ENEA Operator Sp. z o.o. The approved tariffs came into force on 1 January 2011. The Company announced the approval of the tariffs referred to above in Current Report No. 45/2010 of 18 December 2010.

### ***Risks related to the Company's activity and its environment***

Notwithstanding the above positive factors in the evaluation of the staffing, property and financial situation and the financial result of the Issuer and its Group, a series of factors exist that are identifiable as risks relating to the activity conducted by the Company and the environment in which it takes place. Among them, we must point out the potential effect of the events and occurrences set out in the Management Report on the operations of the ENEA Capital Group published as part of the consolidated interim report on 28 April 2011 and in Note 28 to the consolidated quarterly financial statements (pages 36-41 of this report).

### ***Collective labour disputes***

At present, the ENEA Capital Group is involved in two collective labour disputes. One collective dispute, initiated on 7 September 2009, concerns the process of privatising ENEA S.A. and the effect of the potential shareholder change on the status of the Company's employees. The dispute has not been settled to date.

Also, on 22 March 2011, the Management Board of ENEA Operator Sp. z o.o. submitted notification of the occurrence of a collective labour dispute with three trade unions operating at the Company to the Regional

Labour Inspectorate in Poznan. The cause of the collective dispute is the refusal to meet a demand submitted by the above organisations for an increase in remuneration. The dispute has not been settled to date.

On 1 March 2011, ENEA S.A. notified the Regional Labour Inspectorate in Poznan of the occurrence on 1 March 2011 of a collective labour dispute. A party to the said collective dispute is NSZZ Solidarność Organizacja Miedzyzakładowa ENEA Nr 58 ZR Wielkopolska. The cause of the collective dispute is the Company's not acceding to demands for an increase in wages. In connection with the signing on 16 March 2011 of an understanding pertaining to an increase in remuneration, that dispute was brought to an end. The Issuer announced the occurrence and conclusion of the above dispute in current reports 11/2011 and 12/2011, respectively.

### ***Long-term contracts for the sale of electricity***

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

LTC are settled as follows:

- by 31 August each year companies file applications for advance payments relating to the settlements;
- by 31 July of the following year the President of the Energy Regulatory Office determines the value of the annual stranded cost adjustment (adjustment of advance payments);
- by 31 August of the year following the end of the adjustment period the President of the Energy Regulatory Office determines the value of the final adjustment (31 August 2015 in the case of the Group).

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

The Group decided to recognize as revenue only the amounts resulting from the decision on the annual stranded cost adjustment.

#### **a/ 2008 settlements**

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

implies that revenue due to compensation for 2008 is lower than the amount of PLN 77,381 thousand recognized by Elektrownia "Kozienice" S.A. in its financial statements for the year 2008 (and thus, in the consolidated financial statements of the ENEA Capital Group).

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

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

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

b/ 2009 settlements

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

c/ 2010 and 2011 settlements

For 2010 the Company requested a prepayment for stranded costs amounting to PLN 0.

For 2011 Elektrownia "Kozienice" S.A. requested a prepayment for stranded costs amounting to PLN 3,500 thousand. On 5 April Zarządca Rozliczeń S. A. made a prepayment for the first quarter of 2011 of PLN 875 thousand. In the first quarter of 2011 the revenue resulting from compensations was not identified.

Assuming that the decisions obtained by Elektrownia "Kozienice" S.A. regarding the appeals against the decisions issued by the President of the Energy Regulatory Office determining the amounts of the annual adjustments for 2008 and 2009 are favourable for the Company:

- the annual adjustment for 2009 is estimated at PLN 111,100 thousand (+).

On 1 December 2010 the Court of Competition and Consumer Protection heard the case of LTC 2008. The Court decided to postpone the hearing until the Court of Appeal issues a binding decision as to whether Zarządca Rozliczeń can obtain the status of a party to the case.

On 19 January 2011 a hearing took place in the case XVII Amz 53/10 concerning appeal of Elektrownia "Kozienice" against the decision of the President of the Energy Regulatory Office of 26 July 2010 concerning denying the access to case LTC 2009 files. The Court dismissed the appeal of Elektrownia "Kozienice" against the decision of the President of the Energy Regulatory Office of 26 July 2010. Official procedure is still ongoing.

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

As the President of the Energy Regulatory Office stepped down from the office, the proceedings concerning the annual stranded cost adjustments for 2008 and 2009 may be suspended until the proceedings are resumed after new President takes the office. On the date of this condensed interim consolidated financial statements it is impossible to state precisely what are the amounts of annual adjustments for 2008 and 2009 (as the results of proceedings concerning appeal against the decision of the President of the Energy Regulatory Office determining the adjustments for 2008 and 2009). Total amount of public aid allowed in relation to the annual stranded cost adjustments shall be set in a decision of the President of the Energy Regulatory Office, expected in 2015, fixing the level of final adjustment. Bearing this in mind, it should be said that the revenue due to LTC based on annual adjustments set by the President of the Energy Regulatory Office may change as a result of the abovementioned decision of the President fixing final adjustment.

## ***Privatisation***

Pursuant to the document entitled “2008-2011 Privatisation Plan” adopted by the Council of Ministers on 22 April 2008, ENEA S.A. was identified as one of the energy groups to be privatised in the years 2008-2011. The first stage of the above process was the 2008 sale of a block of newly issued shares of the Company in an IPO.

As announced in November 2009, in February 2010 the Ministry of the State Treasury (MST) carried out the next stage of the privatisation process of ENEA S.A. initiated in 2008. The privatisation of the MST entity was to involve selling shares of ENEA S.A. in a two-stage process – as part of transactions carried out via public markets (Stage I, February 2010), followed by the disposal of more than 50 per cent of the Company's shares to an industry investor (Stage II, mid-2010). The main purpose of Stage I was to increase the number of the Company's shares in free float (i.e. the number of shares held by shareholders whose holdings do not exceed five per cent in the Company's capital).

On 10 February 2010, the MST sold 70,851,533 shares in ENEA S.A. (constituting 16.05 per cent of the Company's share capital). The sale was conducted via the Warsaw Stock Exchange. This was the second largest transaction in the “fully marketed offer” formula in the history of the WSE, and the largest in the preceding three years. The Company's shares were offered exclusively to domestic and foreign institutional investors. The price of the shares offered was set at PLN 16 per share. The total value of the offer amounted to PLN 1.134 billion.

As a result of the subscription, 80 per cent of the offering was taken up by domestic institutional investors, including 60 per cent acquired by pension funds. As a result of the transaction, the State Treasury's stake in the Company's share capital decreased from 76.48 to 60.43 per cent. The share of the second largest shareholder, Vattenfall AB, remained at 18.67 per cent, while 20.90 per cent of ENEA S.A. shares were in free float.

In the period from June 2010 to March 2011, the MST conducted negotiations with selected investors over the purchase of 225,135,940 shares with a nominal value of PLN 1 each, owned by the State Treasury and accounting for 51 per cent of the Company's share capital.

On 1 April 2011, the Minister of the State Treasury decided to terminate the sale procedure of 51 per cent of ENEA S.A. shares unresolved. According to an MST communiqué, when selling 51 per cent of the shares in ENEA S.A., the MST, in compliance with recommendations of the European Commission, attempted to maximize the price. Other priorities were maintaining the operating integrity of ENEA S.A, maintaining a clear shareholding structure and developing generation capacities in Elektrownia Kozienice S.A. in compliance with the energy security policy for Poland. As stated in the communiqué, all submitted offers were thoroughly analysed, and the term of the transaction was extended due to intensive negotiations concerning the aforementioned operating and investment priorities. The Minister of the State Treasury decided not to accept any of the bids submitted because they failed to meet the conditions stipulated. In a negotiation process begun on 28 June 2010, several potential investors took part. In the first stage of negotiations, a part of the offers was rejected due to serious doubts as to the possibility of maintaining the Company's integrity, control over the Company, and the security of transaction financing. In the last stage, talks with a prospective investor did not succeed because of the investment commitments required for the Kozienice Power Station.

In that communiqué, the MST stated that “ENEA S.A. remains a stock-exchange-listed company pursuing its own investment programme, including the development of new generation capacity at the Kozienice Power Station. The Minister of the State Treasury, as key shareholder, will expect an acceleration of works on the implementation of that investment programme. The MST intends to open anew the process for privatisation of the company when such investment becomes an integral and unchallengeable part of ENEA S.A.’s business operations”.

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.

#### ***Information on transactions hedging currency risk***

As part of their operations, neither ENEA S.A. nor its subsidiaries concluded any transactions securing the currency exchange risk in Q1 2011.

#### ***Recognition of the Issuer by Fitch Ratings***

On 14 April 2011, Fitch Ratings issued the Company with a long-term domestic and foreign currency-denominated rating at the level of BBB, and a long-term domestic rating at the level of A(pol). The perspective for the ratings is considered stable. ENEA is the third largest power company on the Polish market, after PGE Polska Grupa Energetyczna S.A. (PGE, “BBB+”, stable perspective) and Tauron Polska Energia S.A. (Tauron, “BBB+”, stable perspective). The Issuer reported on the award of the rating in Current Report No. 15/2001 of 14 April 2011.

### **IX. Factors that in the Issuer’s opinion will influence the results it achieves within at least the next quarter**

One of the fundamental factors for ENEA S.A.’s development is the implementation of the Company’s strategy, which is reflected in actions taken by the ENEA Capital Group.

That strategy is based on the mission of the Group, to provide high-quality services to customers, to ensure a safe environment for our employees, and to build shareholder value while caring for the natural environment.

We intend to implement that strategy by:

#### **Developing the basic operations of the Group – areas on which we will concentrate:**

- developing and diversifying generation capacity,
- developing and modernising the distribution network,
- developing wholesale trade operations,
- ensuring the security of bituminous coal supplies from optimal sources,
- increasing profit from electricity sales,
- ensuring technical and technological development.

#### **Improving the effectiveness of the functioning of the Group – areas on which we will concentrate:**

- optimising fundamental processes,

- optimising support functions,
- ensuring the operational integration of the Group,
- reorganising the operations of the Group's subsidiaries.

**Building a socially responsible business – areas on which we will concentrate:**

- ensuring well-balanced human resources management,
- ensuring a dialogue with the local community and taking their voice into account in business operations,
- promoting environmentally beneficial solutions and behaviour.

An integral part of this strategy is the implementation of a new business model for the Group, which provides for the following business areas:

- Corporate Centre,
- Power generation based on fossil fuels and renewable sources,
- Wholesale trading
- Sales,
- Distribution,
- Shared Services Centre.

Creating, in addition to the core business areas, the additional Corporate Centre and Shared Services Centre divisions should serve to increase the efficiency of the management of the Group and enable cost synergies to be made resulting from the centralised management of Group operations and a shared customer service system.

Within the strategic area concerning the development of the core operations of the Group, one of the long-term strategic directions is for the Group to gain access to its own sources of power generation, having enough capacity to at least meet the electricity needs of all customers of the Group. The first step towards carrying out that strategy was joining the Kozienice Power Station, Poland's highest-capacity bituminous coal-fired power plant, to the ENEA Capital Group in October 2007. Irrespective of the opportunities there may be to acquire additional generation capacity by acquiring existing entities, we are planning to increase our own generation capacity, including at the Kozienice Power Station, where by 2016 we plan to construct a new power unit with a total capacity of approximately 1,000 MW. In connection with anticipated increases in the requirements for sales of electrical energy from renewable energy sources and co-generation, 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 co-generation from outside entities, as well as to carry out direct investments in such sources. Our intention is to invest in wind farm projects and biogas power plants already begun and at varying stages of advancement, by acquiring existing entities or investing in cooperation with external entities. There are four possible acquisition scenarios, depending on what stage a given project is at: searching for projects which would in part be implemented by a third-party entity on a developer services basis, purchasing a project from a third-party entity before that entity has obtained a building permit, with independent further development of the project, purchasing projects/special purpose vehicles (set up by developers for the purpose of implementing a project) after a final building permit has been issued for the project/special purpose vehicle, or purchasing 'turnkey' completed wind farms or biogas generators. Furthermore, in the coming years, the Company plans to acquire thermal power stations. The thermal plants acquired so far will be modernised and transformed into

thermal-electric plants, including those fuelled by biomass, which will generate electricity and heat through co-generation, enabling us to obtain additional energy certificates.

As part of improving the effectiveness of the Group's operations, strategic goals will be implemented in order to increase revenues, reduce costs, and integrate operations in order to increase the margin attained on ENEA Capital Group operations. Optimisation activities will be conducted in all business areas of the Group, and will be implemented by, for example, transferring the core strategic functions connected with business development, as well as the synergy resulting from the operations of particular business areas within the entire Capital Group, to the ENEA Capital Group corporate level.

Within the strategic area of building a business which is socially responsible, targets will be set which will result, in the long term, in an increase in the value of the business by implementing responsible business principles in the operations of the ENEA Capital Group.

The effective implementation of a policy on the developmental direction of the Company and the entire ENEA Capital Group is dependent on initiating a new business model for the Group. A fundamental task of this new model is to guarantee that the ENEA Capital Group will be able to function flexibly over the long term, thereby taking full advantage of the opportunities and meeting the challenges of the Polish power industry.

Financial resources will be essential for the implementation and development of the Group's strategy, and securing these resources is the key to the implementation of the above investment plans and increasing the Group's value to its shareholders. In implementing our strategy, we assume until 2020 a base variant of about PLN 18.7 billion for investments in conventional generation (about 39.4 per cent of all investment outlays), distribution (about 34.4 per cent of total investment outlays) and renewable energy sources and co-generation (about 26.2 per cent of total investment outlays).

Our main goal for conventional generation is to construct a new 1,000 MW bituminous coal-fired power unit in Świerże Górnne (we assume an average construction cost of EUR 1.3 million per 1 MW). Start-up is planned for 2016. We are currently implementing a procedure for selecting a contractor for the construction of a new 1,000 MW unit. We are planning to select such a contractor in Q4 2011. Together with the construction of the new power unit, we intend to modernise the remaining 200-MW and 500-MW units operating at the Kozienice Power Station. We are also conducting studies with regard to preparing for the construction of a second 1,000 MW unit in Świerże Górnne, which involves further investment outlays.

In the area of distribution, during the period covered by the strategy we are planning investment works, modernisation of the grid infrastructure, and essential refurbishment in connection with increasing demand for electricity and the need to connect renewable sources of energy. Such investment and modernisation activities should result in increasing the functionality of our grid and in restricting grid losses. They will also involve replacing those sections of distribution lines that have been in service the longest. The amount of investment outlays in the distribution area is steadily increasing. Investment expenditures in 2009 increased by 22 per cent in relation to 2008, and in 2010 they increased by 18 per cent in relation to 2009. Crucially, we are observing a clear increase in spending on the modernisation and regeneration of existing assets. In 2009, this increased by

31.6 per cent in relation to 2008, and in 2010 it increased by 65 per cent in relation to 2009. In 2010, investment outlays in the distribution area reached about PLN 583 million as compared to the PLN 575 million budgeted.

Pursuant to Article 16 par. 6 of the Energy Law of 10 April 1997, ENEA Operator applied to the President of the Energy Regulatory Office for approval of a draft plan for development pertaining to satisfying current and future demand for electricity, prepared for the years 2011-2015.

In December 2010, the ERO President approved the draft within its material scope for 2011, at the same time approving the level of justified investment outlays for that year in the amount of PLN 802,311,000, which was almost 40 per cent higher than in the investment plan for 2010.

This is the first investment plan of ENEA Operator in which the majority of investments will concern modernisation and the creation of wealth in connection with improved quality of services and/or increased demand for capacity. These will comprise 55 per cent of the above amount. The greater majority of the remaining outlays will be intended for connecting new end users and new sources of electricity generation. In previous plans that relationship had been reversed – the majority of outlays had been for connecting new users and sources.

In the area of renewable energy sources, we expect to further develop our generation capacity. We intend to reach 250-350 MW of installed wind power by 2020. We have also decided to invest into biogas capacity, planning to attain a capacity of approximately 40-60 MW by 2020.

On 15 January 2010, ENEA S.A. finalised the purchase of its first biogas power plant in Liszkowo (Kujawsko-Pomorskie Province), which has a capacity of 2.12 MWe. In 2011, we plan to acquire biogas power plants with a total capacity of 5 MWe.

In March 2011, a company from the ENEA Capital Group dedicated, among other things, to developing the Group's capacity for generating power from renewable energy sources (Elektrownie Wodne Sp. z o.o.) purchased a wind farm located in Darżyno in Pomorskie Province, with an installed capacity of 6 MW. This is the first such undertaking in the Group. The purchase of the wind farm is the first step towards obtaining considerably larger sources of that type. The wind farm in Darżyno was built in 2008. It consists of modern Enercon E-82 wind turbines with a rated power of 2 MW each. The Darżyno wind farm is located in an area featuring very advantageous wind conditions. Its productivity in 2009 amounted to 15 GWh.

Depending on the market situation, our financial position, the results of technical and economic analyses being carried out, and our ability to finance investments, we do not rule out increasing the base investment programme by additional investments in conventional generation, by about EUR 1.3 billion. That amount also covers the construction of a second 1,000 MW unit in Świerże Górne. Moreover, the Management Board does not rule out implementing an investment project involving the construction of a nuclear power plant with a capacity of about 1,600 MW. In such a case, additional outlays will amount to approximately PLN 14.4 billion (PLN 9.4 billion by 2020).

We plan that in 2011-2013 ENEA S.A. will expend a total of about PLN 1.75 billion for investment purposes (including monetary equity investments). Therefore, from the point of view of ENEA S.A., the long-term development of its equity portfolio is essential to carry the burden of future investments. Obviously, any profits

will be allocated as a supplementary source of financing investments, particularly with regard to Group development, primarily in further investments in generating capacity.

Below, we define the key items of the 2011-2013 investment plan that affect the efficiency of ENEA S.A. and the Company's growth. They do not cover all investment needs, but only indicate the main areas in which spending is planned. There will also be considerable investment after 2013:

1) Monetary equity investments:

Given that ENEA S.A. manages the ENEA Group, and its core activity involves the sale of electricity, and due to the fact that the majority of fixed asset investments are made by subsidiaries of ENEA S.A., equity investments are a major and material component of the Company's activity.

Therefore, ENEA S.A. intends to carry out a number of monetary equity investments, which will include (first and foremost) the following tasks:

- - capital injection into the Kozienice Power Station with a cash contribution to cover costs related to the construction of a supercritical power unit with a capacity of approximately 1,000 MW. As part of the construction of the new unit with a capacity of approximately 1,000 MW, in 2011-2013 ENEA S.A. plans to inject capital into the Kozienice Power Station by way of a pecuniary contribution in a total amount of about PLN 430,000,000. It is expected that the implementation of the investment project will also require substantial outlays outside the above-mentioned planning period. In accordance with the original intentions, the process of constructing the unit was planned by the special purpose vehicle Kozienice II Sp. z o.o. After the merger of Kozienice II Sp. z o.o. and Elektrownia Kozienice S.A., the latter is now responsible for the further implementation of building the power unit. As mentioned previously, the startup of Unit 11 is planned for the end of 2016;
- capital injection into Elektrownie Wodne Sp. z o.o. with a cash contribution for covering the costs of operations related to the development of wind farm construction projects. One of the basic investment directions for ENEA S.A. is becoming involved in projects for generating electricity from renewable energy sources (RES). Making investments in renewable energy sources should ensure that we meet the requirement of obtaining the mandatory number of ownership rights deriving from certificates of origin of electricity generated from renewable sources of energy. Given the existing contracts, there is a shortage of certificates of origin, which should be compensated for through the involvement of ENEA S.A. in new renewable energy ventures in order to ultimately eliminate the need to pay substitute fees, or, more precisely, in order to channel funds within the Group previously allocated to substitute fees. In 2011-2013, ENEA S.A. plans to recapitalise the company Elektrownie Wodne Sp. z o.o. with a cash contribution in the total amount of about PLN 235,000,000, allocated to covering the costs of purchasing shares in special purpose vehicles created to implement wind farm projects having a total capacity of 102 MW. It is planned to purchase such shares at the stage of building permits being obtained. We assume that investments will also be made by using external financing, and the above-indicated monetary resources for recapitalisation are

planned to be used for such things as securing the Company's contribution to the construction of wind farms and connecting them to the power grid;

- acquisitions/construction of new renewable energy and co-generation sources. In making such investments in the years 2011-2013, the Company plans outlays in a total amount of about PLN 380,000,000, allocated for acquiring new RES (biogas plants, bio-power stations and wind farms), co-generation sources, and for modernising previously acquired sources of heat generation (thermal power stations) by installing units making it possible to produce electricity in association with heat generation (CHP) in order to meet the requirements for obtaining certificates of origin – certificates for electricity produced from RES and certificates for electricity and heat produced in co-generation. The Company plans to use its planned resources for acquiring shares in special purpose vehicles established by third parties for the purposes of implementing RES and co-generation projects, as well as for acquiring existing RES and co-generation projects.

We assume that the resources planned to be used for monetary equity investments will cover only part of the outlays essential to carrying out the investments of ENEA Capital Group companies. In this consideration, we do not rule out supplementing the financing of such investments by Group companies utilising resources obtained under intra-Group bond issue programmes.

## 2) Telecommunications and IT

As part of this area, there are plans to carry out seven main investment tasks in 2011-2013, which will serve to develop ENEA S.A., at a total cost of PLN 128,000,000, namely:

- Updating and developing the ERP software;
- Developing a document flow system and a business process management platform;
- Developing an Integrated Customer Service System;
- Consolidating work resources;
- Developing and implementing an IT policy, which includes designing IT architecture, security policies, IT service quality assurance and project management;
- Modernising and developing the IT and telecommunications network;
- Technical system infrastructure.

Furthermore, it is anticipated that the implementation of these investments will involve significant resources after the lapse of the above period.

## 3) Street lighting modernisation:

The Company plans to spend about PLN 20,000,000 in this area in 2011-2013. ENEA S.A. anticipates that it will invest in modernising street lighting to the end of 2011, while in Q4 2011 the lighting assets of ENEA S.A. are to be transferred to ENEOS Sp. z o.o. (the Group subsidiary responsible for lighting). This does not, however, alter the need to invest in this area. It only transfers the burden of paying for modernising street lighting to a subsidiary of ENEA S.A.

Please note that ENEA S.A. will not be able to implement even the minimum development plan adopted in the “Corporate Strategy for the ENEA Capital Group for the years 2010 – 2015 looking towards 2020”, which anticipates investment needs of approximately PLN 18.7 billion to 2020. The Management Board of ENEA S.A. realises that financing the above projects using its own funds only is not the best solution, so it is essential to obtain external sources of co-financing for these investments.

In addition to the factors related to the implementation of the growth strategy and the proposed investments, another factor that may affect the Group’s performance is the enactment on 11 March 2010 of amendments to the Energy Law of 10 April 1997, stemming from the Act on Amending the Energy Law and Certain Other Acts of 8 January 2010 (Journal of Laws of 2010 No. 21, item 104) (the “Amendment”). Under the Amendment, distribution system operators (in a vertically integrated company) cannot conduct business activity which involves generating or trading in electricity, or conduct such activity under a contract for other utilities. This has required some customer service activities to be transferred from ENEA Operator Sp. z o.o. to ENEA S.A. Moreover, under the Amendment, power companies are required to sell no less than 15 per cent of the electricity generated in a given year on commodity exchanges or on the regulated market, and power companies entitled to compensation for stranded costs incurred as a result of the early termination of long-term power purchase agreements are required to sell the remaining portion of the electricity, in a manner that ensures public and equal access to the electricity, by an open tender, via an online trading platform on the regulated market or on commodity exchanges.

Other factors that may affect the performance of the ENEA Group in at least the next quarter include:

**- The overall condition of the economy**

Our business may be affected by macroeconomic factors in Poland’s economy. In particular, our business is affected by: interest rates, the złoty exchange rate vs. other currencies, inflation, unemployment, Polish GDP and changes in Poland’s economic policy. In addition to factors related to Poland’s economy, our business is also affected by the macroeconomics of other countries, in particular the other European Union Member States.

**- Factors related to conducting business in Poland**, i.e. changes in Poland’s economic, political and legal situation.

Poland’s energy policy and structural and ownership decisions affecting utilities controlled by the State Treasury may have a material adverse effect on the proceeds from electricity sales and distribution services, in particular those involving retail consumers. It was only quite recently 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 a risk of unexpected and unfavourable decisions that could have a negative effect on our activity, financial results, financial situation or development prospects.

**- Synergies**

Our planned acquisitions and capital investments may not produce the expected results. 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 the acquisitions and investments that we have carried out. Furthermore, the results achieved by companies in which we invest may 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. Moreover, the restructuring of those entities may prove to be a time-consuming and costly process.