

**Consolidated financial statements
of the ENEA Group
for the financial year ended
31 December 2012**

Poznań, 11 March 2013

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These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as approved by the European Union and were accepted by the Management Board of ENEA S.A.

Members of the Management Board

President of the Management Board **Krzysztof Zamasz**

Member of the Management Board **Hubert Rozpędek**

Member of the Management Board **Janusz Bil**

Poznań, 11 March 2013

Prepared by: Robert Kiereta

Consolidated Accounting Office Manager

ENEA Group

Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

*(all amounts in PLN '000, unless specified otherwise)***Consolidated Statement of Financial Position**

	Note	As at	
		31.12.2012	31.12.2011 Restated *
ASSETS			
Non-current assets			
Property, plant and equipment	8	10 459 377	9 076 871
Perpetual usufruct of land	9	70 369	69 496
Intangible assets	10	201 357	102 312
Investment property	11	30 752	32 219
Investments in subsidiaries and associates	12	5 951	278 854
Deferred tax assets	33	175 081	198 650
Financial assets available for sale		66 735	70 490
Financial assets measured at fair value through profit or loss	22	1 504	1 557
Trade and other receivables	16	376	237
		11 011 502	9 830 686
Current assets			
CO ₂ emission rights	18	194 622	246 722
Inventory	19	502 654	483 022
Trade and other receivables	16	1 449 314	1 091 531
Current income tax receivables		16 026	15 004
Financial assets held to maturity		5 135	531 883
Financial assets measured at fair value through profit or loss	22	422 173	723 439
Cash and cash equivalents	21	1 095 495	1 218 361
Non-current assets held for sale	14	13 541	21 503
		3 698 960	4 331 465
Total assets		14 710 462	14 162 151

* Restatements of comparative figures are presented in Note 4 of these consolidated financial statements

ENEA Group

Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

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

		As at	
	Note	31.12.2012	31.12.2011 Restated *
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the Parent			
Share capital		588 018	588 018
Share premium		3 632 464	3 632 464
Share-based payments reserve		1 144 336	1 144 336
Revaluation reserve (financial instruments)		50 233	49 565
Other reserves		(21 317)	(21 710)
Retained earnings		5 521 833	5 058 001
		10 915 567	10 450 674
Non-controlling interests		22 721	29 088
Total equity	25	10 938 288	10 479 762
LIABILITIES			
Non-current liabilities			
Loans, borrowings and debt securities	27	50 797	73 379
Finance lease liabilities	31	4 248	2 274
Deferred income due to subsidies and connection fees	29	659 627	671 814
Deferred tax liability	33	243 597	303 916
Liabilities due to employee benefits	34	542 511	454 363
Financial liabilities measured at fair value through profit or loss	32	-	1 451
Provisions for other liabilities and charges	35	247 724	152 046
		1 748 504	1 659 243
Current liabilities			
Loans, borrowings and debt securities	27	24 043	45 516
Trade and other liabilities	26	1 290 391	1 238 489
Finance lease liabilities	31	3 494	2 424
Deferred income due to subsidies and connection fees	29	92 831	113 207
Current income tax liabilities		58 782	52 301
Liabilities due to employee benefits	34	177 407	182 246
Liabilities due to an equivalent of the right to acquire shares free of charge		306	508
Financial liabilities measured at fair value through profit or loss	32	14	1 723
Provisions for other liabilities and charges	35	375 864	385 937
Liabilities related to non-current assets held for sale	14	538	795
		2 023 670	2 023 146
Total liabilities		3 772 174	3 682 389
Total equity and liabilities		14 710 462	14 162 151

* Restatements of comparative figures are presented in note 4 of these consolidated financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	12 months ended 31.12.2012	12 months ended 31.12.2011 Restated *
Sales revenue		10 290 519	9 936 906
Excise duty		(194 487)	(228 394)
Net sales revenue	36	10 096 032	9 708 512
Other operating revenue	39	108 159	228 768
Depreciation	37	(749 737)	(682 813)
Costs of employee benefits	37	(1 009 467)	(1 010 673)
Consumption of materials and supplies and costs of goods sold	37	(1 906 931)	(1 773 649)
Energy purchase for sale	37	(4 075 607)	(4 116 226)
Transmission services	37	(714 451)	(713 880)
Other external services	37	(437 100)	(411 217)
Taxes and charges	37	(224 857)	(204 841)
Gain/(loss) on sale and liquidation of property, plant and equipment		(8 549)	(12 878)
Impairment loss on property, plant and equipment	8	(5 397)	(6 406)
Other operating expenses	39	(225 548)	(158 736)
Operating profit		846 547	845 961
Financial expenses	41	(84 133)	(46 887)
Financial revenue	40	148 646	184 070
Impairment loss on goodwill	10.1	(5 921)	-
Revenue from dividends	43	2 724	1 438
Share in profits/losses of associates measured using the equity method		304	4 529
Profit before tax		908 167	989 111
Income tax	42	(196 558)	(195 183)
Net profit for the reporting period		711 609	793 928
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
- change in fair value of financial assets available for sale reclassified to profit or loss		(12 243)	-
- change in fair value of financial assets available for sale		15 626	(1 675)
- income tax		(2 713)	318
Items that will not be reclassified to profit or loss			
- net actuarial gains/(losses) on defined benefit plans		(60 888)	(1 737)
- other items		7 400	-
- income tax		11 568	330
Net other comprehensive income		(41 250)	(2 764)
Total comprehensive income		670 359	791 164
Including net profit:			
attributable to shareholders of the Parent		717 216	794 699
attributable to non-controlling interest		(5 607)	(771)
Including comprehensive income:			
attributable to shareholders of the Parent		676 083	791 962
attributable to non-controlling interest		(5 724)	(798)
Net profit attributable to shareholders of the Parent		717 216	794 699
Weighted average number of ordinary shares		441 442 578	441 442 578
Net earnings per share (in PLN per share)		1.62	1.80
Diluted earnings per share (in PLN per share)		1.62	1.80

* Restatements of comparative figures are presented in note 4 of these consolidated financial statements

ENE Group

Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

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

	Note	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Share-based payments reserve	Revaluation reserve (financial instruments)	Other reserves	Retained earnings	Capital attributable to non-controlling interests	Total equity
Balance as at 01.01.2012		441 443	146 575	588 018	3 632 464	1 144 336	49 565	(21 710)	5 058 001	29 088	10 479 762
Net profit									717 216	(5 607)	711 609
Net other comprehensive income						668			(41 918)		(41 250)
Total comprehensive income for the period						668			675 298	(5 607)	670 359
Dividends	43								(211 892)	(8)	(211 900)
Acquisition of shares in subsidiaries from non-controlling interests								393			393
Other									426	(752)	(326)
Balance as at 31.12.2012		441 443	146 575	588 018	3 632 464	1 144 336	50 233	(21 317)	5 521 833	22 721	10 938 288

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

ENEA Group

Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

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

	Nota	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Share-based payments reserve	Revaluation reserve (financial instruments)	Other reserves	Retained earnings	Capital attributable to non-controlling interests	Total equity
Balance as at 01.01.2011		441 443	146 575	588 018	3 632 464	1 144 336	50 922	(22 110)	4 458 944	23 897	9 876 471
Net profit *									794 699	(771)	793 928
Net other comprehensive income*							(1 357)		(1 407)		(2 764)
Total comprehensive income for the period							(1 357)		793 292	(771)	791 164
Dividends	43								(194 235)		(194 235)
Acquisition of shares in subsidiaries from non- controlling interests								400			400
Settlement of acquisition of shares in subsidiaries										5 962	5 962
Balance as at 31.12.2011		441 443	146 575	588 018	3 632 464	1 144 336	49 565	(21 710)	5 058 001	29 088	10 479 762

* Restatements of comparative figures are presented in note 4 of these consolidated financial statements

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

Consolidated Statement of Cash Flows

	Note	12 months ended 31.12.2012	12 months ended 31.12.2011 Restated *
Cash flows from operating activities			
Net profit for the reporting period		711 609	793 928
Adjustments:			
Income tax in profit or loss	42	196 558	195 183
Depreciation	37	749 737	682 813
(Profit) / loss on sale and liquidation of property, plant and equipment		8 549	3 794
Impairment loss on property, plant and equipment	8	5 397	7 403
Impairment loss on goodwill	10.1	5 921	-
Gain from a bargain purchase		-	(81 988)
(Profit) / loss on sale of financial assets		(35 148)	(10 662)
Interest income		(136 092)	(161 559)
Revenue from dividends		(2 724)	(1 438)
Interest expense		19 080	9 901
(Gain)/loss on measurement of financial assets		24 395	(1 001)
Other financial costs		5 756	-
Share in the (profit) / loss of associates		(304)	(4 529)
Exchange (gains) / losses on loans and borrowings		1 787	6 419
Other adjustments		(949)	(1 609)
		<u>841 963</u>	<u>642 727</u>
Paid income tax		(213 373)	(252 794)
Interest received		112 581	75 028
Interest paid		(65 930)	(8 324)
Changes in working capital			
CO ₂ emission rights		48 150	(138 072)
Inventory		(12 908)	(45 180)
Trade and other receivables		(290 077)	(109 266)
Trade and other liabilities		46 234	109 441
Liabilities due to employee benefits		22 850	47 163
Deferred income due to subsidies and connection fees		(56 074)	(96 773)
Liabilities due to an equivalent of the right to acquire shares free of charge		(202)	(49)
Non-current assets held for sale and related liabilities		7 705	-
Other provisions		89 549	125 550
		<u>(144 773)</u>	<u>(107 186)</u>
Net cash flows from operating activities		<u>1 242 077</u>	<u>1 143 379</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(1 789 159)	(905 067)
Proceeds from disposal of property, plant and equipment		8 965	11 522
Acquisition of financial assets		(772 530)	(1 428 524)
Receipts from disposal of financial assets		1 491 436	2 319 006
Acquisition of subsidiaries and associates adjusted by acquired cash		(52 559)	(588 647)
Receipts from disposal of subsidiaries		1 610	-
Dividends received		2 724	2 568
Other (payments for)/receipts from investing activities		484	(1 124)
Net cash flows from investing activities		<u>(1 109 029)</u>	<u>(590 266)</u>
Cash flows from financing activities			
Loans and borrowings received		3 857	13 189
Loans and borrowings repaid		(40 828)	(39 934)
Dividend paid to the Parent's shareholders		(211 892)	(194 206)
Payment of finance lease liabilities		(5 686)	(5 073)
Other payments for financing activities		(1 119)	(9 356)
Net cash flows from financing activities		<u>(255 668)</u>	<u>(235 380)</u>
Net increase/ (decrease) in cash		<u>(122 620)</u>	<u>317 733</u>
Opening balance of cash	21	1 218 361	899 627
Effect of exchange rate fluctuations on cash		(246)	1 001
Closing balance of cash	21	<u>1 095 495</u>	<u>1 218 361</u>

* Restatements of comparative figures is presented in note 4 of these consolidated financial statements

Notes to the consolidated financial statements

1. General information

1.1. General information about ENEA S.A. and the ENEA Group

Name (business name):	ENEA Spółka Akcyjna
Legal form:	joint-stock company
Country:	Poland
Registered office:	Poznań
Address:	Górecka 1, 60-201 Poznań
NUMBER IN NATIONAL COURT REGISTER (KRS):	0000012483
Telephone:	(+48 61) 856 10 00
Fax:	(+48 61) 856 11 17
E-mail:	enea@enea.pl
Website:	www.enea.pl
Statistical number (REGON):	630139960
Tax identification number (NIP):	777-00-20-640

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

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

- production of electricity and heat (ENEA Wytwarzanie S.A., Elektrownie Wodne Sp. z o.o., Elektrociepłownia Białystok S.A., Windfarm Polska Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki, Miejska Energetyka Ciepła Piła Sp. z o.o., Dobitt Energia Sp. z o.o.);
- trade in electricity (ENEA S.A., ENEA Trading Sp. z o.o.);
- distribution of electricity (ENEA Operator Sp. z o.o.).

As at 31 December 2011 the shareholding structure of ENEA S.A. was as follows: the State Treasury of the Republic of Poland – 51.51% of shares, Vattenfall AB – 18.67%, other shareholders – 29.82%.

As at 31 December 2012 the Company’s statutory share capital registered in the National Court Register equaled PLN 441 443 thousand (PLN 588 018 thousand after restatement to IFRS-EU, considering hyperinflation and other adjustments) and it was divided into 441 442 578 shares.

As at 31 December 2012 the Group comprised the parent ENEA S.A. (“Company”, “Parent”), 15 subsidiaries, 7 indirect subsidiaries and 1 associate.

These consolidated financial statements have been prepared under the going concern assumption. There are no circumstances indicating that Group’s ability to operate as a going concern may be threatened.

1.2. Composition of the Management Board and the Supervisory Board

As at 31 December 2012, the composition of the Management Board was as follows:

Janusz Bil – Acting President of the Board, Member of the Board responsible for Commercial Matters;

Hubert Rozpędek – Member of the Board responsible for Economic Matters;

Krzysztof Zborowski – Member of the Board responsible for Energy Production.

On 24 February 2012 the Supervisory Board of ENEA S.A. adopted a resolution on appointment of Mr. Janusz Bil to the position of a Member of the Company's Management Board responsible for Commercial Matters, effective from 19 March 2012.

On 1 October 2012 the Supervisory Board of ENEA S.A. dismissed Mr. Maciej Owczarek from the President of the Board position and appointed Mr. Janusz Bil as Acting President till the nomination of a new President of the Board.

On 29 November 2012 the Supervisory Board of ENEA S.A. appointed Mr. Krzysztof Zamasz to the position of the President of the Company's Management Board, effective from 1 January 2013.

On 11 January 2013 Mr. Krzysztof Zborowski resigned from the Management Board.

As at 1 January 2012, the composition of the Supervisory Board for the 7th term of office was as follows:

Wojciech Chmielewski – the Chairman of the Supervisory Board,

Małgorzata Aniołek,

Tadeusz Dachowski,

Michał Kowalewski,

Paweł Lisiewicz,

Agnieszka Mańkowska,

Jeremi Mordasewicz,

Mieczysław Pluciński,

Graham Wood.

On 12 March 2012 the Extraordinary Shareholders' Meeting of ENEA S. A. appointed Mr. Sławomir Brzeziński to the Supervisory Board for the 7th term of office.

On 29 June 2012 the Ordinary Shareholders' Meeting of ENEA S.A. appointed the following members of the Supervisory Board for the 8th term:

Wojciech Chmielewski – the Chairman of the Supervisory Board,

Małgorzata Aniołek,

Sławomir Brzeziński,

Michał Kowalewski,

Przemysław Łyczyński,

Sandra Malinowska,

Tadeusz Mikłosz,

Jeremi Mordasewicz,

Graham Wood.

On 22 October 2012 the Extraordinary Shareholders' Meeting of ENEA S. A. appointed Mr. Michał Jarczyński to the Supervisory Board for the 8th term of office.

2. Statement of compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS EU") and were approved by the Management Board of ENEA S.A.

The Management Board of the Parent Company has used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to the individual items of the consolidated financial statements of the ENEA Group in accordance with IFRS-EU as at 31 December 2012. The presented statements and explanations have been prepared using due diligence. These consolidated financial statements were audited by a certified auditor.

3. Description of key accounting principles

The key accounting principles applied in the preparation of these consolidated financial statements have been presented below. The principles have been applied consistently in all presented financial periods.

The Group early adopted the changes to IAS 19. The influence of adjustments on the Group's financial position and financial performance is presented in Note 4.

3.1. Basis for preparation

These consolidated financial statements for the financial year ended 31 December 2012 have been prepared in compliance with the requirements of IFRS-EU.

These consolidated financial statements have been prepared on the historical cost basis, except for financial assets measured at fair value through profit or loss, financial assets held to maturity measured at amortized cost using the effective interest rate, financial assets available for sale and share-based payments.

3.2. Consolidation principles

(a) Subsidiaries

Subsidiaries include all entities whose financial and operational policy may be managed by the Group, which usually results from the majority of votes in the Company's decision-making bodies. When assessing whether the Group controls an entity, the existence and impact of potential voting rights that may be exercised or exchanged at a given moment are taken into consideration. The subsidiaries are subject to consolidation using the full method as from the date of the Group's assumption of control over such entities. They are not consolidated starting from the date when the Group loses control over them.

The cost of business combination, which is not under common control, is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured

ENEA Group

Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

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

initially at their fair value at the acquisition date, irrespective of the minority interest, if any. Goodwill arising from an acquisition results from a surplus of the consideration paid, NCI and fair value of shares previously held in the entity over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities as of the acquisition date.

If a gain for a bargain purchase occurs, the Group verifies the fair value of each net asset acquired. If following the verification, the outcome remains negative, it is recognized in profit or loss.

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

(b) Associates and joint-ventures

Associates include all entities over which the Group has a substantial influence without exercising control, which usually results from holding 20%-50% of the total number of votes in an entity's decision-making bodies. Investments in associates are accounted for using the equity method and are initially recognized at cost. Any surplus of the cost over the fair value of identifiable net assets of an associate as of the acquisition date is recognized as goodwill. Goodwill is included in the carrying amount of investments with impairment measured in relation to the total investment value. Any surplus of the Group's interest in the net amount of identifiable assets, liabilities and contingent liabilities over the acquisition cost after revaluation is immediately recognized in profit or loss.

Joint-ventures include all entities over which ENEA S.A. exercises control together with other companies based on contractual arrangements. Investments in jointly-controlled entities are accounted for using the equity method in the same way as investments in associates.

The post-acquisition Group's share in profits or losses of associates and/or joint-ventures is recognized in the profit or loss, and Group's share of post-acquisition movements in other capitals is recognized in other capitals. The carrying value of investments is adjusted by post-acquisition cumulative changes in equity. When the Group's share of losses in an associate or joint-venture equals or exceeds its interest in the equity accounted associate or joint venture, including any other unsecured receivables, recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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

3.3. Business combinations/acquisitions

Accounting principles (policy)

Business combinations/acquisitions of entities under common control do not fall within the scope of IFRS regulations. Considering the lack of detailed IFRS regulations, in line with the guidelines laid down in IAS 8 – “*Accounting Policies, Changes in Accounting Estimates and Errors*”, the entity ought to develop accounting principles applicable to such transactions.

The Group adopted an accounting policy according to which such transactions are recognized in book values.

The adopted accounting principles are as follows:

The acquirer recognizes the assets, equity and liabilities of the acquiree at their current book value adjusted only for the purpose of applying the same accounting principles for the combined entities beginning from the acquisition date. Goodwill and negative goodwill is not recognized. Any difference between the book value of the net assets acquired and the fair value of the payment in the form of equity instruments and/or assets issued by the entity is recognized in the equity of the Group.

When applying the method based on book values, comparative data for presented historical periods are not restated.

Business combinations/acquisitions of entities other than companies under common control are settled using the acquisition method in line with IFRS 3.

3.4. Foreign currency transactions and measurement of foreign currency balances

(a) Functional and presentation currency

Balances presented in the financial statements of individual Group entities are measured in the currency of the primary economic environment in which the entity carries out its business activity (functional currency). The consolidated financial statements are presented in the Polish zloty (PLN), which is the functional and presentation currency of all Group companies.

(b) Transactions and balances

Foreign currency transactions are translated upon their initial recognition to the functional currency at the exchange rate ruling as at the transaction date.

As at the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate (the average exchange rate published by the National Bank of Poland as at the measurement date).

Exchange gains and losses arising from settlement of foreign currency transactions and measurement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

3.5. Property, plant and equipment

Property, plant and equipment is measured at acquisition price or manufacturing cost less accumulated depreciation and accumulated impairment losses.

ENEA Group applied the optional exemption provided for in IFRS 1, and adopted the fair value of selected items of property, plant and equipment as the deemed cost as at the date of transition to IFRS-EU.

Further expenditures are recognized in the carrying amount of a given fixed asset or recognized as a separate fixed asset (where appropriate) only if it is probable that the Group will generate economic benefits in connection with such an asset, whereas the cost of an item may be reliably measured. Any other expenditure incurred for repair and maintenance are recognized in profit or loss in the period when they are incurred.

If a fixed asset is replaced, the cost of the replaced component of the asset is recognized in its carrying amount, whereas the carrying amount of the replaced component is derecognized from the statement of financial position irrespective of whether it has been depreciated separately, and recognized in profit or loss.

Land is not subject to depreciation. Other fixed assets are depreciated using the straight-line method over the expected useful life of the asset. Depreciation is calculated based on the gross value reduced by the residual value, provided it is material. Each material component of a fixed asset with a different useful life is depreciated separately.

The useful lives of fixed assets are as follows:

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

The residual value and useful lives of fixed assets are reviewed at least on an annual basis.

Depreciation begins when a given asset has been commissioned for use. Depreciation is no longer recognized when an asset is to be sold or derecognized from the statement of financial position.

The Group receives fixed assets constituting electricity infrastructure free of charge. Until 31 December 2009, fixed assets taken over were measured at fair value upon initial recognition, with the corresponding entry to deferred income from fixed assets received free of charge, settled over time proportionally to depreciation of these fixed assets. Since 1 January 2010 components of electricity infrastructure received free of charge have been fully recognized in revenues at the moment of acquisition.

Gains and losses on disposal of fixed assets, which constitute the difference between revenue from sales and the carrying amount of the fixed asset disposed of, are recognized in profit or loss.

3.6. Perpetual usufruct of land

Land owned by the State Treasury, local governments or their associations may be used based on the right of perpetual usufruct (PU). The perpetual usufruct of land is a special property right based on which property may be used with the exclusion or other parties and the object (right) may be disposed of.

Depending on the method of acquisition, the Group classifies the right of perpetual usufruct as follows:

1. PU acquired by virtue of the law free of charge pursuant to a decision of the Voivode or local government authorities is recognized as an operating lease;
2. PU acquired for consideration from third parties is recognized as an asset under right of perpetual usufruct at acquisition price reduced by depreciation charges;
3. PU acquired under a land perpetual usufruct agreement entered into with the State Treasury or local governments is recognized as a surplus of the first payment over the annual fee, disclosed as an asset under right of perpetual usufruct and depreciated.

The right of perpetual usufruct is amortized in the period for which it was granted (40-99 years).

3.7. Intangible assets

(a) Goodwill

Goodwill arising from an acquisition results from a surplus of the consideration paid, non-controlling interests and fair value of shares previously held in the entity over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities as of the acquisition date.

If negative goodwill occurs, the Group verifies the fair value of each net asset acquired. If following the verification, the goodwill remains negative, it is immediately recognized in profit or loss.

Goodwill is initially recognized as an asset at cost and subsequently measured at cost less accumulated impairment loss.

For impairment testing purposes, goodwill is allocated to each cash generating unit (CGU) that should benefit from the post-combination synergy. CGU to which the goodwill is allocated are tested for impairment once a year or more frequently if according to reliable assumptions, impairment could occur. If the recoverable amount of a CGU is lower than its carrying amount, the impairment loss is first assigned in order to reduce the carrying amount of goodwill allocated to that CGU, and then to other assets of the unit pro rata to the carrying amount of each asset belonging therein. The impairment loss recognized for goodwill is not reversed in the following period.

(b) Other intangible assets

Other intangible assets include: computer software, licenses as well as other intangible assets. Intangible assets are measured at acquisition price or manufacturing cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated based on the straight-line method, taking into account the estimated useful life amounting to:

- | | |
|--|---------------|
| - for server licenses and software | 2 - 10 years; |
| - for workstation licenses and software as well as anti-virus software | 4 - 10 years; |
| - for other intangible assets | 2 - 7 years. |

3.8. Research and development expenses

R&D expenses are recognized in profit or loss in the period when they are incurred.

Like other intangible assets, R&D expenses meeting the capitalization criteria presented below are measured at acquisition price or manufacturing cost less accumulated amortization and accumulated impairment losses. Amortization is calculated based on the straight-line method, taking into account the estimated useful life, which is 2-7 years.

Capitalization criteria:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- ability to use or sell the intangible asset;
- the way the intangible asset will generate probable future economic benefits. Among other things, the enterprise should demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

3.9. Borrowing costs

Borrowing costs that may be directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a portion of the acquisition price or manufacturing cost of the asset. Other borrowing costs are recognized as an expense in the period they are incurred.

Capitalization of borrowing costs commences at the later of when expenditures for the asset are being incurred or when borrowing costs are being incurred. The borrowing costs are no longer capitalized when all substantially all the activities necessary to prepare the asset for its intended use are complete.

3.10. Leases

Lease agreements that transfer substantially all the risks and rewards incidental to ownership to the Group are classified as finance leases. Leases other than finance leases are recognized as operating leases.

The object of a finance lease is recognized in the assets as at the lease commencement date at the lower of: the fair value of the leased asset or the present value of the minimum lease payments. Each finance lease payment is divided into an amount reducing the balance of the liability and financial expenses so as to produce a constant rate of interest on the remaining balance of the liability. The interest component of each lease payment is recognized in the income statement over the lease period in such a way as to arrive at a fixed periodic interest rate compared to the unsettled liability amount. Depreciable assets acquired under finance lease agreements are depreciated over their useful life.

Lease payments under an operating lease (less any special promotional offers from the lessor) are recognized as an expense on a straight-line basis over the lease term.

3.11. Impairment of assets

The Group's assets are tested for impairment whenever there are indications that an impairment loss might have occurred.

Non-financial assets

An impairment loss is recognized up to the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of: the fair value less the costs of bringing an asset into condition for its sale or value in use (i.e. the present estimated value of the future cash flows expected to be derived from an asset or cash-generating unit). For the purpose of impairment testing, assets are grouped at the lowest possible level with respect to which separate cash flows may be identified (cash-generating units).

All impairment losses are recognized in profit or loss. Impairment losses may be reversed in subsequent periods (except from losses on goodwill) if events occur justifying the lack or change in the impairment of assets.

Financial assets

Financial assets are analyzed as at each reporting date so as to determine whether there are any indications of their impairment. It is assumed that financial assets have been impaired if there are objective indications that one or more events having a negative impact on the estimated future cash flows relating to the assets have occurred.

Individual financial instruments with material value are analyzed for impairment on a case-by-case basis. Other financial assets are analyzed for impairment by groups with similar credit risk.

The principles for recognition of impairment losses on financial assets have been presented in detail in Note 3.13.

3.12. Investment property

Investment property is maintained in order to generate rental income, for capital appreciation or for both. For measuring investment property after the initial recognition, the Group selected the acquisition cost model.

Investments in property are depreciated according to the straight-line method. Depreciation begins in the month following the month of its commissioning. The estimated useful life period is as follows:

Buildings	25 – 33 years
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3.13. Financial assets

Financial instruments are classified to the following categories: financial assets measured at fair value through profit or loss, loans and receivables, investments held to maturity and financial assets available for sale.

The classification is based on the purpose of acquiring an investment. The assets are classified upon initial recognition and then reviewed at each reporting date, if required or accepted by IAS 39.

(a) Financial assets measured at fair value through profit or loss

The category includes two sub-categories:

- financial assets held for trading if they have been acquired principally for the purpose of being sold in the short term;
- financial assets designated as measured at fair value through profit or loss upon initial recognition.

These assets are recognized as current assets, if the Company intends to sell or realize them within 12 months from the end of the reporting period.

(b) Loans and receivables

Loans and receivables are financial assets with determined or determinable payments, which are not quoted on the active market, not classified as derivatives. They arise when the Group spends cash, delivers goods or services directly to the debtor without the intention of classifying them as receivables held for trading.

Loans and receivables are classified as current assets if their maturity as at the end of the reporting period does not exceed 12 months. Loans and receivables whose maturity as at the end of the reporting period exceeds 12 months are classified as non-current assets. Loans and receivables are recognized in the statement of financial position under trade and other receivables.

(c) Investments held to maturity

Investments held to maturity are non-derivative financial assets with determined or determinable payments and fixed maturity that the Group intends to and is able to hold to maturity. Financial assets held to maturity are measured at amortized cost using the effective interest rate.

(d) Financial assets available for sale

Financial assets available for sale (AFS) are non-derivative financial assets designated as available for sale or not classified to any of the remaining categories. This category includes mainly shares in unrelated parties. AFS financial assets are recognized as non-current assets if the Group does not intend to dispose of the investment within 12 months from the end of the reporting period.

Acquisition and sale of financial assets is recognized as at the date of the transaction, i.e. the day when the Group undertakes to purchase or sell a given asset. Financial assets are initially recognized at fair value increased by transaction costs, except for investments classified as financial assets measured at fair value through profit or loss, which are initially measured at fair value without transaction costs.

Financial assets are derecognized from the accounting records if the rights to the related cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards incidental to their ownership.

Financial assets available for sale and financial assets measured at fair value through profit or loss are initially recognized at fair value. AFS financial assets are measured at acquisition price less impairment losses if it is not possible to determine their fair value and they do not have a fixed maturity. Loans and receivables are measured at amortized cost using the effective interest rate.

The effects of measurement of financial assets at fair value through profit or loss are recognized in profit or loss in the period when they occurred. The effects of measurement of AFS financial assets are recognized in other comprehensive income, except for impairment losses and exchange gains or losses on monetary assets. Upon derecognition of an asset classified as available for sale from the accounting records, the total accumulated profits and losses previously recognized in other comprehensive income are recognized in profit or loss.

The fair value of investments quoted in an active market is determined with reference to their current purchase price. If there is no active market for financial assets (or the securities are not quoted), the Group determines their fair value using adequate measurement techniques which include: recent transactions conducted under arm's length conditions, comparison to other instruments which are identical in substance, an analysis of discounted cash flows, option valuation models and other techniques and models widely applied in the market, adjusted to the specific situation of the issuer.

(e) Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Derivatives are accounted for in accordance with fair value or cash flow hedge accounting, if all of the following conditions are met:

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

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

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

The Group discontinues fair value hedge accounting if:

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

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

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

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

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

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

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

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging

instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

(f) Impairment

At each reporting date, the Group verifies whether there is any objective evidence indicating impairment of a financial asset or a group of financial assets.

If such evidence exists in case of financial assets available for sale, the total accumulated losses recognized in equity, determined as the difference between the acquisition price and their current fair value less possible impairment losses recognized previously in profit or loss, are excluded from equity and recognized in profit or loss. Impairment losses recognized in profit or loss and relating to equity instruments are not reversed corresponding to profit or loss. The reversal of impairment losses on debt securities is recognized in profit or loss if the fair value increased as a result of subsequent events after the recognition of impairment in the periods following the recognition of the impairment loss.

If there are indications of impairment of loans and receivables or investments held to maturity measured at amortized cost, impairment losses are determined as the difference between the carrying amount of the assets and the present value of estimated future cash flows discounted using the original effective interest rate for such assets (i.e. the effective interest rate calculated upon initial recognition for assets based on a fixed interest rate and the effective interest rate determined for the last revaluation of assets based on a floating interest rate). Impairment losses are recognized in profit or loss. Impairment is reversed if in subsequent periods the impairment decreases and the reduction may be attributed to events that occurred after the impairment recognition. As a result of reversal of the impairment, the carrying amount of financial assets should not exceed the amortized cost which would be determined had no impairment loss been recognized. Reversal of impairment losses is recognized in profit or loss.

If there are indications of impairment of unquoted equity instruments measured at acquisition price (as their fair value may not be determined reliably), the amount of the impairment loss is determined as the difference between the carrying amount of the assets and the present value of the estimated future cash flows discounted using the current market rate of return for similar financial assets. Such impairment losses are not reversed.

3.14. CO₂ emission rights

CO₂ emission rights granted free of charge under the National Allocation Plan (*Krajowy Plan Rozdziału Uprawnień*) and additional CO₂ emission rights purchased for the purpose of redemption, i.e. fulfilling the CO₂ emission settlement obligation, are presented as current intangible assets which are not amortized but tested for impairment and are presented separately in current assets.

CO₂ emission rights granted free of charge for the given financial year are recognized at nil cost. CO₂ emission rights purchased are measured at acquisition price less any impairment loss.

CO₂ emission rights are registered in the following groups:

- grey CER,
- green CER,
- free-of-charge and purchased EUA.

Within the above mentioned groups, costs are recognized according to FIFO (first in, first out) method. As regards CO₂ emissions associated with the electricity production process, the Group is obliged to settle them through presentation of a specified quantity of CO₂ emission rights for redemption. The costs related to fulfilling the aforementioned obligation are recognized in the accounting records systematically throughout the annual reporting period, in proportion to the actual and planned volume of production of electricity.

A provision is created for estimated CO₂ emissions during the reporting period, and charged to costs of operating activities. The amount of the provision, presented in the statement of financial position within liabilities, is determined in compliance with the following rules:

- the amount recognized as a provision should be the best estimate of the expenditure required to settle, in annual periods, the present obligation at the reporting date,
- first, the provision is established on the basis of the value of emission rights owned on the reporting date,
- if the demand for emission rights is not covered by the quantity of owned rights, a provision is established for the volume of uncovered estimated emissions, on the basis of the purchase prices of emission rights as specified in forward contracts made (if the delivery date is set before the date of actual settlement of the obligation, i.e. redemption of emission rights),
- if the demand for emission rights is not covered by the quantity of emission rights owned and purchased on forward date, then a provision is established for the volume of uncovered estimated emissions, on the basis of market quotes (Bluenext) as at the reporting date.

The liability (provision) due to CO₂ emission is settled through redemption of emission rights.

Sales revenues and the cost of CO₂ emission rights sold are presented in operating income and costs, respectively.

The value of the emission rights sold is determined according to FIFO in the given group of emission rights:

- grey CER,
- green CER,
- free-of-charge and purchased EUA.

The exchange of emission rights is recognized as two separate transactions: sale and purchase.

For contracts recognized as financial instruments, in which:

- the Group has a practice of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit from short-term fluctuations in price or dealer's margin, or
- the terms of the contract permit the company (either party) to settle it net in cash or another financial instrument or by exchanging financial instruments,

financial income is recognized at the effective date of such contract.

3.15. Inventory

Inventories are measured at acquisition price or manufacturing cost not exceeding the net selling price.

Cost is determined according to the FIFO method except for production coal, biomass and limestone powder whose costs are determined in line with weighted average acquisition price method.

Certificates of origin acquired for redemption and for resale, as well as self produced certificates are presented in inventory.

As at the end of the reporting period, the acquired certificates of origin are measured at acquisition price, less impairment losses.

Certificates of origin produced by the Group are recognized at the moment of producing electricity (or as at the date on which their issuance has become probable), unless there is a reasonable doubt regarding the President of Energy Regulatory Office ability to issue them. The certificates of origin on self produced electricity are measured at market price on the last day of the month in which the energy related to the certificates was produced.

3.16. Certificates of origin

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

- a) obtain certificates of origin and submit them to the President of the Energy Regulatory Office in order to redeem them, or
- b) pay a substitute fee.

The certificate of origin confirms generation of electricity in a renewable source (green certificates for such sources as wind, water, sun, biomass) or in cogeneration (three types of sources: yellow certificates for gas-fuelled sources or other sources up to 1 MW; red certificates for sources above 1 MW capacity other than fuelled with methane or biomass gas; purple certificates for sources fuelled with biomass gas or methane removed from mines). The certificates are issued by the President of the Energy Regulatory Office following a motion of an energy generator working based on renewable sources or cogeneration.

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

Property rights to certificates of origin are transferable and traded on commodity exchanges.

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

The rights expire upon redemption of the certificates.

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

During the financial year and until 31 March of the following year the Company presents certificates of origin for redemption on a monthly basis in order to fulfill its obligation regarding the financial year. Redemption of certificates of origin is recognized in the accounting records based on a redemption decision issued by the President of the Energy Regulatory Office, the redeemed certificates being subject to detailed identification.

At the end of the reporting period the Group recognizes a provision for redemption or substitute fee. The provision amount is based on the number of certificates of origin accounting for the difference between the number of certificates redeemed as at the end of the reporting period and the number required for redemption by the Energy Law.

Provisions are measured first at cost of unredeemed certificates of origin held as the end of the reporting period, second - on the basis of weighted average price in session and off-session transactions closed at the Property Rights Market operated by the Polish Power Exchange during the month preceding the reporting date at which the measurement of the provision is determined, and if there are no such transactions or there is a shortage of specific certificates on the market, preventing the Company from acquiring a required number of certificates to be redeemed according to the Energy Law, the missing amount of certificates is measured at the unit substitute fee for the given financial year.

When estimating sales of electricity, the total of invoiced energy sales to end users and estimated sales volume determined as at the end of the reporting period is assumed in order to ensure the matching of revenue and expenses with the calculation basis of provision for redemption of certificates of origin.

3.17. Cash and cash equivalents

Cash and cash equivalents include cash in hand, call deposits with banks and other short-term investments maturing within three months, with high liquidity. As at the end of the reporting period, cash is measured at face value.

3.18. Share capital

The share capital of the Group is recognized in the amount stipulated in the by-laws and registered in the National Court Register, adjusted by the effects of hyperinflation as well as settlement of the effects of business combinations and acquisitions, respectively. Increases in the share capital covered by the shareholders as at the end of the reporting period and not yet registered in the National Court Register are also disclosed as share capital.

3.19. Loans, borrowings and debt securities

Upon initial recognition financial liabilities are measured at fair value less transaction costs incurred by the Group.

Following their initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

3.20. Income tax (including deferred income tax)

Income tax presented in the statement of profit or loss and other comprehensive income includes the current and deferred portion.

The current tax liability is calculated based on the taxable profit (tax base) for a given reporting period. The taxable profit/(loss) differs from net accounting profit (loss) due to the exclusion of taxable income and expenses classified as tax-deductible in the following years as well as expenses and revenue which will never be subject to taxation. Tax liabilities are calculated based on tax rates applicable in a given reporting period.

The deferred tax is a tax of from events that occurred in a given period, recognized on the accrual basis in the accounting records of the period but realized in future. It occurs when the tax effect of revenue and expenses is the same as in the statement of financial position but pertains to other periods.

The balance sheet liability method is used to calculate the deferred tax. The method is characterized by temporary differences between the carrying and tax amount of assets and liabilities.

The carrying value of assets and liabilities recognized in the accounting records is the base value, which is compared to the tax amount and tax loss deductible in future.

Differences between the carrying amount and tax value of an asset or liability may include:

- a positive amount resulting in an increase of the future taxable base upon settlement or realization of the carrying value of the asset or liability;
- a negative amount resulting in a reduction of the future taxable base upon settlement or realization of the carrying value of the asset or liability.

If the carrying amount of an asset or liability is equal to its tax amount, no temporary differences occur.

Temporary differences multiplied by appropriate tax rates produce assets for deductible and deferred tax provisions for taxable differences.

The deferred tax provision resulting from taxable temporary differences between the tax value of assets and liabilities and their carrying amount is recognized in the financial statements in its full amount.

The deferred tax asset is recognized if it is probable that the Group will generate taxable income which will allow it to deduct temporary differences or use tax losses in the future.

The Company does not recognize a deferred tax asset and liability if they result from the initial recognition of an asset or liability arising from a transaction other than a business combination and if the transaction does not have an impact on the gross financial profit/loss or the taxable profit when it is effected. Additionally, the deferred tax liability is not recognized with respect to temporary differences arising upon initial recognition of goodwill or goodwill whose amortization is not regarded as a tax-deductible expense.

No deferred tax asset or provision is created on temporary differences arising from investments in related parties that jointly meet the following two conditions:

- the Group is able to control the timing of the reversal of the temporary differences; and
- it is probable that the temporary differences will not reverse in the foreseeable future.

The deferred income tax is determined based on tax rates (and regulations) which are expected to be applicable when an asset is used and the liability settled, on the basis of the tax rates (and regulations) which were legally or actually applicable as at the end of the reporting period.

If the tax law allows changes in tax rates, the total amount of assets and liabilities is calculated in accordance with various tax rates.

If changes in tax rates occur in the period from determining the deferred tax assets or provisions to their settlement, the effects of measurement of assets and provisions are included in the reporting period in which the tax regulations have been amended.

Further, as at the end of the reporting period at the latest, the entity tests the assets for impairment in order to check whether they still can be settled. If generation of taxable income sufficient to use the deferred tax asset in part or in whole is not probable, a corresponding impairment loss on the asset should be recognized.

Deferred tax is recognized in profit or loss for a given period, except for instances when deferred tax:

1. pertains to a transaction or event that is recognized directly in equity, in which case it is also recognized in the relevant other item of equity depending on an event it results from;
2. results from business combinations, in which cases it affects the value of goodwill or the surplus of the interest in the net fair value of assets over business combination costs.

Deferred tax asset and liabilities are set off if there is a legally enforceable right to set off a current tax asset against a current tax liability when the deferred tax asset and liability relate to income taxes levied by the same taxation authority on the same taxable entity.

3.21. Employee benefits

The following types of employee benefits are provided by the Group:

A. Short-term employee benefits

Short-term employee benefits include but are not limited to: monthly wages, salaries, annual bonuses, electricity allowance, short-term paid leave with social security contributions, industry specific bonus.

Liability due to short-term (accrued) paid leave (compensation for paid leave) even if employees are not entitled to receive payment in lieu of holiday. The Group determines the projected cost of accumulated paid leave as an additional amount that, according to projections, it shall pay as a result of the unused title defined as at the end of the reporting period.

B. Defined benefit plans

Defined benefit plans of the Group include:

1) Retirement benefits

Employees retiring (eligible for disability benefits) are entitled to receive retirement benefits in the form of cash compensation. The value of such benefits depends on the length of service and the remuneration received by the employee. The related liabilities are estimated using actuarial methods.

2) Electricity allowance for pensioners

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

Pensioners and disability pensioners acquire the right to an electricity allowance in the amount of 3000 kWh x 80% of the electricity price and the variable component of the transmission charge and 100% the fixed network charge and subscription charge at the single-zone rate household tariff. The equivalent is paid twice a year: by 15 May and by 15 September, each time in the amount of the half of the annual equivalent.

3) Appropriation to the Company's Social Benefits Fund for pensioners

Pursuant to the Collective Labor Agreement, when calculating the annual appropriation to the Social Benefits Fund, the Group also takes into consideration pensioners entitled to the benefits. The liability is recognized proportionally to the expected period of performing work by employees. The value of the provision is estimated using actuarial methods.

Liabilities relating to the benefits referred to in points 1 – 3 are estimated by an actuary using the projected unit credit method. The total value of actuarial gains and losses is recognized in other comprehensive income.

C. Other long-term employee benefits

1) Jubilee bonuses

Other long-term employee benefits at ENEA S.A. include jubilee bonuses. Their value is dependent on the length of service and the remuneration received by the employee. The related liabilities are estimated using actuarial methods. The total value of actuarial gains and losses is recognized in profit or loss.

D. Defined contribution plan

1) Social security contributions

The social security system in Poland is a state program, in accordance with which the Group is obliged to make social security contributions for employees when they become due. No legal or constructive obligation

has been imposed on the Company to pay future benefits relating to social security. The costs of contributions pertaining to the current period are recognized by the Group in profit or loss as the costs of employee benefits.

2) Employee Pension Scheme

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

The Employee Pension Scheme is available to all employees of ENEA S.A. after one year of service, irrespective of the type of their employment contract.

Employees join the Employee Pension Scheme under the following terms and conditions:

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

E. Share-based payments

Share-based payments relate to equity-settled or cash-settled transactions in which the Group receives services (work performed by employees) as consideration for its equity instruments (shares) or their cash equivalent.

The Group recognizes the services provided under equity-settled share-based payments and the corresponding increase in equity upon their receipt. If the services rendered in share-based payment transactions may not be classified as assets, they are recognized as a cost.

The value of such cost is determined based on the fair value and measured at grant date. As the fair value of the services provided by employees may not be determined directly, it is estimated based on the fair value of equity instruments granted.

In cash-settled share-based payments the Group measures its liability at fair value as at each reporting date and as at the settlement date, whereas any changes in the value are recognized in profit or loss for a given period.

3.22. Provisions

Provisions are created if the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation as at the end of the reporting period.

3.23. Revenue recognition

Sales revenue is measured at the fair value of the consideration received or receivable less the value added tax, discounts and rebates.

Revenue from the sales of energy and distribution services is recognized upon delivery of the energy or transmission services to the customer.

In order to determine the value of revenue for a period from the last billing date to the end of the reporting period, an estimate is made and recognized in the statement of financial position under trade and other receivables.

Revenue from the sales of goods and materials is recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and materials it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from lease of investment property is recognized in the income statement according to the straight-line method over the term of the lease.

Interest income is recognized on an accrual basis using the effective interest rate if its receipt is not doubtful.

Dividend income is recognized when the Company acquires the right to receive the related payments.

3.24. Subsidies

The Group receives tangible fixed assets constituting electricity infrastructure free of charge. Until 31 December 2009 such transactions were recognized at fair value as property, plant and equipment, and their value was recognized under deferred income and settled over time in the profit or loss pro rata to depreciation costs accrued on the received assets. Since 1 January 2010 fixed assets constituting electricity infrastructure received free of charge are recognized in full amount as revenue in profit or loss.

Other subsidies received by the Group (i.e. grants in the form of other fixed assets and compensation for expenses incurred for other fixed assets) are recognized by the Group in the statement of financial position as deferred income when there is reasonable assurance that they will be received and that the Group will comply with appropriate conditions related to such grants. Grants received as compensation for costs already incurred by the Group are recognized on a systematic basis as revenue in profit or loss in the periods in which the entity recognizes as expenses the related costs. Grants received by the Group as compensation for capital expenditure incurred are recognized on a systematic basis in proportion to the depreciation charges as other operating revenue in profit or loss over the useful life of an asset.

3.25. Connection fees

Revenue from connection fees for tasks completed by 31 December 2009 is recognized in deferred income and settled over the depreciation period of the connection, at present determined as 35 years. In financial statements the fees are recognized under long-term liabilities. At the end of each reporting period, the fees up to one-year maturity are reclassified to short-term liabilities.

Advances for connection fees paid to the Group until 31 December 2009 with connections commissioned after 1 January 2010 are recognized in full amount in revenue.

3.26. Compensation to cover stranded costs originating from early termination of long-term power and electricity sales contracts (LTC)

Compensation to cover the stranded costs is recognized in the profit or loss as revenue in the periods when the related stranded costs are incurred.

Compensation to cover stranded costs is recognized in the amount of advances due for a given financial period as determined in Appendix 4 to the Act on principles to cover producers' costs originating from early termination of LTC of 29 June 2007 adjusted by an estimated adjustment amount for the given period. The compensation for stranded costs for the given year is settled by the President of the Energy Regulatory Office by 31 July of the subsequent year and by 31 August following the last year of LTC remaining in force.

3.27. Dividend payment

Payments of dividends to shareholders (including minority shareholders for dividends of subsidiaries) are recognized as a liability in the financial statements of the Group for the period when they were approved by the Parent's shareholders.

3.28. Non-current assets held for sale

Non-current assets held for sale include items satisfying the following criteria:

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

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

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

3.29. Statement regarding application of International Financial Reporting Standards

3.29.1. Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2012, but were early adopted by the Group

The following new Standards and amendments to the existing Standards and Interpretations are not yet mandatorily effective for annual periods ending on 31 December 2012. Nevertheless, the Group has early adopted the following new standards and amendments to the existing standards and interpretations and has applied them preparing these consolidated financial statements.

Standard/Interpretation	Nature of impending change in accounting policy	Effective date for periods beginning as at the date or after that date
Amendments to IAS 1 <i>Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income</i>	The amendments: <ul style="list-style-type: none"> • require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects then the aggregated tax amount should be allocated between these sections. • change the title of the <i>Statement of Comprehensive Income</i> to <i>Statement of Profit or Loss and Other Comprehensive Income</i>, however, other titles are also allowed to be used. 	1 July 2012
IAS 19 Employee Benefits (2011)	<ul style="list-style-type: none"> • The amendments require actuarial gains and losses related to defined benefit plans to be recognised immediately in other comprehensive income. • The amendments remove the corridor method previously applicable to recognising actuarial gains and losses, and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendments also require the expected return on plan assets recognised in profit or loss to be calculated based on the rate used to discount the defined benefit obligation. 	1 January 2013

3.29.2. Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2012

The following new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods ending on 31 December 2012, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these amendments when they become effective.

Standard/Interpretation	Nature of impending change in accounting policy	Effective date for periods beginning as at the date or after that date
Amendments to IFRS 7 <i>Financial Instruments: Disclosures - Offsetting</i> Financial Assets and Financial Liabilities	The Amendments contain new disclosure requirements for financial assets and liabilities that are: <ul style="list-style-type: none"> • offset in the statement of financial position; or • subject to master netting arrangements or similar agreements. 	1 January 2013
IFRS 10 Consolidated Financial Statements	IFRS 10 provides a new single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when (1) it is exposed or has rights to variable returns from its involvement with the investee, (2) has the ability to affect those returns through its power over that investee and (3) there is a link between the power and returns. The new standard also includes disclosure requirements and requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).	1 January 2014
IFRS 11 Joint Arrangements	IFRS 11, <i>Joint Arrangements</i> , supersedes and replaces IAS 31, <i>Interest in Joint Ventures</i> . IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10. Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows: <ul style="list-style-type: none"> - a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement. - a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement. IFRS 11 effectively carves out from IAS 31, those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are	1 January 2014

	treated similarly to jointly controlled assets/operations, under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, must be accounted for using the equity method. Proportionate consolidation is no longer possible.	
IFRS 12 Disclosure of Interests in Other Entities	IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.	1 January 2014
IAS 27 Separate Financial Statements (2011)	IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been carried over into IFRS 10 Consolidated Financial Statements.	1 January 2014
IAS 28 Investments in Associates and Joint Ventures (2011)	<p>There are limited amendments made to IAS 28 (2008):</p> <ul style="list-style-type: none"> • <i>Associates and joint ventures held for sale.</i> IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture. • <i>Changes in interests held in associates and joint ventures.</i> Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured. 	1 January 2014

The Group is currently evaluating the impact of above mentioned new Standards. However, it is not expected to have a significant effect on its financial position or performance.

Standard/Interpretation	Nature of impending change in accounting policy	Effective date for periods beginning as at the date or after that date
IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine	<p>The Interpretation sets out requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets.</p> <p>To the extent that benefits from production stripping are realised in the form of inventory produced, the related production stripping costs are accounted for in accordance with IAS 2 <i>Inventories</i>.</p>	1 January 2013

	<p>Production stripping costs that improve access to ore to be mined in the future are recognised as a non-current asset if, and only if, all of the following criteria are met:</p> <ul style="list-style-type: none"> • it is probable that future economic benefits will flow to the entity; • the entity can identify the component of the ore body for which access has been improved; and • the costs relating to the stripping activity associated with that component can be measured reliably. <p>The stripping activity asset shall be accounted for as an addition to, or as an enhancement of, an existing asset.</p> <p>The stripping activity asset shall initially be recognised at cost while after initial recognition, while subsequently it shall be carried either at its cost or at its revalued amount, less depreciation or amortisation and impairment losses, in the same way as the existing asset of which it is a part.</p> <p>The Interpretation also requires that when the costs of the stripping activity asset and of the inventory produced are not separately identifiable, the entity allocates production stripping costs between the two based on a 'relevant' production measure.</p>	
<p>Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First – time Adopters</p>	<p>The Amendments add an exemption to IFRS 1 that an entity can apply at the date of transition to IFRSs after being subject to severe hyperinflation. The exemption allows an entity to measure assets and liabilities held before the functional currency normalization date at fair value and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position</p>	<p>1 January 2013</p>
<p>IFRS 13 Fair Value Measurement</p>	<p>IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.</p> <p>The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.</p>	<p>1 January 2013</p>
<p>Amendments to IAS 12 Income taxes - Deferred Tax: Recovery of Underlying Assets</p>	<p>The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is <i>depreciable</i> and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.</p>	<p>1 January 2013</p>

<p>Amendments to IAS 32 <i>Financial Instruments: Presentation - Offsetting</i> Financial Assets and Financial Liabilities</p>	<p>The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.</p> <p>The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:</p> <ul style="list-style-type: none"> • not contingent on a future event; and • enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties 	<p>1 January 2014</p>
<p>Amendments to IFRS 1 <i>First-time adopters</i> Government Loans</p>	<p>The amendments add a new exception to retrospective application of IFRS. A first-time adopter of IFRS now applies the measurement requirements of financial instruments standards (IAS 39 or IFRS 9) to a government loan with a below-market rate of interest prospectively from the date of transition to IFRS.</p> <p>Alternatively, a first-time adopter may elect to apply the measurement requirements retrospectively to a government loan, if the information needed was obtained when it first accounted for that loan. This election is available on a loan-by-loan basis.</p>	<p>1 January 2013</p>

The Group has not yet analysed the likely impact of the new Standards on its financial position and performance.

3.29.3. Standards and interpretations not yet endorsed by the EU

The following new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods ending on 31 December 2012, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these amendments when they become effective.

Standard/Interpretation	Nature of impending change in accounting policy
<p>Improvements to IFRS (2009-2011)</p>	<p>The <i>Improvements to IFRSs (2009-2011)</i> contains 7 amendments to 5 standards, with consequential amendments to other standards and interpretations. The main changes relate to:</p> <ul style="list-style-type: none"> • repeated application of IFRS 1 – a repeated adopter that elects not to apply IFRS 1 has to apply IFRS retrospectively in accordance with IAS 8, as if it had never stopped applying IFRS; • clarification that first-time adopter of IFRS choosing to apply borrowing costs exemptions should not restate the borrowing cost component that was capitalized under previous GAAP and should account for borrowing cost incurred on or after the date of transition (or an earlier date, as permitted by IAS 23) in accordance with IAS 23; • clarification that only one comparative period, which is the preceding period, is required to a complete set of financial statements; however if additional comparative information is prepared it should be accompanied by related notes and be in accordance with IFRS; • clarification that the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or reclassification has a material effect upon the information in that statement of financial position and except

	<p>for the disclosures required under IAS 8, other notes related to the opening statement of financial position are no longer required.</p> <ul style="list-style-type: none"> • clarification on the classification and accounting of spare parts, stand-by equipment and servicing equipment; • removal of inconsistencies between IAS 32 and IAS 12 in respect of distributions to holders of an equity instrument and transaction costs of an equity transaction, by clarification that IAS 12 applies to the accounting for income taxes relating to those transactions; • additional disclosure required of a measure of total assets and liabilities for a particular reportable segment for interim financial reporting.
<p>Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</p>	<p>The amendments:</p> <ul style="list-style-type: none"> • define the date of initial application of IFRS 10 as the beginning of the annual period in which the standard is applied for the first time (1 January 2013 unless early adopted). At this date, an entity tests whether there is a change in the consolidation conclusion for its investees; • limit the restatement of comparatives to the period immediately preceding the date of initial application; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged; • requires disclosure of the impact of the change in accounting policy only for the period immediately preceding the date of initial application (i.e. disclosure of impact on the current period is not required); • will remove the requirement to present comparative information disclosures related to unconsolidated structured entities for any periods before the first annual period for which IFRS 12 is applied.
<p>Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)</p>	<p>The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit or loss, rather than consolidating them.</p> <p>The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity’s investing activities, must still be consolidated.</p> <p>An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. According to these essential elements an investment entity:</p> <ol style="list-style-type: none"> 1 obtains funds from investors to provide those investors with investment management services; 2 commits to its investors that its business purpose is to invest for returns solely from appreciation and/or investment income; and 3 measures and evaluates the performance of substantially all of its investments on a fair value basis. <p>The amendments also set out disclosure requirements for investment entities.</p>
<p>IFRS 9 Financial Instruments (2009)</p>	<p>This Standard replaces the guidance in IAS 39 <i>Financial Instruments: Recognition and Measurement</i>, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.</p> <p>Financial assets will be classified into one of two categories on initial recognition:</p> <ul style="list-style-type: none"> • financial assets measured at amortized cost; or • financial assets measured at fair value.

	<p>A financial asset is measured at amortized cost if the following two conditions are met:</p> <ul style="list-style-type: none"> • the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and • its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. <p>Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date.</p>
<p>Additions to IFRS 9 <i>Financial Instruments</i> (2010)</p>	<p>The 2010 additions to IFRS 9 replace the guidance in IAS 39 <i>Financial Instruments: Recognition and Measurement</i>, about classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities.</p> <p>The Standard retains almost all of the existing requirements from IAS 39 on the classification and measurement of financial liabilities and for derecognition of financial assets and financial liabilities.</p> <p>The Standard requires that the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as fair value through profit or loss, be presented in other comprehensive income (OCI), with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss.</p> <p>Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity.</p> <p>Derivative financial liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are required to be measured at fair value under IFRS 9.</p>
<p>Amendments to IFRS 9 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i></p>	<p>These Amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 <i>Financial Instruments</i> (2009) and IFRS 9 <i>Financial Instruments</i> (2010).</p> <p>The amended IFRS 7 requires to disclose more details about the effect of the initial application of IFRS 9 when an entity does not restate comparative information in accordance with the amended requirements of IFRS 9.</p> <p>If an entity adopts IFRS 9 on or after 1 January 2013, then it will no longer be required to restate comparative information for periods prior to the date of initial application.</p> <p>If an entity early adopts IFRS 9 in 2012, then it has a choice either to restate comparative information or to provide the enhanced disclosures as required by the amended IFRS 7.</p> <p>If an entity early adopts IFRS 9 prior to 2012, then neither restatement of comparative information nor provision of the enhanced disclosures under the amended IFRS 7 are required</p>

The Group has not yet analyzed the likely impact of the new Standards on its financial position and performance.

4. Changes in accounting policies and presentation of financial data

Consequently to the effects of changes in the Company's accounting policies, comparative data derived from the approved financial statements for the year ended 31 December 2011 have been restated for comparability.

a) Recognition, measurement and presentation of CO₂ emission rights

In 2012 the Group implemented changes to the Group's accounting policies concerning the recognition, measurement and presentation of CO₂ emission rights. CO₂ emissions rights granted free of charge by the National Allocation Plan (*Krajowy Plan Rozdziału Uprawnień*) as well as acquired rights are classified as current intangible assets presented in current assets in a separate line. They are not subject to amortization, however they are tested for impairment whenever there are indications that an impairment loss might have occurred. The rights granted free of charge are recognized at nil cost whereas acquired rights are recognized at acquisition price, less accumulated impairment losses. The costs of rights are determined according to the FIFO method (first in, first out).

The provision for the actual CO₂ emission is recognized in profit or loss, and calculated as the best estimate of the expenditure required to settle, in annual periods, the present obligation at the reporting date. The liability (provision) due to CO₂ emissions is settled through redemption of emission rights. The emission rights are redeemed against the provision, based on the FIFO method in the given group of emission rights

Before the change of the accounting policy, CO₂ emission rights used to be presented as intangible assets (non-current assets). Emission rights granted free of charge under the National Allocation Plan were presented at nil cost and the purchased rights were valued at acquisition price. A provision was created if the actual emissions exceeded the quantity of emission rights allocated to the given year, received by the Group free of charge, starting at the beginning of the year in proportion to the actual energy production, at the market value of emission rights as at the reporting date.

b) Application of amendments to IAS 19 Employee benefits

The Group decided to early adopt amendments to IAS 19, which become effective for the periods beginning on 1 January 2013, which require actuarial gains and losses related to defined benefit plans to be recognized in other comprehensive income.

c) Presentation of the effect of the exchange rate fluctuations on cash

In the consolidated statement of cash flows the Group specified an effect of exchange rate fluctuations on cash in a separate line.

d) Change in presentation of deferred tax assets and liabilities

Until 2011, in the consolidated statement of financial position, the Group presented the deferred tax assets set off against deferred tax liabilities. From 2012 deferred tax assets and liabilities are set off by each taxable entity, but not at the level of the Group as a whole.

e) Change in presentation of certificates of origin

From 2012 certificates of origin are presented in inventories and their carrying amount does not decrease the provision for certificates of origin. Until 2011 the carrying amount of certificates of origin held by the Group set off the provision presented in the statement of financial position.

f) Other changes in presentation

The Group has made also other changes in presentation, the most important of which concerns reclassification of long-term part of provision for non-contractual use of land, presentation of provision for certificates of origin together with provisions for other liabilities and charges and reclassification of carrying amount of advance payments received for delivery of services.

ENEA Group

Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

*(all amounts in PLN '000, unless specified otherwise)***Consolidated statement of financial position**

ASSETS	31.12.2011	(a)	(d)	(e)	(f)	Total adjustments	31.12.2011 Restated
Non-current assets							
Property, plant and equipment	9 076 871					-	9 076 871
Perpetual usufruct of land	69 496					-	69 496
Intangible assets	267 176	(164 864)				(164 864)	102 312
Investment property	32 219					-	32 219
Investments in subsidiaries, associates and joint-ventures	278 854					-	278 854
Deferred tax assets	-		198 650			198 650	198 650
Financial assets available for sale	70 490					-	70 490
Financial assets measured at fair value through profit or loss	1 557					-	1 557
Trade and other receivables	237					-	237
	9 796 900	(164 864)	198 650	-	-	33 786	9 830 686
Aktywa obrotowe							
CO ₂ emission rights	-	246 722				246 722	246 722
Inventory	340 685			142 337		142 337	483 022
Trade and other receivables	1 052 119				39 412	39 412	1 091 531
Current income tax receivables	15 004					-	15 004
Financial assets held to maturity	531 883					-	531 883
Financial assets measured at fair value through profit or loss	723 439					-	723 439
Cash and cash equivalents	1 218 361					-	1 218 361
Non-current assets held for sale	21 503					-	21 503
	3 902 994	246 722	-	142 337	39 412	428 471	4 331 465
Total assets	13 699 894	81 858	198 650	142 337	39 412	462 257	14 162 151

The notes presented on pages 11-114 constitute an integral part of the consolidated financial statements.

ENE Group

Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

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

<u>EQUITY AND LIABILITIES</u>	31.12.2011	(a)	(d)	(e)	(f)	Total adjustments	31.12.2011 Restated
Equity attributable to shareholders of the Parent							
Share capital	588 018					-	588 018
Share premium	3 632 464					-	3 632 464
Share-based payments reserve	1 144 336					-	1 144 336
Revaluation reserve (financial instruments)	49 565					-	49 565
Other capital	(21 710)					-	(21 710)
Retained earnings	5 058 001					-	5 058 001
	10 450 674	-	-	-	-	-	10 450 674
Non-controlling interest	29 088					-	29 088
Total equity	10 479 762	-	-	-	-	-	10 479 762
Non-current liabilities							
Loans, borrowings and debt securities	73 379					-	73 379
Trade and other liabilities	-					-	-
Finance lease liabilities	2 274					-	2 274
Deferred income due to subsidies and connection fees	671 814					-	671 814
Provisions for deferred tax	105 266		198 650			198 650	303 916
Liabilities due to employee benefits	454 363					-	454 363
Liabilities due to an equivalent of the right to acquire shares free of charge	1 451					-	1 451
Provisions for other liabilities and charges	139 236				12 810	12 810	152 046
	1 447 783	-	198 650	-	12 810	211 460	1 659 243
Current liabilities							
Loans, borrowings and debt securities	45 516					-	45 516
Trade and other liabilities	1 199 077				39 412	39 412	1 238 489
Finance lease liabilities	2 424					-	2 424
Deferred income due to subsidies and connection fees	113 207					-	113 207
Current income tax liabilities	52 301					-	52 301
Liabilities due to employee benefits	182 246					-	182 246
Liabilities due to an equivalent of the right to acquire shares free of charge	508					-	508
Financial liabilities measured at fair value through profit or loss	1 723					-	1 723
Provision for certificates of origin	104 810			(104 810)		(104 810)	-
Provisions for other liabilities and charges	69 742	81 858		247 147	12 810	316 195	385 937
Liabilities related to non-current assets held for sale	795					-	795
	1 772 349	81 858	-	142 337	26 602	250 797	2 023 146
Total equity and liabilities	13 699 894	81 858	198 650	142 337	39 412	462 257	14 162 151

The notes presented on pages 11-114 constitute an integral part of the consolidated financial statements.

ENEA Group

Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

*(all amounts in PLN '000, unless specified otherwise)***Consolidated statement of profit or loss and other comprehensive income**

	12 month period ended 31.12.2011	(a)	(b)	(f)	Total adjustments	12 month period ended 31.12.2011 Restated
Sales revenue	9 917 343	19 563			19 563	9 936 906
Excise duty	(228 394)				-	(228 394)
Net sales revenue	9 688 949					9 708 512
Other operating revenue	248 331	(19 563)			(19 563)	228 768
Depreciation	(711 591)	28 778			28 778	(682 813)
Costs of employee benefits	(1 012 410)		1 737		1 737	(1 010 673)
Consumption of materials and supplies and costs of goods sold	(1 744 871)	(28 778)			(28 778)	(1 773 649)
Energy purchase for sale	(4 112 557)			(3 669)	(3 669)	(4 116 226)
Transmission services	(713 880)				-	(713 880)
Other external services	(414 886)			3 669	3 669	(411 217)
Taxes and charges	(204 841)				-	(204 841)
Gain/(loss) on sale and liquidation of property, plant and equipment	(12 878)				-	(12 878)
Impairment loss on property, plant and equipment	(6 406)				-	(6 406)
Other operating expenses	(158 736)				-	(158 736)
Operating profit	844 224					845 961
Financial expenses	(46 887)				-	(46 887)
Financial revenue	184 070				-	184 070
Impairment loss on goodwill	-				-	-
Impairment loss on negative goodwill	-				-	-
Revenue from dividends	1 438				-	1 438
Share in profits/losses of associates measured using the equity method	4 529				-	4 529
Profit before tax	987 374					989 111
Income tax	(194 853)		(330)		(330)	(195 183)
Net profit for the reporting period	792 521	-	1 407	-	1 407	793 928

The notes presented on pages 11-114 constitute an integral part of the consolidated financial statements.

ENEA Group

Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

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

	12 month period ended 31.12.2011	(a)	(b)	(f)	Total adjustments	12 month period ended 31.12.2011 Restated
Other comprehensive income						
Items that are or may be reclassified to profit or loss						
- change in fair value of financial assets available for sale reclassified to profit or loss	-				-	-
- change in fair value of financial assets available for sale	(1 675)				-	(1 675)
- income tax	318				-	318
Items that will not be reclassified to profit or loss						
- net actuarial gain/(loss) on defined benefit plans		-	(1 737)		(1 737)	(1 737)
- income tax		-	330		330	330
Net other comprehensive income	(1 357)	-	(1 407)	-	(1 407)	(2 764)
Total comprehensive income for the reporting period	791 164	-	-	-	-	791 164
Including net profit:						
attributable to shareholders of the Parent	793 292	-	1 407		1 407	794 699
attributable to minority interest	(771)				-	(771)
Including comprehensive income:						
attributable to shareholders of the Parent	791 935		27			791 962
attributable to minority interest	(771)	-	(27)		-	(798)

The notes presented on pages 11-114 constitute an integral part of the consolidated financial statements.

ENEA Group

Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

*(all amounts in PLN '000, unless specified otherwise)***Consolidated statement of cash flow**

	12 month period ended 31.12.2011	(a)	(b)	(c)	(e)	Total adjustments	12 month period ended 31.12.2011 Restated
Cash flows from operating activities							
Net profit for the reporting period	792 521		1 407			1 407	793 928
Adjustments:							
Income tax disclosed in the profit or loss	194 853		330			330	195 183
Depreciation	711 591	(28 778)				(28 778)	682 813
(Gain) / loss on sale and liquidation of property, plant and equipment	3 794					-	3 794
Impairment loss on property, plant and equipment	7 403					-	7 403
Impairment loss on bargain purchase	(81 988)					-	(81 988)
(Gain)/loss on disposal of financial assets	(10 662)					-	(10 662)
Interest income	(161 559)					-	(161 559)
Revenue from dividends	(1 438)					-	(1 438)
Interest expense	9 901					-	9 901
(Gain)/loss on measurement of financial assets	-			(1 001)		(1 001)	(1 001)
Share in profits/losses of associates	(4 529)					-	(4 529)
Exchange (gains) / losses on loans and borrowings	6 419					-	6 419
Other adjustments	180 999	(182 608)				(182 608)	(1 609)
	854 784	(211 386)	330	(1 001)	-	(212 057)	642 727
Paid income tax	(252 794)					-	(252 794)
Interest received	75 028					-	75 028
Interest paid	(8 324)					-	(8 324)
Changes in working capital							
CO ₂ emission rights	-	(138 072)				(138 072)	(138 072)
Inventory	(55 362)				10 182	10 182	(45 180)
Trade and other receivables	(109 266)					-	(109 266)
Trade and other liabilities	109 441					-	109 441
Liabilities due to employee benefits	48 900		(1 737)			(1 737)	47 163
Deferred income due to subsidies and connection fees	(96 773)					-	(96 773)
Provision for certificates of origin	12 107				(12 107)	(12 107)	-
Liabilities due to an equivalent of the right to acquire shares free of charge	(49)						(49)
Provisions for other liabilities and charges	39 838	83 787			1 925	85 712	125 550
	(51 164)	(54 285)	(1 737)	-	-	(56 022)	(107 186)
Net cash flows from operating activities	1 410 051	(265 671)	-	(1 001)	-	(266 672)	1 1143 379

The notes presented on pages 11-114 constitute an integral part of the consolidated financial statements.

ENEA Group

Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

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

	12 month period ended 31.12.2011	(a)	(b)	(c)	(e)	Total adjustments	12 month period ended 31.12.2011 Restated
Cash flows from investing activities							
Acquisition of property, plant and equipment	(1 170 738)	265 671				265 671	(905 067)
Receipts from disposal of property, plant and equipment and intangible assets	11 522					-	11 522
Acquisition of financial assets	(1 428 524)					-	(1 428 524)
Receipts from disposal of financial assets	2 319 006					-	2 319 006
Acquisition of subsidiaries, associates and joint-ventures adjusted for acquired cash	(588 647)					-	(588 647)
Dividends received	2 568					-	2 568
Other payments for/receipts from investing activities	(1 124)					-	(1 124)
						-	
Net cash flows from investing activities	(855 937)	265 671	-	-	-	265 671	(590 266)
Cash flows from financing activities							
Loans and borrowings received	13 189					-	13 189
Loans and borrowings repaid	(39 934)					-	(39 934)
Dividend paid to the Parent's shareholders	(194 206)					-	(194 206)
Payment of finance lease liabilities	(5 073)					-	(5 073)
Other adjustments	(9 356)					-	(9 356)
Net cash flows from financing activities	(235 380)	-	-	-	-	-	(235 380)
Net increase/(decrease) in cash	318 734			(1 001)		(1 001)	317 733
Opening balance of cash	899 627					-	899 627
Effect of exchange rate fluctuations on cash	-			1 001		1 001	1 001
Closing balance of cash	1 218 361	-	-	-	-	-	1 218 361

The notes presented on pages 11-114 constitute an integral part of the consolidated financial statements.

5. Material estimates and assumptions

The preparation of these consolidated financial statements in accordance with IFRS-EU requires that the Management Board makes certain estimates and assumptions that affect the adopted accounting policies and the amounts disclosed in the consolidated financial statements and notes thereto. The adopted assumptions and estimates are based on the Management Board's best knowledge of the current and future activities and events. The actual figures, however, can be different from those assumed.

The key areas in which the estimates made by the Management Board have a material impact on the consolidated financial statements include:

- ***employment and post-employment benefits*** – the provisions for employee benefits are measured using a method which involves determination of the opening balance of liabilities due to expected future benefit payments as at the end of the reporting period, calculated in line with actuarial methods; a change in the discount rate and the long-term pay change affect the accuracy of the estimate made (Note 34),
- ***trade and other receivables allowance*** – their value is determined as the difference between the carrying amount and the present value of estimated future cash flows, discounted using the original interest rate; a change in the value of estimated future cash flows shall cause a change in estimated allowance on receivables (Note 16),
- ***unbilled sales revenue at the end of the financial year*** – the value of unbilled energy sales is estimated based on the estimated consumption of electricity in the period from the last meter reading date until the end of the financial period (Note 16),
- ***compensation for non-contractual use of land*** – the potential payment of compensation for the so called non-contractual use of land and rental fee is estimated by the technical staff of the Group based on analyses of claims filed on a case-by-case basis (Note 35 and 52.5),
- ***provision for land reclamation*** – ENEA Wytwarzanie S.A., having filled or closed a slag and ash dump, is obliged to reclaim the land. As the company has large unfilled dumps, land reclamation is planned for 2060. Future estimated costs of land reclamation were discounted to their current value as at 31 December 2012, using a discount rate of 3.9 % (Note 35);
- ***compensation for stranded costs*** originating from early termination of LTC concerning power and electricity are recognized in the amount of advances due for the given period adjusted by an estimated adjustment amount to be calculated by the President of the Energy Regulatory Office and depending upon a number of factors, including in particular performance of the generator, sales volume and average market price of electricity (Note 47);
- ***recoverable amount of tangible and intangible fixed assets*** – impairment tests of cash generating units are based on a number of significant assumptions, some of which are outside the control of the Group. Significant changes to the assumptions impact the results of impairment test and consequently the financial position and performance of the Group (Note 8 and 10).

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

No	Name and address of the Company	Share of ENEA S.A. in the total number of votes 31.12.2012	Share of ENEA S.A. in the total number of votes 31.12.2011
1.	ENERGOMIAR Sp. z o.o. Poznań, ul. Strzeszyńska 58	100	100
2.	BHU S.A. Poznań, ul. Strzeszyńska 58	92.62	92.62
3.	ENEA Centrum S.A. Poznań, ul. Górecka 1	100	100
4.	Hotel „EDISON” Sp. z o.o. Baranowo k/Poznania	100	100
5.	Energetyka Poznańska Zakład Transportu Sp. z o.o. Poznań, ul. Strzeszyńska 58	100	100
6.	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. Lipno, Gronówko 30	100	100
7.	ENERGO-TOUR Sp. z o.o. Poznań, ul. Marcinkowskiego 27	99.92	99.92
8.	ENEOS Sp. z o.o. Poznań, ul. Strzeszyńska 58	100	100
9.	ENTUR Sp. z o.o. Szczecin, ul. Malczewskiego 5/7	100	100
10.	Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrawiskowe ENERGETYK Sp. z o.o. Inowrocław, ul. Wilkońskiego 2	99.94	99.94
11.	Elektrownie Wodne Sp. z o.o. Samociążek, 86-010 Koronowo	100*	100
12.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Obornikach Oborniki, ul. Wybudowanie 56	93.99*	91.02
13.	„ITSERWIS” Sp. z o.o. Zielona Góra, ul. Zacisze 28	100	100
14.	„Auto – Styl” Sp. z o.o. Zielona Góra, ul. Zacisze 15	-	100
15.	ENEA Operator Sp. z o.o. Poznań, ul. Strzeszyńska 58	100	100
16.	ENEA Wytwarzanie S.A. Świerże Górne, gmina Kozienice, Kozienice 1	100	100
17.	Miejska Energetyka Ciepła Piła Sp. z o.o. 64-920 Piła, ul. Kaczorska 20	65.03*	65.03
18.	Elektrociepłownia Białystok S.A. Białystok, ul. Gen. Andersa 3	99.996*	99.94
19.	DOBITT Energia Sp. z o.o. Gorzestaw 8, 56-420 Bierutów	100*	100
20.	Annacond Enterprises Sp. z o.o. Warszawa, ul. Jana III Sobieskiego 1/4	61	61
21.	Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A. Ostrów Wlkp., ul. Chłapowskiego 51	-	49
22.	Windfarm Polska Sp. z o.o. Koszalin, ul. Wojska Polskiego 24-26	100*	-
23.	ENEA Trading Sp. z o.o. Świerże Górne, gmina Kozienice, Kozienice 1	100	100*
24.	Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa Samociążek 92, 86-010 Koronowo	*****	100*****
25.	„Ecebe” Sp. z o.o. Augustów, ul. Wojciech 8	99.99**	99.94**
26.	Energo-Inwest-Broker S.A. Toruń, ul. Jęczmienna 21	***	***

* an indirect subsidiary of ENEA Wytwarzanie S.A.

** an indirect subsidiary, 100% of shares in Ecebe Sp. z o.o. is held by Elektrociepłownia Białystok S.A.

*** an associate of ENEA Wytwarzanie S.A.

**** an indirect subsidiary by shares in Elektrownie Wodne Sp. z o.o. and ENEA Centrum S.A.

*****on 2 January 2012 the entity has merged with Elektrownie Wodne Sp. z o.o.

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

On 2 January 2012 Elektrownie Wodne Sp. z o. o. with Elektrownie Wiatrowe Enea Centrum Spółka Akcyjna Sp. k. merged with Elektrownie Wodne Sp. z o. o.

On 16 February 2012 ENEA S.A. concluded a sales contract for 269,000 shares of Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A. ("WIRBET"), which represents 49% of share capital of WIRBET. On 22 March 2012 ownership of shares was transferred.

On 13 March 2012 the Extraordinary Shareholders' Meeting of Elektrownie Wodne Sp. z o.o. decided to increase the share capital by PLN 49 thousand, up to PLN 239,898.5 thousand, by way of issuing 98 new shares. The new shares in the company's share capital were acquired by ENEA S.A. for contributing in kind the right of perpetual usufruct of land. On 13 March 2012 the contract transferring the right of perpetual usufruct was signed. The increased share capital of Elektrownie Wodne Sp. z o.o. was registered in the National Court Register on 5 April 2012.

On 8, 9 and 15 March 2012 ENEA S.A. signed agreements for purchase of 984 shares with the nominal value of PLN 10 per share in Elektrociepłownia Białystok S.A., with the register office in Białystok, for the total amount of PLN 325 thousand. The acquisition was realized in April 2012 with due date of 30 days from signing the contract.

On 16 April 2012 ENEA S.A. acquired all 50 shares of Windfarm Polska Sp. z o.o., with the nominal value of PLN 1,000 per share. The acquisition is consistent with the Group's strategy, which involves the expansion of production capacity in the area of renewable energy sources. The strategy involves acquisition of 250-350 MW of installed capacity in wind turbines by 2020.

On 25 May 2012 Elektrownia "Kozienice" S.A. changed its name in the National Court Register to ENEA Wytwarzanie S.A.

On 6 June 2012 ENEA S.A. acquired 308 employee shares in Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. with the registered office in Oborniki for the total amount of PLN 393 thousand, representing the second tranche (out of total four tranches) of repurchase of employee shares.

On 21 August 2012 the Extraordinary Shareholders' Meeting of Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o. adopted the resolution to increase the share capital by PLN 2,265 thousand, up to PLN 11,050 thousand, by way of issuing 4 530 new shares of PLN 500 each. The new shares in the company's share capital were acquired by ENEA S.A. for a contribution in kind. The increased share capital of Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o. was registered in the National Court Register on 20 September 2012 r.

On 22 August 2012 the Extraordinary Shareholders' Meeting of Elektrownie Wodne Sp. z o.o. adopted the

resolution for redemption of 17 company's shares, acquired from ENEA Centrum S.A on the basis of a sales agreement dated 3 July 2012.

On 17 September 2012 the agreement between ENEA S.A. and ENEA Wytwarzanie S.A. concerning transfer of shares of ELKO Trading Sp. z o.o. was signed, and ENEA S.A. became a direct owner of 100% of shares of ELKO Trading Sp. z o.o. amounting to PLN 129,623 thousand, previously held indirectly through interests in ENEA Wytwarzanie S.A.

On 27 September 2012 the Extraordinary Shareholders' Meeting of ELKO Trading Sp. z o.o. decided to change the name of the company to ENEA Trading Sp. z o.o. The change of the name was registered in the National Court Register on 18 October 2012.

On 4 December 2012 ENEA S.A. concluded a sale contract for 100% shares of Auto-Styl Sp. z o.o.

On 20 December 2012 the General Shareholders' Meeting of ENEA Wytwarzanie S.A. resolved to increase the share capital from PLN 462,482.4 thousand, by the amount of PLN 1,583,567.1 thousand, to PLN 2,046,049.5 thousand. The Shareholders' Meeting agreed that all new shares would be acquired by ENEA S.A. by contribution in kind in the form of shares of the following companies: Elektrownie Wodne Sp. z o.o., Elektrociepłownia Białystok S.A., Miejska Energetyka Ciepła Piła Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki, Windfarm Polska Sp. z o.o., Dobitt Energia Sp. z o.o. and receivables of ENEA S.A. from Windfarm Polska Sp. z o.o. The increase in the company's share capital was registered by the National Court Register on 22 January 2013.

7. Segment reporting

Management of the Company's activities is conducted by division of operations into segments, which are separated based on types of products and services offered. The Group has four operating segments:

- trade – purchase and sale of electricity;
- distribution – electricity transmission services;
- production – electricity and heat production;
- other activities - maintenance and modernization of road lighting equipment, hotel services, transport, construction services, travel services, health care services.

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Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

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

Segment reporting for the period from 1 January to 31 December 2012:

	Trade	Distribution	Production	All other segments	Eliminations	Total
Net sales revenue	4 056 365	2 811 961	2 991 549	236 157	-	10 096 032
Inter-segment sales	200 485	-	275 645	535 868	(1 011 998)	-
Total net sales revenue	4 256 850	2 811 961	3 267 194	772 025	(1 011 998)	10 096 032
Total expenses	(4 014 912)	(2 396 411)	(2 965 344)	(718 218)	976 634	(9 118 251)
Segment profit/loss	241 938	415 550	301 850	53 807	(35 364)	977 781
Unassigned Group costs (general and administrative expenses)						(131 234)
Operating profit						846 547
Financial expenses						(84 133)
Financial revenue						148 646
Revenue from dividends						2 724
Impairment loss on goodwill						(5 921)
Share in profit/(loss) of associated entities						304
Income tax						(196 558)
Net profit						711 609
Share of non-controlling interests						(5 607)

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Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

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

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

	Trade	Distribution	Production	All other segments	Eliminations	Total
Net sales revenue	3 834 195	2 640 730	3 027 423	206 164	-	9 708 512
Inter-segment sales	235 041	-	159 821	594 046	(988 908)	-
Total net sales revenue	4 069 236	2 640 730	3 187 244	800 210	(988 908)	9 708 512
Total expenses	(3 913 261)	(2 315 358)	(2 711 517)	(753 514)	954 538	(8 739 112)
Segment profit/loss	155 975	325 372	475 727	46 696	(34 370)	969 400
Unassigned Group costs (general and administrative expenses)						(123 439)
Operating profit						845 961
Financial expenses						(46 887)
Financial revenue						184 070
Revenue from dividends						1 438
Share in profit/(loss) of associated entities						4 529
Income tax						(195 183)
Net profit						793 928
Share of non-controlling interests						(771)

The notes presented on pages 11-114 constitute an integral part of the consolidated financial statements.

ENEA Group

Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

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

Other segment reporting information as at 31 December 2012 and for the 12-month period ended as at that date:

<u>Balance as at 31 December 2012</u>	Trade	Distribution	Production	All other segments	Eliminations	Total
Property, plant and equipment	16 022	6 113 200	4 172 988	322 721	(194 113)	10 430 818
Trade and other receivables	657 231	417 583	427 720	204 911	(326 362)	1 381 083
Total	673 253	6 530 783	4 600 708	527 632	(520 475)	11 811 901
ASSETS excluded from segmentation						2 898 561
- including property, plant and equipment						28 559
- including trade and other receivables						68 231
TOTAL: ASSETS						14 710 462
Trade and other liabilities	399 990	507 290	480 992	142 395	(317 672)	1 212 995
Equity and liabilities excluded from segmentation						13 497 467
- including trade and other liabilities						77 396
TOTAL: EQUITY AND LIABILITIES						14 710 462
<u>for the 12-month period ended 31 December 2012</u>						
Capital expenditure for fixed assets and intangible assets	323	868 755	901 470	62 455	(57 485)	1 775 518
Capital expenditure for fixed assets and intangible assets excluded from segmentation						27 601
Depreciation and amortization	366	358 800	346 714	23 012	(1 952)	726 940
Depreciation excluded from segmentation						22 797
Recognition/(derecognition/assigning) of receivables allowance	211	5 616	(3 294)	3 410	-	5 943

The notes presented on pages 11-114 constitute an integral part of the consolidated financial statements.

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Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

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

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

Balance as at 31 December 2011	Turnover	Distribution	Production	All other segments	Eliminations	Total
Property, plant and equipment	6 223	5 266 063	3 263 745	306 425	(137 710)	8 704 746
Trade and other receivables	553 198	374 233	109 740	219 966	(175 216)	1 081 921
Total:	559 421	5 640 296	3 373 485	526 391	(312 926)	9 786 667
ASSETS excluded from segmentation						4 375 484
- including property, plant and equipment						372 125
- including trade and other receivables						9 610
TOTAL: ASSETS						14 162 151
Trade and other liabilities	273 302	504 552	368 627	177 499	(175 216)	1 148 764
Equity and liabilities excluded from segmentation						13 013 387
- including trade and other liabilities						89 725
TOTAL: EQUITY AND LIABILITIES						14 162 151
for the 12-month period ended 31 December 2011						
Capital expenditure for fixed assets and intangible assets	-	774 838	447 787	80 471	(39 721)	1 263 375
Capital expenditure for fixed assets and intangible assets excluded from segmentation						32 196
Depreciation and amortization	703	352 663	296 395	29 898	(3 186)	676 473
Depreciation excluded from segmentation						6 340
Recognition/(derecognition/assigning) of receivables allowance	(385)	(5 996)	18 721	294	-	12 634

The notes presented on pages 11-114 constitute an integral part of the consolidated financial statements.

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

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

In 2012 and 2011 there was no buyers' concentration exceeding 10% of the total sales revenue in any of the segments.

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

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

ENEA Group

Consolidated financial statements prepared in accordance with IFRS-EU for the financial year ended 31 December 2012.

*(all amounts in PLN '000, unless specified otherwise)***8. Property, plant and equipment**

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2012							
Gross value	42 607	7 715 962	5 358 520	154 868	429 950	336 238	14 038 145
Accumulated depreciation	-	(2 675 187)	(1 938 533)	(61 355)	(273 209)	(563)	(4 948 847)
Impairment loss	(103)	(5 755)	185	(23)	(17)	(6 714)	(12 427)
Net book value	42 504	5 035 020	3 420 172	93 490	156 724	328 961	9 076 871
Changes in the 12 months ended 31 December 2012							
Reclassifications	728	102 652	277 126	266	2 948	(391 725)	(8 005)
Acquisition	1 863	408 739	194 836	15 453	39 821	1 118 151	1 778 863
Disposal (gross value)	(138)	(1 858)	(1 293)	(2 705)	(659)	-	(6 653)
Disposal (accumulated depreciation)	-	262	1 016	2 313	654	-	4 245
Depreciation and amortization	-	(331 482)	(347 979)	(11 498)	(26 209)	-	(717 168)
Impairment loss	-	(5 397)	10	-	1	37	(5 349)
Settlement of acquisition of subsidiaries (gross value)	-	123 464	223 084	-	-	-	346 548
Settlement of acquisition of subsidiaries (accumulated depreciation)	-	(274)	(496)	-	-	-	(770)
Reclassification to assets held for sale (gross value)	-	-	24	61	-	2	87
Reclassification to assets held for sale (accumulated depreciation)	-	333	(8)	(30)	-	-	295
Liquidation (gross value)	-	(35 265)	(48 204)	(465)	(1 659)	-	(85 593)
Liquidation (accumulated depreciation)	-	25 670	44 250	554	1 501	-	71 975
Other (gross value)	537	23 409	4 103	527	(146)	(23 772)	4 658
Other (accumulated amortization)	-	(374)	133	118	(504)	-	(627)
Balance as at 31 December 2012							
Gross value	45 597	8 337 103	6 008 196	168 005	470 255	1 038 894	16 068 050
Accumulated depreciation	-	(2 981 052)	(2 241 617)	(69 898)	(297 767)	(563)	(5 590 897)
Impairment loss	(103)	(11 152)	195	(23)	(16)	(6 677)	(17 776)
Net book value	45 494	5 344 899	3 766 774	98 084	172 472	1 031 654	10 459 377

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	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2011							
Gross value	35 846	6 939 699	4 503 480	135 475	396 037	637 047	12 647 584
Accumulated depreciation	-	(2 375 681)	(1 647 202)	(55 289)	(254 926)	937	(4 332 161)
Impairment loss	-	(410)	(379)	(22)	(20)	(5 942)	(6 773)
Net book value	35 846	4 563 608	2 855 899	80 164	141 091	632 042	8 308 650
Changes in the 12 months ended 31 December 2011							
Reclassifications	80	220 537	322 146	963	2 601	(562 995)	(16 668)
Acquisition	4 887	494 811	259 669	22 542	35 616	260 542	1 078 067
Disposal (gross value)	(117)	(2 373)	(6 091)	(4 384)	(773)	-	(13 738)
Disposal (accumulated depreciation)	-	1 108	2 243	3 438	571	-	7 360
Depreciation and amortization	-	(322 374)	(307 804)	(10 053)	(22 859)	-	(663 090)
Impairment loss	(103)	(5 345)	564	(1)	3	(772)	(5 654)
Settlement of acquisition of subsidiaries (gross value)	4 331	113 168	279 545	300	784	20 785	418 913
Settlement of acquisition of subsidiaries (accumulated depreciation)	-	(5 681)	79	(55)	(79)	-	(5 736)
Reclassification to assets held for sale (gross value)	(1 803)	(15 589)	(705)	(32)	(655)	-	(18 784)
Reclassification to assets held for sale (accumulated depreciation)	-	5 170	618	23	645	-	6 456
Liquidation (gross value)	(617)	(40 444)	(16 923)	(865)	(4 463)	(5)	(63 317)
Liquidation (accumulated depreciation)	-	20 585	13 450	753	3 713	-	38 501
Other (gross value)	-	6 153	17 399	869	803	(19 136)	6 088
Other (accumulated amortization)	-	1 686	83	(172)	(274)	(1 500)	(177)
Balance as at 31 December 2011							
Gross value	42 607	7 715 962	5 358 520	154 868	429 950	336 238	14 038 145
Accumulated depreciation	-	(2 675 187)	(1 938 533)	(61 355)	(273 209)	(563)	(4 948 847)
Impairment loss	(103)	(5 755)	185	(23)	(17)	(6 714)	(12 427)
Net book value	42 504	5 035 020	3 420 172	93 490	156 724	328 961	9 076 871

Collateral established on the Group's property, plant and equipment is disclosed in Note 17.

Impairment test (property, plant and equipment)

As at 31 December 2012, due to the falling prices of electricity, the Group carried out tests for impairment of tangible fixed assets in Production segment. The tests did not reveal any impairment of aforementioned assets as at 31 December 2012.

The main assumptions used for impairment tests are as follows:

- energy prices for years 2013-2033,
- prices of certificates of energy origin from renewable resources and cogeneration,
- prices of CO₂ emission rights,

	MEC Piła Sp. z o.o.	PEC Sp. z o.o. in Oborniki	Dobitt Energia Sp. z o.o.	Windfarm Polska Sp. z o.o.	Elektrociepłownia Białystok S.A.	Elektrownie Wodne Sp. z o.o.	ENEA Wytwarzanie S.A.
Discount rates pre-tax	10.0%	9.6%	9.2%	8.9%	9.7%	9.7%	7.2%
Residual discount rates	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

For MEC Piła Sp. z o.o., Elektrociepłownia Białystok S.A. and ENEA Wytwarzanie S.A. 5-year projection periods were assumed. For PEC Sp. z o.o. in Oborniki the projection period was extended till 2012, for Dobitt Energia Sp. z o.o. and Windfarm Polska Sp. z o.o. till 2033, and for Elektrownie Wodne Sp. z o.o. till 2031, according to the expected useful life of assets.

On the basis of impairment test on goodwill (Note 10.1), the Group recognized an impairment loss on tangible fixed assets of Annacond Enterprises Sp. z o.o. in the amount of PLN 5,397 thousand.

Based on the sensitivity analysis performed, prices of energy, certificates of origin, CO₂ emission rights and discount rates are the key factors having an impact on the estimated value in use of cash generating units.

Finance lease

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

	31.12.2012			31.12.2011		
	Initial value	Accumulated depreciation	Net carrying amount	Initial value	Accumulated depreciation	Net carrying amount
Technical equipment and machines	1 029	(135)	894	530	-	530
Vehicles	11 515	(3 459)	8 056	8 795	(2 119)	6 676
Other fixed assets	1 656	(181)	1 475	92	(2)	90
Total	14 200	(3 775)	10 425	9 417	(2 121)	7 296

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

9. Perpetual usufruct of land

	31.12.2012	31.12.2011
Gross value opening balance	72 167	31 235
Acquisition	2 707	963
Settlement of acquisition of subsidiaries	-	41 210
Reclassification to non-current assets held for sale	-	(1 122)
Disposal (gross value)	(1 200)	(149)
Liquidation (gross value)	(8)	30
Gross value closing balance	73 666	72 167
Opening balance of amortization	(2 607)	(2 027)
Disposal (accumulated amortization)	(365)	(271)
Settlement of acquisition of subsidiaries	-	(107)
Liquidation (accumulated amortization)	47	-
Accumulated amortization for the period	(308)	(202)
Closing balance of amortization	(3 233)	(2 607)
Opening balance of impairment loss	(64)	-
Closing balance of impairment loss	(64)	(64)
Net value opening balance	69 496	29 208
Net value closing balance	70 369	69 496

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*(all amounts in PLN '000, unless specified otherwise)***10. Intangible assets**

2012	R&D expenses	Goodwill	Computer software, licenses, concessions and patents	Easement rights	Customer relations	Certificates exchange agreements	Agreements on supply of coal	Total
Balance as at 1 January 2012								
Gross value	294	47 474	182 456	-	16 000	3 900	3 520	253 644
Accumulated amortization	(221)	-	(127 473)	-	(1 120)	(1 517)	(3 520)	(133 851)
Impairment loss	-	(17 263)	(218)	-	-	-	-	(17 481)
Net value	73	30 211	54 765	-	14 880	2 383	-	102 312
Changes in 12 months ended 31 December 2012								
Reclassifications	-	-	4 601	-	-	-	-	4 601
Acquisition	3 081	-	17 391	1 866	-	-	-	22 338
Disposal (gross value)	-	-	(455)	-	-	-	-	(455)
Disposal (accumulated amortization)	-	-	455	-	-	-	-	455
Amortization	(16)	-	(28 294)	(126)	-	-	-	(28 436)
Impairment loss	-	(5 921)	-	-	-	-	-	(5 921)
Settlement of acquisition of subsidiaries (gross value)	-	102 435	-	4 271	-	-	-	106 706
Settlement of acquisition of subsidiaries (accumulated amortization)	-	-	-	(252)	-	-	-	(252)
Reclassification to assets held for sale (gross value)	-	-	8	-	-	-	-	8
Reclassification to assets held for sale (accumulated amortization)	-	-	(11)	-	-	-	-	(11)
Liquidation (gross value)	-	-	(113)	-	-	-	-	(113)
Liquidation (accumulated amortization)	-	-	113	-	-	-	-	113
Other (gross value)	-	-	14	-	-	-	-	14
Other (accumulated amortization)	(2)	-	-	-	-	-	-	(2)
Balance as at 31 December 2012								
Gross value	3 375	149 909	203 902	6 137	16 000	3 900	3 520	386 743
Accumulated amortization	(239)	-	(155 210)	(378)	(1 120)	(1 517)	(3 520)	(161 984)
Impairment loss	-	(23 184)	(218)	-	-	-	-	(23 402)
Net book value	3 136	126 725	48 474	5 759	14 880	2 383	-	201 357

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2011	R&D expenses	Goodwill	Computer software, licenses, concessions and patents	Customer relations	Certificates exchange agreements	Agreements on supply of coal	Total
Balance as at 1 January 2011							
Gross value	237	19 736	144 674	-	-	-	164 647
Accumulated amortization	(213)	-	(110 571)	-	-	-	(110 784)
Impairment loss	-	(17 263)	(109)	-	-	-	(17 372)
Net value	24	2 473	33 994	-	-	-	36 491
Changes in 12 months ended 31 December 2011							
Reclassifications	55	-	14 017	-	-	-	14 072
Acquisition	-	-	19 410	-	-	-	19 410
Disposal (gross value)	-	-	(46)	-	-	-	(46)
Disposal (accumulated amortization)	-	-	27	-	-	-	27
Amortization	(8)	-	(16 815)	-	-	-	(16 823)
Impairment loss	-	-	(109)	-	-	-	(109)
Settlement of acquisition of subsidiaries (gross value)	-	27 738	3 758	16 000	3 900	3 520	54 916
Settlement of acquisition of subsidiaries (accumulated amortization)	-	-	(208)	(1 120)	(1 517)	(3 520)	(6 365)
Liquidation (gross value)	-	-	(151)	-	-	-	(151)
Liquidation (accumulated amortization)	-	-	149	-	-	-	149
Other (gross value)	2	-	794	-	-	-	796
Other (accumulated amortization)	-	-	(55)	-	-	-	(55)
Balance as at 31 December 2011							
Gross value	294	47 474	182 456	16 000	3 900	3 520	253 644
Accumulated amortization	(221)	-	(127 473)	(1 120)	(1 517)	(3 520)	(133 851)
Impairment loss	-	(17 263)	(218)	-	-	-	(17 481)
Net book value	73	30 211	54 765	14 880	2 383	-	102 312

No collateral has been established on intangible assets.

10.1. Goodwill

Goodwill has been presented in detail in the table below:

	Period ended 31.12.2012	Period ended 31.12.2011
Gross value		
Opening balance	47 474	19 736
Additional amounts recognized following business combinations effected during the year	102 435	27 738
Closing balance	<u>149 909</u>	<u>47 474</u>
Accumulated impairment loss		
Opening balance	(17 263)	(17 263)
Impairment loss recognized during the year	(5 921)	-
Closing balance	<u>(23 184)</u>	<u>(17 263)</u>
Net value		
Opening balance	30 211	2 473
Closing balance	<u>126 725</u>	<u>30 211</u>

Goodwill by cash generating units has been presented in the table below:

Goodwill	Net carrying amount
Windfarm Polska Sp. z o.o.	102 435
Elektrownie Wodne Sp. z o.o. (Wind farm)	18 686
Dobitt Energia Sp. z o.o.	3 131
Miejska Energetyka Ciepła Piła Sp. z o.o.	1 806
Elektrownie Wodne Sp. z o.o.	667
	<u>126 725</u>

As at 31 December 2012 the Group carried out an impairment test on goodwill. The test covered goodwill related to two companies acquired in 2008: Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki („PEC Oborniki”) and Miejska Energetyka Ciepła Piła Sp. z o.o. („MEC Piła”); three companies acquired in 2011: Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa (on 2 January 2012 a merger of the company with Elektrownie Wodne Sp. z o.o. took place), Dobitt Energia Sp. z o.o. and Annacond Enterprises Sp. z o.o. and in a company acquired in 2012: Windfarm Polska Sp. z o.o. As a result of the analysis the Group recognized an impairment loss on goodwill related to Annacond Enterprises Sp. z o.o. in the amount of PLN 5,921 thousand (impairment of the total goodwill amount related to this entity).

The most significant assumptions adopted by the Company for impairment testing are presented below:

- a) energy prices for years 2013-2033,
- b) prices of certificates of energy origin from renewable resources and cogeneration,
- c) prices of CO₂ emission rights,
- d) Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Sp. k. (merged with Elektrownie Wodne Sp. z o.o.): pre-tax discount rate 9.7%, residual growth rate 2.5%; projection period was extended till 2033 in line with the economic useful lives of assets,

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- e) Dobitt Energia Sp. z o.o.: pre-tax discount rate 9.2%, residual growth rate 2.5%; projection period was extended till 2033 in line with the economic useful lives of assets,
- f) Annacond Enterprises Sp. z o.o. – for the impairment testing purposes the Company adopted liquidation value arising from the valuation carried out as at 30 June 2012,
- g) Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki: pre-tax discount rate 9.6%, residual growth rate 2.5%, projection period was extended till 2022 (in the projection period after 2017 it was assumed that the company would generate constant EBITDA that would implicate an increase of EBIT margin as the depreciation would decrease; the extension of the projection period is aimed at equalization of depreciation and capital expenditure in residual period ,
- h) Miejska Energetyka Ciepła Piła Sp. z o.o.: pre-tax discount rate 10.0%, residual growth rate 2.5%, 5-year projection period was assumed (till 2017),
- i) Windfarm Polska Sp. z o.o.: pre-tax discount rate 8.9%, residual growth rate 2.5%, projection period was extended till 2033 in line with the economic useful lives of assets.

Based on the sensitivity analysis performed, prices of energy, certificates of origin, CO₂ emission rights and discount rates are the key factors having an impact on the estimated value in use of cash generating units.

11. Investment property

	<u>31.12.2012</u>	<u>31.12.2011</u>
Gross value opening balance	35 220	9 984
Acquisition	587	28
Reclassification from / to property, plant and equipment	(1 451)	17 904
Acquisition of subsidiaries	-	7 304
Gross value closing balance	34 356	35 220
Opening balance of depreciation	(982)	(907)
Disposal (accumulated depreciation)	-	163
Liquidation (accumulated depreciation)	156	-
Accumulated depreciation for the period	(759)	(238)
Closing balance of depreciation	(1 585)	(982)
Opening balance of impairment loss	(2 019)	(874)
Closing balance of impairment loss	(2 019)	(2 019)
Net value opening balance	32 219	8 203
Net value closing balance	30 752	32 219

No collateral has been established on investment property.

	<u>01.01.2012-31.12.2012</u>	<u>01.01.2011-31.12.2011</u>
Revenue from investment property	2 494	870
Operating costs related to investment property:		
generating revenue	(1 350)	(338)
not used	(74)	(102)
Total expenses	(1 424)	(440)

The Group recognizes as investment properties among others office buildings, a hotel in Augustów and other commercial properties.

12. Investments in subsidiaries and associates

	31.12.2012	31.12.2011
Opening balance	278 854	170 220
Share in the net change of net assets	304	4 529
Acquisition of investments	-	272 310
Reclassification to non-current assets held for sale	-	(5 589)
Settlement of acquisition of subsidiaries	(272 310)	(165 396)
Other changes	(897)	2 780
Closing balance	5 951	278 854

On 16 April 2012 ENEA S.A. concluded acquisition of 100% shares of Windfarm Polska Sp. z o.o. (the "Windfarm"), the owner of working wind farm Bardy 50 MW, consisting of 25 Vestas turbines with 2 MW power each and electricity network connection station. The wind farm is situated in the area with high level of wind, predicted annual production of "green" energy equals 150 000 MWh.

The acquisition enables significant increase in production capacity from renewable sources in the Group.

In November and December 2011 ENEA S. A. made an advance payments of PLN 272,310 thousand for future shares, in line with the preliminary agreement on the sale of all shares in Windfarm Polska sp. z o. o. dated 25 November 2011.

On 13 July 2011 the Group sold all its shares in Przedsiębiorstwo Energetyki Ciepłej w Śremie S. A.

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

As at 31 December 2011 the Group reclassified shares in an associate "WIRBET" S.A. which had been measured using the equity method at PLN 5,589 thousand to non-current assets held for sale.

The share in the net profit/loss of associates and jointly controlled entities consolidated in line with the equity method for 2012 amounted to PLN 304 thousand (PLN 4,529 thousand for 2011).

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

	Share in the ownership	Current assets	Non- current assets	Total assets	Short-term liabilities and provisions for liabilities	Long-term liabilities and provisions for liabilities	Total liabilities	Revenue	Expenses	Net profit
31.12.2012										
Energo-Inwest-Broker S.A. (an associate)	30,3%	6 534	6 819	13 353	2 849	726	3 575	31 108	(25 377)	5 731
		6 534	6 819	13 353	2 849	726	3 575	31 108	(25 377)	5 731

	Share in the ownership	Current assets	Non- current assets	Total assets	Short-term liabilities and provisions for liabilities	Long-term liabilities and provisions for liabilities	Total liabilities	Revenue	Expenses	Net profit
31.12.2011										
Wirbet S.A. (an associate)	49,00%	8 417	9 580	17 997	5 856	734	6 590	27 635	(25 359)	2 276
Energo-Inwest-Broker S.A. (an associate)	28,17%	6 185	6 611	12 796	2 622	527	3 149	28 643	(22 801)	5 842
		14 602	16 191	30 793	8 478	1 261	9 739	56 278	(48 160)	8 118

The notes presented on pages 11-114 constitute an integral part of the consolidated financial statements.

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*(all amounts in PLN '000, unless specified otherwise)***13. Non-controlling interests**

2012								
Subsidiary name	BHU S.A.	Energo- Tour Sp. z o.o.	Niepubliczny ZOZ Centrum Uzdrowskowie Energetyk Sp. z o.o.	Miejska Energetyka Ciepna Piła Sp. z o.o.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki	Annacond Enterprises Sp. z o.o.	Elektrociepłownia Białystok S.A.	Total non-controlling interests
Non-controlling interests (%)	9,92%	0,08%	0,06%	34,97%	6,01%	39,00%	0,004%	
Fixed assets	18 604	6 591	23 451	42 312	6 711	2 837	685 753	
Current assets	49 490	1 353	682	24 640	4 973	420	172 555	
Long-term liabilities	(6 182)	(936)	(6 917)	(8 015)	(494)	(683)	(171 895)	
Short-term liabilities	(33 654)	(474)	(2 141)	(6 611)	(1 991)	(22)	(105 590)	
Net assets	28 258	6 534	15 075	52 326	9 199	2 552	580 823	
Carrying amount of non-controlling interests	2 803	5	9	18 298	553	995	58	22 721
Sales revenue	144 019	5 141	10 768	39 467	7 962	35	268 181	
Net profit/ (loss) for the reporting period	(4 090)	(889)	62	(1 851)	(33)	(11 939)	(9 802)	
Total comprehensive income	(4 090)	(889)	62	(1 851)	(33)	(11 939)	(11 173)	
Profit / (Loss) attributable to non-controlling interests	(302)	-	-	(647)	(2)	(4 656)	-	(5 607)
Net cash flow from operating activities	1 140	(352)	1 026	10 206	2 242	319	115 510	
Net cash flow from investing activities	(150)	(28)	(728)	(2 735)	(1 869)	-	(155 243)	
Net cash flow from financing activities – before dividend payment for non-controlling interests	(1 115)	-	(1 043)	(218)	1 028	-	79 845	
Net cash flow from financing activities –dividend payment for non-controlling interests	(8)	-	-	-	-	-	-	
Net cash flows	(133)	(380)	(745)	7 253	1 401	319	40 112	

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*(all amounts in PLN '000, unless specified otherwise)***2011**

Subsidiary name	BHU S.A.	Energ- Tour Sp. z o.o.	Niepubliczny ZOZ Centrum Uzdrowskowe Energetyk Sp. z o.o.	Miejska Energetyka Ciepna Piła Sp. z o.o.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki	Annacond Enterprises Sp. z o.o.	Elektrociepłownia Białystok S.A.	Total non-controlling interests
Non-controlling interests (%)	9,58%	0,08%	0,06%	34,97%	8,98%	39,00%	0,06%	
Fixed assets	19 234	6 877	23 457	45 679	7 908	14 608	554 717	
Current assets	60 151	1 837	1 509	23 350	4 617	631	135 704	
Long-term liabilities	(6 317)	(709)	(7 684)	(7 914)	(441)	(683)	(59 810)	
Short-term liabilities	(40 610)	(582)	(2 269)	(6 939)	(804)	(67)	(38 122)	
Net assets	32 458	7 423	15 013	54 176	11 280	14 489	592 489	
Carrying amount of non-controlling interests	3 109	6	9	18 945	1 013	5 651	355	29 088
Sales revenue	156 080	5 543	9 998	36 400	7 511	-	153 912	
Net profit/ (loss) for the reporting period	363	(340)	103	(1 411)	48	(818)	6 711	
Total comprehensive income	363	(340)	103	(1 411)	48	(818)	6 711	
Profit / (Loss) attributable to non-controlling interests	27	-	-	(493)	4	(313)	4	(771)
Net cash flow from operating activities	656	149	1 294	1 572	(90)	(51)	14 068	
Net cash flow from investing activities	(3 154)	(157)	(7 538)	(4 920)	(53)	-	(21 656)	
Net cash flow from financing activities – before dividend payment for non-controlling interests	929	(1)	6 516	63	39	-	(55 684)	
Net cash flow from financing activities –dividend payment for non-controlling interests	-	-	-	-	-	-	(28)	
Net cash flows	(1 569)	(9)	272	(3 285)	(104)	(51)	(63 300)	

The notes presented on pages 11-114 constitute an integral part of the consolidated financial statements.

14. Non-current assets held for sale

	31.12.2012	31.12.2011
Tangible fixed assets	12 328	12 329
Investments in subsidiaries, associates and jointly controlled entities	-	5 589
Perpetual usufruct of land	1 122	1 122
Financial assets available for sale	-	2 242
Inventory	9	14
Receivables	77	204
Cash	5	3
Non-current assets held for sale	13 541	21 503
Loans, borrowings and debt securities	291	545
Trade and other liabilities	178	179
Liabilities due to employee benefits	69	71
Liabilities related to non-current assets held for sale	538	795

During 2012 the Group transferred assets of a subsidiary Auto-Styl Sp. z o.o. to non-current assets held for sale. It also transferred liabilities of the subsidiary to liabilities related to non-current assets held for sale. On 4 December 2012 100% shares in Auto-Styl Sp. z o.o. were sold.

As at 31 December 2012 the assets of a subsidiary Hotel "EDISON" Sp. z o.o. are presented as non-current assets held for sale and its liabilities as liabilities related to non-current assets held for sale. As at the end of the reporting period the carrying amount of these assets amounted to PLN 13,541 thousand and the liabilities amounted to PLN 538 thousand.

The latest announcement of the sale of the shares in the hotel was published on 8 November 2012 in Gazeta Wyborcza. Despite the initial interest from potential buyers, no entity did request for Information Memorandum and submitted an offer. ENEA S.A. permanently looks for an investor by establishing direct contacts with potential investors (hotel chains, investment funds, law companies providing brokerage services, online investment banks and other investors) and the announcement will be published at least every six months. The Company plans to complete the sale process by the end 2013.

15. Financial assets

	31.12.2012	31.12.2011
Receivables and loans	376	237
Long-term financial assets available for sale (shares in unrelated parties)	66 735	70 490
Non-current financial assets measured at fair value through profit or loss	1 504	1 557
Total non-current financial assets	68 615	72 284
Receivables and loans	1 449 314	1 091 531
Current financial assets held to maturity	5 135	531 883
Current financial assets measured at fair value through profit or loss	422 173	723 439
Total current financial assets	1 876 622	2 346 853
Total	1 945 237	2 419 137

16. Trade and other receivables

	31.12.2012	31.12.2011
Current trade and other receivables		
Trade receivables	1 110 248	941 998
Tax receivables (excluding income tax) and other similar charges	120 286	19 486
Other receivables	137 537	58 275
Advance payments	2 532	3 057
Receivables due to unbilled sales	249 508	234 757
Prepaid property insurance	3 377	2 189
	1 623 488	1 259 762
Less: impairment loss on receivables	(174 174)	(168 231)
Net current trade and other receivables	1 449 314	1 091 531
	31.12.2012	31.12.2011
Non-current trade and other receivables		
Other receivables	376	237
Less: receivables allowance	-	-
Net non-current trade and other receivables	376	237
Total net trade and other receivables	1 449 690	1 091 768

Trade and other receivables allowance:

	31.12.2012	31.12.2011
Opening balance of receivables allowance	168 231	155 597
Acquisition of subsidiaries	-	4 664
Addition	28 804	34 876
Released	(21 914)	(18 679)
Utilized	(947)	(8 227)
Closing balance of receivables allowance	174 174	168 231

Ageing structure of trade and other receivables:

	Nominal value	Allowance	Carrying amount
31.12.2012			
Current	1 061 313	(405)	1 060 908
Overdue			
0-30 days	189 789	(3 957)	185 832
31- 90 days	94 708	(97)	94 611
91-180 days	33 229	(7 173)	26 056
over 180 days	244 825	(162 542)	82 283
TOTAL	1 623 864	(174 174)	1 449 690
	Nominal value	Allowance	Carrying amount
31.12.2011			
Current	740 346	(435)	739 911
Overdue			
0-30 days	220 140	(4 661)	215 479
31- 90 days	63 247	(820)	62 427
91-180 days	29 801	(9 265)	20 536
over 180 days	206 465	(153 050)	53 415
TOTAL	1 259 999	(168 231)	1 091 768

17. Encumbrances and collateral established on the Group's assets

Property, plant and equipment with limited ownership of the Group classified as collateral of liabilities

Entity's name	Collateral title	Type of collateral	Entity for which the collateral has been established	Debt as at 31 December 2012	Debt as at 31 December 2011	Collateral period
BHU S.A.	Overdraft	Capped mortgage up to PLN 3,750 thousand	Bank BPH S.A.	-	-	March 2013
BHU S.A.	Investment loan	Capped mortgage up to PLN 3,750 thousand	Bank BPH S.A.	2 000	2 500	December 2017
NZOZ Centrum Uzdrowiskowe Energetyk Sp. z o.o.	Loan	Capped mortgage up to PLN 8,450 thousand, registered pledge	Siemens Finance Sp. z o.o.	5 821	6 369	September 2020
EP PUE ENERGOBUD Leszno Sp. z o.o.	Investment loan	Mortgage of PLN 4,000 thousand	Nordea Bank Polska S.A.	1 137	1 496	February 2016
Hotel „EDISON” Sp. z o.o	Overdraft	Capped mortgage up to PLN 400 thousand	BZ WBK S.A.	291	245	October 2013
Elektrownie Wodne Sp. z o.o.	Investment loan	Mortgage, Capped mortgage, registered pledge	PKO BP S.A.	21 670	24 340	August 2020
ITSERWIS Sp. z o.o.	Overdraft	Capped mortgage	BZ WBK S.A.	1 416	875	October 2013
PEC Sp. z o.o. in Oborniki	Leasing	Capped mortgage, assignment of receivables	BZ WBK Finanse & Leasing S.A.	98	125	November 2014
ENEA Wytwarzanie S.A.	Long-term credit facility	Registered pledge on fixed assets, 16 blank bills of exchange, authorization to the bank account, assignment of insurance policy title	Nordic Investment Bank S.A.	31 031	50 459	December 2015
ENEA Wytwarzanie S.A.	Long-term credit facility	Registered pledge on fixed assets, assignment of insurance policy title	PKO BP S.A.	-	18 204	December 2012

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

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

No	Entity's name	Collateral title	Type of collateral	Entity for which the collateral has been established	Debt as at 31 December 2012	Debt as at 31 December 2011	Collateral period
1.	Energobud Leszno	Claims arising from the contract on purchase of products and services secured with Fleet Cards	Blank promissory note	PKN Orlen S.A.	Unspecified	Unspecified	unlimited
2.	Energobud Leszno	Collateral of leases	Blank promissory note	Pekao Leasing Sp. z o.o.	1 859	-	October 2015
3.	Energobud Leszno	Collateral of a contract for tender bonds	Blank promissory note	PZU S.A.	Unspecified	Unspecified	unlimited
4.	Energobud Leszno	Service contract regarding regular provision of performance bonds	Blank promissory note	PZU S.A.	Unspecified	Unspecified	unlimited
5.	Energobud Leszno	Investment loan	Authorization to debit the bank account, assignment of insurance policy title	NORDEA BANK POLSKA S.A.	1 137	1 496	February 2016
6.	Elektrownie Wodne	Loan	Blank promissory note, assignment of receivables from power sales contract	National Fund for Environmental Protection and Water Management (NFOŚiGW)	6 365	6 941	20 December 2023
7.	Eneos	Investment loan	Assignment of a contract and blank promissory note	PKO BP S.A.	2 294	3 196	December 2020
8.	NZOZ Centrum Uzdrowiskowe Energetyk	Loan	Blank promissory notes	Siemens Finance Sp. z o.o.	5 821	6 369	30 September 2021
9.	BHU	Collateral of a purchase limit	Blank promissory note	Philips Lighting Farel Mazury Sp. z o.o.	400	400	Contract term
10.	BHU	Collateral of lease	Blank promissory note	Raiffeisen-Leasing Polska S.A.	4	34	1 February 2013
11.	BHU	Collateral of lease	Assets under lease agreement	BRE Leasing Sp. z o.o.	1 451	1 374	31 May 2015
12.	ENEA	Collateral of receivables	Blank promissory note	PSE Operator S.A.	-	15 000	Contract term
13.	ENEA	Space rental agreement	Bank guarantee	RONDO PROPERTY INVESTMENT Sp. z o.o.	-	135	13 December 2012
14.	ENEA	Trading in electricity and property rights on commodity exchange	Bank guarantee	Izba Rozliczeniowa Gield Towarowych S.A.	30 000	35 000	18 November 2012
15.	Energomiar	Collateral of leases	Blank promissory note	Volkswagen Leasing Polska Sp. z o.o.	500	424	November 2014
16.	ENEA Centrum	Collateral of a customer service contract	Account freezing	BP EUROPE SE	-	-	until revoked

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No	Entity's name	Collateral title	Type of collateral	Entity for which the collateral has been established	Debt as at 31 December 2012	Debt as at 31 December 2011	Collateral period
17.	Energo-Tour	Insurance guarantee	Account freezing	AXA TUiA S.A.	26	26	17 September 2013
18.	ITSERWIS	Collateral of leases	Blank promissory notes	BZ WBK Leasing S.A.	52	108	20 March 2014
19.	ITSERWIS	Overdraft	Authorization to debit the current account, blank promissory note, assignment of receivables under the insurance policy covering real property	BZ WBK S.A.	1 416	875	31 October 2012
20.	Hotel Edison	Trade agreement	Blank promissory note up to PLN 5 thousand	FEDRUS S.A.	-	-	Contract term
21.	PEC Oborniki		Blank promissory notes and assignment of receivables	WFOŚiGW	1000	-	March 2018
22.	MEC Piła	Loan	Blank promissory notes and assignment of receivables	WFOŚiGW	2 106	2 120	May 2017
23.	ENE Wytwarzanie	Grant	Blank promissory note (collateral amount of PLN 4,418 thousand)	NFOŚiGW	-	Unspecified	2 April 2012
24.	ENE Wytwarzanie	Grant	Blank promissory note (collateral amount of PLN 4,497 thousand)	NFOŚiGW	-	Unspecified	31 August 2012
25.	ENE Wytwarzanie	Grant	Weksel In blanco	NFOŚiGW	-	-	30 November 2016

18. CO₂ emission rights

	31.12.2012	31.12.2011
Opening balance		
Gross book value	246 722	108 650
Net carrying Mount	246 722	108 650
Changes within 12 month period		
Acquisition	120 976	272 094
Redemption of emission rights	(140 667)	(33 272)
Sales	(32 409)	(100 750)
Closing balance		
Gross book value	194 622	246 722
Net carrying amount	194 622	246 722

19. Inventory

	31.12.2012	31.12.2011
Materials	311 892	326 829
Semi-finished products and work in progress	1 502	1 251
Finished products	605	164
Certificates of origin	180 521	144 012
Goods for resale	14 405	20 645
	508 925	492 901
Impairment loss on inventories	(6 271)	(9 879)
Total	502 654	483 022

Inventories included in the expenses of the current year amounted to PLN 1,901,678 thousand (PLN 1,766,892 thousand in 2011).

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

No collateral has been established on inventories.

20. Certificates of origin

	31.12.2012	31.12.2011
Opening balance	144 012	151 393
Self-production	222 060	178 766
Acquisition	495 509	370 865
Redemption	(420 491)	(403 353)
Sale	(249 466)	(151 800)
Impairment loss	(11 103)	(1 859)
Closing balance	180 521	144 012

21. Cash and cash equivalents

	31.12.2012	31.12.2011
Cash in hand and at bank	506 679	876 136
- cash in hand	905	1 017
- cash at bank	505 774	875 119
Other cash	588 816	342 225
-cash in transit	1 053	908
- deposits	587 669	341 265
- other	94	52
Total cash and cash equivalents	1 095 495	1 218 361
Cash disclosed in the cash flows statement	1 095 495	1 218 361

Collaterals established on cash has been disclosed in Note 17.

As at 31 December 2012 the restricted cash of ENEA S.A. amounted to PLN 7,000 thousand and comprised cash at bank (cash blocked due to a deposit for receivables, a security deposit and a transaction deposit).

As at 31 December 2011 the restricted cash of ENEA S.A. amounted to PLN 9,262 thousand.

As at 31 December 2012 the total restricted cash of the Group amounted to PLN 8,173 thousand (as at 31 December 2011 the total restricted cash amounted to PLN 9,898 thousand). In addition to the aforementioned funds of ENEA S.A. the total restricted cash of the Group comprised funds restricted based on collateral agreements and deposits paid by suppliers.

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

	31.12.2012	31.12.2011
Financial assets measured at fair value through profit or loss		
Forward contracts (CO ₂ emissions rights)	-	10 769
Forward contracts (EUR)	-	143
Other financial assets	1 504	1 557
Investment portfolio	422 173	712 527
Total	423 677	724 996

ENEA S.A. has an investments portfolio managed by a specialized institution dealing with professional management of cash. In accordance with an agreement with the portfolio manager, the funds are invested only in safe securities, in line with the structure presented 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%	40%

As at 31 December 2012 the investments portfolio carrying amount is equal to PLN 508,521 thousand, included financial assets measured at fair value through profit or loss (treasury bills and bonds of PLN 224,309 thousand and bank deposits of PLN 198,683 thousand) and bank deposits with the maturity up to 3 months, presented in cash and equivalents of PLN 85,529 thousand.

The investment strategy is to maximize profit at a minimum risk.

23. Acquisition of a subsidiary

On 16 April 2012 ENEA S.A. concluded acquisition of 100% shares of Windfarm Polska Sp. z o.o. (the "Windfarm"), the owner of working wind farm Bardy 50 MW, consisting of 25 Vestas turbines with 2 MW power each and electricity network connection station. The wind farm is situated in the area with high level of wind, predicted annual production of "green" energy equals 150 000 MWh.

The transaction will enable a significant increase in production capacity from renewable sources in ENEA Group.

In the period from 16 April till 31 December 2012 Windfarm generated revenues of PLN 41,916 thousand and realized a net profit of PLN 23,078 thousand. The Management Board estimates that if the acquisition had occurred on 1 January 2012 the consolidated revenue for 12-month period ended 31 December 2012 would have been PLN 10,096,032 thousand and the consolidated net profit would have been PLN 712,663 thousand.

The following table summarizes fair values of identifiable net assets acquired as at the acquisition date:

	16.04.2012
Purchase price (including acquired receivables)	470 394
Property, plant and equipment	345 788
Inventory – certificates of origin	8 348
Trade and other receivables	46 567
Cash and cash equivalents	2 172
Deferred tax assets	23
Liabilities	(34 939)
Fair value of net assets at the acquisition date	367 959
Goodwill	102 435

As part of the transaction the ENEA S.A. acquired a EUR denominated loan granted to Windfarm by its former shareholder and EUR denominated receivables due to delivery of turbines and wind farm construction for a total amount of PLN 369,137 thousand.

In connection with the transaction the Company incurred transaction costs including tax on civil law transactions amounting to PLN 987 thousand and advisory services amounting to PLN 154 thousand. In these consolidated financial statements the transaction costs have been recognized directly in operating expenses in the statement of profit or loss and other comprehensive income.

24. Options for shares in PEC Oborniki and MEC Piła

The agreements on the acquisition of shares in PEC Oborniki and MEC Piła include irrevocable shares put options valid in the period of 6 and 5 years from the date of concluding the agreement, i.e. till 2013. These options have been measured in these consolidated financial statements. The Group recognized the financial liability resulting from these options as at initial recognition with corresponding entry to other reserves, further adjusted by shares acquired during 2012 and prior periods. As at 31 December 2012 the amount of other

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reserves equals to PLN 21,317 thousand. The amount of PLN 313 thousand, i.e. the difference between the measurement as at 31 December 2012 (PLN 23,842 thousand) and the amount for which a portion of shares in PEC Oborniki was acquired under the employee shares repurchase planned for 2012 (PLN 393 thousand) and the measurement as at 31 December 2011 (PLN 24,548 thousand) was recognized in the financial income of 2012.

25. Equity**Balance as at 31 December 2012**

Series of shares	Number of shares	Nominal value per share (in PLN)	Share capital
"A" series	295 987 473	1	295 988
"B" series	41 638 955	1	41 639
"C" series	103 816 150	1	103 816
Total number of shares	441 442 578		
Total share capital			441 443
Share capital (face value)			441 443
Capital from business combination			38 810
Hyperinflation adjustment of share capital			107 765
TOTAL SHARE CAPITAL			588 018
Share premium			3 632 464
Share-based payments reserve			1 144 336
Retained earnings			5 521 833
Revaluation reserve (financial instruments)			50 233
Other reserves			(21 317)
Non-controlling interests			22 721
TOTAL EQUITY			10 938 288

Balance as at 31 December 2011

Series of shares	Number of shares (items)	Nominal value per share (in PLN)	Share capital
"A" series	295 987 473	1	295 988
"B" series	41 638 955	1	41 639
"C" series	103 816 150	1	103 816
Total number of shares	441 442 578		
Total share capital			441 443
Share capital (face value)			441 443
Capital from business combination			38 810
Hyperinflation adjustment of share capital			107 765
TOTAL SHARE CAPITAL			588 018
Share premium			3 632 464
Share-based payments reserve			1 144 336
Retained earnings			5 058 001
Revaluation reserve (financial instruments)			49 565
Other reserves			(21 710)
Non-controlling interests			29 088
TOTAL EQUITY			10 479 762

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*(all amounts in PLN '000, unless specified otherwise)***26. Trade and other liabilities**

	<u>31.12.2012</u>	<u>31.12.2011</u>
Current trade and other liabilities		
Trade liabilities	578 792	602 597
Advance payments received for deliveries, works and services	38 779	39 924
Tax and similar liabilities (excluding income tax)	178 782	179 684
Dividend liabilities	34	31
Special funds	569	7 440
Liabilities due to options for purchase shares in subsidiaries	23 842	24 548
Other	469 593	384 265
Total	<u>1 290 391</u>	<u>1 238 489</u>

27. Loans and borrowings

	<u>31.12.2012</u>	<u>31.12.2011</u>
Long-term		
Bank loans	38 342	59 402
Borrowings	12 455	13 977
	<u>50 797</u>	<u>73 379</u>
Short-term		
Bank loans	21 206	43 859
Borrowings	2 837	1 657
	<u>24 043</u>	<u>45 516</u>
Total	<u>74 840</u>	<u>118 895</u>

Loan and borrowings agreements of the entities in the ENEA Group have been presented below:

ENEA Operator Sp. z o.o. - pursuant to the agreement dated 18 July 2011 Bank BZ WBK S. A. granted an overdraft facility of PLN 150,000 thousand to finance current operations of the Company. The facility matures on 10 August 2014. The interest rate is floating based on WIBOR 1M plus markup. As at 31 December 2012 the Company did not use the loan.

ENEA Wytwarzanie S.A. - investment loan in a foreign currency granted by Nordic Investment Bank. The loan granted on 20 December 2000. The final maturity date is 26 November 2014. The facility was availed in two currencies – EUR and USD. Interest rate for the facility denominated in USD - rate quoted on Telerate page 3750 at 11.00 a.m. London time for the period equivalent or similar to that of the loan interest period (6 months) plus margin. Interest rate for the facility denominated in EUR (EUR-EURIBOR-Telerate) - EUR rate quoted on Telerate page 248 at 11.00 a.m., Brussels time for the period equivalent or similar to that of the loan interest period (6 months) plus margin. The facility is repaid in installments paid every six months – on 26 May and 26 November. The total liability as at 31 December (principal amount) PLN 31 005 thousand, including USD denominated portion of PLN 3 410 thousand (USD 1 100 thousand) and EUR denominated portion of PLN 27 595 thousand (EUR 6 750 thousand).

28. Bonds

On 21 June ENEA S.A. executed a Programme Agreement with five banks acting as issue guarantors. The Agreement relates to Bonds Issue Programme upto the amount of PLN 4 bln (the "Programm"). The Agreement was concluded for the term of 10 years and finishes on 15 June 2022. The Programme will finance current operations and investment needs of the ENEA S.A. and its key subsidiaries.

On 31 December 2012 and till the date of these consolidated financial statements, ENEA S.A. has not issued any bonds under the above Bonds Issue Programme.

According to the Agreement the Company is obligated to maintain the determined level of the indicator: net debt/EBITDA relating to data from consolidated financial statement. As at the date of preparation of these consolidated financial statements the condition is met.

29. Deferred income due to subsidies and connection fees

	<u>31.12.2012</u>	<u>31.12.2011</u>
Long-term		
Deferred income due to subsidies	172 501	159 020
Deferred income due to connection fees	487 126	512 794
	<u>659 627</u>	<u>671 814</u>
Short-term		
Deferred income due to subsidies	17 413	15 139
Deferred income due to connection fees	75 418	98 068
	<u>92 831</u>	<u>113 207</u>
 Deferred income schedule		
	<u>31.12.2012</u>	<u>31.12.2011</u>
Up to 1 year	92 831	113 207
1 to 5 years	133 312	125 380
Over 5 years	526 315	546 434
	<u>752 458</u>	<u>785 021</u>

30. Financial instruments

30.1. Principles of financial risk management

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

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

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

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

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Risk is managed on an ongoing basis. Risks are analyzed in connection with the impact of the external environment as well as changes in the structure and activity of the Group. Taking these into consideration, appropriate steps are undertaken aimed at mitigation of the risk or its transfer beyond the Group. In order to do so, the Group ensures that its employees are aware of possible occurrence of risks and their influence on the activity of individual organizational units.

Aware of the risks relating to its business activities, ENEA S.A. continues actions aimed at development of an integrated, formalized risk management system covering credit, liquidity, market, currency and interest rate risks. In 2012 the Management Board of ENEA S.A. adopted Liquidity Risk Management Policy, Currency Risk and Interest Rate Risk Management Policy. At present, complete documentation of aforementioned policies is being implemented and as well activities regulating the Commodity Risk Management Policy are finalized.

30.2. Credit risk

Credit risk is the risk of financial losses which may be incurred if a customer or a contractor being a party to a financial instrument fails to meet its contractual obligations.

Credit risk is mainly related to debt collection. The key factors that affect the occurrence of credit risk at the Group include:

- a substantial number of customers resulting in an increase in the costs incurred to monitoring debt collection;
- the necessity to supply electricity to budgetary units facing financial difficulties;
- legal requirements defining the principles for electricity supply suspension as a result of default on payment.

The Management Board applies a credit policy which provides for credit risk monitoring on an ongoing basis.

There is no material credit risk concentration.

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

	31.12.2012	31.12.2011
Current and non-current financial assets held to maturity	5 135	531 883
Current and non-current financial assets measured at fair value through profit or loss	423 677	724 996
Trade and other receivables	1 449 690	1 091 768
Cash and cash equivalents	1 095 495	1 218 361
Total	2 973 997	3 567 008

The credit risk relating to receivables differs for individual market segments in which the Group carries out its business activities:

- electricity and distribution service sales to individual customers – a considerable amount of past due receivables. Although they do not represent a serious threat to the Group's financial position, measures aimed at their reduction have been undertaken. Steps aimed at improvement of the collection process have been taken involving development of new and update of the existing

manuals and principles of collection and cooperation with professional entities. The collection process starts 20-25 days after the payment deadline. Thanks to unified collection policy, including soft collection, the entity is able to shorten the collection period and avoid long-lasting and quite ineffective hard collections, i.e. enforcement by court or a bailiff. Court or bailiff's collections are applied to cases whose value is higher than the cost-benefit ratio for debt collection;

- sales of electricity and distribution services to business, key and strategic clients, where overdue receivables are higher than in the segment of individual clients. However, the collection procedure is similar and collection measures are undertaken within 6-10 business days of the payment date;
- other receivables – compared to the above segments the amounts of past due receivables are immaterial.

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

The Group monitors the amount of past due receivables on an ongoing basis and in justified cases files legal complaints and recognizes appropriate impairment losses.

30.3. Liquidity risk

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

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

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

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

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

Additionally, the Group manages its liquidity risk by maintaining open and unused credit facilities of PLN 342,593 thousand.

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

	Trade and other liabilities	Finance lease liabilities	Bank loans	Borrowings	Financial liabilities measured at fair value through profit or loss	Cash and cash equivalents	Trade and other receivables	Financial assets measured at fair value through profit or loss	Financial instruments held to maturity	Total
31.12.2012										
Carrying amount	1 290 391	7 742	59 548	15 292	14	(1 095 495)	(1 449 690)	(423 677)	(5 135)	(1 601 010)
Undiscounted contractual cash flows										
up to 6 months	(1 290 354)	(2 183)	(10 669)	(2 013)	(14)	1 095 495	1 449 690	423 677	5 135	1 589 993
6 - 12 months	(37)	(2 231)	(12 093)	(1 193)	-	-	7 232	-	-	(8 322)
1 - 2 years	-	(4 090)	(21 328)	(2 972)	-	-	376	-	-	(28 014)
2 - 5 years	-	(1 946)	(12 660)	(4 795)	-	-	-	-	-	(19 401)
Over 5 years	-	-	(8 950)	(6 476)	-	-	-	-	-	(15 426)
	Trade and other liabilities	Finance lease liabilities	Bank loans	Borrowings	Financial liabilities measured at fair value through profit or loss	Cash and cash equivalents	Trade and other receivables	Financial assets measured at fair value through profit or loss	Financial instruments held to maturity	Total
31.12.2011										
Carrying amount	1 238 489	4 698	103 261	15 634	3 174	(1 218 361)	(1 091 768)	(724 996)	(531 883)	(2 201 752)
Undiscounted contractual cash flows										
up to 6 months	(1 238 489)	(6 952)	(105 443)	(15 879)	(3 174)	1 218 361	1 091 768	724 996	538 189	2 203 377
6 - 12 months	(1 238 094)	(1 482)	(20 826)	(521)	(1 723)	1 218 361	1 084 341	723 439	538 189	2 303 407
6 - 12 months	(395)	(1 693)	(23 301)	(1 178)	(1 723)	-	7 190	-	-	(21 100)
1 - 2 years	-	(2 831)	(19 665)	(3 661)	(1 451)	-	237	1 557	-	(25 814)
2 - 5 years	-	(946)	(19 735)	(3 607)	-	-	-	-	-	(24 288)
Over 5 years	-	-	(21 916)	(6 912)	-	-	-	-	-	(28 828)

The notes presented on pages 11-114 constitute an integral part of the consolidated financial statements.

30.4. Commodity risk

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

One of the key aspects of the commodity risk results from the fact that being an energy company operating based on an electricity trading and distribution license, the Group is required to provide electricity tariffs for the household and prepaid G tariff groups for approval. Enterprises engaged in energy production and trading are released from the above obligation. The Group acquires energy at market prices and calculates its tariff based on costs regarded as legitimate by the President of the Energy Regulatory Office as well as margins (for electricity trading) planned to be earned in the subsequent tariff period. Therefore, during the tariff period the Group's ability to transfer adverse changes in its operating costs to electricity end users is limited. A tariff adjustment request may be filed to the President of the Energy Regulatory Office only in the event of a dramatic rise in costs for reasons beyond Group's control.

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

31.12.2012	Carrying amount	Including EUR amount denominated in the functional currency (PLN)	Currency risk impact on profit/(loss)		Including USD amount denominated in the functional currency (PLN)	Currency risk impact on profit/(loss)		Including other currencies amount denominated in the functional currency (PLN)	Currency risk impact on profit/(loss)		Total currency risk impact on profit/(loss)	
			+1%	-1%		+1%	-1%		+1%	-1%	1%	-1%
Financial assets												
Cash and cash equivalents	1 095 495	20 781	208	(208)	17	0	(0)	28	0	(0)	208	(208)
Trade and other receivables	1 449 690	9 294	93	(93)	-	-	-	-	-	-	93	(93)
Other financial assets	495 547	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities												
Loans, borrowings and debt securities	(74 840)	(27 618)	(276)	276	(3 413)	(34)	34	-	-	-	(310)	310
Trade and other liabilities	(1 290 391)	(42 349)	(423)	423	-	-	-	(377)	(4)	4	(427)	427
Finance lease liabilities	(7 742)	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities measured at fair value through profit or loss	(14)	-	-	-	-	-	-	-	-	-	-	-
Impact on profit/loss before tax			(398)	398		(34)	34		(4)	4	(436)	436
19% tax											83	(83)
Impact on profit/loss after tax											(353)	353

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31.12.2011	Carrying amount	Including EUR amount denominated in the functional currency (PLN)	Currency risk impact on profit/(loss)		Including USD amount denominated in the functional currency (PLN)	Currency risk impact on profit/(loss)		Including other currencies amount denominated in the functional currency (PLN)	Currency risk impact on profit/(loss)		Total currency risk impact on profit/(loss)	
			+1%	-1%		+1%	-1%		+1%	-1%	1%	-1%
Financial assets												
Cash and cash equivalents	1 218 361	22 013	220	(220)	19	0	(0)	10	0	(0)	220	(220)
Trade and other receivables	1 091 768	21 916	219	(219)	-	-	-	-	-	-	219	(219)
Forward contracts	10 912	10 912	109	(109)	-	-	-	-	-	-	109	(109)
Other financial assets	1 316 457	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities												
Loans, borrowings and debt securities	(118 895)	(44 812)	(448)	448	(5 646)	(56)	56	-	-	-	(504)	504
Trade and other liabilities	(1 238 489)	(2 973)	(30)	30	-	-	-	(337)	(3)	3	(33)	33
Finance lease liabilities	(4 698)	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities measured at fair value through profit or loss	(3 174)	(3 174)	(32)	32	-	-	-	-	-	-	(32)	32
Impact on profit/loss before tax			38	(38)		(56)	56		(3)	3	(22)	22
19% tax											4	(4)
Impact on profit/loss after tax											(18)	18

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

During the reporting period ENEA S. A. concluded forward transactions with the bank, the purpose of which was to hedge FX risk (EUR/PLN) related to the contract on the purchase of assets. Aforementioned transactions have been settled before the end of the reporting period.

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

The result on sale and exchange of CO₂ emissions rights in 2012: PLN 22,327 thousand.

Forward contracts (EUR) – valuation as at 31 December 2012: PLN 14 thousand.

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

	Carrying amount 31.12.2012	Impact of the risk of changes in prices of CO ₂ emissions rights		Carrying amount 31.12.2011	Impact of the risk of changes in prices of CO ₂ emissions rights	
		+ 1 %	- 1 %		+ 1 %	- 1 %
Financial assets						
Forwards for CO ₂ emissions rights	-	-	-	10 769	108	(108)
Impact on profit/loss before tax		-	-		108	(108)
19% tax		-	-		(21)	21
Impact on profit/loss after tax		-	-		87	(87)
Financial liabilities						
Forward for CO ₂ emissions right	-	-	-		-	-
Impact on profit/loss before tax		-	-		-	-
19% tax		-	-		-	-
Impact on profit/loss after tax		-	-		-	-
Total		-	-		87	(87)

30.6. Interest rate risk

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

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The table below, presenting financial assets and liabilities by fixed and floating interest rates, shows the Group sensitivity to interest rate risk:

	31.12.2012	31.12.2011
Fixed rate instruments		
Financial assets	1 483 585	1 079 874
Financial liabilities	(1 290 391)	(1 238 489)
Total	(193 194)	(158 615)
Floating rate instruments		
Financial assets	1 490 412	2 311 225
Financial liabilities	(82 596)	(126 767)
Total	1 407 816	2 184 458

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

	31.12.2012		31.12.2011	
	Weighted average	Carrying	Weighted average	Carrying
	interest rate	amount	interest rate	amount
	(%)		(%)	
Financial instruments held to maturity	4.14	5 135	6.04	531 883
Financial assets measured at fair value through profit or loss	5.42	423 677	5.66	724 996
Cash and cash equivalents	3.91	1 095 495	3.90	1 218 361
Finance lease liabilities	6.42	(7 742)	6.57	(4 698)
Loans	2.90	(59 548)	4.22	(103 261)
Borrowings	5.42	(15 292)	5.79	(15 634)
Total		1 441 725		2 351 647

The effective interest rates presented in the table above are determined as the weighted average of interest rates.

The table below presents the impact of interest rate changes on the Group's financial profit/loss.

	Carrying amount 31.12.2012	Interest rate risk impact on profit/(loss) (12 months)		Carrying amount 31.12.2011	Interest rate risk impact on profit/(loss) (12 months)	
		+ 1 p.p.	- 1 p.p.		+ 1 p.p.	- 1 p.p.
Financial assets						
Cash	1 095 495	10 667	(10 667)	1 218 361	12 184	(12 184)
Financial assets held to maturity	5 135	-	-	531 883	-	-
Financial assets measured at fair value through profit or loss	423 677	4 237	(4 237)	724 996	7 250	(7 250)
Trade and other receivables	1 449 690	-	-	1 091 768	-	-
Impact on profit/loss before tax		14 904	(14 904)		19 434	(19 434)
19% tax		(2 832)	2 832		(3 692)	3 692
Impact on profit/loss after tax		12 072	(12 072)		15 742	(15 742)
Financial liabilities						
Loans, borrowings and debt securities	(74 840)	(748)	748	(118 895)	(1 189)	1 189
Trade and other liabilities	(1 290 391)	-	-	(1 238 489)	-	-
Finance lease liabilities	(7 742)	(77)	77	(4 698)	(47)	47
Financial liabilities measured at fair value through profit or loss	(14)	(0)	0	(3 174)	(32)	32
Impact on profit/loss before tax		(825)	825		(1 268)	1 268
19% tax		157	(157)		241	(241)
Impact on profit/loss after tax		(669)	669		(1 027)	1 027
Total		11 403	(11 403)		14 715	(14 715)

The notes presented on pages 11-114 constitute an integral part of the consolidated financial statements.

30.7. Capital management

The key assumption of the capital management policy developed by the Group is maintaining an optimum capital structure with the objective to reduce its cost, ensuring a good credit rating and safe capital ratios supporting its operations and increasing its shareholder value. It is also important to maintain a strong capital base being a foundation for building confidence of future investors, creditors and market, and ensuring the future development of the Group. In order to maintain or adjust its capital structure, the Group may issue new shares or sell its assets. The Group monitors its capital using the debt ratio and the return on equity ratio. Its objective is to ensure an optimum level of the aforementioned ratios.

30.8. Fair value

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

	31.12.2012		31.12.2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term financial assets available for sale (shares in unrelated parties)	66 735	66 735	70 490	70 490
Non-current financial assets measured at fair value through profit or loss	1 504	1 504	1 557	1 557
Current financial assets held to maturity	5 135	5 135	531 883	531 883
Current financial assets measured at fair value through profit or loss	422 173	422 173	723 439	723 439
Trade and other receivables	1 449 690	1 449 690	1 091 768	1 091 768
Cash and cash equivalents	1 095 495	1 095 495	1 218 361	1 218 361
Loans, borrowings and debt securities	74 840	74 840	118 895	118 895
Finance lease liabilities	7 742	7 742	4 698	4 698
Trade and other liabilities	1 290 391	1 290 391	1 238 489	1 238 489
Financial liabilities measured at fair value through profit or loss	14	14	3 174	3 174

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

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

Long-term financial assets measured at fair value through profit or loss include units in the "Pioneer" Investment Fund which can be traded on an active market, as a result of which their fair value may be determined. The fair value of the above units was measured at the market price of participation units, whereas its changes in the financial period recognized in profit or loss.

Short-term financial assets measured at fair value through profit or loss include an investment portfolio managed by a company specialized in professional fund management (Note 21) and forward contracts. The fair value of the investment portfolio is estimated based on market quotations, while that of forward contracts is determined based on applicable currency rates and market interest rates curves. Current financial assets held to maturity include bank deposits with the original maturity from 3 months to 1 year.

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

Level 1 – fair value based on stock exchange prices (unadjusted) offered for identical assets or liabilities in active markets,

Level 2 – fair value determined based on market observations instead of market quotations (e.g. direct or indirect reference to similar instruments traded in the market),

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

	31.12.2012			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value through profit or loss				
Non-derivative financial assets held for trading	423 677	-	-	423 677
Financial assets available for sale				
Listed equity instruments	66 202	-	-	66 202
Not listed equity instruments	-	-	533	533
Total	489 879	-	533	490 412
Financial liabilities measured at fair value through profit or loss				
Forward contracts	(14)	-	-	(14)
Total	(14)	-	-	(14)

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

Reconciliation of Level 3 items:

	Financial assets available for sale
Balance as at 1 January 2012	19 914
Disposal of financial asset	(19 381)
Balance as at 31 December 2012	533
Balance as at 1 January 2011	21 322
Profit / (loss) in:	
- profit or loss	-
- other comprehensive income	(325)
Purchases	7
Reclassification of financial assets available for sale	(1 090)
Balance as at 31 December 2011	19 914

31. Finance lease liabilities

	<u>31.12.2012</u>	<u>31.12.2011</u>
Finance lease liabilities – minimum lease payments		
Up to 1 year	3 494	2 424
1 – 5 years	4 248	2 274
Present value of lease payments	<u>7 742</u>	<u>4 698</u>

	<u>31.12.2012</u>	<u>31.12.2011</u>
Minimum lease payments	(760)	(555)
Revenue from sub-lease	3	402
Total	<u>(757)</u>	<u>(153)</u>

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

	<u>31.12.2012</u>	<u>31.12.2011</u>
Financial liabilities measured at fair value through profit or loss		
Forward contracts (EUR)	(14)	(3 174)
Total	<u>(14)</u>	<u>(3 174)</u>

33. Deferred income tax

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

	<u>31.12.2012</u>	<u>31.12.2011</u>
Opening balance	105 266	80 453
Acquisition of subsidiaries	(23)	16 056
Amount debited/(credited) to profit or loss	(29 349)	9 405
Amount debited/(credited) to other comprehensive income	(7 378)	(648)
Closing balance	<u>68 516</u>	<u>105 266</u>

	<u>31.12.2012</u>	<u>31.12.2011</u>
Deferred tax asset	475 657	409 531
Set off of tax at the level of taxable entities	(300 576)	(210 881)
Deferred tax asset disclosed in the statement of financial position	<u>175 081</u>	<u>198 650</u>

Deferred tax provision	544 173	514 797
Set off of tax at the level of taxable entities	(300 576)	(210 881)
Deferred tax asset disclosed in the statement of financial position	<u>243 597</u>	<u>303 916</u>

Changes in the deferred tax asset and liability in the financial year (prior to their set off)

Deferred tax assets

	Receivables allowance	Liabilities due to employee benefits	Settlement of revenue from connection fees	Provision for the costs of redemption of certificates of origin	Grants	Provision for disposal, reclamation and purchase of CO ₂ emissions rights	Expenses deductible from taxable base after the end of the settlement period	Other	Total
Balance as at 1 January 2011 – 19% rate	4 324	109 270	100 690	41 675	37 466	2 322	56 459	44 475	396 681
Amount recognized in the profit/loss due to a change in temporary differences	(465)	7 891	(3 199)	5 210	(4 355)	(233)	13	7 904	12 766
Change recognized in other comprehensive income	-	330	-	-	-	-	-	(246)	84
Balance as at 31 December 2011 – 19% rate	3 859	117 491	97 491	46 885	33 111	2 089	56 472	52 133	409 531
Amount recognized in the profit/loss due to a change in temporary differences	917	2 571	(2 798)	(2 652)	(4 353)	19 694	20 909	20 014	54 302
Change recognized in other comprehensive income	-	11 568	-	-	-	-	-	256	11 824
Balance as at 31 December 2012 – 19% rate	4 776	131 630	94 693	44 233	28 758	21 783	77 381	72 403	475 657

Deferred tax liabilities

	Income taxable after the end of the accounting period	Accrued unbilled sales	Fair value measurement of fixed assets	Other	Total
Balance as at 1 January 2011 – 19% rate	56 852	47 902	338 169	34 211	477 134
Amount recognized in the profit/loss due to a change in temporary differences	12 845	(6 769)	15 144	951	22 171
Acquisition of subsidiaries	3 903	-	8 012	4 141	16 056
Change recognized in other comprehensive income	-	-	-	(564)	(564)
Balance as at 31 December 2011 – 19% rate	73 600	41 133	361 325	38 739	514 797
Amount recognized in the profit/loss due to a change in temporary differences	22 566	12 540	(7 291)	(1 408)	26 407
Change recognized in other comprehensive income	-	-	-	2 969	2 969
Balance as at 31 December 2012 – 19% rate	96 166	53 673	354 034	40 300	544 173

The Group has no unrecognized deferred tax assets and liabilities

34. Liabilities due to employee benefits

	31.12.2012	31.12.2011
Defined benefit plans:		
Retirement benefits		
- long-term portion	77 787	69 773
- short-term portion	14 437	16 178
	92 224	85 951
Right to energy allowance after retirement		
- long-term portion	197 907	166 038
- short-term portion	8 590	8 155
	206 497	174 193
Appropriation to the Company's Social Benefits Fund for pensioners		
- long-term portion	32 508	25 282
- short-term portion	1 126	1 128
	33 634	26 410
Total: Defined benefit plans		
- long-term portion	308 202	261 093
- short-term portion	24 153	25 461
	332 355	286 554
Other non-current liabilities due to employee benefits		
Jubilee bonuses		
- long-term portion	219 451	178 412
- short-term portion	23 039	22 670
	242 490	201 082
Salaries and wages and other liabilities		
- long-term portion	14 858	14 858
- short-term portion	130 215	134 115
	145 073	148 973
Total liabilities due to employee benefits		
- long-term portion	542 511	454 363
- short-term portion	177 407	182 246
	719 918	636 609

Based on an arrangement entered into by the representatives of staff and the Group, its employees are entitled to specific benefits other than remuneration, i.e.:

- jubilee benefits;
- retirement and disability benefits;
- electricity allowance;
- social security – an appropriation to the Company's Social Benefits Fund.

The present value of the related future liabilities has been measured using actuarial methods. Calculations were made using basic individual data for the Group employees as at 31 December 2012 (taking into account their gender) regarding:

- age;
- length of service with the Group;
- total length of service;
- remuneration constituting the assessment basis for jubilee benefits as well as retirement and disability benefits.

Additionally, the following assumptions were made for the purpose of the analysis:

- the probable number of leaving employees was determined based on historical data concerning staff turnover in the Group and industry statistics;

- the value of minimum remuneration in the Polish economy since 1 January 2013 was assumed at PLN 1,600.00;
- pursuant to announcements of the Chairman of the Central Statistical Office, the average salary in the Polish economy, less premiums for retirement, pension and health insurance paid by the insured was assumed at PLN 2,917.14 (average amount assumed for the second half of 2011, which will constitute the basis for calculating the appropriation to the Company's Social Benefits Fund in 2013 under the amendment to the Act on Company Social Benefits Fund dated 7 December 2012);
- under the assumptions defined by the management of the Group, the growth of the average salary in the Polish economy was assumed at 13.4% in 2013 and at 5% in the remaining period of the projection,
 - mortality rate and the probability of receiving benefits were adopted in line with the 2011 Life Expectancy Tables published by the Central Statistical Office;
 - the value of the provision for disability benefits was not determined separately but the individuals receiving disability allowance were not taken into consideration in calculating the employee turnover ratio;
- standard retirement age was assumed under particular regulations of the Act of Pension, excluding these employees, which fulfill the conditions expected to earlier retirement;
- the long-term pay rise rate was adopted at the level of 2.7% (as at 31 December 2011: 3.1%);
 - the interest rate for discounting future benefits was adopted at the level of 3.9% (5.87% as at 31 December 2011);
- the base value of the annual equivalent of the electricity to be paid in 2013 was adopted at the level of PLN 1,471.87 (PLN 1,400.58 as at 31 December 2011);
- as at 31 December 2012 the electricity price growth rate for 2013 was assumed at the level of nil, for 2014 +6.3%, for 2015 +14.2% and for 2016 +5.2% (as at 31 December 2011 the rate adopted for 2012 was 4.9%, for 2013 +11.1%, for 2014 +5.9%, for 2015 +7.3%, and for 2016 +10.4%);
- distribution charge growth rate for 2013 was adopted at the level of 2.1%, for 2014 +3.8%, for 2015 +2.0% (as at 31 December 2011 the rate adopted for 2012 was 5.7%, for 2013 +5.29%, for 2014 +3.64%, for 2015 + 3.19% and for 2016 + 3.22%);
- the average growth in the cash equivalent of the electricity allowance was adopted for 2013 at the level of 2.3%, for 2014 +7.0%, for 2015 +10.8%, for 2016 +5.8%, for 2017-2026 at the level of 3.9% and for the following years +2.5% (as at 31 December 2011 the increase in 2012 was adopted at the level of 4.67%, for 2013 +10.4%, for 2014 +6.6%, for 2015 +7.3%, for 2016 +9.4%, for 2017 - 2018 at the level of +4.6%, for 2019 - 2022 +4.7%, for 2023 and the following years +2.5%).

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	Retirement benefits	Right to energy allowance after retirement	Appropriation to the Company's Social Benefits Fund for pensioners	Total
Balance as at 1 January 2012	85 951	174 193	26 410	286 554
Changes during 12 months ended 31 December 2012				
Costs recognized in profit or loss, including:	161	5	(92)	74
- current employment costs	3 681	3 168	596	7 445
- post-employment costs	(7 635)	(13 454)	(2 168)	(23 257)
- costs of interests	4 115	10 291	1 480	15 886
Costs recognized in other comprehensive income, including:	12 669	39 859	8 360	60 888
- net actuarial losses/(profits) due to adjustments of ex-post assumptions	3 271	(9 884)	216	(6 397)
- net actuarial losses/(profits) due to changes in demographic assumptions	654	2 771	496	3 921
- net actuarial losses/(profits) due to changes in financial assumptions	8 744	46 972	7 648	63 364
Decrease in the liability due to benefits paid (negative value)	(6 751)	(7 822)	(1 024)	(15 597)
Other decrease (negative value)	194	262	(20)	436
Total changes	6 273	32 304	7 224	45 801
Balance as at 31 December 2012	92 224	206 497	33 634	332 355

	Retirement benefits	Right to energy allowance after retirement	Appropriation to the Company's Social Benefits Fund for pensioners	Total
Balance as at 1 January 2011	79 030	167 473	24 223	270 726
Changes during 12 months ended 31 December 2011				
Costs recognized in profit or loss, including:	7 231	13 148	2 506	22 885
- current employment costs	3 481	3 152	560	7 193
- post-employment costs	3	6	572	581
- costs of interests	3 747	9 990	1 374	15 111
Costs recognized in other comprehensive income, including:	3 674	(2 487)	549	1 736
- net actuarial losses/(profits) due to adjustments of ex-post assumptions	2 831	(3 849)	342	(676)
- net actuarial losses/(profits) due to changes in demographic assumptions	928	3 743	587	5 258
- net actuarial losses/(profits) due to changes in financial assumptions	(85)	(2 381)	(380)	(2 846)
Decrease in the liability due to benefits paid (negative value)	(3 984)	(3 941)	(868)	(8 793)
Total changes	6 921	6 720	2 187	15 828
Balance as at 31 December 2011	85 951	174 193	26 410	286 554

Other non-current employee benefits	31.12.2012	31.12.2011
Opening balance	201 082	188 415
Changes during 12-month period		
Costs recognized in profit or loss, including:	65 140	30 477
- current employment costs	10 920	10 579
- post-employment costs	12 315	-
- net actuarial losses/(profits) due to adjustments of ex-post assumptions	9 379	9 736
- net actuarial losses/(profits) due to changes in demographic assumptions	1 535	1 839
- net actuarial losses/(profits) due to changes in financial assumptions	20 477	(1 609)
- costs of interests	10 514	9 932
Decrease in the liability due to benefits paid (negative value)	(23 319)	(17 810)
Other decrease (negative value)	(413)	-
Total changes	41 408	12 667
Closing balance	242 490	201 082

Sensitivity analysis for defined benefit plans

	Actuarial assumptions change impact on the liabilities due to defined benefit plans	
	+ 1 p.p.	- 1 p.p.
Defined benefit plans		
Discount rate	(41 724)	52 165
Anticipated rise in the salaries and wages	16 241	(13 501)
Average rise in the cash equivalent of the electricity allowance	32 861	(26 650)

Maturity of liabilities due to defined benefit plans

The weighted average duration of liabilities due to defined benefit plans (in years)	31.12.2012	31.12.2011
Retirement benefits	15.5	12.9
Right to energy allowance after retirement	15.1	13.5
Appropriation to the Company's Social Benefits Fund for pensioners	16.9	14.8

35. Provisions for liabilities and other charges

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

	31.12.2012	31.12.2011
Long-term	247 724	152 046
Short-term	375 864	385 937
Closing balance	623 588	537 983

Change in provisions for liabilities and other charges

for the period ended
31 December 2012

	Provision for non-contractual use of land	Provision for projected losses due to compensation proceedings	Provision for land reclamation	Provision for the environmental fee	Provision for certificates of origin	Provision for CO ₂ emissions rights	Other	Total
Opening balance	108 909	16 861	9 856	2 094	247 147	84 694	68 422	537 983
Reversal of discount and discount rate change	-	-	13 781	-	-	-	-	13 781
Increase in provisions	128 570	27 348	2 076	2 706	3 492 930	90 361	48 092	3 792 083
Provisions applied	(32 733)	(1 043)	(1 065)	(2 702)	(735)	(81 858)	(22 445)	(142 581)
Unused provision reversed	(35 238)	(29 118)	-	-	(3 503 259)	(2 836)	(7 227)	(3 577 678)
Closing balance	169 508	14 048	24 648	2 098	236 083	90 361	86 842	623 588

for the period ended
31 December 2011

	Provision for non-contractual use of land	Provision for projected losses due to compensation proceedings	Provision for land reclamation	Provision for the environmental fee	Provision for certificates of origin	Provision for CO ₂ emissions rights	Other	Total
Opening balance	73 729	54 226	9 890	17 663	219 476	907	10 978	386 869
Reversal of discount and discount rate change	-	-	(429)	-	-	-	-	(429)
Increase in provisions	56 684	(9 068)	395	5 332	3 465 445	84 694	76 007	3 679 489
Provisions applied	-	(1 678)	-	(20 887)	(329)	(907)	(984)	(24 785)
Unused provision reversed	(21 504)	(26 619)	-	(14)	(3 437 445)	-	(17 579)	(3 503 161)
Closing balance	108 909	16 861	9 856	2 094	247 147	84 694	68 422	537 983

Provisions for liabilities are determined in reasonable, reliably estimated amounts. Individual provisions are recognized for projected losses related to court action brought against the Group. The amount recognized as a provision is the best estimate of the expenditure required to settle a claim. The cost of provisions is recognized under other operating expenses. A description of material claims and the related contingent liabilities has been presented in Notes 52.2, 52.5 and 52.6.

Provisions for liabilities and other charges include mainly:

Provision for non-contractual use of land

Provision for claims of persons holding possession of real properties, arising out of non-contractual use of land. The provision for claims concerning non-contractual use of real properties is valued according to so-called staged approach and weighting, i.e. the probability of losing the dispute and necessity to fulfil the claim. However, the extent of damages adjudicated pursuant to claims of non-contractual use of real properties may be significant for the Group, considering the number of properties involved; still, the Group is not able to estimate the maximum value of such damages. In 2012, ENEA Group - in relation to, inter alia, the draft Transmission Corridors Act - estimated and included in the value of the provision the damages for non-contractual use of the real properties on which the grid assets are located (power lines), for which no claims have yet been presented as at the reporting date.

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*(all amounts in PLN '000, unless specified otherwise)***Provision for land reclamation**

After closing or filling a slag and ash dump, the Group is obliged to carry out appropriate land reclamation. As the Group has large unfilled dumps, land reclamation is planned for 2060. Future estimated costs of land reclamation were discounted to their current value using a discount rate of 3.9% (as at 31 December 2011 it was 5.87%).

As at 31 December 2012 the provision amounted to PLN 24,648 thousand (as at 31 December 2011 it was PLN 9,856 thousand).

Provision for purchasing CO₂ emissions rights

As at 31 December 2012 the provision for CO₂ emissions rights amounted to PLN 90,361 thousand (as at 31 December 2011 it was PLN 84,694 thousand).

Other provisions

Other provisions consists mainly of the provision for potential liabilities related with electricity infrastructure and resulting from differences in interpretation of laws and regulations. As at 31 December 2012 the provision created for that purpose amounted to PLN 66,919 thousand (as at 31 December 2011 it was PLN 47,526 thousand).

36. Net sales revenue

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Revenue from sales of electricity	6 768 335	6 508 001
Revenue from sales of distribution services	2 813 446	2 642 110
Revenue from sales of goods and materials	127 603	123 357
Revenue from sales of other services	129 573	138 859
Revenue from sales of CO ₂ emission rights	37 531	19 230
Revenue from sales of certificates of origin	62 225	168 559
Compensation to cover stranded costs	(21 647)	2 472
Revenue from sales of heat	178 966	105 924
Total net sales revenue	10 096 032	9 708 512

37. Costs by type

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Amortization and depreciation	(749 737)	(682 813)
Costs of employee benefits	(1 009 467)	(1 010 673)
- salaries and wages	(753 756)	(749 951)
- social security and other benefits	(255 711)	(260 722)
Consumption of materials, raw materials, value of goods and materials sold	(1 906 931)	(1 773 649)
- consumption of materials and energy	(1 740 679)	(1 633 533)
- bonus from suppliers	267	899
- cost of goods and materials sold	(166 519)	(141 015)
Cost of energy purchased for sale	(4 075 607)	(4 116 226)
External services	(1 151 551)	(1 125 097)
- transmission services	(714 451)	(713 880)
- other external services	(437 100)	(411 217)
Taxes and charges	(224 857)	(204 841)
Total costs of products, goods and materials sold, costs of sales and marketing and general and administrative costs	(9 118 150)	(8 913 299)

38. Costs of employee benefits

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Payroll expenses, including:	(753 756)	(749 951)
- current salaries and wages	(696 705)	(715 808)
- jubilee benefits	(51 551)	(20 638)
- retirement benefits	2 227	(6 576)
- other	(7 727)	(6 929)
Social security and other benefits	(255 711)	(260 722)
- Social Security premiums	(146 690)	(131 100)
- appropriation to the Company's Social Benefits Fund	(29 840)	(31 884)
- other social benefits	(54 454)	(74 090)
- other post-employment benefits	(11 330)	(11 036)
- other	(13 397)	(12 612)
Total	(1 009 467)	(1 010 673)

Employment guarantees

Based on an arrangement entered into by the Group and labor unions, specific employment guarantees have been given to people employed by the Group before 29 June 2007 (except for employees of ENEA Wytwarzanie S.A.), which expire on 31 December 2018.

Furthermore, the provisions of the aforementioned arrangement will remain in force longer for employees who, at the expiry of the guarantees, have maximum four years to satisfy the conditions to acquire pension rights. This implies that in the event the employer fails to comply with the guarantees, employment contracts may not be terminated without payment of additional benefits to employees who, at the expiry of the guarantees, have maximum four years to satisfy the conditions to acquire pension rights.

Under the employment guarantees, the Group is obliged to pay an employee an amount being the product of their monthly salary and the remaining period of the guarantee validity if the employment contract is terminated by the employer.

Pursuant to a social contract concluded on 10 August 2007 between ENEA Wytwarzanie S.A. and labor unions, employees of that entity obtained an employment guarantee extended by 11 years as at the contract effective date, i.e. by 30 January 2019.

39. Other operating revenue and expense

Other operating revenue

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Release of provisions for damages claims	2 032	6 857
Release of other provisions	9 239	13 824
Reimbursement of expenses by an insurance company	4 603	4 784
Settlement of income due to subsidies and connection fees	15 978	6 572
Damages, fines, penalties	17 945	20 844
Reversal of unused impairment losses	15 274	10 912
Fixed assets received free of charge	23 130	55 387
Gain from a bargain purchase	-	81 988
Other operating revenue	19 958	27 600
Total	108 159	228 768

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

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Cost of provisions for damages	(59 460)	(16 988)
Cost of other provisions	(47 496)	(62 438)
Damages for non-contractual use of property	(35 468)	(3 276)
Impairment loss on receivables	(16 423)	(23 187)
Write-off of irrecoverable receivables	(7 071)	(2 509)
Impairment loss on inventories	(6 626)	(6 613)
Costs of court proceedings	(5 722)	(7 571)
Trade union related expenses	(1 546)	(1 494)
Other operating expenses	(45 736)	(34 660)
Total	(225 548)	(158 736)

40. Financial revenue

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Interest income	134 132	124 868
- bank accounts and deposits	81 141	66 971
- other loans and receivables	6 081	3 393
- other interest income	46 910	54 504
Foreign exchange differences	7	3 243
- other foreign exchange differences	7	3 243
Change in fair value of financial instruments	2 594	44 960
Other financial revenue	11 913	10 999
Total	148 646	184 070

41. Financial expenses

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Interest expense	(15 131)	(9 901)
- interest expense on loans and credit facilities	(5 134)	(5 289)
- finance lease expenses	(379)	(415)
- other interest	(9 618)	(4 197)
Exchange differences	(17 828)	(5 151)
- exchange differences on credit facilities and loans	1 325	(6 419)
- other exchange differences	(19 153)	1 268
Costs of discounted liabilities due to employee benefits	(38 445)	(25 043)
Change in the fair value of financial instruments	(10 922)	5 349
Other financial expenses	(1 807)	(12 141)
Total	(84 133)	(46 887)

42. Income tax

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Current tax	(225 907)	(185 778)
Deferred tax (Note 33)	29 349	(9 405)
Total	(196 558)	(195 183)

The income tax on gross profit before tax differs from the theoretical amount resulting from application of the nominal tax rate applicable to the Group's consolidated profit in the following manner:

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Profit/(loss) before tax	908 167	989 111
Tax at a 19% rate	(172 552)	(187 931)
Non-deductible costs reduced by non-taxable revenue (permanent differences *19%)	(28 605)	(16 444)
Non-taxable revenue (permanent differences *19%)	6 738	5 294
Other *19%	(2 139)	3 898
Amount charged to profit or loss due to income tax	(196 558)	(195 183)

43. Dividend

A decision regarding the payment of dividend for the financial year shall be made by General Shareholders Meeting in 2013. The Management Board intends to propose using 30% of 2012 separate profit of ENEA S.A. for the dividend payment.

On 29 June 2012 the General Shareholders' Meeting of ENEA S.A. adopted resolution no. 7 concerning net profit distribution for the financial period from 1 January 2011 to 31 December 2011 whereby the dividend for the shareholders amounted to PLN 211,892 thousand. Dividend per share amounted to PLN 0.48 (dividend paid during 2011 for the financial year 2010 amounted to PLN 194,235 thousand (PLN 0.44 per share). The dividend had been fully paid to the shareholders before the end of the reporting period. The payment of the dividend to shareholders was decreased by income tax on capital gains.

44. Earnings per share

	<u>01.01.2012 - 31.12.2012</u>	<u>01.01.2011 - 31.12.2011</u>
Net profit attributable to shareholders of the Parent	717 216	794 699
Number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	1.62	1.80
Diluted earnings per share (in PLN)	1.62	1.80

45. Related party transactions

The companies of the Group conclude the following related party transactions:

- The Group's constituent entities – transactions are eliminated at the consolidation stage;
- transactions concluded between the Group and Members of its governing bodies fall within two 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;
 - resulting from other agreements under civil law.
- Transactions with entities whose shares are held by the State Treasury of the Republic of Poland.

Transactions with members of the Group's governing bodies:

Item	Management Board of the Company		Supervisory Board of the Company	
	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Remuneration under employment contracts	-	446	-	-
Remuneration under managerial contracts and consultancy agreements	3 151	504	-	-
Remuneration relating to appointment of members of supervisory bodies	514	1 341	378	415
Remuneration due to the position held in supervisory boards of subsidiaries	-	98	-	-
Remuneration due to other employee benefits (particularly electricity allowance)	108	176	-	-
TOTAL	3 773	2 565	378	415

As at the end of the reporting period the liabilities resulting from managerial contracts and consultancy agreements to the members of the Management Board of the Parent amount to PLN 460 thousand and other liabilities amount to PLN 6 thousand. The provision for bonuses to the members of the Management Board of the Parent amount to PLN 2,119 thousand.

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

Governing body	Balance as at 01.01.2012	Granted from 01.01.2012	Repaid till 31.12.2012	Balance as at 31.12.2012
Management Board	-	-	-	-
Supervisory Board	21	24	(24)	21
TOTAL	21	24	(24)	21

Governing body	Balance as at 01.01.2011	Granted from 01.01.2011	Repaid till 31.12.2011	Balance as at 31.12.2011
Management Board	-	-	-	-
Supervisory Board	29	5	(13)*	21
TOTAL	29	5	(13)	21

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

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

The transactions concern mainly:

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

Such transactions are concluded under arm's length terms and their conditions do not differ from those applied

in transactions with other entities. The Group does not keep a register which would allow it to aggregate the values of all transactions with state institutions and entities whose shares are held by the State Treasury. One of the most important buyers of the ENEA Group among entities controlled by the State Treasury is Kompania Węglowa S.A. with the net sales amounted to PLN 135,209 thousand (in 2011 it was PLN 19,146 thousand). The biggest supplier of ENEA Group among entities controlled by the State Treasury is Polskie Sieci Elektroenergetyczne S.A. with the purchases amounting to PLN 800,949 thousand (in 2011 PLN 832, 464 thousand).

46. Concession arrangements on the provision of public services

The key business activities carried out by the Group include generation, distribution and trade of electricity.

In line with the provisions of the Energy Law, on 26 November 1998 the Parent obtained the following two concessions to carry out its business activities:

- concession for trading in electricity, granted for a 10-year period, i.e. until 30 November 2008;
- concession for electricity transmission and distribution, granted also for a 10-year period, i.e. until 30 November 2008;

ENEA Operator Sp. z o.o. holds a concession for distribution of electricity effective until 1 July 2017.

On 23 April 2007 **ENEA S.A.** filed a request to the President of the Energy Regulatory Office to extend the validity of the concession for trading in electricity. On 5 October 2007 ENEA S.A. received a decision on extension of the validity of the concession for trading in electricity until 31 December 2025.

The core business of **ENEA Wytwarzanie S.A.** involves generation of electricity and heat based on concessions granted by the President of the Energy Regulatory Office.

Concession for electricity production:

- Concession of 31 August 2007 for production of electricity in devices of total installed capacity amounting to 2,845 MW.

Concession for trading in electricity:

- Concession of 21 December 2002 involving trading of electricity for the needs of consumers located on the territory of the Republic of Poland (the concession is valid till 1 January 2013).
- Concession of 21 December 2012 involving trading of electricity for the needs of consumers located on the territory of the Republic of Poland (the concession is valid till 31 December 2013).

Concession for heat production:

- Concession of 31 August 2007 regarding cogeneration of heat in a power plant located in Świerże Górne, with the total heat generating capacity of 2 845 MW (the concession is valid till 31 December 2025).

Concession for heat transmission:

- Concession of 31 August 2007 for transmission and distribution of internally produced heat through two heating networks in Świerże Górne (the concession is valid till 31 December 2025).
- Concession of 17 July 2012 for conducting a business related to transmission and distribution of heat (the concession is valid till 31 December 2025).

ENEA Wytwarzanie S.A. has been current with payments related to concessions. It filed a statement on meeting concession requirements and making appropriate payments to the President of the Energy Regulatory Office in due time.

ENEA Trading Sp. z o.o. has a concession for trading in electricity for the period till 31 December 2030. The concession covers business activities consisting in trading in electricity for the needs of buyers located in Poland.

Elektrociepłownia Białystok S.A. has the following concessions:

1. Concession for electricity production for the period till 31 October 2018,
2. Concession for heat production for the period till 31 October 2018,
3. Concession for trading in electricity for the period till 27 June 2020,
4. Concession for heat transmission and distribution for the period till 5 August 2016.

47. Long-term contracts on the sale of power and electricity (LTC)

As the European Commission recognized long-term contracts for the sale of power and electricity (LTC) concluded with a state entity – PSE S.A. as disallowed public aid, the Polish Parliament passed an act in order to eliminate such contracts. Pursuant to the provisions of the Act on principles of financing the costs incurred by producers following early termination of long-term contracts for the sale of power and electricity of 29 June 2007 (“LTC Termination Act”), since 1 April 2008 the Group (ENEA Wytwarzanie 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.

According to the Annex No. 2 to LTC Termination Act of 29 June 2007 the maximum amount of stranded costs for the ENEA Wytwarzanie S.A. amounts to PLN 623,612 thousand (discounted as at 1 January 2007). This amount included the amount of stranded costs attributable to the year 2007 and the first quarter of 2008 – the period when the agreement was still in force (the termination of contracts took place on 1 April 2008).

In 2008 ENEA Wytwarzanie S.A. received advance payments for stranded costs of PLN 93,132 thousand from Zarządca Rozliczeń S.A. Pursuant to decisions of the President of Energy Regulatory Office the annual

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adjustments of the compensation for stranded costs for ENEA Wytwarzanie S.A. for years 2008-2010 amounts to:

- for the year 2008: PLN - 89,537 thousand,
- for the year 2008: PLN 15,580 thousand,
- for the year 2008: PLN 2,472 thousand.

ENEA Wytwarzanie S.A. filed appeals to the Regional Court in Warsaw - Court of Competition and Consumer Protection. Any other actions taken during 2009-2011 related to annual adjustments of stranded costs were described in the financial statements for prior years.

During the course of 2012 the following significant events took place. On 20 April 2012, the Regional Court in Warsaw – Court for Competition and Consumer Protection announced a ruling on annual adjustment of stranded costs for 2008. Pursuant to that ruling, the Decision of the President of Energy Regulatory Office of 31 July 2009 was amended so that the amount of annual adjustment of stranded costs for ENEA Wytwarzanie S.A. for 2008 was determined as PLN -4,192 thousand instead of the original amount of PLN -89,537 thousand. President of the Energy Regulatory Office was charged with all costs of the proceeding. The ruling is not binding yet and on 27 June 2012 was appealed by the President of Energy Regulatory Office to the Court of Appeal in Warsaw. On 31 July 2012 the President of Energy Regulatory Office announced the amount of annual adjustment of stranded costs for 2011. It was determined as PLN -37,397 thousand. On 20 August 2012 ENEA Wytwarzanie S.A. appealed the decision of the President of Energy Regulatory Office to the Court for Competition and Consumer Protection, to the Regional Court in Warsaw applying suspension of decision enforcement until the case is decided. On 19 September 2012 the Regional Court in Warsaw refused the application to suspend execution of the decision. As the result ENEA Wytwarzanie S.A. returned the full amount of annual stranded costs adjustment to Zarządca Rozliczeń S.A.

ENEA Wytwarzanie S.A. has not requested any advance payment of stranded costs compensation for 2012. In 2012 ENEA Wytwarzanie S.A. did not recognize any revenue due to compensation, however an adjustment of previously recognized in years 2008-2011 revenues in the total amount of PLN 21,647 thousand. The dates of the hearings related to annual adjustments for the years 2010 and 2011 have not been determined.

As at the date of preparation of these consolidated financial statements it is not possible to unambiguously determine the final amounts of annual adjustments for 2008, 2009, 2010 and 2011. The full amount of allowable public subsidy granted as compensation for stranded costs will be stated in the decision of the President of Energy Regulatory Office determining the amount of the final adjustment, to be issued in 2015. Considering the foregoing, it should be stated that the revenue from LTC recognized based on annual adjustments set by the President of Energy Regulatory Office may change on the basis of the above referenced decision of the President of Energy Regulatory Office, determining the amount of final adjustment as well as court rulings.

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*(all amounts in PLN '000, unless specified otherwise)***48. Future payments due to the right of perpetual usufruct acquired for a consideration and free of charge as well as lease, rental and operating lease agreements**

The future liabilities arising from the right of perpetual usufruct apply to the remaining term of agreements for the use of land (40-99 years). They are recognized in accordance with IFRS EU as operating leases, where the Group acts as a lessee:

	31.12.2012	31.12.2011
Up to 1 year	4 464	4 078
1 – 5 years	19 606	19 347
Over 5 years	329 365	329 663
	353 435	353 088

Future liabilities arising from rental and operating lease agreements:

	31.12.2012	31.12.2011
Up to 1 year	9 785	8 594
1 – 5 years	27 722	14 972
Over 5 years	10 714	10 963
	48 221	34 529

Operating lease payments recognized in expenses

	31.12.2012	31.12.2011
Minimum lease payments	(8 431)	(1 240)
Revenue from sub-lease (-)	3	-
	(8 428)	(1 240)

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

ENEA S.A. - the subject of lease are rental of office buildings, apartments, parking lots, warehouses, advertising space and land.

ENEA Wytwarzanie S.A. – the subject of lease are vehicles and trucks.

49. Future liabilities under contracts concluded as at the end of the reporting period

Contractual obligations assumed as at the end of the reporting period, not yet recognized in the statement of financial position:

	31.12.2012	31.12.2011
Acquisition of property, plant and equipment	5 516 356	739 408
Acquisition of intangible assets	62 473	10 522
	5 578 829	749 930

50. Employment

	12 months ended 31.12.2012	12 months ended 31.12.2011
Blue-collar positions	5 140	5 306
White-collar positions	4 986	4 948
TOTAL	10 126	10 254

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

51. Explanations of the seasonal and cyclical nature of the Group's business

Sales of electricity during the year are subject to seasonal fluctuations. They increase during the winter months and decrease in summer. This depends on the temperature and the length of the day. The extent of fluctuations depends on low temperature and shorter days in winter as well as higher temperature and longer days in summer. Seasonal sales of electricity apply to a more considerable degree to small clients (44% of the sales value), rather than to the industrial sector.

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

52.1. Sureties and guarantees

During 2012 ENEA Operator Sp. z o.o. has issued a surety for the benefit of Ministry of Economy as a collateral for proper performance of a contract. The amount of the collateral equals to PLN 1,950 thousand.

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

52.2. Pending proceedings before courts of general jurisdiction

Actions brought by the Group

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

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

As of 31 December 2012, the total of 13,384 cases brought by the Group were pending before common courts for the total amount of PLN 70,979 thousand (9,198 cases for the total amount of PLN 58,844 thousand as at 31 December 2011).

None of the individual case can significantly affect the Group's profit.

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 52.5).

Court proceedings against ENEA Wytwarzanie S.A. are related to claims of former employees for salaries and compensations for PLN 574 thousand, Gospodarstwo Ogrodnicze w Ryczywole Kamila Lewek Wiśniewska Jacek Pospieszyl spółka cywilna, where the claim concerns remedying damages resulting from the operation of the plant owned by ENEA Wytwarzanie S.A. located on the land neighboring with the land of Gospodarstwo Ogrodnicze, by way of paying PLN 5,082 thousand and claim brought by "TABOO" Aneta Panek which concerns reimbursement of expenditure on leased premises and charges for unused basement On 30 March 2012, a compromise was made in the Regional Court in Lublin between ENEA Wytwarzanie S.A. and Centrum Konsultingu Menadżerskiego Gordion sp. z o.o. ENEA Wytwarzanie agreed to pay PLN 200 thousand to Gordion to satisfy Gordion's financial claims for compensation and redress as filed in the suit and in the motion of 10 October 2011; Gordion waived the remaining portion of its financial claims; interest on Gordion's financial claims were redeemed; ENEA Wytwarzanie S.A. agreed to publish a public announcement in *Puls Biznesu* and on the following web portals: www.pb.pl, www.wnp.pl, www.cire.pl, www.Gazetaprawna.pl and www.elko.com.pl, at its sole cost and expense, on the terms specified in detail in the settlement. ENEA Wytwarzanie S.A. agreed to return half of the court fee paid on the case to Gordion. Other costs were mutually offset. As a consequence of the compromise made in the Regional Court the provision in the amount of PLN 5,304 thousand was released.

As at 31 December 2012 there were 1 102 cases pending before common courts which have been brought against the Group for the total amount of PLN 176,262 thousand (671 cases for the total amount of PLN 92,696 thousand as at 31 December 2011). Provisions related to the court cases have been presented in Note 34.

52.3. Arbitration proceedings

As at 31 December 2012 there were no pending proceedings before competent arbitration bodies.

52.4. Proceedings before public administration bodies

On 27 November 2008 the President of the Energy Regulatory Office concluded that ENEA failed to comply with the obligation to purchase electricity produced in the energy and heat cogeneration system in 2006, imposing a fine of PLN 7,594 thousand. On 17 December 2008, ENEA filed an appeal to the Regional Court in Warsaw - the Court of Competition and Consumer Protection. On 15 December 2009 the Court of Competition and Consumer Protection issued a judgment favorable for the Company, changing the decision of the President of the Energy Regulatory Office of 27 November 2008 and discontinuing the administrative proceedings. The President of the Energy Regulatory Office appealed against the decision to the Court of Appeals in Warsaw. On 24 November 2010 (VI ACa 327/10) the Court of Appeal reversed the decision of the Regional Court in Warsaw – Court of Competition and Consumer Protection of 15 December 2009 appealed against by the President of the Energy Regulatory Office and remanded the case for reconsideration and settling the costs of the appeal proceedings. On 27 September 2011 the Regional Court of Competition and Consumer Protection in Warsaw dismissed the appeal of ENEA against the decision of the President of the Office of Competition and Consumer Protection on imposing a fine on ENEA. An appeal against the decision of 27 September 2011 was filed on 18 November 2011. On 30 May 2012 the Court of Appeal in Warsaw reversed the sentence of the Regional Court in Warsaw – Court of Competition and Consumer Protection of 27 September 2011 and remanded the case to the Court of First Instance for settling the costs of the appeal proceedings.

On 10 December 2012 the Regional Court in Warsaw – Court of Competition and Consumer Protection refused the appeal against the decision of the President of Energy Regulatory Office of 27 November 2008 and imposed on ENEA reimbursement of PLN 630 to the President of Energy Regulatory Office for the costs of the appeal in both instances.

On 4 January 2013 ENEA S.A. appealed against the decision of 10 December 2012. The Court of Appeal in Warsaw has not yet considered the appeal.

On 28 December 2009 the President of Energy Regulatory Office issued a decision on ENEA's failure to comply with the obligation to purchase electricity produced in the energy and heat cogeneration 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. With a decision of 6 March 2012 the Regional Court in Warsaw - the Court of Competition and Consumer Protection reversed the decision of the President of Energy Regulatory Office of 28 December 2009, which imposed on ENEA S.A. a fine for a failure to comply with the obligation to purchase electricity produced in the energy and heat cogeneration system in the first half of 2007. The sentence is not final as the President of Energy Regulatory Office appealed on 16 April 2012. The Court of Appeal in Warsaw has not yet considered the appeal.

On 11 February 2009 ENEA Wytwarzanie S.A. 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. Moreover on 24 November 2009 ENEA Wytwarzanie 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: ENEA Wytwarzanie S.A. appealed to the Provincial Administrative Court in Warsaw against the decisions of the Director of the Customs Chamber in Warsaw who sustained the decisions of the Head of the Radom Customs Office whereby the company was not entitled to a return of overpaid excise for individual months of 2006 and the amounts specified in the original tax return were correct.

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

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

ENEA Wytwarzanie S.A. appealed to the Provincial Administrative Court in Warsaw against the decisions of the Director of the Customs Chamber in Warsaw who sustained the decisions of the Head of the Radom Customs Office whereby the company was not entitled to a return of overpaid excise for individual months of 2008 and which set the tax liability for a certain period.

Proceedings related to overpaid tax for January 2009 and February 2009 – the Head of the Customs Office in Radom issued decisions determining the overpaid amount of excise only with respect to renewable electricity for January 2009 and February 2009 at PLN 247 thousand. As for the period when Polish regulations were inconsistent with those of the EU, the Office Head refused returning overpaid tax and specified tax liabilities in amounts reduced by the excise on energy from renewable resources for the period in question. ENEA Wytwarzanie S.A. appealed against the decisions to the Director of the Customs Chamber in Warsaw who sustained the decisions of the Head of the Radom Customs Office whereby the company was not entitled to a return of overpaid excise for individual months in 2009 and specifying the tax liability for the months at

amounts resulting from the initial returns of the company, less excise on green energy.

ENEA Wytwarzanie S.A. appealed to the Provincial Administrative Court in Warsaw against the decisions of the Director of the Customs Chamber in Warsaw who sustained the decisions of the Head of the Radom Customs Office whereby the company was not entitled to a return of overpaid excise for January and February 2009 and which set the tax liability for a given period. The Administrative Court in Warsaw, VIII Division in Radom, gave rulings which accepted the complaints of ENEA Wytwarzanie S. A. and overruled the decisions of the Director of the Customs Chamber in Warsaw and earlier decisions of the Head of the Radom Customs Office concerning the amounts of excise duty for the period from January 2006 to February 2009. The Head of the Customs Chamber in Warsaw filed last resort appeals against the rulings in question.

The Administrative Court in Warsaw, VIII Division in Radom, issued rulings which dismissed the complaints of ENEA Wytwarzanie S.A. and overruled the decisions of the Director of the Customs Chamber in Warsaw and earlier decisions of the Head of the Radom Customs Office on the amounts of excise duty for the period from January 2006 to February 2009. Last resort appeals against these decisions were made.

On 11 July 2012 the Supreme Administrative Court dismissed complaints of the Director of the Customs Chamber in Warsaw concerning the amounts of excise duties for the months: August 2006, April 2007, May 2007, June 2007, October 2007, June 2008, August 2008 and October 2008.

On 12 July and 19 September 2012 as a result of the withdrawal of complaints the Supreme Administrative Court in Warsaw discontinued the complaints of the Director of the Customs Chamber in Warsaw on the amount of excise duties for the months: March 2008, May 2008, July 2008, September 2008, November 2008 - February 2009.

On 22, 23 and 24 January 2013, the Supreme Administrative Court set the dates of hearings concerning determination of tax obligations in excise tax (19 cases) and concerning refusal to return overpaid excise tax (16 cases). ENEA Wytwarzanie S.A. received decisions from the Marshal of Mazowieckie Province concerning utilisation of the environment through emission of gases or dusts into the atmosphere for first and second half of the year 2008. In decision no. 132, the charge was imposed at PLN 2,888,542; in decision no. 133, the charge was imposed at PLN 2,177,780. ENEA Wytwarzanie S.A. appealed against the decisions enumerated above to the Local Government Board of Appeals in Warsaw. The Local Government Board of Appeals ruled to sustain the disputed decision of the Marshal of Mazowieckie Province. The attorney of ENEA Wytwarzanie S.A. filed appeals against both decisions of the Local Government Board of Appeals (of 23 December 2010, file ref. KOA/2563/Oś/10 and KOA/2562/Oś/10) to the Provincial Administrative Court in Warsaw. On 1 April 2011, hearings concerning both these cases were held with records ref. IV SA/Wa 296/11 and IV SA/Wa 297/11, respectively, before the Provincial Administrative Court in Warsaw. The Court ruled to dismiss both appeals by ENEA Wytwarzanie S.A. On 16 June 2011, the attorney of ENEA Wytwarzanie S.A. filed cassation appeals to the Supreme Administrative Court, disputing both the judgments of the Provincial Administrative Court given on cases ref. IV SA/Wa 296/11 and IV SA/Wa 297/11. The Supreme Administrative Court has not yet set the dates for cassation hearings.

Due to the nature of the Group's business, there were many other proceedings before the public administration bodies as of 31 December 2012.

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

As of 31 December 2012 the President of 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.

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

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

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

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

The risk of loss of assets is low. The lack of legal status of the land where transmission networks are located does not constitute the risk of loss of Group's assets, but result in a risk of potential additional cost to be incurred as a result of claims for non-contractual use of land, rental and easement fees or exceptionally, in individual cases, relocation of assets (restoration of the land to the original state). The relevant provisions for that purpose have been made by the Group.

In 2012, ENEA Group - in relation to, inter alia, the draft Transmission Corridors Act - estimated and included in the value of the provision the compensations for non-contractual use of the real properties on which the grid assets are located (power lines), for which no claims have yet been presented as at the reporting date. Moreover, in relation to this Act, the Group will be forced to made significant payments for setting up transmission easements on the above mentioned real properties. As at 31 December 2012 the Group recognized the provision for non-contractual use of land in the amount of PLN 169,508 thousand.

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

The Act of 17 December 2010 amending the act on forests and the act on environmental protection (Journal of Laws of 2010, No. 34, item 2572 as amended), which came into force in March 2011 laid legal grounds for establishing transmission easement for consideration on real property owned by the State Treasury and managed by National Forests by forest district offices for the benefit of energy companies. In accordance with the Act, the consideration depends on the amount of taxes and charges incurred by the National Forests with relation to the part of the real property the use of which is limited due to the easement.

In course of preparation for the implementation of the statutory provisions, the Group carried out a physical measurement of land managed by the National Forests where elements of the energy distribution system owned by the Group are located and recognized a relevant provision for the potential payments to the National Forests. On 16 August 2012 in Baranowo, near Poznań the "Frame Agreement on Cooperation" between Regional Directorates of National Forests and ENEA Operator Sp. z o.o. was concluded. The Agreement provides terms and conditions for ENEA Operator Sp. z o.o. to conduct operations, maintenance, repairs and modernization of power grids and transmission infrastructure owned by ENEA Operator Sp. z o.o. This refers to the infrastructure located on land owned by the State Treasury and managed by National Forests. The agreement covers also the terms and conditions of conducting the construction of new power grids and transmission infrastructure. The agreement regulates also the claims of National Forests for non-contractual use of land. Based on the signed frame agreement ENEA Operator Sp. z o.o. concluded also implementing agreements on further cooperation and within next few years will conclude easement agreements. As at 31 December 2012, in relation to settlement of non-contractual use of land managed by National Forests and made payments, the Group reversed the respective provision.

53. Signing of a framework agreement on the exploration for and extraction of shale gas

On 4 July 2012 the Company signed a framework agreement on the exploration for and extraction of shale gas (the "Agreement"). The parties to the Agreement are ENEA S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A. (hereafter jointly referred to as the "Parties").

The subject of cooperation of the Parties based on the Agreement will be the exploration, evaluation and extraction of shale gas in geological formations for which concessions have been granted for the exploration

and evaluation of deposits of crude oil and natural gas in relation to the Wejherowo concession held by PGNiG (the "Wejherowo Concession").

The Agreement provides for cooperation based on the targeted structure of a limited partnership that, following a successful exploration, will extract shale gas. Estimated expenditures on exploration, evaluation and extraction with respect to the first three zones (Kochanowo, Częstkowo and Tępcz pads) within the Area of Cooperation are projected to be in the amount of PLN 1.72 bln.

The Parties are working to determine the detailed terms of cooperation, including a detailed project budget and timeline, the shares of the Parties in financing the expenditures arising from the agreed-on budget, shares in the project's profits and the principles of responsibility, including contractual penalties in the case of the failure, in particular by PGNiG, to fulfil certain obligations resulting from the Agreement. Should such specific arrangements not be forthcoming, the Agreement may be terminated by each of the Parties. On 12 November 2012 the Parties signed an annex to the Agreement and agreed to extend the deadline to determine detailed terms of cooperation till 4 February 2013. On 21 February 2013 the Parties signed an Annex No 2 to the Agreement related to common exploration for and extraction of shale gas. The parties of the Annex are all the companies which signed the Agreement. The Parties agreed to further extend the deadline to determinate detailed terms of cooperation till 4 May 2013. Should such specific arrangements not be forthcoming, the Agreement may be terminated by each of the Parties. If within three months after reaching such arrangements the Parties have not received all of the required corporate approvals, or if by 31 December 2013 the required antimonopoly clearances have not been received, the Agreement will expire. The changes of aforementioned dates result from negotiations concerning i.a. preparation of Project documentation.

54. The participation in the construction of the atomic power plant programme

On 5 September 2012 PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A., Tauron Polska Energia S.A. and ENEA S.A. have signed a letter of intent concerning the purchase of shares in the special purpose vehicle, established for the construction and operation of the first atomic power plant in Poland.

In accordance with the letter the companies will undertake the development of a draft agreement for the purchase of shares of PGE EJ 1 Sp. z o.o., a special purpose vehicle, which is responsible for the direct preparation of the investment process of the construction and operation of the first atomic power plant in Poland. The agreement is to regulate the rights and obligations of each party by the realization of the project, assuming that PGE Polska Grupa Energetyczna S.A. will act, directly or through a subsidiary, as a leader in the process of the project preparation and realization.

On 28 December the Parties to the letter of intent agreed to extend its validity period till 31 March 2013.

55. Signing of the Loan Agreement with European Investment Bank

On 18 October 2012 ENEA S.A. (Debtor) executed a Bank Loan Agreement (Agreement) with European Investment Bank (Bank) for the value of PLN 950 million or its equivalent in Euro currency. The Agreement anticipates a possibility of granting a loan in other currency commonly used on main foreign exchange markets.

The funds from the issue will be designated for financing of long-term investment plan (Programme) for the modernization and extension of power grids of ENEA Operator Sp. z o.o located in north - western Poland. The total value of the Programme is estimated at approximately PLN 3,244 million.

The loan should be repaid after maximum of 15 year from the scheduled date of the loan payday. The loan availability period equals 24 months from the date of the Agreement. The loan will be paid in maximum of 6 tranches; the value of each will not be lower than PLN 100 million, except for the last tranche which amounts to unused part of the loan.

The interest rate of the loan can be fixed or floating. The Debtor has the right to choose a fixed or floating interest rate separately for the each loan tranche under the terms of the Agreement. The floating interest will be determined for each period between payments dates (the first period is counted from the day of payment of installment under floating rate). The floating interest rate equals to adequate WIBOR rate plus fixed spread determined by the Bank including margin specified in the Agreement. The Agreement execution is subject to the law of England and Wales. Potential disputes related to the Agreement will be proceeded in England and Wells.

The funds, which amount almost 10% of the Company's equity, will be a significant source of financing investments scheduled in ENEA Capital Group.

In connection with the Agreement, on 18 October 2012 ENEA S.A. concluded an additional agreement on the Programme realization with ENEA Operator Sp. z o.o. and the Bank which settles issues relating the rules of the Programme realization in part based on funds granted by the Bank.

As at 31 December 2012 the Company did not utilize any funds within the Agreement and had no liability due to the loan.

56. Subsequent events

The Extraordinary Shareholders' Meeting of ENTUR Sp. z o.o. in Szczecin adopted a resolution no. 3 on 27 February 2013 on the company dissolution following liquidation. The adopted resolution is effective from 1 March 2013.

The liquidation of the company results from the ENEA Group restructuring process aimed at development of its core business, which is not in line with ENTUR operations (tourism, recreation, catering and health care services).