

Other information

to the ENEA S.A extended
consolidated report
for Q4 2011

Poznan, 29 February 2012



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1. Description of the organisation of ENEA Capital Group

As at 31 December 2011 the Capital Group consisted of the parent company ENEA S.A. (the "Company", or "Parent Company"), 20 subsidiaries and one associated company. Within the ENEA Capital Group (the "Group"), there are three leading companies: ENEA S.A. (trade in electricity), ENEA Operator Sp. z o.o. (distribution of electricity) and Elektrownia "Kozienice" S.A. (generation of electricity). The remaining entities provide support activities in relation to the above companies. A detailed description of the organisation of the Issuer's Capital Group, and an indication of the units subject to consolidation, are contained in Note 6 to the consolidated quarterly financial statement.

1.1. Description of changes within the Group's structure

In Q4 2011 the following events occurred which influenced present or potential changes to ENEA Capital Group's organisation:

- On 17 November 2011 an Extraordinary General Meeting of Shareholders of Elektrownie Wodne Sp. z o.o. with its registered office in Samociążek during which a decision was made to merge Elektrownie Wodne Sp. z o.o. with Elektrownie Wiatrowe - ENEA Centrum Spolka Akcyjna Spolka Komandytowa with its registered office in Samociążek. The merger took place by incorporation of Elektrownie Wiatrowe - ENEA Centrum Spolka Akcyjna Spolka Komandytowa into Elektrownie Wodne Sp. z o.o. in the mode described in Article 492 § 1 item 1 of the Commercial Companies Code, i.e. through transfer of the whole assets of Elektrownie Wiatrowe - ENEA Centrum Spolka Akcyjna Spolka Komandytowa to Elektrownie Wodne Sp. z o.o. - a limited partner in the merged company, in consideration for shares which Elektrownie Wodne Sp. z o.o. issued to the general partner of Elektrownie Wiatrowe - ENEA Centrum Spolka Akcyjna Spolka Komandytowa, i.e. to ENEA Centrum S.A. The limited partner of the merged company, i.e. Elektrownie Wodne Sp. z o.o. as a merging company, did not receive its shares. On 2 January 2012 with the decision of the Regional Court in Bydgoszcz, XIII Economic Division of the National Court Register the both companies were merged. As a result of the merger the share capital of Elektrownie Wodne Sp. z o.o. was increased from the amount of PLN 239,841,000 by PLN 8,500, i.e. to the amount of PLN 239,849,500 through creation of 17 new shares of a nominal value of PLN 500 each.
- On 23 December 2011 ENEA S.A. concluded an agreement for sale of 14,750 shares of the Polish Power Exchange (Towarowa Gielda Energii S.A., further on: PPE) with Warsaw Stock Exchange (Gielda Papierow Wartosciowych S.A., further on: WSE) constituting 1.0172 per cent of the Company's share capital. Transferring of the shares will be performed on WSE (closing) after terms and conditions specified in the aforementioned agreement are satisfied.

Additionally, on 16 February 2012 ENEA S.A. concluded an agreement for sale of 269,000 shares of Przedsiębiorstwo Produkcji Strunobetonowych Zerdzi Wirowanych WIRBET S.A. (further in: WIRBET) with THC Fund Management Ltd. with its registered office in Nicosia, Cyprus, Vasillisis Olgas 0, Office 101, PC 2001 (further on: THC) constituting 49 per cent of the Company's share capital. The sale price per one share through negotiations was set at the level of PLN 48.02 (say: forty eight zlotys 02/100), and the total value of all the shares of ENEA S.A. is PLN 12,917,380.00 (say: twelve million nine hundred seventeen thousand three hundred and eighty zlotys 00/100).



At the same time ENEA S.A., based on the authorisation granted to it on behalf of the Other Shareholders of WIRBET (Tauron Dystrybucja, ENERGA S.A., PGE Obrot S.A.) sold within the aforementioned agreement also their shareholdings, i.e. 280,000 shares.

Transfer of ownership to the shares on THC and issuance of share certificates will take place within 3 business days after all the shareholders' bank accounts are credited (payment for all the shares will take place till 15 March 2012). Therefore THC will be the owner of 100 per cent of shares of WIRBET.

1.2. Description of capital investments within the Group

On 13 October 2011 an increase of the share capital of the subsidiary ENEOS Sp. z o.o. was registered in the National Court register by an amount of PLN 11,900,000 (from PLN 20,189,500 to PLN 32,089,500). All the newly created shares in the share capital of ENEOS Sp. z o.o. were taken up on 13 September 2011 by present shareholder - ENEA S.A. and paid in full with non-cash contribution (contribution in kind) in the form of an organised part of the enterprise in the meaning of Article 55¹ of the Civil Code, under the name of "Oswietlenie uliczne Miasta Poznania". The aforementioned contribution in kind consists of: tangible and intangible assets, i.e. buildings (fixed assets) and operational documentation, archives, property insurance, financial separation of the subject of the contribution in kind; economic contracts - including a regulation of using the infrastructure of ENEA Operator Sp. z o.o., settlements by title of modernisation of lighting installations and collisions. The organised part of the enterprise is adjusted to performing specific economic tasks within ensuring on the territory of Poznan securing of public needs within lighting.

On 20 September 2011 the Extraordinary General Meeting of Shareholders of BHU S.A. adopted a Resolution on increasing of the share capital of the Company by PLN 165,600 from the amount of PLN 16,375,100 to PLN 16,540,700 through issuing of 1,656 shares of L series of the nominal value of PLN 100 each, in consideration for a non-cash contribution as a right of perpetual usufruct of the property with improvements, located in Troszczyń, Opalenica municipality, with the total value of PLN 165,600, with depriving the present shareholders of the pre-emptive right. The contract of transfer of the perpetual usufruct of the aforementioned land property was concluded on 3 November 2011. On 16 November 2011 an entry on increasing of the share capital of BHU S.A. was made in the National Court Register. Transfer of the aforementioned property to the company aims at, among others, organisation of the economic position of ENEA Capital Group.

In Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. with its registered office in Oborniki, within realisation of re-purchase of the first tranche of shares in the number of 314 shares, ENEA S.A. in December 2011 purchased the remaining 10 employees' shares for the amount of PLN 12,750.00 (in June 2011 ENEA S.A. purchased 304 employees' shares for the amount of PLN 387,600.00, of the Company informed in the extended consolidated half-yearly report of ENEA Capital Group for H1 2011).

In relation to the purchase by ENEA S.A. of the remaining 10 shares from the I tranche of employees' shares the shareholding from 19 December 2011 is as follows:

1. ENEA S.A. - 9,434 shares - 91.02 per cent
2. Gmina Oborniki (Oborniki Municipality) - 11 shares - 0.11 per cent
3. Company's employees - 920 shares - 8.87 per cent



2. Description of ENEA Capital Group's operations

As part of its basic activities, the Group is involved in generating, distributing and trading in electricity.

The above activities are performed by companies from our Group on the basis of licences granted by the President of the Energy Regulatory Office ("ERO"), the body established to carry out regulatory tasks with regard to the regulating the trade in fuels and energy, and to encourage competition in the energy sector. Within our Group the companies hold, specifically, the following licences:

- (I) ENEA has a licence to trade in electricity, valid until the end of 2025,
- (II) ENEA Operator Sp. z o.o. has a licence to distribute electricity, valid until mid-2017,
- (III) Elektrownia "Kozienice" S.A. has a licence to generate electricity, valid until the end of 2025, and a licence to trade in electricity, valid until the end of 2012,
- (IV) Elektrownie Wodne Sp. z o.o. holds a licence for the generation of electricity, valid till the end of 2030.

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

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

2.1. Generation

2.1.1. Elektrownia "Kozienice" S.A.

The largest producer of electricity in the Group is Elektrownia "Kozienice" S.A. (further on: Kozienice Power Plant), which joined the Group in October 2007. It is Poland's largest professional hard coal-fired power plant. It comprises 10 high-performance, updated power blocks with a total generating capacity of 2,905 MW. The power plant emits low levels of carbon dioxide (in 2010 the emission level was 880 kg/MWh, and in Q4 2011 848 kg/MWh) and has one of the lowest levels of coal consumption per MWh of generated electricity, reported at 0.402 Mg/MWh for Q4 2011. In Q4 2011, Kozienice Power Plant had an overall gross efficiency of 39.1 per cent.

The volume of electricity generated by Kozienice Power Plant in 2010 - 2011 in gross MWh with division into particular quarters is presented in the table below:

Electricity generated by Kozienice Power Plant [MWh]		
Period	2010	2011
Q1	2,995,474	2,844,851



Q2	2,914,318	2,976,352
Q3	3,247,672	3,005,476
Q4	3,160,709	3,062,113

Kozenice Power Plant in Q4 2011 generated 3,062,113 MWh of gross electricity. This is a small decrease compared to the same period last year, when Kozenice Power Plant generated gross electricity of 3,160,709 MWh. Lower production in Q4 2011 is a result of an increase in the volume of trading transactions of sales of electricity within trading in electricity comparing with the same period of 2010.

From January 2008 Kozenice Power Plant also began generating power from renewable sources by co-firing biomass with conventional fuels (hard coal) thanks to the installation for co-firing of solid biomass with coal for 200 MW units. In Q4 2011 Kozenice Power Plant recognised certificates of origin of energy from renewable sources in the amount of 126,154 MWh. For comparison, in Q4 2010 Kozenice Power Plant recognised certificates of origin of energy from renewable sources in the amount of 106,442 MWh. Comparing the both analogical periods, in Q4 2011 an increase was reported by 18.5 per cent in the volume of energy generated from renewable sources. In January - December 2011 an increase was noted in the number of certificates of origin in comparison with the same period of 2010 by 22 per cent.

The company intends to consistently increase the share of biomass in fuel, which, in terms of generated power, is to amount to 2.1 per cent in 2015 according to the plan of costs diminishing (it is currently at the level of 1.5 per cent).

In Q4 2011 Kozenice Power Plant bought 71,842 Mg biomass for generation of renewable energy. In particular quarters of 2010-2011 the purchases of biomass are as follows:

Purchase of biomass by Kozenice Power Plant [Mg]		
Period	2010	2011
Q1	18,521	47,989
Q2	47,406	56,557
Q3	51,262	44,871
Q4	58,569	71,842

In Q4 2011 70,704 Mg biomass was used for combustion. Such a volume of fired biomass results in "avoidance of emissions" of carbon dioxide in the amount of 111,835 Mg.

Volume of biomass combusted by Kozenice Power Plant [Mg]		
Period	2010	2011
Q1	18,260	47,503



Q2	47,676	57,002
Q3	51,340	44,094
Q4	59,235	70,704

Thanks to the conducted modernisation of the low compression part of the turbines on 200 MW and 500 MW units and of the high and low compression part of the turbines on 500 MW units we have successfully reduced the individual coal consumption and thus the emission of CO₂ to the atmosphere was reduced.

The volume of energy generated from renewable sources and cogeneration with division into certificates in Kozenice Power Plant in particular quarters during 2010-2011 was as follows:

Energy from RES Green certificates [MWh]		
Period	2010	2011
Q1	32,358	85,763
Q2	89,270	103,138
Q3	91,079	78,917
Q4	106,442	126,154
Energy from cogeneration Red certificates [MWh]		
Period	2010	2011
Q1	32,645	25,023
Q2	6,106	10,288
Q3	7,157	5,212
Q4	20,074	15,436



Environmental protection

Pollution	Volume of emission [Mg]							
	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
DUST	275	231	269	299	245	279	251	273
SO₂	8,935	8,387	9,056	8,733	8,135	6,560	7,822	8,762
NO_x	5,844	4,875	5,572	5,357	4,964	5,089	5,249	5,073
CO	319	301	395	421	244	231	271	248
CO₂	2,275,923	2,604,924	2,954,209	2,747,748	2,541,220	2,697,511	2,708,387	2,597,402

2.1.2. Elektrownie Wodne Sp. z o.o.

Elektrownie Wodne Sp z. o.o. (further on: Elektrownie Wodne) is also engaged in the generation of electricity from renewable resources. Within the activity of the Company there are 21 hydroelectric power plants are functioning, a wind farm and a biogas plant.

The volumes of energy generated from 21 hydroelectric plants, transferred into the grid and green certificates achieved by this title in particular quarters of 2010-2011 was as follows:

Energy generated from RES for which Elektrownie Wodne receive green certificates of origin for energy [MWh]		
Period	2010	2011
Q1	35,598	54,599
Q2	38,756	36,672 (36,669)*
Q3	33,120	33,866
Q4	47,766	35,342
Energy transferred into the grid [MWh]		
Period	2010	2011
Q1	35,106	53,709 (53,721)**
Q2	38,319	36,305 (36,323)**
Q3	32,658	33,392
Q4	47,010	34,780



** adjusted volume of energy generated authorising to apply for certificates of origin by title of non-inclusion by ERO of energy generated during the period of commissioning and start-up of EW Oborniki.*

*** adjusted volume of energy introduced into the grid by title of inclusion of the energy introduced into the grid during commissioning and start-up of EW Oborniki by ENEA Operator.*

At present the activity of Elektrownie Wodne includes the activity connected with the development of the project of wind farms. Within wind energy a project is developed with the capacity of 15 MW, for account of which the lands were secured, changes were made to the local spatial development plan of the municipality, the realisation of which covers a possibility of locating of wind turbines on the territory including internal infrastructure and conditions were achieved for connection to the grid. Obtaining decisions on environmental conditions for the realisation of the undertaking is planned for Q1 2012 and commencement of the construction for Q3 2012.

Based on the Resolution of the General Meeting of Shareholders approving the adjustment of the Material and financial plan for 2010-2012, Elektrownie Wodne withdrew from the realisation of projects for which no amendments were received in the local plan of spatial development within the statutory term allowing for completion of the application for connection to the grid. Besides the developed project with the capacity of 15 MW and a potential project with the anticipated capacity of 30-36 MW, the company also performs searches for projects of wind farms that can be purchased at the stage of a building permit or operational permit.

Within the aforementioned works the purchase was finalised of a working wind farm with the capacity of 6 MW located in the Pomorskie Province (Darzyno Wind Farm). Non-binding final offers of purchase of projects of wind farms were made with the total capacity of 84 MW, possessing final building permits and anticipated for realisation during 2011-2012, from which a 10 MW project is included in final negotiations. The Company has also completed due diligence of the project of a wind farm of the capacity of 86 MW and is analysing its risks and appraisal.

In addition, in order to increase the generating capacity of the company the construction of a small hydroelectric plant in Oborniki Wielkopolskie on the Welna river was completed. Estimated average annual volume of production of energy generated in Oborniki Wielkopolskie amounts to 1,440 MWh.

Within the investments in energy renewable sources in 2010 ENEA S.A. purchased a newly constructed biogas power plant in Liszkowo, municipality of Rojewo, the Kujawsko-Pomorskie Province, with the electric capacity of 2.1 MW. The object is innovative on the national level, represents a high technical level, and functions as an utilisation plant for the low-energy biomass by-product (mainly distillery slops). Detailed information within this scope was given in the previous periodic reports. The Liszkowo biogas plant as the first and experimental object of this type in Poland is constantly at the stage of collecting experiences and analyses regarding how to optimally use these kinds of installations.

Below the volumes of production and number of energy certificates of origin from the Liszkowo Biogas Power Plant are presented for the particular quarters of 2010 - 2011:

Volume of production of energy and number of certificates of origin for energy [MWh]		
Period	2010	2011
Q1	1,879	2,687
Q2	2,208	1,776



Q3	1,582	1,539
Q4	1,783	174

The volume of production from the finalised transaction of purchase of the 6 MW wind power plant:

Energy generated by Darzyno Wind Plant for which Elektrownie Wodne receive green certificates of origin for energy [MWh]	
Period	2011
Q1	N/A
Q2	3,615
Q3	3,593
Q4	5,711
Energy transferred into the grid [MWh]	
Period	2011
Q1	N/A
Q2	3,615
Q3	3,578
Q4	5,674

2.1.3. Elektrociepłownia Białystok S.A.

The Basic units for production of electricity and heat in Elektrociepłownia Białystok S.A. (further on: Białystok Heat and Power Plant) are three heat units with the total heating power of 505.2 MWt and with generating capacity of 165.7 MWe. Additionally in the technological system there is a water boiler functioning as a peak source of heat, with the thermal capacity of 81.5 MWt. Generating capacity of the power plant in 75 per cent cover the annual demand for heat of the Białystok agglomeration. The remaining 25 per cent of energy is generated in Ciepłownia Zachod (Heat Power Plant) owned by the Municipal Heat Supply Company in Białystok (MPEC).

2.1.3.1. Production and sale of heat

The owner of the municipal heating system and the key customer of the Heat and Power Plant within receipt of heat is MPEC Białystok Spolka z o.o.

Białystok Heat and Power Plant generates electricity and heat energy in the form of hot water for central heating and hot tap water and process steam for the needs of hospitals and industrial plants.



The share of the production of process steam in the general production of heat is ca. 13 per cent on an annual average. Beyond the heating season the Heat and Power Plant produces heat just for the needs of hot tap water and process steam with the total heating power of around 50 MWt.

Heat production [GJ]								
Period	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Water	1,479,569	515,383	411,133	1,192,031	1,354,741	511,362	358,678	993,171
Steam	133,252	84,353	79,482	115,364	131,582	81,696	72,715	92,283

2.1.3.2. Production and sale of electricity

The process of energy production in Bialystok Heat and Power Plant is performed in cogeneration. The co-generated production of electric and heat energy is a technological process which simultaneously uses the chemical energy of a fuel for generation of electric electricity and heat. Application of such a technology brings energetic, economic and ecological benefits. It constitutes the most effective method of generation of heat and electric energy. Additionally there is a possibility of generating electricity using pass-out and condensing turbine set.

Electric energy is sold on the wholesale market based on bilateral contracts and on the PPE. Bialystok Heat and Power Plant also sells energy at the level of voltage of 15 and 0.4kV to industrial plants located in the vicinity.

Production of electricity [MWh]		
Period	2010	2011
Q1	165,568	187,413
Q2	74,262	101,869
Q3	72,550	103,804
Q4	149,005	165,253
Sale of electricity from own production [MWh]		
Period	2010	2011
Q1	140,893	162,924
Q2	62,281	87,396
Q3	60,060	89,282
Q4	128,379	143,104



Apart from trading in electricity on wholesale market Bialystok Heat and Power Plant sells electricity to end users (direct sales). Delivery of electricity is performed on direct cable lines belonging to recipients. Recipients in this segment of sales are companies and industrial plants located in the direct vicinity of Bialystok Heat and Power Plant. Direct sale is conducted on the level of 0.4 and 15 kV. In case of 0.4 kV recipients electricity is collected from auxiliary distribution board of the heat and power plant and for 15 kV recipients the energy is collected from 15 kV distribution boards which is specially dedicated for this sale and powered from two 10/15/6 three-winding transformers.

Sale of electricity to end users [kWh]		
Period	Q4 2010	Q4 2011
Sales 0.4 kV	184,730	180,087
Sales 15 kV	8,386,849	8,223,397
Total	8,571,579	8,403,484

2.1.3.3. Property rights from RES and CHP

In 2008 Bialystok Heat and Power Plant launched a new installation for production of electricity and heat in cogeneration using energy renewable sources (biomass). The specially designed furnace, the so called fluidised bed (BFB) constitutes the key element of the biomass boiler created in result of conversion of the existing OP 140 coal boiler. At present, the conversion of another twin OP 140 boiler into a biomass boiler with a fluidised bed is realised. Investment completion date - end of 2012.

In order to maximise energy production from RES generated in a hybrid system (coal boiler and biomass boiler) the TZ4 condensing turbine set is used which is powered with the extraction steam of the TZ1 heating turbine set with the pressure of 1.0 MPa.

Electricity generated in RES unit [MWh]*		
Period	2010	2011
Q1	39,837	48,007
Q2	15,842	44,532
Q3	9,037	52,236
Q4	49,311	49,494
Electricity generated in CHP cogeneration unit [MWh]**		
Period	2010	2011
Q1	165,568	187,413



Q2	74,262	101,869
Q3	72,550	103,804
Q4	149,005	71,355

* volume of electricity for which Company has a right to apply for a property rights resulting from certificates of origin - so called "green certificates"

** volume of electricity for which Company has a right to apply for a property rights resulting from certificates of origin from cogeneration - so called "red certificates"

2.1.4. Other sources

In addition, within the works connected with the achievement of energy from renewable sources and in cogeneration in MEC Pila (a company belonging to the Group) the following project was performed – “Construction of the Biomass Cogeneration Unit in ORC technology on the Regional Boiler House KR-Koszyce in Pila”. The procedure of analysis of the project as to justifiability of conducting of the above investment is being continued. The investment is to be co-financed from the European Union from the funds of the Cohesion Fund within 9.1 action - Highly efficient energy production, priority IX - Environment-friendly energy infrastructure and energy efficiency, of the Infrastructure and Environment 2007-2013 Operational Programme. ORC turbo generator with the heating power of 7.95 MWt and electric power of 1.67 MWe, powered with the biomass fired boiler (wood chips) will generate electricity and heat energy from renewable sources, in combination being complaint with the requirements of a highly efficient cogeneration.

On 11 May 2011 ENEA S.A. purchased Dobitt Energia Sp. z o.o. company located in the Dolnoslaskie Province. The company holds the construction project for a biogas power plant (agricultural) with the electric power of 1.6 MW, and a final building permit. The construction of the biogas power plant was commenced in June 2011. Till the end of 2011 a construction was completed as a building shell: fermenters, containers for post-fermentation substance and technical building. The commissioning and start-up of the bioenergy plant is planned for the end of June 2012.

In November 2011 ENEA S.A. concluded a preliminary agreement for the purchase of 100 per cent of a special purpose vehicle realising the project of construction of a Bardy Wind Farm with capacity of 50 MW. The farm will generate ca. 150,000 MWh of green energy annually.

Commencement of actions to increase the volume of the production of electricity based on energy renewable sources is important to the Group in the scope that the legal regulations impose an obligation on us to achieve certificates of origin and present them for redemption to the President of ERO. These certificates must confirm: (I) generation of electric energy in renewable sources; and (II) generation of electricity in combination with heat generation (cogeneration), or in case the certificates of origin are not achieved and presented for redemption in a required quantity, to make compensatory payments. More information can be found in annual reports of ENEA S.A.

2.2. Distribution

Within our Group, the distribution of electricity is the responsibility of ENEA Operator Sp. z o.o. (further on: ENEA Operator), which acts as the operator of the power distribution system which it became on 30 June 2007 by the decision of the President of ERO. The Company distributes energy based on the licence granted to it by the regulatory body on 28 June 2007.

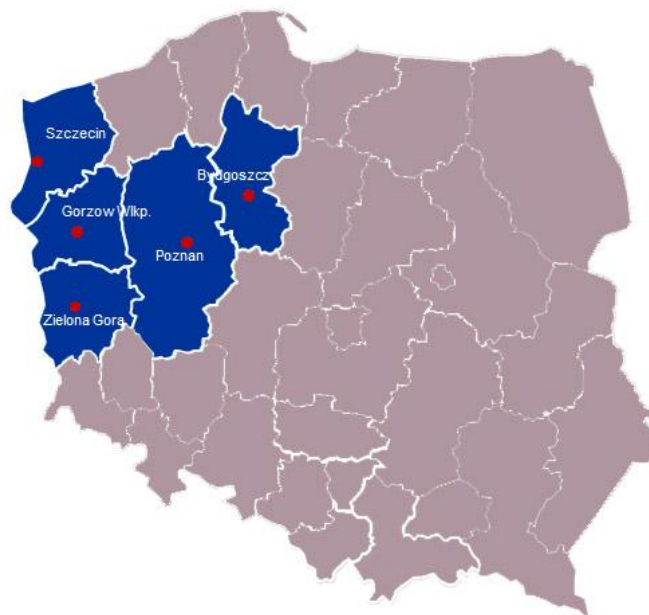


According to the Act: *Energy Law*, ENEA Operator as an operator of distribution system is responsible for, among others:

- conducting grid traffic of the distribution network,
- operation, maintenance and repairs of the distribution network ensuring its undisturbed work,
- ensuring extension of the distribution network and planning of development of the grid, including connection of energy renewable sources,
- system balancing,
- managing traffic of energy in the distribution network,
- purchase of electricity for covering of losses occurring in the distribution network.

ENEA Operator supplies electricity to over 2,300,000 users in the western and north-western Poland. To this end it uses the distribution network covering an area of over 20 per cent of the country, including over 111,000 km of power lines (over 129,000 including connections). In addition the Company possess over 35,000 transmission stations of the total capacity of 14,600 MVA (the information is valid as at 31 December 2011 - ENEA Operator elaborates it annually as reports for the needs of Agencja Rynku Energii (Energy Market Agency)).

The Company acts on the territory of 58,213 km², on the area of 5 provinces: Wielkopolskie, Zachodniopomorskie, Lubuskie, Kujawsko-Pomorskie and in small part Dolnoslaskie.



Because of the size, the Company runs business within the extended territorial structure - the seats of the five Branches are located in Poznan, Bydgoszcz, Gorzow Wielkopolski, Szczecin and Zielona Gora.

ENEA Operator undertakes a range of activities aiming at the realisation of strategic objectives of ENEA Capital Group: development of core activity, improvement of efficiency of functioning and building of a socially responsible business.

Within the development of the core operations the Company undertakes many initiatives ensuring technological and technical growth and development and modernisation of the distribution network realising simultaneously its statutory obligations as an operator of a distribution system connected with ensuring its customers with uninterrupted supplies of energy with the possibly best quality parameters. It is possible thanks to gradually increasing investment outlays, which in turn enables



among others faster modernisation of assets and ensures a possibility of connecting to the power grid of energy renewable sources (taking into account the safety of the network operation).

Within improvement of the efficiency of functioning ENEA Operator realises operations within optimisation of functioning of basic processes, optimisation of support function and ensuring operational integration of ENEA Capital Group. They are connected with the purchase and implementation of electronic platforms supporting processes, and with dividing of some structures of support functions into separate departments (it relates to financial and accounting functions).

Within building of a socially responsible business the Company undertakes activities aiming at balanced management of human resources, ensuring dialogue with local community.

2.3. Trading

In Q4 2011 within our Capital Group the sale of electricity to retail users was in the major part attributed to ENEA S.A. The total sales within trading in energy amounted to 3,855.6 GWh, of which retail sales to about 3,486.3 GWh. The number of end users as at 31 December 2011 amounted to about 2.4 million individual users business users.

Pursuant to the approval given by the Ordinary General Meeting of Shareholders of ENEA S.A. held on 29 June 2011, of which the Company informed in the current report No 19/2011, starting with 1 August 2011 a reorganisation was performed within the Group, in result of which competencies within wholesale were transferred to the special purpose vehicle - ELKO Trading Sp. z o. o. The company is responsible towards ENEA for among others conducting a portfolio of electricity and sale of property rights for account of customers of ENEA S.A., purchase of energy on a wholesale market, settlements and it functions as a commercial operator.

Demand for electricity of customers of ENEA S.A. due to a small amount of local generation on the areas of ENEA Operator is almost in full covered on the energy wholesale market. In Q4 2011 a substantial majority of the wholesale purchase of electricity were transactions concluded on the PPE and settled by the Warsaw Commodity Clearing House (Izba Rozliczeniowa Gield Towarowych S.A., IRGiT S.A.). Such a direction of sales is a consequence of increase of turnover on the stock exchange market as a result of changes imposing an obligation resulting from Art. 49a of the Energy Law on the energy companies dealing with generation (an energy company dealing with generation of electricity is obliged to sell not less than 15 per cent of electricity generated in a given year on commodity exchanges or on a regulated market subject to the fact that an energy company dealing with generation of electricity possessing the right to receive funds for coverage of stranded costs is obliged to sell the generated electricity in full in the way ensuring public and equal access to the electricity through an open tender on the Internet trading platform on the regulated market or on commodity exchanges). The remaining part of energy was purchased from trading companies and producers.

2.3.1. Purchase and sale of energy by ENEA S.A.

In Q4 2011 a substantial part of the electric energy sold by ENEA S.A. constituted electric energy purchased on the PPE. The remaining part of energy ENEA S.A. purchased based on bilateral agreements (with producers and trading companies, including ELKO Trading Sp. z o.o.).

2.3.2. Sale of energy by Kozenice Power Plant

In Q4 2011 Kozenice Power Plant sold the electricity generated by its entities on the PPE, which constituted 93.1 per cent of the sold production. In Q4 2011 the total sale of Kozenice Power Plant



within the trading and generating of energy amounted to 3,334.2 GWh, including the sales to retail users - 0.03 GWh, and sales within the possessed licence for trading in energy - 296.3 GWh.

From 9 August 2010 Kozenice Power Plant is obliged to sell at least 15 per cent of generated electric energy on PPE - to which it is obliged according to Art. 49a item 1 of Energy Law. Within realisation of this obligation the sales of generated electric energy on the PPE during 1 January 2011 to 31 December 2011 constituted ca. 93.0 per cent of all the concluded contracts.

Cumulatively, the value of net electric energy sold by Kozenice Power Plant on the PPE from 6 May 2010 till 31 December 2011 amounted to PLN 4,926,000.



3. Position of the Management Board in relation to the possibility of achieving previously published forecasts of the results for a given year

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



4. Shareholders holding five per cent or more of the votes at a general meeting of shareholders of ENEA S.A.

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

No	Shareholder	State as at 14 November 2011 *		State as at 29 February 2012	
		Number of shares/number of votes during GM	Share in the share capital/share in the total number of votes	Number of shares/number of votes during GM	Share in the share capital/share in the total number of votes
1	State Treasury	228,249,539	51.71%	227,934,411	51.63 %
2	Vattenfall AB	82,395,573	18.67 %	82,395,573	18.67 %
3	Others	131,103,004	29.62 %	131,112,594	29.70 %
Total		441,442,578	100.00 %	441,442,578	100.00 %

* date of publication of an extended consolidated report for Q3 2011.

In the period from publication of the report for Q3 2011 there has been a slight change in the shareholding for the key Shareholder of the Company, i.e. the State Treasury. The divergence in number of shares held by the State Treasury in the period between 14 November 2011 and 29



February 2012 is connected with the specificity of the process of nil-paid rights to employee shares from the State Treasury by entitled employees and their heirs.

Here, the Company reminds that on 15 February 2010 the State Treasury made the first transaction of sale of the ENEA S.A.'s shares („the Company”) under general conditions the consequence of which was achievement by entitled persons nil-paid rights to B series shares. A process being in progress of offering of the shares for free will be completed on 16 May 2012 (subject to the fact that in some specific situations a heir may sign nil-paid rights agreement for shares after the date indicated – more information may be found on www.enea.pl under the tag of „Employee shares”).

Having in mind the term of limitation of sale of shares expiring on 15 February 2012 the Company's Board undertook indispensable steps aiming at enabling trading in the said shares on the WSE. Dematerialisation and introducing for trading will cover all the shares subject to nil-paid rights from the State Treasury till 15 February 2012 inclusive. In relation to the above, on request of ENEA S.A., on 20 February 2012 the Board of WSE admitted 30,981,380 employee shares for exchange trading. The planned date for the placement of the said shares is 5 March 2012.

The shares held by entitled people who appear for signing of an agreement of nil-paid rights to shares from the State Treasury after that date will be introduced for trading on WSE on a later date.

5. A list of holdings of the Issuer's shares, or rights thereto, by persons that manage or supervise ENEA S.A.

Name	Position	Number of shares of ENEA S.A. held as at 14 November 2011	Number of shares of ENEA S.A. held as at 29 February 2012
Tadeusz Dachowski	Member of the Supervisory Board	4,440	4,440
Mieczysław Pluciński	Member of the Supervisory Board	4,140	4,140
Maksymilian Górniak	Member of the Board	3,740	N/A *

** Mr. Maksymilian Górniak was a Member of the Board of ENEA S.A. till 5 December 2011*

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

As at the publication date of this periodic report, persons managing or supervising do not hold shares or stock in subsidiaries of ENEA S.A.



6. Proceedings underway before courts, bodies appropriate for arbitration proceedings or public administration bodies

6.1. Proceedings related to the Issuer's or its subsidiary's payables or debts, whose value is 10 per cent or more of the equity of ENEA S.A.

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

6.2. Two or more proceedings regarding payables and debt, whose total value corresponds to 10 per cent or more of the ENEA S.A.'s equity

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

A description of other proceedings underway other than those referred to above, to which ENEA S.A. or its Group companies are a party, is set out in Note 29.2-4 to the consolidated quarterly financial statement (page 44-45).

7. Information on transactions with affiliated entities

Entities constituting the Group in Q4 2011 did not conclude any substantial transactions with affiliates on non-market conditions.

Description of other transactions concluded by the Issuer or its subsidiary with affiliates was presented in Note 25 to the consolidated quarterly financial statement (page 38).

8. Information on guarantees for credit facilities and loans and other guarantees

The Company and its subsidiaries did not grant any guarantees for credit facilities or loans, or sureties during the reporting period - totally to one entity or subsidiary of that entity whose total value would constitute an equivalence of at least 10 per cent of the Company's equity.



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

9.1. Discussion of key economic and financial figures of the ENEA Capital Group disclosed in the financial statement for the period of 12 months of 2011.

9.1.1. Financial results

9.1.1.1. Consolidated Profit and Loss Statement

Profit and loss statement in PLN '000	2010	2011	Change	Difference
Net sales revenues	7,836,875	9,690,102	123.6%	1,853,227
Cost of sales	7,059,855	8,901,640	126.1%	1,841,785
Other operating revenue	84,292	254,113	301.5%	169,821
Profit/(loss) on sales and liquidation of tangible fixed assets	-7,124	-10,055	141.1%	-2,931
Tangible and intangible impairment write-off	6,143	6,406	104.3%	263
Other operating expenses	136,081	175,423	128.9%	39,342
Operating profit (loss)	711,964	850,691	119.5%	138,727
Financial expenses	41,003	48,595	118.5%	7,592
Financial revenue	140,493	185,643	132.1%	45,150
Dividend revenue	774	1,438	185.8%	664
Share in (losses)/profits of affiliated entities accounted for using the equity method	988	4,524	457.9%	3,536



Profit (loss) before tax	813,216	993,701	122.2%	180,485
Income tax	173,835	193,245	111.2%	19,410
Net profit (loss) for the reporting period	639,381	800,456	125.2%	161,075
EBITDA	1,364,636	1,561,671	114.4%	197,035

The Group's net revenues from sales in 2011 amounted to PLN 9,690,102,000, which in relation to 2010 constituted growth by PLN 1,853,227,000, i.e. by 23.6 per cent.

The breakdown below shows the value and structure of revenues on sales achieved in 2011.

Item	2010		2011		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Revenues from the sale of electricity	4,995,638	63.7	6,508,001	67.2	130.3%	1,512,363
Revenues from the sale of distribution services	2,526,943	32.2	2,642,110	27.3	104.6%	115,167
Revenues from the sale of goods and materials	111,695	1.4	123,270	1.3	110.4%	11,575
Revenues from the sale of other services	132,821	1.7	289,095	3.0	217.7%	156,274
Revenues from certificates of origin	0	0.0	19,230	0.2	x	19,230
Recovery of stranded costs	15,580	0.2	2,472	0.0	15.9%	-13,108
Revenues from the sale of electricity	54,198	0.8	105,924	1.0	195.4%	51,726
Total net revenues	7,836,875	100.0	9,690,102	100.0	123.6%	1,853,227

The Group's revenues mainly consist of revenues from sales of electricity and from sales of distribution services, which amount to 67.2 per cent and 27.3 per cent of total net revenues, respectively.



- Revenues from the sale of electricity in 2011 amounted to PLN 6,508,001,000 and rose in relation to the previous year by 30.3 per cent. This stems mainly from an increase in the sale of electricity by Kozenice Power Plant by PLN 1,646,507,000 (increase in the value of sold electric energy realised by Kozenice Power Plant by 8,230 GWh with an average increase in price by 1.1 per cent). At the same time sales of electricity by Bialystok Heat and Power Plant from 1 June 2011 in the amount of PLN 57,691,000. At the same time, revenues from the sales of electricity to end users in ENEA S.A. by PLN 117,506,000, which stemmed mainly from lower volumes of electricity sold by 785 GWh with an increase of the average sale price by 2.3 per cent. In addition lower revenues from sales of electric energy to other entities by PLN 90,144,000, which stemmed mainly from lower volumes of electricity sold by 481 GWh.
- Revenues from the sale of distribution services in 2011 amounted to PLN 2,642,110,000 and were higher than in the preceding year by PLN 115,167,000. The increase of those revenues was mainly caused by an increase in the amount of electricity supplied to end users by 117 GWh with a simultaneous increase in the average sale price of distribution services by 2.3 per cent.
- The growth in revenues from sales of other services by PLN 156,274,000 stems mainly from realisation in the reporting period of free allowances for CO₂ emissions in Kozenice Power Plant in the amount of PLN 148,996,000. Moreover, the increase in revenues under this item stems from an increase in sales of services mainly in the companies: Energobud Leszno, ENEOS and Energomiar.
- Revenues from the sale of heat energy in 2011 amounted to PLN 105,924,000 and amounted to 1.0 per cent of sales revenues. The increase of these revenues by PLN 51,726,000 was caused mainly by the purchase on 1 June 2011 of Bialystok Heat and Power Plant and its inclusion in the financial statement as a subsidiary of ENEA S.A. (so far an affiliate).
- Revenues from the sale of certificates of origin amounted to in 2011 PLN 19,230,000 and constitute revenues realised by Bialystok Heat and Power Plant.
- Revenues from sales of goods and materials amounted to PLN 123,270,000 and increased by PLN 11,575,000, which mainly stems from increase in sales within the companies: BHU and Auto-Styl.

In 2011 the total costs of sales amounted to PLN 8,901,640,000 and increased by 26.1 per cent in relation to the previous year.

The breakdown below shows the value and structure of costs on sales which were incurred in 2011.

Item	2010		2011		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Amortisation/depreciation	652,672	9.2	710,980	8.0	108.9%	58,308
Employee benefit costs	924,356	13.1	1,001,349	11.2	108.3%	76,993
Consumption of materials and raw materials and value of goods sold	1,535,465	21.8	1,738,235	19.5	113.2%	202,770



Energy purchases for sale	2,689,513	38.1	4,112,724	46.2	152.9%	1,423,211
Transmission services	693,340	9.8	719,937	8.1	103.8%	26,597
Other external services	364,550	5.2	413,509	4.7	113.4%	48,959
Taxes and charges	199,959	2.8	204,906	2.3	102.5%	4,947
Total cost of revenues from sales	7,059,855	100.0	8,901,640	100.0	126.1%	1,841,785

The largest items in the Capital Group's costs are the costs of purchasing electricity and consumption of materials, as well as the value of goods sold, which constitute respectively 46.2 per cent and 19.5 per cent of the costs of revenues from sales.

- The purchase of energy for sales needs amounted in the reporting period to PLN 4,112,724,000 and rose in relation to the same period of the previous year by 52.9 per cent, and this was mainly caused by an increase in the volume of electricity purchases on the external market. The drop in sales of electricity by Koziencice Power Plant to ENEA S.A. results from the change in the regulations of the Energy Law concerning sales of electricity by power plants possessing settlements by title of stranded costs. Complaint with these regulations entities generating electricity are obliged to sell electricity in the public mode from 9 August 2010. It should also be noted that the average price of purchase of electricity increased by 5.6 per cent in relation to the comparative period of 2010.
- The cost of use of materials, raw materials and the value of goods sold in the reporting period amounted to PLN 1,738,235,000 and increased in relation to the analogical period of the previous year by PLN 202,770,000, which mainly stems from the inclusion in the item of these costs of value of consumption of materials demonstrated in the amount of PLN 82,960,000 by Bialystok Heat and Power Plant and from increase of this item in Koziencice Power Plant, where the increase in the use of biomass by PLN 28,489,000 (average costs of biomass with transport by 9.7 per cent) and increase of cost of other materials (by PLN 110,204,000), which follows mainly from higher costs of allowances for emissions of CO₂. At the same time, a decrease by PLN 40,258,000 in the costs of the use of coal was noted in result of lower production of electrical energy and a decrease in costs of IT Serwis and Energomiar.
- Employee benefit costs in 2011 amounted to PLN 1,001,349,000 and increased in relation to the previous year by PLN 76,993,000, which mainly stems from creation of reserves for Programme of Voluntary Redundancy in the amount of PLN 21,400,000 and reserves for bonuses from profit for the team in the amount of PLN 6,658,000 and inclusion of Bialystok's Heat and Power Plant costs in the amount of PLN 17,961,000. Simultaneously, in the period under review, the growth was noted of average wages by 3.5 per cent with a simultaneous increase in average employment from 10,233.23 full-time equivalents in 2010 to 10,253.47 full-time equivalents in 2011.
- The costs of transmission services in 2011 amounted to PLN 719,937,000 and are higher in relation to the previous year by PLN 26,597,000 which was influenced by the increase in the contracted power in the nodes in LV grid, increase in transmission prices and rates for fixed and variable fee in the Tariff for 2011 in relation to the Tariff for 2010 and increase in prices for purchase of energy for loss (decisive in relation to a fee for the Distribution System Operator).



- Costs of external services in 2011 amounted to PLN 413,509,000 and increased in relation to the previous year by PLN 48,959,000, which mainly stems from incurring higher marketing costs, property insurance and higher costs of counselling services.
- The costs of taxes and charges in 2011 amounted to PLN 204,906,000 and increased in relation to the previous year by PLN 4,947,000, which stems mainly from inclusion of costs of Bialystok Heat and Power Plant and an increase of tax from property in relation to increased assets.
- Amortisation and depreciation in the reporting period amounted to PLN 710,980,000 and was higher than in 2010 by PLN 58,308,000 or 8.9 per cent. Increase of amortization stems from the purchase on 1 June 2011 of Bialystok Heat and Power Plant and its inclusion in the financial statement as a subsidiary of ENEA S.A. (so far an affiliate).

PLN '000	2010	2011	Change	Difference
Other operating revenue	84,292	254,113	301.5%	169,821
Other operating expenses	136,081	175,423	128.9%	39,342

In 2011 the other operating revenues amounted to PLN 78,690,000 and were higher than in the preceding year by PLN 130,479,000 which mainly stems from a bargain acquisition of Bialystok Heat and Power Plant.

Consolidated profits before tax, i.e. after financial activities and shares in results of the affiliates had been taken into account, in 2011 amounted to PLN 993,701,000 and was higher by PLN 180,485,000 that is by 22.2 per cent, relative to the previous year. This stemmed mainly from the higher operating profit generated, the increased financial results by PLN 37,558,000 and higher share in profits of affiliated companies evaluated according to equity method by PLN 3,536,000, which mainly relates to higher shares of Koziernice Power Plant in Energo Inwest Broker S.A.

The net profit generated by the Group in 2011 amounted to PLN 800,456,000 and was higher than the profit attained in 2010 by PLN 161,075,000, i.e. by 25.2 per cent.

9.1.1.2. Results from particular segments of activity

Segments in PLN '000	2010	2011	Change	Difference
Trade				
Sales revenues	4,353,857	4,067,598	93.4%	-286,259
EBIT	209,283	153,983	73.6%	-55,300
EBITDA	209,893	154,686	73.7%	-55,207



Distribution				
Sales revenues	2,527,923	2,640,730	104.5%	112,807
EBIT	263,527	335,998	127.5%	72,471
EBITDA	624,417	688,661	110.3%	64,244
Generation				
Sales revenues	2,528,949	3,136,629	124.0%	607,680
EBIT	313,618	468,393	149.4%	154,775
EBITDA	565,929	793,566	140.2%	227,637
Other activities				
Sales revenues	770,905	800,111	103.8%	29,206
EBIT	41,404	47,004	113.5%	5,600
EBITDA	75,414	76,910	102.0%	1,496
Exclusions				
Sales revenues	-2,344,759	-954,966	40.7%	1,389,793
EBIT	-15,523	-31,283	201.5%	-15,760
Undistributed costs (management costs)	-100,345	-123,404	123.0%	-23,059



Excluded amortisation and amortisation not distributed to segments	4,851	2,535	52.3%	-2,316
Total				
Sales revenues	7,836,875	9,690,102	123.6%	1,853,227
EBIT	711,964	850,691	119.5%	138,727
EBITDA	1,364,636	1,561,671	114.4%	197,035

Decrease in results on the trade segment stems from decrease in revenues from sales of electricity to end users, which was mainly caused by a lower volume of electricity sold by 785 GWh with a growth in the average price of sale by 2.3 per cent and the average price of purchase by 5.6 per cent. At the same time, in 2011 estimate costs of unbalancing of the electricity increased costs by PLN 37,439,000 and in 2010 they diminished costs by PLN 15,343,000. Unbalancing of purchases with sales corrects purchase costs +/- in relation to the fact that the volume of energy invoiced as purchases and sales is not equal and in relation to adjustments made on the Balancing Market within 15-month settlement period. At the same time, in the reporting period a decrease in costs of purchase of certificates of origin decreased by PLN 57,670,000 in result of lower individual cost of purchase of certificates of origin per 1 MWh of energy sold to end users by 6 per cent.

Increase in results on the distribution segment stems from an increase in sales of distribution services which was mainly caused by an increase in the volumes of electricity supplied to end users by 117 GWh and the increase in the average price of sold distribution services by 2.3 per cent. Additionally there was an increase in results from other activities mainly in relation to obtaining subsidies of grid infrastructure.

Increase in results on the generation segment stems from an increase in revenues from sales of electricity within licences for trading, and an increase in revenues from certificates of origin for energy (increase of production from biomass by 71 GWh) and achievement of revenues from sales of allowances for emissions of CO₂ in Kozenice Power Plant. In 2011 in Elekrownie Wodne an increase of production of electricity (better hydrological conditions) and an increase in sales prices were reflected in greater revenues from sales of electricity and revenues by title of certificates of origin. At the same, time starting from H1 2011 in the segment of generation financial conditions of the heat sector have been included. Additionally, the appraisal of Bialystok Heat and Power Plant was included.

Increase in results on the other activities segment stems from increase in the financial results of Energobud Leszno, Energetyk and Entur.

Increase in the management costs stems mainly from incurring higher costs of external services connected with marketing activities and counselling services.



9.1.2. Assets - structure of assets and liabilities in the consolidated balance sheet

Consolidated Balance Sheet

Total assets in PLN '000	As at:		Change	Difference
	31 December 2010	31 December 2011		
Fixed assets	8,737,868	9,529,621	109.1%	791,753
Tangible fixed assets	8,308,650	9,096,510	109.5%	787,860
Perpetual usufruct right	29,208	68,343	234.0%	39,135
Intangible assets	145,141	267,072	184.0%	121,931
Investment properties	8,203	18,925	230.7%	10,722
Investments in associated entities, accounted for using the equity method	170,220	6,545	3.8%	-163,675
Available-for-sale financial assets	74,867	70,490	94.2%	-4,377
Financial assets evaluated at fair value by the profit and loss account	1,411	1,557	110.3%	146
Trade and other receivables	168	179	106.5%	11
Current assets	4,098,837	4,162,762	101.6%	63,925
Inventories	242,058	340,972	140.9%	98,914
Trade and other receivables	922,460	1,328,903	144.1%	406,443
Current income tax assets	1,819	15,076	828.8%	13,257



Financial assets held-to-maturity investments	250,934	523,705	208.7%	272,771
Financial assets evaluated at fair value by the profit and loss account	1,781,939	723,439	40.6%	-1,058,500
Cash and cash equivalents	899,627	1,230,667	136.8%	331,040
Fixed assets for sale	0	21,498	x	21,498
Total assets	12,836,705	13,713,881	106.8%	877,176
Total liabilities in PLN '000	As at:		Change	Difference
	31 December 2010	31 December 2011		
Total equity	9,876,471	10,487,666	106.2%	611,225
Share capital	588,018	588,018	100.0%	0
Share premium	3,632,464	3,632,464	100.0%	0
Share based payments reserve	1,144,336	1,144,336	100.0%	0
Financial instruments revaluation reserve	50,922	49,564	97.3%	-1,358
Other reserves	-22,110	-21,710	98.2%	400
Retained earnings	4,458,944	5,065,939	113.6%	606,995
Minority interest in equity	23,897	29,085	121.7%	5,188
Total liabilities	2,960,234	3,226,185	109.0%	265,951



Non-current liabilities	1,373,976	1,457,991	106.1%	84,015
Current liabilities	1,586,258	1,768,194	111.5%	181,936
Total equity and liabilities	12,836,705	13,713,881	106.8%	877,176

As at 31 December 2011, the balance-sheet total of the ENEA Capital Group was PLN 13,713,881,000 and increased by PLN 877,176,000, that is by 6.8 per cent relative to the situation as at 31 December 2010.

Fixed assets as at 31 December 2011 amounted to PLN 9,529,621,000 and increased in relation to the end of the previous year by PLN 791,753,000, which mainly stems from the purchase of the shares of Bialystok Heat and Power Plant, which on 1 June 2011 became a subsidiary of ENEA S.A. (so far an affiliate) and acquiring by Elektrownie Wodne of wind power stations in Darzyno of ENEA Centrum S.A. Spolka Komandytowa, and increase in the grid property.

At the end of 2011 the current assets amounted to PLN 4,162,726,000 and increased in relation to the state as at the end of 2010 by PLN 63,925,000 (1.6 per cent). In current assets there was a drop in the item of financial assets evaluated at fair value by the profit and loss account mainly in relation to the purchase of the shares of Bialystok Heat and Power Plant. In addition, there was an increase in financial assets held to maturity in Kozenice Power Plant in relation to greater investing of cash with the maturity term exceeding 3 months. Additionally, reserves rose in result of a higher stock of coal and a higher stock of certificates of origin for energy in Kozenice Power Plant and Bialystok Heat and Power Plant and receivables from trade and services connected with the purchase of the shares of Windfarm Polska.

The dominant source of financing the assets of the Group is equity, which on 31 December 2011 amounted to PLN 10,487,696,000 and was higher than as at 31 December 2010 by PLN 611,225,000, that is by 6.2 per cent. The change is impacted by the profit gained in 2011 and the value of dividend for the shareholders.

As at 31 December 2011, the value of the Group's long-term liabilities was PLN 1,457,991,000 and increased by PLN 84,015,000, that is by 6.1 per cent in relation to the state as at 31 December 2010. It stems mainly from increasing of the reserve by title deferred income tax by PLN 36,356,000 (Bialystok Heat and Power Plant) and reserve for other obligations and liabilities by PLN 61,168,000 (ENEA Operator). Employee benefits obligations also grew (Bialystok Heat and Power Plant and ENEA Operator). In addition, settlement of income from subsidies and connection fees was decreased.

Short-term liabilities were at the level of PLN 1,768,194,000 and increased by PLN 181,936,000 (by 11.5 per cent) in relation to the state as at the end of the previous year, mainly in result of the increase in liabilities by title of deliveries and services, which stemmed from lower adjustments of liabilities inside the Group.



9.1.3. Cash - Consolidated cash flow statement

Consolidated cash flow statement

Cash flow statement in PLN '000	As at		Change	Difference
	31 December 2010	31 December 2011		
Net cash flows from operating activities	1,275,667	1,085,557	85.1%	-190,110
Net cash flows from investing activities	-1,067,613	-514,766	48.2%	552,847
Net cash flows from financing activities	-210,970	-239,751	113.6%	-28,781
Net increase (decrease) in cash and cash equivalents	-2,916	331,040	x	333,956
Cash and cash equivalents at the end of the reporting period	899,627	1,230,667	136.8%	331,040

At the end of December 2011 the ENEA Capital Group's balance of cash and cash equivalents amounted to PLN 1,230,667,000 and was higher by PLN 331,040,000 than the level achieved at the end of December 2010 (PLN 899,627,000).

Operating cash flows amounted to PLN 1,085,557,000 in 2011, a decrease of PLN 190,110,000 relative to 2010 (PLN 1,275,667,000). The decrease was mainly due to increases in receivables by title of deliveries and services and other and higher level of liabilities by title of deliveries and services and other in comparison to changes occurring in 2010.

Cash flows from investment activities amounted to PLN -514,766,000 in 2011 and in 2010 they amounted to PLN -1,067,613,000. A change in the amount of PLN 552,847,000 stems mainly from achievement of higher incomes from selling financial assets with lower value of purchase of financial assets. At the same time the value of purchase of tangible and intangible fixed assets and purchase of subsidiaries increased (Bialystok Heat and Power Plant, Farma Wiatrowa Darzyno, Annacond Enterprises, Dobbitt Energia).

Cash flows from financing activities amounted to PLN -239,751,000 in 2011 and in 2010 they amounted to PLN -210,970,000. A change in the amount of PLN -28,781,000 resulted mainly from higher expenses connected with payment of dividend for shareholders.



9.1.4. Ratio analysis

Financial indicators

Item	Performance	Performance
	2010	2011
PROFITABILITY RATIOS		
ROE - return on equity		
<i>gross profit (loss)</i>	8.2%	9.5%
<i>equity</i>		
ROA - return on assets		
<i>Operating profit (loss)</i>	5.5%	6.2%
<i>total assets</i>		
Net profitability		
<i>net profit (loss)</i>	8.2%	8.3%
<i>net sales revenues</i>		
Operating profitability		
<i>Operating profit (loss)</i>	9.1%	8.8%
<i>net sales revenues</i>		



EBITDA		
<u>operating profit (loss) + amortisation and depreciation</u>	17.4%	16.1%
<i>net sales revenues</i>		
LIQUIDITY AND FINANCIAL STRUCTURE RATIOS		
Current liquidity ratio		
<u>current assets</u>	2.6	2.4
<i>current liabilities</i>		
Equity-to-fixed assets ratio		
<u>equity</u>	113.0%	110.1%
<i>fixed assets</i>		
Total debt ratio		
<u>total liabilities</u>	23.1%	23.5%
<i>total assets</i>		
ECONOMIC ACTIVITY RATIOS		
Current receivables turnover in days		
<u>avg. net trade and other receivables x number of days</u>	42	42



<i>net sales revenues</i>		
Turnover of trade and other payables in days		
<u><i>average trade and other liabilities x number of days</i></u>	63	54
<i>cost of products, goods and materials sold</i>		
Inventory turnover in days		
<u><i>average inventory x number of days</i></u>	17	14
<i>cost of products, goods and materials sold</i>		

In 2011 the ENEA Capital Group achieved a positive financial result and positive profitability ratios. EBITDA amounted to 16.1 per cent and was lower than that achieved in 2010 (17.4 per cent).

Net profitability achieved by the Group in 2011 amounted to 8.3 per cent and was similar to the level achieved in 2010 (8.2 per cent).

The efficiency of the Group's operations increased as measured by the ROE and ROA business activity ratios. In 2010 ROE was 8.2 per cent and increased to 9.5 per cent in 2011, as a result of a higher pretax profit in 2011 than in the previous year. ROA increased from 5.5 per cent in 2010 to 6.2 per cent in 2011 as a result of a higher operating profit.

The ENEA Capital Group is able to settle its current liabilities on time, which is confirmed by the level of the current liquidity ratio, which was 2.4 in 2011. That figure is the result of a high level of current assets due to the investment of funds obtained from the 2008 issue of shares on the WSE in financial assets.

As at 31 December 2011, the receivables turnover rate was at the same level as in the previous year, and amounted to 42 days. Meanwhile the liabilities turnover indicator for 31 December 2011 was 54 days, and was thus 9 days shorter than in the previous year. Please note that a correct relationship was maintained between the receivables and payables turnover rates (liabilities are settled after receivables are obtained), which in turn has a beneficial effect on the Group's financial liquidity. The inventory turnover indicator in 2011 was 14 days, and inventory turnover was thus 3 days faster than in the previous year.

At the end of December 2011, the total debt ratio was 23.5 per cent and the ratio of shareholders equity to fixed assets was 110.1 per cent on 31 December 2011 (and 113.0 per cent on 31 December 2010).



9.1.5. Presentation of financial results of ENEA S.A. for Q4 2011 in comparison with Q4 2010.

Discussion of key economic and financial figures for Q4 2011 (based on consolidated financial statements of the ENEA CG)

9.1.5.1. Financial results

Profit and Loss Statement

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Sales revenues	2,071,483	2,581,186	124.6%	509,703
Excise tax	62,360	59,034	94.7%	-3,326
Net sales revenues	2,009,123	2,522,152	125.5%	513,029
Cost of sales	1,859,193	2,412,096	129.7%	552,903
Other operating revenue	35,269	62,989	178.6%	27,720
Profit/(loss) on sales and liquidation of tangible fixed assets	-3,791	-10,102	266.5%	-6,311
Tangible and intangible impairment write-off	6,143	772	12.6%	-5,371
Other operating expenses	74,004	86,403	116.8%	12,399
Operating profit	101,261	75,768	74.8%	-25,493
Financial expenses	16,874	18,882	111.9%	2,008
Financial revenue	27,232	41,729	153.2%	14,497
Dividend revenue	134	0	x	-134



Share in (losses)/profits of affiliated entities accounted for using the equity method	8,085	1,143	14.1%	-6,942
Profit before tax	119,838	99,758	83.2%	-20,080
Income tax	27,466	20,057	73.0%	-7,409
Net profit for the reporting period	92,372	79,701	86.3%	-12,671
EBIDTA	263,601	267,166	101.4%	3,565

The ENEA Group's net revenues from sales in Q4 2011 amounted to PLN 2,522,152,000, which in relation to the same period of 2010 constituted growth by PLN 513,029,000, i.e. by 25.5 per cent.

The breakdown below shows the value and structure of revenues on sales achieved in Q4 2011.

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Revenues from the sale of electricity	1,277,648	1,662,182	130.1%	384,534
Revenues from the sale of distribution services	647,569	690,674	106.7%	43,105
Revenues from the sale of goods and materials	25,718	40,183	156.2%	14,465
Revenues from the sale of other services	39,803	67,986	170.8%	28,183
Revenues from certificates of origin	0	10,146	x	10,146
Recovery of stranded costs	0	0	x	0
Revenues from the sale of heat energy	18,385	50,981	277.3%	32,596
Total net revenues	2,009,123	2,522,152	125.5%	513,029



The Group's revenues mainly consist of revenues from sales of electricity and from sales of distribution services, which in Q4 2011 amount to 65.9 per cent and 27.4 per cent of total net sales revenues, respectively.

- Revenues from the sale of electricity in Q4 2011 amounted to PLN 1,662,182,000 and were higher than in the comparative period by PLN 384,534,000. It is mainly a result of higher by PLN 413,686,000 revenues from sales of electricity outside the ENEA CG realised by Koźienice Power Plant (increase of the volume of sold electricity realised by Koźienice Power Plant by 2,114 GWh with a drop in average price by 1.9 per cent). Additionally revenues from sales of electricity by Białystok Heat and Power Plant were included for Q4 in the amount of PLN 31,633,000. In addition, revenues from the sales of electricity to end users in ENEA S.A. decreased by PLN 5,924,000, which stemmed mainly from lower volumes of electricity sold by 142 GWh with an increase of the average sale price by 3.2 per cent. In addition lower revenues from sales of electric energy to other entities by PLN 39,395,000, which stemmed mainly from lower volumes of electricity sold by 198 GWh.
- Revenues from the sale of distribution services in Q4 2011 amounted to PLN 690,674,000 and were higher than in the same period of last year by PLN 43,105,000. Increase in revenues in relation to the analogical period is a result of increase in sales of distribution services to end users by PLN 17,300,000 (increase of the average price by 4.4 per cent with the simultaneous drop in the volume of deliveries by 66 GWh). In Q4 2011 higher than in the comparative period revenues were reported connected with transactions on the Balancing Market made by ENEA Operator. In 2010 the company bought electricity on the Balancing Market, and in 2011 resold it on the Balancing Market, which was caused by a change in the structure of sale of distribution services to end users. Additionally, grid connection fees rose and there was an increase in sales of distribution services to other entities.
- Revenues from the sale of heat energy in Q4 2011 amounted to PLN 50,981,000 and amounted to 2.0 per cent of sales revenues. The increase of these revenues by PLN 32,596,000 was caused mainly by inclusion of Białystok Heat and Power Plant in the financial statement as a subsidiary of ENEA S.A. (till 1 June 2011 an affiliate).
- The growth in revenues from sales of other services by PLN 28,183,000 stems mainly from realisation in the reporting period of sales of free allowances for CO₂ emissions in Koźienice Power Plant in the amount of PLN 33,853,000.
- Revenues from sales of goods and materials amounted to PLN 40,183,000 and increased by PLN 14,465,000, which is a result of lower Group's internal turnover in Q4 2011 in relation to Q4 2010.
- Revenues from the sale of certificates of origin amounted to in 2011 PLN 10,146,000 and constitute revenues realised by Białystok Heat and Power Plant.

In Q4 2011 total costs of sales amounted to PLN 2,412,096,000 and increased by 29.7 per cent in relation to the comparative period.

The breakdown below shows the value and structure of costs on sales which were incurred in Q4 2011.

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Amortisation/depreciation	162,340	191,398	117.9%	29,058



Employee benefit costs	255,333	300,371	117.6%	45,038
Consumption of materials and raw materials and value of goods sold	384,306	521,851	135.8%	137,545
Costs of purchases for resale	717,817	1,036,485	144.4%	318,668
Transmission services	176,133	185,244	105.2%	9,111
Other external services	101,049	125,586	124.3%	24,537
Taxes and charges	62,215	51,161	82.2%	-11,054
Cost of sales	1,859,193	2,412,096	129.7%	552,903

The largest items in the Capital Group's costs are the costs of purchasing electricity and consumption of materials, as well as the value of goods sold, which constitute in Q4 2011 43.0 per cent and 21.6 per cent of the costs of revenues from sales, respectively.

- The purchase of energy for sales needs amounted in the reporting period to PLN 1,036,485,000 and rose in relation to the previous year by 44.4 per cent, and this was mainly caused by an increase in the volume of electricity purchases on the external market, which results from drops in sales of electricity of Koźienice Power Plant to ENEA S.A. (change of regulations of the Energy Law concerning sales of electricity by power plants possessing settlements by title of stranded costs). Simultaneously, the average price of purchase of electricity increased by 6.2 per cent in relation to the comparative period.
- The cost of use of materials, raw materials and the value of goods sold in the reporting period amounted to PLN 521,851,000 and increased in relation to the analogical period of 2010 by PLN 137,545,000, which mainly stems from increase by PLN 78,231,000 of costs in Koźienice Power Plant (increase in costs of biomass consumption, higher costs of allowance for emissions of CO₂ and a slight increase of coal consumption costs) and inclusion of costs of value of use of materials and raw materials demonstrated by Białystok Heat and Power Plant in the amount of PLN 43,697,000. Simultaneously an increase in use of materials and raw materials and value of sold goods in the following companies was reported: Energobud Leszno and BHU.
- Employee benefit costs in Q4 2011 amounted to PLN 300,371,000 and increased in relation to the previous year by PLN 45,038,000, which mainly stems from booking of higher provisions for employee benefits than in Q4 2010 and inclusion of employee benefit costs of Białystok Heat and Power Plant in the amount of PLN 11,107,000. Simultaneously, in Q4 2011, a growth was noted in relation to Q4 2010 in the average wages by 0.8 per cent with a simultaneous increase in average employment from 10,229.10 full-time equivalents in Q4 2010 to 10,252.7 full-time equivalents in Q4 2011.
- The costs of transmission services in Q4 2011 amounted to PLN 185,244,000 and are higher in relation to the previous year by PLN 9,111,000 which was influenced by the increase in the contracted power in the nodes in LV grid, increase in transmission prices and rates for fixed and



variable fee in the Tariff of PSE Operator S.A. for 2011 in relation to the Tariff for 2010 and increase in prices for purchase of energy for losses (decisive in relation to a fee for the Distribution System Operator).

- Costs of external services in the reporting period amounted to PLN 125,586,000 and increased in relation to the previous year by PLN 24,537,000, which is mainly related to incurring higher marketing costs, higher costs of coal transport and costs of property insurances. Moreover, higher costs of external services stem from inclusion in the financial statement of costs incurred by Bialystok Heat and Power Plant.
- The costs of taxes and charges in Q4 2011 amounted to PLN 51,161,000 and decreased in relation to the same period of the previous year by PLN 11,054,000, which mainly stems from lower fees by title of economic use of the environment. At the same time the level of costs was influenced by Bialystok Heat and Power Plant in the financial statement for the reporting period.
- Amortisation and depreciation in the reporting period amounted to PLN 191,398,000 and was higher than in the same period of 2010 by PLN 29,058,000 or 17.9 per cent. The increase in amortisation was caused by an increase in fixed assets of ENEA CG (Bialystok Heat and Power Plant, Darzyno Wind Farm).

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Other operating revenue	35,269	62,989	178.6%	27,720
Other operating expenses	74,004	86,403	116.8%	12,399

In Q4 2011 the loss on the other operating activities amounted to PLN 23,414,000 and decreased in relation to the same period of the precedent year by PLN 15,321,000, which mainly stems from: inclusion in the other operating activity of EC Bialystok (they relate mainly to the result on sale of free allowances for emissions of CO₂) and gaining of subsidies in the form of power infrastructure.

Consolidated profits before tax, i.e. after financial activities and shares in results of the affiliates had been taken into account, for Q4 2011 amounted to PLN 99,758,000 and was lower by PLN 20,080,000, that is by 16,8 per cent, relative to Q4 2010. This stemmed from the lower operating profit generated by PLN 25,493,000 with simultaneously increased financial results by PLN 12,489,000 and lower share in profits of affiliates evaluated by equity method by PLN 6,942,000.

The net profit generated by the Capital Group in Q4 2011 amounted to PLN 79,701,000 and was lower than the profit attained in Q4 2010 by PLN 12,671,000, that is by 13.7 per cent.

9.1.5.2. Results from particular segments of activity

Segments in PLN '000	Q4 2010	Q4 2011	Change	Difference
Trading				



Sales revenues	1,120,887	1,138,200	101.5%	17,313
EBIT	20,735	14,786	71.3%	-5,949
EBITDA	21,055	14,861	70.6%	-6,194
Distribution				
Sales revenues	647,872	690,224	106.5%	42,352
EBIT	-6,930	26,837	x	33,767
EBITDA	84,027	117,046	139.3%	33,019
Generation				
Sales revenues	672,912	827,789	123.0%	154,877
EBIT	94,517	57,896	61.3%	-36,621
EBITDA	157,867	169,972	107.7%	12,105
Other activity				
Sales revenues	268,123	271,499	101.3%	3,376
EBIT	16,006	23,884	149.2%	7,878
EBITDA	24,275	31,895	131.4%	7,620
Exclusions				



Sales revenues	-700,671	-405,560	57.9%	295,111
EBIT	8,744	-10,701	x	-19,445
Undistributed costs (management costs)	-31,811	-36,934	116.1%	-5,123
Excluded amortisation and amortisation not distributed to segments	-556	-18,973	3412.4%	-18,417
Total				
Sales revenues	2,009,123	2,522,152	125.5%	513,029
EBIT	101,261	75,768	74.8%	-25,493
EBITDA	263,601	267,166	101.4%	3,565

Decrease in results on the trade segment stems from increase of own costs concerning costs of commission incurred by ENEA S.A. for account of ELKO trading and ENEA Centrum (commencement of activity on 1 August 2011). At the same time the first contribution margin on turnover increased in Q4 2011 in relation to Q4 2010 by PLN 10,253,000 (increase in the average sale price by 0.6 per cent, drop in the average purchase price by 1 per cent).

Increase in results on the distribution segment stems mainly from an increase in sales of distribution services to end users (increase of the average price by 4.4 per cent with a simultaneous decrease in the volumes of supplied electricity by 66 GWh), achievement of revenues from transactions on the Balancing Market (in 2010 the Company bought electricity on the Balancing Market, and in 2011 it resold it on the Balancing Market), increase in fees for grid connection and sales of distribution services to other entities.

Decrease in results on the generation segment stems from a decrease of the result of Koziencice Power Plant (increase in operating revenues by PLN 90,157,000, increase of operating costs by PLN 140,165,000, inclusion of the operating profit of Bialystok Heat and Power Plant in the amount of PLN 5,936,000 (costs include correction of amortisation to the fair value in relation to the appraisal of the Company as at 30 September 2011), an increase in the operating result in Elektrownie Wodne. At the same time in the segment of generation financial results of the other companies of the heat sector have been included (in Q4 2010 in the segment of other activities).

Increase of EBITDA in the generation segment in Q4 2011 occurred in relation to the purchase and revaluation of the assets of Bialystok Heat and Power Plant.

Increase in results on the other activities segment stems from increase in the financial results of Energobud Leszno and Entur.

Increase in the management costs stems mainly from incurring higher costs of external services connected with counselling and legal services.



9.1.5.3. Ratio analysis

Financial indicators

Item	Q4 2010	Q4 2011
PROFITABILITY RATIOS		
ROE - return on equity		
<i>gross profit (loss)</i>	4.9%	3.8%
<i>equity</i>		
ROA - return on assets		
<i>Operating profit (loss)</i>	3.2%	2.2%
<i>total assets</i>		
Net profitability		
<i>net profit (loss)</i>	4.6%	3.2%
<i>sales revenues</i>		
Operating profitability		
<i>Operating profit (loss)</i>	5.0%	3.0%
<i>sales revenues</i>		
EBITDA		



<u>operating profit (loss) + amortisation and depreciation</u>		
	13.1%	10.6%
<i>sales revenues</i>		
LIQUIDITY AND FINANCIAL STRUCTURE RATIOS		
Current liquidity ratio		
<u>current assets</u>		
	2.6	2.4
<i>current liabilities</i>		
Equity-to-fixed assets ratio		
<u>equity</u>		
	113.0%	110.1%
<i>fixed assets</i>		
Total debt ratio		
<u>total liabilities</u>		
	23.1%	23.5%
<i>total assets</i>		
ECONOMIC ACTIVITY RATIOS		
Current receivables turnover in days		
<u>avg. net trade and other receivables x number of days</u>		
	41	41
<i>sales revenues</i>		



Turnover of trade and other payables in days		
<u>average trade and other liabilities x number of days</u>	57	48
<i>cost of products, goods and materials sold</i>		
Inventory turnover in days		
<u>average inventory x number of days</u>	15	16
<i>cost of products, goods and materials sold</i>		

In Q4 2011 the ENEA Capital Group achieved a positive financial result and positive profitability ratios. EBITDA amounted to 10.6 per cent and was lower than that achieved in Q4 2010 (13.1 per cent).

Net profitability achieved by the Group in Q4 2011 amounted to 3.2 per cent and decreased by 1.4 percentage points in relation to the level achieved in the comparative period of 2010.

The efficiency of the Group's operations decreased as measured by the ROE and ROA business activity ratios. ROE in the reporting period amounted to 3.8 per cent (in the comparative period 4.9 per cent), decrease of the ratio results from achievement of a lower gross profit in Q4 2011 than in the comparative period. ROA amounted to 2.2 per cent, i.e. at the level lower than in the comparative period by 1.0 percentage point, which is a result of achievement of a lower operating profit.

The ENEA Capital Group is able to settle its current liabilities on time, which is confirmed by the level of the current liquidity ratio, which was 2.4 at the end of 2011. That figure is the result of the high level of current assets due to the investment of funds obtained from the 2008 issue of shares on the WSE in financial assets.

The receivables turnover rate was at the same level as in the analogical period of 2010 and amounted to 41 days. The inventory turnover indicator was at the similar level as in the comparative period and amounted to 16 days (15 days in Q4 2010).

Meanwhile the liabilities turnover rate was at the level of 48 days, and was thus 11 days shorter than in the same period of 2010. Please note that a correct relationship was maintained between the receivables and payables turnover rates (liabilities are settled after receivables are obtained), which in turn has a beneficial effect on the Group's financial liquidity.

At the end of December 2011, the total debt ratio was 23.5 per cent and the ratio of shareholders equity to fixed assets was 110.1 per cent on 31 December 2011 (and 113.0 per cent on 31 December 2010).



9.2. Presentation of financial results of ENEA S.A. for 12 months of 2011 in comparison with 12 months of 2010.

9.2.1. Profit and loss statement of ENEA S.A.

Data in PLN '000	2010	2011	Change	Difference
Sales revenues	6,558,983	5,805,632	88.5%	-753,351
Excise tax	254,651	227,999	89.5%	-26,652
Net sales revenues	6,304,332	5,577,633	88.5%	-726,699
Cost of sales	6,170,505	5,513,114	89.3%	-657,391
Other operating revenue	28,667	25,945	90.5%	-2,722
Other operating expenses	45,085	42,280	93.8%	-2,805
Profit (loss) on sales of fixed assets	-1,179	-282	23.9%	897
Impairment write-offs	0	5,634	x	5,634
Operating profit	116,230	42,268	36.4%	-73,962
Financial revenue	109,740	122,110	111.3%	12,370
Dividend revenue	193,888	236,339	121.9%	42,451
Financial expenses	5,986	6,436	107.5%	450
Gross profit	413,872	394,281	95.3%	-19,591
Net profit	364,386	358,141	98.3%	-6,245



EBIDTA	133,675	58,913	44.1%	-74,762
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9.2.2. Sales revenues

The gross revenues from sales of ENEA S.A. in the reporting period amounted to PLN 5,805,632,000, which in relation to 2010 constituted a drop by PLN 753,351,000, i.e. by 11.5 per cent.

The breakdown below shows the value of revenues on sales achieved in 2011.

Data in PLN '000	2010	2011	Change	Difference
Sales revenues	6,558,983	5,805,632	88.5%	-753,351
Revenues from sales of electricity and distribution services to end users	5,949,372	5,614,573	94.4%	-334,799
including:				
<i>Sales of electricity to end users</i>	<i>4,059,190</i>	<i>3,941,684</i>	<i>97.1%</i>	<i>-117,506</i>
<i>Sales of distribution services to users holding comprehensive agreements</i>	<i>1,890,182</i>	<i>1,672,889</i>	<i>88.5%</i>	<i>-217,293</i>
Sales of electricity to cover balancing differences and own needs	326,134	0	x	-326,134
Sales of electricity to other entities	233,692	143,548	61.4%	-90,144
Sales of services	58,466	61,849	105.8%	3,383
Other revenue	-8,681	-14,338	165.2%	-5,657

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

- Revenues from the sale of electricity to end users, which constitute 67.9 per cent of all sales revenues. The revenues amounted to in 2011 PLN 3,941,684,000, a decrease of PLN 117,506,000 or 2.9 per cent in relation to the previous year, which in turn stemmed from sold electricity volumes declining by 785 GWh and a 2.3 per cent increase in the average sale price. The most significant decreases of sold electricity volumes (by 476 GWh) was noted for customers in tariff group sets C.
- Revenues from sales of distribution services to users holding comprehensive agreements, which constitute 28.8 per cent of all sales revenues. These revenues in 2011 amounted to PLN 1,672,889,000 and were lower than in the preceding year by PLN 217,293,000 or 11.5 per cent. The



level of the decrease was influenced mainly by separation of comprehensive agreements into the agreements of sale of energy and distribution services. The process stems from the increasing competition on the market which increases the commercial significance of customer service that in the case of comprehensive services is often second in place in connection with much greater problems resulting from rendering of distribution services (exceeding of capacities, quality standards, etc.). In addition, the decrease of revenues from sales results from the fact that part of users connected to the grid of ENEA Operator changed the seller, and on the other hand ENEA S.A. achieved customers from the areas of other Distribution System Operators. The decrease in the volume of distribution services within a comprehensive service is a natural process and will deepen in the future.

- Sale of electricity to cover balance differences in 2010 concerned the agreement concluded with ENEA Operator which was not signed in 2011.
- Revenues from electricity sales to other entities amounted to PLN 143,548,000, a reduction of PLN 90,144,000 or 38.6 per cent in comparison with 2010, which stemmed mainly from a drop in the amount of electricity sold in this segment by 481 GWh.
- The remaining revenues are mainly influenced by estimated non-invoiced sales of electricity and distribution services resulting from WO and DO settlement system, which presents a difference between the state of non-invoiced sales at the end of a given reporting period and its state as at the beginning of the reporting period.

9.2.3. Cost of sales

In 2011 total costs of sales of ENEA S.A. amounted to PLN 5,513,114 and decreased by PLN 657,391,000, i.e. by 10.7 per cent in relation to the previous year.

The breakdown below shows the value of costs on sales achieved in 2011.

Data in PLN '000	2010	2011	Change	Difference
Cost of sales	6,170,505	5,513,114	89.3%	-657,391
Costs of electricity for resale	4,052,513	3,575,667	88.2%	-476,846
<i>including:</i>				
<i>purchase of certificates of origin</i>	<i>534,441</i>	<i>476,771</i>	<i>89.2%</i>	<i>-57,670</i>
<i>value of unbalanced energy</i>	<i>-15,343</i>	<i>37,439</i>	<i>x</i>	<i>52,782</i>



Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	1,886,344	1,665,980	88.3%	-220,364
Depreciation and amortisation of fixed and intangible assets	17,445	16,645	95.4%	-800
Consumption of materials and energy and value of sold materials	4,049	5,495	135.7%	1,446
Other external services	140,763	179,494	127.5%	38,731
Employee benefit costs	59,842	60,383	100.9%	541
Taxes and charges	9,549	9,450	99.0%	-99

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

- The costs of electricity for resale, which amounted to PLN 3,575,667,000, a reduction of PLN 476,846,000 or 11.8 per cent in comparison to 2010, mainly as a result of a decrease in the volume of purchased electricity by 3,039 GWh, and in relation to a lower demand of users for electricity and lack of electricity purchases for coverage of the balance difference for ENEA Operator. In 2011 there was an increase in the average electricity purchase prices by 5.6 per cent in relation to 2010. Additionally, in the costs of purchase unbalanced value of electricity is estimated that corrects purchase costs +/- in relation to the fact that the volume of energy invoiced as purchases and sales is not equal and in relation to adjustments made on the Balancing Market within 15-month settlement period. At the same time, in the reporting period a decrease in costs of purchase of certificates of origin decreased in result of lower individual cost of purchase of certificates of origin per 1 MWh of energy sold to end users by 6 per cent.
- The costs of providing distribution services for the performance of comprehensive services, which amounted to PLN 1,665,980,000, and were lower by PLN 220,364,000 or 11.7 per cent than in 2010, which stemmed from the lower performance of sales of distribution services to users with comprehensive agreements.
- The costs of other external services amounted to PLN 179,494,000, an increase of PLN 38,731,000 or 27.5 per cent in comparison with the preceding year, which was caused by higher costs of marketing (by PLN 17,060,000 or 172.9 per cent in relation to 2010) and costs for account of: ENEA Centrum (PLN 12,629,000) and ELKO Trading (PLN 7,950,000), which is a result of separation on 1 August 2011 of activity connected with wholesale trade and customer service.



9.2.4. Financial results

The breakdown presented below demonstrates the value of financial results achieved by ENEA S.A. in 2011:

Data in PLN '000	2010	2011	Change	Difference
Operating profit	116,230	42,268	36.4%	-73,962
Gross profit	413,872	394,281	95.3%	-19,591
Net profit	364,386	358,141	98.3%	-6,245

In 2011 ENEA S.A. achieved the operating profit amounting to PLN 42,268,000 which was lower than the result achieved in the preceding year by 63.6 per cent i.e. by PLN 73,962,000, which was caused by decrease of revenues from operating activities by PLN 729,421,000 with a simultaneous decrease of operating costs by PLN 660,196,000. Additionally what influenced the level of achieved operating profit was the tangible assets impairment write-off in the amount of PLN 5,634,000 resulting from diminishing of the value of assets of street lightings transferred to ENEOS.

Profits before tax, i.e. after financial activities in 2011 amounted to PLN 394,281,000 and was lower by PLN 19,591,000, that is by 4.7 per cent than in the preceding year. The level of the result was influenced by achievement of higher financial revenues from dividend from subsidiaries (by PLN 42,451,000) and higher financial revenues (by PLN 12,370,000) mainly from interests.

The net profit generated by ENEA S.A. in 2011 amounted to PLN 358,141,000 and was lower than the profit attained in 2010 by PLN 6,245,000, i.e. by 1.7 per cent.

9.2.5. Assets - structure of assets and liabilities in the balance sheet

Total assets in PLN '000	As at:		Change	Difference
	31 December 2010	31 December 2011		
Fixed assets	8,150,948	8,670,879	106.4%	519,931
Tangible fixed assets	209,566	185,550	88.5%	-24,016
Perpetual usufruct right	1,488	1,471	98.9%	-17



Intangible assets	3,353	3,114	92.9%	-239
Investment properties	0	10,747	x	10,747
Investments in associated entities, accounted for using the equity method	7,874,545	8,250,389	104.8%	375,844
Deferred income tax assets	40,137	56,493	140.8%	16,356
Available-for-sale financial assets	20,448	19,365	94.7%	-1,083
Financial assets held-to-maturity investments	0	142,193	x	142,193
Financial assets evaluated at fair value by the profit and loss account	1,411	1,557	110.3%	146
Current assets	2,924,404	2,473,852	88.6%	-450,552
Trade and other receivables	775,466	1,039,389	134.0%	263,923
Current income tax assets	880	14,183	1611.7%	13,303
Financial assets evaluated at fair value by the profit and loss account	1,781,939	712,670	40.0%	-1,069,269
Cash and cash equivalents	366,119	707,610	193.3%	341,491
Fixed assets for sale	0	17,818	x	17,818



Total assets	11,075,352	11,162,549	101.8%	87,197
Total liabilities in PLN '000	As at:		Change	Difference
	31 December 2010	31 December 2011		
Total equity	10,043,087	10,208,828	101.6%	164,954
Share capital	588,018	588,018	100.0%	0
Share premium	4,627,673	4,627,673	100.0%	0
Share based payments reserve	1,144,336	1,144,336	100.0%	0
Financial instruments revaluation reserve	10,941	11,989	109.6%	1,048
Reserve capital	892,198	1,062,349	119.1%	170,151
Retained earnings	2,780,708	2,774,463	99.8%	-6,245
Total liabilities	1,031,478	953,721	92.5%	-77,757
Non-current liabilities	120,115	115,210	95.9%	-4,905
Current liabilities	911,363	838,511	92.0%	-72,852



Total equity and liabilities	11,075,352	11,273,424	101.8%	198,072
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As at 31 December 2011, the balance-sheet total of the ENEA S.A. was PLN 11,162,549,000 and increased by PLN 87,197,000, that is by 0.8 per cent in relation to the situation as at 31 December 2010.

Fixed assets as at the end 2011 amounted to PLN 8,670,879,000 and increased in relation to the previous year by PLN 519,931,000 (by 6.4 per cent). The increase in fixed assets stems mainly from investments in subsidiary entities in relation to acquiring of the shares of Bialystok Heat and Power Plant. Moreover, the financial assets rose kept till the maturity term in relation to the purchase of corporate bonds from companies: ENEA Operator, Elektrownie Wodne and Dobitt Energia.

In 2011 the current assets amounted to PLN 2,473,852,000 and decreased in relation to 2010 by PLN 450,552,000 (by 15.4 per cent). The drop in current assets stems mainly from the decrease in the total of cash and financial assets in which funds from sales of shares on the WSE are located. The drop is a result of purchase of the shares of Bialystok Heat and Power Plant with a simultaneous increase in receivables from deliveries and services and other in relation to the purchase of the shares of Windfarm Polska.

A dominant source of financing of the assets of the Company is Company's equity. The equity at the end of 2011 amounted to PLN 10,208,828,000 and was higher than the state as at the end of 2010 (PLN 10,043,874,000) by PLN 164,954,000, by 1.6 per cent. The increase in the equity stems mainly from the increase in the reserve capital in relation to to designation of part of the profit of 2010 for the investment financing.

As at 31 December 2011, the value of long-term liabilities was PLN 115,210,000 and decreased by PLN 4,905,000, that is by 4.1 per cent in relation to the state as at 31 December 2010 in connection with actuarial estimate of employee benefits.

Short-term liabilities were at the level of PLN 838,511,000 and decreased by PLN 72,852,000 (by 8.0 per cent) in relation to the previous year, which was a result of diminishing of trade liabilities. At the same time there was an increase in the provisions for certificates of origin for energy and provision for the other liabilities.

9.2.6. Ratio analysis

Financial indicators

Item	performance	
	2010	2011
PROFITABILITY RATIOS		
ROE - return on equity		
<i>gross profit (loss)</i>	4.1%	3.9%



<i>equity</i>		
ROA - return on assets		
<u><i>Operating profit (loss)</i></u>	1.0%	0.4%
<i>total assets</i>		
Net profitability		
<u><i>net profit (loss)</i></u>	5.8%	6.4%
<i>sales revenues</i>		
Operating profitability		
<u><i>Operating profit (loss)</i></u>	1.8%	0.8%
<i>net sales revenues</i>		
EBITDA		
<u><i>operating profit (loss) + amortisation and depreciation</i></u>	2.1%	1.1%
<i>net sales revenues</i>		
LIQUIDITY AND FINANCIAL STRUCTURE RATIOS		
Current liquidity ratio		
<u><i>current assets</i></u>	3.2	3.0



<i>current liabilities</i>		
Equity-to-fixed assets ratio		
<i>equity</i>	123.2%	117.7%
<i>fixed assets</i>		
Total debt ratio		
<i>total liabilities</i>	9.3%	8.5%
<i>total assets</i>		
ECONOMIC ACTIVITY RATIOS		
Current receivables turnover in days		
<i>avg. net trade and other receivables x number of days</i>	46	59
<i>net sales revenues</i>		
Turnover of trade and other payables in days		
<i>average trade and other liabilities x number of days</i>	44	41
<i>cost of products, goods and materials sold</i>		

In 2011 the ENEA S.A. achieved a positive financial result and positive profitability ratios. EBITDA amounted to 1.1 per cent and was lower than that achieved in 2010 (2.1 per cent), which results from achievement of a lower operating profit.

Net profitability achieved by ENEA S.A. in 2011 amounted to 6.4 per cent and increased by 0.6 percentage points (5.8 per cent) from the level achieved in 2010 which is a consequence of achievement of higher financial revenues from dividends from subsidiaries.



The efficiency of the Group's operations decreased as measured by the ROE and ROA business activity ratios. In 2011 ROE was 3.9 per cent and decreased in relation to 2010 (4.1 per cent), as a result of a lower pretax profit in 2011 than in the previous year. ROA decreased from 1.0 per cent in 2010 to 0.4 per cent in 2011 as a result of a lower operating profit.

ENEA S.A. is able to settle its current liabilities on time, which is confirmed by the level of the current liquidity ratio, which was 3.0 in 2011. That figure is the result of the high level of current assets due to the investment of funds obtained from the 2008 issue of shares on the WSE in financial assets.

As at 31 December 2011, the receivables turnover rate was at a higher level than in the previous year, and amounted to 59 days (increase in receivables from deliveries and services and other in relation to the purchase of shares of Windfarm Polska). Meanwhile the liabilities turnover indicator for 31 December 2011 was 41 days, and was thus 3 days shorter than in the previous year.

The total debt ratio at the end of December 2011 was 8.5 per cent and was lower to the one achieved as at 31 December 2010 (as at 31 December 2010 9.3 per cent). The ratio of shareholders equity to fixed assets was 117.7 per cent on 31 December 2011 (and 123.2 per cent on 31 December 2010).

9.2.7. Presentation of financial results of ENEA S.A. for Q4 2011 in comparison with Q4 2010

9.2.7.1. Profit and loss statement of ENEA S.A.

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Sales revenues	1,653,141	1,450,170	87.7%	-202,971
Excise tax	62,355	58,856	94.4%	-3,499
Net sales revenues	1,590,786	1,391,314	87.5%	-199,472
Cost of sales	1,598,119	1,396,609	87.4%	-201,510
Other operating revenue	22,163	13,418	60.5%	-8,745
Other operating expenses	24,768	18,588	75.0%	-6,180
Profit (loss) on sales of fixed assets	-706	-405	57.4%	301
Tangible and intangible impairment write-off	0	0	x	0
Operating profit	-10,644	-10,870	102.1%	-226



Financial revenue	20,744	23,450	113.0%	2,706
Dividend revenue	0	0	x	0
Financial expenses	1,573	1,569	99.7%	-4
Gross profit	8,527	11,011	129.1%	2,484
Net profit	4,725	6,638	140.5%	1,913
EBIDTA	-6,240	-7,010	112.3%	-770

9.2.7.2. Sales revenues

The gross revenues from sales of ENEA S.A. in Q4 2011 amounted to PLN 1,450,170,000, which in relation to Q4 2010 constituted drop by PLN 202,971,000, i.e. by 12.3 per cent.

The breakdown below shows the value of revenues on sales achieved in Q4 2010 and 2011.

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Sales revenues	1,653,141	1,450,170	87.7%	-202,971
Revenues from sales of electricity and distribution services to end users	1,469,404	1,418,617	96.5%	-50,787
including:				
<i>Sales of electricity to end users</i>	<i>1,015,802</i>	<i>1,009,878</i>	<i>99.4%</i>	<i>-5,924</i>
<i>Sales of distribution services to users holding comprehensive agreements</i>	<i>453,602</i>	<i>408,739</i>	<i>90.1%</i>	<i>-44,863</i>
Sales of electricity to cover balancing differences and own needs	96,120	0	0.0%	-96,120
Sales of electricity to other entities	62,460	23,065	36.9%	-39,395
Sales of services	16,022	17,526	109.4%	1,504
Other revenue	9,135	-9,038	x	-18,172



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

- Revenues from the sale of electricity to end users, which constitute 69.6 per cent of all sales revenues. The revenues amounted to in Q4 2011 PLN 1,009,878,000, a decrease of PLN 5,924,000 or 0.6 per cent in relation to the previous year, which stemmed from sold electricity volumes declining by 142 GWh and a 3.2 per cent increase in the average sale price. The most significant decreases of sold electricity volumes (by 149 GWh) was noted for customers in tariff group sets C.
- Revenues from sales of distribution services to users holding comprehensive agreements, which constitute 28.2 per cent of all sales revenues. These revenues in Q4 2011 amounted to PLN 408,739,000 and were lower than in the same period of the preceding year by PLN 44,863,000 or 9.9 per cent. The level of the decrease was influenced mainly by separation of comprehensive agreements into the agreements of sale of energy and distribution services. The process stems from the increasing competition on the market which increases the commercial significance of customer service that in the case of comprehensive services is often second in place in connection with much greater problems resulting from rendering of distribution services (exceeding of capacities, quality standards, etc.). In addition, the decrease of revenues from sales results from the fact that part of users connected to the grid of ENEA Operator changed the seller, and on the other hand ENEA S.A. achieved customers from the areas of other Distribution System Operators. The decrease in the volume of distribution services within a comprehensive service is a natural process and will deepen in the future.
- Sale of electricity to cover balance differences in 2010 concerned the agreement concluded with ENEA Operator which was not signed in 2011.
- Revenues from electricity sales to other entities amounted to PLN 23,065,000, a reduction of PLN 39,395,000 or 63.1 per cent in comparison with Q4 2010, which stemmed mainly from a drop in the amount of electricity sold in this segment by 198 GWh.
- The remaining revenues are mainly influenced by estimated non-invoiced sales of electricity and distribution services resulting from WO and DO settlement system, which presents a difference between the state of non-invoiced sales at the end of a given reporting period and its state as at the beginning of the reporting period.

9.2.7.3. Cost of sales

In Q4 2011 total costs of sales of ENEA S.A. amounted to PLN 1.396.609 and decreased by PLN 201,510,000, i.e. by 12.6 per cent in relation to the previous year.

The breakdown below shows the value of costs on sales achieved in Q4 2010 and 2011.

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Cost of sales	1,598,119	1,396,609	87.4%	-201,510
Costs of electricity for resale	1,072,196	909,455	84.8%	-162,741
<i>including:</i>				



<i>purchase of certificates of origin</i>	150,674	123,299	81.8%	-27,375
<i>value of unbalanced energy</i>	-15,343	-35,903	234.0%	-20,560
Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	453,183	404,764	89.3%	-48,419
Depreciation and amortisation of fixed and intangible assets	4,404	3,860	87.6%	-544
Consumption of materials and energy and value of sold materials	1,364	1,379	101.1%	15
Other external services	44,064	56,302	127.8%	12,238
Employee benefit costs	20,665	19,012	92.0%	-1,653
Taxes and charges	2,243	1,837	81.9%	-406

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

- The costs of electricity for resale, which amounted to PLN 909,455,000, a reduction of PLN 162,741,000 or 15.2 per cent in comparison to Q4 2010, mainly as a result of a decrease in the volume of purchased electricity by 974 GWh, and in relation to a lower demand of users for electricity and lack of electricity purchases for coverage of the balance difference for ENEA Operator. Simultaneously in the reporting period there was an increase of the average price of total purchase of electricity by 6.2 per cent in relation to Q4 2010. Additionally, in the costs of purchase unbalanced value of electricity is estimated that corrects purchase costs +/- in relation to the fact that the volume of energy invoiced as purchases and sales is not equal and in relation to adjustments made on the Balancing Market within 15-month settlement period. At the same time, in the reporting period a decrease in costs of purchase of certificates of origin in result of lower individual cost of purchase of certificates of origin per 1 MWh of energy sold to end users by 15 per cent. In December 2010 estimate costs were booked of purchase of certificates of origin from non-invoiced sales for the whole 2011.
- The costs of providing distribution services for the performance of comprehensive services, which amounted to PLN 404,764,000, and were lower by PLN 48,419,000 or 10.7 per cent than in Q4 2010, which stemmed from the lower performance of sales of distribution services to users with comprehensive agreements.
- Employee benefit costs amounted to PLN 19,012,000 and decreased in relation to Q4 2010 by PLN 1,653,000 i.e. by 8.0 per cent. It results mainly from lower average wages in the Company by 16.2 per cent, simultaneously there was an increase in the reserves by title of energy equivalent.
- The costs of other external services amounted to PLN 56,302,000, an increase of PLN 12,238,000 or 27.8 per cent in comparison with the analogical period of the preceding year, which was caused by higher costs for account of: ENEA Centrum (PLN 9,858,000) and ELKO Trading (PLN 6,652,000),



which is a result of separation on 1 August 2011 of activity connected with wholesale trade and customer service.

9.2.7.4. Other operating activity

PLN '000	Q4 2010	Q4 2011	Change	Difference
Other operating revenue	22,163	13,418	60.5%	-8,745
Other operating expenses	24,768	18,588	75.0%	-6,180

In Q4 2011 the other operating costs amounted to PLN 13,418,000 and were lower than in the same period of the preceding year by PLN 8,745,000 and the other operating costs in the reporting period amounted to PLN 18,588,000, which is a drop by PLN 6,180,000. It mainly results from changes in provisions for claims for damages.

9.2.7.5. Revenues and financial costs

PLN '000	Q4 2010	Q4 2011	Change	Difference
Financial revenue	20,744	23,450	113.0%	2,706
Financial expenses	1,573	1,569	99.7%	-4

Financial revenues amounted to in Q4 2011 PLN 23,450,000 and were higher than in Q4 2010 by PLN 2,706,000, which results from achievement of higher revenues from interests.

9.3. Presentation of financial results of ENEA Operator for 12 months of 2011 in comparison with 12 months of 2010.

9.3.1. Profit and loss statement of ENEA Operator

Data in PLN '000	2010	2011	Change	Difference
Sales revenues	2,629,997	2,739,360	104.2%	109,363
Cost of sales	2,324,998	2,380,524	102.4%	55,526
Other operating revenue	34,323	83,489	243.2%	49,166



Other operating expenses	55,187	76,429	138.5%	21,242
Profit/loss on sales and liquidation of tangible fixed assets	-7,754	-10,337	133.3%	-2,583
Operating profit/loss	276,381	355,559	128.6%	79,178
Financial revenue	10,562	7,876	74.6%	-2,686
Financial expenses	11,199	11,801	105.4%	602
Gross profit/loss	275,744	351,634	127.5%	75,890
Net profit/loss	219,553	284,227	129.5%	64,674
EBITDA	645,015	715,408	110.9%	70,393

9.3.2. Sales revenues

Revenues from sales of ENEA Operator in the reporting period amounted to PLN 2,739,360,000, which in relation to 2010 constituted growth by PLN 109,363,000, i.e. by 4,2 per cent.

The breakdown below shows the value of revenues on sales achieved in 2011.

Data in PLN '000	2010	2011	Change	Difference
Sales revenues	2,629,997	2,739,360	104.2%	109,363
Revenues from sales of distribution services to end users, including:	2,390,485	2,462,721	103.0%	72,236
<i>comprehensive agreements</i>	1,890,162	1,672,860	88.5%	-217,302
<i>other agreements</i>	500,323	789,861	157.9%	289,538
Revenues from additional fees	3,225	3,406	105.6%	181
Sales of distribution services in the WO and DO settlement system	-1,289	-3,806	295.3%	-2,517



Fees for customer grid connection	106,529	116,748	109.6%	10,219
Revenues from the illegal collection of electricity	7,616	7,234	95.0%	-382
Revenues from services	100,820	102,141	101.3%	1,321
Sales of distribution services to other entities	18,855	23,857	126.5%	5,002
Sales of goods and services and other revenues	3,756	27,059	720.4%	23,303

The sales revenues increase in 2011 in the amount of PLN 109,363,000 in relation to the same period of 2010 was mainly due to:

- Increase in revenues from the sale of electricity to end users, which constitute 89.9 per cent of all sales revenues. Revenues from the sale of distribution services in 2011 amounted to PLN 2,462,721,000 and were higher than in the preceding year by PLN 72,236,000, i.e. by 3.0 per cent. The increase of those revenues was influenced mainly by the growth in the volume of supplies, by 117 GWh, with a simultaneous increase in the average sale price of 2.3 per cent.
- Increase of revenues from sale of goods and materials and other revenues, which in 2011 amounted to PLN 27,059,000 and were higher than in 2010 by PLN 23,303,000, which is a result of mainly higher revenues from settlements on the Balancing Market. In 2010 the Company purchased electricity on the Balancing Market and in 2011 it resold it on the Balancing Market. This was impacted by a change in the structure of sale of distribution services to end users.
- Increase of revenues from fees for grid connection which in 2011 amounted to almost PLN 116,748,000 and grew in relation to the same period of 2010 by PLN 10,219,000, which stemmed from assuming to the property of higher value of connections.
- Higher revenues from sales of distribution services to other entities which amounted to PLN 23,857,000 and were higher than in 2010 by PLN 5,002,000, which was mainly influenced by a greater amount of electricity given to the neighbouring Distribution Systems by 94 GWh, increase of the contracted power on the nodes of the low-voltage grid, and increase of the average sales price by 9.1 per cent.

9.3.3. Cost of sales

In 2011 total costs of sales of ENEA Operator amounted to PLN 2,380,524,000 and increased by PLN 55,526,000 i.e. by 2.4 per cent in relation to the previous year.

The breakdown below shows the value of costs on sales achieved in the reporting period.

Data in PLN '000	2010	2011	Change	Difference
Cost of sales	2,324,998	2,380,524	102.4%	55,526



Depreciation and amortisation of fixed and intangible assets	368,634	359,849	97.6%	-8,785
Employee benefit costs	541,655	565,416	104.4%	23,761
Consumption of materials and energy and value of sold materials	49,217	49,897	101.4%	680
Costs of purchases for resale	358,355	369,785	103.2%	11,430
Costs of transmission services	691,094	710,989	102.9%	19,895
Other external services	206,013	212,232	103.0%	6,219
Taxes and charges	110,030	112,356	102.1%	2,326

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

- Employee benefit costs which during the reporting period amounted to PLN 565,416,000 and were higher than in the comparative period of 2010 by PLN 23,761,000. The difference stems mainly from creation of a reserve for Programme of Voluntary Redundancy and bonuses for employees from profit, increasing costs of personal remunerations by 21,400,000 and PLN 6,658,000. At the same time, provisions for anniversary bonuses and gratuities were lower.
- The costs of transmission services higher by PLN 19,895,000 in relation to the comparative period, which was influenced by the increase in the contracted power in the nodes in LV grid, increase in transmission prices and rates for fixed and variable fee in the Tariff for 2011 in relation to the Tariff for 2010 and increase in prices for purchase of energy for losses (decisive in relation to a fee for the Distribution System Operator).
- Purchase of energy for sale in relation to 2010 grew by PLN 11,430,000, which mainly results from adjustments resulting from the rules of functioning of the Balancing Market and higher average purchase price of energy in 2011.
- Other external services that in the reporting period grew by PLN 6,219,000 and amounted to PLN 212,232,000. The fact was mainly influenced by higher collection costs and technical servicing of users, higher posting costs (change of vindication policy) and higher costs of inspections, repairs and cutting down trees under lines. At the same time the company incurred lower costs of repair services.
- Amortisation and depreciation decreased by PLN 8,785,000 in relation to the comparative period, mainly in result of verification of amortisation and depreciation rates and lower costs of low-value fixed assets.



9.3.4. Other operating activity

PLN '000	2010	2011	Change	Difference
Other operating revenue	34,323	83,489	243.2%	49,166
Other operating expenses	55,187	76,429	138.5%	21,242

In 2011 the other operating revenues amounted to PLN 7,060,000 and were higher than in the preceding year by PLN 27,924,000 which mainly stems from higher revenues from fixed assets gained for free (PLN 35,029,000).

Additionally, the loss on sale and liquidation of tangible fixed assets increased by PLN 2,583,000.

9.3.5. Revenues and financial costs

PLN '000	2010	2011	Change	Difference
Financial revenue	10,562	7,876	74.6%	-2,686
Financial expenses	11,199	11,801	105.4%	602

Financial revenues amounted to in 2011 PLN 7,876,000 and were lower than in 2010 by PLN 2,686,000, which results from achievement of lower revenues from deposit interests.

9.3.6. Presentation of financial results of ENEA Operator for Q4 2011 in comparison with Q4 2010

9.3.6.1. Profit and loss statement of ENEA Operator

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Sales revenues	676,162	716,501	106.0%	40,339
Cost of sales	637,341	640,110	100.4%	2,769
Other operating revenue	5,962	13,184	221.1%	7,222
Other operating expenses	42,734	46,431	108.7%	3,697



Profit/loss on sales and liquidation of tangible fixed assets	-5,072	-10,154	200.2%	-5,082
Operating profit/loss	-3,023	32,990	x	36,013
Financial revenue	2,540	1,920	75.6%	-620
Financial expenses	3,005	2,757	91.7%	-248
Gross profit/loss	-3,488	32,153	x	35,641
Net profit/loss	-3,867	28,791	x	32,658
EBITDA	90,574	126,717	139.9%	36,143

9.3.6.2. Sales revenues

The gross revenues from sales of ENEA Operator in Q4 2011 amounted to PLN 716,501,000, which in relation to Q4 2010 constituted an increase by PLN 40,339,000, i.e. by 6 per cent.

The breakdown below shows the value of revenues on sales achieved in Q4 2010 and 2011.

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Sales revenues	676,162	716,501	106.0%	40,339
Revenues from sales of distribution services to end users, including:	607,871	625,171	102.8%	17,300
<i>comprehensive agreements</i>	453,598	408,729	90.1%	-44,869
<i>other agreements</i>	154,272	216,442	140.3%	62,169
Revenues from additional fees	847	857	101.1%	10
Sales of distribution services in the WO and DO settlement system	194	-2,445	x	-2,638



Fees for customer grid connection	30,856	32,094	104.0%	1,238
Revenues from the illegal collection of electricity	2,758	2,277	82.6%	-480
Revenues from services	27,672	26,369	95.3%	-1,303
Sales of distribution services to other entities	5,024	6,642	132.2%	1,619
Sales of goods and services and other revenues	941	25,535	2714.4%	24,594

The sales revenues increase in Q4 2011 in the amount of PLN 40,339,000 in relation to the comparative period was mainly due to:

- Increase in revenues from the sale of distribution services to end users, which constitute 87.3 per cent of all sales revenues. Revenues from the sale of distribution services to end users in Q4 2011 amounted to PLN 625,171,000 and were higher than in the same period of last year by PLN 17,300,000, i.e. 2.8 per cent. Increase in revenues in relation to the analogous period is a result of increase of the average price by 4.4 per cent with the simultaneous drop in the volume of deliveries by 66 GWh.
- Increase in revenues from sale of goods and materials and other revenues which in Q3 2011 amounted to PLN 25,535,000 and were higher than in Q4 2010 by PLN 24,594,000. In 2010 the company bought electricity on the Balancing Market, and in 2011 resold it on the Balancing Market. This was impacted by a change in the structure of sale of distribution services to end users.

9.3.6.3. Cost of sales

In Q4 2011 total costs of sales of ENEA Operator amounted to PLN 640,110,000 and increased by PLN 2,769,000, i.e. by 0.4 per cent in relation to the comparative period.

The breakdown below shows the value of costs on sales achieved in the reporting period.

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Cost of sales	637,341	640,110	100.4%	2,769
Depreciation and amortisation of fixed and intangible assets	93,597	93,727	100.1%	130
Employee benefit costs	161,969	167,932	103.7%	5,963
Consumption of materials and energy and value of sold materials	12,771	12,069	94.5%	-702



Costs of purchases for resale	97,701	99,780	102.1%	2,079
Costs of transmission services	175,608	178,124	101.4%	2,516
Other external services	69,258	61,654	89.0%	-7,604
Taxes and charges	26,437	26,824	101.5%	387

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

- Employee benefit costs which during the reporting period amounted to PLN 167,932,000 and were higher than in the comparative period of 2010 by PLN 5,963,000. The difference stems mainly from creation of a reserve for Programme of Voluntary Redundancy increasing costs of personal remunerations by 1,900,000 and from increase of anniversary bonuses.
- The costs of transmission services higher by PLN 2,516,000 in relation to the previous year, which was influenced by the increase in the contracted power in the nodes in LV grid, increase in transmission prices and rates for fixed and variable fee in the Tariff of PSE Operator S.A. for 2011 in relation to the Tariff for 2010 and increase in prices for purchase of energy for losses (decisive in relation to a fee for the Distribution System Operator).
- Purchase of energy for sale in relation to the comparative period grew by PLN 2,079,000, which mainly results from contracts concluded in 2009 and 2010 with realisation, respectively, in 2010 and 2011.
- Other external services that in the reporting period decreased by PLN 7,604,000 and amounted to PLN 61,654,000. It mainly stems from lower costs of repair services.

9.3.6.4. Other operating activity

PLN '000	Q4 2010	Q4 2011	Change	Difference
Other operating revenue	5,962	13,184	221.1%	7,222
Other operating expenses	42,734	46,431	108.7%	3,697

In Q4 2011 the loss on the other operating activities amounted to PLN 33,247,000 and was lower than in the same period of the preceding year by PLN 3,525,000 which mainly stems from higher revenues from fixed assets gained for free (PLN 2,635,000).

Additionally, the loss on sale and liquidation of tangible fixed assets increased by PLN 5,082,000.



9.3.6.5. Revenues and financial costs

PLN '000	Q4 2010	Q4 2011	Change	Difference
Financial revenue	2,540	1,920	75.6%	-620
Financial expenses	3,005	2,757	91.7%	-248

Financial revenues amounted to in Q4 2011 PLN 1,920,000 and were lower than in Q4 2010 by PLN 620,000, which results from achievement of lower revenues from interests.

9.4. Presentation of financial results of Koziernice Power Plant for 12 months of 2011 in comparison with 12 months of 2010.

9.4.1. Profit and loss statement of Koziernice Power Plant

Data in PLN '000	2010	2011	Change	Difference
Sales revenues	2,469,124	2,900,522	117.5%	431,398
Excise tax	-3,586	21	-0.6%	3,607
Net sales revenues	2,472,710	2,900,501	117.3%	427,791
Cost of sales	2,162,449	2,507,011	115.9%	344,562
Other operating revenue	16,251	28,317	174.2%	12,066
Other operating expenses	28,170	37,520	133.2%	9,350
Profit/loss on sales and liquidation of tangible fixed assets	1,328	357	26.9%	-971
Operating profit/loss	299,670	384,644	128.4%	84,974
Financial revenue	17,826	36,484	204.7%	18,658
Dividend revenue	578	1,282	221.8%	704



Financial expenses	17,226	17,543	101.8%	317
Gross profit/loss	300,848	404,867	134.6%	104,019
Net profit/loss	238,792	322,307	135.0%	83,515
EBITDA	541,702	641,090	118.3%	99,388

9.4.2. Sales revenues

The gross revenues from sales of Kozenice Power Plant in the reporting period amounted to PLN 2,900,522,000, which in relation to 2010 constituted an increase by PLN 431,398,000, i.e. by 17.5 per cent.

The breakdown below shows the value of revenues on sales achieved in 2011.

Data in PLN '000	2010	2011	Change	Difference
Gross sales revenues	2,469,124	2,900,522	117.5%	431,398
Revenues from the sale of electricity, including:	2,345,980	2,616,403	111.5%	270,423
<i>agreements with ENEA</i>	1,376,083	0	0.0%	-1,376,083
<i>other agreements</i>	969,897	2,616,403	269.8%	1,646,507
Revenues from compensation for stranded costs	15,580	2,472	15.9%	-13,108
Revenues from the sale of certificates of origin	84,511	110,721	131.0%	26,210
Revenues from the sale of heat	5,911	5,368	90.8%	-543
Revenues from the sale of services and other revenues from sales	4,676	154,217	3298.2%	149,541
Revenues from the sale of goods and materials	12,467	11,340	91.0%	-1,126

Differences in the costs of sales borne by Kozenice Power Plant are mainly a result of:

- Revenues from the sale of electricity, which constitute 90.2 per cent of total sales revenues, amounted to in the reporting period PLN 2,616,403,000; in comparison to 2010 these revenues



increased by PLN 270,423,000 or 11.5 per cent. From 9 August 2010 the novelised Energy Law imposes an obligation to sell electricity by Kozenice Power Plant in the public mode, in connection to that fact in 2011 no sales of energy to ENEA S.A. take place; in 2011 the volume of sales of electricity amounted to 13,054 GWh and rose in relation to 2010 by 1,039 GWh (mainly within trading licences), and at the same time, the average sale price of electricity increased by 2.8 per cent. Production of electricity in 2011 amounted to 11,899 GWh and was lower in relation to the same period of the previous year by 429 GWh, with a simultaneous increase of production from renewable sources (biomass) by 71 GWh.

- Revenues from sales of services and other revenues from sales increased by PLN 149,541,000, which stemmed from realisation in the reporting period of sales of free allowances for CO₂ emissions.
- Revenues from sales of certificates of origin were higher by PLN 26,210,000 than in 2010, which stemmed from higher production of energy from renewable sources (combustion of biomass) and higher price of sales of certificates of origin.
- Revenues from compensation for stranded costs amounted to in the reporting period PLN 2,472,000 and were lower than in the comparative period by 13,108,000. Compensation for stranded costs in 2010 was recognised at the level of the annual adjustment for 2009, and in 2011 analogically at the level of the annual adjustment for 2010.

9.4.3. Cost of sales

In 2011 total costs of sales of Kozenice Power Plant amounted to PLN 2,507,011,000 and increased by PLN 344,562,000, i.e. by 15.9 per cent in relation to the previous year.

The breakdown below shows the value of costs on sales achieved in 2011.

Data in PLN '000	2010	2011	Change	Difference
Cost of sales	2,162,449	2,507,011	115.9%	344,562
Depreciation and amortisation of fixed and intangible assets	242,032	256,446	106.0%	14,414
Employee benefit costs	229,087	243,398	106.2%	14,311
Consumption of materials and raw materials and value of goods sold	1,355,423	1,457,458	107.5%	102,035
Costs of purchases for resale	103,565	348,354	336.4%	244,789
Costs of transmission services	2,784	2,605	93.6%	-179
Other external services	151,345	136,286	90.0%	-15,059
Taxes and charges	78,213	62,464	79.9%	-15,749



Differences in the costs of sales incurred by Kozenice Power Plant are mainly a result of:

- Costs of purchase for sales which amounted to PLN 348,354,000 and rose by PLN 244,789,000 in relation to an increase in activities within energy trading licences (increase in the volume and average price of purchased energy and growth in the volume of energy received from the Balancing Market).
- Costs of materials used, as well as the value of goods sold, which amounted to PLN 1,457,458,000 and rose by PLN 102,035,000 or 7.5 per cent. This situation is related to the increased costs of biomass use by PLN 28,489,000, in relation to a higher energy production from biomass and higher average cost of biomass (including transport) by 9.7 per cent; in addition the costs of other materials increased (by PLN 110,204,000), which mainly results from higher costs of allowances for emissions of CO₂; simultaneously, the decrease in the cost of use of coal was noted (by PLN 40,258,000) in result of lower production of electricity with the prices of coal including transport increasing by 1.0 per cent in relation to the previous year.
- Costs of employee benefits amounted to in 2011 PLN 243,398,000 and grew by PLN 14,311,000, which results from the increase of the average wages by 5 per cent and higher change in the actuarial reserves for future employee benefits in 2011 in relation to the change occurring in 2010. It mainly related to the provisions for pension gratuities and anniversary bonuses. At the same time a lower change was noted in the provisions for energy equivalent than in the previous year.
- Amortisation and depreciation in 2011 amounted to PLN 256,446,000 and grew by PLN 14,414,000 in relation to the preceding year mainly because of the commissioning of the IOS III investment (fue gas desulphurisation plant).
- The costs of other external services amounted to PLN 136,286,000, a decrease of PLN 15,059,000 or 10 per cent in comparison with the preceding year, which was mainly caused by lower costs of repairs (by PLN 17,847,000) and lower costs of coal transport (by PLN 3,760,000). Costs of property insurance and costs of counselling and marketing services were higher than in the comparative period.
- Taxes and charges in 2011 amounted to PLN 62,464,000 and were lower than in the preceding year by PLN 15,749,000, mainly because of lower fees for business use of the environment.

9.4.4. Other operating revenues and costs

Data in PLN '000	2010	2011	Change	Difference
Other operating revenue	16,251	28,317	174.2%	12,066
Other operating expenses	28,170	37,520	133.2%	9,350

Other operating revenues amounted to in 2011 PLN 28,317,000 and were higher than in the analogical period by PLN 12,066,000, which mainly stems from:

- higher by PLN 12,803,000 calculated and received damages and contractual penalties for non-performance of terms of agreements (including for receipt and transport of slag-ash mixture and acceptance of a new chimney),
- higher by PLN 1,983,000 reimbursement of costs by insurers,
- lower by PLN 1,729,000 revenues from termination of unused receivables write-downs.



The other operating revenues amounted to in 2011 PLN 37,520,000 and were higher than in the analogical period by PLN 9,350,000, which mainly stems from:

- creation of higher by PLN 14,659,000 receivables write-downs (mainly for calculated contractual penalties concerning receipt and transport of slag-ash mixture and acceptance of a new chimney),
- higher costs connected with shortages in deliveries, costs of removal of fortuitous events and costs of liquidation of redundant materials by PLN 3,091,000,
- creation of lower by PLN 7,570,000 remaining reserves for liabilities towards customers.

9.4.5. Revenues and financial costs

Data in PLN '000	2010	2011	Change	Difference
Financial revenue	17,826	36,484	204.7%	18,658
Dividend revenue	578	1,282	221.8%	704
Financial expenses	17,226	17,543	101.8%	317

Financial revenues amounted to in 2011 PLN 36,484,000 and were higher in relation to the comparative period by PLN 18,658,000, which stems from higher interest on cash deposited on fixed-term and overnight deposits.

9.4.6. Presentation of financial results of Kozenice Power Plant for Q4 2011 in comparison with Q4 2010.

9.4.6.1. Profit and loss statement of Kozenice Power Plant

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Sales revenues	654,084	744,209	113.8%	90,125
Excise tax	5	5	100.0%	0
Net sales revenues	654,079	744,204	113.8%	90,125
Cost of sales	563,701	698,869	124.0%	135,168
Other operating revenue	6,187	6,219	x	32



Other operating expenses	4,206	7,878	187.3%	3,672
Profit/loss on sales and liquidation of tangible fixed assets	1,925	600	31.2%	-1,325
Operating profit/loss	94,284	44,276	47.0%	-50,008
Financial revenue	4,991	11,361	227.6%	6,370
Dividend revenue	0	0	x	0
Financial expenses	7,592	5,399	71.1%	-2,193
Gross profit/loss	91,683	50,238	54.8%	-41,445
Net profit/loss	73,368	40,342	55.0%	-33,026
EBITDA	155,153	110,896	71.5%	-44,257

For comparative purposes the figures relating to Q4 2010 were presented after the merger with Koziernice II which took place on 1 April 2011.

9.4.6.2. Sales revenues

The gross revenues from sales of Koziernice Power Plant in Q4 2011 amounted to PLN 744,209,000, which in relation to Q4 2010 constituted an increase by PLN 90,125,000, i.e. by 13.8 per cent.

The breakdown below shows the value of revenues on sales achieved in Q4 2011.

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Gross sales revenues	654,084	744,209	113.8%	90,125
Revenues from the sale of electricity, including:	620,931	669,728	107.9%	48,796
<i>agreements with ENEA</i>	<i>364,890</i>	<i>0</i>	<i>0.0%</i>	<i>-364,890</i>
<i>other agreements</i>	<i>256,041</i>	<i>669,728</i>	<i>261.6%</i>	<i>413,686</i>



Revenues from compensation for stranded costs	0	0	x	0
Revenues from the sale of certificates of origin	28,175	35,371	125.5%	7,197
Revenues from the sale of heat	1,517	1,285	84.7%	-232
Revenues from the sale of services and other revenues from sales	1,161	35,558	3061.8%	34,396
Revenues from the sale of goods and materials	2,299	2,267	98.6%	-32

Differences in the sales revenues of Kozenice Power Plant in the terms of Q4 2011/Q4 2010 are mainly a result of:

- Revenues from the sale of electricity in Q4 2011 amounted to PLN 669,728,000 and were higher than in Q4 2010 by PLN 48,796,000, i.e. 7.9 per cent. From 9 August 2010 the novelised Energy Law imposes an obligation to sell electricity by Kozenice Power Plant in the public mode, in connection to that fact in 2011 no sales of energy to ENEA S.A. take place (in Q4 2010 the sale relates to contracts concluded before the date of entry into force of the Act). In Q4 2011 the volume of sales of electricity amounted to PLN 3,335 GWh and in relation to Q4 2010 grew by 207 GWh and at the same time the average sale price of electricity grew by 1.8 per cent. Production of electricity in 2011 amounted to 3,062 GWh and was lower in relation to Q4 2010 by 99 GWh, with a simultaneous increase of production from renewable sources (biomass) by 20 GWh.
- Revenues from sales of services and other revenues from sales increased by PLN 34,396,000, which stemmed from realisation in the reporting period of sales of free allowances for CO₂ emissions in the amount of PLN 33,853,000.
- Revenues from sales of certificates of origin were higher by PLN 7,197,000 than in Q4 2010, which stemmed from higher production of energy from renewable sources (combustion of biomass) and higher price of sales of certificates of origin.
- In Q4 2011 as in Q4 2010 no revenues from compensation for coverage of stranded costs were recognised.

9.4.6.3. Cost of sales

In Q4 2011 total costs of sales of Kozenice Power Plant amounted to PLN 698,869,000 and increased by PLN 135,168,000 or by 24 per cent in relation to Q4 2010.

The breakdown below shows the value of costs on sales which were incurred in Q4 2011.

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Cost of sales	563,701	698,869	124.0%	135,168
Depreciation and amortisation of fixed and intangible assets	60,869	66,620	109.4%	5,751



Employee benefit costs	55,979	69,415	124.0%	13,436
Consumption of materials and raw materials and value of goods sold	343,613	421,844	122.8%	78,231
Costs of purchases for resale	35,282	77,914	220.8%	42,632
Costs of transmission services	722	703	97.4%	-19
Other external services	34,567	46,166	133.6%	11,599
Taxes and charges	32,669	16,207	49.6%	-16,462

Differences in the costs of Kozenice Power Plant in the terms of Q4 2011/Q4 2010 are mainly a result of:

- Costs of purchase for sales which amounted to PLN 77,914,000 and rose by PLN 42,632,000 in relation to an increase in activities within energy trading licences (increase in the volume and average price of purchased energy and growth in the volume of energy collected from the Balancing Market).
- Costs of materials used, as well as the value of goods sold, which amounted to PLN 421,844,000 and rose by PLN 78,231,000 or 22.8 per cent, which is related to the increased costs of biomass use by PLN 10,457,000, in relation to a higher energy production from biomass and higher average cost of biomass (including transport) by 18.0 per cent, in addition the costs of other materials increased (by PLN 61,584,000), which mainly results from higher costs of allowances for emissions of CO₂; Simultaneously in Q4 2011, despite lower production of electricity (lower use of coal by 46,000 tonnes) a slight increase in consumption of this fuel by 76,000 in result of a higher average price of coal by PLN 8,57/t and a higher average cost of transport by PLN 2,41/t in relation to Q4 2010.
- Costs of employee benefits amounted to in Q4 2011 PLN 69,415,000 and grew in relation to Q4 2010 by PLN 13,436,000, which results from the increase of the average wages by 3.9 per cent and higher change in the actuarial reserves for future employee benefits in Q4 2011 in comparison to the change occurring in Q4 2010. It mainly related to the provisions for anniversary bonuses, pension gratuities and energy equivalent.
- Amortisation and depreciation in Q4 2011 amounted to PLN 66,620,000 and in relation to Q4 2010 increased by PLN 5,571,000 mainly because of commissioning of IOS III investment.
- The costs of the other external services in Q4 2011 amounted to PLN 46,166,000, an increase of PLN 11,599,000 or 33.6 per cent in comparison with Q4 2010, which was mainly caused by higher costs of repairs (by PLN 5,041,000) and lower costs of coal transport (by PLN 2,429,000). Moreover, costs of property insurance and costs of IT services and marketing services were higher than in the comparative period.
- Taxes and charges in Q4 2011 amounted to PLN 16,207,000 and were lower than in Q4 2010 by PLN 16,462,000, mainly because of lower fees for business use of the environment.



9.4.6.4. Other operating revenues and costs

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Other operating revenue	6,187	6,219	100.5%	32
Other operating expenses	4,206	7,878	187.3%	3,672

The other operating costs in Q4 2011 amounted to PLN 7,878,000 and were higher by PLN 3,672,000 in relation to Q4 2010, which is a result of higher costs of inventory and receivables write-downs and costs of court proceedings.

9.4.6.5. Revenues and financial costs

Data in PLN '000	Q4 2010	Q4 2011	Change	Difference
Financial revenue	4,991	11,361	227.6%	6,370
Financial expenses	7,592	5,399	71.1%	-2,193

Financial revenues in Q4 2011 amounted to PLN 11,361,000 and were higher by PLN 6,370,000 in relation to Q4 2010, which mainly stems from achievement of higher revenues from interests by PLN 6,064,000 and non-occurring in Q4 2011 of negative differences in exchange rates from credits and loans which happened in Q4 2010 in the amount of PLN 1,543,000.

Operating costs in Q4 2011 amounted to PLN 5,399,000 and were lower by PLN 2,193,000 in relation to Q4 2010, which mainly stems from lower costs of interests by PLN 1,498,000 (collectively from credits and loans and other) and differences in exchange rates.

9.5. Other significant information

Regardless of the information included above and in the remaining parts of the quarterly report, in the opinion of the Management Board, the following information regarding the ENEA Capital Group should be emphasised.

9.5.1. Strong market position

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

9.5.2. Efficient generation assets

Kozienice Power Plant, which forms part of the Group, is one of the most efficient bituminous coal-fired power plants in Poland. It has updated generation units that produce electricity with awareness of the natural environment surrounding the company's facilities and in observance of environmental



laws. Nevertheless, it must be noted that our activity significantly affects the environment and requires a number of approvals for the use of its resources. The power plant holds integrated permits, obtained pursuant to Decision of the Mazowieckie Province Administrator of 20 December 2005, as amended. The principal ways in which Kozenice Power Plant affects the environment are in areas related to releasing pollution into the atmosphere, coal combustion waste storage, water supply and sewage removal. The most harmful pollutants emitted into the atmosphere include sulphur dioxide, nitric oxide, dust and carbon dioxide.

A key element of generation assets of the Capital Group is Bialystok Heat and Power Plant. The company, which was an affiliate, in result of purchase of 1,283,214 shares by ENEA S.A. on 1 June 2011 for the amount of PLN 347,751,000 became a subsidiary.

Bialystok Heat and Power Plant is the largest producer of heat and electricity in the Podlaskie Province. From 1993 the company functioned as a sole-shareholder company of the State Treasury. At present the Bialystok Heat and Power Plant is a joint stock-company in which ENEA S.A. holds 99.94 per cent of the shares. The remaining 0.06 per cent is held by individual persons (employees, former employees or their heirs).

The key objective of the activity of Bialystok Heat and Power Plant is production of electricity for the National Power System and production of heat in the form of hot water for utility services recipients and of process steam for the industry.

9.5.3. Reduction of emission of pollutants

Kozenice Power Plant reduces emission of pollutants through proper usage of protective devices. Dust pollutants are limited in high-performance electrofilters and fume desulphuring installations which guarantee the second level of dust extraction. At present there is another stage of replacement of that equipment in progress. In 2010 electrofilter on 500 MW unit No. 10 was replaced and in 2011 the electrofilter of 200 MW unit No 4. Reduction of emissions of sulphur dioxide is ensured by three high-performance fume desulphuring installations with the installed capacity of 1,920 MWe. At present they guarantee keeping acceptable standards being in force. Emissions of nitric oxides at the level of current standards are ensured by installations realised during previous years for initial reduction – low-emission burners. In 2011 Kozenice Power Plant commenced realisation of another stage of nitric oxide emissions reduction – development of the catalytic fume denitrating installation for 200 MW units No (4-8) till 2016, which will allow for further reduction of these pollutants to the level of standards bidding after 2015.

9.5.4. Waste management

Within waste management Kozenice Power Plant realises activities aiming at the highest possible utilisation of generated waste. In Q4 2011 around 67 per cent of generated burner waste was utilised and around 90 per cent of gypsum produced in the process of fume desulphuring. Kozenice Power Plant realises a systematic monitoring of Environment quality in the vicinity of the waste storage facility. Actions are also conducted preventing repeated spread of dust through protecting surfaces with membrane-forming chemicals, sprinkling of fields and flooding of fields.

As a result of the implementation of the requirements of the Directives of the European Parliament and the Council of Europe into Polish jurisdiction, the energy sector, including the Power Plant, has been carrying out tasks resulting from the introduction of:

- CO₂ emissions trading scheme,
- production from renewable sources of energy,
- integrated prevention of pollutions and their controlling (IED).



For the purposes of the emissions trading CO₂ emissions are monitored using (since 2008) the weighing systems for continuous measurements of amounts of consumed coal and our own certified chemical laboratory.

The system of co-firing solid biomass with conventional fuel (bituminous coal) made it possible to generate electricity from renewable resources for 200 MW units.

The liquid biomass co-firing system construction was completed in 2011 and received and accepted with final acceptance certificate on 22 November 2011.

In Q4 2011 70.704 Mg of biomass was fired. That amount of biomass consumed results in avoiding carbon dioxide emissions of 111.835 Mg. The value of allowances corresponding to the avoided emissions is an amount of around PLN 4,400,000 (the average quarterly price EUA=8.9 EUR/Mg; average quarterly rate of EUR: 1€=PLN 4.4213).

9.5.5. Investments presently realised in Kozenice Power Plant

In Q4 2011 the realisation of the investment plan was continued within which the following investments were conducted:

- completion of modernisation of unit No 4, including replacing of electrofilter, modernisation of pressure part of the boiler, modernisation of the turbine set and unit automatics,
- realisation of another stage of construction of the biomass dosing installation,
- modernisation of ash and slag storage facility,
- modernisation of lighting in stoking system buildings of the 200 MW unit,
- modernisation of operation controls in stoking system facilities,
- commencement of construction of an in-house archives building,
- commencement of modification of the ash and slag hydraulic transport flyover,
- finalisation of modernisation of the power evacuation system from 500 MW unit,
- finalisation of modernisation of the horizontal gallery for stoking system for 2x500 MW units,
- finalisation of construction of a new chimney for transmission of fumes from IOS I and IOS III.

9.5.6. New supercritical power unit with a capacity of up to 1,000 MW

Kozenice Power Plant is one of Poland's first power plants to take action in order to develop a new supercritical power unit with a capacity of up to 1,000 MWe. To this end, in 2008, ENEA S.A. and Kozenice Power Plant established special purpose vehicle Kozenice II Sp. z o.o., whose primary objective was to prepare the investment and to develop the new power unit using bituminous coal as the primary fuel.

On 30 March 2011 Kozenice II Sp. z o.o. was incorporated into Kozenice Power Plant. In connection with the incorporation the merging company (Kozenice Power Plant) in result as of the merger date took over all the rights and obligations of the merged company (Kozenice II Sp. z o.o.). The merger of the companies will enable achievement of both organisational and economic benefits.

The proceedings for granting the sector order in the mode of negotiations with the announcement for "Construction of a bituminous coal-fired energetic block for supercritical parameters with a net capacity of 900 MWe, maximum of 1,000 MWe" is realised within the newly established Unit Construction Division in accordance with the provisions of the Act of 29 January 2004 – Law on Public Procurements.

The new unit will be the eleventh unit at Kozenice Power Plant. The power unit will be designed and built using high-performance technology that involves combustion of coal in a supercritical power



furnace that meets the most recent requirements of the BAT directive, and will feature a fume purification system with the required environmental components: electrofilters, nitrogen oxide reduction system and fume desulphurisation system. The unit will feature a closed cooling system with a cooling tower.

The new unit will be prepared to become a CO₂ capture-ready plant. The unit's net electrical capacity is at least 900 MW, the block's net efficiency is at least 44.5 per cent.

On 28 September 2011 Kozenice Power Plant was given the decision No. 487/2011 by the Powiat Starosty in Kozenice approving the building project and granting permit to construct the Power Unit No 11 of up to around 1,000 MWe capacity.

On the turn of Q2 and Q3 2012 a selection of the winner is planned in the tender for "Construction of a bituminous coal-fired energetic block for supercritical parameters with a net capacity of 900 MWe, maximum of 1,000 MWe in Kozenice Power Plant conducted according to the provisions of the Act of 29 January 2004 - Law on Public Procurement.

The realisation of the investment is planned for the period of Q3 2012 – Q4 2016.

Additionally, of which the Company informed in the Current Report No 1/2012 on 23 January 2012, the Board of Kozenice Power Plant concluded with Lubelski Wegiel „Bogdanka” S.A. a new multiannual contract for supplies of energetic coal for the needs of the newly constructed unit. The Contract was concluded for the period from the execution date till 31 December 2036 with physical commencement of deliveries of energetic coal in the first calendar quarter of 2017. The Contract anticipates 20 calendar years of deliveries of coal for the needs of the newly constructed unit of Kozenice Power Plant.

9.5.7. Diversified customer portfolio

The portfolio of customers to whom we sell electricity is highly diversified. As of 30 December 2011, ENEA S.A. provided end-to-end services (which involved the sale of electricity and distribution services) or sold electricity to more than 2.1 million retail customers and approximately 0.3 million corporate customers.

In Q4 2011 the proceeds from supplying electricity to our largest customer accounted for 1.4 per cent of the overall value of electricity and distribution sales, and the share of the ten largest customers amounted to 10.9 per cent.

9.5.8. Convenient location for developing wind farms

Investments in renewable wind power are a crucial element of our strategy. Our distribution network covers the north-western part of Poland that, due to the prevailing atmospheric conditions in this part of country – plenty of wind – is a good location for building wind farms. The coastal area, regarded as a very convenient location for developing wind farms, has an estimated year-average wind speed of more than 6 m/s. In Q4 2011 we continued our efforts to acquire wind farm projects at various stages of development, in order to expand the Group's wind generation capacity and reach our 2020 goal of between 250 and 350 MW in installed capacity. Currently a company of the ENEA Capital Group dedicated, among others, to develop generating capacities from Renewable Sources of Energy (Elektrownie Wodne) develops or is interested in purchasing projects of wind farms at various stages of development with the total installed capacity of 219 MW. In addition, in December 2010 ENEA S.A. concluded a frame agreement on cooperation, based on which it achieved a temporary exclusivity for negotiations and pre-emptive right to buy shares of special purpose vehicles being owners of wind farm projects with the target installed capacity of 214 MWe.



9.5.9. Bank guarantees and loans

During the reporting period ENEA S.A. prolonged the term of loan agreements for the current account in BZ WBK S.A. for the total amount of PLN 90,000,000 until 17 November 2014 and in Pekao S.A. for the total amount of PLN 10,000,000 until 17 November 2014.

On 3 November 2011 ENEA S.A. executed a frame agreement with PKO BP S.A. bank for the period of 12 months for granting bank guarantees up to the amount not exceeding PLN 200,000,000. The guarantees issued within the guarantee facility are to be a hedge for making deposits for the account of IRGiT S.A. and KDPW S.A. by ENEA S.A. and ELKO Trading Sp. z o.o. The liabilities towards the above mentioned entities to make deposits result among others from the futures contracts executed for supply of electricity and transactions of purchase of property rights to electricity certificates of origin.

9.5.10. Tariffs

ENEA S.A. supplies electricity to customers in tariff groups A, B and C (institutional buyers) and in tariff group set G (households).

The supply of electricity to group A, B and C customers is governed by the "Electricity Tariff" implemented on 1 August 2011 under Resolution of the Management Board of ENEA S.A. No 383/2011 of 14 June 2011.

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

9.5.11. Sales to end users

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

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



This offer is directed to customers on the domestic market.

In practice, tariff group sets A and B are used mainly by large companies operating in such sectors as chemicals, cement, steel, automotive, paper, wood and metals processing, communal services and port services. In tariff group set C, settlements are made with facilities connected to a low-voltage grid which are not households, such as shops, service outlets, hotels, cities and municipalities – for street lighting, whereas in tariff group set G, settlements are made with end users using electricity to power households and related utility rooms.

Typically, ENEA S.A. concludes comprehensive agreements for an indefinite term, but agreements for the sale of energy (without energy distribution services), including agreements with customers connected to networks of distribution system operators other than ENEA Operator, are most often concluded for a fixed term. The termination notice period in comprehensive contracts concluded for an indefinite term is usually set for one month, and less often for two, three or six months.

9.5.12. Sales to other users

Balancing of BM unit of ENEA S.A. is connected to selling electricity on the wholesale market. Wholesale sales volume results mainly from our efforts to optimise (at all hours of the trading day) the costs of covering the forecast demand for electricity by the Company's customers, at the same time limiting the Company's exposure risk on the balancing market.

9.5.13. Sales by value and quantity

Electricity sales in particular tariff group sets on a quantitative basis (not including non-invoiced statistical sales) were as follows:

Item	Sales of electricity [MWh]			
	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Tariff group set A	570,395	434,124	561,921	605,331
Tariff group set B	1,323,354	1,245,492	1,238,552	1,296,344
Tariff group set C	898,825	725,361	663,099	723,341
Tariff group set G	1,246,788	1,086,459	1,022,740	1,104,520
TOTAL	4,039,362	3,491,436	3,486,312	3,729,536



Revenues on sales in particular sets of tariff groups on a qualitative basis (not including non-invoiced statistical sales) were as follows:

Item	Revenues on sales of electricity to end users [PLN '000]			
	I Q 2011	II Q 2011	III Q 2011	IV Q 2011
Tariff group set A	132,873	98,831	131,068	140,718
Tariff group set B	355,665	323,197	323,136	347,283
Tariff group set C	264,889	212,467	198,078	223,353
Tariff group set G	323,637	292,333	275,634	298,525
TOTAL	1,077,064	926,827	927,915	1,009,878

9.5.14. Risks relating to the Company's activity and its environment

Notwithstanding the above positive factors in the evaluation of the staffing, property and financial situation and the financial result of the Issuer and its Group, a series of factors exist that are identifiable as risks relating to the activity conducted by the Company and the environment in which it takes place. Among them, we must point out the potential effect of the events and occurrences set out in the Management Report on the operations of the Group published as part of the consolidated annual report on 28 April 2011 and in Note 29.5-6 to the consolidated quarterly financial statement (pages 48-49).

9.5.15. Collective disputes

At present, ENEA S.A. is a party to one collective dispute initiated on 7 September 2009. It concerns the proposed privatisation of ENEA S.A. and the effect of the potential shareholder change on the status of its employees. The dispute has not been settled to date.

9.5.16. Long-Term Power Purchase Agreements (LTTPA)

As the European Commission has found that long-term contracts with the state-owned company PSE S.A. regarding the sale of power and electricity constitute prohibited public aid, the Polish Parliament has adopted an act intended to terminate these contracts. Under the Act on Covering Costs Incurred by Power Companies due to the Early Termination of Long-Term Power Purchase Agreements of 29 June 2007 (the "LTTPA Termination Act"), the Group (Kozienice Power Plant), starting from 1 April 2008, is entitled to compensation for the stranded costs it has incurred as a result of the early termination of long-term power purchase agreements. Pursuant to the Act, the Group will be entitled to compensation until 2014.



The LTPPA compensation mechanism is as follows:

- companies submit requests for advance compensation payments by 31 August of each year,
- the President of the ERO determines the annual adjustment value for the stranded costs (advance adjustment) by 31 July of the following year,
- the President of the ERO determines the final adjustment value by 31 August of the year following the end of the adjustment period (for the Group it will be 31 August 2015).

The Group developed a calculation model on the basis of which it requests advance payments from the President of the ERO. The calculation of the amounts due is not unequivocal as it is determined by numerous factors, including the interpretation of statutory provisions.

The Group has decided to enter as proceeds only amounts stipulated in the decision concerning the annual adjustment of stranded costs.

In 2008 Kozenice Power Plant obtained advance payments towards stranded costs from Zarzadca Rozliczen S.A. in the amount of PLN 93,132,000. Pursuant to the decision of the President of ERO dated 31 July 2009, the amount of the adjustment of the yearly stranded costs for Kozenice Power Plant for 2008 was set at PLN -89,537,000 (i.e. advance payments to be returned to Zarzadca Rozliczen S.A.). The Power Plant filed an appeal against this decision with the Regional Court in Warsaw, at the Court of Competition and Consumer Protection. Any other activities in 2009 concerning annual adjustment of stranded costs were described in the financial statement for 2010.

However, in 2010 the following key events relating to the issue of stranded costs took place. On 3 August 2010 the Power Plant achieved the decision of the President of ERO dated 29 July 2010 determining an annual adjustment for 2009 in the amount of PLN 15,580,000. Since the decision is unfavourable for the Power Plant, on 17 August 2010 an appeal was filed against this decision with the Regional Court in Warsaw, at the Court of Competition and Consumer Protection. In 2010 financial statement revenues in the amount of PLN 15,580,000 were included in the report of total revenues in the item of Revenues on sales as an amount of likely revenues. On 30 September 2010 the Power Plant received the amount of the annual adjustment for 2009 in the amount of PLN 15,580,000 from Zarzadca Rozliczen S.A.

For 2010 the Power Plant applied for the advance towards stranded costs in the amount of PLN 0.00. In 2010 the revenues from compensations for 2010 were not recognised (the statement included only the amount of the annual adjustment for 2009). On 29 July 2011 the President of ERO determined the amount of the annual adjustment of stranded costs for 2010 in the amount of PLN 2,472,000. Since this decision is also disadvantageous for the Power Plant, on 18 August 2011 an appeal was filed against this decision with the Regional Court in Warsaw, at the Court of Competition and Consumer Protection. On 30 September 2011 the Power Plant received the amount of the annual adjustment for 2010 in the amount of PLN 2,472,000 from Zarzadca Rozliczen S.A.

At present formal and procedural activities are still in progress.

For 2011 the Power Plant applied for the advance towards stranded costs in the amount of PLN 3,500,000. Till 5 January 2012 Zarzadca Rozliczen S.A. made the payment of the advances for four quarters of 2011 in the total amount of PLN 3,500,000. In January-December 2011 revenues on compensates were recognised only in the amount of the annual adjustment of stranded costs for 2010, i.e. PLN 2,472,000.

For 2012 the Power Plant applied for the advance towards stranded costs in the amount of PLN 0.00.



On 1 December 2010 there was a hearing on LTPPA 2008 before the Court of Competition and Consumer Protection. The court decided however to postpone it until it is finally settled by the Court of Appeal whether Zarządca Rozliczeń S.A. can be granted the status of a stakeholder in the proceedings. Another hearing on the appeal against the decision of the President of ERO determining the annual adjustment for 2008 had been set by the Court of Competition and Consumer Protection for 20 February 2012. This hearing was postponed and another date set for 20 April 2012.

The dates of hearings concerning the annual adjustment for 2009 and 2010 have not been set yet.

For the day of this report it is not possible to finally determine the amounts of annual adjustments for 2008-2010 (results of the proceedings concerning appeals from the decision of the President of ERO determining annual adjustments for 2008, 2009 and 2010 are still not known). The complete amount of the granted permissible public aid by title of compensates of stranded costs will be determined in the decision of the President of ERO determining the amount of the final adjustment which will be issued in 2015. Having the above in mind it should be reserved that the revenues recognised so far by title of LTPPA based on annual adjustments determined by the President of ERO may change as a result of the aforementioned decision of the President of ERO determining the amount of the final adjustment.

9.5.17. Information on transactions hedging the currency risk

In the reporting period the Parent Company executed one forward transaction whose value is immaterial in the context of the Company's equity. The purpose of the transaction is to hedge the exchange risk (EUR/PLN) related to performance of the contract for purchase of assets. The result of the aforementioned transaction was positive as of the date of financial statement, but immaterial in the context of the Group's results. Transactions hedging exchange rate risk were also conducted after the date of balancing, but their value is also insignificant in the context of the Company's equities.

Forward transactions are also conducted by one of the subsidiaries – Bialystok Heat and Power Plant. The subsidiary sold the surplus of allowances for CO₂ emissions concerning the limits for 2008-2012 in the form of futures contracts and concluded agreements for change of allowances from EUA to CER. The contracts were partially realised in December 2011 with another date of realisation in December 2012. They are both EUR transactions. The Company conducted forward transactions of EUR sale. At the end of 2011 the Company also conducted forward transactions of EUR sale in connection to the purchase of the biomass, whose price is given in this currency.

In order to hedge exchange risk connected with the aforementioned transactions the Company conducted forward transactions of sale of this currency. As of the end of Q4 2011, i.e. of 31 December 2011 the value of forward transactions concerning the right to CO₂ emission conducted by Bialystok Heat and Power Plant was PLN 10,769,000. While the result of forward transactions of Bialystok Heat and Power Plant not settled as of 31 December 2011 is negative and amounts to PLN - 3,174,000, the total result of all forward transactions is positive and amounts to PLN 7,595,000.

9.5.18. Coal supplies

The key supplier of bituminous coal for the Power Plant is Lubelski Wegiel „Bogdanka” S.A., which, during Q4 2011, supplied around 0.92 million tonnes, which constitutes over 73 per cent of the material supplied on the quantitative basis. Moreover, within supplies of power coal the Power Plant cooperates with the Katowicki Holding Węglowy S.A.; Jastrzebska Spolka Węglowa S.A.; Kompania Węglowa S.A. The only supplier of light-up fuel to Kozienice Power Plant during Q4 2011 was PKN ORLEN S.A. The supplied fuel is heavy oil with sulphur content up to 3 per cent.



The Polish market of coal supplies is a market highly monopolised by companies belonging to the State Treasury, our key shareholder, which control a substantial part of domestic supplies of coal on the quantitative basis, excluding Lubelski Wegiel „Bogdanka” S.A., which in 2010 became private. It is uncertain whether the contracts in force at present for supply of coal which we concluded with our key suppliers are not be terminated or are prolonged after their term. Moreover, according to these contracts, the price and quantity of delivered coal are determined during negotiations each year. It is not certain that the result of such negotiations will be always advantageous for us. If we are not able to execute contracts for supply of coal to Kozenice Power Plant or the deliveries are suspended or disrupted for any other reason (i.e. as a result of strikes at mines), Kozenice Power Plant may be forced to purchase coal from more distant places at higher prices, suspend or limit generation of electricity till the supplies of coal are resumed or adjust own generating assets to use alternative fuels, which may result in increases in its expenditures. Increase of costs in Kozenice Power Plant would be reflected in the prices of electricity we sell which could lead to a situation that our price become uncompetitive in relation to the prices of electricity sold by our competitors on the market. Moreover, lack of ability to keep stocks of bituminous coal at an appropriate level required by law may in turn result in administrative penalties being imposed on us in the amount of up to 15 per cent of our revenues from licensed activity during the previous tax year.

9.5.19. Coal transport

We are dependent on a single railway carrier with regard to the transport of bituminous coal. The basic means of transport used to deliver bituminous coal to Kozenice Power Plant is rail transport. Over 80 per cent of deliveries of that raw material to Kozenice Power Plant were carried out by the state carrier PKP Cargo S.A., selected for the purpose in an open public procurement procedure. PKP CARGO has the greatest share in bulk commodities railway transport in Poland. The remaining amount of transport in Q4 2011 was carried out by another carrier as delivery and transport of goods.

10. Factors that, in the Issuer's opinion, will influence the results it will achieve within at least the next quarter

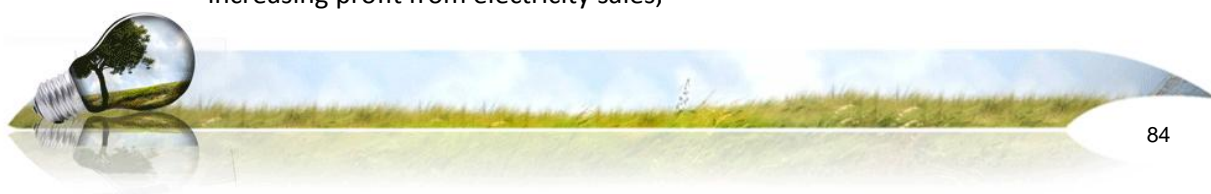
10.1. Implementation of the Company strategy

One of key factors that will affect the growth of ENEA S.A. is the implementation of the Company strategy which is reflected in the activities realised in the whole ENEA Capital Group.

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

We intend to implement that strategy by:

- **Developing the basic operations of the Group – area in which we will concentrate on:**
 - developing and diversifying the generation capacity,
 - developing and modernising the distribution network,
 - developing wholesale trade operations,
 - ensuring the security of bituminous coal supplies from optimal sources,
 - increasing profit from electricity sales,



- ensuring technical and technological development.
- **Improving the effectiveness of the Group functioning – area in which we will concentrate on:**
 - optimising fundamental processes,
 - optimising support functions,
 - ensuring the operational integration of the Group,
 - reorganising the operations of the Group's subsidiaries.
- **Building a socially responsible business – area in which we will concentrate on:**
 - ensuring well-balanced human resource management,
 - ensuring a dialogue with the local community and taking their voice into account in business operations,
 - promoting environmentally beneficial solutions and behaviours.

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

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

Creating, in addition to the core business areas, a corporate centre and a shared service centre divisions, should increase the efficiency of managing the Group and enable cost synergies to be obtained from the centralised management of Group operations and a shared customer service system.

As part of the Group's strategic area that involves core business development, one of the long-term strategic courses of action to be taken by the Group is gaining access to own sources of energy generation of the potential enabling at least satisfaction of the demand for electricity of all the customers of the Group. The first step in order to realise the strategy was inclusion in October 2007 to the ENEA Capital Group of Koziernice Power Plant, the Poland's largest power plant in relation to the generation capacity which is fired with bituminous coal. Irrespective of what opportunities there may be to acquire additional generation capacity by acquiring existing entities, we are planning to increase our own generation capacity, including at Koziernice Power Plant, where by 2016 we plan to construct a new power unit with a total capacity of up to 1,000 MWe. In connection with anticipated increases in the requirements to sell energy produced by renewable and co-generated sources, we are taking action aimed at increasing our control over the costs of meeting the legal requirements. To this end, we plan to continue concluding long-term agreements for the purchase of energy certificates for energy produced from renewable sources and cogeneration from external entities, and to carry out direct investments in such sources. Our intention is to invest in wind farm projects and biogas plants, already commenced and at various stages of development, by acquiring existing entities or investing in co-operation with external entities. There are four possible acquisition scenarios, depending on the stage of a given project: searching for projects that would in part be implemented by a third party on a developer service basis, purchasing a project from a third party before that entity has obtained a building permit, and continuing the development of the project, purchasing projects/special purpose vehicles (set up by developers for the purpose of implementing a project) after a final building permit has been issued for the project/special purpose company, or purchasing completed „turnkey” wind farms or biogas plants. Heretofore acquired thermal plants will be modernised and transformed into thermal power plants, also into ones powered with biomass



which will generate electricity and heat in cogeneration, enabling us to obtain additional certificates of origin for the energy.

Within the area of improvement of the efficiency of functioning of the Group strategic objectives will be realised which are directed at the growth of revenues, reduction of costs and operating integration, which in consequence will increase the gained margin on the activity of the Group. Optimisation activities will concern all the areas of business of the Group and will be realised among others through transfer of basic functions connected with the growth of the company to the level of corporate centre of the Group, and also realisation of synergies resulting from the activity of particular business areas within the whole Capital Group.

Within the strategic area of construction of a company which is socially responsible, objectives will be realised which will in the long run contribute to the growth of company's goodwill through implementation of rules of responsible business in the Group's activities.

A successful implementation of the policy with regard to the direction of development of the Company, including the whole Group depends on the implementation of the Group's new business model. The basic task of the new model is guaranteeing a possibly flexible functioning of the ENEA Capital Group for the long run, allowing in result for full exploitation of chances and facing the challenges that occur in Polish power sector.

What is indispensable for the realisation of the strategy of the Group and its growth is financial means ensuring of which is the key element of implementation of the aforementioned investment plans and increasing the Group's value for shareholders. In implementing our strategy, we assume a base variant of about PLN 18.7 billion till 2020 for investments in conventional generation, distribution and renewable energy sources and cogeneration.

Our main goal for conventional generation is to construct a new 1,000 MWe bituminous coal-fired supercritical power unit in Swierze Gorne (we assume an average construction cost of EUR 1.4 million per 1 MW). Start-up is planned for 2016. We are currently going through the process of selecting a contractor to build the new 1,000 MWe unit. We are planning to select a contractor in the tender for „Construction of a bituminous coal-fired energetic unit for supercritical parameters with a net capacity of 900 MWe, maximum of 1,000 MWe” in Kozenice Power Plant conducted according to the provisions of the Act of 29 January 2004 - Law on Public Procurement on the turn of Q2 and Q3 2012. At the same time we are continuing modernisation of the remaining 200 MW and 500 MW units at Kozenice Power Plant. We are also conducting studies with regard to the construction of another power unit up to 1,000 MWe which involves investment outlays, starting from 2012.

In the area of distribution, during the period covered by the strategy we are planning investment works and modernisation of the grid infrastructure, and essential refurbishment in connection with increasing demand for electricity and the need to connect renewable sources of energy. Such investment and modernisation activities should result in increasing the functionality of our grid and in reducing grid losses. They will also involve replacing those sections of power distribution lines that have been the longest in service. These activities should substantially impact the increase in reliability of deliveries of electricity to customers.

Our investment expenditures within distribution are continually increasing. In 2011 ENEA Operator spent on investments above PLN 813 million realising the plans almost 100.00 per cent. It constitutes the increase in investment expenditures by more than 39 per cent as compared to 2010, by 65 per cent as compared to 2009 and 101 per cent as compared to 2008.

In 2011 the majority investment expenditures of ENEA Operator were related to modernisations and recovery of fixed assets connected with improvement of service quality and/or increase in demand for power. This tendency will continue through 2012.



In the area of renewable sources of electrical energy we plan to increase our generating capacity. By 2020 we plan to have 250-350 MW of the installed power in wind. We have also decided to invest into biogas capacity, planning to reach a capacity of approximately 40-60 MW in 2020. In 2011 the investment expenditures in RES exceeded PLN 345 million, amounting to ca. sevenfold increase in comparison to 2010.

On 15 January 2010 ENEA S.A. completed the purchase of the first biogas power plant in Liszkowo (The Kujawsko-Pomorskie Province) with the capacity of 2.12 MWe. In Q2 2011 ENEA purchased 100 per cent of special purpose vehicle set up for the purpose of construction of a 1.6 MWe biogas power plant. In 2012 we are planning to purchase biogas power plants with the total capacity of 5.6 MWe.

In March 2011 a subsidiary of ENEA S.A. dedicated to, among other things, the extension of production capacity of the Group from Renewable Energy Sources (Elektrownie Wodne) purchased a wind farm located in Darzyno in Pomorze with installed capacity of 6 MW. This is the first undertaking of this kind in the Group. Purchase of the farm is the first step in acquiring significantly bigger sources of this type. The wind farm in Darzyno was built in 2008. It consists of modern Enercon E-82 wind turbines with the power of 2 MW each. It is located in the area of very favourable wind conditions. Its productivity from April to December 2011 was 12.8 GWh of electricity.

On 1 June 2011 ENEA S.A. purchased from French company Société Nationale d'Électricité et de Thermique (SNET) 69.58 per cent of Bialystok Heat and Power Plant shares. Thanks to the transaction the Group holds almost 100 per cent of shares of the company from Bialystok. Bialystok Heat and Power Plant is one of the biggest enterprises in the region. The attainable heat capacity of Bialystok Heat and Power Plant is 459.2 MW. Apart from the heat production Bialystok Heat and Power Plant produces also electric energy and process steam. Equipment of the heat and power plant can generate 350 GWh of electric energy, which is then sold on the wholesale market. The basic fuel used in the heat and power plant is coal. In 2008, in unit No I, a boiler fired exclusively with biomass was started. The new installation helped to limit the emission of gases and dusts harmful to the environment and decreased the number of waste from coal combustion. Commissioning of the biomass-powered installation enabled to decrease coal consumption by 120,000 tonnes per year and replace it with 270,000 tonnes of biomass. The capacity of this installation is 75.2 MW.

In June 2011 water power plant was commissioned on the Welna river in Oborniki. The building, which belongs to Elektrownie Wodne with the seat in Samociazek has the capacity of 330 kW. Estimated average annual production capacity of electric energy is 1,440 MWh. The water power plant in Oborniki is the 21st installation of that kind belonging to ENEA Group.

In November 2011 ENEA S.A. executed a preliminary agreement for the purchase of 100 per cent of the shares of a special purpose vehicle implementing the project of construction of a wind farm with capacity of 50 MW. It is anticipated that the farm will be producing ca. 150,000 MWh of energy per year and its purchase will be finalised after start-up in Q1 2012.

Investment expenditures of the Group's key companies in 2011 amounted to ca. PLN 1.7 bln, which constitutes an increase by 89 per cent in comparison to 2010.

Depending on the market situation, the Group's financial situation, results of performed technical and economic analyses, and capabilities of financing the investment, we do not rule out that the basic investment program will be extended with additional investments in conventional generation in the amount of EUR 1.4 milliard. The amount anticipates construction of another unit with the power of up to 1,000 MWe.

Moreover the Board does not rule out participation in realisation of the investment connected with construction of a nuclear power plant with the power of ca. 1,600 MWe.

In the reporting period ENEA S.A. also started cooperation with PGNiG (Polskie Gornictwo Naftowe i Gazownictwo) analysing the ability to construct together an electric power generating source fuelled by gas. Within this cooperation we are performing actions aimed at selection of an optimum location



for the gas-powered unit. Together with PGNiG we are planning to conduct detailed location and economic analyses for the selected locations and then make appropriate corporation decisions.

Taking into account the planned investments, from the point of view of ENEA S.A., the long-term development of the equity portfolio is essential to carry the burden of future investments. Any profits could be allocated as a supplementary source of financing investments, particularly with regard to the Group development, primarily in additional capacity investments.

Investment expenditures planned by ENEA S.A. for 2012-2014 amount to ca. PLN 1.94 bln.

Below we have defined the key items of the Company's 2012-2014 investment plan that affect optimum efficiency of ENEA S.A. and growth of the Group, which obviously does not exhaust investment needs but only indicates the primary allocation of spending and will take considerable amounts also after 2014.

10.1.1. Monetary capital investments

Since ENEA S.A. manages the Group, and its core activity involves trading in electricity, and due to the fact that the majority of fixed asset investments are made by the subsidiaries of ENEA S.A., capital investments constitute a substantial and important element of its activity taking into account its functioning.

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

- Recapitalising Elektrownie Wodne with a cash contribution to cover the costs of developing RES projects (in particular wind farm and water power plants). One of the basic directions of investment by ENEA S.A. is engaging in projects concerning generation of electricity from RES. Realisation of investments within this field is to ensure fulfilment of the condition of achieving the obligatory number of property rights resulting from certificates of origin of electric energy produced from renewable energy sources. Taking into account existing contracts there is shortage of certificates of origin which should be covered by involvement of ENEA S.A. in new undertakings within renewable power industry, so that compensatory payments are avoided, and more precisely, funds dedicated so far for compensatory payments are reapplied within the Group. ENEA S.A. plans to recapitalise. In the years 2013-2014 with a cash contribution dedicated to cover the cost of purchase of shares in special purpose companies set up for realisation of wind farm and water power plant projects. The purchase of shares is planned for the stage of gaining building permits. We assume that the funds obtained from recapitalization will supplement funds obtained from other sources (e.g. loans, bonds) and will constitute among others hedging of own contribution for construction of RES projects and their connection into the grid.
- Development of RES and cogeneration sources. For the realisation of investments within this field in 2012-2014 the Company planned to spend funds dedicated for gaining new RES (biogas plants, biopower plants and wind farms), cogeneration sources and modernisation of acquired sources of heat generation (heating plants) consisting in installation of units enabling production of electricity generated in combination with heat generation (CHP). Within the planned funds the Company among others intends to acquire shares in special purpose vehicles set up by third entities for the purpose of implementation of RES and cogeneration projects and acquire projects in the field of RES and cogeneration.

As we assume, the funds planned for spending within capital and monetary investments may cover just part of expenditures necessary for the realisation of investments by the companies from the ENEA Capital Group. In connection with the above we do not rule out a supplementary way of



financing of the aforementioned investments, namely loans taken by the Group companies or funds obtained within intra-Group bond issue programmes.

10.1.2. Telecommunications and IT

In this area in the years 2012-2014 the Company intends to implement seven main investments to benefit the growth of ENEA S.A.:

- Modernisation and development of ERP software,
- Development of a document flow system and a business process management platform,
- Development of an Integrated Customer Management System,
- Consolidation of work resources,
- Development and implementation of an IT policy, which includes designing the IT architecture, security policies, IT service quality assurance and project management,
- Modernisation and development of the IT and telecommunications network,
- Technical system architecture.

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

10.1.3. Street lighting modernisation

ENEA S.A. anticipates transfer of the street lighting assets to ENEOS Sp. z o. o. (a subsidiary responsible for lighting in the Group). It does not however substantially change investment needs within this field but transfers the burden of expenditures for modernisation of street lighting to the subsidiary of ENEA S.A.

It must be noted that ENEA S.A. will not have sufficient funds to implement the adopted development plan (even in its minimum scope) covered by „Corporate Strategy of the ENEA Capital Group for 2010-2015 with outlook to 2020” that anticipates investment needs of approximately PLN 18.7 billion till 2020. The Management Board of ENEA S.A. realises that financing the above projects using its own funds only is not the best solution, so it is essential to obtain external funding for these investments. At present we are in the process of operations and analyses connected with the possibility to obtain external financing for development investments of the Group that should be finished in H1 2012.

In addition to the factors related to the implementation of the growth strategy and the proposed investments, another factor that may affect the Group's performance are the actions aimed at amendment to the Energy Law and enactment of a new Act on renewable energy sources (in particular with regard to the provisions changing the system of support for renewable energy source investments). The progress of work on the final text of the aforementioned acts at present does not allow assessing unequivocally what impact the changes resulting from enactment of the discussed acts will have on the Group's operation.

10.1.4. Financing sources of the investment programme

A request for quotation directed to banks in Q4 2011 regarding the possibility to obtain financing in the form of issuing bonds within the programme was met with great interest of the invited commercial banks. The amount offered to the Company exceeds the anticipated financial needs. The Planned Programme of issuing bonds is one of the possibilities to finance investments in the ENEA Capital Group, in particular with regard to generation and distribution segments. It should be noted



that the Capital Group has a high level of own funds that will be gradually used in the investment programme.

In addition ENEA S.A. took actions with the purpose of obtaining funds from multilateral institutions. At present the Company conducts talks with the European Investment Bank („EIB”) concerning the possibility to obtain financing in the form of loan for implementation of the investment programme of the Capital Group with regard to the area of electricity distribution. The aforementioned financing is planned as long-term. The total amount of financing ENEA S.A. applies for with the EIB is estimated at PLN 900-1,000 million.

Moreover ENEA S.A. conducts parallel talks with the European Bank for Reconstruction and Development (“EBRD”) concerning the possibility to obtain a maximum of PLN 800 million of a long-term unsecured loan (up to 15 years) for implementation of the investment programme of the Capital Group with regard to the area of electricity distribution.

It is planned that the funds would be obtained from the EIB and EBRD in mid-2012 and used gradually during the availability period established with the Banks.

The funds ENEA S.A. applies for with the EIB and EBRD would constitute one of the main sources of financing the investment programme in the years 2012-2015 and as estimated would amount to PLN 3.2 billion in the area of electricity distribution.

Investments in the area of distribution among others concern expansion of the grid, reduction of grid power losses, improvement in quality of distribution and allowing for connection of new producers of renewable energy to the grid. In the next few years ENEA Operator anticipates connection of more than 500 MW of renewable energy to the grid.

10.2. The overall condition of the economy

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

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

Poland's energy policy and structural and ownership decisions affecting state-owned power generating companies may have a significantly adverse effect on the proceeds from electricity sales and distribution services, in particular for retail consumers. It was not long ago that Poland enacted the legislative framework that regulates the functioning of the power sector in its present form. As a result, there is no developed, unified interpretation of the law in this area. There is, therefore, considerable uncertainty as to how issues relating to our activities will be resolved if they become the subject of court proceedings. Therefore, there is a risk of unexpected and unfavourable decisions that could have a negative effect on our activity, financial results, financial situation or development prospects.



10.3. Synergy results

The planned acquisitions and capital investments may not produce the expected results. The valuation of our future acquisitions and investments will depend on market conditions, as well as on other factors that are beyond our control, and it might turn out that we are unable to correctly assess the value of the acquisitions and investments that we have carried out. Furthermore, the results achieved by companies in which we invest might turn out to be worse than our initial estimates, which could result in the rate of return from those transactions being lower than initially anticipated. Moreover, the restructuring of these entities may prove to be a time-consuming and costly process.

Change of ENEA S.A. registered office

ENEA S.A. would like to remind that as of 1 January 2012 the address of ENEA S.A. registered office has been changed from ul. Nowowiejskiego 11 in Poznan (60-967 Poznan) to ul. Gorecka 1 in Poznan (60-201 Poznan).



