Consolidated financial statements of the ENEA Group for the financial year ended 31 December 2013

Poznań, 10 March 2014

Index to the consolidated financial statements

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

Members of the Management Board

President of the Management Board	**Krzysztof Zamasz**	**………………………………..**
Member of the Management Board	**Dalida Gepfert**	**………………………………..**
Member of the Management Board	**Grzegorz Kinelski**	**……………………………….**
Member of the Management Board	**Paweł Orlof**	**………………………………**

Poznań, 10 March 2014

Prepared by: Robert Kiereta …………………

Consolidated Accounting Office Manager
ENEA Centrum Sp. z o.o.

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

Consolidated Statement of Financial Position

	Note	As at 31.12.2013	31.12.2012 Restated *
ASSETS			
Non-current assets			
Property, plant and equipment	8	11 811 566	10 459 377
Perpetual usufruct of land	9	68 431	70 369
Intangible assets	10	206 580	201 357
Investment property	11	30 641	30 752
Investments in associates	12	3 298	5 951
Deferred tax assets	31	181 403	175 081
Financial assets available for sale	15	61 761	66 735
Financial assets measured at fair value through profit or loss	22	1 860	1 504
Trade and other receivables	16	3 933	376
		12 369 473	**11 011 502**
Current assets			
CO_2 emission rights	18	190 566	194 622
Inventory	19	521 498	502 654
Trade and other receivables	16	1 345 966	1 419 387
Current income tax receivables		11 455	16 026
Financial assets held to maturity	15	45	5 135
Financial assets measured at fair value through profit or loss	22	296 339	422 173
Cash and cash equivalents	21	1 573 195	1 095 495
Non-current assets held for sale	14	13 487	13 541
		3 952 551	**3 669 033**
Total assets		**16 322 024**	**14 680 535**

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

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

	Note	As at 31.12.2013	As at 31.12.2012 Restated *
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the Parent			
Share capital		588 018	588 018
Share premium		3 632 464	3 632 464
Share-based payments reserve		1 144 336	1 144 336
Financial instruments revaluation reserve		45 185	50 233
Other capital		(20 664)	(21 317)
Retained earnings		6 079 288	5 497 592
		11 468 627	**10 891 326**
Non-controlling interests		19 321	22 721
Total equity	23	**11 487 948**	**10 914 047**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and debt securities	25	819 909	50 797
Finance lease liabilities	29	1 784	4 248
Deferred income due to subsidies and connection fees	27	630 411	659 627
Deferred tax liability	31	220 376	237 911
Liabilities due to employee benefits	32	476 237	542 511
Financial liabilities measured at fair value through profit or loss	30	364	-
Provisions for other liabilities and charges	33	407 735	247 724
		2 556 816	**1 742 818**
Current liabilities			
Loans, borrowings and debt securities	25	22 648	24 043
Trade and other liabilities	24	1 407 703	1 290 391
Finance lease liabilities	29	2 940	3 494
Deferred income due to subsidies and connection fees	27	71 398	92 831
Current income tax liabilities		57 940	58 782
Liabilities due to employee benefits	32	270 809	177 407
Liabilities due to an equivalent of the right to acquire shares free of charge		292	306
Financial liabilities measured at fair value through profit or loss	30	-	14
Provisions for other liabilities and charges	33	443 260	375 864
Liabilities related to non-current assets held for sale	14	270	538
		2 277 260	**2 023 670**
Total liabilities		**4 834 076**	**3 766 488**
Total equity and liabilities		**16 322 024**	**14 680 535**

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

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	12 months ended 31.12.2013	12 months ended 31.12.2012 Restated *
Sales revenue		9 355 406	10 285 837
Excise duty		(204 886)	(194 487)
Net sales revenue	34	**9 150 520**	**10 091 350**
Other operating revenue	37	125 087	108 159
Depreciation	35	(761 759)	(749 737)
Costs of employee benefits	35	(1 036 215)	(1 009 467)
Consumption of materials and supplies and costs of goods sold	35	(1 753 573)	(1 909 695)
Energy purchase for sale	35	(3 303 371)	(4 097 265)
Transmission services	35	(599 170)	(714 451)
Other external services	35	(420 046)	(434 336)
Taxes and charges	35	(244 240)	(224 857)
Gain/(loss) on sale and liquidation of property, plant and equipment		109	(8 549)
Impairment loss on property, plant and equipment	8	(11 363)	(5 397)
Other operating expenses	37	(248 954)	(220 866)
Operating profit		**897 025**	**824 889**
Financial expenses	39	(44 821)	(84 133)
Financial revenue	38	88 144	148 646
Impairment loss on goodwill	10.1	-	(5 921)
Dividend income	41	4 552	2 724
Share in profits/losses of associates measured using the equity method		331	304
Profit before tax		**945 231**	**886 509**
Income tax	40	(229 867)	(192 443)
Net profit for the reporting period		**715 364**	**694 066**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
- change in fair value of financial assets available for sale reclassified to profit or loss		-	(12 243)
- change in fair value of financial assets available for sale		(4 966)	15 626
- cash flow hedge		(1 025)	-
- income tax		943	(2 713)
Items that will not be reclassified to profit or loss			
- net actuarial gains/(losses) on defined benefit plans		27 331	(60 888)
- other		-	7 400
- income tax		(5 193)	11 568
Net other comprehensive income		**17 090**	**(41 250)**
Total comprehensive income		**732 454**	**652 816**
Including net profit:			
attributable to shareholders of the Parent		715 368	699 673
attributable to non-controlling interest		(4)	(5 607)
Including comprehensive income:			
attributable to shareholders of the Parent		732 439	658 540
attributable to non-controlling interest		15	(5 724)
Net profit attributable to shareholders of the Parent		715 368	699 673
Weighted average number of ordinary shares		441 442 578	441 442 578
Net earnings per share (in PLN per share)		**1.62**	**1.58**
Diluted earnings per share (in PLN per share)		**1.62**	**1.58**

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

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

Consolidated Statement of Changes in Equity

	Note	Share capital (face value)	Revaluation of share capital	**Total share capital**	**Share premium**	**Share-based payments reserve**	**Financial instruments revaluation reserve**	**Other capital**	**Retained earnings**	**Capital attributable to non-controlling interests**	**Total equity**
Balance as at 01.01.2013		441 443	146 575	**588 018**	**3 632 464**	**1 144 336**	**50 233**	**(21 317)**	**5 497 592**	**22 721**	**10 914 047**
Net profit									715 368	(4)	**715 364**
Net other comprehensive income							(5 048)		22 138		**17 090**
Total comprehensive income for the period							**(5 048)**		**737 506**	**(4)**	**732 454**
Dividends	41								(158 919)		**(158 919)**
Acquisition of shares in subsidiaries from non-controlling interests								653	3 109	(3 396)	**366**
Balance as at 31.12.2013		441 443	146 575	**588 018**	**3 632 464**	**1 144 336**	**45 185**	**(20 664)**	**6 079 288**	**19 321**	**11 487 948**

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

	Note	Share capital (face value)	Revaluation of share capital	**Total share capital**	**Share premium**	**Share-based payments reserve**	**Financial instruments revaluation reserve**	**Other capital**	**Retained earnings**	**Capital attributable to non-controlling interests**	**Total equity**
Balance as at 01.01.2012 *		441 443	146 575	**588 018**	**3 632 464**	**1 144 336**	**49 565**	**(21 710)**	**5 051 303**	**29 088**	**10 473 064**
Net profit *									699 673	(5 607)	**694 066**
Net other comprehensive income							668		(41 918)		**(41 250)**
Total comprehensive income for the period							**668**		**657 755**	**(5 607)**	**652 816**
Dividends	41								(211 892)	(8)	**(211 900)**
Acquisition of shares in subsidiaries from non-controlling interests								393			**393**
Other									426	(752)	**(326)**
Balance as at 31.12.2012		441 443	146 575	**588 018**	**3 632 464**	**1 144 336**	**50 233**	**(21 317)**	**5 497 592**	**22 721**	**10 914 047**

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

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

Consolidated Statement of Cash Flows

	Note	12 months ended 31.12.2013	12 months ended 31.12.2012 Restated *
Cash flows from operating activities			
Net profit for the reporting period		715 364	694 066
Adjustments:			
Income tax in profit or loss	40	229 867	192 443
Depreciation	35	761 759	749 737
(Profit) / loss on sale and liquidation of property, plant and equipment		(109)	8 549
Impairment loss on property, plant and equipment	8	11 363	5 397
Impairment loss on goodwill	10.1	-	5 921
(Profit) / loss on sale of financial assets		9 637	(35 148)
Interest income		(83 257)	(136 092)
Dividend income		(4 552)	(2 724)
Interest expense		12 745	19 080
(Gain)/loss on measurement of financial assets		607	24 395
Other financial costs		-	5 756
Share in the (profit) / loss of associates		(331)	(304)
Exchange (gains) / losses on loans and borrowings		827	1 787
Other adjustments		(1 595)	(949)
		936 961	**837 848**
Paid income tax		(254 421)	(213 373)
Interest received		72 713	112 581
Interest paid		(8 063)	(65 930)
Changes in working capital			
CO_2 emission rights		4 056	48 150
Inventory		(11 921)	(12 908)
Trade and other receivables		63 471	(268 419)
Trade and other liabilities		(31 029)	46 234
Liabilities due to employee benefits		53 691	22 850
Deferred income due to subsidies and connection fees		(74 534)	(56 074)
Liabilities due to an equivalent of the right to acquire shares free of charge		(14)	(202)
Non-current assets held for sale and related liabilities		(214)	7 705
Other provisions		227 395	89 549
		230 901	**(123 115)**
Net cash flows from operating activities		**1 693 455**	**1 242 077**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(1 989 095)	(1 789 159)
Proceeds from disposal of property, plant and equipment		26 347	8 965
Acquisition of financial assets		(140 000)	(772 530)
Receipts from disposal of financial assets		277 063	1 491 436
Acquisition of subsidiaries adjusted by acquired cash		(1 108)	(52 559)
Receipts from disposal of subsidiaries		3 000	1 610
Dividends received		4 552	2 724
Other receipts from investing activities		2 213	484
Net cash flows from investing activities		**(1 817 028)**	**(1 109 029)**
Cash flows from financing activities			
Loans and borrowings received		795 041	3 857
Loans and borrowings repaid		(25 896)	(40 828)
Dividend paid to the Parent's shareholders		(158 919)	(211 892)
Payment of finance lease liabilities		(5 775)	(5 686)
Other payments for financing activities		(2 571)	(1 119)
Net cash flows from financing activities		**601 880**	**(255 668)**
Net increase/ (decrease) in cash		**478 307**	**(122 620)**
Opening balance of cash	21	1 095 495	1 218 361
Effect of exchange rate fluctuations on cash		(607)	(246)
Closing balance of cash	21	**1 573 195**	**1 095 495**

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

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

Notes to the consolidated financial statements

1. General information

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

Name (business name):	ENEA Spółka Akcyjna
Legal form:	joint-stock company
Country:	Poland
Registered office:	Poznań
Address:	Górecka 1, 60-201 Poznań
NUMBER IN NATIONAL COURT REGISTER (KRS):	0000012483
Telephone:	(+48 61) 884 55 44
Fax:	(+48 61) 884 59 59
E-mail:	enea@enea.pl
Website:	www.enea.pl
Statistical number (REGON):	630139960
Tax identification number (NIP):	777-00-20-640

The main activities of the ENEA Group ("Group") are:

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

On 12 September 2013 ENEA S.A. was granted a concession for trade in gas fuel, valid from 1 January 2014 till 31 December 2030. The Company plans to commence the retail sales of natural gas in 2014.

As at 31 December 2013 the shareholding structure of ENEA S.A. was the following: the State Treasury of the Republic of Poland – 51.50% of shares, Vattenfall AB – 18.67%, other shareholders – 29.83%. The change in the shareholding structure of ENEA S.A. after reporting date was presented in Note 55.

As at 31 December 2013 the Company's statutory share capital registered in the National Court Register equaled PLN 441 443 thousand (PLN 588 018 thousand after restatement to IFRS-EU and considering hyperinflation and other adjustments) and it was divided into 441 442 578 shares.

ENEA S.A. is the Parent of the ENEA Group, which as at 31 December 2013 comprised also 15 subsidiaries, 4 indirect subsidiaries and 1 associate.

The financial statements have been prepared under assumption that the Company will be able to continue as a going concern in the foreseeable future. No circumstances occur that would indicate a threat to the Company's operation as a going concern.

1.2. Composition of the Management Board and the Supervisory Board

As at 31 December 2013, the composition of the Management Board was as follows:
Krzysztof Zamasz - President of the Company's Management Board,
Dalida Gepfert - Member of the Company's Management Board responsible for Financial Matters,
Grzegorz Kinelski - Member of the Company's Management Board responsible for Commercial Matters,
Paweł Orlof - Member of the Company's Management Board responsible for Corporate Matters.

On 11 January 2013 Mr Krzysztof Zborowski – Member of the Management Board for Energy Production resigned from the Management Board, effective from the date of the statement.
On 11 March 2013 the Supervisory Board dismissed all members of the Management Board of ENEA S.A., effective from 11 March 2013 and at the same time appointed Mr Krzysztof Zamasz to the position of the President of the Company's Management Board, Mr Grzegorz Kinelski to the position of the Member of the Company's Management Board responsible for Commercial Matters, Mr Paweł Orlof to the position of the Member of the Company's Management Board responsible for Corporate Matters.
On 9 April 2013 the Supervisory Board appointed Mrs Dalida Gepfert to the position of the Member of the Company's Management Board responsible for Financial Matters, effective from 23 April 2013.

As at 1 January 2013, the composition of the Supervisory Board for the 8th term of office was as follows:
Wojciech Chmielewski – the Chairman of the Supervisory Board,
Jeremi Mordasewicz,
Michał Kowalewski,
Sandra Malinowska,
Małgorzata Aniołek,
Sławomir Brzeziński,
Przemysław Łyczyński,
Tadeusz Mikłosz,
Graham Wood,
Michał Jarczyński.
On 27 March 2013 Mr Graham Wood resigned from the position of the Member of Supervisory Board, effective from 24 April 2013. On 24 April 2013 Mrs Małgorzata Aniołek resigned from the position of the Member of Supervisory Board. On 24 April 2013 the General Shareholders' Meeting appointed Mrs Małgorzata Niezgoda and Mr Torbjörn Wahlborg to the Supervisory Board.
On 24 June 2013 Mr Michał Jarczyński resigned from the position of the Member of Supervisory Board of ENEA S.A.

On 22 January 2014 Mr. Torbjörn Wahlborg resigned from the position of the Member of Supervisory Board. The resignation was submitted together with the notice of the Company's shares sale by Vattenfall AB.

2. Statement of compliance

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

The Management Board of the Parent Company has used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to the individual items of the consolidated financial statements of the ENEA Group in accordance with IFRS-EU as at 31 December 2013. The presented statements and explanations have been prepared using due diligence. These consolidated financial statements were audited by a certified auditor.

3. Description of key accounting principles

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

3.1. Basis for preparation

These consolidated financial statements for the financial year ended 31 December 2013 have been prepared in compliance with the requirements of IFRS-EU.
These consolidated financial statements have been prepared on the historical cost basis, except for financial assets measured at fair value through profit or loss, financial assets available for sale and share-based payments.

3.2. Consolidation principles

(a) Subsidiaries

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

The cost of business combination, which is not under common control, is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured initially at their fair value at the acquisition date, irrespective of the minority interest, if any.
The Group measures non-controlling interests in proportion to their share in the fair value of identifiable acquired net assets. In the following periods the value of non-controlling interests accounts for the amount

recognized at the initial recognition adjusted by changes in the subsidiary's net assets in proportion to the non-controlling interests' share. The total comprehensive income is allocated to non-controlling interests even when it results in their negative value.

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

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

(b) Associates and joint-ventures

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

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

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

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

3.3. Business combinations/acquisitions

Business combinations/acquisitions of entities beyond common control are settled using the acquisition method, presented in Note 3.2.(a).

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

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

The acquirer recognizes the assets, equity and liabilities of the acquiree at their current book value adjusted only for the purpose of applying the same accounting principles for the combined entities beginning from the acquisition date. Goodwill and negative goodwill is not recognized. Any difference between the book value of the net assets acquired and the fair value of the payment in the form of equity instruments and/or assets given by the entity is recognized in the equity of the Group.
When applying the method based on book values, comparative data for presented historical periods are not restated.

3.4. Foreign currency transactions and measurement of foreign currency balances

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

(b) Transactions and balances
Foreign currency transactions are translated upon their initial recognition to the functional currency at the exchange rate ruling as at the transaction date.
As at the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate (the average exchange rate published by the National Bank of Poland as at the measurement date).

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

3.5. Property, plant and equipment

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

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

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

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

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

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

The useful lives of fixed assets are as follows:

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

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

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

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

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

3.6. Perpetual usufruct of land

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

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

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

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

3.7. Intangible assets

(a) Goodwill

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

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

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

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

(b) Other intangible assets

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

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

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

3.8. Research and development expenses

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

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

Capitalization criteria:

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

3.9. Borrowing costs

Borrowing costs that may be directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a portion of the acquisition price or manufacturing cost of the asset. Other borrowing costs are recognized as an expense in the period they are incurred.
Capitalization of borrowing costs commences at the later of when expenditures for the asset are being incurred or when borrowing costs are being incurred. The borrowing costs are no longer capitalized when all substantially all the activities necessary to prepare the asset for its intended use are complete.

3.10. Leases

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

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

3.11. Impairment of assets

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

Non-financial assets

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

Financial assets

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

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

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

3.12. Investment property

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

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

Buildings	25 – 33 years

3.13. Financial assets

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

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

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

The category includes two sub-categories:

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

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

(b) Loans and receivables

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

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

(c) Investments held to maturity

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

(d) Financial assets available for sale

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

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

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

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

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

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

(e) Hedge accounting

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

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

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

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

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

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

The Group discontinues fair value hedge accounting if:

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

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

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

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

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

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

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

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

(f) Impairment

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

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

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

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

3.14. CO_2 emission rights

CO_2 emission rights granted free of charge under the National Allocation Plan (*Krajowy Plan Rozdziału Uprawnień*) and additional CO_2 emission rights purchased for the purpose of redemption, i.e. fulfilling the CO_2 emission settlement obligation, are presented as current intangible assets which are not amortized but tested for impairment and are presented separately in current assets.
CO_2 emission rights granted free of charge for the given financial year are recognized at nil cost. CO_2 emission rights purchased are measured at acquisition price less any impairment loss.
CO_2 emission rights are registered in the following groups:

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

Within the above mentioned groups, costs are recognized according to FIFO (first in, first out) method. As regards CO_2 emissions associated with the electricity production process, the Group is obliged to settle them through presentation of a specified quantity of CO_2 emission rights for redemption. The costs related to fulfilling the aforementioned obligation are recognized in the accounting records systematically throughout the annual reporting period, in proportion to the actual and planned volume of production of electricity.

A provision is created for estimated CO_2 emissions during the reporting period, and charged to costs of operating activities. The amount of the provision, presented in the statement of financial position within liabilities, is determined in compliance with the following rules:

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

The liability (provision) due to CO_2 emission is settled through redemption of emission rights.

Sales revenues and the cost of CO_2 emission rights sold are presented in operating income and costs, respectively.
The value of the emission rights sold is determined according to FIFO in the given group of emission rights:

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

3.15. Inventory

Inventories are measured at acquisition price or manufacturing cost not exceeding the net selling price.
Cost is determined according to the FIFO method except for production coal, biomass and limestone powder whose costs are determined in line with weighted average acquisition price method.
Certificates of origin acquired for redemption and for resale, as well as self produced certificates are presented in inventory.
As at the end of the reporting period, the acquired certificates of origin are measured at acquisition price, less impairment losses.
Certificates of origin produced by the Group are recognized at the moment of producing electricity (or as at the date on which their issuance has become probable), unless there is a reasonable doubt regarding the President of Energy Regulatory Office ability to issue them. The certificates of origin on self produced electricity are measured at market price on the last day of the month in which the energy related to the certificates was produced.
The deadline for complying with the requirement of certificate redemption or substitute fee payment expires on 31 March of the following year.
During the financial year and until 31 March of the following year the Company presents certificates of origin for redemption on a monthly basis in order to fulfill its obligation regarding the financial year. Redemption of certificates of origin is recognized in the accounting records based on a redemption decision issued by the President of the Energy Regulatory Office, the redeemed certificates being subject to detailed

identification.

3.16. Cash and cash equivalents

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

3.17. Share capital

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

3.18. Loans, borrowings and debt securities

Upon initial recognition financial liabilities are measured at fair value less transaction costs incurred by the Group.
Following their initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

3.19. Income tax (including deferred income tax)

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

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

The deferred tax is a tax of from events that occurred in a given period, recognized on the accrual basis in the accounting records of the period but realized in future.
The balance sheet liability method is used to calculate the deferred tax. The method is characterized by temporary differences between the carrying and tax amount of assets and liabilities.

The carrying value of assets and liabilities recognized in the accounting records is the base value, which is compared to the tax amount and tax loss deductible in future.
Differences between the carrying amount and tax value of an asset or liability may include:

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

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

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

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

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

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

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

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

The deferred income tax is determined based on tax rates (and regulations) which are expected to be applicable when an asset is used and the liability settled, on the basis of the tax rates (and regulations) which were legally or actually applicable as at the end of the reporting period.
If the tax law allows changes in tax rates, the total amount of assets and liabilities is calculated in accordance with various tax rates.
If changes in tax rates occur in the period from determining the deferred tax assets or provisions to their settlement, the effects of measurement of assets and provisions are included in the reporting period in which the tax regulations have been amended.
Further, as at the end of the reporting period at the latest, the entity tests the assets for impairment in order to check whether they still can be settled. If generation of taxable income sufficient to use the deferred tax asset in part or in whole is not probable, a corresponding impairment loss on the asset should be recognized.

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

1. pertains to a transaction or event that is recognized directly in equity, in which case it is also recognized in the relevant other item of equity depending on an event it results from;

2. results from business combinations, in which cases it affects the value of goodwill or the surplus of the interest in the net fair value of assets over business combination costs.

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

3.20. Employee benefits

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

A. Short-term employee benefits

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

Liability due to short-term (accrued) paid leave (compensation for paid leave) even if employees are not entitled to receive payment in lieu of holiday.
In 2013 the Group initiated the Voluntary Redundancy Programme. The Programme assumes that employees who decide to terminate the employee contracts within the Programme period, will receive financial compensation.

B. Defined benefit plans

Defined benefit plans of the Group include:

1) Retirement benefits

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

2) Electricity allowance for pensioners

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

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

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

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

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

C. Other long-term employee benefits

1) Jubilee bonuses

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

D. Defined contribution plan

1) Social security contributions

The social security system in Poland is a state programme, in accordance with which the Group is obliged to make social security contributions for employees when they become due. No legal or constructive obligation has been imposed on the Company to pay future benefits relating to social security. The costs of contributions pertaining to the current period are recognized by the Group in profit or loss as the costs of employee benefits.

2) Employee Pension Scheme

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

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

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

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

E. Share-based payments

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

The Group recognizes the services provided under equity-settled share-based payments and the corresponding increase in equity upon their receipt. If the services rendered in share-based payment transactions may not be classified as assets, they are recognized as a cost.
The value of such cost is determined based on the fair value and measured at grant date. As the fair value of the services provided by employees may not be determined directly, it is estimated based on the fair value of equity instruments granted.

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

3.21. Provisions

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

Provision for certificates of origin and energy performance certificates

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

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

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

3.22. Revenue recognition

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

Revenue from the sales of energy and distribution services is recognized upon delivery of the energy or transmission services to the customer.
In order to determine the value of revenue for a period from the last billing date to the end of the reporting period, an estimate is made and recognized in the statement of financial position under trade and other receivables.

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

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

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

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

3.23. Subsidies

The Group receives tangible fixed assets constituting electricity infrastructure free of charge. Until 31 December 2009 such transactions were recognized at fair value as property, plant and equipment, and their value was recognized under deferred income and settled over time in the profit or loss pro rata to depreciation costs accrued on the received assets. Since 1 January 2010 fixed assets constituting electricity infrastructure received free of charge are recognized in full amount as revenue in profit or loss.
Other subsidies received by the Group (i.e. grants in the form of other fixed assets and compensation for expenses incurred for other fixed assets) are recognized by the Group in the statement of financial position as deferred income when there is reasonable assurance that they will be received and that the Group will comply with appropriate conditions related to such grants. Grants received as compensation for costs already incurred by the Group are recognized on a systematic basis as revenue in profit or loss in the periods in which the entity recognizes as expenses the related costs. Grants received by the Group as compensation for capital expenditure incurred are recognized on a systematic basis in proportion to the depreciation charges as other operating revenue in profit or loss over the useful life of an asset.

3.24. Connection fees

Revenue from connection fees for tasks completed by 31 December 2009 is recognized in deferred income and settled over the depreciation period of the connection, at present determined as 35 years. In financial statements the fees are recognized under long-term liabilities. At the end of each reporting period, the fees up to one-year maturity are reclassified to short-term liabilities.
Advances for connection fees paid to the Group until 31 December 2009 with connections commissioned after 1 January 2010 are recognized in full amount in revenue.

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

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

3.26. Dividend payment

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

3.27. Non-current assets held for sale

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

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

If the aforementioned criteria have been satisfied after the end of the reporting period, the asset is not reclassified at the end of the financial year preceding the event. The classification change is reflected in the reporting period when the aforementioned criteria have been satisfied. Amortization/depreciation charges are no longer applied starting from the date when the asset is designated as held for sale.
Assets held for sale are measured at the lower of: the net carrying amount or the fair value less costs to sell.

3.28. Statement regarding application of International Financial Reporting Standards

3.28.1. Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2013, but were early adopted by the Group

The following new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods ending on 31 December 2013, and have not been applied in preparing these consolidated financial statements:

- IFRS 10 *Consolidated Financial Statements* – for the reporting periods beginning 1 January 2014,
- IFRS 11 *Joint Arrangements* - for the reporting periods beginning 1 January 2014,
- IFRS 12 *Disclosure of Interests in Other Entities* - for the reporting periods beginning 1 January 2014,
- Amendments to IFRS 10, IFRS 11 and IFRS 12: *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* - for the reporting periods beginning 1 January 2014,
- IAS 27 *Separate Financial Statements (2011)* - for the reporting periods beginning 1 January 2014,
- IAS 28 *Investments in Associates and Joint Ventures (2011)* – for the reporting periods beginning 1 January 2014,
- Amendments to IAS 32 *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities - for the reporting periods beginning 1 January 2014,
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities - for the reporting periods beginning 1 January 2014,
- Amendments to IAS 36 *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* - for the reporting periods beginning 1 January 2014,
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* - for the reporting periods beginning 1 January 2014.

The Group plans to adopt these pronouncements when they become effective.

The Group is currently evaluating the impact of above mentioned new Standards, amendments to Standards and Interpretations. However, it is not expected to have a significant effect on its consolidated financial statements.

3.28.2. Standards and interpretations not yet endorsed by the EU

The following new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods ending on 31 December 2013, and have not been applied in preparing these consolidated financial statements:

- IFRS 9 *Financial Instruments (2009)* - for the reporting periods beginning 1 January 2018,

- Additions to IFRS 9 *Financial Instruments (2010)* - for the reporting periods beginning 1 January 2018,
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* - for the reporting periods beginning 1 January 2018,
- IFRIC Interpretation 21 *Levies* - for the reporting periods beginning 1 January 2014,
- Amendments to IAS 19 *Employee Benefits* entitled *Defined Benefit Plans: Employee Contributions* - for the reporting periods beginning 1 July 2014,
- Improvements to IFRS (2010-2012) - for the reporting periods beginning 1 July 2014,
- Improvements to IFRS (2011-2013) - for the reporting periods beginning 1 July 2014,
- IFRS 14 *Regulatory Deferral Accounts* - for the reporting periods beginning 1 January 2016.

The Group plans to adopt these pronouncements when they become effective.

The Group has not yet analysed the likely impact of the new Standards, amendments to Standards and Interpretations on its financial position or performance.

4. Restatement of comparative data due to an error and presentation changes

The comparative data presented in these consolidated financial statements derived from the approved financial statements for the year ended 31 December 2012 have been restated in order to maintain comparability. Restatements are attributable to the following:

(a) the Group performed analysis of electricity balancing market settlements and the imbalance of energy sales and purchase, presented in the consolidated financial statements in trade and other receivables. As the result of the analysis performed, the asset related to the imbalanced energy trade was assessed to be incorrect and respective balances as at 31 December 2013, as well as at the end of preceding reporting periods, i.e. 31 December 2012 and 31 December 2011 were adjusted,

(b) changes in presentation in consolidated statement of profit or loss and other comprehensive income connected mainly with energy cost purchased on electricity balancing market.

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

Consolidated statement of financial position

ASSETS	**31.12.2012**	**(a)**	**31.12.2012 Restated**
Non-current assets			
Property, plant and equipment	10 459 377		10 459 377
Perpetual usufruct of land	70 369		70 369
Intangible assets	201 357		201 357
Investment property	30 752		30 752
Investments in subsidiaries and associates	5 951		5 951
Deferred tax assets	175 081		175 081
Financial assets available for sale	66 735		66 735
Financial assets measured at fair value through profit or loss	1 504		1 504
Trade and other receivables	376		376
	11 011 502	**-**	**11 011 502**
Current assets			
CO_2 emission rights	194 622		194 622
Inventory	502 654		502 654
Trade and other receivables	1 449 314	(29 927)	1 419 387
Current income tax receivables	16 026		16 026
Financial assets held to maturity	5 135		5 135
Financial assets measured at fair value through profit or loss	422 173		422 173
Cash and cash equivalents	1 095 495		1 095 495
Non-current assets held for sale	13 541		13 541
	3 698 960	**(29 927)**	**3 669 033**
Total assets	**14 710 462**	**(29 927)**	**14 680 535**

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

EQUITY AND LIABILITIES	**31.12.2012**	**(a)**	**31.12.2012 Restated**
Equity attributable to shareholders of the Parent			
Share capital	588 018		588 018
Share premium	3 632 464		3 632 464
Share-based payments reserve	1 144 336		1 144 336
Financial instruments revaluation reserve	50 233		50 233
Other capital	(21 317)		(21 317)
Retained earnings	5 521 833	(24 241)	5 497 592
	10 915 567	**(24 241)**	**10 891 326**
Non-controlling interest	22 721		22 721
Total equity	**10 938 288**	**(24 241)**	**10 914 047**
Non-current liabilities			
Loans, borrowings and debt securities	50 797		50 797
Trade and other liabilities	-		-
Finance lease liabilities	4 248		4 248
Deferred income due to subsidies and connection fees	659 627		659 627
Provisions for deffered tax	243 597	(5 686)	237 911
Liabilities due to employee benefits	542 511		542 511
Liabilities due to an equivalent of the right to acquire shares free of charge	-		-
Provisions for other liabilities and charges	247 724		247 724
	1 748 504	(5 686)	**1 742 818**
Current liabilities			
Loans, borrowings and debt securities	24 043		24 043
Trade and other liabilities	1 290 391		1 290 391
Finance lease liabilities	3 494		3 494
Deferred income due to subsidies and connection fees	92 831		92 831
Current income tax liabilities	58 782		58 782
Liabilities due to employee benefits	177 407		177 407
Liabilities due to an equivalent of the right to acquire shares free of charge	306		306
Financial liabilities measured at fair value through profit or loss	14		14
Provisions for other liabilities and charges	375 864		375 864
Liabilities related to non-current assets held for sale	538		538
	2 023 670	-	**2 023 670**
Total equity and liabilities	**14 710 462**	**(29 927)**	**14 680 535**

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

Consolidated statement of profit or loss and other comprehensive income

	12 month period ended 31.12.2012	(a)	(b)	Total adjustments	12 month period ended 31.12.2012 Restated
Sales revenue	10 290 519		(4 682)	(4 682)	10 285 837
Excise duty	(194 487)			-	(194 487)
Net sales revenue	**10 096 032**		**(4 682)**	**(4 682)**	**10 091 350**
Other operating revenue	108 159			-	108 159
Depreciation	(749 737)			-	(749 737)
Costs of employee benefits	(1 009 467)			-	(1 009 467)
Consumption of materials and supplies and costs of goods sold	(1 906 931)		(2 764)	(2 764)	(1 909 695)
Energy purchase for sale	(4 075 607)	(21 658)		(21 658)	(4 097 265)
Transmission services	(714 451)			-	(714 451)
Other external services	(437 100)		2 764	2 764	(434 336)
Taxes and charges	(224 857)			-	(224 857)
Gain/(loss) on sale and liquidation of property, plant and equipment	(8 549)			-	(8 549)
Impairment loss on property, plant and equipment	(5 397)			-	(5 397)
Other operating expenses	(225 548)		4 682	4 682	(220 866)
Operating profit	**846 547**	(21 658)	**-**	**(21 658)**	**824 889**
Financial expenses	(84 133)			-	(84 133)
Financial revenue	148 646			-	148 646
Impairment loss on goodwill	(5 921)			-	(5 921)
Dividend income	2 724			-	2 724
Share in profits/(losses) of associates measured using the equity method	304			-	304
Profit before tax	**908 167**	**(21 658)**	**-**	**(21 658)**	**886 509**
Income tax	(196 558)	4 115		4 115	(192 443)
Net profit for the reporting period	**711 609**	**(17 543)**	**-**	**(17 543)**	**694 066**

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

	12 month period ended 31.12.2012	(a)	(b)	Total adjustments	12 month period ended 31.12.2012 Restated
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
- change in fair value of financial assets available for sale reclassified to profit or loss	(12 243)			-	(12 243)
- change in fair value of financial assets available for sale	15 626			-	15 626
- income tax	(2 713)			-	(2 713)
Items that will not be reclassified to profit or loss					
- net actuarial gain/(loss) on defined benefit plans	(60 888)			-	(60 888)
- other	7 400			-	7 400
- income tax	11 568			-	11 568
Net other comprehensive income	**(41 250)**	**-**	**-**	**-**	**(41 250)**
Total comprehensive income for the reporting period	**670 359**	**(17 543)**	**-**	**(17 543)**	**652 816**
Including net profit:					
attributable to shareholders of the Parent	717 216	(17 543)	-	(17 543)	699 673
attributable to minority interest	(5 607)	-	-	-	(5 607)
Including comprehensive income:					
attributable to shareholders of the Parent	676 083	(17 543)	-	(17 543)	658 540
attributable to minority interest	(5 724)	-	-	-	(5 724)

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

Consolidated statement of cash flow

	12 month period ended 31.12.2012	(a)	12 month period ended 31.12.2012 Restated
Cash flows from operating activities			
Net profit for the reporting period	711 609	(17 543)	694 066
Adjustments:			
Income tax in the profit or loss	196 558	(4 115)	192 443
Depreciation	749 737		749 737
(Gain) / loss on sale and liquidation of property, plant and equipment	8 549		8 549
Impairment loss on property, plant and equipment	5 397		5 397
Impairment loss on goodwill	5 921		5 921
(Gain)/loss on disposal of financial assets	(35 148)		(35 148)
Interest income	(136 092)		(136 092)
Revenue from dividends	(2 724)		(2 724)
Interest expense	19 080		19 080
(Gain)/loss on measurement of financial assets	24 395		24 395
Share in profits/losses of associates	(304)		(304)
Exchange (gains) / losses on loans and borrowings	1 787		1 787
Other financial costs	5 756		5 756
Other adjustments	(949)		(949)
	841 963	(4 115)	**837 848**
Paid income tax	(213 373)		(213 373)
Interest received	112 581		112 581
Interest paid	(65 930)		(65 930)
Changes in working capital			
CO_2 emission rights	48 150		48 150
Inventory	(12 908)		(12 908)
Trade and other receivables	(290 077)	21 658	(268 419)
Trade and other liabilities	46 234		46 234
Liabilities due to employee benefits	22 850		22 850
Deferred income due to subsidies and connection fees	(56 074)		(56 074)
Liabilities due to an equivalent of the right to acquire shares free of charge	(202)		(202)
Fixed assets held for sale and related liabilities	7 705		7 705
Provisions for other liabilities and charges	89 549		89 549
	(144 773)	**21 658**	**(123 115)**
Net cash flows from operating activities	**1 242 077**	**-**	**1 242 077**

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

	12 month period ended 31.12.2012	(a)	12 month period ended 31.12.2012 Restated
Cash flows from investing activities			
Acquisition of property, plant and equipment	(1 789 159)		(1 789 159)
Receipts from disposal of property, plant and equipment	8 965		8 965
Acquisition of financial assets	(772 530)		(772 530)
Receipts from disposal of financial assets	1 491 436		1 491 436
Acquisition of subsidiaries and associates adjusted for acquired cash	(52 559)		(52 559)
Receipts from disposal of subsidiaries	1 610		1 610
Dividends received	2 724		2 724
Other receipts	484		484
Net cash flows from investing activities	**(1 109 029)**	-	**(1 109 029)**
Cash flows from financing activities			
Loans and borrowings received	3 857		3 857
Loans and borrowings repaid	(40 828)		(40 828)
Dividend paid to the Parent's shareholders	(211 892)		(211 892)
Payment of finance lease liabilities	(5 686)		(5 686)
Other adjustments	(1 119)		(1 119)
Net cash flows from financing activities	**(255 668)**	-	**(255 668)**
Net increase/(decrease) in cash	**(122 620)**	-	**(122 620)**
Opening balance of cash	1 218 361		1 218 361
Effect of exchange rate fluctuations on cash	(246)		(246)
Closing balance of cash	**1 095 495**	-	**1 095 495**

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

As the result of the adjustment of energy trade imbalance (a), comparative data as at the opening balance of the comparative period presented in the consolidated financial statements derived from the approved consolidated financial statements for the year ended 31 December 2012 have been restated in order to maintain comparability. The restated balances as at the opening balance of the comparative period presented in the consolidated financial statements are as follows:

	31.12.2011	**31.12.2011 Restated**
Consolidated statement of financial position		
Trade and other liabilities	1 238 489	1 246 758
Retained earnings	5 058 001	5 051 303
Energy purchase for sale	(4 116 226)	(4 124 495)
Deferred tax liability	303 916	302 345
Income tax	(195 183)	(193 612)

5. Material estimates and assumptions

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

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

- ***employment and post-employment benefits*** – the provisions for employee benefits are measured using a method which involves determination of the opening balance of liabilities due to expected future benefit payments as at the end of the reporting period, calculated in line with actuarial methods; a change in the discount rate and the long-term pay change affect the accuracy of the estimate made (Note 32),
- ***trade and other receivables allowance*** – their value is determined as the difference between the carrying amount and the present value of estimated future cash flows, discounted using the original interest rate; a change in the value of estimated future cash flows shall cause a change in estimated allowance on receivables (Note 16),
- ***unbilled sales revenue at the end of the financial year*** – the value of unbilled energy sales is estimated based on the estimated consumption of electricity in the period from the last meter reading date until the end of the financial period (Note 16),
- ***compensation for non-contractual use of land*** – the potential payment of compensation for the so called non-contractual use of land and rental fee is estimated by the technical staff of the Group based on analyses of claims filed on a case-by-case basis (Note 33 and 50.5),
- ***provision for land reclamation*** **–** ENEA Wytwarzanie S.A., having filled or closed a slag and ash dump, is obliged to reclaim the land. As the company has large unfilled dumps, land reclamation is planned for 2060. Future estimated costs of land reclamation were discounted to their current value as at 31 December 2013, using a discount rate of 4,26 % (Note 33);
- ***compensation for stranded costs*** originating from early termination of LTC concerning power and electricity are recognized in the amount of advances due for the given period adjusted by an estimated

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

adjustment amount to be calculated by the President of the Energy Regulatory Office and depending upon a number of factors, including in particular performance of the generator, sales volume and average market price of electricity (Note 45);

- ***recoverable amount of tangible and intangible fixed assets*** – impairment tests of cash generating units are based on a number of significant assumptions, some of which are outside the control of the Group. Significant changes to the assumptions impact the results of impairment test and consequently the financial position and performance of the Group (Note 8 and 10),
- ***provision for purchasing CO_2 emissions rights*** – the assumptions concern the allocation of free of charge CO_2 emission rights for 2013 (Note 18).

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

No	Name and address of the Company	Share of ENEA S.A. in the total number of votes 31.12.2013	Share of ENEA S.A. in the total number of votes 31.12.2012
1.	ENERGOMIAR Sp. z o.o. *Poznań,Strzeszyńska 58*	100	100
2.	BHU S.A. *Poznań, Strzeszyńska 58*	100	92.62
3.	ENEA Centrum Sp. z o.o. *Poznań, Górecka 1*	100	100
4.	Hotel „EDISON" Sp. z o.o. *Baranowo k/Poznania*	100	100
5.	Energetyka Poznańska Zakład Transportu Sp. z o.o. *Poznań, Strzeszyńska 58*	100	100
6.	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. *Lipno, Gronówko 30*	100	100
7.	ENERGO-TOUR Sp. z o.o. *Poznań, Marcinkowskiego 27*	99.92	99.92
8.	ENEOS Sp. z o.o. *Poznań, Strzeszyńska 58*	100	100
9.	ENTUR Sp. z o.o. in liquidation *Szczecin, Malczewskiego 5/7*	100***	100
10.	Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. *Inowrocław, Wilkońskiego 2*	99.94	99.94
11.	Elektrownie Wodne Sp. z o.o. *Samociążek, 86-010 Koronowo*	-****	100*
12.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. *Oborniki, Wybudowanie 56*	99.89*	93.99*
13.	„ITSERWIS" Sp. z o.o. *Zielona Góra, Zacisze 28*	100	100
14.	ENEA Operator Sp. z o.o. *Poznań, Strzeszyńska 58*	100	100
15.	ENEA Wytwarzanie S.A. *Świerże Górne, Kozienice, Kozienice 1*	100	100
16.	Miejska Energetyka Cieplna Piła Sp. z o.o. *64-920 Piła, Kaczorska 20*	65.03*	65.03*
17.	Elektrociepłownia Białystok S.A. *Białystok, Gen. Andersa 3*	-****	99.996*
18.	DOBITT Energia Sp. z o.o. *Gorzesław 8, 56-420 Bierutów*	-****	100*
19.	Annacond Enterprises Sp. z o.o. *Warszawa, Jana III Sobieskiego ¼*	61	61
20.	Windfarm Polska Sp. z o.o. *Koszalin, Wojska Polskiego 24-26*	100*	100*
21.	ENEA Trading Sp. z o.o. *Świerże Górne, Kozienice, Kozienice 1*	100	100
22.	„Ecebe" Sp. z o.o. *Augustów, Wojciech 8*	100*	99,996*
23.	Energo-Inwest-Broker S.A. *Toruń, Jęczmienna 21*	38.46**	30.3**

* - an indirect subsidiary held through interests in ENEA Wytwarzanie S.A.
** - an associate of ENEA Wytwarzanie S.A.
*** - on 27 February 2013 the Extraordinary Shareholders' Meeting of Entur Sp. z o.o. with registered office in Szczecin adopted the Resolution No. 3 on the dissolution of the company after completion of the liquidation proceeding.
**** - on 31 December 2013 ENEA Wytwarzanie S.A. merged with Elektrownie Wodne Sp. z o.o., Dobitt Energia Sp. z o.o. and Elektrociepłownia Białystok S.A. ENEA Wytwarzanie S.A. assumed all the rights and obligations of the acquired companies.

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

On 16 July 2013, in the National Court Register (KRS), the company name of "Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o." has been changed to "Centrum Uzdrowiskowe ENERGETYK Sp. z o.o."

On 9 August 2013 a share purchase agreement of 7.38% shares in BHU S.A. was signed, between ENEA S.A. and ENERGA S.A. On 21 September 2013 ownership of shares was transferred to ENEA S.A.

On 17 September 2013 a transformation of ENEA Centrum S.A. into ENEA Centrum Sp. z o.o. was registered in the National Court Register.

On 31 December 2013 the Extraordinary Shareholders' Meeting of ENEOS Sp. z o.o. adopted a resolution to increase the share capital by PLN 134 037.5 thousand, from PLN 32 089.5 thousand up to PLN 166 127 thousand, through the issue of 268 075 new shares with the value of PLN 500 each. The new shares in the Company's share capital were acquired by ENEA S.A. for contribution in kind in the form of an organised part of the enterprise of ENEA SA „Gospodarka Oświetleniowa". On 10 February 2014 the increased share capital of ENEOS Sp. z o.o. has been registered in the National Court Register.

On 27 August 2013 ENEA Wytwarzanie acquired 75 shares under compulsory purchase in Elektrociepłownia Białystok S.A. in the amount of PLN 17 thousand and became the sole shareholder.

On the basis of employee shares in Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. purchase agreement, 297 shares were purchased on 10 June 2013 and 315 shares on 4-5 December 2013 for a total amount of PLN 786 thousand.

According to the resolution dated 19 December 2013 it was resolved to increase the share capital of Miejska Energetyka Cieplna Piła Sp. z o.o. by the amount of PLN 6 038 000 through issue of 6 038 new shares in the value of PLN 1 000 each. All new 6 038 shares were acquired by ENEA Wytwarzanie S.A. by contribution in cash, documented with a notarial deed Rep. A No. 5851/2013. The cash was transferred on 23 December 2013.

On 31 December 2013 the merger of ENEA Wytwarzanie S.A. with Elektrownie Wodne Sp. z o.o., Dobitt Energia Sp. z o.o. and Elektrociepłownia Białystok S.A. was registered. ENEA Wytwarzanie S.A. assumed all the rights and obligations of the acquired companies.

7. Segment reporting

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

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

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

Segment reporting for the period from 1 January to 31 December 2013:

	Trade	Distribution	Production	All other segments	Eliminations	Total
Net sales revenue	3 341 849	2 832 300	2 767 002	209 369	-	9 150 520
Inter-segment sales	275 205	-	351 460	413 626	(1 040 291)	-
Total net sales revenue	**3 617 054**	**2 832 300**	**3 118 462**	**622 995**	**(1 040 291)**	**9 150 520**
Total expenses	(3 366 344)	(2 328 555)	(2 919 058)	(562 482)	1 012 951	(8 163 488)
Segment profit/loss	**250 710**	**503 745**	**199 404**	**60 513**	**(27 340)**	**987 032**
Depreciation	(508)	(376 975)	(359 966)	(24 749)		
EBITDA	**251 218**	**880 720**	**559 370**	**85 262**		
% of net sales revenue	***6,9%***	***31,1%***	***17,9%***	***13,7%***		
Unassigned Group costs (general and administrative expenses)						(90 007)
Operating profit						**897 025**
Financial expenses						(44 821)
Financial revenue						88 144
Dividend income						4 552
Share in profit/(loss) of associated entities						331
Income tax						(229 867)
Net profit						**715 364**
Share of non-controlling interests						(4)

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

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

	Trade	Distribution	Production	All other segments	Eliminations	Total
Net sales revenue	4 056 365	2 811 961	2 986 867	236 157	-	10 091 350
Inter-segment sales	209 810	-	275 645	429 539	(914 994)	-
Total net sales revenue	**4 266 175**	**2 811 961**	**3 262 512**	**665 696**	**(914 994)**	**10 091 350**
Total expenses	(4 045 895)	(2 396 411)	(2 960 662)	(611 889)	879 630	(9 135 227)
Segment profit/loss	**220 280**	**415 550**	**301 850**	**53 807**	**(35 364)**	**956 123**
Depreciation	(425)	(373 328)	(346 714)	(23 821)		
EBITDA	**220 705**	**788 878**	**648 564**	**77 628**		
% of net sales revenue	***5,2%***	***28,1%***	***19,9%***	***11,7%***		
Unassigned Group costs (general and administrative expenses)						(131 234)
Operating profit						**824 889**
Financial expenses						(84 133)
Financial revenue						148 646
Dividend income						2 724
Impairment loss on goodwill						(5 921)
Share in profit/(loss) of associated entities						304
Income tax						(192 443)
Net profit						**694 066**
Share of non-controlling interests						(5 607)

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

Other segment reporting information as at 31 December 2013 and for the 12-month period ended as at that date:

Balance as at 31 December 2013	**Trade**	**Distribution**	**Production**	**All other segments**	**Eliminations**	**Total**
Property, plant and equipment	18 442	6 612 223	5 069 013	327 246	(234 181)	11 792 743
Trade and other receivables	635 793	444 513	240 225	188 354	(260 611)	1 248 274
Total	654 235	7 056 736	5 309 238	515 600	(494 792)	13 041 017
ASSETS excluded from segmentation						3 281 007
- including property, plant and equipment						18 823
- including trade and other receivables						101 625
TOTAL: ASSETS						**16 322 024**
Trade and other liabilities	283 517	528 093	631 748	131 937	(260 054)	1 315 241
Equity and liabilities excluded from segmentation						15 006 783
- including trade and other liabilities						92 462
TOTAL: EQUITY AND LIABILITIES						**16 322 024**
for the 12-month period ended 31 December 2013						
Capital expenditure for fixed assets and intangible assets	2 618	894 888	1 260 053	30 157	(23 279)	2 164 437
Capital expenditure for fixed assets and intangible assets excluded from segmentation						5 815
Depreciation and amortization	508	376 975	359 966	24 749	(7 795)	754 403
Depreciation excluded from segmentation						7 356
Recognition/(derecognition/assigning) of receivables allowance	(28 958)	6 937	(31 899)	334	-	(53 586)

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

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

Balance as at 31 December 2012	**Trade**	**Distribution**	**Production**	**All other segments**	**Eliminations**	**Total**
Property, plant and equipment	16 022	6 113 200	4 172 988	322 721	(194 113)	10 430 818
Trade and other receivables	610 569	417 583	426 555	194 581	(298 132)	1 351 156
Total	626 591	6 530 783	4 599 543	517 302	(492 245)	11 781 974
ASSETS excluded from segmentation						2 898 561
- including property, plant and equipment						28 559
- including trade and other receivables						68 607
TOTAL: ASSETS						**14 680 535**
Trade and other liabilities	383 255	507 290	479 827	132 065	(289 442)	1 212 995
Equity and liabilities excluded from segmentation						13 467 540
- including trade and other liabilities						77 410
TOTAL: EQUITY AND LIABILITIES						**14 680 535**
for the 12-month period ended 31 December 2012						
Capital expenditure for fixed assets and intangible assets	323	895 673	901 470	35 537	(57 485)	1 775 518
Capital expenditure for fixed assets and intangible assets excluded from segmentation						27 601
Depreciation and amortization	425	373 328	346 714	23 821	(1 952)	742 336
Depreciation excluded from segmentation						7 401
Recognition/(derecognition/assigning) of receivables allowance	211	5 616	(3 294)	3 410	-	5 943

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

In 2013 and 2012 there was no customers’ concentration exceeding 10% of the total sales revenue in any of the segments.

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

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

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

8. Property, plant and equipment

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2013							
Cost	**45 597**	**8 337 103**	**6 008 196**	**168 005**	**470 255**	**1 038 894**	**16 068 050**
Accumulated depreciation	**-**	**(2 981 052)**	**(2 241 617)**	**(69 898)**	**(297 767)**	**(563)**	**(5 590 897)**
Impairment loss	**(103)**	**(11 152)**	**195**	**(23)**	**(16)**	**(6 677)**	**(17 776)**
Net carrying amount	**45 494**	**5 344 899**	**3 766 774**	**98 084**	**172 472**	**1 031 654**	**10 459 377**
Changes in the 12 months ended 31 December 2013							
Reclassifications	3 944	601 856	375 970	13 126	33 684	(1 085 281)	**(56 701)**
Acquisition	-	10 554	9 418	3 078	2 120	2 144 404	**2 169 574**
Disposal (cost)	(23)	(21 052)	(1 642)	(3 806)	(1 039)	(1 377)	**(28 939)**
Disposal (accumulated depreciation)	-	9 546	1 344	3 389	1 039	-	**15 318**
Depreciation	-	(320 352)	(377 063)	(11 856)	(28 868)	(27)	**(738 166)**
Impairment loss	-	(10 685)	(195)	21	2	(506)	**(11 363)**
Other (cost)	2	(22 217)	(52 627)	(2 542)	(3 921)	1 851	**(79 454)**
Other (accumulated depreciation)	-	28 124	49 360	1 766	2 670	-	**81 920**
Balance as at 31 December 2013							
Cost	**49 520**	**8 906 244**	**6 339 315**	**177 861**	**501 099**	**2 098 491**	**18 072 530**
Accumulated depreciation	**-**	**(3 263 734)**	**(2 567 976)**	**(76 599)**	**(322 926)**	**(590)**	**(6 231 825)**
Impairment loss	**(103)**	**(21 837)**	**-**	**(2)**	**(14)**	**(7 183)**	**(29 139)**
Net carrying amount	**49 417**	**5 620 673**	**3 771 339**	**101 260**	**178 159**	**2 090 718**	**11 811 566**

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

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2012							
Cost	**42 607**	**7 715 962**	**5 358 520**	**154 868**	**429 950**	**336 238**	**14 038 145**
Accumulated depreciation	**-**	**(2 675 187)**	**(1 938 533)**	**(61 355)**	**(273 209)**	**(563)**	**(4 948 847)**
Impairment loss	**(103)**	**(5 755)**	**185**	**(23)**	**(17)**	**(6 714)**	**(12 427)**
Net carrying amount	**42 504**	**5 035 020**	**3 420 172**	**93 490**	**156 724**	**328 961**	**9 076 871**
Changes in the 12 months ended 31 December 2012							
Reclassifications	728	102 652	277 126	266	2 948	(391 725)	**(8 005)**
Acquisition	1 863	408 739	194 836	15 453	39 821	1 118 151	**1 778 863**
Disposal (cost)	(138)	(1 858)	(1 293)	(2 705)	(659)	-	**(6 653)**
Disposal (accumulated depreciation)	-	262	1 016	2 313	654	-	**4 245**
Depreciation	-	(331 482)	(347 979)	(11 498)	(26 209)	-	**(717 168)**
Impairment loss	-	(5 397)	10	-	1	37	**(5 349)**
Acquisition of subsidiaries (cost)	-	123 464	223 084	-	-	-	**346 548**
Acquisition of subsidiaries (accumulated depreciation)	-	(274)	(496)	-	-	-	**(770)**
Reclassification to assets held for sale (cost)	-	-	24	61	-	2	**87**
Reclassification to assets held for sale (accumulated depreciation)	-	333	(8)	(30)	-	-	**295**
Other (cost)	537	(11 856)	(44 101)	62	(1 805)	(23 772)	**(80 935)**
Other (accumulated depreciation)	-	25 296	44 383	672	997	-	**71 348**
Balance as at 31 December 2012							
Cost	**45 597**	**8 337 103**	**6 008 196**	**168 005**	**470 255**	**1 038 894**	**16 068 050**
Accumulated depreciation	**-**	**(2 981 052)**	**(2 241 617)**	**(69 898)**	**(297 767)**	**(563)**	**(5 590 897)**
Impairment loss	**(103)**	**(11 152)**	**195**	**(23)**	**(16)**	**(6 677)**	**(17 776)**
Net carrying amount	**45 494**	**5 344 899**	**3 766 774**	**98 084**	**172 472**	**1 031 654**	**10 459 377**

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

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

Impairment test (property, plant and equipment)

As at 30 September 2013, due to the falling prices of electricity, the Group carried out tests for impairment of tangible fixed assets in entities generating energy. As a result of the analysis the Group did not recognize an impairment loss on assets of Production segment. In the period from 30 September to 31 December 2013 market conditions and assumptions made did not change significantly, therefore no impairment loss of Production segment assets was recognized in these consolidated financial statements.

The main assumptions used for impairment tests are as follows:

- energy prices for years 2013-2035,
- prices of certificates of energy origin from renewable resources and cogeneration,
- prices of CO_2 emission rights,

	Dobitt Energia Sp. z o.o.	Windfarm Polska Sp. z o.o.	Elektrociepłownia Białystok S.A.	Elektrownie Wodne Sp. z o.o.	ENEA Wytwarzanie S.A.
Discount rates pre-tax	9.0%	10,9%	9.2%	8.8%	7,5%
Residual discount rates	2.5%	2.5%	2.5%	2.5%	2.5%

Periods of projection for the companies:

- ENEA Wytwarzanie S.A. – till 2035,
- Elektrociepłownia Białystok S.A. – till 2017,
- Dobitt Energia Sp. z o.o. and Windfarm Polska Sp. z o.o. – till 2033,
- Elektrownie Wodne Sp. z o.o. – till 2033.

Based on the sensitivity analysis performed, prices of energy, certificates of origin and CO_2 emission rights and discount rates are the key factors having an impact on the estimated value in use of cash generating units.

Finance lease

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

	31.12.2013			31.12.2012		
	Initial value	**Accumulated depreciation**	**Net carrying amount**	**Initial value**	**Accumulated depreciation**	**Net carrying amount**
Technical equipment and machines	1 029	(308)	**721**	1 029	(135)	**894**
Vehicles	10 096	(3 755)	**6 341**	11 515	(3 459)	**8 056**
Other fixed assets	1 656	(346)	**1 310**	1 656	(181)	**1 475**
Total	**12 781**	**(4 409)**	**8 372**	**14 200**	**(3 775)**	**10 425**

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

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

9. Perpetual usufruct of land

	31.12.2013	31.12.2012
Cost opening balance	**73 666**	**72 167**
Acquisition	714	2 707
Disposal (cost)	(3 050)	(1 200)
Liquidation (cost)	-	(8)
Cost closing balance	**71 330**	**73 666**
Opening balance of amortization	**(3 233)**	**(2 607)**
Disposal (accumulated amortization)	(614)	(365)
Liquidation (accumulated amortization)	-	47
Amortization for the period	(216)	(308)
Closing balance of amortization	**(2 835)**	**(3 233)**
Opening balance of impairment loss	(64)	(64)
Closing balance of impairment loss	(64)	(64)
Net carrying amount opening balance	**70 369**	**69 496**
Net carrying amount closing balance	**68 431**	**70 369**

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

10. Intangible assets

2012	R&D expenses	Goodwill	Computer software, licenses, concessions and patents	Easement rights	Customer relations	Certificates exchange agreements	Agreements on supply of coal	Total
Balance as at 1 January 2013								
Cost	**3 375**	**149 909**	**203 902**	**6 137**	**16 000**	**3 900**	**3 520**	**386 743**
Accumulated amortization	**(239)**	**-**	**(155 210)**	**(378)**	**(1 120)**	**(1 517)**	**(3 520)**	**(161 984)**
Impairment loss	**-**	**(23 184)**	**(218)**	**-**	**-**	**-**		**(23 402)**
Net carrying amount	**3 136**	**126 725**	**48 474**	**5 759**	**14 880**	**2 383**	**-**	**201 357**
Changes in 12 months ended 31 December 2013								
Reclassifications	-	-	20 514	6 056	-	-	-	**26 570**
Acquisition	-	-	665	13	-	-	-	**678**
Disposal (cost)	-	-	(7 560)	-	-	-	-	**(7 560)**
Disposal (accumulated amortization)	-	-	7 520	-	-	-	-	**7 520**
Amortization	(93)	-	(21 391)	(280)	(3 840)	(2 383)	-	**(27 987)**
Other (cost)	-	-	2 624	-	-	-	(3 520)	**(896)**
Other (accumulated amortization)	-	-	3 378	-	-	-	3 520	**6 898**
Balance as at 31 December 2013								
Cost	**3 375**	**149 909**	**220 145**	**12 206**	**16 000**	**3 900**	**-**	**405 535**
Accumulated amortization	**(332)**	**-**	**(165 703)**	**(658)**	**(4 960)**	**(3 900)**	**-**	**(175 553)**
Impairment loss	**-**	**(23 184)**	**(218)**	**-**	**-**	**-**	**-**	**(23 402)**
Net carrying amount	**3 043**	**126 725**	**54 224**	**11 548**	**11 040**	**-**	**-**	**206 580**

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

2012	R&D expenses	Goodwill	Computer software, licenses, concessions and patents	Easement rights	Customer relations	Certificates exchange agreements	Agreements on supply of coal	Total
Balance as at 1 January 2012								
Cost	**294**	**47 474**	**182 456**	**-**	**16 000**	**3 900**	**3 520**	**253 644**
Accumulated amortization	(221)	-	(127 473)	-	(1 120)	(1 517)	(3 520)	(133 851)
Impairment loss	-	(17 263)	(218)	-	-	-		(17 481)
Net carrying amount	**73**	**30 211**	**54 765**	**-**	**14 880**	**2 383**	**-**	**102 312**
Changes in 12 months ended 31 December 2012								
Reclassifications	-	-	4 601	-	-	-	-	4 601
Acquisition	3 081	-	17 391	1 866	-	-	-	22 338
Disposal (cost)	-	-	(455)	-	-	-	-	(455)
Disposal (accumulated amortization)	-	-	455	-	-	-	-	455
Amortization	(16)	-	(28 294)	(126)	-	-	-	(28 436)
Impairment loss	-	(5 921)	-	-	-	-	-	(5 921)
Acquisition of subsidiaries (cost)	-	102 435	-	4 271	-	-	-	106 706
Acquisition of subsidiaries (accumulated amortization)	-	-	-	(252)	-	-	-	(252)
Reclassification to assets held for sale (cost)	-	-	8	-	-	-	-	8
Reclassification to assets held for sale (accumulated amortization)	-	-	(11)	-	-	-	-	(11)
Other (cost)	-	-	(99)	-	-	-	-	(99)
Other (accumulated amortization)	(2)	-	113	-	-	-	-	111
Balance as at 31 December 2012								
Cost	**3 375**	**149 909**	**203 902**	**6 137**	**16 000**	**3 900**	**3 520**	**386 743**
Accumulated amortization	(239)	-	(155 210)	(378)	(1 120)	(1 517)	(3 520)	(161 984)
Impairment loss	-	(23 184)	(218)	-	-	-	-	(23 402)
Net carrying amount	**3 136**	**126 725**	**48 474**	**5 759**	**14 880**	**2 383**	**-**	**201 357**

No collateral has been established on intangible assets.

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

10.1. Goodwill

Goodwill has been presented in detail in the table below:

	Period ended 31.12.2013	Period ended 31.12.2012
Goodwill		
Opening balance	**149 909**	**47 474**
Additional amounts recognized following business combinations effected during the year	-	102 435
Closing balance	**149 909**	**149 909**
Accumulated impairment loss		
Opening balance	**(23 184)**	**(17 263)**
Impairment loss recognized during the year	-	(5 921)
Closing balance	**(23 184)**	**(23 184)**
Net carrying amount		
Opening balance	**126 725**	**30 211**
Closing balance	**126 725**	**126 725**

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

Goodwill	**Net carrying amount**
Windfarm Polska Sp. z o.o.	102 435
Elektrownie Wodne Sp. z o.o. (wind power plants)	18 686
Dobitt Energia Sp. z o.o.	3 131
Miejska Energetyka Cieplna Piła Sp. z o.o.	1 806
Elektrownie Wodne Sp. z o.o.	667
	126 725

As at 30 September 2013 the Group carried out an impairment test on goodwill. The test covered goodwill related to two companies acquired in 2011: Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa (on 2 January 2012 a merger of the company with Elektrownie Wodne Sp. z o.o. took place), Dobitt Energia Sp. z o.o. and Annacond Enterprises Sp. z o.o. and a company acquired in 2012: Windfarm Polska Sp. z o.o. As a result of the analysis the Group did not recognize an impairment loss on goodwill. In the period from 30 September to 31 December 2013 market conditions and assumptions made did not change significantly, therefore no impairment loss was recognized in these consolidated financial statements.

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

a) energy prices for years 2013-2035,

b) prices of certificates of energy origin from renewable resources and cogeneration,

c) prices of CO_2 emission rights,

d) support period for certificates of origin – assumed for the whole projection period,

e) Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Sp. k. (merged with Elektrownie Wodne Sp. z o.o. – now ENEA Wytwarzanie S.A.): pre-tax discount rate 11.7%, residual growth rate 2.5%; projection period was extended till 2033 in line with the economic useful lives of assets,

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

f) Dobitt Energia Sp. z o.o. (now ENEA Wytwarzanie S.A.): pre-tax discount rate 9.2%, residual growth rate 2.5%; projection period was extended till 2033 in line with the economic useful lives of assets,

g) Windfarm Sp. z o.o.: pre-tax discount rate 10.9%, residual growth rate 2.5%; projection period was extended till 2033 in line with the economic useful lives of assets,

Based on the sensitivity analysis performed, prices of energy, certificates of origin and CO_2 emission rights and discount rates are the key factors having an impact on the estimated value in use of cash generating units.

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

11. Investment property

	31.12.2013	31.12.2012
Cost opening balance	34 356	35 220
Acquisition	-	587
Reclassification from / to property, plant and equipment	1 809	(1 451)
Cost closing balance	**36 165**	**34 356**
Opening balance of depreciation	(1 585)	(982)
Disposal (accumulated depreciation)	56	-
Liquidation (accumulated depreciation)	(136)	156
Depreciation for the period	(880)	(759)
Closing balance of depreciation	**(2 545)**	**(1 585)**
Opening balance of impairment loss	(2 019)	(2 019)
Closing balance of impairment loss	(2 979)	(2 019)
Net carrying amount opening balance	**30 752**	**32 219**
Net carrying amount closing balance	**30 641**	**30 752**

No collateral has been established on investment property.

	01.01.2013-31.12.2013	01.01.2012-31.12.2012
Revenue from investment property	2 906	2 494
Operating costs related to investment property:		
generating revenue	(1 335)	(1 350)
not used	-	(74)
Total expenses	**(1 335)**	**(1 424)**

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

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

The most valuable investment property is the former headquarter of ENEA S.A. As at 31 December 2013 its book value amounted to PLN 10 096 thousand and its fair value is estimated at PLN 18 162 thousand.

12. Investments in subsidiaries and associates

	31.12.2013	31.12.2012
Opening balance	5 951	278 854
Share in the net change of net assets	331	304
Reclassification to non-current assets held for sale	(3 000)	-
Acquisition of subsidiaries	-	(272 310)
Other changes	16	(897)
Closing balance	**3 298**	**5 951**

The share in the net profit/loss of associates entities consolidated at equity for 2013 amounted to PLN 331 thousand (PLN 304 thousand for 2012).

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

The following table presents the key financial data regarding associates consolidated at equity.

31.12.2013	**Share in the ownership**	**Current assets**	**Non-current assets**	**Total assets**	**Short-term liabilities and provisions for liabilities**	**Long-term liabilities and provisions for liabilities**	**Total liabilities**	**Revenue**	**Expenses**	**Net profit**
Energo-Inwest-Broker S.A. (an associate)	38.46%	5 491	6 823	**12 314**	3 059	692	**3 751**	31 393	(27 442)	**3 951**
		5 491	**6 823**	**12 314**	**3 059**	**692**	**3 751**	**31 393**	**(27 442)**	**3 951**

31.12.2012	**Share in the ownership**	**Current assets**	**Non-current assets**	**Total assets**	**Short-term liabilities and provisions for liabilities**	**Long-term liabilities and provisions for liabilities**	**Total liabilities**	**Revenue**	**Expenses**	**Net profit**
Energo-Inwest-Broker S.A. (an associate)	30.3%	6 940	6 888	**13 828**	3 405	734	**4 139**	31 607	(25 965)	**5 642**
		6 940	**6 888**	**13 828**	**3 405**	**734**	**4 139**	**31 607**	**(25 965)**	**5 642**

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

13. Non-controlling interests

2013 Subsidiary name	BHU S.A.	Energo-Tour Sp. z o.o.	Centrum Uzdrowiskowe Energetyk Sp. z o.o.	Miejska Energetyka Cieplna Piła Sp. z o.o.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Oborniki	Annacond Enterprises Sp. z o.o.	**Total non-controlling interests**
Non-controlling interests (%)	**-**	**0.08%**	**0.06%**	**34.97%**	**0.11%**	**39.00%**	
Non-current assets	-	6 338	23 317	46 167	10 081	1 440	
Current assets	-	1 136	690	33 078	4 928	299	
Long-term liabilities	-	(819)	(6 595)	(9 174)	(3 285)	(683)	
Short-term liabilities	-	(514)	(3 083)	(16 065)	(1 923)	(5)	
Net assets	**-**	**6 141**	**14 329**	**54 006**	**9 801**	**1 051**	
Carrying amount of non-controlling interests	**-**	**5**	**9**	**18 886**	**11**	**410**	**19 321**
Sales revenue	133 259	7 793	9 979	40 034	8 264	58	
Net profit/ (loss) for the reporting period	(5 599)	(393)	(746)	2 052	359	(1 429)	
Total comprehensive income	(5 599)	(393)	(746)	2 052	359	(1 429)	
Profit / (Loss) attributable to non-controlling interests	(192)	-	-	774	-	(586)	**(4)**
Net cash flow from operating activities	2 053	(283)	887	20 891	597	(708)	
Net cash flow from investing activities	(60)	(36)	(383)	(7 985)	(3 890)	-	
Net cash flow from financing activities – before dividend payment for non-controlling interests							
Net cash flow from financing activities –dividend payment for non-controlling interests	1 332	-	(356)	2 036	2 164	400	
Net cash flows	**3 325**	**(319)**	**148**	**14 942**	**(1 129)**	**(308)**	

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

2012 Subsidiary name	BHU S.A.	Energo-Tour Sp. z o.o.	Centrum Uzdrowiskowe Energetyk Sp. z o.o.	Miejska Energetyka Cieplna Piła Sp. z o.o.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Oborniki	Annacond Enterprises Sp. z o.o.	Elektrociepłownia Białystok S.A.	**Total non-controlling interests**
Non-controlling interests (%)	**9.92%**	**0.08%**	**0.06%**	**34.97%**	**6.01%**	**39.00%**	**0.004%**	
Non-current assets	18 604	6 591	23 451	42 312	6 711	2 837	685 753	
Current assets	49 490	1 353	682	24 640	4 973	420	172 555	
Long-term liabilities	(6 182)	(936)	(6 917)	(8 015)	(494)	(683)	(171 895)	
Short-term liabilities	(33 654)	(474)	(2 141)	(6 611)	(1 991)	(22)	(105 590)	
Net assets	**28 258**	**6 534**	**15 075**	**52 326**	**9 199**	**2 552**	**580 823**	
Carrying amount of non-controlling interests	**2 803**	**5**	**9**	**18 298**	**553**	**995**	**58**	**22 721**
Sales revenue	144 019	5 141	10 768	39 467	7 962	35	268 181	
Net profit/ (loss) for the reporting period	(4 090)	(889)	62	(1 851)	(33)	(11 939)	(9 802)	
Total comprehensive income	(4 090)	(889)	62	(1 851)	(33)	(11 939)	(11 173)	
Profit / (Loss) attributable to non-controlling interests	**(302)**	**-**	**-**	**(647)**	**(2)**	**(4 656)**	**-**	**(5 607)**
Net cash flow from operating activities	1 140	(352)	1 026	10 206	2 242	319	115 510	
Net cash flow from investing activities	(150)	(28)	(728)	(2 735)	(1 869)	-	(155 243)	
Net cash flow from financing activities – before dividend payment for non-controlling interests	(1 115)	-	(1 043)	(218)	1 028	-	79 845	
Net cash flow from financing activities –dividend payment for non-controlling interests	(8)	-	-	-	-	-	-	
Net cash floks	**(133)**	**(380)**	**(745)**	**7 253**	**1 401**	**319**	**40 112**	

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

14. Non-current assets held for sale

	31.12.2013	31.12.2012
Tangible fixed assets	12 328	12 328
Perpetual usefruct of land	1 122	1 122
Inventory	8	9
Receivables	22	77
Cash	7	5
	13 487	**13 541**
Impairment loss on non-current assets held for sale	-	-
Non-current assets held for sale	**13 487**	**13 541**

Loans, borrowings and debt securities	123	291
Trade and other liabilities	76	178
Liabilities due to employee benefits	71	69
Liabilities related to non-current assets held for sale	**270**	**538**

As at 31 December 2013 the assets of a subsidiary Hotel "EDISON" Sp. z o.o. are presented as non-current assets held for sale and its liabilities as liabilities related to non-current assets held for sale. As at the end of the reporting period the carrying amount of these assets amounted to PLN 13,487 thousand and the liabilities amounted to PLN 270 thousand.

On 15 March 2013 the announcement of the sale of the hotel was published in Gazeta Wyborcza, however there was no offer submitted. The Memorandum was requested by two companies. On 24 April 2013 another announcement was published in Gazeta Wyborcza. Response to the Company's public invitation to negotiations on the acquisition of a block of shares was received from two entities. On 14 June 2013, binding offers were obtained from them. At the same time, one of the entities involved in the proceedings was granted exclusive right to negotiate.

As a result of the sales process of Hotel "Edison" Sp. z o.o., on 12 August 2013, a share sale agreement of its shares was concluded (with the entity, previously granted the exclusive right to negotiate). The acquisition of 100% in Hotel "Edison" Sp. z o.o. by the investor is subject to a receipt from a bank a promise of a loan to purchase of shares and the issuance of zoning conditions for land on which Hotel Edison is located by the Tarnowo Podgórne Municipal Office. The Parties agreed to finalize the above conditions no later than 31 December 2013. As the above mentioned conditions were not met till this date, on 31 December 2013 the agreement was terminated.

On 23 January 2014 the another announcement of the sale of the hotel was published in Gazeta Wyborcza – an invitation to negotiation of purchase of the package of all shares in Hotel Edison Sp. z o.o. The Memorandum was requested by four entities. Three of them submitted preliminary offer within the prescribed period. The final selection of the Investor and the sale contract is planned for the end of the first quarter in 2014.

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

15. Financial assets

	31.12.2013	31.12.2012
Receivables and loans	3 933	376
Long-term financial assets available for sale (shares in unrelated parties)	61 761	66 735
Non-current financial assets measured at fair value through profit or loss	1 860	1 504
Total non-current financial assets	**67 554**	**68 615**
Receivables and loans	1 282 812	1 296 569
Current financial assets held to maturity	45	5 135
Current financial assets measured at fair value through profit or loss	296 339	422 173
Total current financial assets	**1 579 196**	**1 723 877**
Total	**1 646 750**	**1 792 492**

16. Trade and other receivables

	31.12.2013	31.12.2012
Current trade and other receivables		
Trade receivables	1 015 548	1 080 321
Tax receivables (excluding income tax) and other similar charges	55 838	120 286
Other receivables	133 399	137 537
Advance payments	7 316	2 532
Receivables due to unbilled sales	251 223	249 508
Prepaid property insurance	3 230	3 377
	1 466 554	**1 593 561**
Less: impairment loss on receivables	(120 588)	(174 174)
Net current trade and other receivables	**1 345 966**	**1 449 387**

	31.12.2013	31.12.2012
Non-current trade and other receivables		
Other receivables	3 933	376
Net non-current trade and other receivables	**3 933**	**376**
Total net trade and other receivables	**1 349 899**	**1 419 763**

Trade and other receivables allowance:

	31.12.2013	31.12.2012
Opening balance of receivables allowance	**174 174**	**168 231**
Addition	28 031	28 804
Release	(41 143)	(21 914)
Utilization	(40 474)	(947)
Closing balance of receivables allowance	**120 588**	**174 174**

Ageing structure of trade and other receivables:

	Nominal value	Allowance	Carrying amount
31.12.2013			
Current	1 050 273	(386)	1 049 887
Overdue			
0-30 days	148 537	(27)	148 510
31- 90 days	51 359	(993)	50 366
91-180 days	18 565	(2 417)	16 148
over 180 days	201 753	(116 765)	84 988
TOTAL	**1 470 487**	**(120 588)**	**1 349 899**

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

	Nominal value	Allowance	Carrying amount
31.12.2012			
Current	1 031 386	(405)	1 030 981
Overdue			
0-30 days	189 789	(3 957)	185 832
31- 90 days	94 708	(97)	94 611
91-180 days	33 229	(7 173)	26 056
over 180 days	244 825	(162 542)	82 283
TOTAL	**1 593 937**	**(174 174)**	**1 419 763**

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

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

Entity's name	Collateral title	Type of collateral	Entity for which the collateral has been established	Debt as at 31 December 2013	Debt as at 31 December 2012	Collateral period
BHU S.A.	Investment loan	Capped mortgage up to PLN 3,750 thousand	Bank BPH S.A.	-	2 000	-
Centrum Uzdrowiskowe ENERGETYK Sp. z o.o.	Loan	Capped mortgage up to PLN 8,450 thousand, registered pledge	Siemens Finance Sp. z o.o.	5 413	5 821	September 2020
EP PUE ENERGOBUD Leszno Sp. z o.o.	Investment loan	Mortgage of PLN 4,000 thousand	Nordea Bank Polska S.A.	778	1 137	February 2016
Hotel „EDISON" Sp. z o.o	Overdraft	Capped mortgage up to PLN 400 thousand	BZ WBK S.A.	123	291	October 2014
Elektrownie Wodne Sp. z o.o. – currently ENEA Wytwarzanie S.A.	Investment loan	Mortgage, Capped mortgage, registered pledge	PKO BP S.A.	19 000	21 670	August 2020
PEC Sp. z o.o. in Oborniki	Leasing	Capped mortgage, assignment of receivables	BZ WBK Finanse & Leasing S.A.	42	98	November 2014
ENEA Wytwarzanie S.A.	Long-term credit facility	Registered pledge on fixed assets, 16 blank bills of exchange, authorization to the bank account, assignment of insurance policy title	Nordic Investment Bank S.A.	15 666	31 031	December 2015

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

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

No	Entity's name	Collateral title	Type of collateral	Entity for which the collateral has been established	Debt as at 31 December 2013	Debt as at 31 December 2012	Collateral period
1.	**Energobud Leszno**	Claims arising from the contract on purchase of products and services secured with Fleet Cards	Blank promissory note	**PKN Orlen S.A.**	38	44	unlimited
2.	**Energobud Leszno**	Collateral of leases	Blank promissory note	**Pekao Leasing Sp. z o.o.**	1 160	1 859	October 2015
3.	**Energobud Leszno**	Collateral of a contract for tender bonds	Blank promissory note	**PZU S.A.**	1 261	2 248	21 July 2016
4.	**Energobud Leszno**	Service contract regarding regular provision of performance bonds	Blank promissory note	**Warta S.A.**	11	-	30 October 2014
5.	**Energobud Leszno**	Investment loan	Blank promissory note	**TUiR Allianz Polska S.A.**	4 686	276	20 August 2014
6.	**Energobud Leszno**	Loan	Blank promissory note, assignment of receivables from power sales contract	**NORDEA BANK POLSKA S.A.**	778	1 137	28 February 2016
7.	**Elektrownie Wodne - currently ENEA Wytwarzanie S.A.**	Investment loan	Blank promissory note, assignment of a contract	**NFOŚiGW**	5 789	6 365	20 December 2023
8.	**Eneos**	Loan	Assignment of a contract and blank promissory note	**PKO BP S.A.**	1 562	2 294	20 December 2020
9.	**Centrum Uzdrowiskowe ENERGETYK**	Collateral of a purchase limit	Blank promissory note	**Siemens Finance Sp. z o.o.**	5 413	5 821	30 September 2020
10.	**BHU**	Collateral of lease	Blank promissory note	**Philips Lighting Farel Mazury Sp. z o.o.**	284	400	Contract term
11.	**BHU**	Collateral of receivables	Assets under lease agreement	**M Leasing sp. z o.o.**	618	1 451	21 January 2017
12.	**ENEA**	Space rental agreement	Bank guarantee	**Izba Rozliczeniowa Giełd Towarowych S.A.**	4 000	30 000	18 November 2014

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

No	Entity's name	Collateral title	Type of collateral	Entity for which the collateral has been established	Debt as at 31 December 2013	Debt as at 31 December 2012	Collateral period
13.	**ENEA**	Insurance guarantee	Bank guarantee	**Górecka Projekt Sp. z o.o.**	1 600	-	31 December 2014
14.	**ENEA**	Insurance guarantee	Bank guarantee	**Atrium Tower Sp. z o.o.**	186	-	31 August 2015
15.	**ENEA**	Insurance guarantee	Bank guarantee	**International Chamber of Commerce**	633	-	13 October 2014
16.	**Energomiar**	Lease agreement	Blank promissory	**Volkswagen Leasing Polska Sp. z o.o.**	255	500	November 2014
17.	**ITSERWIS**	Lease agreement	Blank promissory notes	**BZ WBK Leasing S.A.**	9	52	20 March 2014
18.	**ENEA Operator**	Overdraft		**BZ WBK S.A.**	-	-	10 August 2014
19.	**ENEA Trading**	Overdraft		**Bank Pekao S.A.**	-	-	26 August 2014
20.	**PEC Oborniki**	Loan	Blank promissory note and assigbnment contract	**WFOŚiGW**	3 150	1 000	30 June 2016
21.	**MEC Piła**	Grant	Blank promissory note and assigbnment contract	**WFOŚiGW**	4 141	2 106	20 August 2018
22.	**Elektrociepłownia Białystok - currently ENEA Wytwarzanie S.A.**	Loan	Blank promissory note	**NFOŚiGW**	9 928	-	30 September 2018
23.	**Dobitt - currently ENEA Wytwarzanie S.A.**	Loan	Blank promissory note	**Raiffeisen-Leasing Polska S.A.**	93	-	30 June 2016
24.	**ENEA Wytwarzanie**	Grant	Blank promissory note	**NFOŚiGW**	-	-	30 November 2016

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

18. CO_2 emission rights

	31.12.2013	31.12.2012
Opening balance		
Gross book value	194 622	246 722
Net carrying amount	**194 622**	**246 722**
Changes within 12 month period		
Acquisition	86 212	120 976
Redemption of emission rights	(90 268)	(140 667)
Sales	-	(32 409)
Closing balance		
Gross book value	**190 566**	**194 622**
Net carrying amount	**190 566**	**194 622**

The Group is obliged to settle CO_2 emissions for 2013 through submission of a specified quantity of emission allowances for redemption until the end of April 2014. Directive EU-ETS (Directive 2003/87/EC of the European Parliament and the Council, as amended by Directive 2009/29/EC) contains stipulations for derogation from the obligation to buy allowances through an auction as of 2013, and allocation of certain amount of free of charge emission allowances balanced with execution of specific investment projects presented in the National Investment Plan ("NIP").

According to the published list of free emission allowance allocation during 2013-2020 for energy producing installations, the Kozienice Power Plant and the Białystok Heat & Power Generating Plant are entitled to receive a certain amount of free of charge CO_2 emission allowances. Receipt of free of charge allowances depends inter alia on achievement of investment goals presented in the National Investment Plan ("NIP"). The NIP also envisages options for balancing allowance allocations through investment realized by other group companies. In the case of the allowance for the Kozienice Power Plant, free emission allowance allocations will be balanced with energy grids extension and modernisation projects executed by ENEA Operator Sp. z o.o. Under the derogation regulations, the companies pursuing the investment projects enumerated in the NIP, namely ENEA Wytwarzanie S.A., Elektrociepłownia Białystok S.A. (presently ENEA Wytwarzanie S.A.) and ENEA Operator Sp. z o.o., in fulfilling the requirements of the Directive, filed investment progress reports in December 2013. In January 2014, the European Commission approved the Polish plan of assigning 405 million CO_2 emission allowances to modernisation of the electric energy sector as consistent with EU legislation on State aid. Despite early mentioned reduction of the volume of allowances across the European Union, the approved quantity of emission allowances conforms to the quantity presented by the Polish government in the corrected application submitted to the Commission. Based on the foregoing, on 31 January 2014 the Ministry of the Environment filed an application with a list of notified NIP investment projects according to actual investment outlays during the period ended 30 June 2013. The application shall be subject to approval by the Commission, and a national regulation is necessary to assign the allowances to specific parties (a draft Regulation was published in February 2014). As soon as the Regulation is promulgated, emission allowances can be recorded in the KOBiZE registry of allowances and can be redeemed.

Therefore, as at 31 December 2013 the Group did not recognize a provision for purchasing additional CO_2 emission allowances.

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

19. Inventory

	31.12.2013	31.12.2012
Materials	290 418	311 892
Semi-finished products and work in progress	591	1 502
Finished products	420	605
Certificates of origin	223 916	191 624
Goods for resale	11 032	14 405
	526 377	**520 028**
Impairment loss on inventories	(4 879)	(17 374)
Total	**521 498**	**502 654**

Inventories included in the expenses of current year amounted to PLN 1 747 463 thousand (PLN 1 901 678 thousand in 2012).

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

No collateral has been established on inventories.

20. Certificates of origin

	31.12.2013	31.12.2012
Opening balance	**180 521**	**144 012**
Self-production	182 328	222 060
Acquisition	199 585	283 574
Redemption	(324 128)	(420 491)
Sale	-	(37 531)
Impairment loss	1 596	(11 103)
Other changes	619	-
Closing balance	**240 521**	**180 521**

21. Cash and cash equivalents

	31.12.2013	31.12.2012
Cash in hand and at bank	**990 112**	**506 679**
- cash in hand	532	905
- cash at bank	989 580	505 774
Other cash	**583 083**	**588 816**
-cash in transit	37	1 053
- deposits	582 938	587 669
- other	108	94
Total cash and cash equivalents	**1 573 195**	**1 095 495**
Cash disclosed in the cash flows statement	**1 573 195**	**1 095 495**

Collaterals established on cash has been disclosed in Note 17.

As at 31 December 2013 the total restricted cash of the Group amounted to PLN 124 311 (as at 31 December 2012 the total restricted cash amounted to PLN 8,173 thousand). The total restricted cash of the Group comprised transaction deposits related to trading in energy and CO_2 emission rights and funds blocked as collateral agreements.

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

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

	31.12.2013	31.12.2012
Financial assets measured at fair value through profit or loss		
Other financial assets	1 860	1 504
Investment portfolio	296 339	422 173
Total	**298 199**	**423 677**

ENEA S.A. has an investments portfolio managed by a specialized institution dealing with professional management of cash.

As at 31 December 2013 the investments portfolio carrying amount is equal to PLN 328 603 thousand, included financial assets measured at fair value through profit or loss- treasury bills and bonds of PLN 296 331 thousand and bank deposits of PLN 32 264 thousand, presented in cash and equivalents. The Company also held shares of Pioneer Investment Fund, presented as non-current assets.

23. Equity

Balance as at 31 December 2013

Series of shares	Number of shares	Nominal value per share (in PLN)	Share capital
"A" series	295 987 473	1	295 988
"B" series	41 638 955	1	41 639
"C" series	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Total share capital			**441 443**
Share capital (face value)			441 443
Capital from business combination			38 810
Hyperinflation adjustment of share capital			107 765
TOTAL SHARE CAPITAL			**588 018**
Share premium			3 632 464
Share-based payments reserve			1 144 336
Retained earnings			6 079 288
Financial instruments revaluation reserve			45 185
Other capital			(20 664)
Non-controlling interests			19 321
TOTAL EQUITY			**11 487 948**

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

Balance as at 31 December 2012

Series of shares	Number of shares	Nominal value per share (in PLN)	Share capital
"A" series	295 987 473	1	295 988
"B" series	41 638 955	1	41 639
"C" series	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Total share capital			**441 443**
Share capital (face value)			441 443
Capital from business combination			38 810
Hyperinflation adjustment of share capital			107 765
TOTAL SHARE CAPITAL			**588 018**
Share premium			3 632 464
Share-based payments reserve			1 144 336
Retained earnings			5 497 592
Financial instruments revaluation reserve			50 233
Other capital			(21 317)
Non-controlling interests			22 721
TOTAL EQUITY			**10 914 047**

24. Trade and other liabilities

	31.12.2013	31.12.2012
Current trade and other liabilities		
Trade liabilities	745 498	578 792
Advance payments received for deliveries, works and services	61 881	38 779
Tax and similar liabilities (excluding income tax)	186 265	178 782
Dividend liabilities	23	34
Special funds	574	569
Liabilities due to options for purchase shares in subsidiaries	-	23 842
Other	413 462	469 593
Total	**1 407 703**	**1 290 391**

25. Loans, borrowings and debt securities

	31.12.2013	31.12.2012
Long-term		
Bank loans	794 773	38 342
Borrowings	25 136	12 455
	819 909	**50 797**
Short-term		
Bank loans	19 363	21 206
Borrowings	3 285	2 837
	22 648	**24 043**
Total	**842 557**	**74 840**

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

ENEA S.A. -. bank agreements dated 18 October 2012 and 19 June 2013 with European Investment Bank. Floating interest rate based on WIBOR 6M plus margin. The facility is repaid in installments paid every six month from June 2017 till June 2028. As at 31 December 2013 under the agreements with European Investment Bank for a total value of PLN 1.425 billion ENEA S.A. received funds in the amount of PLN 780 million.

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

ENEA Operator Sp. z o.o. - pursuant to the agreement dated 18 July 2011 Bank BZ WBK S. A. granted an overdraft facility of PLN 150 000 thousand to finance current operations of the Company. The facility matures on 10 August 2014. The interest rate is floating based on WIBOR 1M plus margin. As at 31 December 2013 the Company did not use the loan.

ENEA Wytwarzanie S.A. - investment loan in a foreign currency granted by Nordic Investment Bank. The loan granted on 20 December 2000. The final maturity date is 26 November 2014. The facility was availed in two currencies – EUR and USD. Interest rate for the facility denominated in USD - rate quoted on Telerate page 3750 at 11.00 a.m. London time for the period equivalent or similar to that of the loan interest period (6 months) plus margin. Interest rate for the facility denominated in EUR (EUR-EURIBOR-Telerate) - EUR rate quoted on Telerate page 248 at 11.00 a.m., Brussels time for the period equivalent or similar to that of the loan interest period (6 months) plus margin. The facility is repaid in installments paid every six months – on 26 May and 26 November. The total liability as at 31 December 2013 (principal amount) PLN 15 653 thousand, including USD denominated portion of PLN 1 656 thousand (USD 550 thousand) and EUR denominated portion of PLN 13 997 thousand (EUR 3 375 thousand).

26. Bonds

On 21 June 2012 ENEA S.A. executed a Programme Agreement with five banks acting as issue guarantors. The Agreement relates to Bonds Issue Programme up to the amount of PLN 4 bln (the "Programm"). The Agreement was concluded for the term of 10 years and finishes on 15 June 2022.

The Programme will finance current operations and investment needs of the ENEA S.A. and its key subsidiaries.

On 31 December 2013 and till the date of these consolidated financial statements, ENEA S.A. has not issued any bonds under the above Bonds Issue Programme. The Company plans bond issue, in the frame of Agreement Programme, for first quarter of 2014.

27. Deferred income due to subsidies and connection fees

	31.12.2013	31.12.2012
Long-term		
Deferred income due to subsidies	164 345	172 501
Deferred income due to connection fees	466 066	487 126
	630 411	**659 627**
Short-term		
Deferred income due to subsidies	14 536	17 413
Deferred income due to connection fees	56 862	75 418
	71 398	**92 831**

Deferred income schedule

	31.12.2013	31.12.2012
Up to 1 year	71 398	92 831
1 to 5 years	131 862	133 312
Over 5 years	498 549	526 315
	701 809	**752 458**

28. Financial instruments

28.1. Principles of financial risk management

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

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

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

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

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

Aware of the risks relating to its business activities, ENEA S.A. continues actions aimed at development of an integrated, formalized risk management system covering credit, liquidity, market, currency and interest rate risks. In 2013 the Management Board of ENEA S.A. adopted Liquidity Risk Management Policy, Currency Risk and Interest Rate Risk Management Policy. At present, complete documentation of aforementioned policies is being implemented and as well activities regulating the Commodity Risk Management Policy are finalized.

28.2. Credit risk

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

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

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

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

There is no material credit risk concentration.

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

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

	31.12.2013	31.12.2012
Current and non-current financial assets held to maturity	45	5 135
Current and non-current financial assets measured at fair value through profit or loss	298 199	423 677
Trade and other receivables	1 273 518	1 281 517
Cash and cash equivalents	1 573 195	1 095 495
Total	**3 144 957**	**2 805 824**

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

- electricity and distribution service sales to individual customers – a considerable amount of past due receivables. Although they do not represent a serious threat to the Group's financial position, measures aimed at their reduction have been undertaken. Steps aimed at improvement of the collection process have been taken involving development of new and update of the existing manuals and principles of collection and cooperation with professional entities. The collection process starts 20-25 days after the payment deadline. Thanks to unified collection policy, including soft collection, the entity is able to shorten the collection period and avoid long-lasting and quite ineffective hard collections, i.e. enforcement by court or a bailiff. Court or bailiff's collections are applied to cases whose value is higher than the cost-benefit ratio for debt collection;
- sales of electricity and distribution services to business, key and strategic clients, where overdue receivables are higher than in the segment of individual clients. However, the collection procedure is similar and collection measures are undertaken within 6-10 business days of the payment date;
- other receivables – compared to the above segments the amounts of past due receivables are immaterial.

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

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

28.3. Liquidity risk

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

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

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

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

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

Additionally, the Group manages its liquidity risk by maintaining open and unused credit facilities of PLN 340 167 thousand.

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

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

	Trade and other liabilities	**Finance lease liabilities**	**Bank loans**	**Borrowings**	**Financial liabilities measured at fair value through profit or loss**	**Cash and cash equivalents**	**Trade and other receivables**	**Financial assets measured at fair value through profit or loss**	**Financial instruments held to maturity**	**Total**
31.12.2013										
Carrying amount	1 039 714	4 724	814 136	28 421	364	(1 573 195)	(1 273 518)	(298 199)	(45)	**(1 257 598)**
Undiscounted contractual cash flows	**(1 040 171)**	**(5 037)**	**(1 041 299)**	**(36 363)**	**(364)**	**1 576 902**	**1 273 974**	**298 199**	**45**	**1 025 886**
up to 6 months	(1 040 171)	(1 491)	(22 519)	(1 182)	-	1 576 902	1 190 418	298 199	45	**2 000 201**
6 - 12 months	-	(1 587)	(22 526)	(1 759)	(364)	-	148	-	-	**(26 088)**
1 – 2 years	-	(1 770)	(29 135)	(15 361)	-	-	82 626	-	-	**36 360**
2 – 5 years	-	(189)	(303 776)	(12 690)	-	-	759	-	-	**(315 896)**
Over 5 years	-	-	(663 343)	(5 371)	-	-	23	-	-	**(668 691)**

	Trade and other liabilities	**Finance lease liabilities**	**Bank loans**	**Borrowings**	**Financial liabilities measured at fair value through profit or loss**	**Cash and cash equivalents**	**Trade and other receivables**	**Financial assets measured at fair value through profit or loss**	**Financial instruments held to maturity**	**Total**
31.12.2012										
Carrying amount	1 030 771	7 742	59 548	15 292	14	(1 095 495)	(1 281 517)	(423 677)	(5 135)	**(1 692 457)**
Undiscounted contractual cash flows	**(1 030 771)**	**(10 450)**	**(65 700)**	**(17 449)**	**(14)**	**1 097 793**	**1 281 517**	**423 677**	**5 135**	**1 683 738**
up to 6 months	(1 030 734)	(2 183)	(10 669)	(2 013)	(14)	1 097 793	1 273 909	423 677	5 135	**1 754 901**
6 - 12 months	(37)	(2 231)	(12 093)	(1 193)	-	-	7 232	-	-	**(8 322)**
1 – 2 years	-	(4 090)	(21 328)	(2 972)	-	-	376	-	-	**(28 014)**
2 – 5 years	-	(1 946)	(12 660)	(4 795)	-	-	-	-	-	**(19 401)**
Over 5 years	-	-	(8 950)	(6 476)	-	-	-	-	-	**(15 426)**

28.4. Commodity risk

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

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

Commodity risk management in the range of pricing is based on continuous monitoring of an open trading item (both with regard to securing the volume of retail sales, and to proprietary trading) and measurement - using value at risk tools - of the level of risk of possible electricity price fluctuation with respect to such an open item. An appropriate risk mitigation technique in this case is to close an item that generates excessive value of potential loss.

Volumetric commodity risk management involves use of scenario-based methods and optimization of trading activity planning and control processes.

A commodity risk management based on the above mentioned principles, according to schedule, will be fully implemented in 2014. In 2013 (and until new commodity risk management rules are implemented), the management principles defined by the strategic regulation in place at ENEA Group (so-called Wholesale Trading Procedure), defining the operating methods related to optimization of ENEA's trading position, with the primary purpose of minimizing the risk of taking actions contrary to the market tendency, taking account of the efficiency aspect in the context of that trend (achieving better results than the market average).

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

28.5. Currency risk

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

31.12.2013	Carrying amount	Including EUR amount denominated in the functional currency (PLN)	EUR currency risk impact on profit/(loss)		Including USD amount denominated in the functional currency (PLN)	USD currency risk impact on profit/(loss) (USD)		Total currency risk impact on profit/(loss)	
			+1%	-1%		+1%	-1%	1%	-1%
Financial assets									
Cash and cash equivalents	1 573 195	65 040	**650**	**(650)**	16	**0**	**(0)**	**650**	**(650)**
Trade and other receivables	1 273 518	1 321	**13**	**(13)**	-	-	-	**13**	**(13)**
Financial assets available for sale	61 761	-	-	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss	298 199	-	-	-	-	-	-	-	-
Financial assets held to maturity	45	-	-	-	-	-	-	-	-
Financial liabilities									
Loans, borrowings and debt securities	(842 557)	(14 008)	**(140)**	**140**	(1 658)	**(17)**	**17**	**(157)**	**157**
Trade and other liabilities	(1 039 714)	(142 173)	**(1 422)**	**1 422**	-	-	-	**(1 422)**	**1 422**
Finance lease liabilities	(4 724)	-	-	-	-	-	-	-	-
Financial liabilities measured at fair value through profit or loss	(364)	(364)	**(4)**	**4**	-	-	-	**(4)**	**4**
Impact on profit/loss before tax			**(903)**	**903**		**(17)**	**17**	**(920)**	**920**
19% tax								**175**	**(175)**
Impact on profit/loss after tax								**(745)**	**745**

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

31.12.2012	Carrying amount	Including EUR amount denominated in the functional currency (PLN)	EUR currency risk impact on profit/(loss)		Including USD amount denominated in the functional currency (PLN)	USD currency risk impact on profit/(loss)		Including other currencies amount denominated in the functional currency (PLN)	Currency risk impact on profit/(loss)		Total currency risk impact on profit/(loss)	
			+1%	-1%		+1%	-1%		+1%	-1%	1%	-1%
Financial assets												
Cash and cash equivalents	1 095 495	20 781	**208**	**(208)**	17	**0**	**(0)**	28	**0**	**(0)**	**208**	**(208)**
Trade and other receivables	1 281 517	9 294	**93**	**(93)**	-	-	-	-	-	-	**93**	**(93)**
Financial assets available for sale	66 735	-	-	-	-	-	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss	423 677	-	-	-	-	-	-	-	-	-	-	-
Financial assets held to maturity	5 135	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities												
Loans, borrowings and debt securities	(74 840)	(27 618)	**(276)**	**276**	(3 413)	**(34)**	**34**	-	-	-	**(310)**	**310**
Trade and other liabilities	(1 030 771)	(42 349)	**(424)**	**424**	-	-	-	(377)	**(4)**	**4**	**(428)**	**428**
Finance lease liabilities	(7 742)	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities measured at fair value through profit or loss	(14)	-	-	-	-	-	-	-	-	-	-	-
Impact on profit/loss before tax			**(399)**	**399**		**(34)**	**34**		**(4)**	**4**	**(437)**	**437**
19% tax											**83**	**(83)**
Impact on profit/loss after tax											**(354)**	**354**

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

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

ENEA Wytwarzanie S.A. had a foreign exchange risk hedging transactions (terminated transactions EUR) to hedge transactions for purchase of CO_2 concluded in 2013. In December 2013 forward contracts that concern terminated contracts for CO_2 with delivery in 2013 were settled.

Valuation of active forward contracts for EUR purchase on 31 December 2013 amounted to PLN 363.9 thousand.

28.6. Interest rate risk

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

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

Fixed rate instruments	**31.12.2013**	**31.12.2012**
Financial assets	1 290 673	1 315 412
Financial liabilities	(1 039 714)	(1 030 771)
Total	**250 959**	**284 641**
Floating rate instruments		
Financial assets	1 854 284	1 490 412
Financial liabilities	(847 645)	(82 596)
Total	**1 006 639**	**1 407 816**

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

	31.12.2013 Weighted average interest rate (%)	**Carrying amount**	**31.12.2012 Weighted average interest rate (%)**	**Carrying amount**
Financial assets measured at fair value through profit or loss	3.61	298 199	5.42	423 677
Cash and cash equivalents	2.90	1 556 085	3.91	1 066 735
Finance lease liabilities	6.83	(4 724)	6.42	(7 742)
Loans	3.33	(814 136)	2.90	(59 548)
Borrowings	4.34	(28 421)	5.42	(15 292)
Total		**1 007 003**		**1 407 830**

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

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

The table below presents the impact of interest rate changes on the Group's financial profit/loss for financial instruments with floating interest rate:

	Carrying amount 31.12.2013	Interest rate risk impact on profit/(loss) (12 months)		Carrying amount 31.12.2012	Interest rate risk impact on profit/(loss) (12 months)	
		+ 1 p.p.	- 1 p.p.		+ 1 p.p.	- 1 p.p.
Financial assets						
Cash	1 556 085	15 561	(15 561)	1 066 735	10 667	(10 667)
Financial assets measured at fair value through profit or loss	298 199	2 982	(2 982)	423 677	4 237	(4 237)
Impact on profit/loss before tax		**18 543**	**(18 543)**		**14 904**	**(14 904)**
19% tax		(3 523)	3 523		(2 832)	2 832
Impact on profit/loss after tax		**15 020**	**(15 020)**		**12 072**	**(12 072)**
Financial liabilities						
Loans, borrowings and debt securities	(842 557)	(8 426)	8 426	(74 840)	(748)	748
Finance lease liabilities	(4 724)	(47)	47	(7 742)	(77)	77
Financial liabilities measured at fair value through profit or loss	(364)	(4)	4	(14)	(0)	0
Impact on profit/loss before tax		**(8 477)**	**8 477**		**(825)**	**825**
19% tax		1 611	(1 611)		157	(157)
Impact on profit/loss after tax		**(6 866)**	**6 866**		**(668)**	**668**
Total		**8 154**	**(8 154)**		**11 404**	**(11 404)**

28.7. Capital management

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

28.8. Fair value

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

	31.12.2013		31.12.2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term financial assets available for sale (shares in unrelated parties)	61 761	61 761	66 735	66 735
Non-current financial assets measured at fair value through profit or loss	1 860	1 860	1 504	1 504
Current financial assets held to maturity	45	45	5 135	5 135
Current financial assets measured at fair value through profit or loss	296 339	296 339	422 173	422 173
Trade and other receivables	1 273 518	(*)	1 281 517	(*)
Cash and cash equivalents	1 573 195	1 573 195	1 095 495	1 095 495
Loans, borrowings and debt securities	842 557	842 557	74 840	74 840
Finance lease liabilities	4 724	4 724	7 742	7 742
Trade and other liabilities	1 039 714	(*)	1 030 771	(*)
Financial liabilities measured at fair value through profit or loss	364	364	14	14

(*) - According to the Group's estimates the fair value of trade and other receivables and trade and other liabilities does not differ considerably from the carrying amount.

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

Financial assets available for sale include shares in unrelated parties for which the ratio of interest in capital to the nominal value is lower than 20%. The fair value of listed assets is estimated using a discounted cash flows method. The fair value of not listed assets is estimated on the basis of quotations in the active market.

Long-term financial assets measured at fair value through profit or loss include units in the "Pioneer" Investment Fund. Their fair value was measured at the market price of participation units, whereas its changes in the financial period recognized in profit or loss.

Short-term financial assets measured at fair value through profit or loss include an investment portfolio managed by a company specialized in professional fund management (Note 22) and forward contracts. The fair value of the investment portfolio is estimated based on market quotations, while that of forward contracts is determined based on applicable currency rates and market interest rates curves. Current financial assets held to maturity include bank deposits with the original maturity from 3 months to 1 year.

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

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

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

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

	31.12.2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss				
Non-derivative financial assets held for trading	298 199	-	-	298 199
Financial assets available for sale				
Listed equity instruments	61 236	-	-	61 236
Not listed equity instruments	-	-	525	525
Total	**359 435**	**-**	**525**	**359 960**
Financial liabilities measured at fair value through profit or loss				
Forward contracts	(364)	-	-	(364)
Total	**(364)**	**-**	**-**	**(364)**

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

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

Reconciliation of Level 3 items:

	Financial assets available for sale
Balance as at 1 January 2013	**533**
Profit/(Loss)	22
Disposal of financial asset	(30)
Balance as at 31 December 2013	**525**
Balance as at 1 January 2012	**19 914**
Disposal of financial asset	(19 381)
Balance as at 31 December 2013	**533**

29. Finance lease liabilities

	31.12.2013	**31.12.2012**
Finance lease liabilities – minimum lease payments		
Up to 1 year	2 940	3 494
1 – 5 years	1 784	4 248
Present value of lease payments	**4 724**	**7 742**

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

	31.12.2013	**31.12.2012**
Financial liabilities measured at fair value through profit or loss		
Forward contracts (EUR)	(364)	(14)
Total	**(364)**	**(14)**

31. Deferred income tax

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

	31.12.2013	**31.12.2012**
Deferred tax asset	527 651	475 657
Set off of tax at the level of taxable entities	(346 248)	(300 576)
Deferred tax asset disclosed in the statement of financial position	**181 403**	**175 081**
Deferred tax provision	566 624	538 487
Set off of tax at the level of taxable entities	(346 248)	(300 576)
Deferred tax asset disclosed in the statement of financial position	**220 376**	**237 911**

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

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

Deferred tax assets

	Receivables allowance	Liabilities due to employee benefits	Settlement of revenue from connection fees	Provision for the costs of redemption of certificates of origin	Grants	Provision for disposal, reclamation and purchase of CO_2 emissions rights	Expenses deductible from taxable base after the end of the settlement period	Other	Total
Balance as at 1 January 2012 – 19% rate	**3 859**	**117 491**	**97 491**	**46 885**	**33 111**	**2 089**	**56 472**	**52 133**	**409 531**
Amount recognized in the profit/loss due to a change in temporary differences	917	2 571	(2 798)	(2 652)	(4 353)	19 694	20 909	20 014	54 302
Change recognized in other comprehensive income	-	11 568	-	-	-	-	-	256	11 824
Balance as at 31 December 2012 – 19% rate	**4 776**	**131 630**	**94 693**	**44 233**	**28 758**	**21 783**	**77 381**	**72 403**	**475 657**
Amount recognized in the profit/loss due to a change in temporary differences	(236)	11 189	(3 056)	7 181	(9 519)	2 478	10 796	38 577	57 410
Change recognized in other comprehensive income	-	(5 416)	-	-	-	-	-	-	(5 416)
Balance as at 31 December 2012 – 19% rate	**4 540**	**137 403**	**91 637**	**51 414**	**19 239**	**24 261**	**88 177**	**110 980**	**527 651**

Deferred tax liabilities

	Income taxable after the end of the accounting period	Accrued unbilled sales	Fair value measurement of fixed assets	Other	Total
Balance as at 1 January 2012 – 19% rate	**73 600**	**41 133**	**361 325**	**38 739**	**514 797**
Amount recognized in the profit/loss due to a change in temporary differences	22 566	6 854	(7 291)	(1 408)	20 721
Change recognized in other comprehensive income	-	-	-	2 969	2 969
Balance as at 31 December 2012– 19% rate	**96 166**	**47 987**	**354 034**	**40 300**	**538 487**
Amount recognized in the profit/loss due to a change in temporary differences	5 311	5 330	17 343	1 319	29 303
Change recognized in other comprehensive income	(223)	-	-	(943)	(1 166)
Balance as at 31 December 2012 – 19% rate	**101 254**	**53 317**	**371 377**	**40 676**	**566 624**

The Group has no unrecognized deferred tax assets and liabilities

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

32. Liabilities due to employee benefits

	31.12.2013	31.12.2012
Defined benefit plans:		
Retirement benefits		
- long-term portion	70 701	77 787
- short-term portion	10 641	14 437
	81 342	**92 224**
Right to energy allowance after retirement		
- long-term portion	166 950	197 907
- short-term portion	8 273	8 590
	175 223	**206 497**
Appropriation to the Company's Social Benefits Fund for pensioners		
- long-term portion	29 792	32 508
- short-term portion	1 034	1 126
	30 826	**33 634**
Total: Defined benefit plans		
- long-term portion	**267 443**	**308 202**
- short-term portion	**19 948**	**24 153**
	287 391	**332 355**
Other non-current liabilities due to employee benefits		
Jubilee bonuses		
- long-term portion	207 425	219 451
- short-term portion	27 774	23 039
	235 199	**242 490**
Salaries and wages and other liabilities		
- long-term portion	1 369	14 858
- short-term portion	124 976	130 215
	126 345	**145 073**
Provision for Voluntary Redundancy Programme		
- short-term	98 111	-
Total liabilities due to employee benefits		
- long-term portion	**476 237**	**542 511**
- short-term portion	**270 809**	**177 407**
	747 046	**719 918**

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

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

The present value of the related future liabilities has been measured using actuarial methods. Calculations were made using basic individual data for the Group employees as at 31 December 2013 (taking into account their gender) regarding:

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

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

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

- the value of minimum remuneration in the Polish economy since 1 January 2014 was assumed at PLN 1 680.00;
- pursuant to announcements of the Chairman of the Central Statistical Office, the average salary in the Polish economy, less premiums for retirement, pension and health insurance paid by the insured was assumed at PLN 2 917.14 (average amount assumed for the second half of 2010, which will constitute the basis for calculating the appropriation to the Company's Social Benefits Fund in 2013 under the amendment to the Act on Company Social Benefits Fund dated 8 November 2013);
- under the assumptions defined by the management of the Group, the growth of the average salary in the Polish economy was assumed at 16% in 2014, 3.7% in 2015, 4.2% in 2016 and 5.0% in the remaining period of the projection,
- mortality rate and the probability of receiving benefits were adopted in line with the 2012 Life Expectancy Tables published by the Central Statistical Office;
- the value of the provision for disability benefits was not determined separately but the individuals receiving disability allowance were not taken into consideration in calculating the employee turnover ratio;
- standard retirement age was assumed under particular regulations of the Act of Pension, excluding these employees, which fulfill the conditions expected to earlier retirement;
- the long-term pay rise rate was adopted at the level of 2.3% (as at 31 December 2012: 2.7%);
- the interest rate for discounting future benefits was adopted at the level of 4.26% (3.9% as at 31 December 2012);
- the base value of the annual equivalent of the electricity to be paid in 2014 was adopted at the level of PLN 1 452.24 (PLN 1 471.87 as at 31 December 2012);
- as at 31 December 2013 the electricity price growth rate for 2014 was assumed at the level (-)6.5%, for 2015 +16.2% and for 2016 +6.9% , from 2017+2.3% (as at 31 December 2012 assumed for 2013 at the level 2.5%, in 2014 +9.5%, in 2015 +17.1%, in 2016+7.8%)
- distribution charge growth rate for 2014 was adopted at the level of (-)0.30%, for 2015 +0.0%, (as at 31 December 2012 the rate adopted for 2013 was 2.1%, for 2014 +3.8%, for 2015 +2.0%);
- the average growth in the cash equivalent of the electricity allowance was adopted for 2014 at the level of (-)2.9%, for 2015 +10.2%, for 2016 +6.7%, for 2017 +3.9%, in 2018 – 2025 at the level 4.0%, in 2026-2027 at the level 4.1% and in the next years at the level 2.5% (as at 31 December 2012 the increase in 2013 was adopted at the level of 2.3%, for 2014 +7.0%, for 2015 +10.8%, for 2016 +5.8%, in 2017-2026 at the level 3.9% and in the next years at level 2.5%.

To determine the amount of provisions for employee benefits was used the projected unit credit method. The same one was used in analysis of sensitivity for defined benefit plans.

On 17 December 2013 the Management Board of ENEA S.A. adopted a resolution to launch the Voluntary Redundancy Programme (Programme). The Programme is dedicated to Employees:

- employed under a contract of employment no matter the type and nature of their work;

- not being in the period of notice and who have not signed an agreement to terminate the employment contract outside the Programme with a date of an employment contract in the future;
- not being employed on other civil or employment contracts in another entity within ENEA Group as at the date of employment contract termination within the Programme;
- belonging to one of the following groups:

(1) Employees who:

(a) have reached a standard retirement age till 31 December 2013 and did not terminate the employment contract due to retirement (Group no. 1),

(b) will acquire pension rights arising from achieving standard retirement age till 31 December 2014,

(2) Employees who are to achieve the standard retirement age within 3 year inclusive, counting from 31 December 2014 (Group n. 2).

The Programme is valid from 31 January 2014 till 31 March 2014.

Additional Programme is dedicated to Employees of the Group who will be transferred in accordance with article no. 23^1 of Labour Code in connection to created Shared Service Center (IT, financing and accounting and customer service).

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

	Retirement benefits	Right to energy allowance after retirement	Appropriation to the Company's Social Benefits Fund for pensioners	Total
Balance as at 1 January 2013	**92 224**	**206 497**	**33 634**	**332 355**
Changes during 12 months ended 31 December 2013				
Costs recognized in profit or loss, including:	**(4 213)**	**2 189**	**(232)**	**(3 256)**
- current employment costs	3 942	3 545	790	8 277
- post-employment costs	(11 208)	(9 415)	(2 286)	(22 909)
- costs of interests	3 053	8 059	1 264	12 376
Costs recognized in other comprehensive income, including:	**(207)**	**(25 612)**	**(1 512)**	**(27 331)**
- net actuarial losses/(profits) due to adjustments of ex-post assumptions	3 298	5 495	299	9 092
- net actuarial losses/(profits) due to changes in demographic assumptions	2 802	3 055	614	6 471
- net actuarial losses/(profits) due to changes in financial assumptions	(6 307)	(34 162)	(2 425)	(42 894)
Decrease in the liability due to benefits paid	(6 667)	(8 264)	(1 057)	(15 988)
Other decrease	205	413	(7)	611
Total changes	**(10 882)**	**(31 274)**	**(2 808)**	**(44 964)**
Balance as at 31 December 2013	**81 342**	**175 223**	**30 826**	**287 391**

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

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

Other non-current employee benefits	**31.12.2013**	**31.12.2012**
Opening balance	**242 490**	**201 082**
Changes during 12-month period		
Costs recognized in profit or loss, including:	**16 469**	**65 140**
- current employment costs	12 749	10 920
- post-employment costs	(4 590)	12 315
- net actuarial losses/(profits) due to adjustments of ex-post assumptions	4 885	9 379
- net actuarial losses/(profits) due to changes in demographic assumptions	6 386	1 535
- net actuarial losses/(profits) due to changes in financial assumptions	(11 557)	20 477
- costs of interests	8 596	10 514
Decrease in the liability due to benefits paid	(23 478)	(23 319)
Other changes	(282)	(413)
Total changes	**(7 291)**	**41 408**
Closing balance	**235 199**	**242 490**

Sensitivity analysis for defined benefit plans

	Actuarial assumptions change impact on the liabilities due to defined benefit plans	
	+ 1 p.p.	**- 1 p.p.**
Defined benefit plans		
Discount rate	(35 872)	44 654
Anticipated rise in the salaries and wages	14 810	(12 234)
Average rise in the cash equivalent of the electricity allowance	27 493	(22 362)

Maturity of liabilities due to defined benefit plans

The weighted average duration of liabilities due to defined benefit plans (in years)	**31.12.2013**	**31.12.2012**
Retirement benefits	15,7	15,5
Right to energy allowance after retirement	16,1	15,1
Appropriation to the Company's Social Benefits Fund for pensioners	17,6	16,9

33. Provisions for liabilities and other charges

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

	31.12.2013	**31.12.2012**
Long-term	407 735	247 724
Short-term	443 260	375 864
Closing balance	**850 995**	**623 588**

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

Change in provisions for liabilities and other charges

for the period ended 31 December 2013

	Provision for non-contractual use of land	Provision for projected losses due to compensation proceedings	Provision for land reclamation	Provision for the environmental fee	Provision for certificates of origin	Provision for CO_2 emissions rights	Other	Total
Opening balance	**159 861**	**23 695**	**24 648**	**2 098**	**236 083**	**90 361**	**86 842**	**623 588**
Reversal of discount and discount rate change	-	-	(2 968)	-	-	-	-	(2 968)
Increase in provisions	42 508	196	9 023	710	372 165	105 149	155 174	684 925
Provisions applied	(4 144)	(48)	(239)	(1 704)	(324 541)	(90 361)	(5 627)	(426 664)
Unused provision reversed	(11 309)	(1 772)	-	(710)	(9 064)	-	(5 031)	(27 886)
Closing balance	**186 916**	**22 071**	**30 464**	**394**	**274 643**	**105 149**	**231 358**	**850 995**

for the period ended 31 December 2012

	Provision for non-contractual use of land	Provision for projected losses due to compensation proceedings	Provision for land reclamation	Provision for the environmental fee	Provision for certificates of origin	Provision for CO_2 emissions rights	Other	Total
Opening balance	**99 262**	**26 508**	**9 856**	**2 094**	**247 147**	**84 694**	**68 422**	**537 983**
Reversal of discount and discount rate change	-	-	13 781	-	-	-	-	13 781
Increase in provisions	128 570	27 348	2 076	2 706	434 108	90 361	48 092	733 261
Provisions applied	(32 733)	(1 043)	(1 065)	(2 702)	(444 437)	(81 858)	(22 445)	(586 283)
Unused provision reversed	(35 238)	(29 118)	-	-	(735)	(2 836)	(7 227)	(75 154)
Closing balance	**159 861**	**23 695**	**24 648**	**2 098**	**236 083**	**90 361**	**86 842**	**623 588**

Provisions for liabilities are determined in reasonable, reliably estimated amounts. Individual provisions are recognized for projected losses related to court action brought against the Group. The amount recognized as a provision is the best estimate of the expenditure required to settle a claim. The cost of provisions is recognized under other operating expenses. A description of material claims and the related contingent liabilities has been presented in Notes 50.2, 50.5 and 50.6.

Provisions for liabilities and other charges include mainly:

Provision for non-contractual use of land

Provision for claims of persons holding possession of real properties, arising out of non-contractual use of land. The provision for claims concerning non-contractual use of real properties is valuated according to so-called staged approach and weighting, i.e. the probability of losing the dispute and necessity to fulfil the claim. In 2013, ENEA Group - in relation to, inter alia, the draft Transmission Corridors Act - estimated and included in the value of the provision the damages for non-contractual use of the real properties on which the grid assets are located (power lines), for which no claims have yet been presented as at the reporting date.

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

Provision for land reclamation

After closing or filling a slag and ash dump, the Group is obliged to carry out appropriate land reclamation. As the Group has large unfilled dumps, land reclamation is planned for 2060. Future estimated costs of land reclamation were discounted to their current value using a discount rate of 4.26% (as at 31 December 2012 it was 3.9%).

As at 31 December 2013 the provision amounted to PLN 30 464 thousand (as at 31 December 2012 it was PLN 24 648 thousand).

Provision for purchasing CO_2 emissions rights

As at 31 December 2013 the provision for CO_2 emissions rights amounted to PLN 105 149 thousand (as at 31 December 2012 it was PLN 90 361 thousand). The details related to CO_2 emission rights have been presented in Note 18.

Other provisions

Other provisions consists mainly of the provision for potential liabilities related with electricity infrastructure and resulting from differences in interpretation of laws and regulations (as at 31 December 2013: PLN 214 591 thousand, as at 31 December 2012: PLN 66 919 thousand) and costs of using forest lands managed by State Forests.

34. Net sales revenue

	01.01.2013 -31.12.2013	**01.01.2012 - 31.12.2012**
Revenue from sales of electricity	5 832 788	6 768 335
Revenue from sales of distribution services	2 833 784	2 813 446
Revenue from sales of goods and materials	84 333	127 603
Revenue from sales of other services	142 240	129 573
Revenue from sales of CO_2 emission rights	52 844	32 849
Revenue from sales of certificates of origin	14 236	62 225
Compensation to cover stranded costs	964	(21 647)
Revenue from sales of heat	189 331	178 966
Total net sales revenue	**9 150 520**	**10 091 350**

35. Costs by type

	01.01.2013 - 31.12.2013	**01.01.2012 - 31.12.2012**
Amortization and depreciation	(761 759)	(749 737)
Costs of employee benefits	**(1 036 215)**	**(1 009 467)**
- salaries and wages	(782 860)	(753 756)
- social security and other benefits	(253 355)	(255 711)
Consumption of materials, raw materials, value of goods and materials sold	**(1 753 573)**	**(1 909 695)**
- consumption of materials and energy	(1 658 646)	(1 743 443)
- bonus from suppliers	-	267
- cost of goods and materials sold	(94 927)	(166 519)
Cost of energy purchased for sale	(3 303 371)	(4 097 265)
External services	**(1 019 216)**	**(1 148 787)**
- transmission services	(599 170)	(714 451)
- other external services	(420 046)	(434 336)
Taxes and charges	(244 240)	(224 857)
Total costs of products, goods and materials sold, costs of sales and marketing and general and administrative costs	**(8 118 374)**	**(9 139 808)**

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

36. Costs of employee benefits

	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Payroll expenses, including:	**(782 860)**	**(753 756)**
- current salaries and wages	(685 079)	(696 705)
- jubilee benefits	(4 504)	(51 551)
- retirement benefits	7 182	2 227
- other	(100 459)	(7 727)
Social security and other benefits	**(253 355)**	**(255 711)**
- Social Security premiums	(141 031)	(146 690)
- appropriation to the Company's Social Benefits Fund	(25 096)	(29 840)
- other social benefits	(63 831)	(54 454)
- other post-employment benefits	(11 264)	(11 330)
- other	(12 133)	(13 397)
Total	**(1 036 215)**	**(1 009 467)**

Employment guarantees

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

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

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

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

Other payroll expenses

Other payroll expenses consist of the provision for Voluntary Redundancy Programme. The rules related to the provision are presented in Note 32.

37. Other operating revenue and expense

Other operating revenue

	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Release of provisions for damages claims	11 256	2 032
Release of other provisions	898	9 239
Reimbursement of expenses by an insurance company	3 196	4 603
Settlement of income due to subsidies and connection fees	20 534	15 978
Damages, fines, penalties	10 906	17 945
Reversal of unused impairment losses	24 951	15 274
Fixed assets received free of charge	25 482	23 130
Other operating revenue	27 864	19 958
Total	**125 087**	**108 159**

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

Other operating expenses

	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Cost of provisions for damages	(32 858)	(59 460)
Cost of other provisions	(157 004)	(47 496)
Impairment loss on receivables	(15 251)	(16 423)
Write-off of irrecoverable receivables	(2 200)	(7 071)
Impairment loss on inventories	(1 594)	(6 626)
Costs of court proceedings	(7 387)	(5 722)
Trade union related expenses	(1 542)	(1 546)
Damages for non-contractual use of property	(4 144)	(35 468)
Other operating expenses	(26 974)	(41 054)
Total	**(248 954)**	**(220 866)**

38. Financial revenue

	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Interest income	76 886	134 132
- bank accounts and deposits	37 567	81 141
- other loans and receivables	16 321	6 081
- other interest income	22 998	46 910
Foreign exchange differences	1 064	7
-realized foreign exchange differences – hedging	371	-
-accrued foreign exchange differences - hedging	662	-
-other foreign exchange differences	31	7
Change in fair value of financial instruments	-	2 594
Other financial revenue	10 194	11 913
Total	**88 144**	**148 646**

39. Financial expenses

	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Interest expense	(11 283)	(15 131)
- interest expense on loans and credit facilities	(6 822)	(5 134)
- finance lease expenses	(47)	(379)
- other interest	(4 414)	(9 618)
Exchange differences	(2 304)	(17 828)
- exchange differences on credit facilities and loans	(1 009)	1 325
- other exchange differences	(1 295)	(19 153)
Costs of discounted liabilities due to employee benefits	(19 573)	(38 445)
Change in the fair value of financial instruments	(9 873)	(10 922)
Other financial expenses	(1 788)	(1 807)
Total	**(44 821)**	**(84 133)**

40. Income tax

	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2013
Current tax	(257 974)	(227 478)
Deferred tax (Note 33)	28 107	35 035
Total	**(229 867)**	**(192 443)**

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

	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Profit/(loss) before tax	945 231	886 509
Tax at a 19% rate	**(179 594)**	**(168 437)**
Non-deductible costs *19%	(19 486)	(28 605)
Long-term contracts on the sale of power and electricity	(7 710)	-
Non-taxable revenue *19%	2 242	6 738
Unrecognized deferred tax asset from tax losses in subsidiaries	(14 398)	-
Other *19%	(10 921)	(2 139)
Amount charged to profit or loss due to income tax	**(229 867)**	**(192 443)**

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

41. Dividend

A decision regarding the payment of dividend for the financial year shall be made by General Shareholders Meeting in 2014. The Management Board intends to propose using 30% of 2013 separate profit of ENEA S.A. for the dividend payment.

On 24 June 2013 the General Shareholders' Meeting of ENEA S.A. adopted resolution no. 7 concerning net profit distribution for the financial period from 1 January 2012 to 31 December 2012 whereby the dividend for the shareholders amounted to PLN 158 919 thousand. Dividend per share amounted to PLN 0.36 (dividend paid during 2012 for the financial year 2011 amounted to PLN 211 892 thousand, i.e. PLN 0.48 per share). The dividend had been fully paid to the shareholders before the end of the reporting period. The payment of the dividend to shareholders was decreased by income tax on capital gains.

42. Earnings per share

	01.01.2013 - 31.12.2013	**01.01.2011 - 31.12.2012**
Net profit attributable to shareholders of the Parent	715 368	699 673
Number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	**1.62**	**1.58**
Diluted earnings per share (in PLN)	**1.62**	**1.58**

43. Related party transactions

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

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

Transactions with members of the Group's governing bodies:

	Management Board of the Company		**Supervisory Board of the Company**	
Item	**01.01.2013 - 31.12.2013**	**01.01.2012 - 31.12.2012**	**01.01.2013 - 31.12.2013**	**01.01.2012 - 31.12.2012**
Remuneration under managerial contracts and consultancy agreements	6 709	3 151	-	-
Remuneration relating to appointment of members of supervisory bodies	23	514	393	378
Remuneration due to other employee benefits (electricity allowance)	33	108	-	-
TOTAL	**6 765**	**3 773**	**393**	**378**

As at the end of the reporting period the liabilities resulting from managerial contracts and consultancy agreements to the members of the Management Board of the Parent amount to PLN 675 thousand.

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

The provision for bonuses to the members of the Management Board of the Parent Unit amount as at 31 December 2013 PLN 2 191 thousand.

The increase in remuneration under managerial contracts and consultancy agreements in 2013 in comparison to 2012 is attributable to remuneration under non-competition agreements to the former Management Board of the Parent. Changes in composition of the Parent's Management Board have been presented in Note 1.2.

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

Governing body	**Balance as at 01.01.2013**	**Granted from 01.01.2013**	**Repaid till 31.12.2013**	**Balance as at 31.12.2013**
Supervisory Board	21	10	(4)	**27**
TOTAL	**21**	**10**	**(4)**	**27**

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

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

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

The transactions concern mainly:

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

Such transactions are concluded under arm's length terms and their conditions do not differ from those applied in transactions with other entities. The Group does not keep a register which would allow it to aggregate the values of all transactions with state institutions and entities whose shares are held by the State Treasury. One of the most important buyers of the ENEA Group among entities controlled by the State Treasury is Polskie Sieci Elektroenergetyczne S.A. with the net sales amounted to PLN 167 409 thousand (in 2012 it was Kompania Węglowa S.A. PLN 135 209 thousand). The biggest supplier of ENEA Group among entities controlled by the State Treasury is Polskie Sieci Elektroenergetyczne Group with the purchases amounting to PLN 684 357 thousand (in 2012 PLN 800 949 thousand).

44. Concession arrangements on the provision of public services

The key business activities carried out by the Group include generation, distribution and trading in electricity. In line with the provisions of the Energy Law, on 26 November 1998 the Parent obtained the following two concessions to carry out its business activities:

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

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

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

On 12 September 2013 **ENEA S.A.** received a concession for trading in gaseous fuels from the President of Energy Regulatory Office. The concession will be valid from 1 January 2014 till 31 December 2030. The company plans to start retail sales of natural gas in 2014.

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

Concession for electricity production:
• Concession of 31 August 2007 for production of electricity in devices of total installed capacity amounting to 2,845 MW (concession valid till 31 December 2025)

Concession for trading in electricity:
• Concession of 21 December 2012 involving trading of electricity for the needs of consumers located on the territory of the Republic of Poland (concession valid till 31 December 2030).

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

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

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

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

Elektrociepłownia Białystok S.A. (now ENEA Wytwarzanie S.A.) has the following concessions:

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

MEC Piła Sp. z o.o. and **PEC Sp. z o.o.** with headquarter in Oborniki have a concessions for generation, transmission and distribution of heat till 31 December 2025.

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

ENEA Wytwarzanie S.A. applied for the advance in the amount of PLN 18,000 thousand to cover stranded costs in 2013. Till 31 December 2013 Zarządca Rozliczeń S.A. made an advance payment for the whole 2013 year. During the period from January to December 2013, income from compensation of stranded costs for 2013 have not been recognized, except for the amount of PLN 964 thousand resulting from the ruling of 10 April 2013 related to 2009.

For 2014 ENEA Wytwarzanie S.A. applied for advance in the amount of PLN 17,000 thousand.

On 10 April 2013, hearing concerning determination of stranded costs compensation for ENEA Wytwarzanie S.A. for 2009 was held at the Court of Appeal in Warsaw. The Court of Appeal partly considered the appeal of the President of Energy Regulatory Office (URE) to the judgment of Court for Competition and Consumer Protection (SOKiK) of 27 June 2012. The Court of Appeal reversed the judgment under appeal in this way, that it determined the amount of the annual adjustment to be PLN 16,544 thousand, i.e. at the higher of PLN 964 thousand than the amount set out in the decision of the President of Energy Regulatory Office (URE). The Court of Appeal did not approve a substantial part of the annual adjustment determined in the judgment of the District Court. On 13 May 2013 Zarządca Rozliczeń S.A. made a payment of PLN 964 thousand. The judgment is legally binding. On 30 October 2013 ENEA Wytwarzanie S.A. filed cassation appeal.

On 10 July 2013 the Court of Appeal announced the ruling on LTC for 2008. Pursuant to that ruling, the Court refused the appeal of the President of URE against the ruling of the Regional Court of 20 April 2012. The President of URE's decision was amended as legally binding and was determined as PLN (-) 4 192 thousand instead of original amount of PLN (-) 89 537 thousand. The sentence means that all substantial allegations included in the appeal against the decision of the President of URE had been considered. On 24 July 2013

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

ENEA Wytwarzanie S.A. received a payment of PLN 40,577 thousand from Zarządca Rozliczeń S.A. In January 2014 the President of URE filed cassation appeal.

On 5 August 2013 ENEA Wytwarzanie S.A. received the decision of the President of Energy Regulatory Office determining the stranded costs compensation for 2012 to be returned to Zarządca Rozliczeń S.A. amounting to PLN 17,687 thousand until 30 September 2013. On 14 August 2013 ENEA Wytwarzanie S.A. appealed the decision of the President of Energy Regulatory Office to the Court for Competition and Consumer Protection, the Regional Court in Warsaw applying suspension of decision enforcement until the case is decided. On 9 September 2013 the Court for Competition and Consumer Protection, the Regional Court in Warsaw decided to suspend execution of the decision of the President of Energy Regulatory Office dated 30 July 2013 determining the annual stranded costs adjustment until the case is decided. On 13 January 2014 the Court for Competition and Consumer Protection, the Regional Court in Warsaw, after the hearing issued a judgment determining the amount of the annual adjustment for 2010 to be PLN (+) 78 640 thousand, i.e. at the higher of PLN 76 168 thousand than the amount set out in the decision. The court upheld the appeal in its entirety in its original version. The judgment is not legally binding and it is subject to an appeal.

The date of the hearing related to annual adjustment for the year 2011 has been set for 19 March 2014, whereas the date of the hearing related to annual adjustment for 2012 has not been determined.

46. Future payments due to the right of perpetual usufruct acquired for a consideration and free of charge as well as lease, rental and operating lease agreements

The future liabilities arising from the right of perpetual usufruct (according to 2013 charges) apply to the remaining term of agreements for the use of land (40-99 years). They are recognized in accordance with IFRS EU as operating leases, where the Group acts as a lessee:

	31.12.2013	**31.12.2012**
Up to 1 year	4 807	4 464
1 – 5 years	20 736	19 606
Over 5 years	345 689	329 365
	371 232	**353 435**

Future liabilities arising from rental and operating lease agreements:

	31.12.2013	**31.12.2012**
Up to 1 year	11 518	9 785
1 – 5 years	25 099	27 722
Over 5 years	10 141	10 714
	46 758	**48 221**

Perpetual usufruct and lease and rental expenses recognized in period:

	2013	**2012**
Perpetual usufruct of land	4 464	4 078
Lease, rental and operating lease agreements	9 785	8 594

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

Operating lease payments recognized in expenses

	31.12.2013	31.12.2012
Minimum lease payments	(7 784)	(8 431)
Revenue from sub-lease (-)	(6)	3
	(7 790)	**(8 428)**

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

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

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

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

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

	31.12.2013	31.12.2012
Acquisition of property, plant and equipment	5 026 671	5 516 356
Acquisition of intangible assets	9 300	62 473
	5 035 971	**5 578 829**

48. Employment

	12 months ended 31.12.2013	12 months ended 31.12.2012
Blue-collar positions	4 980	5 140
White-collar positions	5 026	4 986
TOTAL	**10 006**	**10 126**

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

49. Explanations of the seasonal and cyclical nature of the Group’s business

The seasonality of electricity consumption by the recipients depends on low temperature and shorter days in winter. These factors are becoming less of an impact on sales volumes of energy by ENEA S.A. due to the very high dynamics of the seller, especially among customers in tariff groups A and B, and also in the segment of customers connected to the low voltage (tariff groups C and G). The process of switching will have in the near future more and more influence on the share of sales of the various periods of the year, and increasingly irrelevant will be seasonal consumption by customers.

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

50.1. Sureties and guarantees

In 2013 ITSERWIS Sp. z o.o. issued a guarantee for a benefit of Financial Supervision Commission as collateral of proper performance of a contract. The amount of the guarantee amounts to PLN 125 thousand. PEC Sp. z o.o. issued a guarantee for a benefit of the National Fund for Environmental Protection and Water Management in Poznań. The amount of guarantee is PLN 2 860 thousand.

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

50.2. Pending proceedings before courts of general jurisdiction

Actions brought by the Group

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

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

As of 31 December 2013, the total of 8 780 cases brought by the Group were pending before common courts for the total amount of PLN 108 164 thousand (13 384 cases for the total amount of PLN 70 979 thousand as at 31 December 2012).

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

Actions brought against the Group

Actions against the Group are brought both by natural and legal persons. They mainly refer to such issues as compensation for interrupted delivery of electricity, identification of illegal electricity consumption and compensation for the Group's use of real property where electrical devices are located. The Group considers actions concerning non-contractual use of real property not owned by the Group as particularly important (Note 50.5).

As at 31 December 2013 there were 1 589 cases pending before common courts which have been brought against the Group for the total amount of PLN 251 977 thousand (1 102 cases for the total amount of PLN 176 262 thousand as at 31 December 2012). Provisions related to the court cases have been presented in Note 33.

50.3. Arbitration proceedings

Actions brought against the Group

As at 31 December 2013, arbitration proceedings were pending, brought by Gestamp Eolica S.A. against ENEA S.A. for payment of damages under the "Joint Development Agreement between ENEA and Gestamp Eolica" dated 25 November 2008. In a judgment of Arbitration Court dated 19 January 2012, payment of the amount of EUR 3 321 926 was adjudicated against ENEA S.A. in favour of Gestamp Eolica S.A., together with the costs of the arbitration proceedings and the costs of representation, amounting to PLN 230 000.

ENEA S.A. appealed against the above mentioned judgment to the Court of Appeal in Poznań which ruled to dismiss the Company's appeal against the Arbitration Court's judgment on 18 September 2013. On 22 November 2013, the Appeals Court in Poznań dismissed ENEA S.A.'s complaint against assignment of immediate enforcement clause to an arbitration court ruling.
A cassation appeal against the judgment of the Court of Appeal in Poznań of 18 September 2013 was brought to the Supreme Court on 18 January 2014 and as at date of these consolidated financial statements it remains unresolved.

Actions brought by the Group
As at 31 December 2013, arbitration proceedings were pending, brought by ENEA S.A. against Equiventus Capital S.A.R.L. for payment of damages in the amount of EUR 171,912.57 pursuant to Annex No. 1 dated 17 April 2012 to the preliminary contract of sale of all shares in Windfarm Polska Sp. z o.o. executed by the above mentioned parties on 25 November 2011, and for payment of the amount of EUR 8,556,735.25 pursuant to the preliminary contract of sale of all shares in Windfarm Polska Sp. z o. o., which is referred to above – Equiventus Capital S.A.R.L. was obliged to repay all the amounts payable by Windfarm Polska Sp. z o.o. to Vestas Poland Sp. z o. o. under civil works contracts. Both claims were referred to the Arbitration Tribunal in Paris and covered by joint proceedings. As at 31 December 2013, above mentioned proceedings remained in the preliminary phase.

50.4. Proceedings before public administration bodies

On 28 December 2009, the President of the Energy Regulatory Office issued a decision on ENEA's failure to comply with the obligation to purchased electricity produced in the energy cogenerated with heat system in the first half of 2007, imposing a fine of PLN 2,150 thousand on the Company. On 20 February 2013 the Court of Appeal dismissed the appeal of the President of the Energy Regulatory Office and upheld the sentence of the Regional Court in Warsaw – the Court of Competition and Consumer Protection from 6 March 2012, which repealed the decision of the President of the Energy Regulatory Office about imposing a fine of PLN 2,150 thousand on the Company. Furthermore, the Court ordered the reimbursement of the costs of the appeal in the amount of PLN 270 from the President of the Energy Regulatory Office to ENEA S.A. The verdict is valid. On 18 June 2013 the President of the Energy Regulatory Office filed cassation appeals against the sentence.

On 27 November 2008, the President of the Energy Regulatory Office issued in 2009 a decision on ENEA's failure to comply with the obligation to purchased electricity produced in the energy cogenerated with heat system in the first half of 2006, imposing a fine of PLN 7,594 thousand on the Company.
On 4 January 2013 ENEA S.A. appealed against the judgment of 10 December 2012.
On 14 October 2013, the Court of Appeal in Warsaw announced a ruling on the above case. Pursuant to that ruling, the Decision of the President of Energy Regulatory Office of 27 November 2008 was amended so that the amount of the fine was decreased from PLN 7,594 thousand to PLN 3,600 thousand. The costs of the proceeding have been endured (neither party is required to pay the costs to the other party). On 24 October

2013 ENEA S.A. transferred the above mentioned amount to the National Fund for Environmental Protection and Water Management.

On 22 January 2013 the Supreme Administrative Court in Warsaw dismissed 6 appeals by ENEA Wytwarzanie against the decision of the Local Government Board of Appeals in Warsaw concerning refusal to confirm and return overpaid excise tax for the months: July 2006, August 2006, March 2006, May 2006, September 2006, June 2006 and as a result of the withdrawal of complaints discontinued 6 complaints of the Director of the Customs Chamber in Warsaw on the amount of excise duties for the months: January 2006, February 2006, March 2006, May 2006, June 2006, July 2006.

On 23 January 2013 the Supreme Administrative Court in Warsaw dismissed 6 appeals by ENEA Wytwarzanie against the decision of the Local Government Board of Appeals in Warsaw concerning refusal to confirm and return overpaid excise tax for the months: January 2006, February 2006, April 2006, October 2006, October 2008, February 2009 and as a result of the withdrawal of complaints discontinued 6 complaints of the Director of the Customs Chamber in Warsaw on the amount of excise duties for the months: September 2007, October 2007, November 2007, January 2007, February 2007, March 2007.

On 24 January 2013 the Supreme Administrative Court in Warsaw dismissed 6 appeals by ENEA Wytwarzanie against the decision of the Local Government Board of Appeals in Warsaw concerning refusal to confirm and return overpaid excise tax for the months: November 2006, July 2007, August 2007, February 2008, March 2008, May 2008 and as a result of the withdrawal of complaints discontinued 6 complaints of the Director of the Customs Chamber in Warsaw on the amount of excise duties for the months: July 2007, August 2007, September 2007, November 2007, December 2007, January 2008.

On 29 January 2013 the Supreme Administrative Court in Warsaw dismissed 10 appeals by ENEA Wytwarzanie against the decision of the Local Government Board of Appeals in Warsaw concerning refusal to confirm and return overpaid excise tax for the months: December 2006, January 2007, February 2007, April 2007, January 2008, April 2008, August 2008, September 2008, November 2008, January 2009 and as a result of the withdrawal of complaints discontinued 2 complaints of the Director of the Customs Chamber in Warsaw on the amount of excise duties for the months: February 2008, April 2008.

On 12 February 2013 the Supreme Administrative Court in Warsaw dismissed 10 appeals by ENEA Wytwarzanie against the decision of the Local Government Board of Appeals in Warsaw concerning refusal to confirm and return overpaid excise tax for the months: March 2007, May 2007, June 2007, September 2007, October 2007, November 2007, December 2007, June 2008, July 2008, December 2008 and as a result of the withdrawal of complaints discontinued 2 complaints of the Director of the Customs Chamber in Warsaw on the amount of excise duties for the months: April 2006, December 2006.

With a decision dated 5 November 2013, the Head of the Radom Customs Office informed that resolution on procedures for determining the excise tax liability for the months: August 2006, April 2007, May 2007, June 2007 and October 2007 would be issued till 31 March 2014.

On 20 January 2011 ENEA Wytwarzanie S.A. (then Elektrownia „Kozienice" S.A.) applied for reinstatement the deadline to declare the amount of electricity consumed in the production of electricity process in December 2010, which is exempted from excise duty.

On 3 February 2011 The Head of the Radom Custom Office refused the reinstatement the deadline to forward the abovementioned declaration.

As a result of a complaint filed the Director of the Customs Chamber in Warsaw with a decision of 31 July 2013 reversed the aforementioned decision of 3 February 2011 and remanded the case for reconsideration to the Head of the Radom Custom Office.

With a decision of 20 February 2013 the Head of the Radom Custom Office discontinued the proceeding on reinstatement the deadline to declare the amount and use of electricity consumed in the production of electricity process in December 2010, which is exempted from excise duty.

On 20 March 2013 a law firm acting on behalf of ENEA Wytwarzanie S.A. filed an appeal against the aforementioned decision. The appeal has not been examined till the date of these consolidated financial statements.

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

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

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

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

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

ENEA Group recognized also provision for the compensations for non-contractual use of the real properties on which the grid assets are located (power lines), in connection to transmission corridors and transmission easements on the above mentioned real properties.

As at 31 December 2013 the Group recognized the provision for non-contractual use of land in the amount of PLN 186 916 thousand.

50.6. Court proceedings to establish the ineffectiveness of withdrawal from the contract with Infovide-Matrix S.A.

On 20 September 2013 ENEA SA withdrew from the implementation contract for the construction and implementation of the Customer Service Information System including billing system and CRM system concluded on 18 September 2012 with Infovide-Matrix S.A. As a reason for withdrawal ENEA S.A. pointed to a breach of contract by Infovide-Matrix S.A. On 25 October 2013 Infovide-Matrix SA filed a lawsuit to determine that the statement of ENEA SA dated 20 September 2013 on the withdrawal from the contract is ineffective, demanding the execution of the contract. The agreement amounted to PLN 59 781 thousand No dates of court hearings have been determined yet..

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

On 4 July 2012 the Company signed a framework agreement on the exploration for and extraction of shale gas (the "Agreement").

The parties of the Agreement are ENEA S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A.

The subject of cooperation of the Parties will be the exploration, evaluation and extraction of shale gas in geological formations for which concessions have been granted for the exploration and evaluation of deposits of crude oil and natural gas in relation to the Wejherowo concession granted to PGNiG.

Under the Wejherowo concession, the cooperation will cover the area of approximately 160 km^2 (Area of Cooperation). The agreement also provides for the preferences for the Parties to interaction in the remaining area of Wejherowo concession (except for situations when PGNiG explores, evaluates and extracts of shale gas individually and except for the area on which PGNiG has already begun the exploration near Opalino and Lubocino). Estimated expenditures on exploration, evaluation and extraction with respect to the first three zones (Kochanowo, Częstkowo and Tępcz pads) within the Area of Cooperation are projected to be in the amount of PLN 1.72 bln. In the third quarter of 2013 the Parties continued to work on the terms of agreement and to analyse the business and tax conditions of the cooperation.

On 31 December 2013 a framework agreement on the exploration for and extraction of shale gas signed on 4 July 2012 between Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and ENEA S.A. expired.

52. The participation in the construction of the nuclear power plant programme

On 5 September 2012 ENEA S.A. (ENEA), PGE Polska Grupa Energetyczna S.A. (PGE), TAURON Polska Energia S.A. (TAURON) and KGHM Polska Miedź S.A., have signed a letter of intent concerning the purchase of shares in the first special purpose vehicle, established for the construction and operation of the first nuclear power plant in Poland. In accordance with the letter the companies will undertake the development of a draft agreement for the purchase of shares of PGE EJ 1 Sp. z o.o., a special purpose vehicle, which is responsible for the direct preparation of the investment process of the construction and operation of the first nuclear power plant in Poland. The agreement is to regulate the rights and obligations of each party by the realization of the project, assuming that PGE will act, directly or through a subsidiary, as a leader in the process of the project preparation and realization. On 28 December 2012 the Parties to the letter of intent agreed to extend its validity period till 31 March 2013.

On 25 June 2013 ENEA, KGHM, PGE and TAURON concluded an Agreement on continuation of development of a draft agreement for the purchase of PGE EJ1 (Agreement), which was announced in the Current Report No. 28/2013 dated 26 June 2013.

On 23 September 2013 ENEA, KGHM, PGE and TAURON, as a result of working out the draft agreement for the purchase of shares in the special purpose vehicle for the construction and operation of nuclear power plant, initialed the Agreement of Shareholders. Thus, the Parties agreed that the initialed document constitutes the draft of the prospective Agreement of Shareholders to be signed once corporate approvals of each Party are obtained. The Agreement of Shareholders will commit the Parties to conclude a purchase agreement of shares in PGE EJ1 ("Share Purchase Agreement"). In accordance with the Agreement, PGE will sell a block of 438,000 shares representing 30% of PGE EJ1 share capital to other Parties of the Agreement, and as a result PGE will own 70% of shares of PGE EJ1. The shares will be purchased in the following way:

- ENEA S.A. will purchase 146,000 shares which represents 10% of share capital of PGE EJ1,
- KGHM Polska Miedź S.A will purchase 146,000 shares which represents 10% of share capital of PGE EJ1,
- TAURON Polska Energia S.A. will purchase 146,000 shares which represents 10% of share capital of PGE EJ1.

The Agreement of Shareholders also determines the rules of the participation of all Parties in the preparation of the project and construction of nuclear power plant in Poland. PGE and other Parties will be obliged to conclude the Share Purchase Agreement after realization of two precedent conditions:

- obtaining the unconditional approval of the President of the Office for Competition and Consumer Protection for the concentration,
- the adoption of Polish Nuclear Power Programme by the Council of Ministers in 2013.

Despite the failure of the conditions precedent provided in the draft shareholders agreement initialed on 23 September 2013, the parties agreed to continue actions in the project of preparation and construction of a nuclear power plant in Poland and to develop the revised arrangements in the draft Share Purchase Agreement.

53. Signing of the Loan Agreement with European Investment Bank

On 18 October 2012 ENEA S.A. (Debtor) executed a Bank Loan Agreement (Agreement) with European Investment Bank (Bank) for the value of PLN 950 million or its equivalent in Euro currency. On 19 June 2013 ENEA S.A. (Debtor) executed a Financial Agreement B (Agreement) with European Investment Bank (Bank) for the value of PLN 475 million or its equivalent in Euro currency. Therefore the total amount of financing granted by the Bank over the last twelve months amounted to PLN 1.425 billion.

The funds from the issue will be designated for financing of long-term investment plan (Programme) for the modernization and extension of power grids of ENEA Operator Sp. z o.o located in north - western Poland. The total value of the Programme is estimated at approximately PLN 3,275.87 million.

The loan should be repaid after maximum of 15 year from the scheduled date of the loan payday. The loan availability period expires on 18 October 2014. The interest rate of the loan can be fixed or floating.

Additionally, on 19 June 2013 ENEA S.A. and ENEA Operator Sp. z o.o. signed an annex to the Agreement on the Programme realization dated 18 October 2012, which settled issues relating the rules of the Programme realization in part based on funds granted by the Bank. The annex updates the rules of the Programme realization due to the increase of the total level of funds granted by the Bank.

As at 31 December 2013 under the agreements with European Investment Bank for a total value of PLN 1.425 billion ENEA S.A. received funds in the amount of PLN 780 million.

On 21 January 2014 ENEA S.A. received the second tranche of a loan from European Investment Bank in the amount of PLN 170 million.

54. Tax Capital Group

On 18 September 2013 ENEA S.A. concluded a Tax Capital Group Agreement (Agreement) named PGK ENEA. The agreement was signed by nine subsidiaries:

- ENEA Operator Sp. z o.o.,
- ENEA Centrum Sp. z o.o.,
- ENEOS Sp. z o.o.,
- ENEA Trading Sp. z o.o.,
- Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o.,
- ENEA Wytwarzanie S.A.,
- Energomiar Sp. z o.o.,
- BHU S.A. and
- Energetyka Poznańska Zakład Transportu Sp. z o.o.

Tax Capital Group has been registered by Tax Office on 16 October 2013. The registration has been made for period of 3 fiscal years from 1 January 2014.

55. Subsequent events

On 13 January 2014 Vattenfall put on sale 82 395 573 shares of ENEA S.A. accounting for 18.67% of the share capital. On 22 January 2014 Vattenfall confirmed that on 15 January 2014 it sold all shares. At the same time Mr. Torbjörn Wahlborg resigned from the position of the Member of the Supervisory Board.

On 28 January 2014 entities being part of ENEA Tax Capital Group concluded agreements on comprehensive bank service with PKO BP S.A. Bank and Pekao S.A. Bank. Within the agreements, ENEA S.A. concluded additional agreements on the overdraft in the amount of PLN 300 million with both banks. At the same time an agreement on the guarantee line in the amount of PLN 100 million with Bank Pekao S.A. has been signed. Above mentioned agreements have been signed for 3 years from the date of signing. The overdraft and the guarantee line will be launched after completion of conditions specified in the agreements.

According to the ENEA Group Corporate Strategy, restructuring actions have been taken for ITSERWIS. A part of this company, which core business is connected with network of authorized PLUS GMS points of sale, will be sold. Other activities of ITSERWIS will be terminated. The next step will be a merger of ITSERWIS with ENEA Centrum Sp. z o.o. The process is planned to be completed in the second half of 2014.