



Other information

to the ENEA S.A. extended
consolidated report for Q3 2012

Poznań, 14th November 2012



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1. Description of the organisation of the ENEA Capital Group

As at 30 September 2012 the Capital Group consisted of the parent company ENEA S.A. ("Company", "Parent Company") and 22 subsidiaries. Moreover, ENEA S.A. held minority interests in 4 companies. Within the ENEA Capital Group ("Group", "ENEA CG"), there are three leading companies: ENEA S.A. (trade in electricity), ENEA Operator Sp. z o.o. (distribution of electricity) and ENEA Wytwarzanie S.A. (generation of electricity), which were joined by a fourth company - ENEA Trading Sp. z o.o. - formerly ELKO Trading Sp. z o.o. (wholesale of electricity). The other entities render supplementary services towards the aforementioned companies.

1.1. Description of changes made within the organisation of the Group

In Q3 2012 the following event occurred affecting the changes within the organisation of the ENEA Capital Group:

- On 17 September 2012 ENEA S.A. purchased 100 per cent of shares of ELKO Trading which trades in electricity, proprietary interests connected with electricity and emission allowances for the account of the ENEA Capital Group. At the same time it performs analytical functions and manages the portfolio of contacts on the wholesale market of electricity. In accordance with the Strategy of the ENEA Capital Group ELKO Trading Sp. z o.o. acts a Centre of responsibility for wholesale within the Group and is the only entity contacting the market and making decisions as to the volume, price and moment of purchases of particular products for other areas of the ENEA Capital Group. The purchased assets do not fulfil the significant asset criterion.
- On 27 September 2012 an Extraordinary General Meeting of Shareholders of ELKO Trading Sp. z o.o. was held which e.g. adopted a resolution regarding the amendment of the Company's Articles of Association including the change of the Company's name from the present to the new name, i.e.: ENEA Trading Sp. z o.o. The change of the Company's name is in line with the adopted brand management strategy for "ENEA" S.A. On 18 October 2012 the change of the company name from ELKO Trading Sp. z o.o. to ENEA Trading Sp. z o.o. was registered in the National Court Register.

1.2. Description of capital investments within the Group

In Q3 2012 the following events occurred which ordered the organisation of the ENEA Capital Group within the capital structure:

- Within the realised process of purchasing the non-controlling interest of Elektrociepłownia Białystok S.A. on 10 August 2012 ENEA S.A. purchased 1 share. The registration of the rights of the shareholder, ENEA S.A., was made on 29 August 2012. In relation to the above the shareholding structure as at 30 September 2012 is as follows: ENEA S.A. holds 1,844,199 shares, and the other shareholders hold 76 shares.
- On 21 August 2012 an Extraordinary General Meeting of Shareholders of Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Spółka z ograniczoną odpowiedzialnością seated in Gronówko was held, during which a resolution was adopted regarding raising of the share capital from the amount of PLN 8,785,000, by PLN 2,265,000, to PLN 11,050,000 in return for a contribution in-kind in the form of rights of perpetual usufruct of the property located in Gorzów Wielkopolski, by ul. Energetyków and ownership rights to the buildings and constructions located on the plots of land and constituting a separate than the land object of ownerships comprising the property. The amendment was registered in the National Court Register on 20 September 2012.
- On 22 August 2012 the Extraordinary General Meeting of Shareholders of Elektrownie Wodne Sp. z o.o. seated in Samociążek adopted a resolution concerning the redemption from net profit of 17 shares of the

Company purchased for redemption from ENEA Centrum S.A. based on the sale-purchase agreement of 3 July 2012. As a result the share capital of Elektrownie Wodne Sp. z o.o. amounts to PLN 239,898,500.00 and is divided into 479,780 shares of PLN 500.00 each, wholly owned by ENEA S.A.

1.3. Description of planned changes within the Group

ENEA S.A. is realising the process aiming at the integration of the generation area in the ENEA Capital Group. The entity integrating the aforementioned area will be ENEA Wytwarzanie S.A. In relation to the integration of the generation area in the ENEA Capital Group activities are performed aiming at gaining of approvals of relevant authorities of companies participating in the process for the shaping (during the first stage of the process) of the holding structure of the generation area. The process consists in the subscription by ENEA S.A. for the shares in the raised share capital of ENEA Wytwarzanie S.A. in consideration for the contribution in kind of all the shares/stock held by ENEA S.A. in the following companies: Elektrociepłownia Białystok S.A., Elektrownie Wodne Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o., Miejska Energetyka Ciepła Piła Sp. z o.o., Dobitt Energia Sp. z o.o., Windfarm Polska Sp. z o.o. and the receivables of ENEA in relation to Windfarm Polska Sp. z o.o.

The date of completion of the aforementioned process is anticipated for 31 December 2012.

2. Description of the ENEA Capital Group's operations

As part of its core activities, the Group is involved in generating, distributing and trading in electricity. The above activities are performed by companies from the Group based on licences granted by the President of the Energy Regulatory Office ("President of ERO"), the body established to carry out regulatory tasks with regard to regulating of the trade in fuels and energy, and to encourage competition in the energy sector. The companies within the Group hold, specifically, the following licences:

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

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

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

2.1. Generation

2.1.1. ENEA Wytwarzanie S.A. (formerly: Elektrownia "Kozienice" S.A.)

The largest producer of electricity in the Group is ENEA Wytwarzanie S.A. (further on: ENEA Wytwarzanie), which joined the Group in October 2007. It is Poland's largest professional hard coal-fired power plant. It comprises 10 updated power units with a total generating capacity of 2,905 MW. The power plant emits low

levels of carbon dioxide (in Q3 2011 it amounted to 877 kg/MWh, and in Q3 2012 it decreased to 851 kg/MWh) and has one of the lowest levels of coal consumption per MWh of generated electricity, which in Q3 2012 was reported at 0.403 Mg/MWh. ENEA Wytwarzanie in Q3 2012 achieved a general gross generating efficiency of 38.8 per cent.

The volume of electricity generated by ENEA Wytwarzanie in particular quarters of 2011 and 2012, in MWh gross is presented in the table below:

Gross electricity generated by the ENEA Wytwarzanie [MWh]		
Period	2011	2012
Q1	2 844 851	2 763 646
Q2	2 976 352	2 810 293
Q3	3 005 476	3 084 796

ENEA Wytwarzanie in Q3 2012 generated 3,084,796 MWh of gross electricity. It is a small increase compared to the same period last year when the generated gross electricity amounted to 3,005,476 MWh.

A small increase in the production in Q3 2012 in comparison with the same period of 2011 is a result of a presently contracted volume of electricity sales and the volume of electricity purchases within trade. What affected the increase in the production in Q3 2012 was also a decreased volume of electricity purchases reported within the Balancing Market in comparison with Q3 2011.

In January 2008 ENEA Wytwarzanie also began generating power from renewable sources by co-firing biomass with conventional fuels (hard coal) thanks to the installation for co-firing of solid biomass with coal for 200 MW units.

in Q3 2012 certificates of origin for energy from renewable sources were recognised in the amount of 127,923 MWh. For comparison Q3 2011 certificates of origin for energy from renewable sources were recognised in the amount of 78,017 MWh.

Respectively, in particular quarters of 2011-2012 the purchases and combustion of biomass are as follows:

Purchase of biomass by ENEA Wytwarzanie [Mg]		
Period	2011	2012
Q1	49 990	67 066
Q2	56 558	73 067
Q3	44 872	73 019

Volume of biomass combusted by ENEA Wytwarzanie [Mg]

Period	2011	2012
Q1	47 503	66 005
Q2	57 002	74 963
Q3	44 094	72 946

The volume of energy generated from renewable sources and cogeneration with division into certificates in ENEA Wytwarzanie in particular quarters of 2011-2012 was as follows:

Energy from RES Green certificates [MWh]*

(Data in the table includes the adjustments in relation to the period to which they refer)

Period	2011	2012
Q1	85 763	118 048
Q2	103 138	134 146
Q3	78 017	127 923

Energy from cogeneration Red certificates [MWh]*

(Data in the table includes the adjustments in relation to the period to which they refer)

Period	2011	2012
Q1	25 023	26 349
Q2	10 288	11 374
Q3	5 212	6 301

* volume of electricity for which the Company is entitled to apply for proprietary interests resulting from certificates of origin

2.1.2. Elektrownie Wodne Sp. z o.o.

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

The volumes of energy generated from 21 hydroelectric plants, transferred into the grid and green certificates achieved by this title in particular quarters of 2011-2012 was as follows:

Energy generated from RES for which Elektrownie Wodne receives green certificates of origin for energy [MWh]*		
Period	2011	2012
Q1	54 598.828	46 354.072
Q2	36 669.033	35 322.749
Q3	33 866.147	32 709.918
Energy transferred into the grid [MWh]		
Period	2011	2012
Q1	53 720.821	45 561.791
Q2	36 322.964	34 776.596
Q3	33 391.702	32 212.154

* volume of electricity for which the Company is entitled to apply for proprietary interests resulting from certificates of origin

At present, the operations of Elektrownie Wodne include the activity connected with the development of the projects of wind farms. Within wind energy a project is developed with the capacity of 15 MW, for account of which the lands were secured, changes were made to the local spatial development plan of the municipality including a possibility of locating wind turbines on the territory along with internal infrastructure and conditions were achieved for connection to the grid, and also a decision on the environmental conditions for the realisation of the undertaking. Presently, the documentation is being prepared for the building permit and the documentation for the tender procedure for the realisation of the investment. The commissioning was planned at the beginning of 2014.

Concurrently, a wind farm project is being developed with the planned capacity of 27.5 MW. Within the first stage with the capacity of 15 MW the motion was filed to issue the grid connection conditions. The investment possesses secured lands, wind measurements and the local zoning plan allows for the possibility of the investment realisation.

The Company is also searching for wind farm projects possible that may be purchased on the stage of the building permit or occupancy permit.

Within the aforementioned works the purchase was finalised of the operating wind farm with the capacity of 6 MW located in the Pomorskie Province (Darżyno Wind Farm) and the agreement was concluded for the transfer of all the rights to the wind turbine project with the capacity of 1.8 MW. The data on the energy generated and transferred to the grid by Darżyno Wind Farm in particular quarters of 2011-2012 may be found in the table presented later on.

Presently, within the interest of the Company there are wind farms projects with the total capacity of 42 MW of which one of the capacity of 12 MW is under negotiations of the terms of the agreement. The Company has been also developing two pilot photovoltaic projects with the total capacity of 1.5 MW. Within the works on the Capital Group pilot project of the photovoltaic power plant with the capacity of 1 MW the lands were secured and grid connection conditions were obtained.

Within the investments in energy renewable sources in 2010 ENEA S.A. purchased a newly constructed biogas power plant in Liszkowo, municipality of Rojewo, the Kujawsko-Pomorskie Province, with the electric capacity of 2.1 MW. More information on this subject was provided in previous interim reports. The Liszkowo Biogas Plant as the first and experimental object of this type in Poland is constantly at the stage of collecting experiences and analyses regarding how to optimally use these kinds of installations.

At the end of 2011 the operations of Liszkowo Biogas Plant were subject to an inspection by a registering authority in this case the Agricultural Market Agency. As a result of the inspection on 27 April 2012, after explanations the Agency's President issued the decision on a prohibition to perform business operations within generation of biogas and energy from agricultural biogas. In a reply Elektrownie Wodne filed an appeal and claimed revoking of the appealed decision in its entirety and transfer of the case for consideration to the first instance authority. At the same time, the company applied for staying of the execution of the decision of the President of the Agricultural Market Agency. The above appeal was handed to the second instance, i.e. the Minister of Agriculture and Rural Development. Then the Minister decided to stay the execution of the decision on the prohibition to perform business activities within generation of agricultural biogas and energy from agricultural biogas till the termination of the appeal procedure. On 11 July 2012 the Minister of Agriculture and Rural Development upheld the decision of the President of the Agricultural Market Agency on the prohibition to perform business activities. The reservations raised during the inspection relate to the reporting documentation filed for the period of Q1 and Q2 2011. Elektrownie Wodne submitting the reports for this period relied on erroneous, as turned out later, data presented by the previous operator namely Agrogaz.

Elektrownie Wodne on 23 and 31 July 2012 filed complaints in the Voivodship Administration Court against the decisions of the Ministry of Agriculture and Rural Development that upheld the decisions of the President of the Agricultural Market Agency. Along with the complaints a motion was filed to stay the execution of the decision. The Voivodship Administration Court with the decision of 12 October 2012 decided to suspend the realisation of the challenged decision until the recognition of the complaint filed by Elektrownie Wodne Sp. z o.o. by the said court.

The Management Board of Elektrownie Wodne aiming at retaining an interrupted work of the installation of the Biogas Power Plant in Liszkowo and realising the assumptions of the project "Integration of the Generation Area in the ENEA CG" took the measures to prepare the lease agreement for the installation between Elektrownie Wodne Sp. z o.o. and by Dobitt Energia Sp. z o.o., which took place on 18 September 2012. This agreement will enter into force after obtaining by Dobitt Energia Sp. z o.o. of the entry into the register of power companies dealing with the generation of agricultural biogas and conclusion of the agreement for the sale of energy and energy certificates of origin. The finalising of the lease agreement in accordance with the

above conditions will take place in the near future. After termination of the aforementioned activities the installation will operate without interruptions, gradually increasing the volume of generated electricity from agricultural biogas.

Below the volumes of production and number of energy certificates of origin from the Liszkowo Biogas Power Plant are presented for the particular quarters of 2011 and 2012:

Energy generated by the Liszkowo Biogas Power Plant for which Elektrownie Wodne receives green certificates of origin for energy [MWh]*		
Period	2011	2012
Q1	2 686.912	182.944
Q2	1 776.040	503.840
Q3	1 539.160	1 139.896

Energy transferred into the grid [MWh]		
Period	2011	2012
Q1	2 492.577	148.059
Q2	1 614.543	423.870
Q3	1 402.716	938.667

* volume of electricity for which the Company is entitled to apply for proprietary interests resulting from certificates of origin

Volume of production from Darżyno Wind Farm in particular quarters of 2011-2012:

Energy generated by the Darżyno Wind Farm for which Elektrownie Wodne receives green certificates of origin for energy [MWh]*		
Period	2011	2012
Q1	-----	5 032.521
Q2	3 614.483	3 603.306

Q3	3 593.365	3 195.709
Energy transferred into the grid [MWh]		
Period	2011	2012
Q1	-----	4 998.293
Q2	3 614.483	3 579.893
Q3	3 577.583	3 176.175

* volume of electricity for which the Company is entitled to apply for proprietary interests resulting from certificates of origin

2.1.3. Elektrociepłownia Białystok S.A.

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

2.1.3.1. Heat generation and sales

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

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

Heat production [GJ]						
Period	Q1 2011	Q2 2011	Q3 2011	Q1 2012	Q2 2012	Q3 2012
Water	1 354 741.451	511 361.617	358 677.566	1 366 054.672	457 240.550	349 147.596
Steam	131 581.980	81 696.420	72 714.664	109 963.951	79 500.384	64 399.392

2.1.3.2. Production and sale of electricity

The process of energy production in Białystok Heat and Power Plant is performed in cogeneration. Combined generation of heat and electric energy is a technological process in which chemical energy of a fuel for heat production and electricity are used at the same time. Application of such a technology brings energetic, economic and ecological benefits. It constitutes the most efficient method of generation of heat and electric energy. Additionally there is a possibility of generating electricity using pass-out and condensing turbine set.

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

Production of electricity [in MWh]		
Period	2011	2012
Q1	187 413.378	171 769.352
Q2	101 868.669	53 858.545
Q3	103 803.962	46 241.586
Sale of electricity from own production [MWh]		
Period	2011	2012
Q1	162 924.271	147 705.822
Q2	87 396.465	43 113.080
Q3	89 281.989	35 969.121

Apart from trading in electricity on the wholesale market the Białystok Heat and Power Plant sells electricity to end users (direct sales). Delivery of electricity is performed on direct cable lines belonging to recipients. Recipients in this segment of sales are companies and industrial plants located in the direct vicinity of the Białystok Heat and Power Plant. Direct sale is conducted on the level of 0.4 and 15 kV voltage. In case of 0.4 kV recipients electricity is taken from auxiliary distribution board of the heat and power plant and for 15 kV recipients the energy is taken from 15 kV distribution boards which is specially dedicated to this sale and powered from two 110/15/6 three-winding transformers.

Sale of energy to end users [MWh]								
Period	Q1 2011	Q2 2011	Q3 2011	TOTAL 2011 r.	Q1 2012	Q2 2012	Q3 2012	TOTAL 2012 r.
Sales 0.4 kV	183.923	197.385	209.728	591.036	171.566	186.230	213.587	571.383
Sales 15 kV	8 022.957	6 563.134	7 729.448	22 315.539	7 873.463	6 790.115	4 723.809	19 387.387

2.1.3.3. Proprietary interests from RES and CHP

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

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

Electricity generated in RES unit [MWh]*		
Period	2011	2012
Q1	48 006.903	49 119.546
Q2	44 532.263	40 163.865
Q3	52 236.213	37 631.990

Electricity generated in CHP cogeneration unit [MWh]*		
Period	2011	2012
Q1	187 413.378	171 769.352
Q2	101 868.669	53 858.545

Q3	103 803.962	46 241.586
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* volume of electricity for which the Company has a right to apply for proprietary interests resulting from certificates of origin

2.1.4. Bardy-Dygowo Wind Farm

On 16 April 2012 a Transfer Agreement was signed based on which ENEA became the owner of 100 per cent of Windfarm Polska Sp. z o.o. which owns the operating 50 MW Wind Farm in Bardy consisting of 25 Vestas turbines with the capacity of 2 MW each and own switching station. The Wind Farm is located on a very windy area, which translates into the forecast of an annual production of electricity on the level of 150,000 MWh. Windfarm Polska Sp. z o.o. intends to extend the generating capacities of the farm with another 9-10 MW.

Below, the volume of production of Bardy-Dygowo Wind Farm with the capacity of 50 MW, which includes the production of electricity by Windfarm Polska Sp. z o.o. since the start-up on 26 January 2012.

Within the ENEA CG's structure Windfarm Polska has been operating since 16 April 2012:

Energy generated by the Bardy-Dygowo Wind Farm for which Windfarm Polska Sp. z o.o. receives green certificates of origin for energy [MWh]*		
Period	2011	2012
Q1	N/A	23 937.441
Q2	N/A	29 387.640
Q3	N/A	27 548.537
Energy transferred into the grid [MWh]*		
Period	2011	2012
Q1	N/A	23 928.168
Q2	N/A	27 350.037
Q3	N/A	25 050.564

* volume of electricity for which the Company has a right to apply for proprietary interests resulting from certificates of origin

2.1.5. Other sources

In addition, within the works connected with the achievement of energy from cogeneration installations in MEC Piła Sp. z o.o. (a company belonging to the Group) the following project was performed - "Construction of the Biomass Cogeneration Unit in ORC technology on the Regional Boiler House KR-Koszyce in Piła". The procedure of analysis of the project as to justifiability of conducting of the above investment is being continued. The investment is to be co-financed from the European Union from the funds of the Cohesion Fund within 9.1 action - *Highly efficient energy production*, priority IX - *Environment-friendly energy infrastructure and energy efficiency*, of the Infrastructure and Environment 2007-2013 Operational Programme. The performed detailed analysis of the project and reviewed external and internal conditions demonstrated the justifiability of its modification through the replacement of the ORC installation based on biomass with the cogeneration source powered with natural gas. The Company applied to the institution implementing and financing financial aids for an approval for project modification. Cogeneration installation fuelled with natural gas with electric power amounting to around 10 MWe and heat power of around 10 MW shall produce electricity and heat in cogeneration satisfying the requirements of the highly efficient cogeneration.

On 11 May 2011 ENEA S.A. purchased Dobitt Energia Sp. z o.o. located in the Dolnośląskie Province. The company holds the construction project for a biogas power plant (agricultural) with the electric power of 1.6 MW, and a final building permit. The construction of the biogas power plant was commenced in June 2011. Till the end of 2011 a construction was realised as a building shell: fermenters, containers for post-fermentation substance and technical building. During the first three quarters of 2012 a silage buffer silo, heating of ferment silos and substrate installation were performed, power generators were installed, transformer station, and internal roads and sites were executed, along with a community road and an access road to the biopower plant. The complete termination of the construction of the power plant will occur in Q4 2012.

Total generating capacity

The total generating capacity of the ENEA Capital Group amounts to 3,189.27 MW and covers:

- 2,905 MW in the power plant in Kozenice (a small amount of heat is also generated - the heating capacity of the power plant amounts to 266 MWt),
- 60.14 MW in 21 water turbine plants,
- 2.13 MW in the biogas plant in Liszkowo,
- 166 MW in Białystok Heat and Power Plant,
- 56 MW in two wind farms (Darżyno, Bardy).

Production of energy in the ENEA Capital Group from renewable sources and cogeneration per quarters of 2012 is presented in the table below. It demonstrates the volume of electricity for which the Group is entitled to apply for proprietary interests to certificates of origin.

Period	Q1 2012	Q2 2012	Q3 2012
Green certificates	218 737.546	243 127.040	230 148.965
Red Certificates	198 118.352	65 232.925	52 542.956

2.2. Distribution

Within our Group, the distribution of electricity is the responsibility of ENEA Operator Sp. z o.o. (further on: ENEA Operator), which acts as the operator of the power distribution system. ENEA Operator's distribution network covers an area of approximately 20 per cent of the country, located in the northwestern part of Poland. It delivers energy to over 2.4 mln customers. ENEA Operator possesses over 129,000 km of power lines (including connections) and over 35,000 transmission stations (the information is valid as at 31 December 2011).

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

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

The Company operates on the area of over 58,000 km² in 5 provinces - Wielkopolskie, Zachodniopomorskie, Lubuskie, Kujawsko-Pomorskie and in small part Dolnośląskie.

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



2.3. Trade

In Q3 2012 within the Group the sale of electricity to retail users was in the major part attributed to ENEA S.A. The total sales within trading in energy amounted to 3,680.2 GWh, of which retail sales to about 3,515.4 GWh. The number of end users as at 30 September 2012 amounted to about 2.4 mln business users and households.

Pursuant to the approval given by the Ordinary General Meeting of Shareholders of ENEA S.A. held on 29 June 2011, of which the Company informed in the current report No 19/2011, starting with 1 August 2011

a reorganisation was performed within the Group, in result of which competencies within wholesale were transferred to the special purpose vehicle - ELKO Trading Sp. z o. o. (presently ENEA Trading Sp. z o.o.). The company is responsible towards ENEA for among others conducting a portfolio of electricity and sale of proprietary interests for account of the customers of ENEA S.A., purchase of energy on a wholesale market, settlements and it functions as a commercial coordinator (OH).

The demand for electricity of customers of ENEA S.A. (due to a small amount of local generation on the areas of ENEA Operator) is almost in full covered on the energy wholesale market. In Q3 2012 a substantial majority of the wholesale purchase of electricity were transactions concluded on the Polish Power Exchange (further on: PPE) and settled by Izba Rozliczeniowa Gield Towarowych S.A. (IRGIT S.A., Warsaw Commodity Clearing House). Such a direction of sales is a consequence of increase of turnover on the stock exchange market because of changes imposed on the energy companies dealing with generation pursuant to the regulations resulting from Art. 49a of the Energy Law (an energy company dealing with generation of electricity is obliged to sell not less than 15 per cent of electricity generated in a given year on commodity exchanges or on a regulated market subject to the fact that an energy company dealing with generation of electricity possessing the right to receive funds for coverage of stranded costs is obliged to sell the generated electricity in full in the way ensuring public and equal access to the electricity through an open tender on the Internet trading platform on the regulated market or on commodity exchanges). The remaining part of energy was purchased by ENEA S.A. from trading companies and producers.

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

In Q3 2012 a substantial part of the electrical energy sold by ENEA S.A. constituted electrical energy purchased on the PPE (mainly through ELKO Trading Sp. z o.o., presently ENEA Trading Sp. z o.o.). The remaining part of energy ENEA S.A. purchased based on bilateral agreements (with producers and trading companies).

2.3.2. Sales of electricity by ENEA Wytwarzanie

In Q3 2012 ENEA Wytwarzanie sold the electricity generated by its entities on the PPE, which constituted 96.3 per cent of the sold production.

In Q3 2012 the total sale of ENEA Wytwarzanie within the trading and generating of energy amounted to 3,248.7 GWh, including the sales within the Balancing Market 117.8 GWh, sales to retail users - 0.2 GWh, and sales within the possessed licence for trading in energy - 255.4 GWh.

From 9 August 2010 ENEA Wytwarzanie is obliged to sell at least 15 per cent of the generated electricity on the Power Exchange - to which it is obliged by title of Art. 49a item 1 of the Energy Law. Within realisation of this obligation the sales of the generated electricity on the PPE during the period from 1 January 2012 to 30 September 2012 constituted to around 96.3 per cent of sold own production of electricity, the remaining part of own production is the Balancing Market (ca. 3.59 per cent) and end users (0.01 per cent).

Cumulatively, the value of net electric energy sold by ENEA Wytwarzanie on the PPE from 6 May 2010 until 30 September 2012 amounted to PLN 6,069,700,000.

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

The Management Board of ENEA S.A. did not publish any forecasts of its financial results for Q3 2012 or for the whole 2012 financial year.

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

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

No.	Shareholder	State as at 30 August 2012		State as at 14 November 2012	
		Number of shares/number of votes during GM	Share in the share capital/share in the total number of votes	Number of shares/number of votes during GM	Share in the share capital/share in the total number of votes
1	State Treasury	227 133 903	51.45%	227 385 698	51.51%
2	Vattenfall AB	82 395 573	18.67%	82 395 573	18.67%
3	Others	131 913 102	29.88%	131 661 307	29.82%
TOTAL		441 442 578	100.00%	441 442 578	100.00%

In the period from the preparation of the semi-annual report for 2012 there has been a slight change in the shareholding for the key Shareholder of the Company, i.e. the State Treasury. The divergence in the number of shares held by the State Treasury is connected with the specificity of the process of nil-paid rights to acquire employee shares from the State Treasury by entitled employees and their heirs.

5. Holders of shares of the Issuer or rights to them by people managing and supervising ENEA S.A.

Name	Position	Number of shares of ENEA S.A. held as at 30 August 2012	Number of held shares of ENEA S.A. as at 14 November 2012
Tadeusz Mikłosz	Member of the Supervisory Board	4 140	4 140

As at the day of publication of this interim report other persons managing or supervising do not own ENEA S.A.'s shares.

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

During the period from the publication of the interim report for H1 2012 there have been no changes in the shareholding of managing and supervising persons.

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

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

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

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

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

A description of other proceedings underway other than those referred to above, to which ENEA S.A. or its Group companies are a party, is set out in Note 24 to the consolidated quarterly financial statement.

7. Information on transactions with affiliated entities

Entities constituting the Group in Q3 2012 did not conclude any significant transactions with affiliates on non-market conditions.

A description of other transactions concluded by the Issuer or its subsidiary with affiliates was presented in Note 20 to the consolidated quarterly financial statement.

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

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

At this point ENEA S.A. would like to emphasise that on 8 September 2012 it concluded a Guarantee Agreement with ENEA Wytwarzanie based on which it is obliged to purchase the bonds issued by ENEA Wytwarzanie on the primary market and subject to the terms of the aforementioned agreement. Detailed information on this subject was published in the current report No 34/2012 of 8 September 2012.

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

9.1. Presentation of the financial position of the ENEA Capital Group

9.1.1. Discussion of the key economic and financial figures disclosed in the consolidated financial statement for 9 months of 2012 as compared to 9 months of 2011

9.1.1.1. Financial results

9.1.1.1.1. Consolidated Profit and Loss Statement

Profit and loss statement in PLN '000	9 months 2011	9 months 2012	Change	Difference
Net sales revenues	7 167 950	7 429 317	103.6%	261 367
Cost of sales	6 489 544	6 667 535	102.7%	177 991
Other operating revenue	191 124	72 960	38.2%	-118 164
Profit / (Loss) on sales and liquidation of tangible fixed assets	47	-1 852	-3940.4%	-1 899
Tangible and intangible impairment write-off	5 634	106	1.9%	-5 528
Other operating expenses	89 020	80 103	90.0%	-8 917
Operating profit / (loss)	774 923	752 681	97.1%	-22 242
Financial expenses	29 713	48 722	164.0%	19 009
Financial revenue	143 914	111 206	77.3%	-32 708
Dividend revenue	1 438	2 724	189.4%	1 286
Share in (losses) / profits of affiliated entities accounted for using the equity method	3 381	195	5.8%	-3 186
Profit / (loss) before tax	893 943	818 084	91.5%	-75 859

Income tax	173 188	172 863	99.8%	-325
Net profit / (loss) for the reporting period	720 755	645 221	89.5%	-75 534
EBITDA	1 294 505	1 349 699	104.3%	55 194

The Group's net revenues from sales for 9 months of 2012 amounted to PLN 7,429,317,000, which in relation to 9 months of 2011 constituted a growth by PLN 261,367,000, i.e. by 3.6 per cent.

The breakdown below shows the value and structure of revenues on sales achieved in 9 months of 2012.

Item	9 months 2011		9 months 2012		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Revenues from the sale of electricity	4 845 819	67.6	4 983 979	67.1	102.9%	138 160
Revenues from the sale of distribution services	1 951 436	27.2	2 096 290	28.3	107.4%	144 854
Revenues from the sale of goods and materials	83 087	1.2	90 160	1.2	108.5%	7 073
Revenues from the sale of other services	221 109	3.1	131 942	1.8	59.7%	-89 167
Revenues from certificates of origin	9 084	0.1	29 380	0.4	323.4%	20 296
Recovery of stranded costs	2 472	0.03	-21 647	-0.3	x	-24 119
Revenues from the sale of heat energy	54 943	0.8	119 213	1.6	217.0%	64 270
Total net revenues	7 167 950	100.0	7 429 317	100.0	103.6%	261 367

The Group's revenues mainly consist of revenues from sales of electricity and from sales of distribution services, which amount to 67.1 per cent and 28.3 per cent of total net revenues, respectively.

- Revenues from the sale of electricity for 9 months of 2012 amounted to PLN 4,983,979,000 and rose in relation to the previous year by 2.9 per cent. It mainly results from the growth of revenues from the sales of electricity to end users of ENEA S.A. by PLN 156,811,000, which stemmed mainly from higher volumes of electricity sold by 224 GWh with an increase of the average sale price by 3.3 per cent. Additionally, there was a decrease in excise tax costs, which affected the growth of these revenues by PLN 13,838,000 and the revenues from sales of electricity to other entities were lower by PLN 24,979,000. Moreover, time there was a decrease in the sale of electricity by ENEA Wytwarzanie by PLN 7,835,000 (a drop in the value of sold electric energy realised by ENEA Wytwarzanie by 273 GWh with an average increase in price by 2.5 per cent).

- Revenues from the sale of distribution services 9 months of 2012 amounted to PLN 2,069,290,000 and were higher than in the preceding year by PLN 144,854,000. A growth in these revenues stemmed mainly from higher revenues from sales of distribution services to end users by PLN 96,176,000, which results from a higher average selling price of distribution services to end users by 4.9 per cent and higher volume by 36 GWh. Additionally, there was a growth in the revenues from the settlements on the Balancing Market by PLN 29,150,000, revenues from grid connection fees by PLN 8,270,000, estimated revenues from non-invoiced sales by PLN 7,713,000 and sales of distribution services to other entities by PLN 3,334,000.
- The revenues from sales of heat energy for 9 months of 2012 amounted to PLN 119,213,000 and increased by PLN 64,270,000, which mainly stemmed from higher revenues from sales of heat energy of the Białystok Heat and Power Plant by PLN 62,447,000 (for 9 months of 2012 PLN 85,121,000, from June 2011 PLN 22,673,000).
- Revenues from the sale of certificates of origin amounted to for 9 months of 2012 PLN 29,380,000 and constitute mainly revenues realised by the Białystok Heat and Power Plant.
- Revenues from sale of goods and materials increased for 9 months of 2012 in comparison with 9 months of 2011 by PLN 7,073,000, which mainly stems from higher sales of goods and materials in the following companies: BHU, ENERGOBUD Leszno, IT Serwis, and Auto-Styl.
- The decrease in revenues from sales of other services by PLN 89,167,000 stems mainly from a decrease in sales of allowances for emissions of CO₂ in ENEA Wytwarzanie and of services in the following companies: ENERGOBUD Leszno, Energomiar, Zakład Transportu and ENEA Operator.
- A drop in revenues from the recovery of stranded costs is lower by PLN 24,119,000 stems from the inclusion of an adjustment of recognised revenues for 2008-2011 in the amount of PLN -25,147,000 and an advance payment for 2011 in the amount of PLN 3,500,000 which was applied for and received.

For 9 months of 2012 the total costs of sales amounted to PLN 6,667,535,000 and increased by 2.7 per cent in relation to the comparative period.

The breakdown below shows the value and structure of the costs of revenues from sales achieved for 9 months of 2012.

Item	9 months		9 months		Change	Difference
	2011		2012			
	[PLN '000]	%	[PLN '000]	%		
Amortisation / depreciation	519 582	8.0	597 018	9.0	114.9%	77 436
Employee benefit costs	700 978	10.8	728 727	10.9	104.0%	27 749
Consumption of materials and raw materials and value of goods sold	1 216 384	18.7	1 315 761	19.7	108.2%	99 377
Costs of purchases for resale	3 076 239	47.4	3 012 464	45.2	97.9%	-63 775
Transmission services	534 693	8.2	533 971	8.0	99.9%	-722
Other external services	287 923	4.5	313 433	4.7	108.9%	25 510

Taxes and charges	153 745	2.4	166 161	2.5	108.1%	12 416
Total cost of revenues from sales	6 489 544	100.0	6 667 535	100.0	102.7%	177 991

The largest items in the Capital Group's costs are the costs of purchasing electricity and consumption of materials, as well as the value of goods sold, which constitute respectively 45.2 per cent and 19.7 per cent of the costs of revenues from sales.

- The costs of consumption of materials, as well as the value of goods sold in the reporting period amounted to PLN 1,315,761,000 and grew in relation to the previous year by PLN 99,377,000, which mainly stems from higher costs of consumption of materials of the Białystok Heat and Power Plant in the amount of PLN 53,740,000 (for 9 months of 2012 PLN 93,003,000 and from June 2011 PLN 39,263,000). Additionally, there was a growth in this item in ENEA Wytwarzanie, where an increase in the costs of biomass consumption was noted by PLN 43,335,000 (higher production of energy from biomass and higher by 12.1 per cent average cost of biomass including transport) and higher costs of coal consumption by PLN 20,790,000 (higher average cost of coal by 5.8 per cent with a concurrent lower volume of coal consumption by 3.1 per cent). At the same time the decrease was noted in ENEA Wytwarzanie of cost of other materials by PLN 51,899,000, which follows mainly from lower costs of redemption of allowances for emissions of CO₂ (lower production of electricity by 168 GWh). Additionally, in the reporting period a growth in the shortage of coal was reported by PLN 18,997,000.
- The purchase of energy for sale amounted in the reporting period to PLN 3,012,464,000 and diminished in relation to the previous year by 2.1 per cent, and this was mainly caused by a higher purchases in the Capital Group, in connection with the acquisition of Windfarm Polska and the Białystok Heat and Power Plant.
- Employee benefit costs for 9 months of 2012 amounted to PLN 728,727,000 and increased in relation to the previous year by PLN 27,749,000, which mainly stems from higher costs of employee costs of ENEA Wytwarzanie by PLN 16,149,000 (introduction of an increase in the basic pay from 01.04.2011 and higher provisions for anniversary awards), higher costs of employee benefits in ENEA S.A. by PLN 7,809,000 (actuarial valuation concerning the energy equivalent), higher costs relating to the Białystok Heat and Power Plant by PLN 7,909,000 (for 9 months of 2012 PLN 14,763,000, from June 2011 PLN 6,854,000), higher costs of employee benefits in ENEA Centrum by PLN 7,350,000 (change of the type of activity of the Company) and higher costs of employee benefits in ENEA Trading by PLN 4,724,000 (commencement of operations from August 2011). At the same time, there was a drop in the costs of employee benefits in ENEA Operator by PLN 15,384,000 (lower change in the reserves and accruals and lower costs of other benefits for employees, with a concurrent growth in the remuneration fund with charges). The average pay in the ENEA CG increased for 9 months of 2012 in relation to the average pay for 9 months of 2011 by 4.3 per cent with a drop in the average employment from 10,253.78 full time equivalents for 9 months of 2011 to 10,131.70 full time equivalents for 9 months of 2012.
- Costs of external services for 9 months of 2012 amounted to PLN 313,433,000 and increased in relation to the previous year by PLN 25,510,000, which mainly stems from higher costs in the Białystok Heat and Power Plant by PLN 9,465,000 (for 9 months of 2012 PLN 19,858,000, from June 2011 PLN 10,393,000), from the inclusion of costs in Windfarm Polska in the amount of PLN 5,058,000 (from 16 April 2012 Windfarm Polska demonstrated as a subsidiary in the reports of the Capital Group) and from incurring higher costs of repairs, transport, property insurance and costs of sub-contractors.
- Costs of taxes and fees for 9 months of 2012 amounted to PLN 166,161,000 and increased in relation to the previous year by PLN 12,416,000, which mainly stems from higher costs in the Białystok Heat and Power Plant by PLN 4,025,000 (for 9 months of 2012 PLN 6,527,000, from June 2011 PLN 2,502,000), from

higher costs of tax on buildings and lands and costs of use of the road line by PLN 7,223,000 in ENEA Operator.

- Amortisation and depreciation in the reporting period amounted to PLN 597,018,000 and was higher than for 9 months of 2011 by PLN 77,436,000 or 14.9 per cent. Increase of amortisation stems from higher amortisation costs of the Białystok Heat and Power Plant by PLN 48,234,000 (9 months of 2012 PLN 58,662,000, from June 2011 PLN 10,428,000), increase of amortisation in ENEA Wytwarzanie (by PLN 23,624,000) in relation to the commissioning of IOS III investment (flue gas desulphurisation plant) and from verification of the economical period of utilisation of fixed assets on 1 January 2012. In ENEA Operator the amortisation grew by PLN 15,384,000, which stems from the amortisation calculated from newly included fixed assets realised after the comparative period. Additionally costs of amortisation were included in Windfarm Polska in the amount of PLN 7,901,000 (from 16 April 2012 Windfarm Polska is demonstrated in the report of the capital group as a subsidiary). Additionally, the decreased amortisation by PLN 20,740,000 for 9 months of 2012 was affected by the performed evaluation of assets of the Białystok Heat and Power Plant (as at 1 June 2011).

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Other operating revenue	191 124	72 960	38.2%	-118 164
Other operating expenses	89 020	80 103	90.0%	-8 917

For 9 months of 2012 the result on other operating activity amounted to PLN -7,143,000 and was lower than in the previous year by PLN 109,247,000, which mainly stems from lower revenues by title of nil-paid fixed assets and the gaining for 9 months of 2011 of a profit for a bargain purchase of the Białystok Heat and Power Plant with a concurrent incurring of lower costs by title of receivables write-downs.

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Financial revenue	143 914	111 206	77.3%	-32 708
Financial expenses	29 713	48 722	164.0%	19 009

Consolidated profits before tax, i.e. after financial activities and shares in results of the affiliates had been taken into account, for 9 months of 2012 amounted to PLN 818,084,000 and was lower by PLN 75,859,000, that is by 8.5 per cent, relative to the previous year. It mainly stems from the generation of a lower operating result and lower profit on financial activity by PLN 51,717,000, mainly in relation to the settlement of the acquisition of Windfarm Polska (exchange rate differences) with a balance sheet valuation of forward CO₂ contracts, with lower revenues achieved on funds invested in financial assets (bonds, treasury bills, fixed time deposits) and higher costs of interests for external funding of the investment.

The net profit generated by the Group for 9 months of 2012 amounted to PLN 645,221,000 and was lower than the profit attained for 9 months of 2011 by PLN 75,534,000, i.e. by 10.5 per cent.

9.1.1.1.2. Results from particular segments of activity

Segments in PLN '000	9 months 2011	9 months 2012	Change	Difference
Trade				
Sales revenues	2 929 398	3 239 835	110.6%	310 437
EBIT	139 197	178 395	128.2%	39 198
EBITDA	139 825	179 157	128.1%	39 332
Distribution				
Sales revenues	1 950 506	2 095 282	107.4%	144 776
EBIT	309 161	422 979	136.8%	113 818
EBITDA	571 615	692 091	121.1%	120 476
Generation				
Sales revenues	2 308 840	2 354 285	102.0%	45 445
EBIT	410 497	238 275	58.0%	-172 222
EBITDA	623 594	532 646	85.4%	-90 948
Other activity				
Sales revenues	528 612	548 756	103.8%	20 144
EBIT	23 120	37 801	163.5%	14 681
EBITDA	45 015	59 360	131.9%	14 345
Exclusions				
Sales revenues	-549 406	-808 841	147.2%	-259 435

EBIT	-20 582	-27 247	132.4%	-6 665
Undistributed costs (management costs)	-86 470	-97 522	112.8%	-11 052
Excluded amortisation and amortisation not distributed to segments	21 508	11 214	52.1%	-10 294
TOTAL				
Sales revenues	7 167 950	7 429 317	103.6%	261 367
EBIT	774 923	752 681	97.1%	-22 242
EBITDA	1 294 505	1 349 699	104.3%	55 194

The increase of the EBITDA result on the segment of trading by PLN 39,332,000, i.e. by 28.1 per cent results from higher first contribution margin on the trading operations by PLN 58,589,000. There was an increase in the volume of energy sold to end users by 224 GWh with an increase of the average sales price by 3.3 per cent and increase of the average purchase price by 1.4 per cent and a drop in revenues relating to non-invoiced sales by PLN 4,581,000. There was also a growth in own costs of trading by PLN 38,131,000 mainly in relation to higher costs of services rendered for ENEA Trading (by PLN 26,765,000) and ENEA Centrum (by PLN 17,880,000). Additionally, in 9 months of 2012 a higher EBITDA result was generated in ENEA Trading by PLN 34,465,000 and ENEA Centrum by PLN 2,241,000 (companies commenced operations in August 2011). Moreover, a lower result was obtained on other operating activities by PLN 16,441,000 (reserve for litigation and lower revenues from revaluation of write-downs of receivables for energy).

The increase on the segment of distribution by PLN 120,476,000, or 21.1 per cent, results mainly from higher sales of distribution services by PLN 96,176,000 which mainly stems from the increase of the average price of distribution services by 4.9 per cent. Additionally, there was a growth in the revenues from the settlements on the Balancing Market by PLN 29,150,000, higher revenues from grid connection fees (by PLN 8,270,000), higher estimated revenues from non-invoiced sales (by PLN 7,713,000) and higher sales of distribution services to other entities (by PLN 3,334,000). Additionally, there was a growth in the costs in the segment of distribution by PLN 24,300,000, which was mainly affected by higher taxes and charges and a drop in the result on other operating activities (lower revenues from nil-paid fixed assets), with a concurrent decrease in the costs of employee benefits and external services.

The decrease of the EBITDA result on the segment of generation by PLN 90,948,000 or 14.6 per cent, due to:

- Lower EBITDA in ENEA Wytwarzanie by PLN 67,252,000, which mainly stems from lower revenues from sales of CO₂ by PLN 76,104,000, lower revenues by title of recovery of stranded costs by PLN 24,119,000, with a concurrent drop in sales of electricity by PLN 7,835,000 and higher revenues from sales of certificates of origin by PLN 28,891,000. Additionally, there was a growth in costs of consumption of materials by PLN 32,489,000, growth of costs of external services by PLN 34,706,000, higher costs of employee benefits by PLN 16,149,000 and at the same time, there was a decrease in purchase costs of energy for sale by PLN 64,197,000. Additionally, a higher result on other operating activities was noted by PLN 28,611,000.
- A drop of EBITDA in Elektrownie Wodne by PLN 5,935,000, which mainly stemmed from lower revenues from sales of electricity and certificates of origin and higher costs of repair services.

- A growth of EBITDA in the Białystok Heat and Power Plant by PLN 22,537,000 (inclusion into the operations of ENEA Capital Group from June 2011).
- A growth of EBITDA in Windfarm by PLN 16,569,000 (inclusion into the operations of ENEA Capital Group from April 2012).
- Valuation of the Białystok Heat and Power Plant increasing the result of the segment in 2011 by PLN 56,062,000.

A growth of EBITDA on the segment of other activities by PLN 14,345,000 or 31.9 per cent, stems mainly from a higher result on the other services in ENEA S.A. (services for ENEA Centrum and ENEA Trading, increase of revenues from rents and higher result on maintenance of street lighting) and higher result in the non-licensed activity in ENEA Operator.

Increase of management costs by PLN 11,052,000 or 12.8 per cent, results mainly from higher costs of employee benefits (provisions for energy equivalents and costs of remunerations with charges).

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

Consolidated balance sheet

Total assets in PLN '000	As at:		Change	Difference
	31 December 2011	30 September 2012		
Fixed assets	9 796 900	10 110 814	103.2%	313 914
Tangible fixed assets	9 076 871	9 633 641	106.1%	556 770
Perpetual usufruct right	69 496	69 738	100.3%	242
Intangible assets	267 176	287 337	107.5%	20 161
Investment properties	32 219	30 004	93.1%	-2 215
Investments in associated entities, accounted for using the equity method	278 854	5 841	2.1%	-273 013
Financial assets held for sale	70 490	78 547	111.4%	8 057
Financial assets valued at fair value by the profit and loss account	1 557	1 588	102.0%	31
Trade and other receivables	237	4 118	1737.6%	3 881
Current assets	3 902 994	3 720 936	95.3%	-182 058

Inventories	340 685	321 700	94.4%	-18 985
Trade and other receivables	1 052 119	1 237 107	117.6%	184 988
Current income tax assets	15 004	4 022	26.8%	-10 982
Financial assets held-to-maturity investments	531 883	5 062	1.0%	-526 821
Financial assets valued at fair value by the profit and loss account	723 439	521 962	72.2%	-201 477
Cash and cash equivalents	1 218 361	1 609 574	132.1%	391 213
Fixed assets for sale	21 503	21 509	100.0%	6
Total assets	13 699 894	13 831 750	101.0%	131 856
Total liabilities in PLN '000	As at:		Change	Difference
	31 December 2011	30 September 2012		
Total equity	10 479 762	10 918 632	104.2%	438 870
Share capital	588 018	588 018	100.0%	0
Share premium	3 632 464	3 632 464	100.0%	0
Share based payments reserve	1 144 336	1 144 336	100.0%	0
Financial instruments revaluation reserve	49 565	55 431	111.8%	5 866
Other reserves	-21 710	-21 710	100.0%	0
Retained earnings	5 058 001	5 493 544	108.6%	435 543
Minority interest in equity	29 088	26 549	91.3%	-2 539
Total liabilities	3 220 132	2 913 118	90,5%	-307 014
Non-current liabilities	1 447 783	1 472 842	101.7%	25 059

Current liabilities	1 772 349	1 440 276	81.3%	-332 073
Total equity and liabilities	13 699 894	13 831 750	101.0%	131 856

As at 30 September 2012, the balance sheet total of the ENEA Capital Group amounted to PLN 13,831,750,000, an increase of PLN 131,856,000, i.e. 1 per cent, relative to that as at 31 December 2011.

Fixed assets as at 30 September 2012 amounted to PLN 10,110,814,000 and were higher than at the end of the previous year by PLN 313,914,000, which is mainly caused by the settlement of the purchase of the shares of Windfarm Polska and impacts the change of particular items of the fixed assets (from 16 April 2012 Windfarm Polska is included in the financial report of the Capital Group as a subsidiary). Additionally, there was an increase in the tangible assets in ENEA Operator.

As at 30 September 2012 the current assets amounted to PLN 3,720,936,000 and decreased in relation to the state as at the end of 2011 by PLN 182,058,000. In the current assets there was a drop in the sum of financial assets and cash and cash equivalents, mainly in relation to the acquisition of the shares of Windfarm Polska and the payment of dividends. Additionally the receivables from deliveries and services, mainly within energy, increased.

The dominant source of financing the assets of the Group is equity, which as at 30 September 2012 amounted to PLN 10,918,632,000, i.e. PLN 438,870,000 more than at the end of December 2011. The change is impacted mainly by the profit generated for 9 months of 2012.

As at 30 September 2012, the value of the Group's long-term liabilities was PLN 1,472,842,000 and increased by PLN 25,059,000, in relation to the state as at 31 December 2011, which stems mainly from increasing of the obligations by title of employee benefits, reserve by title of deferred income tax and provisions for litigation. At the same time, there was a decrease in credit and loans and settlements of income by title of subsidies and connection fees.

Current liabilities amounted to PLN 1,440,276,000 and decreased by PLN 332,073,000 in comparison with the state as at the end of the previous year, mainly in relation to a decrease in obligations for deliveries and services, which mainly stems from lower investment liabilities in ENEA Operator, a drop in the provisions for the energy certificates of origin, lower settlements of income from subsidies and grid connection fees, lower liabilities by title of employee benefits and lower liabilities as a result of disputed claims.

9.1.1.3. Cash

Consolidated cash flow statement

Cash flow statement in PLN '000	As at		Change	Difference
	30 September 2011	30 September 2012		
Net cash flows from operating activities	1 048 318	971 434	92.7%	-76 884
Net cash flows from investing activities	-767 406	-382 964	49.9%	384 442
Net cash flows from financing activities	-217 102	-197 257	90.9%	19 845

Net increase / decrease in cash and cash equivalents	63 810	391 213	613.1%	327 403
Cash and cash equivalents at the end of the reporting period	963 437	1 609 574	167.1%	646 137

As at 30 September 2012 the ENEA Capital Group's balance of cash and cash equivalents amounted to PLN 1,609,574,000 and was higher by PLN 646,137,000 than at the end of September 2011 (PLN 963,437,000).

Operating cash flows amounted to PLN 971,434,000 for 9 months of 2012, a decrease of PLN 76,884,000 relative to 9 months of 2011 (PLN 1,048,318,000). The drop stemmed mainly from the change in the current capital, mainly from increased receivables and lower liabilities with a concurrent drop in inventories.

Cash flows from investment activities amounted to PLN -382,964,000 for 9 months of 2012 and for 9 months of 2011 they amounted to PLN -767,406,000. A change of PLN 384,442,000 stems mainly from the termination of deposits over 3 months with a higher value in comparison with the previous year, lower value of the acquisition of subsidiaries with a concurrent higher purchases of tangible fixed assets.

Financial cash flows amounted to PLN -197,257,000 for 9 months of 2012, and for 9 months of 2011 to PLN -217,102,000. The change of PLN 19,845,000 stems mainly from the use of a loan by ENEA Operator.

9.1.1.4. Ratio analysis

Financial indicators

Item	Performance	
	9 months of 2011	9 months of 2012
PROFITABILITY RATIOS		
ROE - return on equity		
<u>gross profit (loss)</u> equity	11.5%	10.0%
ROA - return on assets		
<u>operating profit (loss)</u> total assets	7.8%	7.3%
Net profitability		
<u>net profit (loss)</u>	10.1%	8.7%

net sales revenues		
Operating profitability		
<u>operating profit (loss)</u>	10.8%	10.1%
net sales revenues		
EBITDA		
<u>operating profit (loss) + amortisation and depreciation</u>	18.1%	18.2%
net sales revenues		
LIQUIDITY AND FINANCIAL STRUCTURE RATIOS		
Current liquidity ratio		
<u>current assets</u>	2.7	2.6
current liabilities		
Equity-to-fixed assets ratio		
<u>equity</u>	111.7%	108.0%
fixed assets		
Total debt ratio		
<u>total liabilities</u>	21.9%	21.1%
total assets		
ECONOMIC ACTIVITY RATIOS		
Current receivables turnover in days		
<u>average net trade and other receivables x number of days</u>	36	42

net sales revenues		
Turnover of trade and other payables in days		
<u>average trade and other liabilities x number of days</u>		
	48	53
cost of products, goods and materials sold		
Inventory turnover in days		
<u>average inventory x number of days</u>		
	15	16
cost of products, goods and materials sold		

For 9 months of 2012 the ENEA Capital Group achieved a positive financial result and positive profitability ratios. The EBITDA profitability amounted to 18.2 per cent and was similar as the one achieved for 9 months of 2011 (18.1 per cent).

Net profitability achieved by the Group for 9 months of 2012 amounted to 8.7 per cent and was lower than the one achieved for 9 months of 2011 (10.1 per cent).

ROE for 9 months of 2012 amounted to 10 per cent and reached the level lower than the level of ROE for 9 months of 2011 (11.5 per cent), and ROA amounted to 7.3 per cent for 9 months of 2012 (for 9 months of 2011 it was 7.8 per cent).

The ENEA Capital Group is able to settle its current liabilities on time, which is confirmed by the level of the current liquidity ratio, which was 2.6 for 9 months of 2012. That figure is the result of the high level of current assets due to the investment of funds obtained from the 2008 issue of shares on the Warsaw Stock Exchange in financial assets.

For 9 months of 2012, the receivables turnover rate was at the level, comparing to 9 months of 2011, by 6 days longer and amounted to 42 days. Meanwhile the liabilities turnover indicator for 9 months of 2012 was 53 days, and was thus 5 days longer than for 9 months of the previous year. Please note that a correct relationship was maintained between the receivables and payables turnover rates (liabilities are settled after receivables are obtained), which in turn has a beneficial effect on the Group's financial liquidity. The inventory turnover indicator for 9 months of 2012 was 16 days, and was thus 1 days longer than in the same period of the previous year.

As at 30 September 2012 the total debt ratio was 21.1 per cent, and the ratio of shareholders equity to fixed assets was 108 per cent on 30 September 2012 (and 111.7 per cent as at 30 September 2011).

9.1.2. Discussion of the key economic and financial figures of the ENEA Capital Group for Q3 2012 as compared to Q3 2011

9.1.2.1. Financial results

9.1.2.1.1. Consolidated Profit and Loss Statement

Profit and loss statement in PLN '000	Q3 2011	Q3 2012	Change	Difference
Net sales revenues	2 422 274	2 407 519	99.4%	-14 755
Cost of sales	2 184 013	2 182 836	99.9%	-1 177
Other operating revenue	134 766	16 654	12.4%	-118 112
Profit / (loss) on sales and liquidation of tangible fixed assets	-2 998	-2 474	x	524
Tangible and intangible impairment write-off	5 634	0	x	-5 634
Other operating expenses	27 701	16 383	59.1%	-11 318
Operating profit / (loss)	336 694	222 480	66.1%	-114 214
Financial expenses	21 676	10 600	48.9%	-11 076
Financial revenue	60 972	38 273	62.8%	-22 699
Dividend revenue	697	0	0.0%	-697
Share in (losses) / profits of affiliated entities accounted for using the equity method	-5 078	456	-9.0%	5 534
Profit / (loss) before tax	371 609	250 609	67.4%	-121 000
Income tax	64 967	61 756	95.1%	-3 211
Net profit / (loss) for the reporting period	306 642	188 853	61.6%	-117 789
EBITDA	529 410	418 904	79.1%	-110 506

The Group's net revenues from sales in Q3 2012 amounted to PLN 2,407,519,000, which in relation to Q3 2011 constituted a drop by PLN 14,755,000, i.e. by 0.6 per cent.

The breakdown below shows the value and structure of revenues on sales achieved in Q3 2012.

Item	Q3 2011		Q3 2012		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Revenues from the sale of electricity	1 582 942	65.3	1 611 723	67.0	101.8%	28 781
Revenues from the sale of distribution services	645 571	26.7	688 493	28.6	106.6%	42 922
Revenues from the sale of goods and materials	36 314	1.5	33 886	1.4	93.3%	-2 428
Revenues from the sale of other services	129 504	5.3	56 325	2.3	43.5%	-73 179
Revenues from certificates of origin	3 710	0.2	14 771	0.6	398.1%	11 061
Recovery of stranded costs	2 472	0.1	-21 647	-0.9	x	-24 119
Revenues from the sale of heat energy	21 761	0.9	23 968	1.0	110.1%	2 207
Total net revenues	2 422 274	100.0	2 407 519	100.0	99.4%	-14 755

The Group's revenues mainly consist of revenues from sales of electricity and from sales of distribution services, which amount to 67 per cent and 28.6 per cent of total net revenues, respectively.

- Revenues from the sale of electricity in Q3 2012 amounted to PLN 1,611,723,000 and rose in relation to the previous year by PLN 28,781,000 or 1.8 per cent. It mainly results from the growth of revenues from the sales of electricity to end users of ENEA S.A. by PLN 38,892,000, which stemmed mainly from higher volumes of electricity sold by 29 GWh with an increase of the average sale price by 3.3 per cent. Moreover, the revenues from sales of electricity increased in ENEA Wytwarzanie by PLN 9,588,000 (a growth of the average price by 2.3 per cent with a concurrent drop in the volumes of electricity realised by ENEA Wytwarzanie by 20 GWh). Additionally, there was a decrease in excise tax costs, which affected the growth of these revenues by PLN 3,881,000 and the revenues from sales of electricity to other entities were lower by PLN 14,038,000. Additionally, a drop was noted in estimated revenues from non-invoiced sales in relation to electricity by PLN 2,741,000. At the same time the revenues from sales of electricity realised by the Białystok Heat and Power Plant decreased by PLN 15,223,000 in relation to lower production in condensation and cogeneration.
- Revenues from the sale of distribution services in Q3 2012 amounted to PLN 688,493,000 and were higher than in the preceding year by PLN 42,922,000. The increase in these revenues resulted mainly from a growth in the average selling price of distribution services to end users by 5.4 per cent. Additionally, there was an increase in revenues from settlements on the Balancing Market by PLN 15,316,000. At the same time, there was a decrease in grid connection fees by PLN 7,384,000.
- The decrease in revenues from sales of other services by PLN 73,179,000 stems mainly from a decrease in sales of allowances for emissions of CO₂ in ENEA Wytwarzanie and of services in the following companies: ENERGOBUD Leszno, Energomiary and Zakład Transportu.

- Revenues from the sale of certificates of origin amounted to in Q3 2012 PLN 14,771,000 and constitute revenues realised by the Białystok Heat and Power Plant.
- Recovery of stranded costs is lower in Q3 2012 by PLN 24,119,000 as a result of the inclusion of an adjustment of recognised revenues for 2008-2011 in the amount of PLN -25,147,000 and an advance payment for 2011 in the amount of PLN 3,500,000 which was applied for and received.

In Q3 2012 the total costs of sales amounted to PLN 2,182,836,000 and decreased by 0.1 per cent in relation to the comparative period.

The breakdown below shows the value and structure of the costs of revenues from sales achieved in Q3 2012.

Item	Q3 2011		Q3 2012		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Amortisation / depreciation	192 716	8.8	196 424	9.0	101.9%	3 708
Employee benefit costs	237 086	10.9	222 790	10.2	94.0%	-14 296
Consumption of materials and raw materials and value of goods sold	467 884	21.4	501 377	23.0	107.2%	33 493
Costs of purchases for resale	952 133	43.6	914 034	41.9	96.0%	-38 099
Transmission services	179 342	8.2	177 286	8.1	98.9%	-2 056
Other external services	106 335	4.9	118 362	5.4	111.3%	12 027
Taxes and charges	48 517	2.2	52 563	2.4	108.3%	4 046
Total cost of revenues from sales	2 184 013	100.0	2 182 836	100.0	99.9%	-1 177

The largest items in the Capital Group's costs are the costs of purchasing electricity and consumption of materials, as well as the value of goods sold, which constitute respectively 41.9 per cent and 23 per cent of the costs of revenues from sales.

- The purchase of energy for sale amounted in the reporting period to PLN 914,034,000 and diminished in relation to the previous year by 4 per cent, and this was mainly caused by a higher purchases in the Capital Group, from Windfarm Polska and the Białystok Heat and Power Plant.
- Costs of consumption of materials and the value of sold products in the reporting period amounted to PLN 501,377,000 and increased in relation to the previous year by PLN 33,493,000, i.e. by 7.2 per cent, which mainly stems from a growth of these costs in ENEA Wytwarzanie by PLN 29,679,000 (higher costs of coal and biomass consumption, and a decrease in the costs of redemption of allowances for emissions of CO₂).
- Amortisation and depreciation in the reporting period amounted to PLN 196,424,000 and was lower than in Q3 2011 by PLN 3,708,000 or 1.9 per cent. Increase of amortisation stems from higher costs of amortisation of the Białystok Heat and Power Plant by PLN 11,673,000 (Q3 2012 PLN 19,458,000, Q3 2011 PLN 7,785,000), in relation to the evaluation of assets, increase of amortisation in ENEA Wytwarzanie (by

PLN 1,051,000) in relation to the verification of the economical period of utilisation of fixed assets performed on 1 January 2012. In ENEA Operator amortisation increased by PLN 3,301,000 mainly because of a higher value of assets in comparison with Q3 2011. Additionally, costs of amortisation were included in Windfarm Polska in the amount of PLN 4,339,000 (from 16 April 2012 Windfarm Polska is demonstrated in the report of the capital group as a subsidiary). Additionally, the decreased amortisation by PLN 17,759,000 for Q3 2012 was affected by the performed evaluation of assets of the Białystok Heat and Power Plant (as at 1 June 2011).

- Employee benefits in Q3 2012 amounted to PLN 222,790,000 and decreased in relation to the previous year by PLN 14,296,000, i.e. by 6 per cent, which mainly stems from lower costs of employee benefits in ENEA Operator by PLN 29,537,000 (a change in provisions for employee benefits and the Programme of Voluntary Redundancy realised in 2011). At the same time, there was a growth of these costs in ENEA Wytwarzanie by PLN 9,701,000 (increased provisions for anniversary awards and gratuities, a shift of the profit write-off to Company Social Benefits Fund from Q2 to Q3 2012 and higher average remuneration with the concurrent decrease in average employment) and in ENEA S.A. by PLN 2,768,000 (increased change in provisions for employee benefits). The average pay in the ENEA Capital Group in Q3 2012 increased in relation to Q3 2011 by 1.6 per cent with a drop in the average employment by 2.1 per cent.
- The costs of taxes and charges in Q3 2012 amounted to PLN 52,563,000 and grew in relation to the previous year by PLN 4,046,000 or 8.3 per cent, which mainly stems from higher tax costs from the grid assets, from higher costs relating to real estate taxes and higher costs of use of the environment.

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Other operating revenue	134 766	16 654	12.4%	-118 112
Other operating expenses	27 701	16 383	59.1%	-11 318

In Q3 2012 the result on other operating activity amounted to PLN 271,000 and was lower than in the previous year by PLN 106,794,000, which mainly stems from lower revenues by title of nil-paid fixed assets and the gaining for Q3 2011 of a profit for a bargain purchase of the Białystok Heat and Power Plant.

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Financial revenue	60 972	38 273	62.8%	-22 699
Financial expenses	21 676	10 600	48.9%	-11 076

Consolidated profits before tax in Q3 2012, i.e. after financial activities and shares in results of the affiliates had been taken into account, amounted to PLN 250,609,000 and was lower by PLN 121,000,000, that is by 32.6 per cent, relative to the previous year. It mainly stems from the generation of a lower operating result and lower profit on financial activity by PLN 11,623,000, mainly in relation to the settlement of the acquisition of Windfarm Polska (exchange rate differences) with a balance sheet valuation of forward CO₂ contracts, with lower revenues achieved on funds invested in financial assets (bonds, treasury bills, fixed time deposits).

The net profit generated by the Group in Q3 2012 amounted to PLN 188,853,000 and was lower than the profit attained in Q3 2011 by PLN 117,789,000, i.e. by 38.4 per cent.

9.1.2.1.2. Results from particular segments of activity

Segments in PLN '000	Q3 2011	Q3 2012	Change	Difference
Trade				
Sales revenues	963 023	1 004 780	104.3%	41 757
EBIT	36 338	63 908	175.9%	27 570
EBITDA	36 521	64 402	176.3%	27 881
Distribution				
Sales revenues	645 218	688 110	106.6%	42 892
EBIT	119 676	168 763	141.0%	49 087
EBITDA	209 647	258 252	123.2%	48 605
Generation				
Sales revenues	854 498	773 854	90.6%	-80 644
EBIT	199 296	22 247	11.2%	-177 049
EBITDA	277 750	122 572	44.1%	-155 178
Other activity				
Sales revenues	209 719	204 428	97.5%	-5 291
EBIT	16 501	15 143	91.8%	-1 358
EBITDA	23 501	22 440	95.5%	-1 061
Exclusions				
Sales revenues	-250 184	-263 653	105.4%	-13 469

EBIT	-1 851	-15 880	x	-14 029
Undistributed costs (management costs)	-33 266	-31 701	95.3%	1 565
Excluded amortisation and amortisation not distributed to segments	17 108	-1 181	-6.9%	-18 289
TOTAL				
Sales revenues	2 422 274	2 407 519	99.4%	-14 755
EBIT	336 694	222 480	66.1%	-114 214
EBITDA	529 410	418 904	79.1%	-110 506

The increase of the EBITDA result on the segment of trading by PLN 27,881,000, i.e. by 76.3 per cent results from higher first contribution margin on the trading operations by PLN 30,034,000. There was an increase in the volume of energy sold to end users by 29 GWh with an increase of the average sales price by 3.3 per cent and increase of the average purchase price by 0.2 per cent and a drop in revenues relating to non-invoiced sales by PLN 2,741,000,000. There was also a growth in own costs of trading by PLN 8,792,000 mainly in relation to higher costs of services rendered for ENEA Trading (by PLN 6,435,000) and ENEA Centrum (by PLN 4,208,000). Additionally, in Q3 2012 a higher EBITDA result was generated in ENEA Trading by PLN 10,133,000 and ENEA Centrum by PLN 1,305,000 (companies commenced operations in August 2011). Moreover, a lower result was obtained on other operating activities by PLN 3,781,000 (reserve for litigation, higher costs of written-off bad debts and lower and lower revenues from revaluation of write-downs of receivables for energy).

The increase of the EBITDA result on the segment of distribution by PLN 48,605,000, i.e. 23.2 per cent, was mainly caused by higher sales of distribution services by PLN 38,509,000 (higher average price of distribution services by 5.4 per cent) and higher revenues from settlements on the Balancing Market by PLN 15,316,000. At the same time, there was a decrease in revenues from grid connection fees by PLN 7,384,000. Additionally, there was a drop in the costs in the segment of distribution by PLN 5,713,000, which was mainly affected by lower costs of employee benefits and external services, with a concurrent decrease in the result of other operating activities (lower revenues from nil-paid fixed assets).

The decrease of the EBITDA result on the segment of generation by PLN 155,178,000 or 55.9 per cent, due to:

- lower EBITDA in ENEA Wytwarzanie by PLN 110,119,000, which mainly stems from lower revenues from sales of CO₂ by PLN 72,717,000, lower revenues by title of recovery of stranded costs by PLN 24,119,000, with a concurrent growth in sales of electricity by PLN 9,588,000 and higher revenues from certificates of origin by PLN 8,635,000. Additionally, there was a growth in costs of consumption of materials by PLN 29,679,000, growth of other costs of external services by PLN 15,780,000 (mainly the services of ENEA Trading, repair and transport services), higher costs of employee benefits by PLN 9,701,000 and at the same time there was a decrease in purchase costs of energy for sale by PLN 23,746,000.
- a drop in EBITDA in the Białystok Heat and Power Plant by PLN 4,912,000 (mainly lower revenues from sales of electricity and certificates and at the same time lower costs of coal and biomass consumption),
- a growth of EBITDA in Windfarm by PLN 9,679,000 (inclusion into the operations of ENEA Capital Group from April 2012),

- valuation of the Białystok Heat and Power Plant increasing the result of the segment in 2011 by PLN 56,062,000.
- a presentation adjustment of the opening balance of Elektrownie Wodne within the redemption of Darżyno Farma Wiatrowa which increases EBITDA by PLN 4,769,000.

The decrease of the EBITDA result on the segment of other activities by PLN 1,061,000 or 4.5 per cent, mainly due to the assignment of adjustments relating to the valuations of the Białystok Heat and Power Plant, MEC Piła and PEC Oborniki to this segment in Q3 2011. At the same time, the result on other services increased in ENEA S.A. (mainly a higher result on the maintenance of street lighting) and a result on the non-licensed activity in ENEA Operator.

9.1.2.2. Ratio analysis

Financial indicators

Item	Performance	
	Q3 2011	Q3 2012
PROFITABILITY RATIOS		
ROE - return on equity		
<u>gross profit / (loss)</u>	14.3%	9.2%
equity		
ROA - return on assets		
<u>operating profit / (loss)</u>	10.1%	6.4%
total assets		
Net profitability		
<u>net profit / (loss)</u>	12.7%	7.8%
net sales revenues		
Operating profitability		
<u>operating profit / (loss)</u>	13.9%	9.2%
net sales revenues		

EBITDA		
<u>operating profit / (loss) + amortisation and depreciation</u>		
net sales revenues	21.9%	17.4%
LIQUIDITY AND FINANCIAL STRUCTURE RATIOS		
Current liquidity ratio		
<u>current assets</u>		
current liabilities	2.7	2.6
Equity-to-fixed assets ratio		
<u>equity</u>		
fixed assets	111.7%	108.0%
Total debt ratio		
<u>total liabilities</u>		
total assets	21.9%	21.1%
ECONOMIC ACTIVITY RATIOS		
Current receivables turnover in days		
<u>average net trade and other receivables x number of days</u>		
net sales revenues	36	45
Turnover of trade and other payables in days		
<u>average trade and other liabilities x number of days</u>		
cost of products, goods and materials sold	49	52

Inventory turnover in days

<u>average inventory x number of days</u>		
	16	17
cost of products, goods and materials sold		

In Q3 2012 the ENEA Capital Group achieved a positive financial result and positive profitability ratios.

The EBITDA profitability amounted to 17.4 per cent and was lower than that achieved in Q3 2011 (21.9 per cent). Net profitability achieved by the Group in Q3 2012 amounted to 7.8 per cent and was lower than the one achieved in Q3 of the previous year (12.7 per cent).

ROE in Q3 2012 amounted to 9.2 per cent and reached the level lower than the level of ROE from Q3 2011 (14.3 per cent), and ROA amounted to 6.4 per cent in Q3 2012 (in Q3 2011 it was 10.1 per cent).

The ENEA Capital Group is able to settle its current liabilities on time, which is confirmed by the level of the current liquidity ratio, which was 2.6 as at 30 September 2012. That figure is the result of the high level of current assets due to the investment of funds obtained from the 2008 issue of shares on the Warsaw Stock Exchange in financial assets.

In Q3 2012, the receivables turnover rate was at the level, comparing to Q3 2011, by 9 days longer and amounted to 45 days. Meanwhile the liabilities turnover indicator in Q3 2012 was 52 days, and was thus 3 days longer than in Q3 of the previous year. Please note that a correct relationship was maintained between the receivables and payables turnover rates (liabilities are settled after receivables are obtained), which in turn has a beneficial effect on the Group's financial liquidity. The inventory turnover indicator in Q3 2012 was 17 days, and was thus 1 days longer than in the same period of the previous year.

The total debt ratio was 21.1 per cent as at 30 September 2012 (as at 30 September 2011 21.9 per cent), however the ratio of shareholders equity to fixed assets was 108 per cent as at 30 September 2012 (and 111.7 per cent as at 30 September 2011).

9.2. The financial results of ENEA S.A. for 9 months of 2012 as compared to 9 months of 2011

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

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Sales revenues	4 355 462	4 453 455	102.2%	97 993
Excise tax	169 143	155 124	91.7%	-14 019
Net sales revenues	4 186 319	4 298 331	102.7%	112 012
Cost of sales	4 116 505	4 208 826	102.2%	92 321
Other operating revenue	12 527	7 370	58.8%	-5 157

Other operating expenses	23 692	34 976	147.6%	11 284
Profit / loss on sales of fixed assets	123	2 186	1777.2%	2 063
Tangible and intangible impairment write-off	5 634	0	0.0%	-5 634
Operating profit	53 138	64 085	120.6%	10 947
Financial revenue	98 660	84 178	85.3%	-14 482
Dividend revenue	236 339	362 091	153.2%	125 752
Financial expenses	4 867	33 104	680.2%	28 237
Gross profit	383 270	477 250	124.5%	93 980
Net profit	351 503	453 569	129.0%	102 066
EBIDTA	65 923	76 659	116.3%	10 736

9.2.2. Sales revenues

The gross revenues of ENEA S.A. from sales in the reporting period amounted to PLN 4,453,455,000, which in relation to 9 months of 2011 constituted an increase by PLN 97,993,000, or 2.2 per cent.

The table below shows the value of sales revenues achieved in 9 months of 2012.

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Sales revenues	4 355 462	4 453 455	102.2%	97 993
including:				
Sales of electricity to end users	2 931 806	3 088 618	105.3%	156 811
Sales of distribution services to users holding comprehensive agreements	1 264 150	1 195 781	94.6%	-68 369
Sales of electricity to other entities	120 483	115 890	96.2%	-4 594
Sales of services	44 322	46 985	106.0%	2 662
Other revenue	-5 300	6 181	x	11 482

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

- Revenues from the sale of electricity to end users, which constitute 69.4 per cent of all sales revenues. In 9 months of 2012 these revenues amounted to PLN 3,088,618,000, an increase of PLN 156,811,000 or 5.3 per cent in relation to the preceding year, which stemmed from sold electricity volumes increasing by 224 GWh and a 3.3 per cent increase in the average sale price. The increase in sold electricity volumes (by 579 GWh) was noted for customers in tariff group sets A and B. In tariff group C the decrease in the volume was noted by 317 GWh, and in tariff group G the volume of sales slightly declined (by 38 GWh).
- Revenues from sales of distribution services to users holding comprehensive agreements, which constitute 26.9 per cent of all sales revenues. For 9 months of 2012 these revenues amounted to PLN 1,195,781,000, and were lower than in the same period of the preceding year by PLN 69,369,000 or 5.4 per cent. The level of the decrease was influenced mainly by separation of comprehensive agreements into the agreements of sale of energy and distribution services. The process stems from the increasing competition on the market, which increases the commercial significance of customer service that in the case of comprehensive services is often second in place in connection with much greater problems resulting from rendering of distribution services (exceeding of capacities, quality standards, etc.). In addition, the decrease of revenues from sales results from the fact that part of users connected to the grid of ENEA Operator changed the seller, and on the other hand ENEA S.A. acquired customers from the areas of other Distribution System Operators. The decrease in the volume of distribution services within a comprehensive service is a natural process and will deepen in the future.
- Revenues from electricity sales to other entities amounted to PLN 115,890,000, a reduction of PLN 4,594,000 or 3.8 per cent in comparison with 9 months of 2011, which stems mainly from a drop in the average sale price by 14.2 per cent and a higher volume of energy sold by 76 GWh.
- The other revenues are mainly non-invoiced sales relating to electricity and distribution services which in 9 months of 2012 amounted to PLN 6,513,000 and were higher than in 9 months of 2011 by PLN 11,438,000 (sales of electricity by PLN 4,581,000 and sales of distribution services - comprehensive agreements by PLN 6,857,000).

9.2.3. Cost of sales

For 9 months of 2012, ENEA S.A.'s total cost of sales amounted to PLN 4,208,826,000 and grew by 92,321,000 or 2.2 per cent relative to the same period of the previous year.

The table below shows the value of costs sales revenues achieved in 9 months of 2012.

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Cost of sales	4 116 505	4 208 826	102.2%	92 321
Costs of electricity for resale	2 666 212	2 778 499	104.2%	112 287
including: purchase of certificates of origin	353 471	330 806	93.6%	-22 665
value of unbalanced energy	73 342	-38 851	-53.0%	-112 193
Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	1 261 216	1 199 626	95.1%	-61 590

Depreciation and amortisation of fixed and intangible assets	12 785	12 574	98.3%	-211
Consumption of materials and energy and value of sold materials	4 116	3 086	75.0%	-1 030
Other external services	123 192	159 314	129.3%	36 122
Employee benefit costs	41 371	49 180	118.9%	7 809
Taxes and charges	7 613	6 547	86.0%	-1 066

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

- Costs of purchases of electricity for sale which amounted to PLN 2,778,499,000 and increased in relation to 9 months of 2011 by PLN 112,287,000 or 4.2 as a result of a higher volume of purchased energy by 322 GWh and higher average purchase price by 1.4 per cent. At the same time, in 9 months of 2012 the costs of purchase of energy include the estimated costs of unbalancing of electricity, which diminished the purchase costs by PLN 38,851,000 while in 9 months of 2011 they increased them by PLN 73,342,000. Unbalancing of purchases with sales adjusts purchase costs +/- in relation to the fact that the volume of energy invoiced as purchases and sales is not equal and in relation to adjustments made on the Balancing Market within 15-month settlement period.
- The costs of providing distribution services for the performance of comprehensive agreements, which amounted to PLN 1,199,626,000, and were lower by PLN 61,590,000 or 4.9 per cent than in 9 months of 2011, which stemmed from a lower performance of sales of distribution services to users with comprehensive agreements.
- The costs of other external services amounted to PLN 159,314,000, an increase of PLN 36,122,000 or 29.3 per cent in comparison with the analogical period of the preceding year, which was caused by higher costs for the account of: ENEA Centrum (by PLN 17,780,000) and ENEA Trading (by PLN 26,765,000) (the separation on 1 August 2011 of activity connected with wholesale trade and customer service). Additionally, higher costs of rents and other fees were incurred in relation to the rental of the property by PLN 2,492,000 and higher costs of consulting services by PLN 2,315,000. At the same time, there was a decrease in costs of external services connected with advertising and representation by PLN 12,084,000.
- The employee benefits costs in 9 months of 2012 amounted to PLN 49,180,000 and were higher relative to 9 months of 2011 by PLN 7,809,000 or 18.9 per cent mainly as a result of the actuarial valuation relating to the energy equivalent (in 9 months of 2012 the change of the reserve increased the costs by PLN 2,719,000 and in 9 months of 2011 decreased them by PLN 5,468,000).

9.2.4. Other operating activity

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Other operating revenue	12 527	7 370	58.8%	-5 157
Other operating expenses	23 692	34 976	147.6%	11 284

In 9 months of 2012 the other operating revenues amounted to PLN -27,606,000 and were lower than in the same period of the preceding year by PLN 16,441,000 or 47.3 per cent, which mainly stems from higher costs of reserves for litigation and lower revenues from write-downs for energy receivables.

9.2.5. Profit / loss on sales of fixed assets

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Profit / loss on sales of fixed assets	123	2 186	1777.2%	2 063

In 9 months of 2012 the profit from sale of fixed assets was higher by PLN 2,063,000, which stems from the sale of the title to the buildings and lands in Gorzów Wielkopolski.

9.2.6. Tangible and intangible impairment write-off

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Tangible and intangible impairment write-off	5 634	0	x	-5 634

In 9 months of 2011 the tangible assets impairment write-off was made in the amount of PLN 5,634,000 resulting from diminishing of the value of assets of street lightings transferred to ENEOS.

9.2.7. Revenues and financial costs

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Financial revenue	98 660	84 178	85.3%	-14 482
Financial expenses	4 867	33 104	680.2%	28 237

In 9 months of 2012 the result on the financial activity amounted to PLN 51,074,000 and decreased in relation to the previous year by PLN 42,719,000, which is mainly connected with the settlement of the acquisition of Windfarm Polska (exchange rate differences) and lower revenues gained from funds invested in financial assets (bonds, treasury bills, fixed term deposits).

9.2.8. Dividend revenue

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Dividend revenue	236 339	362 091	153.2%	125 752

The dividend revenues generated in 9 months of 2012 amounted to PLN 362,091,000 and are higher by PLN 125,752,000 in comparison with 9 months of 2011, which results mainly from the collection of a higher dividend from ENEA Wytwarzanie S.A., (by PLN 89,654,000), from ENEA Operator (by PLN 32,419,000) and from the Białystok Heat and Power Plant (by PLN 3,401,000).

9.2.9. The financial results of ENEA S.A. in Q3 2012 as compared to Q3 2011

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

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Sales revenues	1 367 897	1 381 867	101.0%	13 970
Excise tax	53 218	49 348	92.7%	-3 870
Net sales revenues	1 314 679	1 332 519	101.4%	17 840
Cost of sales	1 304 624	1 295 349	99.3%	-9 275
Other operating revenue	2 013	956	47.5%	-1 057
Other operating expenses	7 407	10 131	136.8%	2 724
Profit / loss on sales of fixed assets	-92	-7	7.6%	85
Tangible and intangible impairment write-off	5 634	0	x	-5 634
Operating profit	-1 065	27 988	x	29 053
Financial revenue	41 752	23 627	56.6%	-18 125
Dividend revenue	156	161 154	103303.8%	160 998
Financial expenses	1 611	12 776	793.0%	11 165
Gross profit	39 232	199 993	509.8%	160 761
Net profit	30 313	192 234	634.2%	161 921
EBIDTA	3 033	32 393	1068.0%	29 360

9.2.9.2. Sales revenues

The gross revenues of ENEA S.A. from sales in the reporting period amounted to PLN 1,381,867,000, which in relation to Q3 2011 constitutes an increase of PLN 13,970,000, or 1 per cent.

The table below shows the value of sales revenues achieved in Q3 2012.

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Sales revenues	1 367 897	1 381 867	101.0%	13 970
including:				
Sales of electricity to end users	927 915	966 808	104.2%	38 892
Sales of distribution services to users holding comprehensive agreements	387 271	373 298	96.4%	-13 972
Sales of electricity to other entities	34 765	26 377	75.9%	-8 388
Sales of services	15 948	15 733	98.7%	-215
Other revenue	1 999	-349	x	-2 347

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

- Revenues from sales of electricity to end users, which constitute 70 per cent of all sales revenues. In Q3 2012 these revenues amounted to PLN 966,808,000, an increase of PLN 38,892,000 or 4.2 per cent on the same period of the preceding year, which stemmed from sold electricity volumes increasing by 29 GWh and a 3.3 per cent increase in the average sale price. The increase in sold electricity volumes (by 127 GWh) was noted for customers in tariff group sets A and B. In tariff group C the decrease in the volume was noted by 83 GWh, and in tariff group G the volume of sales slightly declined (by 15 GWh).
- Revenues from sales of distribution services to users holding comprehensive agreements, which constitute 27 per cent of all sales revenues. In Q3 2012 these revenues amounted to PLN 373,298,000, and were lower than in the same period of the preceding year by PLN 13,972,000 or 3.6 per cent. The level of the decrease was influenced mainly by the separation of comprehensive agreements into the agreements of sale of energy and distribution services. The process stems from the increasing competition on the market, which increases the commercial significance of customer service that in the case of comprehensive services is often second in place in connection with much greater problems resulting from rendering of distribution services (exceeding of capacities, quality standards, etc.). In addition, the decrease of revenues from sales results from the fact that part of users connected to the grid of ENEA Operator changed the seller, and on the other hand ENEA S.A. acquired customers from the areas of other Distribution System Operators. The decrease in the volume of distribution services within a comprehensive service is a natural process and will deepen in the future.
- Revenues from electricity sales to other entities amounted to PLN 26,377,000, a reduction of PLN 8,388,000 or 24.1 per cent in comparison with Q3 2011, which stems mainly from a drop in the average sale price by 13 per cent and a higher volume of energy sold by 24 GWh.
- The other revenues are mainly non-invoiced sales relating to electricity and distribution services which in Q3 2012 amounted to PLN -203,000 and was lower than in Q3 2011 by PLN 2,360,000 (sales of electricity a drop by PLN 2,741,000 and sales of distribution services - comprehensive agreements a growth by PLN 381,000).

9.2.9.3. Cost of sales

In Q3 2012, ENEA S.A.'s total cost of sales amounted to PLN 1,295,349,000 and decreased by 9,275,000 or 0.7 per cent relative to the same period of the previous year.

The table below shows the value of the cost of sales achieved in Q3 2012.

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Cost of sales	1 304 624	1 295 349	99.3%	-9 275
Costs of electricity for resale	845 885	847 527	100.2%	1 642
including: purchase of certificates of origin	112 703	91 232	80.9%	-21 471
value of unbalanced energy	33 261	-21 031	x	-54 292
Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	386 736	373 098	96.5%	-13 638
Depreciation and amortisation of fixed and intangible assets	4 098	4 405	107.5%	307
Consumption of materials and energy and value of sold materials	1 416	993	70.1%	-423
Other external services	51 845	52 308	100.9%	463
Employee benefit costs	12 608	15 376	122.0%	2 768
Taxes and charges	2 036	1 642	80.6%	-394

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

- Costs of purchases of electricity for sales which amounted to PLN 847,527,000 and increased in relation to Q3 2011 by PLN 1,642,000 or 0.2 per cent as a result of a growth in the average sale price by 0.2 per cent. At the same time, in Q3 2012 the costs of purchase of energy include the estimated costs of unbalancing of electricity, which diminished the purchase costs by PLN 21,031,000 while in Q3 2011 they increased them by PLN 33,261,000. Unbalancing of purchases with sales adjusts purchase costs +/- in relation to the fact that the volume of energy invoiced as purchases and sales is not equal and in relation to adjustments made on the Balancing Market within 15-month settlement period.
- The costs of providing distribution services for the performance of comprehensive agreements, which amounted to PLN 373,098,000, and were lower by PLN 13,638,000 or 3.5 per cent than in Q3 2011, which stemmed from a lower performance of sales of distribution services to users with comprehensive agreements.

- Costs of employee benefits in Q3 2012 amounted to PLN 15,376,000 and grew in relation to Q3 2011 by PLN 2,768,000, i.e. by 22 per cent, mainly as result of increased changes in the reserves for unused holiday entitlements (by PLN 763,000), a growth in the reserves for awards by title of the Electrician's Day (by PLN 322,000), an actuarial valuation relating to the change of reserves for anniversary awards and gratuities (a growth by PLN 504,000) and relating to the change in the reserves concerning the write-off for the Company Social Benefits Fund for retired employees (a growth by PLN 682,000).

9.2.9.4. Other operating activity

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Other operating revenue	2 013	956	47.5%	-1 057
Other operating expenses	7 407	10 131	136.8%	2 724

In Q3 2012 the other operating revenues amounted to PLN -9,175,000 and were lower than in the same period of the preceding year by PLN 3,781,000 or 70 per cent, which mainly stems from higher costs of reserves for litigation, higher costs of written-off bad debts and lower revenues from write-downs for energy receivables.

9.2.9.5. Tangible and intangible impairment write-off

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Tangible and intangible impairment write-off	5 634	0	x	-5 634

In Q3 2011 the tangible assets impairment write-off was made in the amount of PLN 5,634,000 resulting from diminishing of the value of assets of street lightings transferred to ENEOS.

9.2.9.6. Revenues and financial costs

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Financial revenue	41 752	23 627	56.6%	-18 125
Financial expenses	1 611	12 776	793.0%	11 165

In Q3 2012 the result on the financial activity amounted to PLN 10,851,000 and decreased in relation to the previous year by PLN 29,290,000, which is mainly connected with the settlement of the acquisition of Windfarm Polska (exchange rate differences) and lower revenues gained from funds invested in financial assets (bonds, treasury bills, fixed term deposits).

9.2.9.7. Dividend revenue

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Dividend revenue	156	161 154	103303.8%	160 998

The dividend revenues generated in Q3 2012 amounted to PLN 161,154,000 and are higher by PLN 160,998,000 in comparison with Q3 2011, which results mainly from the collection of a dividend from ENEA Wytwarzanie S.A. in July 2012.

9.3. The financial results of ENEA Operator for 9 months of 2012 as compared to 9 months of 2011

9.3.1. Profit and loss statement of ENEA Operator

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Sales revenues	2 022 859	2 165 582	107.1%	142 723
Cost of sales	1 740 414	1 727 679	99.3%	-12 735
Other operating revenue	70 305	27 552	39.2%	-42 753
Other operating expenses	29 998	24 254	80.9%	-5 744
Profit/loss on sales and liquidation of tangible fixed assets	-183	-1 158	632.8%	-975
Operating profit / loss	322 569	440 043	136.4%	117 474
Financial revenue	5 956	4 056	68.1%	-1 900
Financial expenses	9 044	12 276	135.7%	3 232
Gross profit / loss	319 481	431 823	135.2%	112 342
Net profit / loss	255 436	349 875	137.0%	94 439
EBITDA	588 691	721 549	122.6%	132 858

9.3.2. Sales revenues

ENEA Operator's revenues from sales in the reporting period amounted to PLN 2,165,582,000, which in relation to 9 months of 2011 constituted a growth of PLN 142,723,000 or 7.1 per cent.

The table below shows the value of sales revenues achieved in 9 months of 2012.

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Sales revenues	2 022 859	2 165 582	107.1%	142 723
including:				
Revenues from sales of distribution services to end users, including:	1 837 550	1 933 726	105.2%	96 176
comprehensive agreements	1 264 131	1 195 750	94.6%	-68 381
other agreements	573 419	737 976	128.7%	164 557
Revenues from additional fees	2 549	2 556	100.3%	7
Revenues from non-invoiced sales of distribution services	-1 361	6 352	-466.6%	7 713
Fees for customer grid connection	84 654	92 924	109.8%	8 270
Revenues from the illegal collection of electricity	4 957	4 894	98.7%	-63
Revenues from services	75 772	72 086	95.1%	-3 686
Sales of distribution services to other entities	17 215	20 549	119.4%	3 334
Sales of goods and services and other revenues	1 525	32 495	2131.5%	30 971

The sales revenues increase in 9 months of 2012 in the amount of PLN 142,723,000 in relation to the comparative period was mainly due to:

- Increase in revenues from the sale of distribution services to end users, which constitute 89.3 per cent of the sales revenues. Revenues from the sale of distribution services to end users for 9 months of 2012 amounted to PLN 1,933,726,000 and were higher than in the same period of last year by PLN 96,176,000, i.e. 5.2 per cent. The increase of these revenues stemmed mainly from a growth of the average sales price of distribution services to end users by 4.9 per cent with a higher volume of supplied electricity by 36 GWh. Additionally, a growth was noted in estimated revenues from non-invoiced sales by PLN 7,713,000.

- Increase of revenues from sale of goods and materials and other revenues, which for 9 months of 2012 amounted to PLN 32,495,000 and were higher than for 9 months of 2011 by PLN 30,971,000, which is a result of mainly higher revenues from resale of electricity on the Balancing Market by PLN 29,150,000.
- Increase of revenues from fees for grid connection which for 9 months of 2012 amounted to PLN 92,924,000 and grew in relation to the comparative period by PLN 8,270,000, which stems from assuming to the property of higher value of connections.
- Higher revenues from sales of distribution services to other entities which amounted to PLN 20,549,000 and were higher than in the preceding year by PLN 3,334,000, which mainly stems from a higher transfer of energy to the neighbouring distribution system operators (by 75 GWh), higher prices and rates for fixed and variable transmission fees in the Tariff for 2012 in relation to the Tariff for 2011. A higher volume of energy transferred to the neighbouring distribution system operators is a result of a power distribution in the grid, resulting from other shares of generation sources, autotransformers and transformers in the energy transferred to the grid.
- Lower revenues from services which for 9 months of 2012 amounted to PLN 72,086,000 and were lower in comparison with 9 months of 2011 by PLN 3,686,000, which mainly stems from lower revenues from street lighting maintenance.

9.3.3. Cost of sales

For 9 months of 2012 the total costs of sales of ENEA Operator amounted to PLN 1,727,679,000 and decreased by PLN 12,735,000 i.e. by 0.7 per cent in relation to the comparative period.

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

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Cost of sales	1 740 414	1 727 679	99.3%	-12 735
including:				
Depreciation and amortisation of fixed and intangible assets	266 122	281 506	105.8%	15 384
Employee benefit costs	397 484	381 646	96.0%	-15 838
Consumption of materials and raw materials and value of goods sold	37 828	34 512	91.2%	-3 316
Costs of purchases for resale	270 005	267 856	99.2%	-2 149
Costs of transmission services	532 865	533 856	100.2%	991
Other external services	150 578	135 548	90.0%	-15 030
Taxes and charges	85 532	92 755	108.4%	7 223

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

- Employee benefit costs which during the reporting period amounted to PLN 381,646,000 and were lower than in the comparative period of 2011 by PLN 15,838,000. The difference is mainly a result of a lower change in the inventories and accruals by PLN 25,614,000 and lower costs of other benefits for employees by PLN 3,117,000. At the same time, higher costs of remunerations were incurred by PLN 6,971,000 and pay charges by PLN 6,211,000.
- Other external services that in the reporting period decreased by PLN 15,030,000 and amounted to PLN 135,548,000. It mainly results from lower costs of other services: activation of costs of legalisation of meters as investment outlays for fixed assets, incurring lower costs of failure repairs of the grid assets and utility services. At the same time, higher costs were incurred for property insurances.
- Costs of use of materials and the value of products sold, which amounted to PLN 34,512,000 and decreased by PLN 3,316,000 or 8.8 per cent, mainly as a result of lower costs of use of materials.
- Purchase of energy for sale in relation to the comparative period decreased by PLN 2,149,000, which mainly stems from a lower volume of the book-tax difference in the Grid Code in 2012 by 240 GWh, which is caused by the introduction of adjustments on the Balancing Market and purchases of energy from sources being during the technological start-up,
- Amortisation increased by PLN 15,384,000 in relation to the comparative period, mainly because of amortisation calculated from newly assumed fixed assets realised after the comparative period.
- Taxes and charges which grew by PLN 7,223,000 in relation to higher costs of tax from building and lands and power connections and costs of usage of the road line.

9.3.4. Other operating activity

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Other operating revenue	70 305	27 552	39.2%	-42 753
Other operating expenses	29 998	24 254	80.9%	-5 744

For 9 months of 2012 the result on other operating activities amounted to PLN 3,298,000 and was lower than in the previous year by PLN 37,009,000, which mainly stems from lower revenues by title of nil-paid fixed assets (in 2011 reception of a donation in the form of a power infrastructure) and lower costs by title of receivables write-downs.

9.3.5. Revenues and financial costs

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Financial revenue	5 956	4 056	68.1%	-1 900
Financial expenses	9 044	12 276	135.7%	3 232

Financial revenues for 9 months of 2012 amounted to PLN 4,056,000 and were lower than for 9 months of 2011 by PLN 1,900,000, which results from achievement of lower revenues from interests.

Financial costs in the reporting period amounted to PLN 12,276,000 and were higher by PLN 3,232,000 in relation to higher costs of interests from external investment funding.

9.3.6. The financial results of ENEA Operator in Q3 2012 as compared to Q3 2011

9.3.6.1. Profit and loss statement of ENEA Operator

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Sales revenues	667 726	712 239	106.7%	44 513
Cost of sales	575 567	548 376	95.3%	-27 191
Other operating revenue	41 686	7 551	18.1%	-34 135
Other operating expenses	8 685	-6 279	x	-14 964
Profit / loss on sales and liquidation of tangible fixed assets	-2 985	-2 474	x	511
Operating profit / loss	122 175	175 219	143.4%	53 044
Financial revenue	2 150	574	26.7%	-1 576
Financial expenses	3 261	3 347	102.6%	86
Gross profit / loss	121 064	172 446	142.4%	51 382
Net profit / loss	93 907	139 364	148.4%	45 457
EBITDA	212 451	268 796	126.5%	56 345

9.3.6.2. Sales revenues

ENEA Operator's revenues from sales in the reporting period amounted to PLN 712,239,000, which in relation to Q3 2011 constituted a growth of PLN 44,513,000 or 6.7 per cent.

The table below shows the value of sales revenues achieved in Q3 2012.

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Sales revenues	667 726	712 239	106.7%	44 513
including:				
Revenues from sales of distribution services to end users, including:	592 902	631 411	106.5%	38 509
comprehensive agreements	387 264	373 290	96.4%	-13 974
other agreements	205 638	258 121	125.5%	52 483
Revenues from additional fees	853	883	103.5%	30
Revenues from non-invoiced sales of distribution services	735	926	125.9%	190
Fees for customer grid connection	36 905	29 521	80.0%	-7 384
Revenues from the illegal collection of electricity	1 383	1 049	75.9%	-333
Revenues from services	27 630	24 697	89.4%	-2 932
Sales of distribution services to other entities	6 247	6 916	110.7%	670
Sales of goods and services and other revenues	1 072	16 835	1570.4%	15 763

The sales revenues increase in Q3 2012 in the amount of PLN 44,513,000 in relation to the comparative period was mainly due to:

- Increase in revenues from the sale of distribution services to end users, which constitute 88.7 per cent of the sales revenues. Revenues from the sale of distribution services to end users in Q3 2012 amounted to PLN 631,411,000 and were higher than in the same period of last year by PLN 38,509,000, i.e. 6.5 per cent. The increase of these revenues stemmed mainly from a growth of the average sales price of distribution services to end users by 5.4 per cent with a higher volume of supplied electricity by 42 GWh.
- Increase of revenues from sale of goods and materials and other revenues, which in Q3 2012 amounted to PLN 16,835,000 and were higher than in Q3 2011 by PLN 15,763,000, which is mainly a result of higher revenues from the resale of electricity on the Balancing Market by PLN 15,316,000.
- Decrease of revenues from fees for grid connection which in Q3 2012 amounted to PLN 29,521,000 and dropped in relation to the comparative period by PLN 7,384,000, which stems from shifting of the realisation of connections to Q4 2012.

- Lower revenues from services which amounted to PLN 24,697,000 and decreased in comparison with the previous year by PLN 2,932,000, which mainly stems from the settlement in Q3 2011 of a change of the agreement with ENEA S.A. for technical support, from the change in 2012 in the method of recording the resale services and from the change of the street lighting maintenance service agreement.

9.3.6.3. Cost of sales

In Q3 2012 the total costs of sales of ENEA Operator amounted to PLN 548,376,000 and decreased by PLN 27,191,000 i.e. by 4.7 per cent in relation to the comparative period.

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

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Cost of sales	575 567	548 376	95.3%	-27 191
including:				
Depreciation and amortisation of fixed and intangible assets	90 276	93 577	103.7%	3 301
Employee benefit costs	138 595	109 058	78.7%	-29 537
Consumption of materials and energy and value of sold materials	13 211	11 077	83.8%	-2 134
Costs of purchases for resale	74 553	82 038	110.0%	7 485
Costs of transmission services	178 556	177 425	99.4%	-1 131
Other external services	53 209	46 447	87.3%	-6 762
Taxes and charges	27 167	28 754	105.8%	1 587

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

- Costs of employee benefits which in the reporting period amounted to PLN 109,058,000 and were lower than in the comparative period of 2011 by PLN 29,537,000, which mainly stems from the change of reserves for employee benefits and the Programme of Voluntary Redundancy realised in 2011.
- Other external services that in the reporting period decreased by PLN 6,762,000 and amounted to PLN 46,447,000. It mainly stems from lower costs of other services, in relation to the activation of costs of meter legalisation as investment outlays for fixed assets.
- Costs of use of materials and energy and the value of products sold decreased by PLN 2,134,000 and amounted to PLN 11,077,000, which stems from the shift of the execution of costs to Q4 2012.
- Costs of transmission services decreased by PLN 1,131,000 which stems from lower volumes of purchase of transmission services by 157 GWh.

- Purchase of energy for sale in relation to the comparative period grew by PLN 7,485,000, which mainly results from lowering in Q3 2011 of the reserves for costs of energy for the book-tax difference.
- Amortisation which increased by PLN 3,301,000 in relation to the comparative period, mainly because of a higher value of assets in comparison with Q3 2011.
- Taxes and charges which grew by PLN 1,587,000 in relation to higher costs of tax from grid assets.

9.3.6.4. Other operating activity

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Other operating revenue	41 686	7 551	18.1%	-34 135
Other operating expenses	8 685	-6 279	x	-14 964

In Q3 2012 the result on other operating activity amounted to PLN 13,830,000 and was lower than in the previous year by PLN 19,171,000, which mainly stems from lower revenues by title of nil-paid fixed assets and increasing the level of reserves to a smaller extent than in the comparative period.

9.3.6.5. Revenues and financial costs

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Financial revenue	2 150	574	26.7%	-1 576
Financial expenses	3 261	3 347	102.6%	86

Financial revenues in the reporting period amounted to PLN 574,000 and were lower by PLN 1,576,000 mainly in relation to lower revenues from interests.

9.4. The financial results of ENEA Wytwarzanie for 9 months of 2012 as compared to 9 months of 2011

9.4.1. Profit and loss statement of ENEA Wytwarzanie

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Sales revenues	2 156 313	2 079 857	96.5%	-76 456
Excise tax	16	16	100.0%	0
Net sales revenues	2 156 297	2 079 841	96.5%	-76 456

Cost of sales	1 808 142	1 850 375	102.3%	42 233
Other operating revenue	22 098	33 582	152.0%	11 484
Other operating expenses	29 642	12 515	42.2%	-17 127
Profit / loss on sales and liquidation of tangible fixed assets	-243	-1 041	428.4%	-798
Operating profit / loss	340 368	249 492	73.3%	-90 876
Financial revenue	25 123	52 060	207.2%	26 937
Dividend revenue	1 282	6 280	489.9%	4998
Financial expenses	12 144	8 122	66.9%	-4022
Gross profit / loss	354 629	299 710	84.5%	-54 919
Net profit / loss	281 965	239 196	84.8%	-42 769
EBITDA	530 194	462 942	87.3%	-67 252

9.4.1.1. Sales revenues

ENEA Wytwarzanie's gross revenues from sales for 9 months of 2012 amounted to PLN 2,079,857,000, which in relation to 9 months of 2011 constituted a drop by PLN 76,456,000.

The table below shows the value of gross sales revenues achieved in 9 months of 2012.

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Gross sales revenues	2 156 313	2 079 857	96.5%	-76 456
including:				
Revenues from the sale of electricity, including:	1 946 675	1 938 840	99.6%	-7 835
within licence for generation	1 758 901	1 747 896	99.4%	-11 005
within licence for trading	187 774	190 944	101.7%	3 170

Revenues from compensation for stranded costs	2 472	-21 647	-875.7%	-24 119
Revenues from the sale of certificates of origin	75 350	104 241	138.3%	28 891
Revenues from the sale of heat	4 083	4 378	107.2%	295
Revenues from the sale of services and other revenues from sales	118 660	44 131	37.2%	-74 529
Revenues from the sale of goods and materials	9 073	9 914	109.3%	841

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

- The revenues from sales of electricity which constitute 93.2 per cent of the total gross sales revenues in the reporting period amounted to PLN 1,938,840,000 and were lower than for 9 months of 2011 by PLN 7,835,000 or 0.4 per cent. The volume of sales of electricity amounted to 9,446 GWh and in relation to the comparative period decreased by 273 GWh and at the same time, the average sale price of electricity grew by 2.5 per cent. Production of electricity in 9 months of 2012 amounted to 8,659 GWh and was lower in relation to the comparative period of 2011 by 168 GWh, with a simultaneous increase in production from renewable sources (biomass) by 113 GWh.
- Revenues from sales of services and the other revenues from sales decreased by PLN 74,529,000, which mainly stems from lower revenues from sales of allowances for CO₂ emission (by PLN 76,104,000 - a lower volume of sales by 923,000 tonnes and a lower average sale price of allowances for CO₂ emission by 41.5 per cent).
- Revenues from the recovery of stranded costs are lower by PLN 24,119,000, which stems from the inclusion of an adjustment of recognised revenues for 2008-2011 in the amount of PLN -25,147,000 and an advance payment for 2011 in the amount of PLN 3,500,000 which was applied for and received.
- Revenues from sales of certificates of origin were higher by PLN 28,891,000 than in 9 months of 2011, which was mainly caused by higher recognition by 113,202 MWh of green certificates of origin (as a result of higher production from renewable sources) and higher recognition by 13,295 MWh of red certificates.

9.4.1.2. Cost of sales

For 9 months of 2012, ENEA Wytwarzanie's total cost of sales amounted to PLN 1,850,375,000 and grew by 42,233,000 or 2.3 per cent relative to the same period of 2011.

The table below shows the value of costs sales revenues achieved in 9 months of 2012.

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Cost of sales	1 808 142	1 850 375	102.3%	42 233
including:				
Depreciation and amortisation of fixed and intangible assets	189 826	213 450	112.4%	23 624

Employee benefit costs	173 983	190 132	109.3%	16 149
Consumption of materials and raw materials and value of goods sold	1 035 614	1 068 103	103.1%	32 489
Costs of purchases for resale	270 440	206 243	76.3%	-64 197
Costs of transmission services	1 902	0	0.0%	-1 902
Other external services	90 120	124 826	138.5%	34 706
Taxes and charges	46 257	47 621	102.9%	1 364

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

- Amortisation costs which in 9 months of 2012 amounted to PLN 213,450,000 and grew by PLN 23,624,000 in relation to the comparative period which mainly stems from commissioning of IOS III investment (flue gas desulphurisation plant) and verification of the economical period of utilisation of fixed assets performed on 1 January 2012.
- Costs of consumption of materials and value of products sold, which amounted to PLN 1,068,103,000 and increased by PLN 32,489,000, i.e. 3.1 per cent, which mainly stems from a growth in the costs of biomass consumption by PLN 43,335,000 (in relation to a higher production of energy from biomass and a higher average price of biomass (including transport) by 12.1 per cent) and a growth in costs of coal consumption by PLN 20,790,000 (a higher average price of coal by 5.8 per cent with a concurrent lower volume of coal consumption by 3.1 per cent); and also a higher inventory shortage of coal by PLN 18,997,000; the costs of consumption of other materials decreased by PLN 51,899,000 (which mainly stems from lower costs of redemption of allowances for CO₂ emissions as a result of lower energy production).
- Costs of purchase of energy for sale which amounted to PLN 206,243,000 and decreased by PLN 64,197,000, which resulted from lower activities within the licence for trade in electricity (lower volume and lower average price of purchased energy) and a decrease in the costs of energy purchase on the Balancing Market (a lower volume of energy purchase and a lower average purchase price).
- Costs of other external services amounted to PLN 124,826,000, an increase of PLN 34,706,000 or 38.5 per cent in relation to the comparative period, which was mainly caused by the occurrence of costs of transaction processing by ENEA Trading and higher costs of repairs and transport.
- Costs of employee benefits in 9 months of 2012 amounted to PLN 190,132,000 and increased by PLN 16,149,000, which mainly stems from a growth in pays including charges by PLN 9,204,000 (a growth in the average pay by 6.3 per cent with a concurrent decrease in the average employment by 1.8 per cent), and also a change in the reserves for anniversary awards by PLN 6,586,000. In 9 months of 2012 in relation to the comparative period of 2011 higher costs of individual remuneration with charges were incurred in connection with the introduction of the increase of the basic pay from 1 April 2011 (in accordance with the Agreement concluded between the Company's Board and trade unions functioning in the Company).

9.4.1.3. Other operating revenues and costs

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Other operating revenue	22 098	33 582	152.0%	11 484
Other operating expenses	29 642	12 515	42.2%	-17 127

Other operating revenues in 9 months of 2012 amounted to PLN 33,582,000 and were higher than in the analogical period by PLN 11,484,000, which mainly stems from:

- higher by PLN 5,002,000 revenues from termination of liability reserves,
- higher by PLN 6,077,000 revenues from reversing of write-downs,
- higher by PLN 2,815,000 revenues relating to the settlement of the revenues from subsidies and grid connection fees (in 2012 inclusion of amortisation of fixed assets financed with IOS III subsidies),
- higher by PLN 2,354,000 refunds of costs from the insurer (compensation for fortuitous events),
- lower by PLN 4,429,000 revenues from damages, penalties and fines.

Other operating expenses in 9 months of 2012 amounted to PLN 12,515,000 and were lower than in the analogical period by PLN 17,127,000, which mainly stems from:

- creation of lower by PLN 11,637,000 write-downs (mainly receivables from contractual penalties),
- creation of lower by PLN 2,604,000 reserves for future liabilities,
- lower costs of litigation by PLN 2,379,000,
- creation of lower by PLN 1,630,000 inventory write-downs,
- higher by PLN 1,259,000 other costs, including the costs of repairs of fortuitous events, shortages in deliveries.

9.4.1.4. Revenues and financial costs

Data in PLN '000	9 months 2011	9 months 2012	Change	Difference
Financial revenue	25 123	52 060	207.2%	26 937
Dividend revenue	1 282	6 280	489.9%	4 998
Financial expenses	12 144	8 122	66.9%	-4 022

Financial revenues in 9 months of 2012 amounted to PLN 52,060,000 and were higher in relation to the analogical period by PLN 26,937,000, which mainly stems from gaining higher interest rates from cash deposited on fixed term deposits and from the excess of the market value of shares in ENEA Trading over the book value of these shares (contribution in kind of 100 per cent of the shares of ENEA Trading to ENEA S.A.).

9.4.1.5. The financial results of ENEA Wytwarzanie in Q3 2012 as compared to Q3 2011

9.4.1.5.1. Profit and loss statement of ENEA Wytwarzanie

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Sales revenues	782 145	705 009	90.1%	-77 136
Excise tax	4	4	100.0%	0
Net sales revenues	782 141	705 005	90.1%	-77 136
Cost of sales	633 922	666 896	105.2%	32 974
Other operating revenue	8 332	5 630	67.6%	-2 702
Other operating expenses	10 550	8 988	85.2%	-1 562
Profit / loss on sales and liquidation of tangible fixed assets	-100	-20	20.0%	80
Operating profit / loss	145 901	34 731	23.8%	-111 170
Financial revenue	8 493	25 674	302.3%	17 181
Dividend revenue	541	0	0.0%	-541
Financial expenses	5 995	1 341	22.4%	-4 654
Gross profit / loss	148 940	59 064	39.7%	-89 876
Net profit / loss	118 620	41 849	35.3%	-76 771
EBITDA	211 987	101 868	48.1%	-110 119

9.4.1.5.2. Sales revenues

ENEA Wytwarzanie's gross revenues from sales in Q3 2012 amounted to PLN 705,009,000, which in relation to Q3 2011 constituted a drop by PLN 77,136,000.

The table below shows the value of gross sales revenues achieved in Q3 2012.

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Gross sales revenues	782 145	705 009	90.1%	-77 136
including:				
Revenues from the sale of electricity, including:	654 406	663 994	101.5%	9 588
within licence for generation	613 823	612 160	99.7%	-1 663
within licence for trading	40 584	51 835	127.7%	11 252
Revenues from compensation for stranded costs	2 472	-21 647	-875.7%	-24 119
Revenues from the sale of certificates of origin	21 910	30 545	139.4%	8 635
Revenues from the sale of heat	930	1 086	116.8%	156
Revenues from the sale of services and other revenues from sales	98 065	25 894	26.4%	-72 171
Revenues from the sale of goods and materials	4 362	5 136	117.7%	774

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

- Revenues from sales of electricity which constitute 94.2 per cent of the total gross sales revenues in the reporting period amounted to PLN 663,994,000 and were higher than in Q3 2011 by PLN 9,588,000 or 0.4 per cent. The volume of sales of electricity amounted to 3,249 GWh and in relation to the comparative period decreased by 20 GWh and at the same time, the average sale price of electricity grew by 2.3 per cent. Production of electricity in Q3 2012 amounted to 3,085 GWh and was higher in relation to the comparative period by 79 GWh, with a simultaneous increase of production from renewable sources (biomass) by 50 GWh.
- Revenues from sales of services and other revenues from sales decreased by PLN 72,171,000, which mainly stems from lower revenues from sales of allowances for CO₂ emissions by PLN 72,717,000 (a lower volume of sales by PLN 1,149,000 and a lower average sale price of allowances for CO₂ emissions by 36.8 per cent).
- Revenues from the recovery of stranded costs are lower by PLN 24,119,000, which stems from the inclusion of an adjustment of recognised revenues for 2008-2011 in the amount of PLN -25,147,000 and an advance payment for 2011 in the amount of PLN 3,500,000 which was applied for and received.
- Revenues from sale of certificates of origin were higher by PLN 8,635,000 than in Q3 2011, which was caused by a higher recognition of green certificates of origin by 50 GWh (as a higher production of energy from renewable sources).

9.4.1.5.3. Cost of sales

In Q3 2012, ENEA Wytwarzanie's total cost of sales amounted to PLN 666,896,000 and increased by 32,974,000 or 5.2 per cent relative to the same period of 2011.

The table below shows the value of the cost of sales achieved in Q3 2012.

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Cost of sales	633 922	666 896	105.2%	32 974
including:				
Depreciation and amortisation of fixed and intangible assets	66 086	67 137	101.6%	1 051
Employee benefit costs	52 092	61 793	118.6%	9 701
Consumption of materials and raw materials and value of goods sold	383 295	412 974	107.7%	29 679
Costs of purchases for resale	82 744	58 998	71.3%	-23 746
Costs of transmission services	648	0	0.0%	-648
Other external services	33 865	49 645	146.6%	15 780
Taxes and charges	15 192	16 349	107.6%	1 157

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

- Costs of consumption of materials and value of products sold, which amounted to PLN 412,974,000 and increased by PLN 29,679,000, i.e. 7.7 per cent, which mainly stems from a growth in the costs of coal consumption by PLN 26,686,000 (a higher average price of coal by 7.2 per cent and a higher volume of coal consumption by 2 per cent), a growth in costs of biomass consumption by PLN 18,301,000 (in relation to a higher energy production from biomass and a higher average biomass cost (including transport)); and a higher inventory shortage of coal by PLN 17,322,000. The costs of consumption of other materials decreased by PLN 33,675,000 (which mainly stems from lower costs of redemption of allowances for CO₂ emissions).
- Costs of other external services amounted to PLN 49,645,000, an increase of PLN 15,780,000 or 46.6 per cent in relation to the comparative period, which was mainly caused by the occurrence of costs of transaction processing by ENEA Trading and higher costs of repairs and transport.
- Costs of energy purchase for sale, which amounted to PLN 58,998,000 and decreased by PLN 23,746,000, which was caused by a lower volume of purchases by 81 GWh and a lower average purchase price by 14.4 per cent.
- Costs of employee benefits in Q3 2012 amounted to PLN 61,793,000 and increased by PLN 9,701,000, which mainly stems from a growth in the reserves for anniversary awards and gratuities by PLN 2,635,000,

a shift of the write-off for the Company Social Benefits Fund in the amount of PLN 3,740,000 from Q2 to Q3 2012 and an increase in the average pay by 5.2 per cent with a concurrent decrease in the average employment by 1 per cent.

- Amortisation costs which in Q3 2012 amounted to PLN 67,137,000 and grew by PLN 1,051,000 in relation to the comparative period which mainly stems from the verification of the economical period of utilisation of fixed assets performed on 1 January 2012.
- Costs of taxes and charges which in Q3 2012 amounted to PLN 16,349,000 and increased by PLN 1,157,000 in relation to the comparative period, which mainly stems from a growth in costs relating to real estate taxes and an increase in costs for use of the environment.

9.4.1.5.4. Other operating revenues and costs

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Other operating revenue	8 332	5 630	67.6%	-2 702
Other operating expenses	10 550	8 988	85.2%	-1 562

Other operating revenues in Q3 2012 amounted to PLN 5,630,000 and were lower than in the analogical period by PLN 2,702,000, which mainly stems from:

- lower by PLN 5,190,000 revenues from damages and contractual penalties,
- higher by PLN 2,312,000 revenues from reversing of unused write-downs,

The other operating costs in Q3 2012 amounted to PLN 8,988,000 and were lower than in the analogical period by PLN 1,562,000, which mainly stems from:

- creation of lower by PLN 4,315,000 receivables write-downs,
- higher other operating costs by PLN 2,778,000, including e.g. costs of repairs of fortuitous events, shortages in deliveries.

9.4.1.5.5. Revenues and financial costs

Data in PLN '000	Q3 2011	Q3 2012	Change	Difference
Financial revenue	8 493	25 674	302.3%	17 181
Dividend revenue	541	0	0.0%	-541
Financial expenses	5 995	1 341	22.4%	-4 654

Financial revenues in Q3 2012 amounted to PLN 25,674,000 and were higher in relation to the analogical period by PLN 17,181,000, which mainly stems from the excess of the market value of shares in ENEA Trading over the book value of these shares (contribution in kind of 100 per cent of the shares of ENEA Trading to ENEA S.A.) and from gaining higher interest rates from cash deposited on fixed term deposits.

Financial costs in Q3 2012 amounted to PLN 5,995,000 and were lower than in Q3 2011 by PLN 4,654,000, in relation to exchange rate differences from credits and loans.

9.5. Other significant information

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

9.5.1. Strong market position

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

9.5.2. Rating

Awarding ENEA S.A. in April 2011 by the Fitch Ratings agency with a long-term rating of an entity in domestic and foreign currency at the level of "BBB" and a long-term domestic rating at the level of "A" is of a key importance as to the investment intentions of the Group. The perspective of the ratings is stable.

The awarded rating illustrates the strong position of ENEA on the domestic energy market and simultaneously confirms its very good economic standing, locating the Group among the entities of key importance for the sector in Central and Eastern Europe. The results justify the appropriateness of both the strategic actions taken in the Company during the recent time and the shape of the current policy pursued by ENEA S.A.

The effect of holding the rating, being an independent and objective appraisal of the creditworthiness of the Company, is of key importance for its stakeholders. The credit rating is a substantial tool for building of the image of the entity in the economic environment implying multidimensional consequences for its holder.

The rating awarded to ENEA takes into account its vertically integrated position (the ENEA Group consisting of ENEA S.A. and its subsidiaries) on the Polish power market, including the leading position on the domestic electricity distribution and sales market as well as its strong position in the segment of electricity generation.

On 5 April 2012 the Fitch Ratings agency in their announcement maintained the long term rating issued for the Company on the present level of BBB (in the international scale) and A (in the domestic scale).

9.5.3. Efficient generation assets

The Kozenice Power Plant, which forms part of the Group, is one of the most efficient bituminous coal-fired power plants in Poland. It has updated generation units that produce electricity with awareness of the natural environment surrounding the company's facilities and in observance of environmental laws. Nevertheless, it must be noted that our activity significantly affects the environment and requires a number of approvals for the use of its resources. The Kozenice Power Plant holds integrated permits, obtained pursuant to Decision of the Mazowieckie Province Administrator of 20 December 2005, as amended. The principal ways in which the Kozenice Power Plant affects the environment are in areas related to releasing pollution into the atmosphere, coal combustion waste storage, water supply and sewage removal. The most harmful pollutants emitted into the atmosphere include sulphur dioxide, nitric oxide, dust and carbon dioxide.

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

The Białystok Heat and Power Plant is the largest producer of power and heat energy in the Podlaskie Province. The key objective of the activity of the Białystok Heat and Power Plant is production of electricity for the

National Power System and production of heat in the form of hot water for utility services recipients and of process steam for the industry.

9.5.4. Reduction of emission of pollutants

ENEA Wytwarzanie limits the emission of pollutants through an effective operation of the environment protective equipment it possesses, undertaking modernisation actions on the existing installations and realisation of new investments as well. Dust pollutants are limited in high-performance electrofilters and fume desulphurisation installations that guarantee the second level of dust extraction. At present, another stage is in progress for replacement of these equipments.

In 2010 the electrofilter on 500 MW unit No. 10 and in 2011 the electrofilter of 200 MW unit No. 4 were replaced and presently the electrofilter has been replaced on the 200 MW unit No. 3. Reduction of emissions of sulphur dioxide is ensured by three high-performance fume desulphurisation installations with the installed capacity of 1,920 MWe. At present, they guarantee keeping permissible norms being in force.

Emissions of nitric oxides at the level of current standards are ensured by installations realised during previous years for initial reduction – low-emission burners.

In 2011 ENEA Wytwarzanie commenced realisation of another stage of nitric oxide secondary emissions reduction – through the development of the catalytic fume denitrating installation (SCR) for 200 MW units No. 4-8 till 2016, which will allow for further reduction of these pollutants to the level of standards biding after 2015. In 2012 the SCR installation is being developed on the 200 MW unit No. 6.

The newly constructed 1,075 MW power unit will comply with all the BAT (Best Available Techniques) requirements.

The application of the installation to the treatment of flue gases, such as: installation of the catalytic denitrogenation of flue gases (SCR), Flue Gas Desulphurisation Plant (IOS) best on wet lime method and electrofilter - will ensure the emission of harmful substances to the air on the level higher than:

- nitric oxides concentration (NO_x) $\leq 100 \text{ mg/Nm}^3$
- sulphur dioxide concentration (SO_2) $\leq 100 \text{ mg/Nm}^3$
- dust concentration from IOS (NO_x) $\leq 10 \text{ mg/Nm}^3$

The newly constructed 1,075 MW power unit will also possess a high efficiency of energy production, which will make it more environmentally friendly (e.g. lower by 20 per cent emission of CO_2 in relation to the presently operated units).

The unit will comply with "CO₂ capture ready" requirements, i.e. it will be adjusted to the future integration with the CO₂ sequestration installation.

9.5.5. Waste management

Within waste management ENEA Wytwarzanie realises activities aiming at the highest possible utilisation of generated waste. In Q3 2012 around 85 per cent of generated burner waste was utilised and 100 per cent of gypsum resulting from the process of fume desulphuring. ENEA Wytwarzanie realises a systematic monitoring of the environment quality in the vicinity of the waste storage facility. Actions are also conducted preventing repeated spread of dust through protecting surfaces with membrane-forming chemicals, sprinkling of fields and flooding of fields.

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

- CO₂ emission allowances trading scheme,
- production from renewable sources of energy,

- integrated prevention of pollutions and their controlling (IED).

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

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

9.5.6. Investments presently realised in Kozenice Power Plant

In Q3 2012 the realisation of the investment plan was continued within which the following investments were performed:

Completed investments:

- modernisation of block No. 3, including e.g. replacing of electrofilter, modernisation of the pressure part of the boiler, modernisation of the turbo set and block automatics,
- modernisation of the slurry pump station No. II.

Continued investments:

- I stage of the extension of the installation of the catalytic denitrogenation of flue gases for OP-650 boilers No. 4 to 8 (the common part for the units No. 4-8 and SCR installation on the unit No. 6),
- bunding of field 4a and 6 including the dumping pipelines, execution of measuring and control equipment on field 6 and draining in bunding of field 6,
- reconstruction of the ash and slag hydraulic transport flyover,
- modernisation of the ash loading installation,
- modernisation of the carburising system within control (switching station RWC, RWD),
- construction of roads on the slag and ash waste heap,
- construction of an in-house archives building.

Commenced investments:

- modernisation of block No. 6, including e.g. modernisation of the pressure part of the boiler, modernisation of the turbo set and block automatics,
- development of a new vehicle scales for biomass.

9.5.7. New supercritical power block with a capacity of up to 1,000 MW

In 2012 the process of the construction of a new unit in the Kozenice Power Plant has significantly accelerated. On 21 September 2012 the Board of ENEA Wytwarzanie with the consortium: HITACHI Power Europe GmbH and Polimex-Mostostal S.A. concluded a contract for the construction of a new supercritical steam power unit fired with bituminous coal with the capacity of 1,075 MW gross.

The period of the investment realisation is 58 months of the execution of the aforementioned contract.

The basic technical data of the unit are as follows:

- gross electrical power of the Unit: 1,075 MW,
- net efficiency of the Unit: 45.59 %
- availability: during the first year > 90%, in subsequent years > 92%.

Detailed information on the conclusion of the agreement was published in the current report No. 35/2012 of 21 September 2012.

The anticipated outlays for the investment realisation are around PLN 5.3 bln net (excluding financial costs). In order to ensure the realisation of the aforementioned investment in September 2012 the Boards of ENEA S.A. and ENEA Wytwarzanie concluded a programme agreement with BRE Bank regarding the Bond Issue Programme up to the amount of PLN 4 bln. Together with the programme agreement between ENEA S.A. and ENEA Wytwarzanie an agreement was concluded for guaranteeing the subscription for the bonds concerning the Bond Issue Programme up to the amount of PLN 4 bln.

Detailed information on the conclusion of the agreement was published in the current report No. 34/2012 of 8 September 2012.

9.5.8. Diversified customer portfolio

The portfolio of customers to whom we sell electricity is highly diversified. As of 30 September 2012, ENEA S.A. provided end-to-end services (which involved the sale of electricity and distribution services) or supplied electricity to more than 2,100,000 retail customers and approximately 300,000 corporate customers.

In Q3 2012 the proceeds from supplying electricity to our largest customer accounted for 4.9 per cent of the overall value of electricity and distribution sales, and the share of the ten largest customers amounted to 15.1 per cent.

9.5.9. Billing system

On 18 September 2012 the Board of ENEA S.A. signed a contract for a comprehensive implementation of the On-line Customer Service System (ISOK) for ENEA S.A. with Invoide-Matrix, a leading supplier of IT solutions in Poland. The system supplier will design, develop and implement the comprehensive IT platform within customer service, settlements and management of customer relations (CRM).

The investment of ENEA S.A. in the modern billing system and CRM tools results mainly from the necessity of a substantial reconstruction of the processes of sales, service and settlements of customers and the fact that presently used systems do not comply with the business requirements resulting from the growth of competition on the energy market. The reconstruction of the present model of functioning of sales and customer service is a result of a regular dynamic transformation of the power sector the effect of which is e.g. increased competition on the retail energy market and also higher and higher customer expectations and requirements. New tools will allow our company to expand its offer with new products and services, efficient customer settlements, application of advanced mechanisms of their keeping and gaining, and a more effective cooperation with present and potential business partners. Innovations within IT are an element of strategic investments being part of the long-term building our competitive advantage.

It is worth noting that that this is the first project of this type realised in the energy sector in Poland and unique on an European scale. Thanks to its realisation ENEA S.A. will gain one of the most modern global IT solutions supporting the core business operations of the Company, which will significantly increase the competitive advantage of ENEA S.A. and as a consequence will explicitly affect the improvement of financial results.

Within the project realisation comprehensive solutions and functions will be delivered which are indispensable for handling sale processes, settlements and customer service. On-line Customer Service System in ENEA S.A. will cover the following key elements:

- billing system and CRM - being the key components of the implemented solution,
- internal integration system,
- reporting system,

- business partner relationship management platform (PRM),
- self-service platform for customers of ENEA S.A.,
- and Call Center platform.

Pursuant to the concluded contract, the Supplier will also deliver the hardware infrastructure necessary for the solution implementation.

The date of a full implementation of the new system is planned within 24 months of the contract execution, however the project will be realised incrementally, which means that particular functions of the system will be implemented gradually.

9.5.10. Convenient location for developing wind farms

Investments in renewable wind power are a crucial element of our strategy. Our distribution network covers the north-western part of Poland that, due to the prevailing atmospheric conditions in this part of the country - plenty of wind - is a good location for building wind farms. As estimated, the windiness with the annual average wind speed of over 6 m/s is characteristic of the seaside region recognised as extremely advantageous for the construction of wind farms. In Q3 2012 we performed further actions aiming at acquiring projects of wind farms at various stages of advancement in order to extend the wind capacities in the Group and achieve within this scope 250 to 350 MW of installed power till 2020. Currently Elektrownie Wodne dedicated, among others, to developing generating capacities from Renewable Sources of Energy develops or is interested in purchasing projects of wind farms at various stages of development with the total installed capacity of around 86.3 MW. The Company has been also developing two pilot photovoltaic projects with the total capacity of 1.5 MW. In addition, in December 2010 ENEA S.A. concluded a frame agreement on cooperation, based on which it achieved a temporary exclusivity for negotiations and pre-emptive right to buy shares of special purpose vehicles being owners of wind farm projects with the target installed capacity of 214 MWe.

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

Among them, we must point out the potential effect of the events and occurrences set out in the Management Board's Report on the operations of the Group published as part of the consolidated annual report on 27 April 2012 and in the Management Board's Report on the operations of the Group published as part of the consolidated interim report on 30 August 2012.

9.5.12. Bank guarantees and loans

During the reporting period ENEA S.A. had access to three credits in the current account in BZ WBK S.A. for the total amount of PLN 90,000,000 and in Pekao S.A. for the total amount of PLN 10,000,000 and a working capital facility in PKO Bank Polski S.A. in the amount of PLN 50,000,000.

The total limit on working capital facilities as at 30 September 2012 was PLN 150,000,000, and as at 30 September 2012 the Company had no debts pertaining to them.

9.5.13. Tariffs

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

Within sales of electricity since 1 March 2012 the recipients from the tariff set groups A, B and C are bound by the provisions of the "Tariff for electricity for the tariff set groups in the following packages: CORPORATE, CLASSICAL, ECONOMIC, UNIVERSAL, GREEN" introduced with the Resolution of the Board of ENEA S.A. No. 44/2012 dated 24 January 2012.

Within sales of electricity to users consuming energy for the needs of households, on 16 December 2011 the decision of the President of ERO No. DTA-4211-53(15)/2011/2688/V/BH approved the "Tariff for electricity for the G tariff set groups in the following packages: HOME, PRE-PAY". The tariff entered into force with the Resolution of ENEA S.A. No. 761/2011 of 20 December 2011 and is valid for users connected to the grid of ENEA Operator from 1 January 2012 to 31 December 2012.

9.5.14. Sales to end users

ENEA S.A. offers its customers energy sales and comprehensive services (energy sales and distribution services) within the following tariff group sets specified in electricity tariffs:

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

This offer is directed to customers on the domestic market.

In practice, tariff group sets A and B are used mainly by large companies operating in such sectors as chemicals, cement, steel, automotive, paper, wood and metals processing, communal services and port services. In the C set groups include entities connected to the low-voltage grids and not being households, such as e.g. shops, service centres, hotels, cities and communes for the needs of street lighting. In the G set groups include users consuming electricity for the needs of households and utility rooms connected with them are settled.

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

9.5.15. Sales to other end users

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

9.5.16. Sales by value and type

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

Item	Sales of electricity [MWh]		
	Q1 2012	Q2 2012	Q3 2012
Tariff group set A	807 667	779 116	762 369
Tariff group set B	1 291 790	1 147 433	1 164 894
Tariff group set C	772 627	617 365	580 089
Tariff group set G	1 235 501	1 073 865	1 008 012
TOTAL	4 107 585	3 617 779	3 515 364

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

Item	Revenues on sales of electricity to end users [PLN '000]		
	Q1 2012	Q2 2012	Q3 2012
Tariff group set A	192 370.0	183 056.9	182 344.0
Tariff group set B	352 892.9	304 805.1	309 400.2
Tariff group set C	241 826.1	203 104.9	190 164.8
Tariff group set G	340 741.9	303 012.6	284 898.4
TOTAL	1 127 830.9	993 979.5	966 807.4

9.5.17. Collective labour disputes

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

9.5.18. Long-Term Power Purchase Agreements (LTPPA)

Up to 1 April 2008 numerous Polish producers of electricity, including ENEA Wytwarzanie, were a part to long-term electricity and power purchase agreements with PSE S.A. ("Long-term Agreement"). Because of the fact that Long-term Agreements were deemed on 1 May 2004 a prohibited state aid, the Sejm of the Republic of Poland adopted a resolution on 29 June 2007 concerning the terms of covering costs of producers in connection with the early termination of long-term electricity and power purchase agreements ("LTPPA Termination Act") the goal of which was to lead to a voluntary termination by producers of Long-term Agreements in return for the state aid approved with the decision of the European Commission. In accordance with the LTPPA Termination Act, after the termination of the Long-term Agreement ENEA Wytwarzanie, starting from 1 April 2008, is authorised to receive indemnity by title of stranded costs occurring at the producer as a result of a voluntary early termination of the Long-term Agreement. The indemnity is granted for covering of stranded costs generated in ENEA Wytwarzanie in the period from 1 April 2008 to 31 December 2014 (the so called "adjustment period" for ENEA Wytwarzanie).

The mechanism of settlements of state aid granted to ENEA Wytwarzanie based on the LTPPA Termination Act is as follows:

- till 31 August of each adjustment period (except the last calendar year of the adjustment period) companies apply for advances for recovery of stranded costs in the subsequent calendar year,
- till 31 July of each year following each subsequent year of the adjustment period the President of ERO sets the amount of the annual adjustment of stranded costs for the previous calendar year,
- the President of the ERO determines the final adjustment value by 31 August of the year following the end of the adjustment period (for ENEA Wytwarzanie it will be 31 August 2015).

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

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

For 2008 ENEA Wytwarzanie obtained advance payments towards stranded costs from the company Zarządca Rozliczeń S.A. in the amount of PLN 93,132,000. In the decision of 31 July 2009 the President of ERO set the amount of the annual adjustment of stranded costs for ENEA Wytwarzanie for 2008 as PLN -89,537,000 (the amount of advanced to be refunded for the account of the transition fee of Zarządca Rozliczeń S.A.). ENEA Wytwarzanie filed an appeal against this decision with the Regional Court in Warsaw, at the Court of Competition and Consumer Protection. Any other activities in 2009 concerning annual adjustment of stranded costs were described in the financial statement for 2010.

In 2010 the following key events relating to the issue of stranded costs took place. On 3 August 2010 ENEA Wytwarzanie received the decision of the President of ERO of 29 July 2010 setting the annual adjustment for 2009 in the amount of PLN 15,580,000. On 17 August 2010, ENEA Wytwarzanie lodged an appeal against the above decision with the Court of Competition and Consumer Protection, Regional Court in Warsaw. In 2010 financial statement, revenues in the amount of PLN 15,580,000 were included in the report of total revenues in the item of Revenues on sales as an amount of likely revenues. On 30 September 2010 ENEA Wytwarzanie received the amount of the annual adjustment for 2009 in the amount of PLN 15,580,000 from Zarządca Rozliczeń S.A.

For 2010 ENEA Wytwarzanie applied for the advance towards stranded costs in the amount of PLN 0.00. In 2010 the revenues from compensations for 2010 were not recognised (the statement included only the amount of the annual adjustment for 2009). On 29 July 2011 the President of ERO determined the amount of the annual adjustment of stranded costs for 2010 in the amount of PLN 2,472,000. Since also this decision is

disadvantageous for ENEA Wytwarzanie on 18 August 2011 it filed an appeal against this decision with the Regional Court in Warsaw, at the Court of Competition and Consumer Protection. On 30 September 2011 ENEA Wytwarzanie received the amount of the annual adjustment for 2010 in the amount of PLN 2,472,000 from Zarządca Rozliczeń S.A.

For 2011 ENEA Wytwarzanie applied for the advance towards stranded costs in the amount of PLN 3,500,000. Until 5 January 2012 Zarządca Rozliczeń S.A. paid advances for four quarters of 2011 in the total amount of PLN 3,500,000. In January-December 2011 revenues from indemnities were recognised in the amount of the annual adjustment of stranded costs for 2010 i.e. PLN 2,472,000.

On 20 April 2012 the Regional Court in Warsaw, Court for Competition and Consumer Protection made a judgement in the case from the appeal of ENEA Wytwarzanie against the decision of the President of ERO of 31 July 2009 (annual adjustment of stranded costs for 2008). With this judgement the Decision of the President of ERO of 31 July 2009 was amended in such a way that the amount of the annual adjustment of stranded costs for ENEA Wytwarzanie for 2008 was set at the level of PLN -4,192,000 instead of the original amount of PLN -89,537,000. The total costs of the proceedings were charged to the President of ERO. The judgement is not final and was challenged with the decision of the President of ERO of 27 June 2012 to the Court of Appeals in Warsaw.

In relation to the fact that on 30 September 2009 the Board of ENEA Wytwarzanie decided to make a return payment of the transitory charge to the account of Zarządca Rozliczeń S.A. of the amount of PLN 44,768,000 by title of the execution of the decision of the President of ERO of 31 July 2009 within the scope in which the decision as at 30 September 2009 was enforceable in accordance with the decision of the Court of 23 September 2009, after the judgement of the Regional Court in Warsaw became final on 20 April 2012, ENEA Wytwarzanie should, in the opinion of the Board, receive the refund of PLN 40,577,000. In the future the final judgement may mean also an increase of the financial result of a given year by PLN 85,345,000.

On 27 June 2012 the Regional Court in Warsaw, Court for Competition and Consumer Protection made a judgement in the case from the appeal of ENEA Wytwarzanie against the decision of the President of ERO of 29 July 2010 (annual adjustment of stranded costs for 2009). With this judgement the Decision of the President of ERO of 29 July 2010 was amended in such a way that the amount of the annual adjustment of stranded costs for the Company for 2009 was set at the level of PLN 111,084,000 instead of the original amount of PLN 15,580,000. The judgement is not final and was challenged to the Court of Appeals in Warsaw with the appeal of the President of ERO of 4 September 2012 and the appeal of ENEA Wytwarzanie of 4 September 2012.

On 31 July 2012 the President of ERO determined the amount of the annual adjustment of stranded costs for 2011 in the amount of PLN -37,397,000.

On 20 August 2012 ENEA Wytwarzanie appealed against the decision of the President of ERO to the Court for Competition and Consumer Protection, Regional Court in Warsaw (the appeal contains the motion to suspend the enforcement of the decision till the case is settled). On 19 September 2012 the Regional Court in Warsaw issued a decision in which it refused to suspend the enforcement of the decision of the President of ERO concerning LTTPA 2011 ordering a refund of the amount of PLN 37,397,300. Then, on 28 September 2012 The Company returned the full amount of the annual adjustment of stranded costs to Zarządca Rozliczeń S.A.

For 2012 ENEA Wytwarzanie applied for the advance towards stranded costs in the amount of PLN 0.00. During the period of January-September 2012 the revenues for indemnities for 2012 were not recognised, however the amount was recognised of PLN 3,500,000 (the amount of the advance requested and received for 2011).

In the financial statement for the period of January-September 2012 the costs included the amount of PLN 25,147,000 - the amount of recognised revenues for 2008-2011.

The dates of hearings concerning the annual adjustments for 2010 and 2011 have not been set yet.

As of the date of preparation of these consolidated financial statements it is not possible to clearly determine the final amounts of annual adjustments for 2008-2011. The complete amount of the granted permissible public aid by title of compensates of stranded costs will be determined in the decision of the President of ERO

determining the amount of the final adjustment which will be issued in 2015. Having the above in mind it must be reserved that the revenues by title of LTPPA which have been recognised so far and that were based on annual adjustments set by the President of ERO may be subject to a change which will result from the issuance by relevant courts of final judgements regarding annual adjustments and the final adjustment for ENEA Wytwarzanie.

9.5.19. Used financial instruments

During the reporting period ENEA S.A. did not conclude any forward transactions.

The transactions securing the currency risk in the form of forward and unreal forward are conducted by one subsidiaries - the Białystok Heat and Power Plant. The concluded transactions concerned securing of the currency risk within purchases of fuel and sales of allowances for emissions of CO₂. The result on unsettled transactions as at 30 September 2012 is negative and amounts to PLN 926,000 . The result and the value of forward contracts concluded by the Białystok Heat and Power Plant is substantial in the light of the Białystok Heat and Power Plant's results but immaterial for the Group's results. The result is also material in relation to equity of the Białystok Heat and Power Plant.

9.5.20. Coal supplies

Bituminous coal is the basic fuel used for the production of electricity by the core generating assets of the Issuer, i.e. ENEA Wytwarzanie. In Q3 2012, the cost of coal comprised about 49 per cent of operating costs.

The key supplier of bituminous coal for ENEA Wytwarzanie is Lubelski Węgiel "Bogdanka" S.A., which, during Q3 2012, supplied around 0.86 million tonnes, which constitutes over 73.5 per cent of the material supplied on the quantitative basis. Moreover, ENEA Wytwarzanie within supplies of fuel coal is during this year being cooperating with Katowicki Holding Węglowy S.A.

Within supplies of coal ENEA Wytwarzanie is presently being cooperating with Lubelski Węgiel "Bogdanka" S.A. and Katowicki Holding Węglowy S.A.

In the future the cooperation with Kompania Węglowa S.A. and, on a supplementary basis, with Jastrzębska Spółka Węglowa S.A. and other suppliers. The Polish market of coal supplies is a market highly monopolised by companies belonging to the State Treasury which control a substantial part of domestic supplies of coal on the quantitative basis, excluding Lubelski Węgiel "Bogdanka" S.A., which in 2010 became public, listed in the Warsaw Stock Exchange.

9.5.21. Coal transport

The means of transport used to deliver bituminous coal to ENEA Wytwarzanie S.A. in Q3 2012 was rail transport.

100 per cent of supplies of this material were realised by PKP Cargo S.A., the biggest railway carrier in Poland, with which in February 2012 agreements were concluded for transport of coal to ENEA Wytwarzanie from the mine of Lubelski Węgiel "Bogdanka" S.A. and mines of Katowicki Holding Węglowy S.A. and Kompania Węglowa S.A.

9.5.22. Personal changes in the authorities of ENEA S.A.

On 1 October 2012 the Supervisory Board of ENEA S.A., in relation to the notice of termination submitted by Mr. Maciej Owczarek, so far holding the position of the President of the Board, of the agreement on rendering management services, adopted a resolution on the dismissal of Mr. Maciej Owczarek from the composition of the Board of ENEA S.A. At the same time, the Supervisory Board vested the position of the President of the

Board, until the nomination of a new President of the Board, to the present Member of the Board, Mr. Janusz Bil.

On 22 October 2012 the Extraordinary General Meeting of Shareholders of ENEA S.A. appointed to the composition of the Supervisory Board Mr. Michał Piotr Jarczyński. Detailed information on the education and professional experience was published by the Company in the current report No. 43/2012 of 23 October 2012.

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

10.1. Implementation of the Company strategy

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

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

We intend to implement that strategy by:

- **Developing the core operations of the Group - the area in which we focus on:**
 - developing and diversifying the generation capacity,
 - developing and modernising the distribution network,
 - developing wholesale trade operations,
 - ensuring the security of bituminous coal supplies from optimal sources,
 - increasing profit from electricity sales,
 - ensuring technical and technological development.
- **Enhancing the efficiency of the core operations of the Group - the area in which we focus on:**
 - optimising fundamental processes,
 - optimising support functions,
 - ensuring the operational integration of the Group,
 - reorganising the operations of the Group's subsidiaries.
- **Building a socially responsible business – area in which we focus on:**
 - ensuring well-balanced human resource management,
 - ensuring a dialogue with the local community and taking their voice into account in business operations,
 - promoting environmentally beneficial solutions and behaviours.

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

- Corporate Centre,
- Generation based on fossil fuels and renewable sources,
- Wholesale trading,

- Sales,
- Distribution,
- Shared Services Centre.

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

As part of the Group's strategic area that involves core business development, one of the long-term strategic courses of action to be taken by the Group is gaining access to own sources of energy generation of the potential enabling at least satisfaction of the demand for electricity of all the customers of the Group. The first step towards the realisation of this strategy was inclusion in October 2007 of Elektrownia "Kozienice" S.A. into the ENEA Capital Group (on 25 May 2012 Elektrownia "Kozienice" S.A. changed its name into ENEA Wytwarzanie S.A.), a bituminous coal fired power plant with largest generating capacity in Poland. Irrespective of what opportunities there may be to acquire additional generation capacity by acquiring existing entities, we are planning to increase our own generation capacity, including on the area of ENEA Wytwarzanie where we are planning the construction and start-up of a new power unit with a gross electrical capacity of 1,075 MWe. In relation to the anticipated increase in obligations of the sale of electric energy in Poland generated from the renewable sources of energy and in cogeneration, we undertake activities aiming at the increase of control of costs related to the realization of the obligations resulting from the law regulations within this field. To this end, we plan to continue concluding long-term agreements for the purchase of energy certificates for energy produced from renewable sources and cogeneration from external entities, and to carry out direct investments in such sources. Our intention is to invest in wind farm and biogas plants projects that are already commenced and at various stages of development, by acquiring existing entities or investing in new projects in co-operation with external entities. Four scenarios of purchases are possible, depending of the stage of the project: searching for projects which in part would be realized by a third entity as a developer's service, purchase of a project from a third party before achievement by this party of a building permit and further individual development of the project, purchase of projects/special purpose companies (established by developers for realization of the project) after achievement of a final building permit for the project/special purpose company or purchase of finished turnkey wind farms and biogas power plants. Heretofore acquired thermal plants will be modernised and transformed into thermal power plants, also into ones powered with biomass which will generate electricity and heat in cogeneration, enabling us to obtain additional certificates of origin for the energy.

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

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

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

What is indispensable for the realization of the strategy of the Group and its growth is financial means the ensuring of which is the key element of realization of the aforementioned investment plans and increasing of

the Group's values for shareholders. In implementing our strategy, we assume a base variant of about PLN 18.7 bln until 2020 for investments in conventional generation, distribution and renewable energy sources and cogeneration. Detailed information on the activities undertaken to ensure the sources of financing of the Company's Strategy was included in item 10.1.4 below.

Our main goal for conventional generation is to construct a new 1,075 MWe gross electrical capacity bituminous coal-fired supercritical power unit in Świerże Górne. We are planning to commission it in 2017. As a result of the conducted proceedings for the selection of the construction contractor of the new power unit with the capacity of around 1,000 MWe executed in accordance with the provisions of the Act from 29 January 2004 on Public Offerings, from the two filed offers the offer of Hitachi Power Europe GmbH and Polimex – Mostostal S.A. consortium was selected as the most advantageous (the other offer was submitted by the consortium of China National Electric Engineering Co. Ltd. and China Overseas Engineering Group Co. Ltd.). Within the prescribed time, i.e. till 8 June 2012 the appeals made by each of the above entities were filed in the National Chamber of Appeal in Warsaw. On 27 July 2012 the National Chamber of Appeal in Warsaw announced the judgement in which it overruled the appeals filed by the both offering entities. Therefore, it became possible to conclude on 21 September 2012 an agreement with the contractor whose offer was selected, on the construction of a supercritical power unit fired with bituminous coal with the gross electrical capacity of 1,075 MWe, efficiency of 45.59 per cent net and the availability during the first year of over 90 per cent, and in subsequent years over 92 per cent. Pursuant to the concluded agreement the realisation of the investment will last for 58 months from the date of execution of the agreement. The outlays anticipated for the investment realisation are around PLN 5.3 bln net (excluding financial costs). In September 2012 the Board of ENEA Wytwarzanie concluded a programme agreement with BRE Bank and ENEA S.A. concerning the Bond Issue Programme up to the amount of PLN 4 bln net. The funds from the issue will be designated for e.g. financing of the construction of the power unit in ENEA Wytwarzanie. Together with the programme agreement relating to the Bond Issue Programme up to the amount of PLN 4 bln between ENEA S.A. and ENEA Wytwarzanie an agreement on guaranteeing the subscription for the bonds was concluded.

At the beginning of October 2012 in ENEA Wytwarzanie S.A. an official hand-over took place of the construction site for a new power unit with the capacity of 1,075 MW to the general contractor.

At the same time, we are continuing modernisation of the remaining 200 MW and 500 MW units in ENEA Wytwarzanie S.A. We are also analysing the capacities of construction of another power unit with the power of up to 1,000 MWe.

In 2011 ENEA S.A. also started cooperation with Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG) analysing the ability to construct together an electric power generating source fuelled by gas. Within this cooperation we are performing actions aimed at selection of an optimum location for the gas-powered unit. Together with PGNiG we are planning to conduct detailed location and economic analyses for the selected locations and then make appropriate corporation decisions.

Additionally, by title of the Letter of Intent executed on 5 September 2012 (between ENEA S.A., PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and TAURON Polska Energia S.A.) ENEA S.A. with the aforementioned partners is conducting the actions aiming at the development of the draft agreement for the purchase of shares in the special purpose vehicle PGE EJ1 Sp. z o.o. which is responsible for the direct preparation of the investment process of the construction and operation of the first Polish atomic power plant (Atomic Project). Based on the Letter of Intent the parties agreed that the draft agreement for the purchase of shares in the special purpose vehicle PGE EJ1 will include the rights and obligations of each party by the realisation of the Atomic Project, assuming that PGE will, directly or through a subsidiary, act as a leader in the process of the project realisation. The conditions of shares purchase in PGE EJ1 will include the financial outlays which have been so far incurred by PGE and its subsidiaries relating to the present realisation of the Atomic Project. Based on the Letter of Intent the parties assumed exclusivity for further conduction of talks between the parties in connection with the construction of an atomic power plant in Poland. The Letter of Intent gives

the basis for the commencement of detailed negotiations within the development of the draft agreement for the purchase of shares in PGE EJ1, however at this stage of talks it constitutes no liability of the parties to conclude the share sale agreement and participation in the Atomic Project.

In the area of distribution, during the period covered by the strategy we are planning investment works and modernisation of the grid infrastructure, and essential refurbishment in connection with increasing demand for electricity and the need to connect renewable sources of energy. Such investment and modernisation activities should result in increasing the functionality of our grid and in reducing grid losses. Thanks to it the exchange of distribution lines with longest period of usage will take place. These activities should substantially affect the increase in reliability of deliveries of electricity to customers.

Our investment expenditures within distribution are continually increasing. In 2011 ENEA Operator spent on investments above PLN 813 mln realising the plans almost 100 per cent. It constitutes the increase in investment expenditures by more than 39 per cent as compared to 2010, by 65 per cent as compared to 2009 and 101 per cent as compared to 2008.

In 2011 the majority investment expenditures of ENEA Operator were related to modernisations and recovery of fixed assets connected with improvement of service quality and increase in demand for power. This tendency is maintained also in 2012 during which ENEA Operator is planning to devote over PLN 876 mln for investments.

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

On 15 January 2010 ENEA S.A. completed the purchase of the first biogas power plant in Liszkowo (the Kujawsko-Pomorskie Province) with the capacity of 2.12 MWe. In Q2 2011 ENEA S.A. purchased 100 per cent of shares of the special purpose vehicle established for the construction of a biogas plant with the capacity of 1.6 MWe - the construction will be completed in Q3 2012. It is anticipated that till the end of 2012 the total capacity of biogas power plants within the ENEA Capital Group will amount to 3.2 MWe.

In March 2011, a subsidiary of ENEA S.A., Elektrownie Wodne, dedicated to, among other things, the extension of production capacity of the Group from Renewable Energy Sources purchased a wind farm located in Darżyno in Pomorze with installed capacity of 6 MW. The wind farm in Darżyno was constructed in 2008. It located on the very windy area. In Q1, Q2 and Q3 2012 the farm generated a total of 11,831.5 MWh of electricity.

On 1 June 2011 ENEA S.A. purchased from the French company Société Nationale d'Électricité et de Thermique (SNET) 69.58 per cent of Białystok Heat and Power Plant's shares. Thanks to the transaction the Group holds almost 100 per cent of shares of the company from Białystok. The Białystok Heat and Power Plant is one of the biggest enterprises in the region. The attainable heat capacity of the Białystok Heat and Power Plant is 459.2 MW. Apart from the heat production the Białystok Heat and Power Plant produces also electricity and process steam. Equipment of the heat and power plant can generate 350 GWh of electric energy, which is then sold on the wholesale market. The basic fuel used in the heat and power plant is coal. In 2008, in unit No. I, a boiler fired exclusively with biomass was started. The new installation helped to limit the emission of gases and dusts harmful to the environment and decreased the number of waste from coal combustion. Commissioning of the biomass-powered installation enabled to decrease coal consumption by 120,000 tonnes per year and replace it with 270,000 tonnes of biomass. The capacity of this installation is 75.2 MW. The Białystok Heat and Power Plant till the end of 2012 plans to convert another boiler to the one fired with biomass, with the same capacity of 75.2 MW.

In June 2011 water power plant was commissioned on the Wełna River in Oborniki. The building, which belongs to Elektrownie Wodne with the seat in Samociążek has the capacity of 330 kW. An estimated average annual

volume of production of energy amounts to 1,440 MWh. The water power plant in Oborniki is the 21st installation of that kind belonging to ENEA Capital Group.

In November 2011 ENEA S.A. signed a preliminary agreement for the purchase of 100 per cent of the shares of a special purpose vehicle which is the owner of the 50 MW Bardy wind farm consisting of 25 Vestas turbines of 2 MW power each and own switching station. On 16 April 2012 an agreement was signed based on which ENEA S.A. became the owner of 100 per cent of Windfarm Sp. z o.o. The wind farm is located on a very windy area which translates into the forecast of an annual production of electricity on the level of 150,000 MWh. Windfarm Polska Sp. z o.o. intends to extend the generating capacities of the farm with another 9-10 MW.

Depending on the market situation, the Group's financial situation, results of performed technical and economic analyses, and capabilities of financing the investment, we do not rule out that the basic investment program will be extended with additional investments in conventional generation in the amount of EUR 1.4 bln.

Apart from the above indicated activities realised and planned for execution within the realisation of the Group's strategy, in order to ensure the diversification of sources of primary fuel for the generation of electricity and secure gas supplies on a long run (for potential investments in the electricity generation sources based on gas) the Company has been conducting analyses connected with a potential engagement in the exploration and extraction of carbohydrates from shale. On 4 July 2012 ENEA S.A. concluded a frame agreement on the exploration and extraction of carbohydrates from shale. The parties to the agreement are ENEA S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG), KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A. The subject of the cooperation of the parties based on the agreement shall be exploration, recognition and extraction of carbohydrates in geological deposits covered with the licence for exploration and recognition of deposits of crude oil and natural gas relating to the areas of Wejherowo, held by PGNiG (Wejherowo Licence). Within the Wejherowo licence the close cooperation will relate to the area of 160 km² (Cooperation Area). The Agreement additionally anticipates preferences for the parties within a possibility of cooperation on the remaining area of Wejherowo Licence (apart from situations where PGNiG performs individual exploration, recognition or extraction of carbohydrates and except the area on which PGNiG has been already performing exploration works near Opalino and Lubocino). Each of the Parties shall participate in the project realisation supervision particularly through the share in the operating committee established for the purpose. Estimated outlays for exploration, recognition and extraction in the three first locations (Kochanowo, Częstkowo and Tępcz pads) within the Cooperation Area are planned for the amount of PLN 1.72 bln. At present the parties are conducting works in order to determine detailed conditions of the cooperation, including: detailed budget and project schedule, participation of the parties in the funding of expenses resulting from the agreed budget, participation in profits from the project and rules of liability, including contractual penalties for non-performance, in particular by PGNiG, of some obligations resulting from the agreement. In case no such detailed arrangements are achieved the agreement may be terminated by any party. In the case not all the required corporate approvals or consent for the performance of the concentration are not obtained the agreement will expire. On 12 November 2012 an annex was signed to the frame agreement in which the parties decided to prolong the term for the determination of detailed conditions of the cooperation, of which the Company informed in the current report No. 45/2012 of 12 November 2012.

Taking into account the planned investments, from the point of view of ENEA S.A., the long-term development of the equity portfolio is essential to carry the burden of future investments. The funds from the profit could complement the sources of financing of investment expenses, particularly within investments connected with the growth of the Group, mainly investments in new generating capacity.

Investment expenditures planned by ENEA S.A. for 2012-2014 amount to ca. PLN 1.54 bln.

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

10.1.1. Cash capital investments

Since ENEA S.A. plays a role of a manager of the Group and its basic activity is sales of electric energy and in relation to the fact that most investments in fixed assets is conducted by subsidiaries of ENEA S.A., capital investments constitute a substantial and important element of its activity taking into account its functioning.

Having the above in mind ENEA S.A. is planning to realise the cash capital investments within the development of new RES and cogeneration sources. For the realisation of investments within this field in 2012-2014 the Company planned to spend funds dedicated for gaining new renewable energy sources (biogas plants, biopower plants and wind farms), cogeneration sources and modernisation of acquired sources of heat generation (heating plants) consisting in installation of units enabling production of electricity generated in combination with heat generation (CHP). Within the planned means the Company plans to purchase shares in special purpose companies established by third entities for the needs of realisation of RES and cogeneration projects and purchase projects from the area of RES and cogeneration.

As we assume, the funds planned for spending within capital and monetary investments may cover just part of expenditures necessary for the realisation of investments by the companies from the ENEA Capital Group. In connection with the above we do not rule out a supplementary way of financing of the aforementioned investments, namely loans taken by the Group companies or funds obtained within intra-Group bond issue programmes.

10.1.2. Telecommunications and IT

Within this area during 2012-2014 seven main investment tasks are planned for realisation which will serve the growth of ENEA S.A.

- Modernisation and development of the ERP software and management support software,
- Development of the document circulation system,
- Developing an Integrated Customer Management System,
- Consolidation of work resources,
- Development and implementation of IT policy, including: planning of IT architecture, security policies, quality of IT services and project management,
- Modernisation and development of teleinformation network,
- System and technical infrastructure.

Moreover, it is anticipated that the realization of the aforementioned investment tasks will require incurring of expenses beyond the aforementioned planning period.

10.1.3. Modernisation of road lights

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

10.1.4. Financing sources of the investment programme

It must be noted that the Company will not have sufficient funds to implement the adopted development plan (even in its minimum scope) covered by "Corporate Strategy of the ENEA Capital Group for 2010-2015 looking forward to 2020" that anticipates investment needs of approximately PLN 18.7 bln till 2020. The Board of ENEA S.A. is aware of the fact that financing of the aforementioned investments with only own means is not an

optimal solution, therefore it is important to gain external sources of investments co-financing. Having the above in mind ENEA S.A. adopted and is under the realisation of the project titled "Gaining funding for the realisation of investment projects in the ENEA CG", within which on 21 June 2012 between ENEA S.A. and five banks acting as Issue Guarantors, i.e. Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Bank Handlowy w Warszawie S.A. and Nordea Bank Polska S.A. an agreement was concluded concerning the bond issue programme up to the amount of PLN 4 bln. The programme will fund the current operations and selected investment needs of the Group, including in particular the construction of a new power unit in Świerże Górne (ENEA Wytwarzanie).

Additionally, ENEA S.A. on 18 October 2012 concluded a loan agreement (Finance Contract) with the European Investment Bank (EIB) for the amount of PLN 950,000,000 for the funding of a multiannual investment plan concerning the modernisation and extension of power grids of ENEA Operator which are located in North-Western Poland. The loan repayment period is up to 15 years from the planned payment of the first tranche.

Additionally, ENEA S.A. continues parallel talks with the European Bank for Reconstruction and Development ("EBRD") concerning the possibility to obtain a maximum of PLN 800 mln of a long-term unsecured loan for implementation of the investment programme of the Capital Group with regard to the area of electricity distribution. It is planned that the funds from EBRD will be obtained till the end of 2012 and will be used gradually during the availability period established with the Banks. The funds for which ENEA S.A. applies in EBRD would be, beside the funds gained from EIB, one of the basic sources of financing of the investment programme in the area of electricity distribution during 2012-2015 with the estimate value of PLN 3.2 bln.

An important meaning for acquiring funding from the investment programme is the strong position of the Group on the Polish power market and reasonable policy within financing confirmed on 14 April 2011 by the Fitch Ratings agency which issued for ENEA S.A. high long-term ratings of the entity in domestic and foreign currency at the level of "BBB" and a long-term domestic rating at the level of "A" with stable perspective (maintained in April 2012).

10.2. The overall condition of the economy

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

The factors affecting conducting a business in Poland may include changes in Poland's business, political and legal situation.

Poland's energy policy and structural and ownership decisions affecting state-owned power generating companies may have a significantly adverse effect on the proceeds from electricity sales and distribution services, in particular for retail consumers. It was not long ago that Poland enacted the legislative framework that regulates the functioning of the power sector in its present form. As a result, there is no developed, unified interpretation of the law in this area.

As a result, there is no developed, unified interpretation of the law in this area. There is, therefore, considerable uncertainty as to how issues relating to our activities will be resolved if they become the subject of court proceedings. Therefore, there is a risk of unexpected and unfavourable decisions that could have a negative effect on our activity, financial results, financial situation or development prospects.

The conducted works aiming at the novelization of the Energy Law and adoption of a new Act on renewable energy sources (in particular within the provisions changing the system supporting investments in the renewable energy sources) constitute a factor that may affect the Group's results as well. The progress of work

on the final text of the aforementioned acts at present does not allow assessing unequivocally what impact the changes resulting from enactment of the discussed acts will have on our operations.

10.3. Synergy results

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



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