

2012

Report of the Management Board

on the operations of the
ENEA Capital Group
in the first half of 2012

Poznań, 30 August 2012



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1. Description of the organisation of the Issuer's Capital Group and consequences of changes in the structure of the Capital Group

1.1. Composition of the ENEA Capital Group

As at 30 June 2012 the Capital Group consisted of the parent company ENEA S.A. ("Company", "Parent Company"), 21 subsidiaries, 2 indirect subsidiaries and 1 affiliate. Within the ENEA Capital Group (the "Group"), there are three leading companies, i.e. ENEA S.A. (trade in electricity), ENEA Operator (distribution of electricity) and ENEA Wytwarzanie S.A. (generation of electricity). The remaining entities provide support activities in relation to the above companies.

A detailed description of the operations of the basic entities comprising the ENEA Capital Group is presented in chapter 2 of this statement, i.e. *"The operations of the ENEA Capital Group"*.

General information regarding ENEA S.A.

Name (business name):	ENEA Spółka Akcyjna
Legal form:	Spółka Akcyjna (Joint-stock company)
Country of registration:	Republic of Poland
Registered office:	Poznań
Address:	ul. Górecka 1, 60-201 Poznań
National Court Register - Regional Court in Poznań - Nowe Miasto and Wilda in Poznań	KRS 0000012483
Telephone number:	(+48 61) 884 53 00
Fax:	(+48 61) 884 59 55
E-mail:	enea@enea.pl
Website:	www.enea.pl
Statistical classification number (REGON):	630139960
Tax identification number (NIP):	777-00-20-640

As at 30 June 2012 the companies of the ENEA Capital Group operated within the area indicated below:

1. **ENEA S.A.** with its registered office in Poznań is operating within trade in electricity.
2. **ENEA Operator Sp. z o.o.** with its registered office in Poznań. The core business is the distribution of electricity, conducted since 1 July 2007 on the basis of a licence issued by the President of the Energy Regulatory Office (ERO) on 28 June 2007 for the period from 1 July 2007 to 1 July 2017. Simultaneously, on 30 June 2007 the President of the ERO designated ENEA Operator as the operator of an electrical energy distribution system for the life of the licence.
3. **ENEA Wytwarzanie S.A.** (formerly Elektrownia "Kozienice " S.A.) with its registered office in Świerże Górne. The core business of the Company is the generation of electricity and heat co-generated with electricity.
4. **Energomiar Sp. z o.o.** with its registered office in Poznań, engaged in the production of astronomical clocks, the maintenance, assembly, legalisation and standardisation of electricity meters, readings of electricity consumption and remote-control power services.
5. **BHU S.A.** with its registered office in Poznań, trading in electrical power equipment, tools and materials.
6. **Hotel EDISON Sp. z o.o.** with its registered office in Baranów, engaged in the hotel, restaurant, training, sports and recreation business.
7. **Energetyka Poznańska Zakład Transportu Sp. z o.o.** with its registered office in Poznań, established to provide road transport and vehicle maintenance services.
8. **Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o.** with its registered office in Gronówek, a company engaged in the design, construction, modernisation and operation of electric power grids and associated equipment.
9. **Energo-Tour Sp. z o.o.** with its registered office in Poznań, providing hotel and restaurant services, organising vacations, recreational and youth camps, providing tourism and healthcare services.
10. **Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o.** with its registered office in Inowrocław, providing health resort services and services within health and rehabilitation.
11. **Elektrownie Wodne Sp. z o.o.** with its registered office in Samociążek, operating within generation of electricity and services within operation of water turbine plants and development of activity within generation of electricity coming from renewable sources through realisation of projects of wind farms and biogas power plants.
12. **ENEOS Sp. z o.o.** with its registered office in Poznań, engaged in the operation and maintenance of street lighting.
13. **ENTUR Sp. z o.o.** with its registered office in Szczecin, engaged in recreation, hotel, tourism and restaurant services, as well as healthcare.
14. **ITSERWIS Sp. z o.o.** with its registered office in Zielona Góra, conducting operations in landline and wireless telecommunications and IT and computer services, as well as wholesale and retail selling of electronic and telecommunications equipment, computers and software.

15. **Auto-Styl Sp. z o.o.** with its registered office in Zielona Góra, engaged in the wholesale of mechanical vehicles, accessories and fuels, servicing and repairing mechanical vehicles, and leasing means of transport.
16. **Miejska Energetyka Ciepła Piła Sp. z o.o.** with its registered office in Piła, engaged in the generation, transmission and distribution of heat and generation of combined heat and power energy using cogeneration units.
17. **Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.** with its registered office in Oborniki, engaged in the generation, transmission and distribution of heat.
18. **ENEA Centrum S.A. (formerly: Energetyka Poznańska Biuro Usług Technicznych S.A.)** with its registered office in Poznań is preparing to commence conducting of customer service for the account of ENEA S.A.
19. **Dobitt Eneria Sp. z o.o.** with its registered office in Gorzesław, running an investment consisting in construction of a biogas plant with a capacity of 1.6 MW.
20. **Elektrociepłownia Białystok S.A.** with its registered office in Białystok is engaged with production of heat and power energy.
21. **Annacond Enterprises Sp. z o.o.** with its registered office in Warsaw - the company is presently being prepared for commencement of operating activities.
22. **Windfarm Polska Sp. z o.o.** with its registered office in Koszalin - the company operates within generation of electricity.
23. **ELKO Trading Sp. z o.o.** with its registered office in Świerże Górne. An indirect subsidiary through shares in ENEA Wytwarzanie S.A.
24. **Ecebe Sp. z o.o.** with its registered office in Augustów. An indirect subsidiary through shares in Elektrociepłownia Białystok S.A.
25. **Energo-Invest-Broker S.A.** with its registered office in Toruń. An affiliate of ENEA Wytwarzanie S.A.

Subsidiaries

The ENEA Capital Group as at 30 June 2012 comprised of 21 subsidiaries (under consolidation) in which ENEA S.A. held shares or stock of the total nominal value of PLN 5,569,086,320, which constituted as at 30 June 2012 99.67 per cent of the total nominal value of share capitals of these companies, amounting to PLN 5,587,474,590.

Holdings of ENEA S.A. in the share capital of subsidiaries.

Item	Company name and address	Share capital of the Company - nominal value [PLN '000]	Shareholding of ENEA S.A. [PLN '000]	Percentage share of ENEA S.A. in the capital and voting rights
1	BHU S.A. ul. Strzeszyńska 58, 60-479 Poznań	16 540.70	15 320.70	92.62
2	Hotel EDISON Sp. z o.o. Baranowo k/Poznania, 62-081 Przeźmierowo	21 271.50	21 271.50	100.00
3	Energetyka Poznańska Zakład Transportu Sp. z o.o. ul. Strzeszyńska 58, 60-479 Poznań	4 975.50	4 975.50	100.00
4	Energomiar Sp. z o.o. ul. Strzeszyńska 58, 60-479 Poznań	2 749.00	2 749.00	100.00
5	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o. Gronówko 30, 64-111 Lipno k/Leszna	8 785.00	8 785.00	100.00
6	Energo-Tour Sp. z o.o. ul. Marcinkowskiego 27, 61-745 Poznań	9 543.00	9 535.00	99.92
7	ENEA Operator Sp. z o.o. ul. Strzeszyńska 58, 60-479 Poznań	4 678 050.00*	4 678 050.00	100.00
8	ENEA Wytwarzanie S.A. Świerże Górne, municipality of Kozienice, 26-900 Kozienice 1	462 482.44**	462 482.44	100.00
9	ITSERWIS Sp. z o.o. ul. Zacisze 28, 65-775 Zielona Góra	6 364.00	6 364.00	100.00
10	Auto-Styl Sp. z o.o. ul. Zacisze 15, 65-775 Zielona Góra	2 200.00	2 200.00	100.00
11	ENEOS Sp. z o.o. ul. Strzeszyńska 58, 60-479 Poznań	32 089.50	32 089.50	100.00

12	ENTUR Sp. z o.o. ul. Malczewskiego 5/7 71-616 Szczecin	4 134.50	4 134.50	100.00
13	Elektrownie Wodne Sp. z o.o. Samociążek 92, 86-010 Koronowo	239 898.50	239 890.00	99.996
14	Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. ul. Wilkońskiego 2, 88-100 Inowrocław	17 448.00	17 438.00	99.94
15	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. ul. Wybudowanie 56, 64-600 Oborniki	5 182.50	4 871.00	93.99
16	Miejska Energetyka Ciepła Sp. z o.o. ul. Kaczorska 20, 64-920 Piła	28 689.00	18 657.00	65.03
17	ENEA Centrum S.A. ul. Górecka 1, 61-749 Poznań	1 973.70	1 973.70	100.00
18	Elektrociepłownia Białystok S.A. ul. Gen. Andersa 3, 15-124 Białystok	18 442.75	18 441.98	99,996
19	DOBITT ENERGIA Sp. z o.o. Gorzesław 8, 56-420 Bierutów	9 175.00	9 175.00	100.00
20	Annacond Enterprises Sp. z o.o. 02-957 Warsaw, ul. Jana III Sobieskiego 1 / 4	17 430.00	10 632.50	61.00
21	Windfarm Polska Sp. z o.o. ul. Wojska Polskiego 24-26, 75-712 Koszalin	50.00	50.00	100
	TOTAL	5 587 474.59	5 569 086.32	99.67

* Share capital in accordance with the statute and the National Court Register. In the financial statements drawn up in accordance with the EU IFRSs, the share capital is stated after adjustments for in-kind contributions.

** Share capital in accordance with the statute and the National Court Register. In the financial statements drawn up in accordance with the EU IFRSs, the share capital is stated after adjustment by title of hyperinflation.

Indirect subsidiaries and affiliates

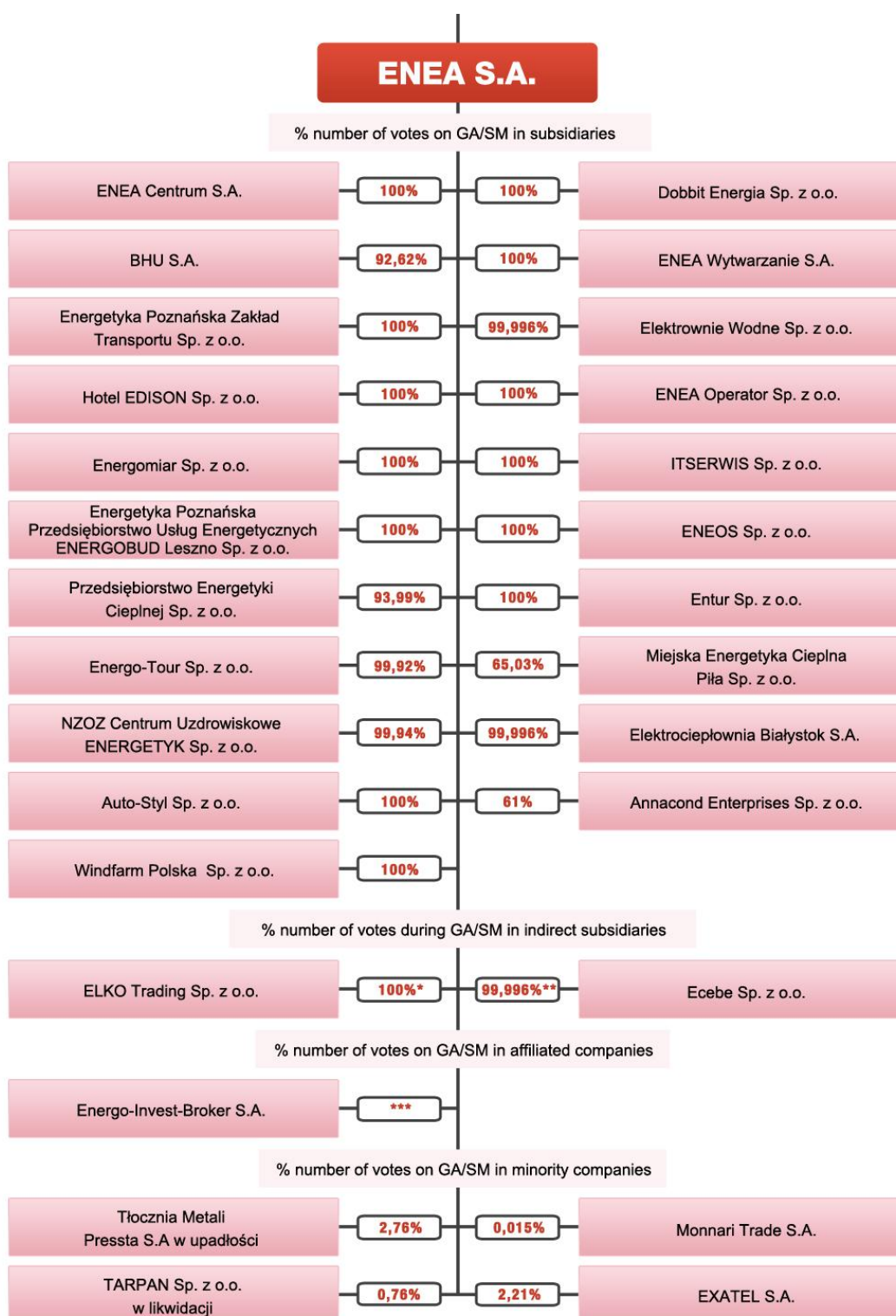
Company name and address	% share of ENEA S.A. in capital and voting rights
ELKO Trading Sp. z o.o. Świerże Górne, municipality of Kozienice, Kozienice 1	100*
Ecebe Sp. z o.o. Augustów, ul. Wojciecha 8	99.996**
Energo-Ivest-Broker S.A. Toruń, ul. Jęczmienna 21	***

* an indirect subsidiary through shares in ENEA Wytwarzanie S.A.

** an indirect subsidiary through shares in Elektrociepłownia Białystok S.A.

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

The structure of ENEA Capital Group as at 30 June 2012



* an indirect subsidiary through shares in ENEA Wytwarzanie S.A.

** an indirect subsidiary through shares in Elektrociepłownia Białystok S.A.

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

1.2. Policy on directions of development of the Capital Group

One basic, significant factor in the development of the Group and its prospects is the implementation of a strategy based on attaining goals in three basic strategic areas:

- development of the core business of the Group,
- enhancement of the effectiveness of the Group functioning,
- building a socially responsible business.

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. Moreover, in 2011 we bought a package of shares of Elektrociepłownia Białystok S.A. – presently we hold 99.996 per cent of shares of the Białystok company. Elektrociepłownia Białystok S.A. is one of the biggest enterprises in the region. Generating capacity of the power plant in ca. 75 per cent cover the annual demand for heat of the Białystok agglomeration.

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 S.A. through the construction and start-up of a new power unit with a total capacity of up to 1,000 MWe. We are also analysing the capacities of construction of another power unit with the power of up to 1,000 MWe.

In relation to the anticipated increase in obligations of the sale of electrical 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 realisation 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 projects and biogas plants, already commenced and at various stages of development, by acquiring existing entities or investing 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.

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

Within the strategic area of building a socially responsible business, targets will be set that in the long term will increase the value of the business by building responsible business principles into the operations of the ENEA Capital Group.

The effective implementation of a policy on the developmental direction of the Company and the entire ENEA Capital Group is dependent on initiating a new business model for the Group. The basic task of the new model is guaranteeing a possibly flexible functioning of the ENEA Capital Group for the long run, allowing in result for full exploitation of chances and facing the challenges that occur in Polish power sector.

1.3. Description of key capital investments

Implementing the strategy for the development of the ENEA Capital Group, a number of capital investments were made in H1 2012:

- On 13 March 2012 the Extraordinary General Meeting of Shareholders of Elektrownie Wodne Sp. z o.o. adopted a resolution on raising of the share capital of the Company by PLN 49,000, from PLN 239,849,500 to PLN 239,898,500, through creation of 98 new shares that were offered to ENEA S.A. which took up all the newly created shares and covered them with contribution in kind being the right of perpetual usufruct of the properties comprising plots of land located in Ptusza of the total area of 1.2798 ha and in Dobrzyca of the total area of 0.4924 ha, of the total value of PLN 49,000. The contract of transfer of the right of perpetual usufruct of the aforementioned land property was executed on the same day, i.e. 13 March 2012. On 5 April 2012 an entry was made to the National Court Register concerning the increasing of the share capital of the company. The transfer of the aforementioned properties aims at, among others, organisation of the asset position of the ENEA Capital Group.
- During 8, 9 and 15 March 2012 share purchase agreements were concluded, based on which ENEA S.A. purchased a total of 984 (say: nine hundred eighty four) shares of Elektrociepłownia Białystok S.A. with its registered office in Białystok, for the total value of PLN 324,720. The shares were entered into the share register on 16 May 2012.
- On 16 April 2012 ENEA S.A. purchased from Equiventus Capital S.a.r.l (Luxembourg) all the 50 shares in Windfarm Polska Sp. z o.o. with the nominal value of PLN 1,000.00 each. Windfarm Polska Sp. z o.o. with its registered office in Koszalin generates electrical energy. The farm located in Bardy (municipality of Dygowo, Kołobrzeg District, the Zachodniopomorskie Province) has a capacity of 50 MW. It consists of 25 Vestas turbines of the capacity of 2 MW each. The farm will generate ca. 150,000 MWh of green energy annually. The Bardy wind farm may be extended to the total capacity of 60 MW.
- On 6 June 2012 ENEA S.A. purchased 308 shares being the second tranche (out of four) of the redemption of employee shares. This constitutes the realisation of the provisions resulting from "Package of Rights and Social Guarantees for employees of Przedsiębiorstwo Energetyki Ciepłej Spółka z ograniczoną odpowiedzialnością in Oborniki" of 11 December 2008 in which ENEA S.A. undertook to buy the employee shares. In relation to the above the structure of shareholders as at 30 June 2012 was as follows: ENEA S.A. – 9,742 shares – 93.99 per cent, Gmina Oborniki – 11 shares – 0.11 per cent and Company Employees – 612 shares – 5.90 per cent

Asset restructuring

After execution during the previous years of key organisational changes within the Group in the financial year of 2012 the asset restructuring was continued:

- On 23 December 2011 ENEA S.A. concluded an agreement for sale of 14,750 shares of Polish Power Exchange (further on: PPE) with the Warsaw Stock Exchange constituting 1.0172 per cent of the share capital of PPE. On 29 February 2012 the transaction was closed and the aforementioned shares were transferred for the account of the Warsaw Stock Exchange. In relation to the closing on 29 February 2012 ENEA S.A. ceased to be the shareholder of the PPE.
- On 16 February 2012 ENEA S.A. concluded an agreement for sale of 269,000 shares of Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A. (WIRBET) with THC Fund Management Ltd. with its registered office in Nicosia, Cyprus, constituting 49 per cent of the share capital of WIRBET. At the same time ENEA S.A., based on the authorisation granted to it on behalf of the other shareholders of WIRBET, i.e. Tauron Dystrybucja, ENERGA S.A., PGE Obrót S.A., sold within the aforementioned agreement also their shareholdings, i.e. 280,000 shares. The payment was made on 15 March 2012, the share certificates were issued on 22 March 2012.

The decision on sale of the aforementioned shares was made as a result of the scope of the operations of WIRBET is not consistent with the key area of activity of ENEA S.A. The sale of the shares shall contribute to the ordering of the structure of the capital group in the area of affiliates and companies in which ENEA S.A. is a minority shareholder.

- On 17 November 2011 an Extraordinary General Meeting of Shareholders of Elektrownie Wodne Sp. z o.o. with its registered office in Samociążek during which a decision was made to merge Elektrownie Wodne Sp. z o.o. with Elektrownie Wiatrowe - ENEA Centrum Spółka Akcyjna Spółka Komandytowa with its registered office in Samociążek. The merger took place by incorporation of Elektrownie Wiatrowe - ENEA Centrum Spółka Akcyjna Spółka Komandytowa into Elektrownie Wodne Sp. z o.o. in the mode described in Article 492 § 1 item 1 of the Commercial Companies Code, i.e. through transfer of the whole assets of Elektrownie Wiatrowe - ENEA Centrum Spółka Akcyjna Spółka Komandytowa to Elektrownie Wodne Sp. z o.o. - a limited partner in the merged company, in consideration for shares which Elektrownie Wodne Sp. z o.o. issued to the general partner of Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa, i.e. to ENEA Centrum S.A. The limited partner of the merged company, i.e. Elektrownie Wodne Sp. z o.o. as a merging company, did not receive its shares. On 2 January 2012 with the decision of the District Court in Bydgoszcz, XIII Commercial Division of the National Court Register the both companies were merged. As a result of the merger the share capital of Elektrownie Wodne Sp. z o.o. was increased from the amount of PLN 239,841,000 by PLN 8,500, i.e. to the amount of PLN 239,849,500 through creation of 17 new shares of a nominal value of PLN 500 each.
- On 3 July 2012 Elektrownie Wodne Sp. z o.o. based on a contract of sale purchased from ENEA Centrum S.A. 17 shares in the share capital of the company with the total nominal value of PLN 8,500 for redemption. On the payment day, i.e. 4 July 2012 the shares became the property of Elektrownie Wodne.

1.4. Changes to the organisation and management rules of the Capital Group

In H1 2012 the changes as described above took place in the organisation or management rules of the ENEA Capital Group. Additionally on 25 May 2012 the form of the Company was changed in the National Court Register from Elektrownia "Kozienice" S.A. to ENEA Wytwarzanie S.A.

All changes implemented in H1 2012 were focused to improve the effectiveness of strategic management and functioning of selected areas of the operations of the ENEA Capital Group. Besides capital increase processes in subsidiaries and a disposal of small blocks of shares in other entities ("remains") in 2012 we also carried out activities relating to the increase in the potential of electricity generation from renewable sources.

Additionally on 25 June 2012 in Białystok an agreement was signed specifying the rules for implementation of a new structure of the ENEA Group within generation. The project is to support the development of a target model of functioning of the area of electricity generation in the Group and determine efficient paths of action on the implementation of the new structure. It was executed by the representatives of all the companies participating in this undertaking: ENEA Wytwarzanie, Elektrociepłownia Białystok, Elektrownie Wodne, Miejska Energetyka Ciepła in Piła, Przedsiębiorstwo Energetyki Ciepłej in Oborniki, Dobitt Energia and Windfarm Polska.

2. The operations of the ENEA Capital Group

2.1. Information on basic products, goods and services

As part of its basic activities the ENEA Capital Group (further on: "the Group") is involved in generating, distributing and trading in electricity. The Group's companies conduct these operations on the basis of licences granted by the President of the Energy Regulatory Office (ERO) - the body established to regulate the management of fuels and energy and to promote competition in the energy sector.

2.1.1. Generation

2.1.1.1. 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 high-performance, updated power units with a total generating capacity of 2,905 MW. The work of the power plant is characterised with a low CO₂ emissions ratio (in H1 2011 the ratio was 870 kg/MW, and in H1 2012 it amounted to 842 kg/MW) and one of the lowest ratios of coal consumption per MWh of generated electricity which in H1 2012 amounted to 395 kg/MWh. The ENEA Wytwarzanie in H1 2012 reached a general gross generating efficiency of 39.4 per cent.

The volume of electricity generated by the ENEA Wytwarzanie in H1 of 2011 and 2012, respectively, in MWh gross is presented in the table below:

Electricity generated by the ENEA Wytwarzanie [gross MWh]		
Period	2011	2012
H1	5 821 202.5	5 573 938.3

The ENEA Wytwarzanie in H1 2012 generated 5,573,938.3 MWh of gross electricity. This constitutes a decrease compared to the same period last year, when gross electricity of 5,821,202.5 MWh was generated.

A lower production in H1 2012 in comparison with the same period of 2011 stems from the situation on the wholesale market on which the prices, because of fundamental factors, are lower than variable costs of its generation in generating units of the ENEA Wytwarzanie. It enables optimisation of costs of purchase of energy which was earlier sold.

In January 2008 the 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 H1 2012 certificates of origin for energy from renewable sources were recognised in the amount of 252,193.464 MWh. For comparison, in H1 2011 certificates of origin of energy from renewable sources were recognised in the amount of 188,900.528 MWh.

In particular half-years of 2011-2012 the purchases of biomass are as follows:

Purchase of biomass by ENEA Wytwarzanie ['000 tons]		
Period	2011	2012
H1	104 547.26	140 133.0

In H1 2012 140,968.5 Mg of biomass was used for combustion. Such a volume of fired biomass results in "avoidance of emissions" of carbon dioxide in the amount of 224,297.84 Mg.

Volume of biomass combusted by ENEA Wytwarzanie [Mg]		
Period	2011	2012
H1	104 505.3	140 968.5

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

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

Energy from RES Green certificates [MWh]		
Period	2011	2012
H1	188 900.528	252 193.464
Energy from cogeneration Red certificates [MWh]		
Period	2011	2012
H1	35 310.906	37 723.723

2.1.1.2. 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.

In H1 2011-2012, the quantity of electricity generated by twenty one hydroelectric power plants, introduced into the grid and green certificates obtained therefore, are as follows:

Energy generated from RES for which Elektrownie Wodne receive green certificates of origin for energy [MWh]		
Period	2011	2012
H1	91 267.861	81 676.821
Energy transferred into the grid [MWh]		
Period	2011	2012
H1	90 043.785	80 326.387

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, the realisation of which

covers a possibility of locating of wind turbines on the territory including internal infrastructure and conditions were achieved for connection to the grid. Planned for Q2 2012 achievement of decisions of the environmental conditions for the realisation of the undertaking was shifted in time because of prolonged administrative procedures connected with the necessity of completing and explanation of remarks of the Regional Directorate for Environmental Protection to the Report of the impact of the undertaking on the environment, constituting an attachment to the Environmental Decision. In relation to the above the planned for Q4 2012 commencement of the construction of the wind farm may be also delayed.

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

Within the aforementioned works the purchase was finalised of an operating wind farm with the capacity of 6 MW located in the Pomorskie Province (Darżyno Wind Farm). Presently, within the interest of the Company there are wind farms projects with the total capacity of 98 MW of which one of the capacity of 86 MW is under negotiations of contractual conditions and another of the capacity of 12 MW under the due diligence phase. Works have also been commenced over the pilot project within the Group of photovoltaic power plant with the capacity of 1 MW.

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 working Wind Farm in Bardy 50 MW 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.

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 authority 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 which upheld the decisions of the President of

the Agricultural Market Agency. Along with the complaints motion was filed to stay the execution of the decision. At present we are awaiting the decisions of the Voivodship Administration Court.

The Management Board of Elektrownie Wodne aiming at retaining an interrupted work of the installation of the Biogas Heat and Power Plant in Liszkowo and realising the assumption of the project "Integration of the Generation Area in the ENEA CG" took the measures to prepare the lease agreement for the installation by Dobitt Energia Sp. z o.o. At the same time legal and formal steps are conducted enabling exploitation by the said Company. After termination of the aforementioned activities the installation will operate without interruptions, gradually increasing the volume of electricity generated from agricultural biogas.

Below the volumes of production and number of energy certificates of origin from the Liszkowo Biogas Power Plant are presented for H1 2011 and 2012, respectively:

Energy generated by the Liszkowo Biogas Power Plant for which Elektrownie Wodne receives green certificates of origin for energy [MWh]		
Period	2011	2012
H1	4 462.952	686.784
Energy transferred into the grid [MWh]		
Period	2011	2012
H1	4 107.120	571.929

Volume of production from Darżyno Wind Farm with the capacity of 6 MW:

Energy generated by the Darżyno Wind Farm for which Elektrownie Wodne receives green certificates of origin for energy [MWh]		
Period	2011	2012
H1	3 614.483	8 635.827
Energy transferred into the grid [MWh]		
Period	2011	2012
H1	3 614.483	8 578.186

2.1.1.3. Bardy-Dygowo Wind Farm

Volume of production from Bardy-Dygowo wind farm with the capacity of 50 MW:

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
H1	N/A	53 325.08
Energy transferred into the grid [MWh]		
Period	2011	2012
H1	N/A	51 258.71

Additional information on the purchase of the Bardy-Dygowo Wind Farm may be found in point 1.3 and 2.1 above.

2.1.1.4. Elektrociepłownia Białystok S.A.

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

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	H1 2011	H1 2012
Water	1 866 103.068	1 823 295.222
Steam	213 278.400	189 464.335

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 and electricity are used at the same time for heat production. 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 [MWh]		
Period	2011	2012
H1	289 282.047	225 627.897

Sale of electricity from own production [MWh]		
Period	2011	2012
H1	250 320.736	190 818.902

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. Direct sale is conducted on the level of 0.4 and 15 kV. In case of 0.4 kV recipients electricity is collected from auxiliary distribution board of the heat and power plant and for 15 kV recipients the energy is collected from 15 kV

distribution boards which is specially dedicated for this sale and powered from two 110/15/6 three-winding transformers.

Property rights 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). 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 + 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
H1	92 539.166	89 283.411

Electricity generated in CHP cogeneration unit [MWh]**		
Period	2011	2012
H1	289 282.047	225 627.897

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

** volume of electricity for which Company has a right to apply for proprietary interests resulting from certificates of origin from Cogeneration - so called "red certificates".

2.1.2. Other sources

In addition, within the works connected with the achievement of energy from renewable sources and in cogeneration 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 detailed analysis of the project and of updated external and internal conditions indicated the justifiability of its modification through replacing the ORC installation based on biomass with a cogeneration sources fired 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 10

MWe and heat power of 9 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. The complete termination of the construction of the power plant will occur in Q3 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 hydroelectric 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).



2.1.3. 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. The distribution network covering an area of over 20 per cent of the country, located in the north-western part of Poland. 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.

ENEA Operator supplies electricity to over 2.4 mln users in the western and north and western Poland. To this end it uses the distribution network covering an area of over 20 per cent of the country, including 111,000 km of power lines (over 129,000 including connections).

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

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.



2.1.4. Trade

In H1 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 8,271.7 GWh, of which retail sales to about 7,725.4 GWh. The number of end users as at 30 June 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. The company is responsible towards ENEA for among others conducting a portfolio of electricity and sale of property rights for account of customers of ENEA S.A., purchase of energy on a wholesale market, settlements and it functions as a commercial operator.

Demand for electricity of customers of ENEA S.A. due to a small amount of local generation on the areas of ENEA Operator Sp. z o.o. is almost in full covered on the energy wholesale market. In H1 2012 a substantial majority of the wholesale purchase of electricity were transactions concluded on the PPE and settled by Izba Rozliczeniowa Giełd Towarowych S.A. (IRGIT S.A., Warsaw Commodity Clearing House). Such a direction of sales is a consequence of an increase of turnover on the stock exchange market as a result of changes imposing an obligation resulting from Art. 49a of the Energy Law on the energy companies dealing with generation (an energy company dealing with generation of electricity is obliged to sell not less than 15 per cent of electricity generated in a given year on commodity exchanges or on a regulated market subject to the fact that an energy company dealing with generation of electricity possessing the right to receive funds for coverage of stranded costs is obliged to sell the generated electricity in full in the way ensuring public and equal access to the electricity through an open tender on the Internet trading platform on the regulated market or on commodity exchanges). The remaining part of energy was purchased by ENEA S.A. from trading companies and producers.

2.1.5. Other activity

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,
- 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).

The detailed description of the subject of activity of the companies comprising the ENEA Capital Group was presented in 1.1 above.

2.2. Sales markets

The portfolio of recipients to whom we sell electricity is highly diversified. Presently we sell electricity to over 2.4 mln recipients, including over 2.1 mln of individual recipients and around 0.3 mln business entities. In H1 2012 the proceeds from supplying electricity to our largest customer accounted for 4.3 per cent of the overall value of electricity and distribution sales, and the share of the ten largest customers amounted to 14.4 per cent.

2.2.1. Sales to end users

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

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

This offer is directed to customers on the domestic market.

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

Typically, ENEA S.A. concludes comprehensive agreements for an unspecified term, but agreements for the sale of energy (without energy distribution services), including agreements with customers connected to networks of distribution system operators other than ENEA Operator, are most often concluded for a specified term, usually 12 months.

Termination notice periods are usually one month (in approx. 2.3 mln agreements), and less often for two, three or six months (approx. 0.1 mln agreements).

2.2.2. Other sales

Participating in the domestic trade in electricity we are realising sales on the wholesale market to other traders (starting from 1 August 2011 the realisation by ELKO Trading Sp. z o.o.), that as a result balance their own contract positions. Sales volume results mainly from action to balance the hourly demand for electricity with previously concluded contracts, which optimises exposure on the balancing market.

2.2.3. Sales by value and type

Revenues on sales of electricity 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]		
	H1 2011	H1 2012	Change
Tariff group set A	231 703.7	375 426.9	162.0 %
Tariff group set B	678 861.7	657 698.0	96.9 %
Tariff group set C	477 355.4	444 931.0	93.2 %
Tariff group set G	615 969.9	643 754.5	104.5 %
TOTAL	2 003 890.7	2 121 810.4	105.9%

The greatest increase in revenues from sales in H1 2012 in relation to H1 2011 was noticed in the A tariff group set and amounted to 62 per cent. However the greatest drop in revenues on sales of energy was noted in the C tariff group set. The drop amounted to 6.8 per cent. In H1 2012 the revenues from sales of energy were higher by PLN 117,919,700 i.e. 5.9 per cent in relation to H1 2011.

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

Item	Sales of electricity [MWh]		
	H1 2011	H1 2012	Change
Tariff group set A	1 004 519	1 586 783	158.0 %
Tariff group set B	2 568 846	2 439 223	95.0 %
Tariff group set C	1 624 186	1 389 992	85.6 %
Tariff group set G	2 333 247	2 309 366	99.0 %
TOTAL	7 530 798	7 725 364	102.6 %

In H1 2012 in relation to H1 2011 the greatest increase in the volume of sales was noticed in the A tariff group set and amounted to 58.0 per cent. However, the greatest drop in the sales of energy was noted in the C tariff group set. In H1 2012 the total sales of energy were higher by 194,566 MWh, i.e. 2.6 per cent in relation to H1 2011.

2.3. Supply markets

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

In H1 2012 a substantial part of the electrical energy sold by ENEA S.A. constituted electrical energy purchased on PPE (mainly through ELKO 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. Purchase of the distribution service

The objective of realisation of sales of comprehensive services (sale of electricity and electricity distribution services) to end users connected to the grid of ENEA Operator, the Company purchases the electricity distribution services from ENEA Operator based on the concluded contract on provision of electricity distribution services.

2.3.3. Sale of energy by ENEA Wytwarzanie

In H1 2012 the ENEA Wytwarzanie sold the electricity generated by its entities on the PPE, which constituted 96.6 per cent of the sold production. Such a direction of sales is a consequence of the obligation for energy companies dealing with generation, i.e. an obligation resulting from Art. 49a of the Energy Law Act (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 the sales of own production is the Balancing Market (ca. 3.38 per cent) and end users (0.01 per cent).

In H1 2012 the total sales of the ENEA Wytwarzanie within the trading and generating of energy amounted to 6,022.9 GWh, including the sales within the Balancing Market 173.4 GWh, sales to retail users 0.5 GWh, and sales within the held licence for trading in energy 685.2 GWh.

Cumulatively, the value of net electric energy sold by the ENEA Wytwarzanie on the PPE from 6 May 2010 till 30 June 2012 amounted to PLN 5,308,000.

2.3.4. Purchase of transmission services from PSE Operator

In H1 2012, ENEA Operator bought transmission services from PSE Operator.

2.3.5. Coal supplies

Bituminous coal is the basic fuel used to produce electricity with the Issuer's production assets, i.e. ENEA Wytwarzanie (formerly Elektrownia "Kozienice" S.A.). In 2011, the cost of coal comprised about 45 per cent of operating costs.

Within supplies of coal the entities from the Issuer's Capital Group are dependent on Lubelski Węgiel "Bogdanka" S.A., Katowicki Holding Węglowy S.A., Kompania Węglowa S.A. and Jastrzębska Spółka Węglowa S.A. 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 a public company listed on the Warsaw Stock Exchange.

The key supplier of bituminous coal for the ENEA Wytwarzanie is Lubelski Węgiel "Bogdanka" S.A., which, during H1 2012, supplied around 1.66 mln tonnes, which constitutes around 73 per cent of the material supplied on the quantitative basis. The main reason for choosing Lubelski Węgiel "Bogdanka" S.A. as the main supplier is its proximity to the power plant - about 130 km - when most Polish mines are located in Upper Silesia more than 300 km away. Coal from the Bogdanka mine has high sulphur content, and due to the current level of efficiency of the desulphurisation systems in ENEA Wytwarzanie, use of Bogdanka coal as the sole fuel for the ENEA Wytwarzanie would mean exceeding permitted sulphur emission levels. For this reason, and in order to diversify the supplies, the ENEA Wytwarzanie concluded agreements for supplies of bituminous coal with suppliers from the Upper Silesia, i.e. with Katowicki Holding Węglowy S.A., Kompania Węglowa S.A. and Jastrzębska Spółka Węglowa S.A. with Lubelski Węgiel "Bogdanka" S.A. and Katowicki Holding Węglowy S.A. The ENEA Wytwarzanie possesses frame multiannual agreements within which the price and volume of supplied coal re determined each year.

2.3.6. Coal transport

The basic means of transport used to deliver bituminous coal to ENEA Wytwarzanie S.A. in 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 the ENEA Wytwarzanie from the mine of Lubelski Węgiel "Bogdanka" S.A. and mines of Katowicki Holding Węglowy S.A. and Kompania Węglowa S.A. as a result of the public tender on an open basis.

2.4. Information on concluded agreements

2.4.1. Agreements of significance to ENEA Capital Group operations

Multiannual Agreement of 23 January 2012 for supplies of fuel coal concluded between Elektrownia "Kozienice" (currently ENEA Wytwarzanie) and Lubelski Węgiel "Bogdanka" S.A.

The subject of the Agreement is supplies of fuel coal performed by the Seller for the ENEA Wytwarzanie. The Contract was executed for the period from the execution date till 31 December 2036 with physical commencement of deliveries of energetic coal in the first calendar quarter of 2017. The Contract anticipates 20 calendar years of deliveries of coal for the needs of the newly constructed unit of the ENEA Wytwarzanie. Estimated value of the Contract according to the delivery prices of the current year amounts to PLN 11.248 bln net with no inclusion of the volume quantitative tolerance (\pm 5 per cent) resulting from the Contract. The Contract anticipates the following terms:

1. Prices of energetic coal will be set for a given calendar year of physical deliveries through negotiations with inclusion of the dynamics of change of prices of deliveries of energetic coal in Poland;
2. Annual contract will be concluded specifying: quantitative volume, schedules of deliveries, declared qualitative parameters, other rules of logistics and settlement of delivery during the term of an annual contract;
3. The parties to the Contract reserve the right to terminate it when there are no arrangements through price negotiations for the following calendar year of the Contract with 2-year notice commencing with 1 January of the following year;

4. Moreover, the Buyer has the right to terminate the Contract with 6-month notice when till 31 December 2012 the following conditions fail to fulfil collectively: (a) Signing of an agreement for the construction of a power unit, (b) Completion of the construction of the unit confirmed with the resolution of the Management Board of the ENEA Wytwarzanie.

2.4.2. Information on transactions with affiliated entities

The Company has concluded transactions (including key ones) with affiliated entities in the past, and plans to do so in the future.

Within our Group, the following transactions have been concluded with affiliated entities:

- between companies belonging to the Group, where they are eliminated at the consolidation stage
- between Group companies and members of their corporate bodies,
- between Group companies and units controlled by the State Treasury.

All agreements with affiliated entities are concluded under market conditions and the prices used in them do not diverge from the prices used in transactions with non-affiliated entities.

Moreover, on 6 June 2012, of which the Company informed in the current report No. 21/2012 the total value of the inter-Group transactions settled between the Issuer and ELKO Trading Sp. z o.o. (ELKO Trading, Seller) during the period from the appointment of ELKO Trading i.e. from 1 August 2011 exceeded the threshold of 10 per cent of the equity of the Issuer and amounted to PLN 1,025,000. The aforementioned amount comprises mainly transactions within trade in energy and in the remaining part e.g. transactions in proprietary interests.

The transaction with the highest value was the sales transaction for ENEA S.A. of electricity amounting to PLN 75,200,000 settled on 10 February 2012. The price of electricity being the subject of the transaction was calculated in accordance with the purchase prices of this energy by the Seller on the wholesale electricity market. Within the transactions within trading in electricity the parties have no option to claim contractual penalties. On failure to perform or improper performance of the transaction its parties have the right to claim damages based on general terms. The volumes of electricity sold in a given settlement period is determined based on execution plans and their updates and are based on the volume of electricity reported and accepted for realisation by the operator of the transmission system in a given settlement period.

Agreements between companies belonging to the Group

Transactions between companies belonging to our Group are being eliminated, since transactions between Group companies (such as sales transactions) are not treated as revenue for the Group. Revenue is only recognised when a transaction (such as a sales transaction) is concluded outside the Group.

Information regarding transactions with affiliated entities are included in the condensed consolidated half-yearly financial statement for the period from 1 January 2012 to 30 June 2012 note No. 21.

2.4.3. Credit and loan agreements concluded and terminated

In the reporting period ENEA S.A. had access to working capital loans from BZ WBK S.A., Pekao S.A. and PKO BP S.A. The total limit on working capital facilities as at 30 June 2012 was PLN 150,000,000, and as at 30 June 2012 the Company had no debts pertaining to them.

The status of the loans as at 30 June 2012 is shown in the table below:

Creditor	Credit facility granted [PLN '000]	Interest rate	Costs of credit [PLN '000]	Debt on credit facilities as at as at 30.06.2012 [PLN '000]	Date of commencement	Date of completion	Repayment period
PKO BP S.A.	50 000.00	WIBOR 1M + margin	0.00	0.00	25.04.2006	x	5 years of the first usage of the credit
Bank Pekao S.A.	10 000.00	WIBOR 1M + margin	0.00	0.00	17.11.2011	17.11.2014	17.11.2014
Bank Zachodni WBK S.A.	90 000.00	WIBOR 1M + margin	32.70	0.00	17.11.2011	17.11.2014	17.11.2014
TOTAL			32.70	0.00			

ENEA S.A. in H1 2012 rarely used working capital facilities in order to finance current operations. The Company did not draw any loans on pawn, mortgage secured-loans, or any loans secured with transfer of ownership to fixed assets or transfer of ownership to an organised part of an undertaking. Securities for bank loans and credits referred to hereinabove are authorization to use current accounts with the banks where ENEA S.A. holds current accounts as well as declarations on voluntary submission to enforcement. In H1 2012 ENEA S.A. did not draw any loans.

The credits drawn by the subsidiaries in H1 2012 are presented in the table below.

Company	Creditor	Credit currency	Credit type	Credit facility granted [PLN '000]	Costs of credit [PLN '000]	Interest rate	Debt on credit facilities as at 30.06.2012 [PLN '000]	Date of commencement	Date of completion	Repayment period
Credit agreements										
Auto Styl	Volkswagen Bank S.A.	PLN	Revolving facility	5 500	7	WIBOR 3M + 1.8%	2 193	31.03.2012	30.06.2013	1 year
Elektrownie Wodne Sp. z o.o.	PKO BP S.A.	PLN	Investment	24 340	1 040	7.06%	22 826	02.01.2012	26.08.2020	18 years
TOTAL				29 840			25 019			

Information on credits and loans in the Group can be found in the consolidated financial statements in note No. 15.

2.4.4. Loans granted

During the reporting period the Group Companies did not grant any loans.

2.4.5. Granted and received sureties and guarantees

The list of guarantees issued to the order of ENEA S.A. as at 30 June 2012 is shown in the table below:

Date security was granted	Date of security validity	Entity for which security was granted	Agreement type	Form of security	Secured amount
14.12.2011	31.12.2012	RONDO PROPERTY INVESTMENT Sp. z.o.o. in Warsaw	Premises lease agreement	Bank guarantee	EUR 25 800 + PLN 21 000
02.04.2012	18.11.2012	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House)	The guarantee issued by the bank in order to secure the transaction and securing deposit made by ENEA S.A. for the account of IRGIT S.A. in connection with settlement of transactions connected with trade in electricity and property rights on the commodity exchange	Bank guarantee granted within the guarantee line in the amount of PLN 200 000 000.	PLN 50 000 000
02.04.2012	18.11.2012	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House)	The guarantee issued by the bank on request of ENEA S.A., securing the transaction and securing deposit to be made by ELKO Trading Sp. z o.o. for the account of IRGIT S.A. in connection with settlement of transactions connected with trade in electricity and property rights on the commodity exchange	Bank guarantee granted within the guarantee line in the amount of PLN 200 000 000.	PLN 120 000 000

The status of granted guarantees and suretyships as at 30 June 2012 is shown in the table below.

Date surety/ guarantee was granted	Date of validity of surety/ guarantee	Entity for which surety/guarantee was granted	Entity to which surety/guarantee was granted	Agreement number	Value of surety/guarantee	Actual debt as at 31.12.2011 [PLN '000]
27.07.2011	31.07.2012	ELKO Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House)	ZAM/DF/40/107 2/2011	PLN 50 000 000	-
26.08.2003	31.08.2017	EP Zakład Transportu Sp. z o.o.*	Poznań Department of Communal Services and Housing	Surety's statement of 2 September 2003	PLN 208 800 EUR 49 000**	-
TOTAL					PLN 50 208 800	-

* For the purpose of meeting the statutory conditions for obtaining a licence to carry on for-profit transport operations.

** The average EUR exchange rate as at 30 June 2012 was 4.2613 - NBP table No. 125/A/NBP/2012 from 29 June 2012).

The total off-balance sheet value of sureties and guarantees granted as at 30 June 2012 was PLN 50,208,800.

There are no "endangered guarantees or suretyships" among the suretyships and guarantees granted. The sureties and guarantees granted by ENEA S.A. fall within the limits specified in Article 33 item 1 of the Act on sureties and guarantees granted by the State Treasury and other legal persons of 8 May 1997 (Journal of Laws of 2003 No. 174, item 1689 as amended).

The list of sureties and guarantees received in H1 2012 by subsidiaries is resented in the table below:

Company	Date security was granted	Date of security validity	Entity for which security was granted	Agreement type	Form of security	Secured amount
Auto Styl	27.06.2012	30.06.2013	IBERIA MOTOR COMPANY	Bank guarantee	Conveyance of movables and assignment from the policy	PLN 150 000
IT Serwis	24.04.2012	27.04.2013	POLISH FINANCIAL SUPERVISION AUTHORITY	Bank guarantee	payment services performance bond	PLN 125 000
ENEA Operator			Various entities	Bank guarantees and insurance guarantees in the number of 73 pieces		Total amount 29 043 000

Other conditional liabilities of the ENEA Capital Group have been described in note No. 25 to the consolidated financial statement for H1 2012.

2.4.6. Collaboration and cooperation agreements

Programme agreement dated 21 June 2012 on bond issue

On 21 June 2012 the Issuer and five banks acting as Guarantors for the issue, i.e.: Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, Bank Polska Kasa Opieki Spółka Akcyjna, Bank Zachodni WBK Spółka Akcyjna, Bank Handlowy w Warszawie Spółka Akcyjna and Nordea Bank Polska Spółka Akcyjna, a programme agreement was concluded relating to the bond issue programme up to the amount of PLN 4,000,000,000, in which the terms and conditions of the bond issue programme were determined between the Issuer and Bank Guarantors. Of the conclusion of the aforementioned agreement the Issuer notified in the current report No. 23/2012 of 21 June 2012.

Framework Agreement of 4 July 2012 relating to exploration and extraction of carbohydrates from shale

The parties to the Agreement, of which the Issuer informed in the current report No. 27/2012 of 4 July 2012, are ENEA S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A., 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. Within the Wejherowo licence the close cooperation will relate to the area of 160 km². 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). The Agreement anticipates cooperation based on a target structure of the limited partnership, which after successful explorations will extract carbohydrates. The Parties

anticipate transfer of the licence to this company for extraction of carbohydrates after it is obtained by PGNiG. 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, Czestkowo and Tępcz pads) are planned for the amount of PLN 1,720,000,000. Detailed conditions of the cooperation, including: a detailed budget and schedule of the project, shares of the Parties in funding of expenses resulting from the agreed budget, shares in profits from the project and rules of liability, including contractual penalties, in case of failure to perform, particularly by PGNiG, of some obligations resulting from the Agreement will be set by the Parties within four months of conclusion of the Agreement. In case there are no such detailed arrangements the Agreement may be terminated by any Party. If, within three months of such arrangements, the Parties fail to obtain all the required corporate authorisations or if till 30 December 2012 not all the required permits for concentration are obtained, the Agreement shall expire.

2.4.7. Agreements between shareholders of the parent company

The Company is not aware of any agreements between shareholders of ENEA S.A.

2.4.8. Insurance agreements

The companies of the ENEA Capital Group transfer the risk of incurring losses as a result of property damage through conclusion of insurance agreements with largest insurance agencies such as PZU S.A., TUIR AXA S.A., TUIR WARTA S.A., STU Ergo Hestia S.A., TU Allianz Polska S.A. The insurance coverage does not diverge from the standards applied in the electric power industry and is adapted to the specifics of operations of particular companies. The insurance programmes cover among others insurance of property against fire and other fortuitous events, damages resulting from interruptions in operations caused by fire and other fortuitous events, electric insurance of machines against electric damage and failures, risk of interruptions in operations as a result of machine failures and insurance of electronic equipment against all the risks. In order to ensure an optimum insurance protection within the Group the insurance programme additionally covers third party liability insurances by title of pursued activity and usage of the property. The Group is also covered with a Corporate Third Party Liability Insurance Agreement for members of the management.

2.4.9. Bond Issue Programme

On 23 July 2012 ENEA S.A. (Guarantor) concluded with Elektrociepłownia Białystok S.A. (Issuer) and Financial Institution (Organiser, Issue Agent, Payment Agent and Depositary) an Agreement for Bond Issue Programme for the amount of PLN 98,500,000 (say: ninety eight million five hundred thousand zloty). On the same day ENEA S.A. (Guarantor) concluded with Elektrociepłownia Białystok S.A. (Issuer) the Guarantee Agreement for the Bond Issue Programme. The aforementioned agreements were concluded for the term of 7 years. On 27 August 2012 ENEA S.A. acquired 17 B series bonds issued by Elektrociepłownia Białystok S.A. The nominal value per one bond is PLN 500,000 (the issue total nominal value is PLN 8,500,000).

The Bond Issue Programme determined based on the aforementioned Agreement of the Bond Issue Programme predicts multiple issues of Bonds performed by the Issuer in the mode of directing of the proposal for purchase of the Bonds to the Guarantor. The Issuer will be entitled to issue Bonds within one year of date of execution of the agreement.

The subject of the Guarantee Agreement is the Guarantor's obligation to purchase Bonds issued by the Issuer within the Bond Issue Programme.

The Bonds issued within the Bond Issue Programme are bonds in the meaning of the Act of bonds of 29 June 1995 (Journal of Laws of 2001, No. 120, item 1300, as amended).

Bonds issued within the Bond Issue Programme are subject to a floating rate of interest.

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

2.5.1. Discussion of the key economic and financial figures disclosed in the consolidated financial statement for H1 2012

2.5.1.1. Financial results

2.5.1.1.1. Consolidated Profit and Loss Statement

Profit and loss statement in PLN '000	H1 2011	H1 2012	Change	Difference
Net sales revenues	4 745 676	5 021 798	105.8%	276 122
Cost of sales	4 305 531	4 484 699	104.2%	179 168
Other operating revenue	56 358	56 306	99.9%	-52
Profit / loss on sales and liquidation of tangible fixed assets	3 045	622	20.4%	-2 423
Tangible and intangible impairment write-off	0	106	x	106
Other operating expenses	61 319	63 720	103.9%	2 401
Operating profit / loss	438 229	530 201	121.0%	91 972
Financial expenses	8 037	38 122	474.3%	30 085
Financial revenue	82 942	72 933	87.9%	-10 009
Dividend revenue	741	2 724	367.6%	1 983
Share in losses / profits of affiliated entities accounted for using the equity method	8 459	-261	x	-8 720
Profit / loss before tax	522 334	567 475	108.6%	45 141

Income tax	108 221	111 107	102.7%	2 886
Net profit / loss for the reporting period	414 113	456 368	110.2%	42 255
EBITDA	765 095	930 795	121.7%	165 700

The Group's net revenues from sales in H1 2012 amounted to PLN 5,021,798,000, which in relation to H1 constituted a growth by PLN 276,122,000, i.e. by 5.8 per cent.

The breakdown below shows the value and structure of revenues on sales achieved in H1 2012.

Item	H1 2011		H1 2012		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Revenues from the sale of electricity	3 262 877	68.8	3 372 256	67.2	103.4%	109 379
Revenues from the sale of distribution services	1 305 865	27.5	1 407 797	28.0	107.8%	101 932
Revenues from the sale of goods and materials	46 773	1.0	56 274	1.1	120.3%	9 501
Revenues from the sale of other services	91 605	1.9	75 617	1.5	82.5%	-15 988
Revenues from certificates of origin	5 374	0.1	14 609	0.3	271.8%	9 235
Recovery of stranded costs	0	0.0	0	0.0	x	0
Revenues from the sale of heat energy	33 182	0.8	95 245	1.9	287.0%	62 063
Total net revenues	4 745 676	100.0	5 021 798	100.0	105.8%	276 122

The Group's revenues mainly consist of revenues from sales of electricity and from sales of distribution services, which amount to 67.2 per cent and 28.0 per cent of total net revenues, respectively.

- Revenues from the sale of electricity in H1 2012 amounted to PLN 3,372,256,000 and rose in relation to the previous year by 3.4 per cent. It mainly results from the growth of revenues from the sales of electricity to end users of ENEA S.A. by PLN 117,919,000, which stemmed mainly from higher volumes of electricity sold by 195 GWh with an increase of the average sale price by 3.2 per cent. In addition higher revenues from sales of electric energy to other entities by PLN 3,795,000, which stemmed mainly from higher volumes of electricity sold by 101 GWh. Additionally, revenues from sale of electricity of the Białystok Heat and Power Plant were included for the period of H1 2012 in the amount of PLN 15,803,000 (in H1 2011 revenues were included relating to only June in the amount of PLN 6,523,000 in connection with inclusion of the company's operations in the group's report from 1 June 2011). At the same time there was a decrease in the sale of electricity by ENEA Wytwarzanie by PLN 17,424,000 (a drop in the

value of sold electric energy realised by ENEA Wytwarzanie by 254 GWh with an average increase in price by 2.6 per cent).

- Revenues from the sale of distribution services in H1 2012 amounted to PLN 1,407,797,000 and were higher than in the preceding year by PLN 101,932,000. The increase in these revenues resulted mainly from a growth in the average selling price of distribution services to end users by 4.7 per cent. Additionally there was an increase in the revenues from grid connection by PLN 15,653,000, revenues by title of settlements on the Balancing Market by PLN 13,339,000 and estimated revenues from the non-invoiced sales by PLN 7,523,000.
- The revenues from sales of heat energy in H1 2012 amounted to PLN 95,245,000 and increased by PLN 62,063,000, which mainly stemmed from inclusion of the revenues from sales of heat energy of the Białystok Heat and Power Plant in the amount of PLN 66,720,000 (in H1 2011 only the revenues relating to June in the amount of PLN 5,546,000 were included).
- Revenues from the sale of certificates of origin amounted to in H1 2012 PLN 14,609,000 and constitute revenues realised by the Białystok Heat and Power Plant.
- Revenues from sale of goods and materials increased in H1 2012 in comparison with H1 2011 by PLN 9,501,000 which mainly stems from higher sales of goods and materials in the following companies: BHU, IT Serwis, ENERGOBUD Leszno and Auto-Styl.
- The decrease in revenues from sales of other services by PLN 15,988,000 stems mainly from a decrease in revenues under this item in the companies: ENERGOBUD Leszno, ENEA Operator and ENEA Wytwarzanie.

In H1 2012 the total costs of sales amounted to PLN 4,484,699,000 and increased by 4.2 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 H1 2012.

Item	H1 2011		H1 2012		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Amortisation/depreciation	326 866	7.6	400 594	8.9	122.6%	73 728
Employee benefit costs	463 892	10.8	505 937	11.3	109.1%	42 045
Consumption of materials and raw materials and value of goods sold	748 500	17.4	814 384	18.2	108.8%	65 884
Costs of purchases for resale	2 124 106	49.3	2 098 430	46.8	98.8%	-25 676
Transmission services	355 351	8.3	356 685	8.0	100.4%	1 334
Other external services	181 588	4.2	195 071	4.3	107.4%	13 483
Taxes and charges	105 228	2.4	113 598	2.5	108.0%	8 370
Total cost of revenues from sales	4 305 531	100.0	4 484 699	100.0	104.2%	179 168

The largest items in the Capital Group's costs are the costs of purchasing electricity and consumption of materials, as well as the value of goods sold, which constitute respectively 46.8 per cent and 18.2 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 814,384,000 and grew in relation to the previous year by PLN 65,884,000, which mainly stems from the inclusion of the costs of consumption of materials of the Białystok Heat and Power Plant in the amount of PLN 72,174,000 (June 2011 PLN 8,472,000). Additionally there was an increase in this item for ENEA Wytwarzanie where a growth in the consumption of biomass was reported by PLN 25,034,000 (the average cost of biomass including transport higher by 11.4 per cent). At the same time the decrease was noted in ENEA Wytwarzanie of cost of coal consumption by PLN 5,896,000 and costs of the other materials by PLN 18,224,000, which follows mainly from lower costs of redemption of allowances for emissions of CO₂ (lower production of electricity by 247 GWh).
- The purchase of energy for sale amounted in the reporting period to PLN 2,098,430,000 and diminished in relation to the previous year by 1.2 per cent, and this was mainly caused by a drop in the costs of purchase of energy for sale in ENEA Wytwarzanie in connection with a lower purchase price by 21.3 per cent. Additionally there was an increase of costs of purchases in ENEA S.A. as a result of a higher volume of energy purchased by 321 GWh and an increase in the total average price of purchasing electricity by 1.9 per cent.
- Costs of employee benefits in H1 2012 amounted to PLN 505,937,000 and increased in relation to the previous year by PLN 42,045,000 which mainly stems from the creation of the reserve for costs of employee benefits in ENEA Operator (PLN 13,699,000), from inclusion in H1 2012 of costs of the Białystok Heat and Power Plant in the amount of PLN 10,029,000 (June 2011 PLN 1,702,000), higher costs of employee benefits in ENEA Wytwarzanie in connection with introduction of higher basic remuneration from 1 April 2011 (by PLN 6,448,000) and higher costs of employee benefits in ENEA Centrum by PLN 7,109,000 (change of the type of company's operations). At the same time, a decision on increasing of the pension rate from 1 February 2012 and higher reserves for energy equivalent impacted the level of costs of employee benefits incurred in H1 2012. The average pay in the ENEA CG increased in H1 2012 in relation to the average pay in H1 2011 by 5.8 per cent.
- Costs of external services in H1 2012 amounted to PLN 195,071,000 and increased in relation to the previous year by PLN 13,483,000, which mainly stems from incurring higher costs of repairs, property insurances, costs of subcontracting and inclusion of costs of the Białystok Heat and Power Plant.
- The costs of taxes and charges in H1 2012 amounted to PLN 113,598,000 and grew in relation to the previous year by PLN 8,370,000, which mainly stems from inclusion of the costs of the Białystok Heat and Power Plant, increase of cost of tax from costs of buildings and lands and costs of utilising the road line.
- Amortisation and depreciation in the reporting period amounted to PLN 400,594,000 and was higher than in H1 2011 by PLN 73,728,000 or 22.6 per cent. Increase of amortisation stems from inclusion of amortisation costs of the Białystok Heat and Power Plant (H1 2012 PLN 39,204,000, June 2011 PLN 2,643,000), increase of amortisation in ENEA Wytwarzanie (by PLN 22,573,000) 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 rose by PLN 12,083,000, which stems from the review of the amortisation rates, amortisation calculated on new fixed assets during November-December 2011 and of substantial intangible assets at the end of 2011. Additionally costs of amortisation were included in Windfarm Polska in the amount of PLN 3,562,000 (from 16 April 2012 Windfarm Polska is demonstrated in the report of the capital group as a subsidiary).

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Other operating revenue	56 358	56 306	99.9%	-52

Other operating expenses	61 319	63 720	103.9%	2 401
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In H1 2012 the other operating revenues amounted to PLN -7,414,000 and were lower than in the preceding year by PLN 2,453,000 which mainly stems from higher costs of reserves for litigation and changes of the reserves for anticipated losses.

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Financial revenue	82 942	72 933	87.9%	-10 009
Financial expenses	8 037	38 122	474.3%	30 085

Consolidated profits before tax in H1 2012, i.e. after financial activities and shares in results of the affiliates had been taken into account, amounted to PLN 567,475,000 and was higher by PLN 45,141,000, that is by 8.6 per cent, relative to the previous year. It mainly stems from achievement of a higher operating result and lower profits on the financial activity by PLN 40,094,000 in relation to the occurring currency exchange differences.

The net profit generated by the Group in H1 2012 amounted to PLN 456,368,000 and was higher than the profit attained in H1 2011 by PLN 42,255,000, i.e. by 10.2 per cent.

2.5.1.1.2. Results from particular segments of activity

Segments in PLN '000	H1 2011	H1 2012	Change	Difference
Trade				
Sales revenues	1 966 375	2 235 055	113,7%	268 680
EBIT	102 859	114 487	111.3%	11 628
EBITDA	103 304	114 755	111.1%	11 451
Distribution				
Sales revenues	1 305 288	1 407 172	107,8%	101 884
EBIT	189 485	254 216	134.2%	64 731
EBITDA	361 968	433 839	119.9%	71 871

Generation				
Sales revenues	1 454 342	1 580 431	108,7%	126 089
EBIT	211 201	216 028	102.3%	4 827
EBITDA	345 844	410 074	118.6%	64 230
Other activity				
Sales revenues	318 893	344 328	108.0%	25 435
EBIT	6 619	22 658	342.3%	16 039
EBITDA	21 514	36 920	171.6%	15 406
Exclusions				
Sales revenues	-299 222	-545 188	182.2%	-245 966
EBIT	-18 731	-11 367	60.7%	7 364
Undistributed costs (management costs)	-53 204	-65 821	123.7%	-12 617
Excluded amortisation and amortisation not distributed to segments	4 401	12 395	281.6%	7 994
TOTAL				
Sales revenues	4 745 676	5 021 798	105.8%	276 122
EBIT	438 229	530 201	121.0%	91 972
EBITDA	765 096	930 795	121.7%	165 699

The increase on the segment of trading results from higher first contribution margin on the trading operations by PLN 28,541,000. There was an increase in the volume of energy sold to end users by 195 GWh with an increase of the average sales price by 3.2 per cent and increase of the average purchase price by 1.9 per cent. There was also an increase in own costs of trading in relation to incurring costs of services rendered by ELKO Trading and ENEA Centrum which did not occur in H1 2011 (by PLN 34,002,000). Additionally in H1 2012 a result was achieved for ELKO Trading

operations in the amount of PLN 22,859,000 (the company commenced operations in August 2011). Moreover, a lower result was obtained on other operating activities by PLN 10,682,000 (reserve for anticipated losses - litigation) and lower revenues from revaluation of write-downs of receivables for energy.

The increase on the segment of distribution results mainly from higher sales of distribution services by PLN 57,667,000 which mainly stems from the increase of the average price of distribution services by 4.7 per cent. Additionally there was an increase in the revenues from grid connection (by PLN 15,653,000), higher revenues by title of settlements on the Balancing Market by PLN 13,339,000 and higher estimated revenues from the non-invoiced sales (by PLN 7,523,000). At the same time there was an increase in the costs of the segment of distribution by PLN 37,153,000 caused mainly by an increase in the costs of employee benefits, amortisation, taxes and charges and lower result on the other operating activity (higher reserves for anticipated losses).

The increase on the segment of generation was caused mainly by higher in ENEA Wytwarzanie and Elekrownie Wodne recognition of certificates of origin by PLN 20,648,000, incurring lower costs of energy purchases for sale by PLN 40,451,000 and achieving higher by PLN 29,085,000 result on the other operating activity. At the same time these two companies demonstrated lower costs of revenues from sales of electricity by PLN 18,273,000, lower revenues from sale of allowances for emissions of CO₂ by PLN 3,387,000, higher amortisation costs by PLN 24,301,000 (resulting mainly from the verification of amortisation rates and commissioning of the IOS III investment in ENEA Wytwarzanie), higher by PLN 21,337,000 costs of other external services, higher by PLN 10,478,000 costs of employee benefits and consumption of materials. The result of the segment was also impacted by inclusion of the Białystok Heat and Power Plant into the operations of the ENEA Capital Group from June 2011 (a decrease in the operating result of the Białystok Heat and Power Plant by PLN 9,112,000) and Windfarm from April 2012 (operating profit PLN 3,328,000).

The increase of the result on the segment of the other activity stems mainly from the increase of the result on the other services in ENEA S.A. (services for ENEA Centrum and ELKO Trading, increase of revenues from rents and higher result on maintenance of street lighting). At the same time in H1 2011 the result of the segment of other activities was diminished in relation to the inclusion of adjustments relating to valuations of the Białystok Heat and Power Plant, MEC pila and PEC Oborniki in this segment.

The increase in the management costs stems mainly from higher reserves for the energy equivalent and costs of remuneration including charges.

2.5.1.2. 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 June 2012		
Fixed assets	9 796 900	10 008 769	102.2%	211 869
Tangible fixed assets	9 076 871	9 492 585	104.6%	415 714
Perpetual usufruct right	69 496	70 546	101.5%	1 050
Intangible assets	267 176	325 303	121.8%	58 127
Investment properties	32 219	29 897	92.8%	-2 322

Investments in associated entities, accounted for using the equity method	278 854	5 384	1.9%	-273 470
Financial assets held for sale	70 490	79 297	112.5%	8 807
Financial assets valued at fair value by the profit and loss account	1 557	1 620	104.0%	63
Trade and other receivables	237	4 137	1745.6%	3 900
Current assets	3 902 994	3 843 242	98.5%	-59 752
Inventories	340 685	350 522	102.9%	9 837
Trade and other receivables	1 052 119	1 169 378	111.1%	117 259
Current income tax assets	15 004	1 668	11.1%	-13 336
Financial assets held-to-maturity investments	531 883	414 258	77.9%	-117 625
Financial assets valued at fair value by the profit and loss account	723 439	481 341	66.5%	-242 098
Cash and cash equivalents	1 218 361	1 404 973	115.3%	186 612
Fixed assets for sale	21 503	21 102	98.1%	-401
Total assets	13 699 894	13 852 011	101.1%	152 117
Total liabilities in PLN '000	As at:		Change	Difference
	31 December 2011	30 June 2012		
Total equity	10 479 762	10 730 371	102.4%	250 609
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	56 023	113.0%	6 458
Other reserves	-21 710	-21 710	100.0%	0
Retained earnings	5 058 001	5 303 726	104.9%	245 725
Minority interest in equity	29 088	27 514	94.6%	-1 574
Total liabilities	3 220 132	3 121 640	96.9%	-98 492
Non-current liabilities	1 447 783	1 480 356	102.2%	32 573
Current liabilities	1 772 349	1 641 284	92.6%	-131 065
Total equity and liabilities	13 699 894	13 852 011	101.1%	152 117

As at 30 June 2012, the balance sheet total of the ENEA Capital Group amounted to PLN 13,852,011,000, an increase of PLN 152,117,000, i.e. 1.1 per cent, relative to that as at 31 December 2011.

Fixed assets as at 30 June 2012 amounted to PLN 10,008,7693,000 and were higher than at the end of the previous year by PLN 211,869,000, 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 June 2012 the current assets amounted to PLN 3,843,242,000 and decreased in relation to the state as at the end of 2011 by PLN 59,752,000. In addition, in the current assets there was a decrease in financial assets held to maturity in ENEA Wytwarzanie in relation to greater investing of cash with the maturity term exceeding 3 months. Additionally there was a drop in the sum of items of financial assets valued at fair value by the profit and loss account and cash and cash equivalents, mainly in relation to the purchase of the shares of Windfarm Polska. Additionally, the receivables increased from deliveries and services, mainly within energy.

The dominant source of financing the assets of the Group is equity, which as at 30 June 2012 amounted to PLN 10,730,371,000, i.e. PLN 250,609,000 more than at the end of December 2011. The change is impacted by the profit generated in H1 2012.

As at 30 June 2012, the value of the Group's long-term liabilities was PLN 1,480,356,000 and increased by PLN 32,573,000, in relation to the state as at 31 December 2011. It stems mainly from increasing of the reserve for litigation and higher obligations by title of employee benefits obligations. At the same time the borrowings diminished.

Short-term liabilities were at the level of PLN 1,641,284,000 and decreased by PLN 131,065,000 in relation to the state as at the end of the previous year, mainly in result of the decrease in the reserve for certificates of origin for energy, lower liabilities by title of deliveries and services, which stemmed from lower investment liabilities in ENEA Operator, lower current income tax obligations and lower liabilities resulting from disputable claims.

2.5.1.3. Cash

Consolidated cash flow statement

Cash flow statement in PLN '000	As at		Change	Difference
	30 June 2011	30 June 2012		
Net cash flows from operating activities	621 945	637 108	102.4%	15 163
Net cash flows from investing activities	-555 782	-441 999	79.5%	113 783
Net cash flows from financing activities	-21 589	-8 497	39.4%	13 092
Net increase / decrease in cash and cash equivalents	44 574	186 612	418.7%	142 038
Cash and cash equivalents at the end of the reporting period	944 201	1 404 973	148.8%	460 772

As at 30 June 2012 the ENEA Capital Group's balance of cash and cash equivalents amounted to PLN 1,404,973,000 and was higher by PLN 467,772,000 than at the end of June 2011 (PLN 944,201,000).

Operating cash flows amounted to PLN 637,108,000 in H1 2012, an increase of PLN 15,163,000 relative to H1 2011 (PLN 621,945,000). The increase mainly stems from a higher net financial result.

Cash flows from investment activities amounted to PLN -441,999,000 in H1 2012 and in H1 2011 they amounted to PLN -555,782,000. The change in the amount of PLN 113,783,000 stems mainly from the settlement of the acquisition of Windfarm Polska and higher purchases of tangible fixed assets.

Cash flows from financing activities amounted to PLN -8,497,000 in H1 2012 and in H1 2011 they amounted to PLN -21,589,000. The change in the amount of PLN 13,092,000 resulted mainly from a loan from the National Fund of Environmental Protection and Water Management for investments in RES in Elektrownie Wodne.

2.5.2. Financial indicators

Item	Performance	Performance
	H1 2011	H1 2012
PROFITABILITY RATIOS		
ROE - return on equity		
gross profit / loss	10.3%	10.6%
equity		

ROA - return on assets		
operating profit / loss	6.7%	7.7%
total assets		
Net profitability		
net profit / loss	8.7%	9.1%
net sales revenues		
Operating profitability		
operating profit / loss	9.2%	10.6%
net sales revenues		
EBITDA profitability		
operating profit / loss + amortisation and depreciation	16.1%	18.5%
net sales revenues		
LIQUIDITY AND FINANCIAL STRUCTURE RATIO		
Current liquidity ratio		
current assets	2.6	2.3
current liabilities		
Equity-to-fixed assets ratio		
equity	111.6%	107.2%
fixed assets		

Total debt ratio		
total liabilities	22.9%	22.5%
total assets		
ECONOMIC ACTIVITY RATIOS		
Current receivables turnover in days		
average net trade and other receivables x number of days	35	40
net sales revenues		
Turnover of trade and other payables in days		
average trade and other liabilities x number of days	51	58
cost of products, goods and materials sold		
Inventory turnover in days		
average inventory x number of days	14	17
cost of products, goods and materials sold		

In H1 2012 the ENEA Capital Group achieved a positive financial result and positive profitability ratios. EBITDA amounted to 18.5 per cent and was higher than that achieved in H1 2011 (16.1 per cent).

Net profitability achieved by the Group in H1 2012 amounted to 9.1 per cent and was lower than the one achieved in H1 of the previous year (8.7 per cent).

ROE in H1 2012 amounted to 10.6 per cent and reached the level higher than the level of ROE from H1 2011 (10.3 per cent), and ROA amounted to 7.7 per cent in H1 2012 (in H1 2011 it was 6.7 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 2.3 in H1 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 H1 2012, the receivables turnover rate was at the level, comparing to H1 2011, by 5 days longer and amounted to 40 days. Meanwhile the liabilities turnover indicator in H1 2012 was 58 days, and was thus 7 days longer than in the previous year. Please note that a correct relationship was maintained between the receivables and payables turnover rates (liabilities are settled after receivables are obtained), which in turn has a beneficial effect on the Group's financial

liquidity. The inventory turnover indicator in H1 2012 was 17 days, and was thus 3 days longer than in the same period of the previous year.

As at 30 June 2012 the total debt ratio was 22.5 per cent. The ratio of shareholders equity to fixed assets was 107.2 per cent on 30 June 2012 (and 111.6 per cent as at 30 June 2011).

2.5.3. Financial results forecasts

The Management Board of ENEA S.A. did not publish any forecasts of its financial results for H1 2012 or for the 2012 financial year.

2.5.4. Financial resources management

During H1 2012 ENEA S.A. had financial resources at its disposal that guarantee that all current and planned expenses associated with the Company's operations will be serviced. The balance of available cash makes it possible to flexibly settle its ongoing liabilities. The Company's liquidity management is concentrated on a detailed analysis of the flow of receivables, ongoing monitoring of bank accounts as well as the ongoing concentration of cash resources in consolidated accounts. Cash coming from issue is managed by a specialist external company. Pursuant to the concluded agreement issue cash proceeds are managed by specialist external companies. According to the agreements concluded they are invested in minimum risk instruments, i.e. debt instruments issued, secured or guaranteed by the State Treasury, and bank deposits.

In H1 2012 ENEA S.A. possessed open working capital facilities from BZ WBK S.A., Pekao S.A. and PKO BP S.A. The total limit of the working capital facilities available to the ENEA Capital Group as at 30 June 2012 was PLN 150,000,000.

ENEA S.A. in H1 2012 only rarely used working capital facilities in order to finance current operations.

The Company did not draw any loans on pawn, mortgage secured-loans, or any loans secured with transfer of ownership to fixed assets or transfer of ownership to an organised part of an undertaking.

In accordance with the credit agreements signed, security for open credit lines comprises the following: powers of attorney in respect of current accounts with the banks as well as a declaration of voluntary submission to enforcement.

The total unused limit of the working capital facilities available to the ENEA Capital Group as at 30 June 2012 was PLN 289,905,000.

Subsidiaries hold the following open lines of credit:

Company	Bank	Limit [PLN '000]	Amount drawn down as at 30.06.2012
BHU S.A.	BPH	2 500	1 568
Hotel Edison Sp. z o.o.	BZ WBK S.A.	300	289
Auto-Styl Sp. z o.o.	Volkswagen Bank Polska	1 000	0
IT Serwis Sp. z o.o.	BZ WBK	1 500	1 261

Enea Operator Sp. z o.o.	BZ WBK	150 000	12 277
TOTAL		155 300	15 395

2.5.5. Financial risk management

Effective financial management must take into account both risks and financial results. Financial risk is bound up with unexpected changes in cash flow, which stem from activity on financial markets or operating activities.

At ENEA S.A., the following areas of risk may be identified:

- *credit risk* - credit risk relates to the failure by a client or contractor being party to a financial instrument to carry out its contractual obligations. The main factors influencing the appearance of a credit risk in the case of the Company are:
 - the large number of minor customers having an influence on an increase in the costs of controlling the flow of receivables,
 - the need to supply electrical energy to budget units which are in a difficult financial situation,
 - the legal requirements regulating the principles of suspending supplies of electrical energy as a result of a failure to pay.

The Management Board applies a credit policy according to which exposure to credit risk is monitored on an ongoing basis. An assessment of creditworthiness is made in relation to all customers in need of credit above a specific amount.

The Company carries out ongoing monitoring of the amount of outstanding receivables, and in justified cases raises legal claims and makes write-offs.

- *tab risk of loss of financial liquidity* - the risk of loss of financial liquidity is the risk of a limitation or a lack of the Group's ability to repay its financial obligations when they become due on the basis of a regular activity with a typical profile of cash flows (structural liquidity risk) and occurrence of unpredicted concerning the term and volume of expenses in consequence of extraordinary or untypical events. The Company manages the liquidity risk adapting the profile of availability of the liquidity reserve, i.e. the volume and terms of available cash, to the profile of demand for cash resulting from the characteristics of the cash flows, simultaneously ensuring access to the funds in case unexpected expenses occur. .

The Company's liquidity management is concentrated on a detailed analysis of the flow of receivables, ongoing monitoring of bank accounts as well as the ongoing concentration of cash resources in consolidated accounts. The remaining financial surplus the Company locates in current assets as fixed-term deposits. In order to reduce the risk of liquidity and ensuring stable sources of financing the Company diversifies the sources of external financing.

- *the currency exchange rate risk* is connected with a possible occurring of changes generated by the Group Companies in cash flows as a result of changes in the currency exchange rates in which the values are denominated.

Within its operations in H1 2012 ENEA S.A. concluded one forward transaction the objective of which was securing of currency exchange risk (EUR/PLN) connected with the realisation of the agreement concerning the purchase of assets. All the above forward transactions were settled in the reporting period.

- *interest rate risk* - this exists mainly in relation to interest on credit facilities drawn and on interest from bank deposits. The interest rate is variable as it is calculated on the basis of the WIBOR rate.
- *commodity risk* is connected with a possible occurring of changes in the revenues/cash flows generated by the Group, mainly as a result of changes in commodity prices, and fluctuations within the demand for the products offered by the Group. The objective of managing commodity risk is maintaining exposure to that risk within the acceptable frames with a simultaneous optimisation of return on risk.

Some risks cannot be avoided, due to the influence of legislative changes and changes in macroeconomic tendencies.

2.5.6. Discussion of the key economic and financial figures of the ENEA Capital Group in Q2 2012 in comparison with Q2 2011

2.5.6.1. Financial results

2.5.6.1.1. Consolidated Profit and Loss Statement

Profit and loss statement in PLN '000	Q2 2011	Q2 2012	Change	Difference
Net sales revenues	2 273 446	2 376 018	104.5%	102 572
Cost of sales	2 117 809	2 113 452	99.8%	-4 357
Other operating revenue	30 906	26 202	84.8%	-4 704
Profit / loss on sales and liquidation of tangible fixed assets	3 336	-2 005	x	-5 341
Tangible and intangible impairment write-off	0	0	x	0
Other operating expenses	34 445	41 713	121.1%	7 268
Operating profit / loss	155 434	245 050	157.7%	89 616
Financial expenses	1 074	27 958	2603.2%	26 884
Financial revenue	48 800	27 476	56.3%	-21 324
Dividend revenue	741	2 724	367.6%	1 983
Share in losses / profits of affiliated entities accounted for using the equity method	6 587	267	4.1%	-6 320

Profit / loss before tax	210 488	247 559	117.6%	37 071
Income tax	43 737	40 617	92.9%	-3 120
Net profit / loss for the reporting period	166 751	206 942	124.1%	40 191
EBITDA	325 655	441 209	135.5%	115 554

The Group's net revenues from sales in Q2 2012 amounted to PLN 2,376,018,000, which in relation to Q2 2011 constituted a growth by PLN 102,572,000, i.e. by 4.5 per cent.

The breakdown below shows the value and structure of revenues on sales achieved in Q2 2012.

Item	Q2 2011		Q2 2012		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Revenues from the sale of electricity	1 542 484	67.8	1 578 182	66.4	102.3%	35 698
Revenues from the sale of distribution services	632 307	27.8	685 444	28.8	108.4%	53 137
Revenues from the sale of goods and materials	24 853	1.1	34 679	1.5	139.5%	9 826
Revenues from the sale of other services	55 929	2.5	45 729	1.9	81.8%	-10 200
Revenues from certificates of origin	5 374	0.2	3 351	0.1	62.4%	-2 023
Recovery of stranded costs	0	0.0	0	0.0	x	0
Revenues from the sale of heat energy	12 499	0.5	28 633	1.2	229.1%	16 134
Total net revenues	2 273 446	100.0	2 376 018	100.0	104.5%	102 572

The Group's revenues mainly consist of revenues from sales of electricity and from sales of distribution services, which amount to 66.4 per cent and 28.8 per cent of total net revenues, respectively.

- Revenues from the sale of electricity in Q2 2012 amounted to PLN 1,578,182,000 and rose in relation to the previous year by PLN 35,698,000 or 2.3 per cent. It mainly results from the growth of revenues from the sales of electricity to end users of ENEA S.A. by PLN 67,154,000, which stemmed mainly from higher volumes of electricity sold by 126 GWh with an increase of the average sale price by 3.5 per cent. Moreover, lower revenues from sales of electric energy to other entities by PLN 14,057,000, which stemmed mainly from lower volumes of electricity sold by 42 GWh. Additionally, a drop was noted in estimated revenues from non-invoiced sales in relation to electricity by PLN 1,830,000. At the

same time there was a decrease in the sale of electricity by ENEA Wytwarzanie by PLN 15,401,000 (a drop in the value of sold electric energy realised by ENEA Wytwarzanie by 132 GWh with an average increase in price by 1.8 per cent).

- Revenues from the sale of distribution services in Q2 2012 amounted to PLN 685,444,000 and were higher than in the preceding year by PLN 53,137,000. The increase in these revenues resulted mainly from a growth in the average selling price of distribution services to end users by 5.6 per cent. Additionally, there was an increase in the revenues from grid connection by PLN 12,125,000, revenues by title of settlements on the Balancing Market by PLN 11,427,000.
- The revenues from sales of heat energy in Q2 2012 amounted to PLN 28,633,000 and increased by PLN 16,134,000, which mainly stemmed from inclusion of the revenues from sales of heat energy of the Białystok Heat and Power Plant in the amount of PLN 20,778,000 (in Q2 2011 only the revenues relating to June in the amount of PLN 5,546,000 were included).
- Revenues from sale of goods and materials increased in Q2 2012 in comparison with Q2 2011 by PLN 9,826,000 which mainly stems from higher sales of goods and materials in the following companies: BHU, IT Serwis, ENERGOBUD Leszno and Auto-Styl.
- The decrease in revenues from sales of other services by PLN 10,200,000 stems mainly from a decrease in revenues under this item in the companies: ENERGOBUD Leszno, ENEA Operator and ENEA Wytwarzanie.

In Q2 2012 the total costs of sales amounted to PLN 2,113,452,000 and decreased by 0.2 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 Q2 2012.

Item	Q2 2011		Q2 2012		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Amortisation/depreciation	170 221	8.0	196 159	9.3	115.2%	25 938
Employee benefit costs	238 097	11.2	257 017	12.2	107.9%	18 920
Consumption of materials and raw materials and value of goods sold	387 423	18.3	402 135	19.0	103.8%	14 712
Costs of purchases for resale	989 669	46.7	923 977	43.7	93.4%	-65 692
Transmission services	175 589	8.3	176 590	8.4	100.6%	1 001
Other external services	106 368	5.0	105 732	5.0	99.4%	-636
Taxes and charges	50 442	2.4	51 842	2.5	102.8%	1 400
Total cost of revenues from sales	2 117 809	100.0	2 113 452	100.0	99.8%	-4 357

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 43.7 per cent and 19.0 per cent of the costs of revenues from sales.

- The purchase of energy for sale amounted in the reporting period to PLN 923,977,000 and diminished in relation to the previous year by 6.6 per cent, and this was mainly caused by a drop in the costs of purchase of energy for sale in ENEA Wytwarzanie in connection with a lower purchase price by 23.9 per cent. Additionally, there was a drop in purchase costs in ENEA S.A. as a result of a lower average purchase price for electricity in total by 2.2 per cent with a concurrent growth in the volume of the purchased energy by 73 GWh. Moreover, there was a decrease in the costs of purchase of electricity for coverage of the book-tax difference by 14.1 per cent, which mainly results from a lower assumed and indicated volume of the book-tax difference in the Grid Code in 2012 by 164 GWh.
- The costs of consumption of materials, as well as the value of goods sold in the reporting period amounted to PLN 402,135,000 and grew in relation to the previous year by PLN 14,712,000, i.e. by 3.8 per cent, which mainly stems from the inclusion of the costs of consumption of materials of the Białystok Heat and Power Plant in the amount of PLN 22,816,000 (June 2011 PLN 8,472,000).
- Amortisation and depreciation in the reporting period amounted to PLN 196,159,000 and was lower than in Q2 2011 by PLN 25,938,000 or 15.2 per cent. Increase of amortisation stems from inclusion of amortisation costs of the Białystok Heat and Power Plant (Q2 2012 PLN 19,401,000, June 2011 PLN 2,643,000), increase of amortisation in ENEA Wytwarzanie (by PLN 3,414,000) in relation to the verification of the economical period of utilisation of fixed assets performed on 1 January 2012. In ENEA Operator the amortisation rose by PLN 4,312,000, which stems from the review of the amortisation rates, amortisation calculated on new fixed assets during November-December 2011 and of substantial intangible assets at the end of 2011. Additionally, costs of amortisation were included in Windfarm Polska in the amount of PLN 3,562,000 (from 16 April 2012 Windfarm Polska is demonstrated in the report of the capital group as a subsidiary).
- Costs of employee benefits in Q2 2012 amounted to PLN 257,017,000 and grew in relation to the previous year by PLN 18,920 or 7.9 per cent, which mainly stems from a decision on increasing the pension rate commencing from 1 February 2012 and higher provisions for employee benefits. The average pay in the ENEA Capital Group in Q2 2012 increased in relation to Q2 2011 by 6.2 per cent with a drop in the average employment by 1.2 per cent. At the same time, inclusion of costs relating to the Białystok Heat and Power Plant in the amount of PLN 4,784,000 (June 2011 PLN 1,702,000) and higher costs of employee benefits in ENEA Centrum by PLN 3,600,000 (change of the type of operations of the company) had a substantial impact on the level of costs of employee benefits in Q2 2012.
- The costs of taxes and charges in Q2 2012 amounted to PLN 51,842,000 and grew in relation to the previous year by PLN 1,400,000 or 2.8 per cent, which mainly stems from inclusion of the costs of the Białystok Heat and Power Plant, increase of cost of tax from costs of buildings and lands and costs of utilising the road line.

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Other operating revenue	30 906	26 202	84.8%	-4 704
Other operating expenses	34 445	41 713	121.1%	7 268

In Q2 2012 the other operating revenues amounted to PLN -15,511,000 and were lower than in the preceding year by PLN 11,972,000 which mainly stems from higher costs of reserves for litigation and changes of the reserves for anticipated losses.

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Financial revenue	48 800	27 476	56.3%	-21 324
Financial expenses	1 074	27 958	2603.2%	26 884

Consolidated profits before tax in Q2 2012, i.e. after financial activities and shares in results of the affiliates had been taken into account, amounted to PLN 247,559,000 and was higher by PLN 37,071,000, that is by 17.6 per cent, relative to the previous year. It mainly stems from achievement of a higher operating result and lower profits on the financial activity by PLN 48,208,000 in relation to the occurring currency exchange differences.

The net profit generated by the Group in Q2 2012 amounted to PLN 206,942,000 and was higher than the profit attained in Q2 2011 by PLN 40,191,000, i.e. by 24.1 per cent.

2.5.6.1.2. Results from particular segments of activity

Segments in PLN '000	Q2 2011	Q2 2012	Change	Difference
Trade				
Sales revenues	891 634	1 021 774	114.6%	130 140
EBIT	24 633	72 290	293.5%	47 657
EBITDA	24 850	72 425	291.4%	47 575
Distribution				
Sales revenues	633 585	685 051	108.1%	51 466
EBIT	62 761	108 564	173.0%	45 803
EBITDA	149 354	194 145	130.0%	44 791
Generation				

Sales revenues	758 364	761 604	100.4%	3 240
EBIT	105 186	81 892	77.9%	-23 294
EBITDA	178 681	173 824	97.3%	-4 857
Other activity				
Sales revenues	159 280	192 149	120.6%	32 869
EBIT	5 064	13 706	270.7%	8 642
EBITDA	11 373	20 371	179.1%	8 998
Exclusions				
Sales revenues	-169 417	-284 560	168.0%	-115 143
EBIT	-11 107	3 577	x	14 684
Undistributed costs (management costs)	-31 103	-34 979	112.5%	-3 876
Excluded amortisation and amortisation not distributed to segments	3 607	11 846	328.4%	8 239
TOTAL				
Sales revenues	2 273 446	2 376 018	104.5%	102 572
EBIT	155 434	245 050	157.7%	89 616
EBITDA	325 655	441 209	135.5%	115 554

The increase on the segment of trading results from higher first contribution margin on the trading operations by PLN 57,822,000. There was an increase in the volume of energy sold to end users by 126 GWh with an increase of the average sales price by 3.5 per cent and a decrease of the average purchase price by 2.2 per cent. There was also an increase in own costs of trading in relation to incurring costs of services rendered by ELKO Trading and ENEA Centrum which did not occur in Q2 2011 (by PLN 16,013,000). Additionally, in Q2 0212 a result was achieved for ELKO Trading operations in the amount of PLN 9,968,000 (the company commenced operations in August 2011). Moreover, a lower result was obtained on other operating activities by PLN 6,536,000 (lower revenues from revaluation of write-downs of receivables for energy).

The increase of the result on the segment of distribution stems mainly from the increase in sales of distribution services by PLN 28,214,000, which is a result of the increase in the average selling price of distribution services by 5.6 per cent with an increased volume of supply of electricity to end users by 39 GWh. Additionally, there was an increase in the revenues from grid connection (by PLN 12,125,000), higher revenues by title of settlements on the Balancing Market by PLN 11,427,000 and lower estimated revenues from the non-invoiced sales (by PLN 2,456,000). At the same, there was a growth of the costs in the segment of distribution by PLN 5,663,000 resulting mainly from higher employee benefits costs, amortisation and taxes and charges.

The decrease in the segment of generation is mainly caused by a drop in ENEA Wytwarzanie and Elektrownie Wodne of revenues from sale of electricity by PLN 15,072,000, lower revenues from sale of allowances for emissions of CO₂ by PLN 5,146,000, higher amortisation costs by PLN 4,360,000 (resulting mainly from the verification of amortisation rates in ENEA Wytwarzanie), higher by PLN 14,402,000 costs of other external services, higher by PLN 2,213,000 costs of employee benefits. At the same time, these two companies noted a higher recognition of certificates of origin by PLN 9,917,000, lower costs of purchase of energy for sale by PLN 15,306, lower costs of consumption of materials by PLN 4,361,000 and a higher by PLN 11,344,000 result on other operating activity was achieved. The result of the segment was also impacted by inclusion of the Białystok Heat and Power Plant into the operations of the ENEA Capital Group from June 2011 (a decrease in the operating result of the Białystok Heat and Power Plant by PLN 18,664,000) and Windfarm from April 2012 (operating profit PLN 3,328,000). Moreover, the result on the segment is impacted by the inclusion in the results of the segment for Q2 2011 of the results of heat companies (PEC Oborniki and PEC Piła) for the whole six months (in Q1 2011 the results were presented in the segment of other activities), which results in a drop in the result of the segment in Q2 2012 by PLN 4,982,000.

The increase of the result on the segment of the other activity stems mainly from the increase of the result on the other services in ENEA S.A. (services for ENEA Centrum and ELKO Trading, decrease of revenues from rents and higher result on maintenance of street lighting). At the same time in Q2 2011 the result of the segment of other activities was diminished in relation to the inclusion of adjustments relating to valuations of the Białystok Heat and Power Plant, MEC Piła and PEC Oborniki in this segment.

2.5.6.2. Ratio analysis

Financial indicators

Item	Performance	
	Q2 2011	Q2 2012
PROFITABILITY RATIOS		
ROE - return on equity		
gross profit / loss	8.3%	9.2%
equity		
ROA - return on assets		
operating profit / loss	4.7%	7.1%
total assets		

Net profitability		
net profit / loss	7.3%	8.7%
net sales revenues		
Operating profitability		
operating profit / loss	6.8%	10.3%
net sales revenues		
EBITDA profitability		
operating profit / loss + amortisation and depreciation	14.3%	18.6%
net sales revenues		
LIQUIDITY AND FINANCIAL STRUCTURE RATIOS		
Current liquidity ratio		
current assets	2.6	2.3
current liabilities		
Equity-to-fixed assets ratio		
equity	111.6%	107.2%
fixed assets		
Total debt ratio		
total liabilities	22.9%	22.5%
total assets		

ECONOMIC ACTIVITY RATIOS

Current receivables turnover in days

average net trade and other receivables x number of days	38	45
net sales revenues		

Turnover of trade and other payables in days

average trade and other liabilities x number of days	47	54
cost of products, goods and materials sold		

Inventory turnover in days

average inventory x number of days	14	19
cost of products, goods and materials sold		

In Q2 2012 the ENEA Capital Group achieved a positive financial result and positive profitability ratios. EBITDA amounted to 18.6 per cent and was higher than that achieved in Q2 2011 (14.3 per cent).

Net profitability achieved by the Group in Q2 2012 amounted to 8.7 per cent and was lower than the one achieved in Q2 of the previous year (7.3 per cent).

ROE in Q2 2012 amounted to 9.2 per cent and reached the level higher than the level of ROE from Q2 2011 (8.3 per cent), and ROA amounted to 7.1 per cent in Q2 2012 (in Q2 2011 it was 4.7 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 2.3 as at 30 June 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 Q2 2012, the receivables turnover rate was at the level, comparing to Q2 2011, by 7 days longer and amounted to 45 days. Meanwhile the liabilities turnover indicator in Q2 2012 was 54 days, and was thus 7 days longer than in Q2 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 Q2 2012 was 19 days, and was thus 5 days longer than in the same period of the previous year.

The total debt ratio was 22.5 per cent (as at 30 June 2012), however the ratio of shareholders equity to fixed assets was 107.2 per cent as at 30 June 2012 (and 111.6 per cent as at 30 June 2011).

2.6. The financial results of ENEA S.A. in H1 2012 as compared to H1 2011

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

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Sales revenues	2 987 565	3 071 588	102.8%	84 023
Excise tax	-115 925	-105 776	91.2%	10 149
Net sales revenues	2 871 640	2 965 812	103.3%	94 172
Other operating revenue	10 514	6 414	61.0%	-4 100
Cost of sales	2 811 881	2 913 477	103.6%	101 596
Other operating expenses	16 285	24 845	152.6%	8 560
Profit / loss on sales of fixed assets	215	2 193	1020.0%	1 978
Operating profit	54 203	36 097	66.6%	-18 106
Financial revenue	56 908	60 551	106.4%	3 643
Dividend revenue	236 183	200 937	85.1%	-35 246
Financial expenses	3 256	20 328	624.3%	17 072
Gross profit	344 038	277 257	80.6%	-66 781
Net profit	321 190	261 335	81.4%	-59 855
EBIDTA	62 890	44 266	70.4%	-18 624

2.6.2. Sales revenues

The gross revenues of ENEA S.A. from sales in the reporting period amounted to PLN 3,071,588,000 which in relation to H1 2011 constituted an increase of PLN 84,023,000, or 2.8 per cent.

The table below shows the value of sales revenues generated in H1 2012.

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Sales revenues	2 987 565	3 071 588	102.8%	84 023
<i>including:</i>				
Sales of electricity to end users	2 003 891	2 121 810	105.9%	117 919
Sales of distribution services to users holding comprehensive agreements	876 880	822 483	93.8%	-54 397
Sales of electricity to other entities	85 718	89 513	104.4%	3 795
Sales of services	28 375	31 252	110.1%	2 877
Other revenue	-7 299	6 530	x	13 829

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

- Revenues from the sale of electricity to end users, which constitute 69.1 per cent of all sales revenues. In H1 2012 these revenues amounted to PLN 2,121,810,000, an increase of PLN 117,919,000 or 5.9 per cent on the same period of the preceding year, which stemmed from sold electricity volumes increasing by 195 GWh and a 3.2 per cent increase in the average sale price. The increase in sold electricity volumes (by 453 GWh) was noted for customers in tariff group sets A and B. In tariff group C the decrease in the volume was noted by 234 GWh, and in tariff group G the volume of sales slightly declined (by 24 GWh).
- Revenues from sales of distribution services to users holding comprehensive agreements, which constitute 26.8 per cent of all sales revenues. In H1 2012 these revenues amounted to PLN 822,483,000, and were lower than in the same period of the preceding year by PLN 54,397,000 or 6.2 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 Sp. z o.o. 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 85,513,000, an increase of P tabela 2.6.8.2 arison with H1 2011, which stemmed mainly from a higher volume of electricity sold by 101 GWh.

- The other revenues are mainly non-invoiced sales relating to electricity and distribution services which in H1 2012 amounted to PLN 6,716,000 and was higher than in H1 2011 by PLN 13,799,000 (sales of electricity by PLN 7,323,000 and sales of distribution services - comprehensive agreements by PLN 6,476,000).

2.6.3. Cost of sales

In H1 2012, ENEA S.A.'s total cost of sales amounted to PLN 2,913,477,000 and decreased by PLN 328,521,000 or 10.5 per cent relative to the same period of the previous year.

The table below shows the value of the cost of sales achieved in H1 2011.

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Costs of electricity for resale	1 820 327	1 930 972	106.1%	110 645
<i>including:</i>	240 768	239 574	99.5%	-1 194
<i>purchase of certificates of origin</i>				
<i>value of unbalanced energy</i>	40 081	-17 820	-44.5%	-57 901
Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	874 480	826 528	94.5%	-47 952
Amortisation of fixed assets and intangible assets	8 687	8 169	94.0%	-518
Consumption of materials and energy and value of sold materials	2 700	2 093	77.5%	-607
Other external services	71 347	107 006	150.0%	35 659
Employee benefit costs	28 763	33 804	117.5%	5 041
Taxes and charges	5 577	4 905	88.0%	-672
Cost of sales	2 811 881	2 913 477	103.6%	101 596

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 1,930,972,000 and increased in relation to H1 2011 by PLN 110,645,000 or 6.1 as a result of a higher volume of purchased energy by 321 GWh and higher average purchase price by 1.9 per cent. At the same time, in H1 2012 the costs of purchase of energy include the estimated costs of unbalancing of electricity which diminished the

purchase costs by PLN 17,820,000 while in H1 2011 they increased them by PLN 40,081,000. 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 826,528,000, and were lower by PLN 47,952,000 or 5.5 per cent than in H1 2011, which stemmed from a lower performance of sales of distribution services to users with comprehensive agreements.
- The employee benefits costs in H1 2012 amounted to PLN 33,804,000 and were higher relative to H1 2011 by PLN 5,041,000 or 17.5 per cent mainly as a result of the actuarial valuation relating to the energy equivalent (in H1 2012 the change of the reserve increased the costs by PLN 3,214,000 and in H1 2011 decreased them by PLN 4,872,000). At the same time the change of the reserve for unused holiday entitlements and salary costs was lower.
- The costs of other external services amounted to PLN 107,006,000, an increase of PLN 35,659,000 or 50 per cent in comparison with the analogical period of the preceding year, which was caused by higher costs for the account of: ENEA Centrum (PLN 13,672,000) and ELKO Trading (PLN 20,330,000) (the separation on 1 August 2011 of activity connected with wholesale trade and customer service).

2.6.4. Other operating activity

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Other operating revenue	10 514	6 414	61.0%	-4 100
Other operating expenses	16 285	24 845	152.6%	8 560

In H1 2012 the other operating revenues amounted to PLN -18,431,000 and were lower than in the preceding year by PLN 12,660,000 or 219.4 per cent, which mainly stems from changes of the reserves for litigation.

2.6.5. Profit / loss on sales of fixed assets

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Profit / loss on sales of fixed assets	215	2 193	1020.0%	1 978

In H1 2012 the profit from sale of fixed assets was higher by PLN 1,978,000, which stems from the sale of the title to the buildings and lands in Gorzów Wielkopolski.

2.6.6. Revenues and financial costs

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Financial revenue	56 908	60 551	106.4%	3 643
Financial expenses	3 256	20 328	624.3%	17 072

In H1 2012 the result on the financial activity amounted to PLN 40,223,000 and was lower in relation to the preceding year by PLN 13,429,000 in connection with the settlement of the acquisition of Windfarm Polska as at 16 April 2012.

2.6.7. Dividend revenue

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Dividend revenue	236 183	200 937	85.1%	-35 246

The dividend revenues generated in H1 2012 amounted to PLN 200,937,000 and are lower by PLN 35,246,000 in comparison with H1 2011, which results from obtaining of a dividend from ENEA Wytwarzanie S.A. at a later date.

2.6.8. The financial results of ENEA S.A. in Q2 2012 as compared to Q2 2011

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

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Sales revenues	1 379 390	1 404 183	101.8%	24 793
Excise tax	-58 135	-53 782	92.5%	4 353
Net sales revenues	1 321 255	1 350 401	102.2%	29 146
Other operating revenue	6 177	713	11.5%	-5 464
Cost of sales	1 320 164	1 306 989	99.0%	-13 175
Other operating expenses	9 796	10 768	109.9%	972

Profit / loss on sales of fixed assets	103	3	2.9%	-100
Operating profit	-2 425	33 360	x	35 785
Financial revenue	33 156	23 793	71.8%	-9 363
Dividend revenue	236 183	200 937	85.1%	-35 246
Financial expenses	1 538	16 375	1064.7%	14 837
Gross profit	265 376	241 715	91.1%	-23 661
Net profit	259 369	238 410	91.9%	-20 959
EBIDTA	1 881	37 391	1987.8%	35 510

2.6.8.2. Sales revenues

The gross revenues of ENEA S.A. from sales in the reporting period amounted to PLN 1,404,183,000 which in relation to Q2 2011 constituted an increase of PLN 24,793,000, or 1.8 per cent.

The table below shows the value of sales revenues achieved in Q2 2012.

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Sales revenues	1 379 390	1 404 183	101.8%	24 793
<i>including</i>				
Sales of electricity to end users	926 825	993 979	107.2%	67 154
Sales of distribution services to users holding comprehensive agreements	413 902	388 652	93.9%	-25 250
Sales of electricity to other entities	50 884	36 827	72.4%	-14 057
Sales of services	15 718	15 578	99.1%	-140
Other revenue	-27 940	-30 854	110.4%	-2 914

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

- Revenues from the sale of electricity to end users, which constitute 70.8 per cent of all sales revenues. In Q2 2012 these revenues amounted to PLN 993,979,000, an increase of PLN 67,154,000 or 7.2 per cent on the same period of the preceding year, which stemmed from sold electricity volumes increasing by 126 GWh and a 3.5 per cent increase in the average sale price. The growth in the volume of sales of electricity was reported in the group of customers from A and B tariff set groups (by 247 GWh). In C tariff group set a drop was noted in the volume by 108 GWh, however in G tariff group the volume of sales slightly decreased (by 13 GWh).
- Revenues from sales of distribution services to users holding comprehensive agreements, which constitute 27.7 per cent of all sales revenues. In Q2 2012 these revenues amounted to PLN 388,652,000, and were lower than in the same period of the preceding year by PLN 25,250,000 or 6.1 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 Sp. z o.o. 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 36,827,000, a reduction of PLN 14,057,000 or 27.6 per cent in comparison with Q2 2011, which stemmed mainly from a drop in the price of electricity sold by 13.5 per cent and lower amount of energy sold by 42 GWh.
- The other revenues are mainly non-invoiced sales relating to electricity and distribution services which in Q2 2012 amounted to PLN -30,776,000 and was lower than in Q2 2011 by PLN 2,944,000 (sales of electricity by PLN 1,830,000 and sales of distribution services - comprehensive agreements by PLN 1,114,000).

2.6.8.3. Cost of sales

In Q2 2012, ENEA S.A.'s total cost of sales amounted to PLN 1,306,989,000 and decreased by PLN 13,175,000 or 1 per cent relative to the same period of the previous year.

The table below shows the value of the cost of sales achieved in Q22012.

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Costs of electricity for resale	852 823	850 621	99.7%	-2 202
<i>including:</i>				
<i>purchase of certificates of origin</i>	116 141	87 177	75.1%	-28 965
<i>value of unbalanced energy</i>	31 241	-9 481	x	-40 722

Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	405 518	379 122	93.5%	-26 396
Amortisation of fixed assets and intangible assets	4 306	4 031	93.6%	-275
Consumption of materials and energy and value of sold materials	1 433	877	61.2%	-556
Other external services	41 982	52 199	124.3%	10 217
Employee benefit costs	11 938	18 491	154.9%	6 553
Taxes and charges	2 164	1 648	76.2%	-516
Cost of sales	1 320 164	1 306 989	99.0%	-13 175

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 850,621,000 and decreased in relation to Q2 2011 by PLN 2,202,000 or 0.3 mainly as a result of a drop in the average purchase price by 2.2 per cent with a concurrently higher volume of purchased energy (by 73 GWh). At the same time, in Q2 2012 the costs of purchase of energy include the estimated costs of unbalancing of electricity which diminished the purchase costs by PLN 9,481,000 while in Q2 2011 they increased them by PLN 31,241,000. 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 379,122,000, and were lower by PLN 26,396,000 or 6.5 per cent than in Q2 2011, which stemmed from a lower performance of sales of distribution services to users with comprehensive agreements.
- The employee benefits costs in Q2 2012 amounted to PLN 18,491,000 and were higher relative to Q2 2011 by PLN 6,553,000 or 54.9 per cent mainly as a result of the actuarial valuation relating to the energy equivalent (in Q2 2012 the change of the reserve increased the costs by PLN 3,094,000 and in Q2 2011 decreased them by PLN 5,085,000). At the same time the change of the reserve for unused holiday entitlements and salary costs was lower.
- The costs of other external services amounted to PLN 52,199,000, an increase of PLN 10,217,000 or 24.3 per cent in comparison with the analogical period of the preceding year, which was caused by higher costs for the account of: ENEA Centrum (PLN 6,743,000) and ELKO Trading (PLN 9,270,000) (the separation on 1 August 2011 of activity connected with wholesale trade and customer service). At the same time, there was a decrease in costs of services connected with advertising and representation (by PLN 8,824,000).

2.6.8.4. Other operating activity

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Other operating revenue	6 177	713	11.5%	-5 464
Other operating expenses	9 796	10 768	109.9%	972

In Q2 2012 the other operating revenues amounted to PLN -10,055,000 and were lower than in the same period of the preceding year by PLN 6,436,000 or 177.8 per cent, which mainly stems from lower revenues from write-downs for energy receivables.

2.6.8.5. Revenues and financial costs

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Financial revenue	33 156	23 793	71.8%	-9 363
Financial expenses	1 538	16 375	1064.7%	14 837

In Q2 2012 the result on the financial activity amounted to PLN 7,418,000 and was lower than in the previous year by PLN 24,200,000 in relation to the settlement of the acquisition of Windfarm Polska as at 16 April 2012 and lower financial revenues obtained from funds invested in financial assets (bonds, treasury bills, fixed-term deposits).

2.6.8.6. Dividend revenue

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Dividend revenue	236 183	200 937	85.1%	-35 246

The dividend revenues generated in Q2 2012 amounted to PLN 200,937,000 and are lower by PLN 35,246,000 in comparison with Q2 2011, which results from collection of a dividend from ENEA Wytwarzanie S.A. in July 2012.

2.7. The financial results of ENEA Operator in H1 2012 as compared to H1 2011

2.7.1. Profit and loss statement of ENEA Operator

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Sales revenues	1 355 133	1 453 343	107.2%	98 210
Cost of sales	1 164 847	1 179 303	101.2%	14 456
Other operating revenue	28 619	20 001	69.9%	-8 618
Other operating expenses	21 313	30 533	143.3%	9 220
Profit / loss on sales and liquidation of tangible fixed assets	2 802	1 316	47.0%	-1 486
Operating profit / loss	200 394	264 824	132.2%	64 430
Financial revenue	3 806	3 482	91.5%	-324
Financial expenses	5 783	8 929	154.4%	3 146
Gross profit / loss	198 417	259 377	130.7%	60 960
Net profit / loss	161 529	210 511	130.3%	48 982
EBITDA	376 240	452 753	120.3%	76 513

2.7.2. Sales revenues

ENEA Operator's revenues from sales in the reporting period amounted to PLN 1,453,343,000, which in relation to H1 2011 constituted a growth of PLN 98,210,000 or 7.2 per cent.

The table below shows the value of sales revenues achieved in H1 2012.

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Sales revenues	1 355 133	1 453 343	107.2%	98 210

<i>including:</i>				
Revenues from sales of distribution services to end users, including:	1 244 648	1 302 315	104.6%	57 667
<i>comprehensive agreements</i>	876 867	822 460	93.8%	-54 407
<i>other agreements</i>	367 781	479 855	130.5%	112 074
Revenues from additional fees	1 696	1 673	98.7%	-23
Revenues from non-invoiced sales of distribution services	-2 097	5 426	-258.8%	7 523
Fees for customer grid connection	47 749	63 403	132.8%	15 653
Revenues from the illegal collection of electricity	3 574	3 845	107.6%	271
Revenues from services	48 142	47 389	98.4%	-754
Sales of distribution services to other entities	10 968	13 633	124.3%	2 665
Sales of goods and services and other revenues	453	15 660	3460.8%	15 208

The sales revenues increase in H1 2012 in the amount of PLN 98,210,000 in relation to the comparative period was mainly due to:

- Increase in revenues from the sale of distribution services to end users, which constitute 89.6 per cent of the sales revenues. Revenues from the sale of distribution services H1 2012 amounted to PLN 1,302,315,000 and were higher than in the same period of last year by PLN 57,667,000, i.e. 4.6 per cent. The increase of these revenues stemmed mainly from a growth of the average sales price of distribution services to end users by 4.7 per cent with a volume of supplied electricity higher by 6 GWh. Additionally, a growth was noted in estimated revenues from non-invoiced sales by PLN 7,523,000.
- Increase of revenues from fees for grid connection which in H1 2012 amounted to PLN 63,403,000 and grew in relation to the comparative period by PLN 15,653,000, which stems from assuming to the property of higher value of connections.
- Increase of revenues from sale of goods and materials and other revenues, which in H1 2012 amounted to PLN 15,660,000 and were higher than in H1 2011 by PLN 15,208,000, which is a result of mainly higher revenues from settlements on the Balancing Market by PLN 13,339,000.
- Higher revenues from sales of distribution services to other entities which amounted to PLN 13,663,000 and were higher than in the preceding year by PLN 2,665,000, which mainly stems from a higher transfer of energy to the neighbouring distribution system operators (by 79 GWh), higher prices

and rates for fixed and variable transmission fees in the Tariff for 2012 in relation to the Tariff for 2011, higher prices of purchasing energy for losses.

2.7.3. Cost of sales

In H1 2012 total costs of sales of ENEA Operator amounted to PLN 1,179,303,000 and increased by PLN 14,456,000 i.e. by 1.2 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	H1 2011	H1 2012	Change	Difference
Cost of sales	1 164 847	1 179 303	101.2%	14 456
<i>including:</i>				
Depreciation and amortisation of fixed and intangible assets	175 846	187 929	106.9%	12 083
Employee benefit costs	258 889	272 588	105.3%	13 699
Consumption of materials and energy and value of sold materials	24 617	23 435	95.2%	-1 182
Costs of purchases for resale	195 452	185 818	95.1%	-9 634
Costs of transmission services	354 309	356 431	100.6%	2 122
Other external services	97 369	89 101	91.5%	-8 268
Taxes and charges	58 365	64 001	109.7%	5 636

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 272,588,000 and were higher than in the comparative period of 2011 by PLN 13,699,000. The difference stems mainly from the establishment of a reserve for employee benefit costs and higher disability pension contributions. Additionally there was an increase in the average remuneration by 6.4 per cent with a simultaneous drop in the average employment by 189 full-time equivalents (Programme of Voluntary Redundancy).
- Amortisation grew by PLN 12,083,000 in relation to the comparative period, mainly due to verification of amortisation rates, amortisation calculated on new fixed assets during November-December 2011 and new intangible assets at the end of 2011.
- Taxes and charges which grew by PLN 5,636,000 in relation to higher costs of tax from lines and power connections and costs of sale of the road line.

- Purchase of energy for sale in relation to the comparative period decreased by PLN 9,634,000, which mainly results from higher assumed and indicated volume of the book-tax difference in the Grid Code in 2012 by 176 GWh.
- Other external services that in the reporting period decreased by PLN 8,268,000 and amounted to PLN 89,101,000. 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. At the same time higher costs were incurred of posting services.

2.7.4. Other operating activity

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Other operating revenue	28 619	20 001	69.9%	-8 618
Other operating expenses	21 313	30 533	143.3%	9 220

In H1 2012 the other operating revenues amounted to PLN -10,532,000 and were lower than in the preceding year by PLN 17,838,000 which mainly stems from changes of the reserves for anticipated losses.

Additionally the Company attained a lower profit on sales and liquidation of tangible assets in the amount of PLN 1,316,000 in relation to higher revenues from sales of fixed assets and recovery of materials.

2.7.5. Revenues and financial costs

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Financial revenue	3 806	3 482	91.5%	-324
Financial expenses	5 783	8 929	154.4%	3 146

Financial revenues in H1 2012 amounted to PLN 3,482,000 and were lower than in H1 2011 by PLN 324,000, which results from achievement of lower revenues from deposit interests.

Financial costs in the reporting period amounted to PLN 8,929,000 and were higher by PLN 3,146,000 in relation to higher costs of interests from external funding.

2.7.6. The financial results of ENEA Operator in Q2 2012 as compared to Q2 2011

2.7.6.1. Profit and loss statement of ENEA Operator

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Sales revenues	657 831	706 967	107.5%	49 136

Cost of sales	587 712	576 424	98.1%	-11 288
Other operating revenue	13 131	8 764	66.7%	-4 367
Other operating expenses	12 092	24 210	200.2%	12 118
Profit / loss on sales and liquidation of tangible fixed assets	3 138	-1 019	x	-4 157
Operating profit / loss	74 296	114 078	153.5%	39 782
Financial revenue	1 908	2 391	125.3%	483
Financial expenses	2 963	4 465	150.7%	1 502
Gross profit / loss	73 241	112 004	152.9%	38 763
Net profit / loss	60 389	90 705	150.2%	30 316
EBITDA	162 660	206 754	127.1%	44 094

2.7.6.2. Sales revenues

ENEA Operator's revenues from sales in the reporting period amounted to PLN 706,967,000, which in relation to Q2 2011 constituted a growth of PLN 49,136,000 or 7.5 per cent.

The table below shows the value of sales revenues achieved in Q2 2012.

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Sales revenues	657 831	706 967	107.5%	49 136
<i>including:</i>				
Revenues from sales of distribution services to end users, including:	604 027	632 241	104.7%	28 214
<i>comprehensive agreements</i>	413 889	388 641	93.9%	-25 248
<i>other agreements</i>	190 138	243 600	128.1%	53 462

Revenues from additional fees	864	883	102.2%	19
Revenues from non-invoiced sales of distribution services	-7 171	-9 627	134.3%	-2 456
Fees for customer grid connection	29 354	41 480	141.3%	12 125
Revenues from the illegal collection of electricity	1 606	1 344	83.7%	-262
Revenues from services	24 854	21 896	88.1%	-2 959
Sales of distribution services to other entities	4 950	6 806	137.5%	1 856
Sales of goods and services and other revenues	-654	11 945	x	12 599

The sales revenues increase in Q2 2012 in the amount of PLN 49,136,000 in relation to the comparative period was mainly due to:

- Increase in revenues from the sale of distribution services to end users, which constitute 89.4 per cent of the sales revenues. Revenues from the sale of distribution services to end users in Q2 2012 amounted to PLN 632,241,000 and were higher than in the same period of last year by PLN 28,214,000, i.e. 4.7 per cent. The increase of these revenues stemmed mainly from a growth of the average sales price of distribution services to end users by 5.6 per cent with a volume of supplied electricity higher by 39 GWh. Additionally, a drop was noted in estimated revenues from non-invoiced sales by PLN 2,456,000.
- Increase of revenues from fees for grid connection which in Q2 2012 amounted to PLN 41,480,000 and grew in relation to the comparative period by PLN 12,125,000, which stems from assuming to the property of higher value of connections.
- Increase of revenues from sale of goods and materials and other revenues, which in Q2 2012 amounted to PLN 11,945,000 and were higher than in Q2 2011 by PLN 12,599,000, which is a result of mainly higher revenues from settlements on the Balancing Market by PLN 11,427,000.
- Higher revenues from sales of distribution services to other entities which amounted to PLN 6,806,000 and were higher than in the preceding year by PLN 1,856,000, which mainly stems from a higher transfer of energy to the neighbouring distribution system operators (by 46 GWh), higher prices and rates for fixed and variable transmission fees in the Tariff for 2012 in relation to the Tariff for 2011, higher prices of purchasing energy for losses.

2.7.6.3. Cost of sales

In Q2 2012 total costs of sales of ENEA Operator amounted to PLN 576,424,000 and decreased by PLN 11,288,000 i.e. by 1.9 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	Q2 2011	Q2 2012	Change	Difference
Cost of sales	587 712	576 424	98.1%	-11 288
<i>including:</i>				
Depreciation and amortisation of fixed and intangible assets	88 364	92 676	104.9%	4 312
Employee benefit costs	134 699	136 216	101.1%	1 517
Consumption of materials and energy and value of sold materials	11 885	11 051	93.0%	-834
Costs of purchases for resale	97 061	83 404	85.9%	-13 657
Costs of transmission services	175 020	176 633	100.9%	1 613
Other external services	54 403	48 518	89.2%	-5 885
Taxes and charges	26 280	27 926	106.3%	1 646

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

- Purchase of energy for sale in relation to the comparative period decreased by PLN 13,657,000, which mainly results from higher assumed and indicated volume of the book-tax difference in the Grid Code in 2012 by 164 GWh.
- Other external services that in the reporting period decreased by PLN 5,885,000 and amounted to PLN 48,518,000. 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.
- Amortisation grew by PLN 4,312,000 in relation to the comparative period, mainly due to verification of amortisation rates, amortisation calculated on new fixed assets during November-December 2011 and inclusion by the end of 2011 intangible assets of high values.
- Taxes and charges which grew by PLN 1,646,000 in relation to higher costs of tax from lines and power connections and costs of sage of the road line.
- Costs of transmission services increased by PLN 1,613,000 which stems from higher average purchase price by 1.2 per cent.
- Employee benefit costs which during the reporting period amounted to PLN 136,216,000 and were higher than in the comparative period of 2011 by PLN 1,517,000, which mainly stems from higher pension contribution rate. Additionally, there was an increase in the average remuneration by 9 per cent with a simultaneous drop in the average employment by 191.48 full-time equivalents

(Programme of Voluntary Redundancy). Moreover, there was a drop in provisions for employee benefits, in relation to the performed actuarial valuation.

2.7.6.4. Other operating activity

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Other operating revenue	13 131	8 764	66.7%	-4 367
Other operating expenses	12 092	24 210	200.2%	12 118

In Q2 2012 the other operating revenues amounted to PLN -15,466,000 and were lower than in the preceding year by PLN 16,485,000 which mainly stems from changes of the reserves for anticipated losses.

Additionally the Company generated a loss on sales and liquidation of tangible assets in the amount of PLN 1,019,000 in relation to higher revenues from sales of fixed assets and recovery of materials.

2.7.6.5. Revenues and financial costs

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Financial revenue	1 908	2 391	125.3%	483
Financial expenses	2 963	4 465	150.7%	1 502

Financial costs in the reporting period amounted to PLN 4,465,000 and were higher by PLN 1,502,000 mainly in relation to higher costs of interests from external funding.

2.8. The financial results of ENEA Wytwarzanie in H1 2012 as compared to H1 2011

2.8.1. Profit and loss statement of ENEA Wytwarzanie

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Sales revenues	1 374 168	1 374 848	100.0%	680
Excise tax	12	12	100.0%	0

Net sales revenues	1 374 156	1 374 836	100.0%	680
Cost of sales	1 174 220	1 183 479	100.8%	9 259
Other operating revenue	13 766	27 952	203.1%	14 186
Other operating expenses	19 092	3 527	18.5%	-15 565
Profit / loss on sales and liquidation of tangible fixed assets	-143	-1 021	714.0%	-878
Operating profit / loss	194 467	214 761	110.4%	20 294
Financial revenue	16 630	26 386	158.7%	9 756
Dividend revenue	741	6 280	847.5%	5 539
Financial expenses	6 149	6 781	110.3%	632
Gross profit / loss	205 689	240 646	117.0%	34 957
Net profit / loss	163 345	197 347	120.8%	34 002
EBITDA	318 207	361 074	113.5%	42 867

2.8.2. Sales revenues

The gross sales revenues of ENEA Wytwarzanie in H1 2012 amounted to PLN 1,374,848,000 which in relation to H1 2011 constitutes a growth by PLN 680,000.

The table below shows the value of gross sales revenues generated in H1 2012.

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Gross sales revenues	1 374 168	1 374 848	100.0%	680
<i>including:</i>				
Revenues from the sale of electricity, including:	1 292 269	1 274 845	98.7%	-17 424

<i>within licence for generation</i>	1 145 079	1 135 737	99.2%	-9 342
<i>within licence for trading</i>	147 190	139 108	94.5%	-8 082
Revenues from compensation for stranded costs	0	0	x	0
Revenues from the sale of certificates of origin	53 440	73 696	137.9%	20 256
Revenues from the sale of heat	3 153	3 292	104.4%	139
Revenues from the sale of services and other revenues from sales	20 595	18 237	88.6%	-2 358
Revenues from the sale of goods and materials	4 711	4 778	101.4%	67

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

- The revenues from sales of electricity which constitute 92.7 per cent of the total gross sales revenues in the reporting period amounted to PLN 1,274,845,000 and were lower than in H1 2011 by PLN 17,424,000 or 1.3 per cent. The volume of sales of electricity amounted to 6,197 GWh and in relation to the comparative period decreased by 254 GWh and at the same time the average sale price of electricity grew by 2.6 per cent. Production of electricity in H1 2012 amounted to 5,574 GWh and was lower in relation to the comparative period by 247 GWh, with a simultaneous increase of production from renewable sources (biomass) by 63 GWh.
- The revenues from sales of certificates of origin were higher by PLN 20,256,000 than in H1 2011, which was mainly caused by higher by 63,296 MWh recognition of green certificates of origin (as a result of higher production from renewable sources) and higher by 12,205 MWh recognition of red certificates (among others as a consequence of adjustment of certificates of origin for Q4 2011).
- The revenues from sales of services and other revenues from sales decreased by PLN 2,358,000, which mainly stems from lower revenues from sales of allowances for CO₂ emissions.

2.8.3. Cost of sales

In H1 2012, ENEA Wytwarzanie's total cost of sales amounted to PLN 1,183,479,000 and grew by PLN 9,259,000 or 0.8 per cent in relation to the same period of 2011.

The table below shows the value of the cost of sales achieved in H1 2012.

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Cost of sales	1 174 220	1 183 479	100.8%	9 259
<i>including:</i>				

Depreciation and amortisation of fixed and intangible assets	123 740	146 313	118.2%	22 573
Employee benefit costs	121 891	128 339	105.3%	6 448
Consumption of materials and raw materials and value of goods sold	652 319	655 129	100.4%	2 810
Costs of purchases for resale	187 696	147 245	78.4%	-40 451
Costs of transmission services	1 254	0	0.0%	-1 254
Other external services	56 255	75 181	133.6%	18 926
Taxes and charges	31 065	31 272	100.7%	207

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

- Amortisation costs which in H1 2012 amounted to PLN 146,313,000 and grew by PLN 22,573,000 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 purchase of energy for sale which amounted to PLN 147,245,000 and decreased by PLN 40,451,000 which resulted from lower activities within the licence for trade in electricity (lower volume and lower average price of purchased energy for sales within licence for trading), with a simultaneous increase of costs of purchase of energy on the balancing market (higher volume of purchase of energy and lower price of purchase).
- The costs of other external services amounted to PLN 75,181,000, an increase of PLN 18,926,000 or 33.6 per cent which was mainly caused by occurrence of costs of transaction processing by ELKO Trading and higher costs of repairs and transport.
- Costs of employee benefits in H1 2012 amounted to PLN 128,339,000 and grew by PLN 6,448,000, which results from a growth of the average pay by 6.8 per cent with a simultaneous decrease in employment by 2.2 per cent. In H1 2012 in relation to the comparative period of 2011 higher costs of individual remuneration with charges were incurred in connection with 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).
- Costs of materials used, as well as the value of goods sold, which amounted to PLN 655,129,000 and rose by PLN 2,810,000 or 0.4 per cent, which is related to the increased costs of biomass use by PLN 25,034,000 (in relation to a higher energy production from biomass and higher average cost of biomass (including transport) by 11.4 per cent); in addition the costs of consumption of other materials decreased by PLN 18,224,000 (which mainly results from higher costs of redemption of allowances for emissions of CO₂, in relation to lower production of energy) and costs of coal consumption dropped by PLN 5,893,000 (in connection with lower energy production).

2.8.4. Other operating revenues and costs

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Other operating revenue	13 766	27 952	203.1%	14 186
Other operating expenses	19 092	3 527	18.5%	-15 565

Other operating revenues in H1 2012 amounted to PLN 27,952,000 and were higher than in the analogical period by PLN 14,186,000, which mainly stems from:

- lower by PLN 5,031,000 revenues from termination of liability reserves,
- lower by PLN 3,765,000 revenues from reversing of write-downs,
- higher by PLN 2,343,000 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 1,945,000 refunds of costs from the insurer (compensation for fortuitous events).

The other operating costs in H1 2012 amounted to PLN 3,527,000 and were lower than in the analogical period by PLN 15,565,000, which mainly stems from:

- creation of lower by PLN 7,322,000 write-downs (mainly receivables from contractual penalties),
- creation of lower by PLN 2,888,000 reserves for future liabilities,
- lower costs of litigation by PLN 2,215,000,
- creation of lower by PLN 1,630,000 inventory write-downs.

2.8.5. Revenues and financial costs

Data in PLN '000	H1 2011	H1 2012	Change	Difference
Financial revenue	16 630	26 386	158.7%	9 756
Dividend revenue	741	6 280	847.5%	5 539
Financial expenses	6 149	6 781	110.3%	632

Financial revenues in 2012 amounted to PLN 26,386,000 and were higher in relation to the comparative period by PLN 9,756,000, which stems from obtaining higher interest on cash deposited on fixed-term deposits.

2.8.6. The financial results of ENEA Wytwarzanie in Q2 2012 as compared to Q2 2011

2.8.6.1. Profit and loss statement of ENEA Wytwarzanie

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Sales revenues	698 555	688 262	98.5%	-10 293
Excise tax	-5	-4	80.0%	1
Net sales revenues	698 550	688 258	98.5%	-10 292
Cost of sales	599 531	597 373	99.6%	-2 158
Other operating revenue	10 511	15 642	148.8%	5 131
Other operating expenses	9 608	2 531	26.3%	-7 077
Profit / loss on sales and liquidation of tangible fixed assets	-152	-1 025	674.3%	-873
Operating profit / loss	99 770	102 971	103.2%	3 201
Financial revenue	9 056	12 684	140.1%	3 628
Dividend revenue	741	6 280	847.5%	5 539
Financial expenses	4 155	5 711	137.4%	1 556
Gross profit / loss	105 412	116 224	110.3%	10 812
Net profit / loss	83 601	96 458	115.4%	12 857
EBITDA	165 155	171 770	104.0%	6 615

2.8.6.2. Sales revenues

The gross sales revenues of ENEA Wytwarzanie in Q2 2012 amounted to PLN 688,262,000 which in relation to Q2 2011 constitutes a drop by PLN 10,293,000.

The table below shows the value of gross sales revenues achieved in Q2 2012.

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Gross sales revenues	698 555	688 262	98.5%	-10 293
<i>including:</i>				
Revenues from the sale of electricity, including:	644 782	629 380	97.6%	-15 402
<i>within licence for generation</i>	589 659	555 707	94.2%	-33 951
<i>within licence for trading</i>	55 123	73 673	133.7%	18 550
Revenues from compensation for stranded costs	0	0	x	0
Revenues from the sale of certificates of origin	29 654	38 988	131.5%	9 334
Revenues from the sale of heat	1 280	1 353	105.7%	73
Revenues from the sale of services and other revenues from sales	19 452	14 897	76.6%	-4 555
Revenues from the sale of goods and materials	3 387	3 644	107.6%	257

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

- The revenues from sales of electricity which constitute 91.4 per cent of the total gross sales revenues in the reporting period amounted to PLN 629,380,000 and were lower than in Q2 2011 by PLN 15,402,000 or 2.4 per cent. The volume of sales of electricity amounted to 3,079 GWh and in relation to the comparative period decreased by 132 GWh and at the same time the average sale price of electricity grew by 1.8 per cent. Production of electricity in Q2 2012 amounted to 2,810 GWh and was lower in relation to the comparative period by 166 GWh, with a simultaneous increase of production from renewable sources (biomass) by 31 GWh.
- The revenues from sale of certificates of origin were higher by PLN 9,334,000 than in Q2 2011 which was caused by a higher recognition of green certificates of origin by 31 GWh (as a higher production of energy from renewable sources).
- The revenues from sales of services and other revenues from sales decreased by PLN 4,555,000, which mainly stems from lower revenues from sales of allowances for CO₂ emissions.

2.8.6.3. Cost of sales

In Q2 2012, ENEA Wytwarzanie's total cost of sales amounted to PLN 597,373,000 and dropped by PLN 2,158,000 or 0.4 per cent in relation to the same period of 2011.

The table below shows the value of the cost of sales achieved in Q2 2012.

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Cost of sales	599 531	597 373	99.6%	-2 158
<i>including:</i>				
Depreciation and amortisation of fixed and intangible assets	65 385	68 799	105.2%	3 414
Employee benefit costs	64 801	66 675	102.9%	1 874
Consumption of materials and raw materials and value of goods sold	342 069	337 861	98.8%	-4 208
Costs of purchases for resale	81 775	66 469	81.3%	-15 306
Costs of transmission services	626	0	x	-626
Other external services	30 113	42 408	140.8%	12 295
Taxes and charges	14 762	15 161	102.7%	399

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

- Costs of purchase for sales which amounted to PLN 66,469,000 and decreased by PLN 15,306,000 in relation to a decrease activities within energy trading licences and a decrease in the costs of purchase of energy on the Balancing Market.
- Costs of consumption of materials and value of goods sold which amounted to PLN 337,861,000 and decreased by PLN 4,208,000 or 1.2 per cent in relation to lower costs of consumption of other materials by PLN 11,797,000 (which mainly stems from lower costs of redemption of allowances for emissions of CO₂ as a result of a lower energy production) and lower costs of coal consumption by PLN 5,265,000 (in connection with a lower energy production). At the same time there was a growth in costs of consumption of biomass by PLN 12,854,000 (in relation to with a higher production of energy from biomass and a higher average cost of biomass (with transport) by 11.8 per cent).
- The costs of other external services amounted to PLN 42,408,000, an increase of PLN 12,295,000 or 40.8 per cent which was mainly caused by occurrence of costs of transaction processing by ELKO Trading and higher costs of repairs, transport and property insurance.

- Amortisation costs which in Q2 2012 amounted to PLN 68,799,000 and grew by PLN 3,414,000 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 employee benefits in Q2 2012 amounted to PLN 66,675,000 and grew by PLN 1,874,000, which results from a growth of the average pay by 4.1 per cent with a simultaneous decrease in employment by 2.1 per cent.

2.8.6.4. Other operating revenues and costs

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Other operating revenue	10 511	15 642	148.8%	5 131
Other operating expenses	9 608	2 531	26.3%	-7 077

Other operating revenues in Q2 2012 amounted to PLN 15,642,000 and were higher than in the analogical period by PLN 5,131,000, which mainly stems from:

- higher by PLN 3,224,000 revenues from termination of liability reserves,
- higher by PLN 2,536,000 revenues from reversing of write-downs,
- higher by PLN 2,343,000 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 1,436,000 refunds of costs from the insurer (compensation for fortuitous events),
- lower by PLN 4,483,000 revenues from damages and contractual penalties.

The other operating costs in Q2 2012 amounted to PLN 2,531,000 and were lower than in the analogical period by PLN 7,077,000, which mainly stems from:

- creation of lower by PLN 4,941,000 write-downs (mainly receivables from contractual penalties),
- creation of lower by PLN 1,630,000 inventory write-downs.

2.8.6.5. Revenues and financial costs

Data in PLN '000	Q2 2011	Q2 2012	Change	Difference
Financial revenue	9 056	12 684	140.1%	3 628
Dividend revenue	741	6 280	847.5%	5 539
Financial expenses	4 155	5 711	137.4%	1 556

Financial revenues in Q2 2012 amounted to PLN 12,684,000 and were higher in relation to the comparative period by PLN 3,628,000, which stems from obtaining higher interest on cash deposited on fixed-term deposits.

Financial costs in Q2 2012 amounted to PLN 5,711,000 and were higher than in Q2 2011 by PLN 1,556,000, in relation to a higher cost of liability discounts of employee benefits.

3. Development prospects and major threats and risks related to the remaining months of the reporting year

The prospects for development of the ENEA Capital Group depend on a number of internal and external legal and macro-economic factors which could at the same time, if there are significant and also unfavourable departures from standard or assumed parameters (or circumstances associated with such factors), pose risks and dangers in achieving the Group's desired results or development.

3.1. Legal regulations and tariffs

We conduct our activities in an environment which is subject to a special legal framework.

Our operating results depend on a number of regulations and decisions of regulatory authorities, in particular those aimed at shaping electricity prices for customers from tariff G groups who use energy for household purposes.

Our situation is particularly affected by the provisions of the Energy Law and European Union regulations, especially those relating to environmental protection. Those laws and regulations are subject to frequent amendments, which we are unable to foresee and which could result in a lack of consistency in the provisions of law that form the basis for our operations.

The authority responsible for regulating the energy sector in Poland is the President of the Energy Regulatory Office ("ERO"). Key powers of the President of the ERO include approving tariffs and inspecting their application and granting and withdrawing exemptions from the obligation to submit tariffs for approval, granting and withdrawing licences, appointing entities to be system operators, agreeing development plans, imposing fines, and inspecting energy companies' performance of the obligations set out in the Energy Law. Besides the President of the ERO, other authorities can also exercise substantial influence over our operations by exercising their inspection and regulatory powers. These include the President of the OCCP and the European Commission, which have key powers in the process of liberalising the energy sector and related to the supervision of its implementation. The inspection and regulatory powers of the President of the ERO and other authorities enable them to significantly influence our operations, particularly the amount of revenues that we generate. The scope of those powers might change in the future, as a result of which those authorities could obtain additional powers relating to the activities that we conduct. Decisions made by those authorities could have a material adverse effect on the amount of revenues we generate.

The tariffs approved by the President of the ERO, which we apply in our operations, are calculated on the basis of elements whose amount is to a large extent at the discretion of the President of the ERO.

ENEA S.A. is obliged to submit tariffs for electricity sales to households connected to the ENEA Operator grid to the President of the ERO for approval. By law, the manner in which tariffs are calculated should ensure that the power company: (I) has sufficient funds to cover the costs planned for the tariff period in question, provided that the President of the ERO deems them to be justified; and (II) obtains a particular margin while ensuring that customers are protected from unreasonably high prices and rates for charges. Some elements of the tariff calculations are calculated on the basis of financial models and other assumptions adopted by the President of the ERO, which do not take into account the actual costs of our operations.

As a result, elements of the tariff calculations are the subject of often lengthy negotiations with the President of the ERO, which may not lead to our generating the revenues we have planned. This can have an adverse effect on the amounts of the margins we obtain.

In practice, tariffs are usually approved for a period of one year. If we incur additional costs during a regulatory period that were not included in the model or were included in a lower amount, we are limited in our ability to take such costs into account in the tariff. In practice, the President of the ERO will only accept a tariff adjustment in the case of a substantial increase in costs due to causes that are beyond our control.

Until 31 December 2007, ENEA S.A.'s activities relating to sales of electricity to end customers were subject to an obligation to present tariffs to the President of the ERO for approval. As at the date when this report is disclosed, due to a decision of the President of the ERO of 14 May 2008 we are exempt from the obligation to submit electricity tariffs to the President of the ERO for approval, except for the tariff for customers from the G tariff groups (households) connected to the grid of ENEA Operator. As at the date of disclosing this report, the legal status has not changed in this respect.

Within sales for recipients from G tariff group set on 16 December 2011, in Decision No. DTA-4211-53(15)/2011/2688/V/BH, the President of the ERO approved ENEA's "Electricity Tariff" for customers using power for household purposes. It came into force pursuant to ENEA S.A. Management Board Resolution No. 761/2011 of 20 December 2011 as of 1 January 2012.

With regard to sales of electricity to customers other than households (tariff group sets A, B and C), as of 1 August 2011 till 29 February 2012 the "Electricity Tariff" was in effect for tariff groups sets A, B and C, implemented by ENEA S.A. Management Board Resolution No. 383/2011 of 14 June 2011. Starting from 1 March 2012 the "Electricity Tariff" is in effect for tariff groups sets A, B and C, implemented by ENEA S.A. Management Board Resolution No. 44/2012 of 24 January 2012.

3.2. Wholesale electricity prices

Wholesale electricity prices depend on a number of factors, including market and regulatory factors.

The wholesale market for electricity trading is currently fully liberalised, so the amount of costs and revenues that we generate depends on the electricity prices that are applicable on the market at a particular time. With regard to the increase in fuel prices and higher share of costs connected with the participation in the European Emissions Trading Scheme a growth is anticipated in prices of electricity on the wholesale market for the subsequent years.

Moreover, amendments introduced by the Act of 8 January 2010 on Amending the Energy Law and on Amending Certain Others Laws (Journal of Laws No. 21 of 8 February 2010, item 104) stipulate an obligation to sell electricity on the commodities exchange or in a way that guarantees public and equal access to electricity on the power exchanges or internet platforms for trading electricity on the regulated market. Amendment of the Energy Law within this scope entered into force from 9 August 2010, which mainly influenced the volume of trading on the stock exchange and thus greater representativeness of quoted prices.

3.3. The risk connected with the planned amendments to the act on RES

On 27 July 2012 the Ministry of Economy presented the draft act on renewable energy sources which was directed for interministerial consultation.

Compliant with the provisions of the new draft of the act it is anticipated to change the amount of support for particular types of electricity production, preferences for distributed generation, gradual extinction of the support for the co-firing installation and "old" amortised water turbine power plants. Additionally, the support as certificates of origin may be limited in time through the introduction of a 15-year time limit for use of a support by a given installation. The entities generating electricity coming from renewable energy sources will still be entitled to receive green certificates for each one MWh of generated electricity. However, it is anticipated that the so called support level corrective factors depending on the type of the source of generation that will impact the volume of allotted green certificates. In the new version of the act the obligation was returned to purchase green electricity generated by renewable energy sources.

The introduction of the draft act in its present shape into the binding jurisdiction may have a negative impact on the economic efficiency of the existing and planned installations of renewable energy sources functioning in the ENEA CG because of the limitation in the time of support.

3.4. Supplies and prices of bituminous coal and other fuels

The basic fuel used to produce electricity by our basic production assets, i.e. the ENEA Wytwarzanie, is bituminous coal. In H1 2012 the cost of coal comprised about 45 per cent of operating costs of ENEA Wytwarzanie. We depend on two suppliers for our coal supplies: Lubelski Węgiel "Bogdanka" S.A. which delivered in 2008 54 per cent, in 2009 52 per cent, in 2010 approx. 61 per cent and in 2011 also 61 per cent, and in H1 2012 around 73 per cent and Katowicki Holding Węglowa S.A. Moreover, from the two suppliers: Kompania Węglowa S.A. and Jastrzębska Spółka Węglowa S.A. The ENEA Wytwarzanie makes supplementary purchases. The Polish market of coal supplies is a market highly monopolised by companies belonging to the State Treasury, our key shareholder, which control a substantial part of domestic supplies of coal on the quantitative basis, excluding Lubelski Węgiel "Bogdanka" S.A., which in 2010 became private. It is uncertain whether the contracts in force for supply of coal which we concluded with our key suppliers will not be terminated or prolonged after their term. Moreover, according to these contracts, the price and quantity of delivered coal are determined during negotiations each year. It is not certain that the result of such negotiations will be always advantageous for us. If we are not able to execute contracts for supply of coal to the ENEA Wytwarzanie or the deliveries are suspended or disrupted for any other reason (i.e. as a result of strikes at mines), the ENEA Wytwarzanie may be forced to purchase coal from more distant places at higher prices, suspend or limit generations of electricity till resuming supplies of coal or adjust own generating assets to use alternative fuels, which may result in increases in its expenditures. Increase of costs in the ENEA Wytwarzanie would be reflected in the prices of power energy we sell which could lead to a situation that our price become uncompetitive in relation to the prices of electricity sold by our competitors on the market. Furthermore, if we are unable to maintain our inventories of bituminous coal at the legally required level, we could receive administrative fines of up to 15 per cent of our revenues from licensed activities in the previous tax year.

The only supplier of the light-up fuel to the ENEA Wytwarzanie Plant in H1 2012 was PKN ORLEN S.A. The fuel delivered is heavy heating oil with sulphur content of up to 3 per cent.

In January 2008, the ENEA Wytwarzanie began production of power from the co-combustion of biomass as fuel. Co-combustion of biomass is carried out in eight 215-225 MW power units. Sawdust pellets and briquettes as well as sunflower pellets and briquettes are primarily used as biomass. The ENEA Wytwarzanie in H1 2012 possessed agreements collectively with 16 biomass suppliers (as at 30 June 2012 with 13 suppliers). In H1 2011, biomass consumption amounted to 104,505.300 tonnes, whilst in H1 2012 it was 140,968.500 tonnes (according to beltway scales).

3.5. Obligations with respect to obtaining energy certificates of origin

Also, the legal provisions impose an obligation on us to obtain and present certificates of origin to the President of the ERO for redemption, confirming: (I) that electricity is being generated in renewable sources ("green" certificates); and (II) that electrical energy is being generated in combination with heat generation (Cogeneration, "red", "yellow" and "violet" certificates) or, if certificates of origin are not presented for redemption in the required quantity, the payment of substitute charges. The number of certificates of origin that we must obtain and redeem is provided for by law and is calculated as a percentage share of electricity sold to end users. That share will increase in subsequent years. The sources of renewable energy or energy generated in cogeneration which we possess enable us to some extent to carry out our obligations regarding the redemption of certificates of origin to a small extent. As a consequence the Company therefore obtains certificates of origin also from third parties or pays compensatory charges the amount of which are for each year announced by the President of ERO.

The deadline for performance of the obligation to redeem the certificates of origin or incurring a compensatory payment for a given year is 31 March of the subsequent year.

For 2011 ENEA S.A. fulfilled its statutory obligation within "green" and "red" certificates in full through the purchase and redemption of energy certificates of origin. As for "yellow" certificates the obligation was performed on the level of 81 per cent through the purchase and redemption of certificates of origin and 19 per cent through compensatory payments, however for "violet" certificates the obligation was performed in full through making the compensatory payment.

During 2011 and 2012 the levels of obligations and amounts of compensatory payments was as follows:

Obligation	2011	2012
"green" RES	10.40%	10.40%
"red" PMEC	22.20%	23.20%
"yellow" PMGM	3.30%	3.50%
"violet" PMMET	0.40%	0.60%
Compensatory payment	2011	2012
"green" RES	PLN 274.92	PLN 286.74
"red" PMEC	PLN 29.58	PLN 29.30

"yellow" PMGM	PLN 127.15	PLN 128.80
"violet" PMMET	PLN 59.16	PLN 60.00

3.6. Limits of CO₂ emission allowances and their market prices

CO₂ emission allowances are allocated on the basis of the Community-wide Emissions Trading Scheme. For the second settlement period of trading in CO₂ emission rights (2008-2012), the ENEA Wytwarzanie was granted rights to emit 9.6 mln tonnes of CO₂ per year, a decrease of 8.6 per cent relative to the average annual allocation in the period 2005-2007. In view of the current scale and efficiency of the production capacity of the ENEA Wytwarzanie, that quantity of CO₂ emission rights corresponds to the production of approximately 10.9 TWh gross of electricity per year, i.e. 9.2 per cent less than the quantity of electricity that the ENEA Wytwarzanie generated in 2011. Starting from 2013, it is expected that gratuitous allocations of CO₂ emission rights for the power sector will be completely ceased and replaced with a system of bidding for emission rights. There is a chance, however, that the energy sector will receive some entitlements under free distributions (70 per cent in 2013, decreasing by 10 per cent each year to 2020, when all entitlements will have to be acquired in an auction). It should be emphasised that, in order to obtain free entitlements in 2013-2020, a series of very complex requirements will have to be met, including the development by the Polish government and the European Commission of a credible, reliable investment program in connection with climate protection, in an amount corresponding to the price of possible free entitlements. Within the due term, i.e. till 30 September 2011 Poland prepared and filed with the European Commission an application for allocation of free allowances for CO₂ emissions in 2013-2019 for modernisation of electricity generation. The application includes the allocation of free allowances for existing units of the ENEA Wytwarzanie and a newly designed unit No. 11 with the power of around 1,000 MW. Among other companies of the ENEA Group the list also contains the Białystok Heat and Power Plant.

The European Commission on 13 July 2012 issued a decision (C(212)4609 final) approving the Polish motion for allocation of free allowances for emission within the EU emission trading scheme (ETS) for the Polish power sector after 2012. Thus, the European Commission accepted the allocation of free allowances for CO₂ emissions for the III settlement period in the amount reported by Poland. Compliant with the decision of the European Commission the construction of the unit No. 11 in the ENEA Wytwarzanie does not qualify for settlement of the value of allocated free allowances. The outlays qualified for KPI (National Investment Plan) within ENEA were limited to the other tasks reported by: the ENEA Wytwarzanie (modernisation of the high-efficiency parts of 200 MW units, modernisation of the vacuum system), ENEA Operator (modernisation and restoring of power lines, transformers and substations) and EC Białystok (construction of the heat accumulator, conversion of the biomass boiler). The allocation of free allowances for ENEA will result from the realisation of the aforementioned qualified investments. The volume of the allowances allocation will be determined in a relevant act of law.

3.7. Long-Term Power Purchase Agreements (LTPPA)

On 20 April 2012 the Regional Court in Warsaw, Court for Competition and Consumer Protection made a judgement in the case for 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 S.A. 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. On 2 July 2012 the President of ERO filed an appeal by the Regional Court in Warsaw against the judgement of the Court for Competition and Consumer Protection.

On 27 June 2012 the District Court in Warsaw, Court for Competition and Consumer Protection announced a judgement concerning the annual adjustment of stranded costs for 2009 (the hearing took place on 13 June 2012). 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 ENEA Wytwarzanie S.A. 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 valid and may be appealed.

On 31 July 2012 the President of ERO issued a decision determining the amount of the annual adjustment of stranded costs for 2011 in the amount of PLN -37,397,000. In the light of the above judgements of the first instance court, Court for Competition and Consumer Protection, concerning the annual adjustments of compensation of stranded costs for 2008 and 2009, the Group has not created, as at 30 June 2012, any provisions for possible liability resulting from the decision of the President of ERO of 31 July 2012 and on 20 August 2012 filed an appeal against this decisions to the Court for Competition and Consumer Protection, Regional Court in Warsaw.

For 2012 ENEA Wytwarzanie did not applied for any payment of advances for compensation of stranded costs and till 30 June 2012, in relation to lack of any final court settlements of appeals filed and a resultant limited possibility to determine the probability of their obtaining, it did not recognise any revenues for compensations.

As at the date of preparation of this financial statement it is not possible to unequivocally determine the final amounts of annual adjustments for 2008, 2009, 2010 and 2011. The full amount of the granted allowable public aid by title of compensations of stranded costs will be fixed in the decision of the President of ERO determining the amount of the final adjustment which will be issued in 2015. Having the above in mind it should be reserved that the revenues recognised so far by title of LTPPA based on annual adjustments determined by the President of ERO may change as a result of the aforementioned decision of the President of ERO determining the amount of the final adjustment and final valid court's judgements.

3.8. The regulatory value of assets

In connection with the work of the Team appointed by the Polish Electricity Transmission and Distribution Association, with the participation of representatives of the President of the ERO, unified principles for accounting the value of network assets for the purpose of calculating distribution tariffs were developed. Those principles, set out in the document "Method of Establishing the Regulatory Value of Assets and the Return on Invested Capital" of 19 November 2008, were approved by the Management Boards of the Distribution Companies acting as distribution system operators, by appropriate resolutions. The President of ERO submitted the aforementioned elaboration and an official document specifying the new rules for determining the return on capital for calculation of the regulated revenues including the letter of 23 December 2008. RAB (regulatory asset base) is a value of assets engaged in the distribution activity, remuneration of capital is to ensure funds for instruments and may be devoted for a dividend for owners. The method of establishing RAB and return on capital for calculation of the tariff for electricity distribution, in force as of the tariff year 2010, foresees that the initial RAB providing the basis for further calculations will be estimated on the basis of the lost revenue method, i.e. on the basis of a determination of the value of the loss that the Distribution System Operator would incur if it were deprived of its network assets. The initial value of RAB was determined as at 31 December 2008, and was taken as the lower of two values determined for each company by an independent entity on the basis of the replacement cost method (RC) and the economic value method (EV).

As a result of works of the aforementioned Team updating the elaboration "Method of determination of the regulatory asset base and return on engaged capital" and approvals of updating by the Boards of operating distribution systems, with the letter of 8 July 2011, sign DTA-4201-1(1)/2011/KG the President of ERO sent the approved Annex No. 1 to the aforementioned document "Method of determination of the Regulatory Asset Base and return on engaged capital". According to the instructions included in the said documents the determined preliminary value of RAB is annually, starting from 2010, updated according to the following formula:

$$RAB_t = RAB_{t-1} + I_{t-1} - CC_{t-1} - AY_{t-1} - AR_{t-1} - \Delta I_{t-2}$$

where:

- t - the year for which a given tariff is to apply,
- RAB_t - value of the regulatory asset base for year t (according to the state at the beginning of a given tariff year),
- RAB_{t-1} - value of the regulatory asset base accepted in determining the tariff for year t-1, where the RAB for 2009 is an initial amount determined by the lost revenue method (LR),
- I_{t-1} - amount of investment outlays accepted in determining the tariff for year t-1,
- CC_{t-1} - amount of revenue from charges for connection to the distribution system operator's network accepted in determining the tariff for year t-1,
- AY_{t-1} - non-returnable aid funds and other sources of financing to be paid to the network company to finance network assets in year t-1
- AR_{t-1} - level of amortisation from year t-1 used in updating the RAB,
- ΔI_{t-2} - corrective coefficient determined as the difference between the actual level of investment outlays, connection charges and non-returnable aid funds and other sources of financing calculated according to the following formula:

$$\Delta I_{t-2} = -(I_{Wt-2} - I_{t-2}) + (CC_{Wt-2} - CC_{t-2}) + (AY_{Wt-2} - AY_{t-2})$$

where:

- I_{Wt-2} - actual value of investment outlays for network assets in tariff year t-2,
- CC_{Wt-1} - actual amount of connection charges in tariff year t-2,
- AY_{Wt-2} - non-returnable aid funds and other sources of financing in year t-2. For 2009 the value of AY_{Wt-2} should be equal to 0.

In order to avoid errors arising from differences between the book value of assets and the RAB values for tariff purposes, the amount of amortization in updating RAB is determined according to the formula:

$$AR_{t-1} = \frac{RAB_{t-1}}{BV_{t-1}} \cdot (BA_{t-1} + L_{t-2})$$

where:

- BV_{t-1} - book value of net network assets at the beginning of tariff year t-1 resulting from the company's books of account,
- RAB_{t-1} - regulatory asset base accepted in determining the tariff for year t-1,
- L_{t-2} - book value of net liquidated network assets included by the network company in other

operating expenses in year t-2

BA_{t-1} - amount of book amortisation of the network assets planned for year t-1 calculated as follows:

$$AK_{t-1} = AK(BO)_{t-1} + \frac{I_{t-1}}{2} rA_{t-1}.$$

where:

$BA(BO)_{t-1}$ - amount of book amortisation of the network assets planned for year t-1 as at the beginning of year t-1

I_{t-1} - value of investment outlays considered by the President of the ORE in the calculation of the tariff for year t-1

rA_{t-1} - average rate of amortisation for new investment outlays considered by the President of the ORE in calculating the tariffs of network companies for year t-1

The return on capital for subsequent tariff years, starting from 2010, is determined using the following formula:

$$R_t = \min \left\{ \begin{array}{l} RAB_t \cdot WACC_t \\ R(BO)_t + R(I)_t \end{array} \right\}$$

where:

R_t - return on invested capital considered in the tariff for year t,

RAB_t - regulatory asset base as at the beginning of year t,

$WACC_t$ - weighted average cost of capital for year t,

$R(BO)_t$ - return on invested capital resulting from the compensation of assets existing as at 31 December 2008 and taking its complete return path into account,

$R(I)_t$ - return on invested capital resulting from compensation of new investments implemented after 31 December 2008.

Whereas $R(BO)_t$ and $R(I)_t$ Whereas $R(BO)_t$ and $R(I)_t$ can be expressed by the formulae:

$$R(BO)_t = R(BO)_{t-1} + 1.5\% \cdot RR(BO)_{t-1}$$

$$R(I)_t = \left(\sum_{j=2009}^{t-1} I_j - \sum_{j=2009}^{t-1} CC_j - \sum_{j=2009}^{t-1} AF_j - \sum_{j=2009}^{t-1} AI_j - \sum_{j=2009}^{t-2} \Delta I_j \right) \cdot WACC_t$$

where:

$RR(BO)_t$ - regulatory revenue for year t-1 corrected by return and amortisation from investments implemented after 31 December 2008,

I_j - amount of investment outlays considered by the President of the ORE in calculating the tariff for year j,

CC_j - revenue from charges for connection to the network considered by the President of the ORE in calculating the tariff for year j,

AY_j - non-returnable aid funds and other sources of financing to be paid to the network company to finance network assets in year j. For 2009-2010 AY and AY_{wt} should be equal to 0.

AI_j - level of amortisation of investments implemented after 31 December 2008,

ΔI_j - corrective coefficient determined as the difference between the actual level of investment outlays incurred in year j as well as revenue from connection charges in year j_2 and the level accepted in calculating the tariff for year j .

Where revenue $RR(BO)$ for 2009 is determined using the following formula:

$$RR(BO)_{2009} = RR_{2009} - AI_{2009}$$

whereas for the following years:

$$RR(BO)_{t-1} = RR_{t-1} - R(I)_{t-1} - AI_{t-1}$$

where:

RR_{t-1} - regulatory revenue for year $t-1$ resulting from the first tariff application approved for a given tariff year.

The level of amortisation accepted for the above calculations is determined according to the formula:

$$AI_{2009} = \frac{I_{2009}}{2} \cdot rA_{2009}$$

$$AI_t = AI_{t-1} + \frac{I_{t-1} + I_t}{2} \cdot rA_t$$

where:

rA_t - average rate of amortisation for new investment outlays considered by the President of the ORE in calculating the tariffs of network companies for year t .

After the complete return on invested capital has been attained, the above formula will become:

$$R_t = RAB_t \cdot WACC_t$$

3.9. Risks relating to the process of generation

There are numerous risks associated with producing and distributing electricity, which could lead to us being held liable or fined.

Both the production and distribution of electricity are dangerous activities, particularly with regard to such tasks as transporting and unloading fuels, operating heavy equipment, and delivering electricity to transmission and distribution systems. Dangers such as fire, explosions and grid malfunctions are an intrinsic part of our operations and they can occur, in particular, due to internal procedures not being complied with, technological defects, human error or external events. The occurrence of any of the above events could cause injury or death, damage or destruction of property, plants or equipment, pollution or damage to the environment, and interruptions in our operations, which could lead to us bearing significant liability or being fined.

3.10. Risks relating to the distribution of electricity

Events of force majeure or other malfunctions of electricity infrastructure that belongs to us or other power companies or of production assets could lead to us failing to comply with electricity supply conditions, being held liable, or receiving administrative penalties. Maintaining the power system and our distribution infrastructure in proper working order is of key significance for our business activities. The law also imposes certain obligations on us to maintain and repair key elements of our power infrastructure. A malfunction of the electricity system (including transmission or distribution grids and production assets belonging to third parties)

or our electricity infrastructure could prevent or reduce the purchase or sale of electricity or system services and the provision of electricity distribution services. The risk of a malfunction is increased by the fact that nearly 51 per cent of our energetic lines and approx. 45 per cent of power stations are more than 30 years old. In the event of a malfunction in the distribution infrastructure due to its current technical condition, problems related to it or events of force majeure, because ENEA Operator is obliged under the provisions of the Energy Law to maintain and repair the distribution grid it may become necessary to incur substantial unforeseen costs.

3.11. Electricity market liberalisation

In connection with electricity market liberalisation and increasing competition in this area, ENEA S.A. is exposed to the risk of losing customers in the sale of electricity. As of 1 July 2007, all electricity customers are entitled to choose an electricity seller. The risk therefore exists that other energy companies will offer our customers more favourable terms and will in effect take them over, which could lead to a decline in our revenue. However, even if our present customers choose another electricity seller, our Group will continue to obtain revenue from energy distribution to customers connected to our distribution network.

2011 on the energy market showed that the conscience of a possibility to change the sellers is getting higher not only for business clients but also households. The activities of the President of ERO aiming at activation of energy recipients bring more and more effects. For full market liberalisation what is lacking is only deregulation of prices of electricity for households. According to the figures of ERO 14,000 commercial clients and 13,000 households changed the seller in 2011. During the previous year the number of all the active recipients of electricity increased from almost 9,000 to over 36,000. It is the first time the number of recipients in households who decided to change their present seller of energy is so great and becomes near to the number of institutional clients (tariff groups A, B and C) who at the same time made similar changes. Comparing the dynamics of changes from the end of 2011 with the latest data of ERO as at the end of June 2012, consumers who exercised their right to change the seller among commercial clients amounted to 22,805 (as at the end of 2011 it was 21,716), however the recipients in households amounted to 25,393 (as at the end of 2011 it was 14,341). It means that so far over 84,000 clients have changed the energy supplier.

At the same time, ENEA S.A. is an active participant on the competitive market, engaging in activities aimed at selling energy to customers connected to the grids of operators other than ENEA Operator. In H1 2012, we sold about 1.5 TWh to such customers.

3.12. Risks associated with connecting renewable energy sources (RES)

According to the Energy Law, ENEA Operator, as an energy business involved in the distribution of electricity, is obliged to conclude grid connection agreements with entities seeking such connection, if the technical and economic connection conditions are met, and the entity seeking connection meets the conditions for connection and receipt of power. If ENEA Operator refuses to conclude such a connection agreement, it is obliged to notify the President of the ERO and the entity seeking connection, specifying the reasons for such refusal. At present, ENEA Operator is party to several dozens of proceedings brought by the President of the ERO concerning connections to its own distribution network.

3.13. Dominant position on the local market

We have a dominant position with regard to providing distribution services on the local market covering northwest Poland. The actions we take are therefore subject to inspection by Polish and European anti-monopoly institutions (including the President of the OCCP and the European Commission). If those authorities find that we are applying monopolistic practices, they will issue a decision ordering us to refrain

from applying them and possibly fine us. Furthermore, any legal acts that are a manifestation of an abuse of a dominant position will be invalid, either entirely or partially, as appropriate. In the future, any decisions that might be issued by the President of the OCCP or the European Commission could have an adverse effect on our business activities, financial standing, financial results or development prospects.

3.14. Licences

The expiry or withdrawal of our licences could restrict our basic activities or make it impossible for us to carry them out.

Our activities in the generation, distribution and trade of electricity require licences granted by the President of the ERO. In accordance with the Energy Law, licences are in principle granted for a period from 10 to 50 years. Within our Group, we hold, specifically, the following licences: (I) ENEA holds a licence for electricity trading which is valid until the end of 2025; (II) ENEA Operator holds a concession for electricity distribution which is valid until mid-2017; (III) ENEA Wytwarzanie holds a licence for electricity generation which is valid until the end of 2025, and a licence for electricity trading which is valid until the end of 2012; and (IV) Elektrownie Wodne holds a licence for electricity generation which is valid until 31 December 2030.

The Energy Law grants the President of the ERO powers to withdraw a licence, particularly if a legally valid judgement is issued banning a company from performing economic activity covered by a concession, or if a company has permanently ceased to perform licensed economic activity. The President of the ERO also has the right to withdraw a licence or change its terms in the event of a blatant breach of the terms specified in a licence, or other terms of performing a licensed activity, and also if a licensed company does not, in the appointed time, bring about a state compliant with the terms specified in the license or with the provisions regulating the licensed activity. The President of the ERO also has the right to withdraw a licence or change its scope on account of a danger to the country's defences and security or to the safety of its citizens, and also in the event of the bankruptcy of the company, its division, or merger with another company.

Neither is there any certainty that, after the period for which the licences were granted, we will be able to gain an extension of the period for which they are valid, or any certainty regarding the terms on which the licences will be extended.

Failure to extend our licences, or their withdrawal, will restrict and in extreme cases make it impossible for us to carry out our activities, which could have a significant adverse effect on our operations, financial standing, financial results or development prospects.

3.15. Customer service

As a consequence of the realisation of the Corporate Strategy of the ENEA Capital Group numerous projects and initiatives were performed aiming at the realisation of one of the strategic goals of the core business of the Company which is increasing profit on sales of electricity.

One of these actions was the SEGMENTATION project commenced in 2010 within Programme ENEA 2010+, whose objective was to increase the competitiveness of ENEA S.A. on the electricity market through enhancement of the efficiency (within organisation and costs) and effectiveness of realisation of processes connected with the service of the present and gaining new clients. The result of the works over the project was e.g. development of the set of functional requirements for the billing and CRM systems and development of a new organisational structure of the Trade Department of ENEA S.A. corresponding to the implemented segmentation of ENEA S.A.'s clients. The analytic stage of this project was completed in Q2 2011. Further works

at the implementation stage were continued within new projects, including within the project of Customer Service.

Within the realisation of the works of this project the concept was prepared for separation of the customer service from ENEA S.A. On 1 August 2011 the Customer Service Division of the Trade Department of ENEA S.A. was moved to the EP BUT S.A., presently acting under the name of ENEA Centrum S.A. The activity within customer service realised by ENEA Centrum S.A. consists in standardisation of service processes for clients of ENEA S.A. with a concurrent maintaining of high quality of the current service. In the progress of works a review was performed of service procedures used by all the field offices of the Company which were also harmonised. The process of debt recovery was also entrusted to ENEA Centrum S.A. The service and settlements of customers of ENEA S.A. living or registered beyond the areas serviced by own distribution system operators were transferred (the so called TPA clients). The Call Centre was separated (besides info line dedicated to report failures, the so called "Energy Emergency"). Presently conducted works within ENEA Centrum S.A. aim at further standardisation of service activities (e.g. introduction of visualisation standards, establishment of joining points of ENEA S.A. and ENEA Operator Sp. z o.o.), optimisation of the process of debt recovery and expansion of the Call Centre's activity, in order to cover the whole area of the distribution system operator with its reach. Concurrently works are conducted in other fields of customer services in order to work out an optimised formula of the service managed by one responsibility centre.

3.16. Implementation of the strategy

We will make efforts to implement our policy with respect to development directions but we might not be able to implement our development strategy and planned investment outlays because of factors which remain beyond our control.

Our development strategy foresees the implementation of specific targets, and covers in particular the development of the Group's core operations, improving the Group's effectiveness, and building a socially responsible business.

The implementation of our strategy is affected by several factors, most of which are independent of us, particularly decisions of our majority Shareholder the State Treasury, measures taken by our competitors, and changes in the applicable law. A key aspect of the implementation of our strategy is the need to ensure appropriate financing on terms that are favourable for us.

On 21 June 2012 between ENEA and five banks acting as Guarantors for the issue, 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 with the capacity of up to 1,000 MWe in Świerże Górne (ENEA Wytwarzanie S.A.). The Bond Issue Programme was established for the period of 10 years and terminates on 15 June 2022, however the bonds may be issued till 31 December 2017. The agreement anticipates the possibility of performing the bond issue in numerous series and issue dates will be dependent on the ENEA Capital Group's investment needs.

Despite the concluded agreement relating to the Bond Issue Programme mentioned above, we are not certain if the funding within the other investment needs is available to us. As a result, we could be forced to postpone the achievement of certain strategic goals, as well as to reduce or forgo planned investment outlays, which could have a material effect on our operations, financial standing, financial results or development prospects.

Our ability to obtain financing and the cost of capital depend on many factors, and in particular on: (I) general market conditions and the situation on capital markets; (II) the availability of bank loans; (III) investors' confidence; (IV) the Company's financial situation; and (V) tax regulations.

We conduct our activities in an environment which is subject to a special legal framework. The situation of the Group is particularly affected by the provisions of the Energy Law and European Union regulations, including those relating to environmental protection. These legal regulations are subject to frequent changes (which ENEA S.A. is not in a position to forecast) and there is a tendency to gradually increase the requirements relating to use of the environment, in particular in relation to entities in the power sector. These growing requirements may in the future create a need for us to incur additional investment outlays. Also, the legal provisions impose an obligation on us to obtain and present certificates of origin to the President of the ERO for redemption, confirming: (I) that electricity is being generated in renewable sources; and (II) that electrical energy is being generated in combination with heat generation (cogeneration) or, if certificates of origin are not obtained or presented for redemption in the required quantity, the payment of compensatory charges. Actions undertaken by the Company in its development strategy are also dependent on the level of permits for emissions of carbon dioxide and other gases and substances received for each specific settlement period.

Operations planned by the Company in regard to acquisitions and capital investments may not achieve the expected effect because of factors beyond ENEA's control such as competition from other power companies and market conditions. Furthermore, the results generated by the companies in which we invest may turn out to be worse than our initial estimates, which may cause a reduction in the rate of return on these transactions compared with initial expectations. As a result of acquisitions or investments made, we will also have to take steps to reorganise the structure of the entities concerned, to integrate particular business areas, to centralise the management of assets and liabilities and to integrate information technology systems. These processes may turn out to be time-consuming and costly and it is uncertain whether they will be performed in accordance with the desired schedule or in the planned manner. They may also lead to lasting differences in the procedures employed in the Group. The above actions are dependent also on the behaviour of the trade unions involved in the acquisitions or capital investments made.

ENEA's activity in modernising generating capacity and in making new investments in generating assets is dependent on weather conditions, the pace of construction, repair and modernisation works, increases in the planned costs of investments, market conditions and the need to obtain necessary permits.

Achieving strategic objectives in the field of development is also affected by the condition of the Polish economy and by the regional economic situation, and in particular by: growth or decline in the gross national product and industrial production, inflation, unemployment and in average wages and salaries, the size and demographic structure of the population, and also the development of the services sector and industry.

3.17. Synergy results

The planned acquisitions and capital investments may not produce the expected results. We plan to make other equity investments in several companies operating in the electrical power sector. There is no guarantee, for example due to factors that are beyond our control, including competition from other energy companies, that our plans will be fulfilled. 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. Furthermore, as a result of acquisitions and investments that we carry out, we will be forced to take steps to reorganise the organisational structures of those entities, integrate individual business areas, centralise the

management of assets and liabilities and integrate IT systems. Those processes may turn out to be time-consuming and costly, and there is no guarantee that they will be implemented in accordance with the planned timetable or in the planned manner, or that they will be implemented at all. Integration processes within individual companies could also lead to permanent differences in the procedures applied in the Group or to the loss of existing customers or business partners. If it is not possible to effectively carry out the integration of the entities that we take over due to the events described above, or for any other reason, it could have an adverse effect on our operations, financial standing, financial results or development prospects.

3.18. Modernisation of generating assets

We may not be able to carry out the needed modernisation of our generation and distribution assets, or to complete our investments, due to events beyond our control, including third-party actions.

Our activities involving the production and distribution of electricity require ongoing and regular refurbishments and modernisations, as well as new investments in production and distribution assets. Such projects are burdened with significant risk factors. These risk factors in particular relate to inclement weather, delays in the completion of construction, repair and modernisation works, increases of planned investment costs, the insolvency of contractors or sub-contractors, contractors' or sub-contractors' employee disputes, shortages of construction materials or equipment, accidents, unforeseen technical difficulties or the impossibility of obtaining required permits. If any of those risks occurs, it could lead to delays in implementing plans to modernise our distribution or production assets or prevent them from being implemented, which could have an adverse effect on our financial results and development prospects.

3.19. Events of force majeure and malfunctions

Events of force majeure or other malfunctions of electricity infrastructure that belongs to us or other power companies or of production assets could lead to us failing to comply with electricity supply conditions, being held liable, or receiving administrative penalties.

Maintaining the power system and our distribution infrastructure in proper working order is of a key significance for our business operations. The law also imposes certain obligations on us to maintain and repair key elements of our power infrastructure. A malfunction of the electricity system (including transmission or distribution grids and production assets belonging to third parties) or our electricity infrastructure could prevent or reduce the purchase or sale of electricity or system services and the provision of electricity distribution services. The risk of a malfunction is increased by the fact that nearly 51 per cent of our energetic lines and approx. 45 per cent of power stations are more than 30 years old. In the event of a malfunction in the distribution infrastructure due to its current technical condition, problems related to it or events of force majeure, because ENEA Operator is obliged under the provisions of the Energy Law to maintain and repair the distribution grid it may become necessary to incur substantial unforeseen costs.

It is of key significance for our production activities to ensure continuous supplies of electricity and regulatory system services (RSS), in accordance with the terms and conditions of agreements we have concluded and market demand. This means that we need to ensure that the tendency of production equipment to malfunction is kept at a low level. Because malfunctions are likely to occur in production equipment, particularly those which are partially worn out, there is a risk that we will fail to comply with power supply conditions, which could result in substantial repair costs, contractual penalties and costs of emergency purchases on the balancing market.

Malfunctions of our distribution infrastructure or production assets could give rise to liability with respect to third parties, which could result in an obligation to pay substantial damages. Additionally, a breakdown in our

distribution or generating infrastructure may be grounds for imposition on us by the President of the ERO of a penalty of up to 15 per cent of our revenues from licensed activities.

3.20. Environmental protection

Existing and changing conditions in the area of environmental protection may require us to incur additional investment expenditures and may also lead to our incurring liabilities, to penalties being imposed on us or to suspension of the operation of certain facilities.

Our operations have a significant effect on the natural environment and require possession of a series of permits to make use of the environment. In particular, in order for the Koźienice Power Plant to conduct its business, it must hold an integrated permit, which we obtained under the Decision of the Voivode of the Mazowieckie Province of 20 December 2005. The issued permit, along with amending decisions, is valid till 20 December 2015. Failure to comply with the provisions of permits, or rescission of those permits, can lead to our incurring liabilities, to penalties being imposed on us, or to suspension of the operation of certain facilities.

Legal conditions, including conditions set by the European Union concerning environmental protection, are subject to frequent changes, and there is a tendency to gradually increase requirements in the field of use of the environment, in particular in relation to entities in the power sector. These growing requirements may in the future create a need for us to incur additional investment outlays. Failure to comply with new legal provisions in the area of environmental protection may lead to significant financial penalties being imposed on us. The appearance of any of the above circumstances may significantly increase our costs and limit our ability to pursue our business.

3.21. Insuring our operations

Insurance policies concluded for our benefit may not cover losses borne as a result of our operations. There are many risks associated with our operations. For example, malfunctions in the electricity system could prevent us from selling electricity or make it necessary to incur unforeseen costs in order to repair the distribution infrastructure. Our key assets, particularly production assets, power lines or transformer units, could be destroyed due to an event of force majeure or other events, including fires, other natural disasters or a terrorist attack. Our Group's activities could also result in claims being asserted relating to damage caused to third parties. The scope of the insurance policies we hold corresponds to the scope of the insurance policies held by other power companies in Poland, though it may differ from the scope of insurance policies held by foreign entities. There is no guarantee that the insurance policies concluded on our behalf will be sufficient to cover all the losses incurred by us or by third parties in connection with our operations. The occurrence of any of the above circumstances or similar circumstances could therefore lead to us being unable to resume the full scope of our activities within a reasonable time or at all, which could have an adverse effect on our operations, financial standing, financial results or development prospects.

3.22. Management personnel

The Company's future success depends on its ability to recruit and retain highly qualified management personnel possessing a widely understood experience in managing the enterprise and within planning and realisation of strategy, within relevant competence areas according to the set objectives.

Company's working towards maintaining the position of a leader on the power services market and active gaining of new clients, both individual and business, and also more and higher dynamics and comprehensiveness of changes that occur in the power business are connected with serious challenges for the

management personnel. Willing to face an efficient managing of the enterprise the Company, through various trainings, regularly develops and improves the competences of the managerial personnel, which in turn is a great motivation for the employees causing that they are more committed to the duties they perform.

3.23. Collective disputes and agreements

Collective disputes with employees may cause disruptions to our business.

Approximately 70 per cent of our employees belong to trade unions. The position of trades unions in the power sector is particularly strong because of the volume of employment in the sector and its strategic influence on the functioning of the economy. Furthermore, the expectations of the trades unions are based on the conditions won by the employees of other power companies or power generators in agreements concluded in relation to the earlier privatisation of these companies. Although we are endeavouring to maintain good relations with our employees and to resolve on an ongoing basis all problems that arise, we cannot exclude the possibility of collective disputes taking place in the future. Collective disputes with employees may lead to disruption of our ongoing activities, and in particular to stoppages, and may also cause an increase in labour costs, which may have a negative effect on our business, financial situation, financial results or development prospects.

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

3.24. Court and administrative proceedings

Neither ENEA S.A. nor any of its subsidiaries is a party in any proceedings being conducted before a court, an authority competent to conduct arbitration proceedings or a public administration authority relating to liabilities or claims of ENEA S.A. or its subsidiaries whose value amounts to at least 10 per cent of ENEA S.A.'s equity capital.

Furthermore, neither ENEA S.A. nor any of its subsidiaries is a party in two or more proceedings being conducted before a court, an authority competent to conduct arbitration proceedings or a public administration authority relating to liabilities or claims whose total value amounts to at least 10 per cent of ENEA S.A.'s equity capital.

However, we are now and may be in the future a party to court and administrative proceedings. In the event of administrative proceedings being taken against us by the President of the ERO or the President of the OCCP, if our actions are judged to be in conflict with the law, a penalty may be imposed to us amounting to up to 15 per cent of revenue from activity conducted under licence and in the event of our activities being judged to breach the conditions of a licence there is a risk that the licence may be withdrawn. A similar risk applies to those of our subsidiary companies that hold licences.

Entities from the ENEA Capital Group are parties to the following proceedings:

1. Litigation

ENEA S.A.

- On 27 November 2008, the President of the ERO ruled in the matter of ENEA's failure to meet its obligation of purchasing electricity generated in cogeneration in 2006, and imposed a fine on

the Company, in the amount of PLN 7,594,613.28. Then, during 2008-2011 the both parties of the proceedings - depending on which of them was unsatisfied from the result on a given stage of the proceedings, using relevant means of appeal questioned subsequent decisions of courts in this case. The last decision in the case was a judgement of 30 May 2012 of the Court of Appeal in Warsaw in which the Court recognised the appeal of ENEA S.A. against the decision of the Regional Court, Court of Competition and Consumer Protection of 27 September 2011, revoked the challenged decision and transferred the case for reconsideration, leaving the Court of First Instance the recognition concerning the costs of the administrative procedure.

- Therefore the decision of the President of ERO on imposing on ENEA S.A. a cash penalty for failure to perform in 2006 the obligation mentioned in Art. 9a item 8 of the Energy Law, is still invalid and is not subject to enforcement. Revoking, amendment or upholding of the decision belongs to the Regional Court in Warsaw - Court of Competition and Consumer Protection which will recognise the case for the third time.
- On 28 December 2009, the President of the ERO ruled in the matter of ENEA's failure to meet its obligation of purchasing electricity generated in cogeneration in H1 2007, and imposed a fine on the Company, in the amount of PLN 2,150,000.00. On 19 January 2010, ENEA lodged an appeal against the above decision of the President of the ERO with the Court of Competition and Consumer Protection. With a judgement of 6 March 2012 the Regional Court in Warsaw, the Court of Competition and Consumer Protection, revoked the decision of the President of ERO of 28 December 2009 imposing on ENEA S.A. a financial penalty for infringing upon the obligation to purchase energy from cogeneration in H1 2007. The judgment is not final. The President of ERO appealed against this decision to the Court of Competition and Consumer Protection on 16 April 2012. The Court of Appeal in Warsaw has not examined the appeal till today.

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

- ENEA Wytwarzanie S.A. is also party in the case filed by Gospodarstwo Ogrodnicze w Ryczywole Kamila Lewek Wiśniewska Jacek Pospiszyl spółka cywilna for damages in the amount of PLN 5,082,384.00 as compensation for any losses caused by traffic generated by a plant belonging to ENEA Wytwarzanie S.A. On 17 May 2012 a hearing was held in the Regional Court in Lublin during which court experts were heard. The Court has adjourned the case determining no date.
- On 30 September 2011 a motion was filed against UNISERV S.A. for payment of the amount of PLN 7,962,600 by title of calculated contractual penalties. During the proceedings, so far, all the witnesses of the petitioner have been heard and almost all the witnesses of the respondent and a third party respondent. During the subsequent trial the Court will hear the last witness of the petitioner. Next, the Court will call expert witnesses.

As at the date of publication of this report, it is not possible to unequivocally determine the outcome of proceedings in the foregoing matters.

- On 13 September 2010 Centrum Konsultingu Menadżerskiego Gordion Sp. z o.o. filed a motion dated 7 September 2010. Therefore the ENEA Wytwarzanie became a party to the proceedings initiated by Centrum Konsultingu Menadżerskiego Gordion Sp. z o.o. for infringement of personal interests. The amount claimed is PLN 5,017,801.00. On 30 March 2012 a consent decree was concluded before the Regional Court in Lublin between the ENEA Wytwarzanie and Centrum Konsultingu Menadżerskiego Gordion Sp. z o.o.

- On 14 January 2011 Polish Business Offers Sp. z o.o. filed a motion for request for an amicable settlement within claims resulting from Article 24 of the Civil Code. Infringement of personal interest is indicated. The amount claimed is PLN 2.370.000,00. On 28 February 2012 the Board of the ENEA Wytwarzanie concluded a private arrangement between the ENEA Wytwarzanie and Polish Business Offers Sp. z o.o.

ENEA Operator

ENEA Operator is a party to numerous proceedings connected with the activity pursued by it as an operator of the distribution system. The subject of these proceedings is mostly making claims by title of unpaid connection fees and other charged activities undertaken by the Company on request of the client and illegal collection of electricity. Moreover, ENEA Operator participates in court proceedings concerning non-contractual use of properties by third persons through which the infrastructure runs which is property of the Company.

2. Administrative proceedings

ENEA Wytwarzanie S.A. is a party to three proceedings before the Regional Court, Court of Competition and Consumer Protection.

On 5 August 2009, the ENEA Wytwarzanie received a decision by the President of the ERO of 31 July 2009 on the amount of the annual correction (for 2008) in compensation for stranded costs, in the amount of PLN 89,500,000 which it was obliged to return to Zarządca Rozliczeń S.A. by 30 September 2009. The ENEA Wytwarzanie questioned the obligation to return such an amount, appealing to the Regional Court in Warsaw, Court of Competition and Consumer Protection.

A detailed description of the proceedings connected with LTTDA may be found in point 3.7 above.

During the hearing on 20 April 2012 the Regional Court in Warsaw, Court for Competition and Consumer Protection, amended the decision of the President of ERO No. DPK -7112-21(11)/2009/AD of 31 July 2009 concerning the annual adjustment of stranded costs so that the amount of the annual adjustment of stranded costs for ENEA Wytwarzanie S.A. for 2008 was set in the amount of PLN (-)4,191,728 - instead of the original PLN (-)89,536,953. The total costs of the proceedings were charged to the President of ERO.

On 2 July 2012 the President of ERO filed an appeal against the judgement of the Regional Court in Warsaw, the Court for Competition and Consumer Protection, of 20 April 2012.

On 3 August 2010 the 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 +15,600,000. Since also this decision is disadvantageous for the ENEA Wytwarzanie on 17 August 2010 an appeal against this decision was filed with the Regional Court in Warsaw, the Court of Competition and Consumer Protection. In the financial statement for 2010 revenues in the amount of PLN 15,600,000 were included in the statement of total revenues under the sales revenues item. On 30 September 2010 the ENEA Wytwarzanie received the amount of the annual adjustment for 2009 in the amount of PLN 15,600,000 from Zarządca Rozliczeń S.A.

On 27 June 2012 the Regional Court in Warsaw - Court for Competition and Consumer Protection announced the judgement in the case No. XVII AmE 150/10 (LTTPA 2009), based on which it amended the challenged decision of the President of ERO No. DPK - 721-4(34)/2010/AD, of 29 July 2010 so that the amount of the annual adjustment of stranded costs for ENEA Wytwarzanie S.A. for 2009 was set as a positive amount PLN + 111,083,819 – instead of the original PLN + 15,579,713. The judgement is not valid and may be appealed.

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 2,500,000. Since also this decision is disadvantageous for the ENEA Wytwarzanie on 18 August 2011 an appeal against this decision was filed with the Regional Court in Warsaw, at the Court of Competition and Consumer Protection. On 30 September 2011 the ENEA Wytwarzanie received the amount of the annual adjustment for 2010 in the amount of PLN 2,500,000 from Zarządca Rozliczeń S.A. The date of hearings concerning the annual adjustment for 2010 has not been set yet.

On 11 February 2009, the ENEA Wytwarzanie submitted a motion to the Customs Office in Radom for the recognition and return of electricity excise duty overpayments for the months from January 2006 to December 2008, in the amount of PLN 694,600,000, together with corrections of the tax returns.

Moreover, on 24 November 2009, the Company submitted a motion with the Customs Office in Radom requesting the confirmation and return of electricity excise tax overpayments on electricity for subsequent months, i.e. January 2009 and February 2009, in the amount of PLN 34,600,000, of which PLN 247,000 was from excise duty on electricity from renewable resources.

Adjustments in excise duty, excluding excise on energy generated from renewable sources result from the incompatibility of Polish regulations from 1 January 2006 to 28 February 2009 concerning energy taxation with European Union regulations.

The Head of the Customs Office in Radom, having examined the Company's motion, issued a number of decisions denying the return of overpayment in excise duty for the months from January 2006 until December 2007 inclusive. At the same time the Head of the Customs Office in Radom issued decisions defining tax obligations in excise duty for the months from January 2006 until December 2007.

The Company has filed an appeal against the aforementioned decisions to the Director of the Customs Chamber in Warsaw who issued decisions keeping in force the decisions of the Head of the Customs Office in Radom refusing to grant refund of the overpayment in excise duty for the months covering January 2006 to December 2007 and defining tax obligations for the aforementioned months.

Proceedings regarding the overpayment for 2006 and 2007 – the Company has submitted appeals to the Provincial Administrative Court in Warsaw against decisions by the Director of the Customs Chamber upholding the decisions of the Head of the Customs Office in Radom declining to refund overpayments of excise duty for individual months in 2006 and 2007, respectively, and setting the tax liability for the period in question in the amounts resulting from preliminary declarations of the Company.

Proceedings concerning the overpayment for 2008 - the Head of the Customs Office in Radom issued decisions specifying the overpayment of excise tax from electricity but only that generated from renewable sources for particular months of 2008 in the total amount of PLN 2,600,000. However within the scope resulting from inconsistency of the Polish tax regulations with the Community regulations he issued the decisions denying returning the overpayment and redetermining the tax obligation in the values diminished by an excise tax from energy from renewable sources for the indicated period. The Company lodged appeals against the aforementioned decisions to the Director of the Customs Chamber in Warsaw who issued decisions upholding the decisions of the Head of the Customs Office in Radom declining the return of overpayment in the excise duty for the months of 2008 and defining tax liability for the aforementioned months in the amounts resulting from preliminary declarations of the Company diminished by the excise tax from green energy.

The Company lodged appeals to the Provincial Administrative Court in Warsaw against the decisions of the Director of the Customs Chamber in Warsaw upholding the decisions of the Head of the Customs Office in

Radom declining the return of overpayment in the excise duty for the months of 2008 and defining tax liability for the aforementioned period.

Proceedings concerning the overpayment for January and February 2009 - the Head of the Customs Office in Radom issued decisions specifying the overpayment of excise tax from electricity but only that generated from renewable sources for January 2009 and February 2009 in the total amount of PLN 247,000. However within the scope resulting from inconsistency of the Polish tax regulations with the Community regulations he issued the decisions denying returning the overpayment and redetermining the tax obligation in the values diminished by an excise tax from energy from renewable sources for the indicated period. The Company lodged appeals against the aforementioned decisions to the Director of the Customs Chamber in Warsaw who issued decisions upholding the decisions of the Head of the Customs Office in Radom declining the return of overpayment in the excise duty for January and February 2009 and defining tax liability for the aforementioned months in the amounts resulting from preliminary declarations of the Company diminished by an excise tax from energy from renewable sources for the indicated period.

The Company lodged appeals to the Provincial Administrative Court in Warsaw against the decisions of the Director of the Customs Chamber in Warsaw upholding the decisions of the Head of the Customs Office in Radom declining the return of overpayment in the excise duty for January 2009 and February 2009 and defining tax liability for the aforementioned period.

The Administrative Court in Warsaw, VIII Division in Radom passed sentences in which he took into account the appeals of the ENEA Wytwarzanie and revoked decisions of the Director of the Customs Chamber in Warsaw and preceding decisions of the Head of the Customs Office in Radom concerning defining tax liabilities in excise duty for the period of: January 2006 - February 2009. Against these sentences the Director of the Customs Chamber in Warsaw filed cessation appeals.

On 11 July 2012 the Supreme Administrative Court overruled 8 complaints of the Director of the Customs Chamber in Warsaw concerning determination of the level of tax obligation in the excise duty for particular settlement periods: August 2006, April 2007, May 2007, June 2007, October 2007, June 2008, August 2008, October 2008. The judgements of the Supreme Administrative Court terminate the court and administrative proceedings in these cases.

On 12 July 2012 the Supreme Administrative Court discontinued – as a result of annulling the complaints – 7 proceedings on cases initiated based on the complaints of the Director of the Customs Chamber in Warsaw concerning determination of the level of tax obligation in the excise duty for particular settlement periods: May 2008, July 2008, September 2008, November 2008, December 2008, January 2009, February 2009.

The termination of the aforementioned cases does not mean that ENEA Wytwarzanie S.A. received the return of the overpaid excised tax in the aforementioned periods. On matters concerning the overpayment in the excise tax separate court proceedings are in progress.

The Supreme Administrative Court postponed the date of the hearing on determination of the level of tax obligation in the excise duty for March 2008 because of an improper notification of the hearing date of the Attorney (legal counsel) of the Director of the Customs Chamber by the court. A new date will be determined by the Court ex officio.

The Administrative Court in Warsaw, Division VIII Circuit in Radom, pronounced judgements in which the appeals of the ENEA Wytwarzanie were granted and revoked the decisions of the Director of the Customs Chamber in Warsaw and its preceding decisions of the Head of the Customs Office in Radom in the cases

concerning denial to return of the overpayment of excise tax for the following months: January 2006 - February 2009. Cessation appeals have been filed against these judgements.

Following the initiated administrative proceedings, the ENEA Wytwarzanie on 22 July 2010 obtained two decisions issued by the Marshall of Mazowieckie Province in Warsaw on assessing charges for 2008 from the ENEA Wytwarzanie, equal to the difference between due charges and charges resulting from the list provided by ELKO under the European Pollutant Release and Transfer Register (EPTRR). The ENEA Wytwarzanie appealed against those decisions to the Local Government Appeal Committee in Warsaw. At the end of 2010 the ENEA Wytwarzanie was served the decision of the Local Government Appeal Committee in Warsaw upholding the disadvantageous decisions issued by the Province Board Chairman. The ENEA Wytwarzanie paid accrued charges in the amount of PLN 2,888,542 for H1 2008 and PLN 2,177,780 for H2 2008 (plus any due interest) and lodged an appropriate appeal to the Province Administrative Court in Warsaw. After filing on 16 June 2011 by the ENEA Wytwarzanie of cessation appeals to the Supreme Administrative Court challenging the both decisions of the Provincial Administrative Court issued in cases, the Supreme Administrative Court has not yet set the dates of the cessation hearings.

3.25. Real estate

ENEA Operator does not hold legal title to part of the real property that it makes use of and, in addition, the properties used by ENEA Operator may be the subject of reprivatization claims.

In connection with the general electrification and nationalisation carried out after World War II, and due to the absence of an appropriate legal framework relating to the use of real estate for the purposes of developing distribution grids, ENEA Operator uses many real properties on which its electricity distribution equipment is located without an appropriate legal title. This applies to approximately 29 per cent of all the real properties on which power infrastructure is located (except for power lines). As at 30 June 2012, the relevant figures are as follows:

- Network installations which we consider to be of key importance (high and medium voltage electrical distributors, transformer/switching stations) – ENEA Operator holds legal title to 94 per cent of the properties on which such installations are located.
- Enclosed medium and low voltage transformer stations – approximately 70 per cent of the almost 14,860 enclosed transformer stations are located on real properties for which ENEA Operator holds relevant legal title.
- Within non-network installations considered to be of key importance (management board, branch and regional office premises) - the Company holds legal title to 97 per cent of the properties on which such premises are located.
- Power lines – according to our estimates, ENEA Operator does not hold relevant legal title for the vast majority of real properties that is crossed by power lines.

The risk of regulating the legal status of properties used by the Company is associated with the fact that ENEA Operator does not for all facilities hold a legal title to use the land on which they are located. In the future, ENEA Operator may be obliged to pay further costs on account of non-contractual use of real properties, which will have an adverse effect on operations and financial performance. There is the risk of proceedings being initiated against the Company in order to prevent it from any further use of such properties, which might result in significant costs incurred by the Company.

A possibility of losing the assets is, however, very limited in that case. An unregulated legal status of properties under power facilities does not create the risk of loss of assets by the Distribution Network Operator (OSD), but only a threat of additional expenses associated with claimed compensation for the so-called non-contractual use of the land, lease charges or exceptionally, in occasional cases, demands to relocate facilities (restore the original condition of the land).

The total value of provisions against claims by title of non-contractual use being subject of the proceedings before the courts to which ENEA Operator was a party, as well as pre-court claims (potential claims) amounted to PLN 105,700,000 as at 30 June 2012.

The total value of provisions against claims before the courts to which ENEA S.A. was a party amounted to as at 30 June 2012 PLN 17,500,000, and against pre-court claims it amounted to PLN 23,500,000 as at 30 June 2012.

Provisions for liabilities are valued at their justified, reliably estimated value. We do not create provisions for potential claims of owners of real properties that we use where we do not know the status of the real property, particularly where we are unable to determine the type of claim that may be asserted against us, as this prevents us from estimating the maximum amount of the potential claim. The amount of damages that we are ordered to pay in relation to such claims could be significant for us due to the number of real properties in question. However, we are unable to estimate the maximum amount of such damages.

The possibility cannot be ruled out that in the future we will be obliged to pay further costs on account of non-contractual use of real properties, which will have an adverse effect on our operations and the financial results that we achieve. There is also no guarantee that proceedings will not be initiated against us to prevent us from continuing to use real estate to which we do not have an appropriate legal title or to change the manner in which we use such real estate, which could make it necessary for us to incur substantial costs.

3.26. Modernisation and development

The Group's development is performed in three strategic areas: (I) development of the core business of the Group; (II) enhancement of the Group's functioning efficiency; (III) building of a socially responsible business. Current maintenance and above all modernisation and expansion of the Power Station in Świerże Górne and of power lines require significant investment expenditures to be incurred regularly. We expect that our investment outlays during the coming years will be financed primarily from funds generated from operating activity and from debt.

On 21 June 2012 between ENEA and five banks acting as Guarantors for the issue, 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 with the capacity of up to 1,000 MWe in Świerże Górne (ENEA Wytwarzanie S.A.). The Bond Issue Programme was established for the period of 10 years and terminates on 15 June 2022, however the bonds may be issued till 31 December 2017. The agreement anticipates the possibility of performing the bond issue in numerous series and issue dates will be dependent on the ENEA Capital Group's investment needs.

Despite the agreement concluded on the bond issue programme mentioned above our ability to obtain funding and capital costs within the other investment needs depend on many factors of which many lay beyond our control, and in particular: (I) general market conditions and the situation on capital markets; (II) the availability of bank loans; (III) investors' confidence; (IV) our financial situation, results and development prospects; and (V) tax regulations and regulations on trading in securities. Failure to raise capital on favourable terms may have

a significant and negative influence on our modernisation and development capability and may thus reduce the efficiency of our activity.

The above sources of financing may be wholly unavailable or may not be available in the required amount, making it impossible to undertake all the investment expenditure planned by us. As a result, we cannot provide assurance that we will be able to generate sufficient cash flow or have access to sufficient alternative sources of finance to maintain or develop our present activity. The effect is that we may be obliged to delay or to give up planned investments, which may have a significant effect on our business, financial situation, financial results or development prospects.

In the future we may incur significant new debts, which may significantly and negatively affect our financial situation, our ability to secure additional finance and our ability to react to changes in our business.

In implementing our development strategy we may seek to obtain additional loans and credits or other debt instruments. As a consequence, we may need to devote a significant part of our monetary receipts from operating activity to servicing interest costs and repaying the capital of loans received by us, which in the absence of alternative sources of finance will reduce our ability to finance working capital, capital spending and other general corporate purposes. If we are unable to fulfil obligations to our creditors, a whole or part of our indebtedness may become immediately repayable and if we are unable to refinance such indebtedness this may have a negative effect on our business, financial situation, operating results or development prospects.

Our indebtedness may also increase our susceptibility to unfavourable macroeconomic or economic trends and may also affect negatively our competitiveness relative to other companies. This may also limit our operational flexibility and in particular our ability to secure additional financing, which may be required for our development or to let us react to changes in our business or in the sector.

3.27. Factors related to economic activity

The results of our activity, like our financial situation and development prospects, depend on many factors, which are influenced both by the condition of the Polish economy and by the regional economic situation. The above factors include growth or decline in gross national product, in industrial production, in inflation, in unemployment and in average wages and salaries, the size and demographic nature of the population and also the development of the service sector and industry. All and any future unfavourable changes in one or several of the above factors, and in particular worsening in the condition of the Polish economy, may have a negative effect on the results and the financial situation of our Group.

Furthermore, decisions of a political nature may have an effect on our activity since we operate in the power sector, which is considered to be of strategic importance. This relates principally to definition of the country's power policy and to structural and ownership decisions relating to power enterprises controlled by the State Treasury. These factors may have a significant and negative effect on revenues from the sale of electricity and the provision of distribution services, particularly in relation to individual consumers.

Our Group is exposed to the risk of changes in the legal and regulatory environment. In Poland, that environment, and especially the law as it concerns the power sector, is subject to change. As a consequence, legal regulations are not interpreted in a uniform manner by courts or institutions of public administration.

Additionally, there is no uniform law interpretation within functioning of the energy sector. 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 operations of our Group are also strongly influenced by changes in taxation law. The taxation system in Poland is subject to dynamic changes that result from the need to adapt its regulations to meet the requirements arising from European Union law. The nature and extent of such changes, together with difficulties of interpretation related to the application of tax law, hamper both day-to-day activity and proper tax planning. Tax authorities' practice and court decisions in this area are not uniform. The adoption by the tax authorities of interpretations of tax regulations that differ from our own may have a negative effect on our activity, financial results and financial situation or development prospects.

3.28. Growth strategy outline

The implementation of a Group strategy is one of the basic essential factors for developing the ENEA Capital Group.

Actively monitoring the situation on the energy market in Poland, the Management Board of ENEA S.A. prepared a document which considers the Polish energy market trends of key importance to the Group - "Corporate Strategy of the ENEA Capital Group for 2010-2015 looking forward to 2020". The trends identified in the strategy are mainly: (I) growing demand for energy together with limited generation capacity available on the market, (II) tighter EU policy on restricting CO₂ emissions, (III) increasing competition in all operational areas of the Group, (IV) the development of the wholesale electricity trading market, (V) a growing number of customers changing their electricity suppliers and (VI) opportunities for developing renewable energy sources.

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.

Our strategy is realised through:

Developing the core operations of the Group

In this area 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.

Enhancement of the effectiveness of the Group functioning

In this area we focus on:

- optimising fundamental processes,
- optimising support functions,
- ensuring the operational integration of the Group,

- reorganising the operations of the Group's subsidiaries.

Construction of a socially responsible business

In this area 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,
- power 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.

In implementing our strategy, we assume a base variant of about PLN 18.7 bln till 2020 for investments in conventional generation, distribution and renewable energy sources and cogeneration.

Our main goal for conventional generation is to construct a new up to 1,000 MWe bituminous coal-fired supercritical power unit in Świerże Górne. The unit commissioning is planned for Q2 2017. As a result of the conducted proceedings for the selection of the contractor of the construction of a new unit with the capacity of 1,000 MWe conducted according to the provisions of the Act of 29 January 2004 - Law on Public Procurement among two filed proposals the offer of the Hitachi Power Europe GmbH and Polimex-Mostostal S.A. was selected as the most advantageous one (the other proposal was filed by the China National Electric Engineering Co. Ltd. and China Overseas Engineering Group Co. Ltd.). Within the statutory deadline, i.e. till 8 June 2012 appeals were filed with the National Chamber of Appeal in Warsaw by each of the aforementioned entities. On 27 July 2012 the National Chamber of Appeal in Warsaw announced the judgement in which it overruled the appeals filed by the both bidders and therefore the conclusion of the agreement became possible with the contractor the offer of whom was selected.

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 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. Investment and modernization activities should be reflected in the effectiveness of our network and limitation of network losses. They will also involve replacing those sections of distribution lines that have been in service the longest. These activities should substantially impact the increase in reliability of deliveries of electricity to customers.

Our investment expenditures within distribution are continually increasing. In 2011 ENEA Operator spent on investments above PLN 813,000,000 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/or increase in demand for power. This tendency will continue through 2012.

In the area of renewable sources of electrical energy we plan to increase our generating capacity. By 2020 we 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 345,000,000, amounting to ca. a sevenfold increase in comparison to 2010. Most important investments in this period are e.g. the purchase by a subsidiary of ENEA, Elektrownie Wodne, of a wind farm in Darżyno in the Pomerania with the installed capacity of 6 MW and commissioning of the water turbine plant on the Wełna River in Oborniki with the capacity of 330 kW.

On 15 January 2010 ENEA completed the purchase of the first biogas power plant in Liszkowo (the Kujawsko-Pomorskie Province) with the capacity of 2.12 MWe. In Q2 2011 ENEA purchased 100 per cent of shares of the special purpose vehicle established for the construction of a biogas plant with the capacity of 1.6 MWe – the construction should be completed in Q3 2012. Collectively in 2012 we are planning to purchase installations of biogas power plants with the total capacity of 5.6 MWe.

On 1 June 2011 ENEA purchased from the French company Société Nationale d'Électricité et de Thermique (SNET) 69.58 per cent of the Białystok Heat and Power Plant's shares. Thanks to the transaction the Group holds almost 100.0 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-fired 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 November 2011 ENEA 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 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, our financial situation, results of performed technical and economic analyses, and capabilities of financing of the investment, it is possible that the basic investment program will be extended with additional investments in conventional generation in the amount of EUR 1.4 bln. The amount anticipates construction of another unit with the power of up to 1,000 MWe.

In 2011 ENEA 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.

Taking into account the planned investments, from the point of view of ENEA, 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.

3.29. Planned investment outlays

In 2012, within the operations of ENEA, ENEA Operator and ENEA Wytwarzanie, we plan to make investment outlays in the amount of ca. PLN 2,149,602,000. The table below presents the planned investment outlays during the year ending on 31 December 2012 in division into particular types.

	Year ending 31 December 2012
	[PLN '000]
Investment outlays on distribution assets, including	876 341
<i>Connecting new users and new sources and construction of new grids connected with it</i>	329 549
<i>Modernisation and reconstruction of the existing assets connected with improving the quality of services and/or power demand increase</i>	436 865
<i>Other investment outlays</i>	109 927
Investment outlays on generation assets, including:	911 097
<i>Investments in individual 200 MW units</i>	190 583
<i>Joint* investments in 200 MW unit</i>	2 813
<i>Construction of a power unit with the capacity of approx. 1,000 MW</i>	642 272
<i>Investments in individual 500 MW units</i>	2 540
<i>Joint* investments in 500 MW units</i>	8 300

<i>Joint* investments in 200 MW and 500 MW units</i>	59 685
<i>Purchase of ready investments goods and used fixed assets</i>	4 904
Other investment outlays	362 164
TOTAL	2 149 602

* Joint investments – cover investments in technological systems common to the operation of individual groups of units (i.e. joint investments for 200 MW units, joint investments for 500 MW units and joint investments for 200 MW and 500 MW units).

Distribution assets

The investment policy is intended to maintain the appropriate technical condition of the distribution assets, which must be able to provide electricity distribution services in an uninterrupted manner while maintaining the required technical parameters of its delivery.

ENEA Operator, as a power company engaged in the distribution of electricity, is obliged to prepare development plans for its operations with regard to satisfying current and future demand for electricity. Growth plans must take into account local zoning plans and district development plans defined in the zoning studies of individual district. Drafts of growth plans must be consulted with the President of the ERO.

A significant portion of the investment plan to 2015 is intended to implement tasks related to connecting both users and generators to the distribution grid. Another significant item of the investment plan is the implementation of tasks consisting of the modernisation, exchange and expansion of distribution grid elements in order to maintain the aforementioned technical parameters of supplied electricity for existing users. The investment programme also includes such tasks related to distribution support as, for instance, IT, telecommunications, tele-mechanics and measurement, as well as the purchase of existing investment assets, including vehicles and tasks related to the support infrastructure, i.e. buildings and structures.

Generation assets

The investment and modernisation policy of ENEA Wytwarzanie will be implemented mainly in the following areas:

- adjusting generation units to achieve permissible standards of SO₂, NO_x and dust emissions that stem from EU directives and the provisions of the Accession Treaty,
- the longest and economically justified utilisation of existing power units, which will be used in a safe and effective manner while maintaining high availability and efficiency of the generation equipment,
- constructing new generation units with supercritical parameters with a high efficiency of power generation.

ENEA Wytwarzanie performs modernisation of generation units adapting them to the amending requirements of the environment protection within SO₂, NO_x, dust and other substances emission. In the upcoming years ENEA Wytwarzanie intends to carry out the following modernisation projects:

- up to 2014 within modernisation relating to reduction of dust emissions, an electro filter is being presently replaced in unit No. 3, and next year the electro filter of unit No. 8 will be replaced.

- (ii) up to 2018 in order to reach the emissions of NO_x below 200 mg/Nm^3 the construction of the installations of flue gases denitrification is planned in units 1-10.

Because of the key elements of the draft act on energy renewable sources presented by the Ministry of Economy on 29 May 2012 and disadvantageous, for the profitability of undertakings considered in ENEA Wytwarzanie, corrective cofactors for certificates of origin concerning biomass for multi-fuel combustion, investments connected with co-firing of biomass in the present power boilers were suspended.

In the period from 2008 till present works are performed to realise the investments in order to increase the generating capacities of the Company and strengthen of the market value of the ENEA Capital Group. In December 2008 a connection agreement was signed with PSE Operator determining the conditions of connection of a unit with the capacity of ca. 1,000 MW to the national transmission grid. On 28 September 2011 ENEA Wytwarzanie obtained the decision No. 487/2011 issued by the Powiat Starosty in Koźienice approving the building project and granting a permit for ENEA Wytwarzanie to construct the Power Unit No. 11 of up to around 1,000 MWe capacity.

Other investment outlays

Within the amount of the remaining investment outlays in the amount of PLN 362,164,000 ENEA plans to spend funds in particular on cash capital investments in Group companies engaged in the generation of electricity and heat energy (including from renewable resources), modernisation of street lighting and IT and telecommunications projects.

We expect the planned investment outlays to be covered from available cash funds, funds from operations, and obtained debt financing.

Currently implemented investment outlays

We are currently implementing the investment plan for 2012, as part of which we are conducting/have conducted the following investment projects:

- investment in distribution assets, including the construction and modernisation of high, medium and low voltage grids, and connecting customers to the medium and low voltage power grids,
- investments in distribution assets to support distribution, including IT, telecommunications, tele-mechanics systems, as well as metering and billing systems,
- investments in purchases of power equipment (transformers and other apparatus used in stations), safety relays safeguarding against the consequences of short circuits, control and metering equipment, as well as vehicles,
- connected with the preparation of the construction of the power unit No. 11 in ENEA Wytwarzanie,
- development of catalytic denitrification system for boilers No. 4 to 8 in ENEA Wytwarzanie,
- modernisation of unit No. 3 in ENEA Wytwarzanie,, based on, for example, replacement of electro filter, modernisation of boiler, turbine set as well as modernisation of unit automation,
- preparation of the investment of the development of the installation of recovery of heat energy of flue gas directed to the flue gas desulphurisation plant IOS II - RECO in ENEA Wytwarzanie,

- reconstruction of hydraulic transport trestle bridge of ash and slag as well as return water pipelines from the storage yard in ENEA Wytwarzanie,
- preparation of the construction of the IOS IV desulphurisation plant in ENEA Wytwarzanie,
- acquisition of Windfarm Polska Sp. z o.o., the owner of the working Wind Farm in Bardy with the capacity of 50 MW - realised.

3.30. Assessment of the Feasibility of Implementing Investment Plans

The financial situation of the Company provides a solid foundation for carrying out its investment plans, which can be implemented through organic development and acquiring other entities. Our balance sheet, equity and balance of pecuniary funds provide a solid financial base for investment outlays, both from our own resources and external sources. In order to use its resources efficiently, in their further investment activities (particularly in the area of acquisitions) the companies of the Group intend to make use of debt financing so as to attain leverage.

3.31. Description of the use of funds raised from the issue

Funds obtained by ENEA S.A. from the issue of shares are invested in instruments exhibiting minimal risk, i.e. issued debt instruments, secured by suretyship or guaranteed by the State Treasury or bank deposits. Revenues from the aforementioned investments in H1 2012 amounted to PLN 26,418,000.

The planned manner of using the proceeds from the issue of Series C shares was described in detail in the Issue Prospectus prepared in relation to the issue of those shares.

4. The Corporate Bodies of ENEA S.A.

4.1. Personal composition

As at the day of submission of this report, the Management Board had the following composition:

Name	Position
Maciej Owczarek	President of the Board
Janusz Bil	Member of the Management Board for Commercial Affairs
Hubert Rozpędek	Member of the Management Board for Economic Affairs
Krzysztof Zborowski	Member of the Management Board for Energy Generation

As at the day of submission of this report, the Supervisory Board had the following composition:

Name	Position
Wojciech Chmielewski	Chairman of the Supervisory Board
Jeremi Mordasewicz	Vice-Chairman of the Supervisory Board
Michał Kowalewski	Secretary of the Supervisory Board
Małgorzata Aniołek	Member of the Supervisory Board
Sławomir Brzeziński	Member of the Supervisory Board
Sandra Malinowska	Member of the Supervisory Board
Tadeusz Mikłosz	Member of the Supervisory Board
Przemysław Łyczyński	Member of the Supervisory Board
Graham Wood	Member of the Supervisory Board

4.2. List of Shares in Entities that are Members of the ENEA Capital Group that are held by the Members of the Management and Supervisory Boards

As at the day of submission of this report, the shareholding was as follows:

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

As at the day of submission of this periodic report the other people from the Management and Supervisory Board do not own ENEA S.A.'s shares.

As at the day of submission of this periodic report, people managing or supervising do not hold shares or stock in subsidiaries of ENEA S.A.

5. The shareholding and share capital structure of ENEA S.A.

5.1. Share capital structure

In connection with a public offer of series C shares, at a closed hearing on 13 January 2009 the District Court for Poznań-Nowe Miasto and Wilda in Poznań, 8th Commercial Division of the National Court Register, registered an increase in the Issuer's share capital from PLN 337,626,428 to PLN 441,442,578, by the issue of 103,816,150 series C ordinary bearer shares.

Upon registration of the increase, the amount of share capital of the Issuer was PLN 441,442,578. The total number of votes resulting from all issued shares of the Issuer is 441,442,578.

Following the registration of the increase in the Issuer's share capital, the capital structure is as follows:

- 295,987,473 series A ordinary bearer shares,
- 41,638,955 series B ordinary bearer shares,
- 103,816,150 series C ordinary bearer shares.

Up to the date of publication of this report, the level and structure of ENEA S.A.'s share capital will remain unaltered.

5.2. Shareholding structure

As at the date of submission of the report, the structure of shareholders holding more than 5 per cent of the total number of votes at ENEA S.A.'s General Meeting of Shareholders is as follows:

Item	Shareholder	State as at 30 August 2012		State as at 14 May 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%	227 644 444	51.57%
2	Vattenfall AB	82 395 573	18.67%	82 395 573	18.67%
3	Others	131 913 102	29,88%	131 402 561	29.76%
TOTAL		441 442 578	100.00%	441 442 578	100.00%

In the period from publication of the report for Q1 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 number of shares held by the

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

6. Description of the principles according to which the condensed half-yearly financial statement and the condensed consolidated financial statement were drawn up

Condensed half-yearly consolidated financial statement

The condensed half-yearly consolidated financial statement for the period 1 January 2012 to 30 June 2012 was drawn up in accordance with the International Financial Reporting Standards, which were approved by the European Union (the "EU IFRSs").

The condensed half-yearly consolidated financial statement was drawn up according to the historical cost principle, except for financial assets valued at fair value through profit and loss, financial assets available for sale and payment in the form of shares.

The key accounting principles which are applied when drawing up the condensed half-yearly consolidated financial statement of the ENEA Group are presented in note 3 on the financial statement of the ENEA Group for the first six months of 2012. Those principles were applied consistently in all the periods presented.

Condensed half-yearly financial statement

Description of key accounting principles

The key accounting principles which are applied when drawing up the condensed half-yearly non-consolidated financial statement of ENEA S.A. are presented in note 3 on the financial statement of ENEA S.A. for the first six months of 2012. Those principles were applied consistently in all the periods presented.

Basis of drawing up the financial statement

The condensed half-yearly non-consolidated financial statement for the period between 1 January 2012 and 30 June 2012 were prepared in accordance with the requirements of the International Financial Reporting Standards as adopted by the European Union (the "EU IFRSs").

The condensed half-yearly non-consolidated financial statement was drawn up according to the historical cost principle, except for financial assets valued at fair value through profit and loss, financial assets available for sale and payment in the form of shares.

7. Additional Information

7.1. The entity authorised to audit financial statements

The authorised entity is KPMG Audyt Sp. z o.o., ul. Chłodna 51, 00-867 in Warsaw, is entered into the list of entities authorised to audit financial statements maintained by the National Chamber of Statutory Auditors of 7 February 1995 under the register number of 458.

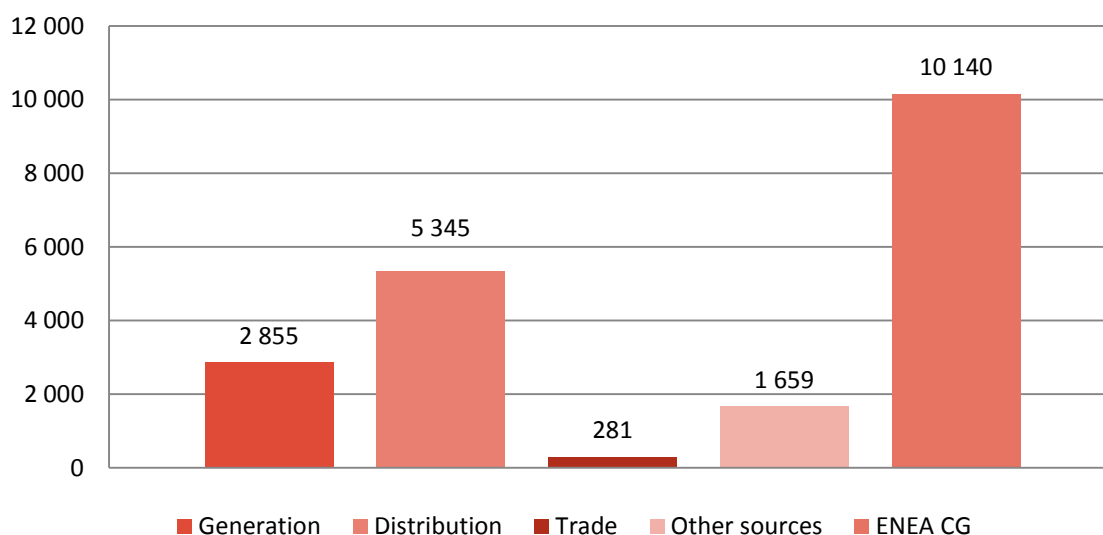
7.2. Information on transactions hedging the currency risk

Within its operations in H1 2012 ENEA S.A. concluded forward transactions the objective of which was securing of currency exchange risk (EUR/PLN) connected with the realisation of the agreement concerning the purchase of assets. All the above forward transactions were settled in the reporting period.

Among the subsidiaries forward securing transactions were concluded at Białystok Heat and Power Plant. The result and the nominal value of forward contracts concluded by the Białystok Heat and Power Plant are substantial in the light of Company's results and immaterial for the Group's results. The result is also material in relation to equity of the Białystok Heat and Power Plant.

7.3. Structure of employment in the ENEA CG

Structure of employment in the ENEA CG according to segments of activity in H1 2012



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

In the opinion of the Management Board of ENEA S.A. the data and information presented above within the Report of the Management Board from activity of the ENEA Capital Group in H1 2012 fully reflect all the information important for the assessment of the staff, financial and asset position, financial result of ENEA S.A. and the ENEA Capital Group and their changes, and information which is material for the assessment of ability to settle the liabilities.

7.5. Activity of ENEA S.A. within corporate social responsibility (CSR)

Notwithstanding the information contained in the other parts of the half-yearly report in the opinion of the Management Board attention must be paid to the activity of the ENEA Capital Group within corporate social responsibility.

In 2010 the ENEA Capital Group established a CSR Strategy (*corporate social responsibility*) integrated with the business strategy of the Group contained in the document titled "Corporate Strategy of the ENEA Capital Group for 2010-2015 looking forward to 2020". The CSR Strategy is assumed to support, develop and deepen the provisions of the business strategy and is to serve the realisation of the third from the set goals:

- a) improving the effectiveness of how the Group functions,
- b) developing the core operations of the Group,
- c) construction of a socially responsible business.

Such a tight combination of provisions concerning social responsibility of the business with the Corporate Strategy underlines a high priority for the implementation of CSR practices in all companies belonging to the Group.

Within the area of: "Building of a socially responsible business" 3 goals are set:

1. Ensuring a well-balanced human resource management.
2. Ensuring a dialogue with all stakeholders, including local community, and taking their opinions into account in business operations.
3. Promoting pro-environmental practices and behaviours.

Individual companies from the ENEA Group prepare their own operating plans detailing the scope of actions contributing to pursuing CSR Strategy objectives. Operating plans take into account the specific nature of each company but assume at the same time a common striving to perform the adopted strategic objectives of the ENEA Group. Each company reports, through appointed CSR coordinators in a given company, to ENEA S.A. the progress in the implementation of activities in line with the strategy.

In ENEA S.A. in H1 2012 numerous new activities were realised performing the aforementioned goals of the CSR Strategy but at the same time being the continuation of the activities commenced in 2011 within projects contained in the operating plan, including e.g.:

Within goal 1 Ensuring a balanced human capital management the following projects were realised:

Intranet platform

In H1 2012 an Intranet platform was implemented which is available for each ENEA Group company. Corporate Intranet is by definition a tool which will be ultimately available to each employee of the ENEA Group. At the end of H1 17 of 21 Group companies were connected. Thanks to the Intranet the employees of the Group companies obtained a real time access to the same information, e.g. news, announcements, job offers in the Group. The Intranet plays not only an informational function, but also integrates being the only integrating tool available for every company but also co-created by them. In Q2 average statistics of visits amounted to 30,000/month, which is a proof of a great interest and a need of utilising this tool in everyday work.

Customer feedback and employee expectations research for enhancing the Group's efficiency

In Q3 2011 the Corporate Communication Department of ENEA S.A. commenced preparations for customer feedback and expectations research of employees of the ENEA Group for 2011. The research commenced in December 2011, then after a break it was resumed in April this year.

At the first stage the qualitative research was realised, i.e. group interviews with selected employees of most companies and in-depth individual interviews with managers of medium and highest level.

In the second phase a quantitative research directed at all the ENEA Group employees. Its form was a survey. It was ended at the end of April this year.

It was a great logistic challenge. Surveying took place concurrently in all the ENEA Group companies. Employees who possess individual e-mail address and access to the Internet, and they are almost 5,000 people, received electronic surveys. The others (around 5,000 people) could fill in the questionnaire in a paper form. A form with an option of printing was loaded in the Intranet of companies and sent to the research coordinators in particular locations. We wanted each employee to have a possibility of participation in the poll. It was an untypical occasion to express one's opinion on their work place.

The efficiency of the research was around 23 per cent. The analysis takes place from the both parts of the survey - on-line and paper. We wait for first inferences and recommendations which are elaborated by PBS research company. Collectively they will be presented in the first instance to the Management Board of ENEA S.A. and ENEA Operator and the Group's Supervisory Board. In the next step they will be published in "ENEA news" and corporate Intranet.

The satisfaction index of employees will be known in August 2012 and published in September 2012.

Within goal 2 Ensuring a dialogue with all stakeholders, including local community, and taking its opinions into account in business operations:

ENEA S.A.'s good practices in the report "Responsible Business in Poland 2011. Good Practices"

The Forum of Responsible Business for a second year positively verified two examples of responsible activities reported by ENEA S.A.:

1. Project of pro-ecological education "W kontakcie z naturą" ("In contact with nature").
2. Educational programme for children "Nie taki prąd straszny" ("Power-not so scary").

The both examples appeared in the Report: "Responsible Business in Poland 2011. Good Practices" which is the most important annual publication concerning CSR activities undertaken in Poland.

Participation in the 6th CSR Fair

Report "Responsible Business in Poland 2011. Good practices" was announced during the CSR fair in Warsaw which took place on 29 March 2012 during which ENEA S.A. presented the both good practices. This year CSR Fair was organised in a socially responsible way and pro-ecologically thorough the implementation of the Sustainable Meetings Standard BS 8901. This was the first fair in Poland organised compliant with the standard.

"Dumni z dziedzictwa" Programme ("Proud of the legacy")

In September 2011 ENEA S.A. signed an agreement on providing patronage over the Royal Baths Museum in Warsaw. Within the patronage during the first 3 years the Company will replace electrical installation within the Royal Baths complex and prepare spectacular illumination of their historic buildings. The inclusion of patronage over the Royal Baths Museum in Warsaw is the first stage of the "Proud of the legacy" programme in which ENEA S.A. wishes to express its deep commitment to the Polish culture and its place in the consciousness of people around the world.

The initiatives realised within the Programme in Q2 2012 included:

Artistic competition for middle schools "Proud of the legacy"

Till the end of March 2012 the competition saw 95 works, 10-person delegations from 60 places. In April 2012 the Jury selected the winners who were invited to the Final Thursday Meeting in the Royal Baths in Warsaw. The Jury was composed of: Maciej Owczarek, President of the Board of ENEA S.A., Tadeusz Zielniewicz, Director of the Royal Baths Museum in Warsaw, Jolanta Gumula, Deputy Director for Museum Matters and Magdalena Lewna, The Head of the Educational Centre of the Royal Baths Museum.

All the works submitted for the competition took part in the fight for the Audience Award. The photographs which were sent were published on the Facebook profile of the "Proud of the legacy" programme. Portal users could vote for selected projects by clicking "Like it" till the end of May 2012.

Collectively in the competition for the Audience Award over 13,000 votes were cast.

On 14 June 2012, in the Royal Baths in Warsaw, the final of the "Polish Competition for Students of Middle Schools - Proud of the legacy" took place. For the Final Thursday Meeting representations from 5 educational centres were invited which were selected during the first stage of the competition. During the meeting the students presented artistic works within the subject of "Why should we be proud of the national legacy?" and participated in the knowledge contest on the Royal Baths. Gimnazjum (middle school) under the name of Władysław Reymont in Bądków was the winner.

Investments of ENEA S.A. - object illumination

Within the works conducted from November 2011 to the end of June 2012 Staw Belwederski (The Belvedere Pond) and Myślewicki Palace were illuminated. The power installation was replaced in the attic of the Officer Cadets School, the lighting of the second floor was modernised in the Sculpture Gallery in Old Orangery and the power grid was developed along the Aleja Chińska (Chinese Pathway). At present works are in progress to illuminate the Palace on the Water.

Till 2013 the exchange of the installation and performing of an effective illumination are planned of selected monuments of the Royal Residence. All these within the ENEA S.A.'s "Proud of the legacy" programme.

Commitment of ENEA S.A. in the social campaign "Cała Polska czyta dzieciom" ("The whole Poland reads to children")

ENEA S.A. since 2011 has been supporting the operations of the Foundation "ABCXXI - Cała Polska czyta dzieciom". The goals of the "The whole Poland reads to children" campaign is most of all propagation of the everyday reading to children as an effective method of supporting their comprehensive development, building of internal competencies of children: emotional and intellectual competencies, and limitation of a negative impact of mass culture and mass media on children and the youth.

The campaign is being presently conducted in the whole of Poland by 6,376 volunteers - Leaders and Coordinators (data from July 2011). The programmes announced by the Foundation: "Czytające Szkoły" ("Reading Schools") and "Czytające Przedszkola" ("Reading Kindergartens") were joined by over 2,350 schools and over 2,300 kindergartens (data from July 2011). Institutions which introduced every day reading aloud to children are observing an increase in comprehension of texts and instructions, improved concentration, easiness of speech and composition, better motivation to learn and willingness of cooperation, establishment of relations among students and students and reading teachers, increase in reading activities of children, and a substantial improvement of the behaviour.

Known and valued people, from the cultural, political and business world, have engaged in the Foundation's activity, and the honorary patronage over the campaign was taken by the Ministry of Culture and National Heritage.

The 10th Final of the campaign titled "The whole Poland reads to children" took place on 26 March 2012. ENEA S.A. was honoured with the statuette being at the same time an acknowledgement for the company for supporting the Foundation's activity.

For the first half of 2012 the Foundation planned making an educational video "Jak kochać dziecko?" ("How to love a child?") in the realisation of which ENEA has engaged. At present its project is ready, the Film will be distributed along with a book "Pierwsza książka mojego dziecka" ("The first book of my child") which is under development. It is hard to determine when the distribution will start. The project is realised with Narodowe Centrum Kultury (National Cultural Centre).

Participation in the contest - "Mama w pracy" ("Mom at work")

ENEA S.A. took part in the contest "Mom at work" organised by: Fundacja Św. Mikołaja (St. Nicolaus Foundation) and the publisher of Rzeczpospolita, checked whether a given company is mom-friendly, i.e. how the employer treats pregnant women? What conditions do they ensure to them after they come back from maternity or parental leave? Till 5 March 2012 the employees of ENEA S.A. could express their opinion within this matter in an anonymous contest questionnaire.

The objective of the action is promotion among employers of such a model of management and organisation in the company which allows for joining maternity duties with a professional career.

The results were published in the "Rzeczpospolita" daily. The winners received the title of "Leader in the Mom at work contest".

ENEA S.A. through its start in the "Mom at work" contest collected valuable remarks of employees concerning the return to work after a maternity and parental leave. It will help in the future implement satisfactory solutions by the employer.

ENEA S.A. as a partner of publications on CSR in listed companies' strategies: How to benefit from responsibility?

ENEA S.A. along with the Warsaw Stock Exchange provided patronage for the publication dealing with CSR as an important element in strategies of companies listed on the Warsaw trading floor.

The publication prepared by CSRinfo in cooperation with Stowarzyszenie Emitentów Giełdowych (Stock Exchange Issuers Association) constitutes a vast source of information mentioning such issues as profitability of implementation of CSR strategy or best practices in this field. The publication presents 13 case studies and 88 examples from 23 branches.

ENEA S.A. perceives the social responsibility of the business as a method of corporate management which considers expectations of the surrounding environment and makes it possible to rationally manage resources and permanently increase the value of the company through sustainable development measures. Therefore it has been supporting CSR promoting initiatives already for a few years.

Festiwal Zaczarowanej Piosenki im. Marka Grechuty (Marek Grechuta Enchanted Song Festival)

On the Cracow's Rynek Główny on 9 June 2012 the Marek Grechuta Enchanted Song Festival took place the organiser of which each year is Anna Dymna's Foundation "Mimo wszystko" ("Despite all") taking care over disabled people, including mental retardation. ENEA S.A. was one of the key sponsors of the event and funded two first awards in the amount of PLN 24,000 net each for vocally talented disabled people. Awards went to: 14-year old Wiktoria Smuga and 18-year old Klaudia Borczyk. They were handed by the Ambassador the ENEA S.A. brand – an actor, Michał Żebrowski, who also took the place in the jury. The event was transmitted after two weeks by TVP2.

Commencement of cooperation with Anna Dymna's Foundation "Mimo Wszystko"

Within the approved by the ENEA S.A.'s Supervisory Board on 21 April 2012 "The Policy of social engagement of the ENEA Capital Group" which determined the key directions of activities of social commitment of companies comprising the Group, such as the environment and community, the Supervisory Board of ENEA S.A. adopted a resolution on commencement of the long term cooperation with the Anna Dymna's Foundation "Mimo Wszystko" from Cracow. The amount of the grant will be designated mainly for the project of running of a Rehabilitation and Therapeutic Centre "Dolina Słońca" for mentally retarded people in Radwanowice near Cracow and for art therapy workshops of "Mimo Wszystko".

Cooperation with non-government organisation son the recycling project – ENEA S.A. gives used printers to social organisations

ENEA S.A. promoting the fundamentals of economy and greenness and actively supporting the needing conducted and author's large recycling campaign. When multifunctional printing-copying-scanning devices appeared on the corridors of the Company co-used by employees 67 operating printers individually used by employees in their rooms became redundant. Then within the campaign a survey was performed among the employees of ENEA with a request to indicate the social organisations which may need printers. 25 proposals of such organisations and schools were sent to csr@enea.pl. The rest of printers reached social organisations selected during contests with transparent rules.

In order to coordinate the whole process ENEA S.A. undertook cooperation with three largest and most resilient non-government organisations from Wrocław, Szczecin and Poznań:

- a) Fundacja Wspierania Organizacji Pozarządowych "Umbrella" (Non-government organisations supporting foundation) from Wrocław,
- b) "Polites" association from Szczecin,
- c) Wielkopolska Rada Koordynacyjna Związek Organizacji Pozarządowych (The Wielkopolskie Coordination Committee Association of Non-government Organisations) from Poznań.

As umbrella organisations they possesses a better knowledge of the needs of the region in which they function and know which non-profit organisations associated in them need help most of all. These were the organisations to which ENEA S.A. decided to give all the 67 printers the part of which they are obligated to give to the organisations indicated by the employees of the ENEA Capital Group.

ENEA S.A. customer satisfaction research within the area of business and individual customers

ENEA S.A. during H1 2012 conducted a research among its customers aiming at assessing customer satisfaction. The research was conducted among both the individual and business customers with division into particular customer segments: strategic, key, medium and small business. As the first stage a qualitative research was conducted and based on it a quantitative research was performed taking into account e.g. customer

satisfaction from operation of Customer Service Offices, invoicing, complaints, customer account managers, functioning of info lines or website.

The Staff Volunteering Support Program "Z porwywu serca" ("Spur of heart")

An initiative of help and of social involvement has been present in the culture of the ENEA Group for a long time. The employees have enormous potential, which ENEA, as a socially committed employer, strongly supports. In 2011, the ENEA Group began to actively involve their employees in social activities. "Framework for supporting staff volunteering" has been endorsed, which regulated hitherto staff activity in the pro-social sphere. Today, employee voluntary work is a substantial factor of building relationships with stakeholders of the company. Employees in the ENEA Group personally engage in a gratuitous aid to those in need. Many actions are their own initiative. Without a doubt, the involvement in charitable activities stems from the awareness of the timeless value of help, but primarily from the personal satisfaction and joy brought by charity. Visible results of the support given to others are a key motivation for further action. Their attitude is inspiring for the ENEA Group. In 2011 170 volunteers actively operated covering over 11,000 beneficiaries with their activity. In H1 2012 190 people helped almost 8,500 individuals devoting almost 1,500 hours to them. Volunteers take action for the local communities, as well as participate in organised volunteer programs:

1. Educational programmes: "Nie taki prąd straszny" ("Power-not so scary") and "W kontakcie z naturą KIDS" ("In contact with nature KIDS")

The volunteers of the ENEA Group educate the youngest within safe power handling and ecology. They visit primary schools and kindergartens, where they organise lessons during which they show the movies specially prepared to this end, deliver a talk and solve the puzzles with children that help them remember presented knowledge.

The objectives of the education are to improve the safety of children in contact with the equipment powered by electricity, building environmental awareness and energy and natural environment conservation among the youngest, instil proper behaviour among the youngest of handling electricity, educating pro-ecological behaviours, promoting safe and rational use of electricity, reducing the risk of electric shock, or burns due to improper use of electrical appliances, to inspire parents and teachers to talk with children about ecology, safe handling of the devices connected to power, to explain how electricity is produced, improving the ability to cooperate in a group.

The "Nie taki prąd straszny" and "W kontakcie z naturą KIDS" programmes are aimed at children aged 5-9 years and were developed in collaboration with teachers and methodologists. "Nie taki prąd straszny" programme obtained the following patronages: Minister of National Education, The Wielkopolskie Educational Officer, Vice-Voivod of The Wielkopolskie Province and the President of Poznań. The partner of the programme is Ashoka - Poland.

2. First Aid - premedical rescue - social education programme

The program aims to provide people with knowledge on the provision of first aid and teaching its practical applications in the event they become witnesses to the accident. The teaching is delivered by volunteers of ENEA Operator - premedical rescuers who have had a range of professional training. Every year even 40 thousand people in Poland lose consciousness and die from sudden cardiac arrest (SCA). This tragedy can be prevented by an immediate initiation of CPR breathing. The program in its main premise is to promote among the people an impulse to render first aid and knowledge that will effectively and safely rescue victims and fight social callousness. In 2012 a first aid training was completed by all the volunteering employees of ENEA S.A. and ENEA Centrum S.A.

Our goal is: to spread knowledge on how to help an injured person, we would like to make automatic defibrillators available in the public places across the range of the ENEA Group activity - defibrillators are devices that trigger an electrical impulse to the heart muscle and restore normal heart function. We want people to know the places where such devices are installed and to know how to use them. In April 2012 we equipped with AEDs and trained students and the personnel of the Campus of the University under the name of Adam Mickiewicz in Poznań.

Volunteer actions

The volunteers of the ENEA Group took part in numerous actions for the people in need e.g. collect taps for sick children which were enough to buy rehabilitation equipment for two children, they played with children in hospital wards in Poznań, performed several dozens of medical rescue presentations, organised a picnic for handicapped children in "Zawsze Razem" ("Always Together") school, collected gifts for children from Świetlica Środowiskowa Sióstr Urszulanek (Ursuline Sisters' community centre), played in a match for Puchar Serc (Cup of Hearts) for a handicapped sibling, or organised a Poznań Korczak Day during which they taught fir and handicapped children about rights of the child. These are just a few of the activities in H1 2012.

"Koalicja Prezesi Wolontariusze 2011" ("Coalition of Volunteering Presidents 2011") project

The "Koalicja Prezesi Wolontariusze 2011" was initiated by Maciej Owczarek - President of ENEA S.A. technically supported by Paweł Łukasiak - President of the Association of Academy for the Development of Philanthropy in Poland. Initiators wanted to form a coalition of the presidents of companies with experience in social commitment and volunteerism. The coalition associates managers and employees of companies which they manage seeing the necessity of popularisation of the idea of volunteerism and manifesting personal social commitment within volunteering activities. The first joint action of volunteering CEOs was signing and announcement of the appeal - "business time, time to help " addressed to business leaders in Poland, in which they invite to join the works of the Coalition, personal commitment and to promote volunteering.

The task of the Coalition is to create a platform for cooperation and exchange of experiences on the social commitment of business and attitudes promoting volunteering in the business. The goals will be realised by: organisation of voluntary actions with the participation of CEOs and employee-volunteers; Coalition extension with new members; presentation of best practices and education within social commitment and volunteering business; exchange of knowledge, experience and skills between business leaders and leaders of social organisations; taking part in public debates of the European Year of Volunteering.

In 2012 volunteers of the companies associated in the Coalition co-organised e.g. during the first day of Spring an educational action - "Wagary w szkole" ("Playing truant") and Children's Day in Studio Theatre in Warsaw for children from difficult environments. Moreover, the volunteers realised numerous activities in their companies.

Within goal 3 Promoting pro-environmental practices and behaviours:

A general Polish project of ecological education Wkontakcieznatura.pl for stakeholders of ENEA S.A.

In Q1 and Q2 2012 the project of ecological education was continued, "In contact with nature", which promotes ecological attitudes in our society and is realised by ENEA S.A. in a technical cooperation with a prestigious social organisation acting for environmental protection - Fundacja Partnerstwo dla Środowiska (Partnership for the Environment Foundation) under the patronage of Global Compact international UN initiative for corporate responsibility and sustainable development.

On 27 March 2012 the 2nd edition of the contest "In contact with nature" was commenced promoting ecological activity with attractive awards within the action promoted by Michał Żebrowski, an actor. The objective of the action is propagating pro-ecological behaviours among Internet users, their family, friends and

acquaintances. The condition of the participation in the 2nd spring edition of the contest was simple: it was enough to register on the website www.wkontakcieznatura.pl, establish an ecological initiative and document its realisation on a blog, using photos or videos.

The winners were announced in the first week of June 2012. Among the 53 ecological initiatives which were submitted we selected the best four which were awarded with PLN 10,000 coupons for use for pro-ecological activities. The jury under the leadership of the Ambassador the brand of ENEA, Michał Żebrowski, distinguished three ideas realised by schools and an initiative of four friend-families from Elbląg titled "Razem ku dobrej energii" ("Heading good energy together"). The citizens of Elbląg introduced a green code in their houses, according to which they changed everyday habits, saving power and water, shopping wisely and spending free time actively. Among the schools the following were awarded: Primary School No. 2 with integration divisions under the name of Janusz Korczak in Błonie, ecological club in the Complex of Vocational Schools No. 97 in Warsaw and a Complex of Schools under the name of Adam Mickiewicz in Dygowo.

The recycling action "Ciuch w Ruch" ("Move the dress") in ENEA S.A.

ENEA S.A. in March 2012 joined the charity and ecological action "Move the dress" financially supporting children in care the of the Anna Dymna's "Mimo Wszystko" Foundation and promoting pro-ecological behaviours.

The action aims at gaining financial funding for children in care of the "Mimo Wszystko" Foundation although it requires no financial outlays from participants. Bringing clothes and shoes which are no longer needed you may help others. The objective of this action is wise use of waste clothes - in big corporations, firms, public institutions or retail chains specially designed containers will be located to which one may drop waste clothes. The material of which such clothes are made will be reused and will generate profit - mainly to the "Mimo Wszystko" Foundation. 3R Recycling Solutions cooperating with the Foundation by the project will give it for the children in care of the Foundation. The containers were placed in the buildings of ENEA S.A. in Poznań by Górecka 1 and Strzeszyńska 58. The group of beneficiaries is not limited only to those children in care of Anna Dymna. Within the action of "Move the dress" many people will find job in Poland and abroad, many people will be able to buy clothes they cannot afford. Helping perceived in such a way brings numerous advantages to the needing people and to the natural environment and is a classic example of promoting and idea of the social responsibility of a business. The period of the "Move the dress" action is not limited.

Anna Dymna's Foundation "Mimo Wszystko" each day tries to support physically retarded people from the whole Poland.

Participation in the pro-ecological action - "Godzina dla Ziemi" ("Earth Hour")

Each year on 31 March the largest and most known in the world social and pro-ecological initiative is organised - "Godzina dla Ziemi" created by the ecological organisation WWF (World Wide Fund for Nature). The goal of the Earth Hour of WWF is propagating pro-ecological behaviours and encouraging people all over the world to make slight changes in their everyday life which are of a great importance for the condition of the environment of our planet. Individuals, firms, governments and organisations all over the world are invited to switch off the light at 20.30 hours for one symbolic hour to manifest their commitment in pro-Earth activities. ENEA S.A. as well took part in the action and on 31 March from 20.30 to 21.30 the logo was switched off on the top of the office building of the seat of the Company by ul. Górecka 1 in Poznań. Also the whole external illumination of the building seating the Company was turned off.

Eco-printing - saving office paper

ENEA S.A. tries to initiate actions aiming at minimisation of a negative impact of its office activity on the natural environment introducing pro-ecological system solutions in the functioning of its offices and therefore tries to change them into places which are maximally environmentally friendly.

Pro-ecological actions are most commonly visible in simple everyday office activities. So far the system of waste segregation has been implemented in order to wisely manage the office resources. An educational campaign was also conducted through the system of eco-stickers in order to learn together how to limit the consumption of electricity, rationally manage water, how to reduce a negative impact of transport on the eco system and how to use cars, also company cars, in a sustainable and environmentally friendly way.

Another step is saving office paper and education how not to print more than you actually need. Last year the local printers were replaced with multifunctional printing devices. In H1 2012 a system of default setting was implemented for all the multifunctional devices which work in the offices of ENEA S.A. to the duplex printing mode. The project becomes a part of the pro-ecological consciousness of employees of ENEA S.A. and seeing it more widely of the society through the application of such solutions which contribute to the lessening of the impact of the office on the natural environment. Duplex printing impacts lower emissions of carbon dioxide. Changes in behaviours connected with higher ecological knowledge may be also reflected in savings made in our households.

It is enough to modify one's everyday habits and taking any action have the welfare of the natural environment in mind.

Waste paper and batteries segregation - special cartons in printer rooms

In most office rooms of ENEA S.A. cartons appeared for segregation of waste paper and batteries. Ecological containers are located in rooms with multifunctional devices and printers. Thanks to these containers waste materials will be reused and will not pollute the environment. This is another eco-activity initiated by ENEA S.A. to encourage employees to pro-ecological attitude demonstrated each day, also at work.

7.6. Awards, distinctions and achievements

Awarding of Golden Statuette of Polish Business Leader - Business Centre Club

On 21 January 2012 during the Grand Gala of Polish Business Leaders the best Polish enterprises received Golden Statuettes of Polish Business Leaders 2011. ENEA S.A. and its President Maciej Owczarek found their place among them. Apart from ENEA the honourable laurel was awarded to just nine other companies functioning in Poland. ENEA S.A. and its President, Maciej Owczarek, were appreciated for maintaining high economic results, constant increase in work places and for a particular care and help granted to the needing ones.

The ENEA Group made the shortlist of the 10th edition of Most Valuable Companies - by Newsweek

Impressive assets, high profits and debts under control. Mainly thanks to this the ENEA Group made the shortlist of the 10th edition of Most Valuable Companies - by Newsweek. The "Newsweek" report has been published for 10 years. In its latest edition the ENEA Group took a high, twelfth, location. It was among such renowned enterprises as the Lotos Group or Bank Zachodni WBK. The winner of the current list was KGHM Polska Miedź. According to the list the value of the ENEA Group amounts to closely PLN 4.9 bln and in comparison with 2010 increased by 12 per cent. The ranking included 100 the most prosperous Polish companies which employ over 250 employees.

ENEA received a Golden Badge of Trustworthy Brand - European Trusted Brands

The distinction is awarded based on results of a survey of European Trusted Brands. Last year the clients appreciated pro-ecological activities awarding ENEA with a title of the Most Environmentally Friendly Brand. Kryształowe Godło (Crystal Badge) was awarded to the brands which received most votes in five criteria: quality, relation of value over price, understanding customer needs, image and social responsibility. For Europeans Nivea and Nokia are the most trusted brands. In Polish local categories Złote Godło (Golden Badge) apart from ENEA was awarded e.g. to: RMF FM, TVN, Apart, Winiary and Ludwik.

ENEA S.A. distinguished with a title of "Philanthropist of the Year" - the Academy for the Development of Philanthropy in Poland

The distinction was awarded for a "lifesaving innovative employee volunteerism" - created and propagated by ENEA Operator. ENEA S.A. received the title for the support and content-related input into the development of this undertaking. The awards went also to e.g.: Żywiec Zdrój S.A. (for planting 3 mln trees in Beskid Żywiecki), Programme 3 of the Polish Radio (for an action - „Idą święta” ("Holiday is coming") promoting family-type children's homes) and Orange Polska (for an employee volunteering programme „W trosce o innych” ("Taking care of others").

BCC awarded a Korczak's medal to the President Maciej Owczarek


The President of ENEA S.A. was honoured with the Korczak's Medal for e.g. initiation and promoting of educational programmes conducted by ENEA employees and for supporting volunteers' actions in children's homes and hospitals. The audience awarded Maciej Owczarek not only with an applause but with a loud "hip-hip hurrah" and a beautiful drawing made for this occasion. The Korczak's Medal is an award for company directors whose social activity covers helping needing children. People awarded are those who join an exceptional sensitivity with a modern attitude towards the philanthropic activity and a good management of funds designated for this purpose. The Competition Jury decides on awarding of the medal. The Korczak's Medal may be awarded just once.



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