

# Other information

to the ENEA S.A extended  
consolidated report  
for Q3 2011

Poznan, 14 November 2011



## I A description of the organisation of the ENEA Capital Group

As at 30 September 2011 the Capital Group consisted of the group parent ENEA S.A. ("Company", "Group Parent"), 20 subsidiaries and one affiliate. Within the ENEA Capital Group ("Group") there are three leading entities, i.e. the following companies: ENEA S.A. (trade in electricity), ENEA Operator Sp. z o.o. (distribution of electricity) and Elektrownia "Kozienice" S.A. (generation of electricity). Other entities render supplementary services towards the aforementioned companies. A description of the organisation of the Issuer's Capital Group, and an indication of the units subject to consolidation are contained in Note 6 to the consolidated quarterly financial statements.

### I.1. Description of changes within organisation of the Group

In Q3 2011 the following events occurred which impacted the present or potential changes within the organisation of the ENEA Capital Group:

- Based on the approval of the Ordinary General Meeting of ENEA S.A. of 29 June 2011 of which ENEA S.A. informed in the current report No. 19/2011, on 12-13 September 2011 the organised part of the enterprise was transferred, in the meaning of Art. 55<sup>1</sup> of the Civil Code, under the name of "Street lighting of Poznan" from ENEA S.A. to ENEOS Sp. z o.o. (the details are described under "Description of capital investments within the Group").
- On 20 July 2011 the subsidiary of ENEA S.A. acting under the company of FINEA Sp. z o.o. in liquidation as a result of completed process of liquidation was dissolved and was removed from the National Court Register.
- On 22 August 2011 ENEA S.A. purchased 21,265 shares in "Annacond Enterprises" Sp. z o.o. with its registered office in Warsaw, with the nominal value of PLN 500 per share, constituting 61 per cent of the share capital of the company.
- In relation to the change in the profile of business conducted by Energetyka Poznanska Biuro Usług Technicznych S.A. and commencement of rendering services within customer service for ENEA S.A. the name of the company was also changed to a new name: ENEA Centrum S.A. In connection with commencement by the Company of rendering new services with 1 August 2011 the Company took over part of the present employees of ENEA S.A. The transfer of employees of ENEA S.A. constitutes the end of I stage of the project the objective of which is improvement in the effectiveness of actions of the whole organisation and adjusting of the Group's structure to the world's standards on the electricity market. The intention of the project is implementation of a uniform system of customer service of the clients of the ENEA Group. It will allow for concentration of service competences in the Company, specialisation within this field and responsibility for service quality and customer satisfaction.
- Moreover, in one of the subsidiaries of Elektrownia "Kozienice" S.A. (Elko), i.e. Elko Trading Sp. z o.o., during Q3 2011 the share capital was increased from the amount of PLN 13,500,000 by PLN 86,500,000 to the amount of PLN 100,000,000 through creation of 86,500 new shares of the nominal value of PLN 1,000 each, which were fully held by Elko and paid up in cash. The aforementioned increase in the share capital of the Company is expedient for financial security of the core business of Elko Trading Sp. z o.o., in relation to its planned launching from 1 August 2011. The increase in the share capital is pending registration in the National Court Register.

### I.2. Description of capital investments within the Group

On 26 July 2011 the Extraordinary General Meeting of Shareholders of EP PUE Energobud Leszno Sp z o. o. adopted a resolution on increasing of the share capital of the company by PLN 1,151,000.000, from PLN 7,634,000.000, to PLN 8,785,000.000, in return for a non-cash contribution in the form of the right of perpetual usufruct of the property located in Zielona Gora and the ownership right to buildings



erected on it, constructions constituting a separate from land object of ownership, comprised by the property and fixed assets not being parts of the said property in the form of a central heating boiler and a building lift. Holding of the shares by ENEA S.A. in the increased share capital of EP PUE Energobud Leszno Sp. z o.o. and transfer of the right of perpetual usufruct of the property concerning the contribution in kind was made on 3 August 2011. On 15 September 2011 the registration of the increased share capital of EP PUE EnergobudLeszno Sp. z o.o. was made in the National Court Register. Acquiring by the company of the said properties will enable extension of its administrative and technical facilities in Zielona Gora.

On 12 September 2011 the Extraordinary General Meeting of Shareholders of ENEOS Sp. z o. o. adopted a resolution on increasing of the share capital of the company by PLN 11,900,000.000 (from PLN 20,189,500.000 to PLN 32,089,500.000), in return for a non-cash contribution (contribution in kind) of the organised part of the enterprise, in the meaning of Art. 55<sup>1</sup> of the Civil Code, under the name of "Street lighting of Poznan", comprised of tangible and intangible assets, i.e. constructions – the structure of fixed assets and operating documentation, archives, property insurance, financial separation of the object of contribution in kind; economic contracts – including the regulation forusing of the infrastructure of Enea Operator Sp. z o.o., settlements by title of modernisation of lighting installation and collisions. The organised part of the enterprise constitutes a separate, both financially and organisationally, set of assets able if needed to individually play the role for which it is designated, and as organised and separated assets, is adjusted to play specific economic roles within satisfying in the city of public needs within lighting. On 13 September 2011 ENEA S.A. acquired the shares in the increased share capital of ENEOS Sp. z o.o. and the organised part of the enterprise was transferred in the meaning of Art. 55<sup>1</sup> of the Civil Code from ENEA S.A. to ENEOS Sp. z o.o. On 13 October 2011 the increased share capital of ENEOS Sp. z o.o. was registered in the National Court Register.

On 20 September 2011 the Extraordinary General Meeting of BHU S.A. adopted a resolution on increasing of the share capital of the Company by PLN 165,600 from PLN 16,375,100 to PLN 16,540,700 through emission of 1,656 L series shares of the nominal value of PLN 100, in return for a non-cash contribution in the form of right of perpetual usufruct of the property with investments, marked geodetically as plot of land with the number of 239/3, with the area of 1,387 m<sup>2</sup>, located in Troszczyn, district if Opalenica, with the total value of PLN 165,600, depriving in its entirety the existing shareholders of preventive rights. Execution of the agreement for acquisition of L series shares and the agreement on transfer of the right of perpetual usufruct of the aforementioned property is planned till 30 November 2011. Transfer of the property to the Company aims at, among others, organising of the asset situation in the ENEA Capital Group.

On 15 February 2011 an Extraordinary General Meeting of Shareholders took place during which the share capital of Hotel EDISON Sp. z o.o. was increased by PLN 35,000, i.e. to the amount of PLN 21,271,500 through emission of 70 new shares of the nominal value of PLN 500 each. The shares in the increased share capital of Hotel EDISON Sp. z o.o. were acquired in full by the only existing shareholder - ENEA S.A. and paid up in full with cash contribution. The registration of the increase in the share capital in the National Court Register was made on 28 July 2011.



## II Description of the ENEA Capital Group's operations

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

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

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

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

### Generation

#### Elektrownia "Koźienice" S.A.

The largest in the Group producer of electricity is Elektrownia "Koźienice" S.A. (further on "Koźienice Power Plant"), which joined the Group in October 2007. It is Poland's largest coal-fired power plant. It comprises 10 high-performance, updated power blocks with a total generating capacity of 2,905 MW. The power plant emits low levels of carbon dioxide (in 2010 the emission level was at 880 kg/MW, with 877 kg/MWh in Q3 2011) and has one of the lowest levels of coal consumption per MWh of generated electricity, reported at 0.405 Mg/MWh for Q3 2011. In Q3 2011 Koźienice Power Plant had an overall gross efficiency of 38.4 per cent.

The volume of electricity generated by Koźienice Power Plant during 2010-2011 in gross MWh split into particular quarters is presented in the table below:



<b>Electricity generated by Kozenice Power Plant [gross MWh]</b>		
period	2010	2011
Q1	2,995,473.700	2,844,850.500
Q2	2,914,317.700	2,976,352.000
Q3	3,247,671.500	3,005,475.900

In Q3 2011 Kozenice Power Plant generated gross electricity of 3,005,475.900 MWh. It is a small decrease compared to the same period last year when the Power Plant generated gross electricity of 3,247,671.500 MWh. A lower production in Q3 2011 is a result of increased volume of commercial transactions of electricity sales within trade in electricity compared to the analogical period of 2010.

In January 2008, Kozenice Power Plant also began to generate power from renewable sources by co-firing biomass with conventional fuels (hard coal). In Q3 Kozenice Power Plant acknowledged 78,917 MWh worth of energy certificates of origin from renewable sources. For comparison, in Q3 2010 Kozenice Power Plant acknowledged 91,079 MWh worth of energy certificates of origin. When comparing the corresponding periods of Q3 a decrease by 13.35 per cent was noted in the amount of renewable energy produced. However, cumulatively in the period of January-September 2011 an increase in the number of certificates of origin was reported in comparison to the same period of 2010.

The Company intends to consistently increase the share of biomass in fuel, which, in terms of generated power, is to amount to 2.1 per cent in 2015 (it is currently at 1.5 per cent) in accordance with the cost lowering plan.

In Q3 2011 Kozenice Power Plant purchased 44,871.000 tonnes of biomass for generation of renewable energy. As at the below listed periods of 2010-2011 the purchase of biomass is as follows:

<b>Purchase of biomass by Kozenice Power Plant ['000 tonnes]</b>		
period	2010	2011
Q1	18,521	47,989
Q2	47,406	56,557
Q3	51,262	44,871

Generation of electricity from renewable energy sources is enabled through the installation for co-firing of solid biomass. The completion of construction of installation for co-firing of liquid biomass is planned for 2011. Yet, its operation and firing of technical glycerin will be possible after the Power Plant receives relevant formal and legal decision, which in turn is connected with amendment of the Waste Act aiming at transposition of the Directive No. 2008/98 on wastes into the Polish law.

In Q3 2011 44,094 Mg biomass was used for firing. Such an amount of fired biomass results in "avoidance of emissions" of carbon dioxide in the amount of 71,317 Mg.



<b>Volume of biomass fired by Kozenice Power Plant [Mg]</b>		
period	2010	2011
Q1	18,260	47,503
Q2	47,676	57,002
Q3	51,340	44,094

Thanks to performed modernisation of low-pressure part of turbines on 200 MW and 500 MW blocks and of high-pressure part of turbines on 500 MW blocks the unit consumption of coal was effectively limited, and therefore CO<sub>2</sub> emissions to the atmosphere was reduced.

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

<b>Energy from RES Green certificates [MWh]</b>		
period	2010	2011
Q1	32,358.190	85,762.850
Q2	89,270.247	103,137.678
Q3	91,079.415	78,917.129
<b>Energy from cogeneration Red certificates [MWh]</b>		
period	2010	2011
Q1	32,645.480	25,022.906
Q2	6,105.888	10,288.000
A3	7,157.417	5,212.000



## Environmental protection

Emission [Mg]						
Pollution	Q1 2010	Q2 2010	Q3 2010	Q1 2011	Q2 2011	Q3 2011
DUST	275	231	269	245	279	251
SO <sub>2</sub>	8,935	8,387	9,056	8,135	6,560	7,822
NO <sub>x</sub>	5,844	4,875	5,572	4,964	5,089	5,249
CO	319	301	395	244	231	271
CO <sub>2</sub>	2,275,923	2,604,924	2,954,209	2,541,220	2,697,511	2,708,387

### Elektrownie Wodne Sp. z o.o.

Elektrownie Wodne Sp. z o.o. (further on "Elektrownie Wodne") also generates electricity from renewable sources. Within the company's operation there are twenty one hydroelectric plants functioning, a wind farm and a biogas power station.

The quantity of electricity generated by 21 hydroelectric power plants, introduced into the grid and green certificates obtained therefore in Q3 2010-2011, are as follows:

Energy from RES for which Elektrownie Wodne receive green certificates of energy origin [MWh]		
period	2010	2011
Q1	35,597.833	54,598.828
Q2	38,755.730	36,672,164
Q3	33,119.587	33,866,147
Energy introduced into the grid [MWh]		
period	2010	2011
Q1	35,105.623	53,708.701
Q2	38,318.564	36,304.739
Q3	32,657.884	33,391.702



Currently, Elektrownie Wodne is pursuing the activity of wind farm development. In the area of wind power generation, the 15 MW project is being developed within which land has been protected, changes have been made to the local zoning plan for the district, which allow for the wind farm to be erected in the wind turbine area, together with internal facilities, and terms of connection to the power supply grid have been achieved. Gaining decision on the environmental conditions for the realisation of the undertaking is planned for Q1 2012 and commencement of the construction for Q3 2012.

Pursuant to the Resolution of the General Meeting of Shareholders approving the adjustment of the Plan of Works and Expenditures for 2010-2012, Elektrownie Wodne withdrew from realisation of the project which have not had approved changes in the local zoning plan within statutory timeline allowing for supplementing of the application with connection to the grid. Apart from the developed 15 MW project and a potential project of anticipated capacity of 30 MW, the company searches for projects of wind farms which may be purchased at the stage of building permit or occupancy permit.

Within the aforementioned scope the purchase was finalised of a functional wind power plant with 6 MW capacity, located in the Pomorskie Province (wind farm in Darzyno). Non-bidding final offers of purchase were also made for wind farms with the total capacity of 84 MW possessing valid building permits and anticipated for realisation during 2011-12, among which under final negotiations there is a 10 MW project. A letter of intent was also signed guarantying negotiation exclusivity for purchase of 2 special purpose vehicles holding exclusive rights for development of a 98.9 MW wind farm (preliminary 102 MW). At present works are in progress connected with full due diligence of the said special purpose vehicles and their appraisal.

Moreover, in order to increase generating capacities of the company, a construction was finalised of a small hydroelectric plant in Oborniki Wielkopolskie on the Welna River. The estimated annual volume of production of energy generated in the power plant in Oborniki Wielkopolskie is 1,440 MWh.

As part of investing into renewable energy resources, in 2010, ENEA S.A. purchased a newly-erected biogas power plant located in Liszkowo, in the Rojewo district of the Kujawsko-Pomorskie Province, with a capacity of 2.1 MW. The plant is innovative on a national scale, is advanced technologically and serves as a low-energy biomass by-product treatment facility (primarily wet distillery by-products). More information on this subject was provided in previous interim reports. Liszkowo biogas power plant, as the first and experimental object of this type in Poland is still under the stage of gathering experiences and analyses concerning how to optimally use this type of installations.

Below, please find production volumes and the quantity of certificates of origin for Liszkowo biogas power plant for Q1-Q3 2010-2011:

<b>Volume of power generated and quantity of certificates of origin [MWh]</b>		
period	2010	2011
Q1	1,878.640	2,686.912
Q2	2,208.104	1,776.040
Q3	1,582.072	1,539.160





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

<b>Energy generated by Darzyno Wind Farm for which Elektrownie Wodne received green certificates of energy origin [MWh]</b>	
period	2011
Q1	-----
Q2	3,614.483
Q3	3,593.365
<b>Energy introduced into the grid [MWh]</b>	
period	2011
Q1	-----
Q2	3,614.483
Q3	3,577.583

#### **Elektrociepłownia Białystok S.A.**

The basic units of electricity and heat generation in Elektrociepłownia Białystok are three heat units of the total heat capacity of 505.2 MWt and heat generating capacity of 165.7 MWe. Additionally the technological system possess, as a top heat source, a water boiler with heat capacity of 81.5 MWt. Generating capacities of the heat and power plant in 75 per cent cover the annual demand for heat by the Białystok agglomeration. The remaining 25 per cent of energy is produced in Ciepłownia Zachod owned by Miejskie Przedsiębiorstwa Energetyki Ciepłej w Białymstoku (MPEC) (Municipal Heat Supply Company in Białystok).

#### **Heat generation and sales**

The owner of the municipal heating system and the key customer of the CHP within receipts 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 usable hot water and process steam for hospitals and industrial plants. The share of generation of process steam in production of heat energy amounts to in total ca. 13 per cent annually. Beyond heating season the heat and power plant generates heat only for the needs of usable hot water and process steam with the cumulative heating of ca. 50 MWt.



Generation of heat [GJ]						
period	Q1 2010	Q2 2010	Q3 2010	Q1 2011	Q2 2011	Q3 2011
Water	1,479,568.669	515,382.800	411,133.349	1,354,741.451	511,361.617	358,677.566
Steam	133,252.128	84,353.472	79,482.027	131,581.980	81,696.420	72,714.664

### Generation and sales of electricity

The process of production of electricity in Elektrociepłownia Białystok S.A. is performed in cogeneration. Combined generation of heat and electric energy is a technological process in which chemical energy of a fuel for heat production and electricity are used at the same time. Application of such a technology brings energetic, economic and ecological benefits. It constitutes the most efficient method of generation of heat and electric energy. Additionally there is a possibility of generation of electricity using the 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.

Generation of electricity [MWh]		
period	2010	2011
Q1	165,568.177	187,413.378
Q2	74,262.147	101,868.669
Q3	72,550.252	103,803.962
Sale of electricity from own production [MWh]		
period	2010	2011
Q1	140,893.323	162,924.271
Q2	62,280.833	87,396.465
Q3	60,059.679	89,281.989

Apart from trade in electricity in the wholesale market Elektrociepłownia Białystok S.A. conducts also sales of electricity to end users (direct sales). Delivery of electricity is conducted through direct cable lines belonging to recipients. Recipients in this sector of sales are companies and industrial plants located in direct vicinity of Elektrociepłownia Białystok S.A. Direct sale is conducted at the level of 0.4 and 15 kV pressures. In case of 0.4 kV recipients the receipt takes place from the auxiliaries switchgear, and in case of 15 kV recipients the receipts takes place from 15 kV switchgear dedicated specially for the Leeds of such sales and powered from two three-winding transformers 110/15/6.



	July [kWh]	August [kWh]	September [kWh]	Q3 2010 [kWh]
<b>0,4 kV sales</b>	65,020	76,656	60,413	202,089
<b>15 kV sales</b>	2,431,610	2,634,815	2,975,377	8,041,802
<b>Total</b>	2,496,630	2,711,471	3,035,790	8,243,891
	July [kWh]	August [kWh]	September [kWh]	Q3 2011 [kWh]
<b>0,4 kV sales</b>	75,208	68,735	65,287	209,230
<b>15 kV sales</b>	2,227,380	2,647,150	2,854,918	7,729,448
<b>Total</b>	2,302,588	2,715,885	2,920,205	7,938,678

#### Property rights from RES and CHP

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

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

Electric energy generated in RES generating unit [MWh]*		
period	2010	2011
Q1	39,837.255	48,006.903
Q2	15,841.620	44,530.163
Q3	9,037.287	52,236.213



Electric energy generated in CHP generating unit [MWh]**		
period	2010	2011
Q1	165,568.177	187,413.378
Q2	74,262.147	101,868.669
Q3	72,550.252	103,803.962

\*volume of electricity for which the Company is entitled to apply for property rights resulting from certificates of origin- colloquially "green certificates"

\*\*volume of electricity for which the Company is entitled to apply for property rights resulting from certificates of origin from cogeneration- colloquially "red certificates"

### Other sources

In addition, within the works connected with the achievement of energy from renewable sources and in cogeneration in MEC Pila (a company belonging to the ENEA Capital Group) the following project was performed – "Construction of the Biomass Cogeneration Unit in ORC technology on the Regional Boiler House KR-Koszyce in Pila". At present the procedure of selection of a contractor who will construct the Cogeneration Unit is in progress. The investment is to be co-financed from the European Union from the funds of the Cohesion Fund within 9.1 action - Highly efficient energy production, priority IX - Environment-friendly energy infrastructure and energy efficiency, of the Infrastructure and Environment 2007-2013 Operational Programme. ORC turbo generator with the heating power of 7.95 MWt and electric power of 1.67 MWe, powered with the biomass fired boiler (wood chips) will generate electricity and heat energy from renewable sources, in combination being compliant with the requirements for a highly efficient cogeneration. The anticipated date of completion of the unit construction, being another source for achievement of energy certificates of origin in the ENEA Capital Group, is the end of 2013.

On 11 May 2011 ENEA S.A. purchased Dobitt Energia Sp. z o.o. company located in the Dolnoslaskie Province. The company holds the construction project for a biogas power plant (agricultural) with the electric power of 1.6 MW, and a final building permit. The construction of the biogas power plant was commenced in June 2011. After completion of ground works concrete works were commenced connected with performance of fermenting tank and post-fermenting tank.

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

### Distribution

Within the Group, the distribution of electricity is the responsibility of ENEA Operator Sp. z o.o. ("ENEA Operator"), which acts as the operator of the electricity distribution system, and which was appointed on 30 June 2007 with decision of the President of ERO. The Company distributes energy based on a licence granted by the regulator on 28 June 2007.

Pursuant to the Energy Law, ENEA Operator as an operator of the distribution system is responsible for:

- conducting grid traffic of the distribution network,

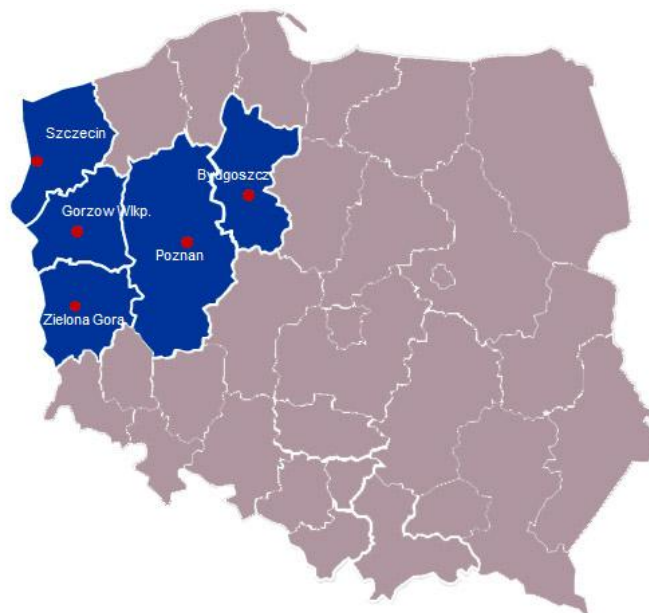


- use, maintenance and repairs of the distribution network ensuring its reliable operation,
- ensuring extension of the distribution network and planning of the network development, including connecting renewable energy sources,
- system balancing,
- management of flows of electricity in the distribution network,
- purchase of electricity for the needs of coverage of loss occurring in the distribution network.

ENEA Operator provides electricity to over 2,300,000 customers in eastern and northwestern area of Poland. ENEA Operator's distribution network covers an area of approximately 20 per cent of the country, including over 109 thousand km of power lines (over 127 thousand with connections). In addition the Company possess 34,804 transmission stations of the total capacity of 14,035 MVA (the information is valid as at 31 December 2010 - ENEA Operator elaborates it annually as reports for the needs of Agencja Rynku Energii (Energy Market Agency)).

The Company operates on the area of 58,213 km<sup>2</sup> in 5 provinces: Wielkopolskie, Zachodnio-pomorskie, Lubuskie, Kujawsko-pomorskie and in small part Dolnoslaskie.

Because of its size the Company operates within the extended field structure – the seats of five Branches are located in Poznan, Bydgoszcz, Gorzow Wielkopolski, Szczecin and Zielona Gora.



## Trading

In Q3 2011 within our Capital Group the sale of electricity to retail users was substantially attributed to ENEA S.A. The total sales within trading in energy amounted to 3,675.3 GWh, including sales to retail users amounting to 3,486.3 GWh. The number of end users as at 30 September 2011 amounted to about 2.4 million individual users business users.

Based on the permit given by the Extraordinary General Meeting of Shareholders of ENEA S.A. of 29 June 2011, of which the Company informed in the current report No. 19/2011, with 1 August 2011 ENEA CG underwent reorganisation within the ENEA CG, in result of which competences within wholesale trade were transferred to the special purpose vehicle - Elko Trading Sp. z o. o. The Company is responsible for purchases of electricity and property rights for the portfolio of ENEA S.A.'s customers.



ENEA S.A., due to a small amount of local generation on the areas of ENEA Operator covers the demand for electric energy of its customers almost in full on the energy wholesale market. In Q3 2011 a substantial majority of the wholesale purchase of electricity were transactions concluded on the Polish Power Exchange and settled by the Warsaw Commodity Clearing House (Izba Rozliczeniowa Gield Towarowych S.A.) (IRGiT S.A.). Such a direction of sales is a consequence of increase of turnover on the stock exchange market as a result of changes imposing an obligation resulting from Art. 49a of the Energy Law Act 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.

In Q3 2011 Kozenice Power Plant sold the electricity generated by its entities on the Polish Power Exchange, which constituted 93 per cent of the sold production. In Q3 2011 the total sale of Kozenice Power Plant within the trading and generating of energy amounted to 3,268.4 GWh, including the sales to retail users 0.2 GWh, and sales within the possessed licence for trading in energy 208.9 GWh.

#### **Purchase and sale of energy by ENEA S.A.**

In Q3 2011, a significant part of the electricity sold by ENEA S.A. constituted electricity purchased on the Polish Power Exchange and from Elko Trading Sp. z o.o. ENEA S.A. purchased the remainder on the basis of bilateral agreements (with producers, trading companies, and on trading platforms).

#### **Sale of energy by Kozenice Power Palnt**

From 9 August 2010 Kozenice Power Plant is obliged to sell at least 15 per cent of the generated electricity on the Power Exchange - to which it is obliged by title of Art. 49a item 1 Energy Law. Within realisation of the obligation sales of generated electric energy on the Polish Power Exchange during 1 January 2011 to 30 September 2011 constituted around 93.2 per cent of all the concluded contracts. Cumulatively, the value of the net electric energy sold by Kozenice Power Plant on the Polish Power Exchange from 6 May 2010 to 30 September 2011 amounted to PLN 4,609 mln.

### **III Position of the Management Board in relation to the possibility of achieving previously published forecasts of the results for a given year**

The management board of ENEA S.A. has not published any financial forecasts for 2011.



## IV Shareholders holding five per cent or more of the votes at the General Meeting of Shareholders of ENEA S.A.

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

No.	Shareholder	State as at 29 August 2011*		State as at 14 November 2011**	
		Number of shares/votes during GM	Share in the share capital/share in total number of shares	Number of shares/votes during GM	Share in the share capital/share in total number of shares
1	State Treasury	228,465,151	51.75%	228,249,539	51.71%
2	Vattenfall AB	82,395,573	18.67%	82,395,573	18.67%
3	The others	130,581,854	29.58%	130,797,466	29.62%
Total		441,442,578	100%	441,442,578	100.00%

\*date of publication of the extended consolidated report for H1 2011

\*\*date of publication of the extended consolidated report for Q3 2011

Pursuant to the information delivered by Dom Inwestycyjny BRE Banku S.A. (DI BRE), the entity maintaining the Share Register on behalf of ENEA S.A., the difference between the numbers of shares held by the State Treasury in the period from 29 August 2011 and 14 November 2011 was connected with the specification of servicing heirs.

The process of servicing heirs assumes that first they should conclude the agreement with the State Treasury – then the State Treasury ceases to be the owner of registered shares being the subject of the agreement. Yet, the State Treasury remains a shareholder entered into the Share Register of the Company – removal is performed after filing of a relevant request by the purchaser and fulfilling of conditions specified in the Commercial Companies Code.

Documents connected with purchase of shares are returned to DI BRE and then the heir may again file a request for making of an entry in the Share Register (revealing of the heir as a shareholder of the Company with a simultaneous removal of the State Treasury as a shareholder from these shares). After that there is a period of time for notifying the State Treasury of the fact that it will be crossed out and waiting for at least 2 weeks that pursuant to the Commercial Companies Code are granted for filing objections.



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

Name	Position	Number of held shares of Enea S.A. as at 30 September 2011
Tadeusz Dachowski	Member of the Supervisory Board	4.440
Mieczysław Pluciński	Member of the Supervisory Board	4.140
Maksymilian Górniak	Board Member for Commercial Issues	3.740

Since the publication of the last periodic report the state of shareholding of the aforementioned people has not changed.

As at the day of submitting of this periodic report the remaining managing or supervising people do not hold any shares of ENEA S.A.

As at the day of submitting of this periodic report the remaining managing or supervising people do not hold any shares of subsidiaries of ENEA S.A.

## VI Proceedings underway before courts, bodies appropriate for arbitration proceedings or public administration bodies:

### a. proceedings related to the Issuer's or its subsidiary's payables or debts;

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

### b. two or more proceedings regarding payables and debt, whose total value corresponds to 10 per cent or more of the Issuer's equity;

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

A description of pending proceedings other than those referred to above, to which ENEA S.A. or its Group companies are a party, is set out in Note 28.2-4 to the consolidated quarterly financial statement (page 36 hereof).





## VII Information on the conclusion by the Issuer of transactions with affiliated companies

In Q3 2011, the entities comprising the ENEA Capital Group did not conclude any significant transactions under non-market conditions with any affiliated companies.

A description of other transactions concluded by the Issuer or its subsidiary with affiliated companies is set out in Note 24 to the consolidated quarterly financial statements (page 31 hereof).

## VIII Information regarding the Issuer or its subsidiaries granting credit or loan suretyships or guarantees

During the reporting period, neither ENEA S.A. nor any of its subsidiaries granted credit or loan suretyships or guarantees - jointly to a single entity or a subsidiary of that entity, where the total value was equivalent to 10 per cent or more of the Company's equity.

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

### Presentation of the financial situation of ENEA Capital Group

#### IX. 1. Discussion of key economic and financial figures disclosed in the financial statement for the period of 9 months of 2011.

#### Financial results

##### Consolidated Profit and Loss Statement

Profit and loss statement in PLN '000	2010 – 9 months	2011– 9 months	Change	Difference
Net sales revenues	5,827,752	7,167,950	123.0%	1,340,198
Cost of sales	5,200,662	6,489,544	124.8%	1,288,882
Other operating revenue	49,023	191,124	389.9%	142,101



Profit/(Loss) on sales and liquidation of tangible fixed assets	-3,333	47	-1.4%	3,380
Tangible and intangible impairment write-off	0	5,634	x	5,634
Other operating expenses	62,077	89,020	143.4%	26,943
<b>Operating profit (loss)</b>	<b>610,703</b>	<b>774,923</b>	<b>126.9%</b>	<b>164,220</b>
Financial expenses	24,129	29,713	123.1%	5,584
Financial revenue	113,261	143,914	127.1%	30,653
Revenues from dividend	640	1,438	224.7%	798
Share in (losses)/profits of affiliated entities accounted for using the equity method	-7,097	3,381	-47.6%	10,478
<b>Profit (loss) before tax</b>	<b>693,378</b>	<b>893,943</b>	<b>128.9%</b>	<b>200,565</b>
Income tax	146,369	173,188	118.3%	26,819
<b>Net profit (loss) for the reporting period</b>	<b>547,009</b>	<b>720,755</b>	<b>131.8%</b>	<b>173,746</b>
EBITDA	1,101,035	1,294,505	117.6%	193,470

The Group's net revenues from sales in the reporting period amounted to PLN 7,167,950,000, which in relation to 9 months of 2010 constituted growth by PLN 1,340,198,000, i.e. by 23 per cent.

The breakdown below shows the value and structure of revenues on sales achieved in the period of 9 months of 2011.

Item	9 months 2010		9 months 2011		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Revenues from the sale of electricity	3,717,990	63.80	4,845,819	67.6	130.3%	1,127,829
Revenues from the sale of distribution services	1,879,374	32.25	1,951,436	27.2	103.8%	72,062
Revenues from the sale of goods and materials	85,977	1.48	83,087	1.2	96.6%	-2,890
Revenues from the sale of other services	93,018	1.60	221,109	3.1	237.7%	128,091
Revenues from certificates of origin	0	0.00	9,084	0.1	x	9,084



Recovery of stranded costs	15,580	0.27	2,472	0.0	15.9%	-13,108
Revenues from the sale of heat energy	35,813	0.61	54,943	0.8	153.4%	19,130
<b>Total net revenues</b>	<b>5,827,752</b>	<b>100,00</b>	<b>7,167,950</b>	<b>100.0</b>	<b>123.0%</b>	<b>1,340,198</b>

The Group's revenues mainly consist of revenues from sales of electricity and from sales of distribution services, which amount to 67.6 per cent and 27.2 per cent of total net sales revenues, respectively.

Revenues from the sale of electricity in 9 months of 2011 amounted to PLN 4,845,819,000 and rose in relation to the first half of the previous year by 30.3 per cent. This stems mainly from an increase in the sale of electricity by Kozenice Power Plant by PLN 1,232,820,000 (increase of sold electricity realised by Kozenice Power Plant by 832 GWh with an increase of the average price by 3.1 per cent). At the same time sales of electricity by ENEA S.A. to end users declined by PLN 111,582,000, which resulted mainly from the lower volume of electricity sold by 643 GWh, with an average increase in price by 2.0 per cent. In addition, revenues from the sales of electricity to other entities declined by PLN 50,749,000, which stemmed mainly from lower volumes of electricity sold by 282 GWh.

Revenues from the sale of distribution services in 9 months of 2011 amounted to PLN 1,951,436,000 and were higher than in the same period of the preceding year by 72,062,000. The increase of those revenues was mainly caused by an increase in the amount of electricity supplied to end users by 183 GWh with a simultaneous increase in the average sale price of distribution services by 1.6 per cent;

The growth in revenues from sales of other services by PLN 128,091,000 stems from realisation in the given period of sales of free allowances for CO<sub>2</sub> emissions in Kozenice Power Plant in the amount of PLN 115,145,000. Additionally, the increase in the value of this item of revenues stems from an increase in revenues under this item in the companies: Energobud Leszno and Energomiar.

Revenues from the sale of heat energy in the period of 9 months of 2011 amounted to PLN 54,943,000 and amounted to 0.8 per cent of sales revenues. The increase of these revenues by PLN 19,130,000 was caused mainly by the purchase on 1 June 2011 of EC Bialystok and its inclusion in the financial statement as a subsidiary of ENEA S.A. (so far an affiliate).

Revenues from the sale of certificates of origin amounted to in the period of 9 months of 2011 PLN 9,084,000 and constitute revenues realised by EC Bialystok.

Lowering of revenues from sales of goods and materials by PLN 2,890,000 was mainly impacted by lower sales realized by IT Serwis, simultaneously the sale of goods and materials in Companies: BHU and Auto-Styl.

During 9 months of 2011 the total costs of sales amounted to PLN 6,489,544,000 and increased by 24.8 per cent in relation to the previous year.

The breakdown below shows the value and structure of the costs of revenues from sales achieved during 9 months of 2011.

Item	9 months 2010		9 months 2011		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Amortisation/depreciation	490,332	9.4	519,582	8.0	106.0%	29,250



Employee benefit costs	669,023	12.9	700,978	10.8	104.8%	31,955
Consumption of materials and raw materials and value of goods sold	1,151,159	22.1	1,216,384	18.7	105.7%	65,225
Energy purchases for sales needs	1,971,696	37.9	3,076,239	47.4	156.0%	1,104,543
Transmission services	517,207	9.9	534,693	8.2	103.4%	17,486
Other external services	263,501	5.1	287,923	4.4	109.3%	24,422
Taxes and charges	137,744	2.6	153,745	2.4	111.6%	16,001
<b>Total cost of revenues from sales</b>	<b>5,200,662</b>	<b>100.0</b>	<b>6,489,544</b>	<b>100.0</b>	<b>124.8%</b>	<b>1,288,882</b>

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 47.4 per cent and 18.7 per cent of the costs of revenues from sales.

- The purchase of energy for sales needs amounted in the reporting period to PLN 3,076,239,000 and rose in relation to the same period of the previous year by 56.0 per cent, and this was mainly caused by an increase in the volume of electricity purchases on the external market. The drop in sales of electricity by Koźienice Power Plant to ENEA S.A. results from the change in the regulations of the Energy Law concerning sales of electricity by power plants possessing settlements by title of stranded costs. Complaint with these regulations entities generating electricity are obliged to sell electricity in the public mode from 9 August 2010. It should also be noted that the average price of purchase of electricity increased by 5.4 per cent in relation to the comparative period of 2010.
- The cost of use of materials, raw materials and the value of goods sold in the reporting period amounted to PLN 1,216,384,000 and increased in relation to the analogical period of the previous year by PLN 65,225,000, which mainly stems from the inclusion in the item of these costs of value of consumption of materials demonstrated in the amount of PLN 39,263,000 by Elektrociepłownia Białystok and from increase of this item in Koźienice Power Plant, where the increase in the use of biomass by PLN 18,032,000 (average costs of biomass with transport by 6 per cent) and increase of cost of other materials (by PLN 48,620,000), which follows from mainly higher costs of allowances for emissions of CO<sub>2</sub>. At the same time, a decrease by PLN 40,344,000 in the costs of the use of coal was noted in result of lower production of electrical energy.
- The costs of transmission services in the period of 9 months of 2011 amounted to PLN 534,693,000 and are higher in relation to the previous year by PLN 17,486,000 which was influenced by the increase in the contracted power in the nodes in LV grid, increase in transmission prices and rates for fixed and variable fee in the Tariff for 2011 in relation to the Tariff for 2010 and increase in prices for purchase of energy for loss (decisive in relation to a fee for the Distribution System Operator).
- Employee benefit costs in the period of 9 months of 2011 amounted to PLN 700,978,000 and increased in relation to the previous year by PLN 31,955,000, which mainly stems from creation of reserves for Programme of Voluntary Redundancy in the amount of PLN 19,500,000 and reserves for awards from profit for the team in the amount of PLN 6,658,000 and inclusion of EC Białystok's costs in the amount of PLN 6,854,000. At the same time, in the period under review the provisions for employee benefits were diminished by PLN 24,084,000 (mainly the reserve by title of energetic equivalents and for anniversary provisions). Simultaneously, in the period under review, the growth was noted of average wages by 4.5 per cent with a simultaneous increase in average employment from 10,236.49 full-time equivalents in the period of 9 months of 2010 to 10,253.78 full-time equivalents in the period of 9 months of 2011.



- Costs of external services in the period of 9 months of 2011 amounted to PLN 287,923,000 and increased in relation to the previous year by PLN 24,422,000, which mainly stems from incurring higher marketing costs, higher costs of counselling services and higher costs of repairs and inspections.
- The costs of taxes and charges in the period of 9 months of 2011 amounted to PLN 153,745,000 and increased in relation to the previous year by PLN 16,001,000, which mainly stems from incurring of costs of taxes on civil and legal acts in relation to the acquisition of EC Bialystok and Darzyno Wind Power Station, and increase in real estate taxes in relation to increasing of the grid property. Moreover, the difference was impacted by decreasing of tax costs with tax on civil-legal acts performed in the consolidated financial statement for H1 2010 concerning separation of the distribution activity which was entirely included in the consolidated statement in 2007. ENEA Operator included these costs in its reports for 2007-2010. Additionally, increase of taxes and charges results from inclusion of tax costs concerning Elektrociepłownia Bialystok in the amount of PLN 2,502,000.
- Amortisation and depreciation in the reporting period amounted to PLN 519,582,000 and was higher than in the analogical period of 2010 by PLN 29,250,000 or 6 per cent. Increase of amortization stems from the purchase on 1 June 2011 of EC Bialystok and its inclusion in the financial statement as a subsidiary of ENEA S.A. (so far an affiliate) and a consolidation correction connected with the appraisal of EC Bialystok prepared for the day of 1 June 2011 and relating to the amortization of the excess of the fair value of net assets over the book value.

In the period of 9 months of 2011, the ENEA Capital Group attained an operating profit of PLN 774,923,000, which was higher than the result attained in the previous year, by 26.9 per cent, that is, by PLN 164,220,000. This was due to increased revenues from operations by PLN 1,340,198,000, with a simultaneous increase in operational costs by PLN 1,288,882,000.

Consolidated profits before tax, i.e. after financial activities and shares in results of the affiliates had been taken into account, amounted to PLN 893,943,000 and was higher by PLN 200,565,000, that is by 28.9 per cent, relative to the previous year. This stemmed mainly from the higher operating profit generated, the increased financial results by PLN 64,098,000. The net profit generated by the Group in the period of 9 months of 2011 amounted to PLN 720,755,000 and was higher than the profit attained in the analogical period of 2010 by PLN 173,746,000, that is by 31.8 per cent.

#### Results from particular segments of activity

Segments	9 months 2010		9 months 2011		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Trade	188,548	30.9	139,197	18.0	73.8%	-49,351
Distribution	270,457	44.3	309,161	39.9	114.3%	38,704
Generation	219,101	35.9	410,497	53.0	187.4%	191,396
Other activities	25,398	4.2	23,120	3.0	91.0%	-2,278
Exclusions	-24,267	-4.0	-20,582	-2.7	84.8%	3,685
Undistributed costs (management costs)	-68,534	-11.2	-86,470	-11.2	126.2%	-17,936
<b>Operating profit/(loss)</b>	<b>610,703</b>	<b>100.0</b>	<b>774,923</b>	<b>100.0</b>	<b>126.9%</b>	<b>164,220</b>



**Decrease in results on the trade** segment stems from decrease in revenues from sales of electricity to end users, which was mainly caused by a lower volume of electricity sold by 643 GWh with a growth in the average price of sale by 2.0 per cent and the average price of purchase by 5.4 per cent. At the same time, in the period of 9 months of 2011 estimate costs of unbalancing of the electricity were included in the amount of PLN 73,342,000. The first estimate of unbalancing was included in the financial statement for 2010. Unbalancing of purchases with sales (meant as volumes resulting from invoices) in particular months is a normal situation resulting from settlements period longer than monthly on the side of sales and (for sets of tariff groups C1x and G) with settlements periods substantially not longer than 1 month on the side of purchases. From 1 January 2010 a simplified model of separation of units of ENEA and ENEA Operator was introduced which caused that only on the annual basis the balance sheet difference is the difference of sales and purchase invoices, yet on the basis of particular months it is distributed proportionally to the demanded electricity of the area of the grid of ENEA Operator. It results in unbalancing in particular months.

**Increase in results on the distribution segment** stems from an increase in sales of distribution services which was mainly caused by an increase in the volumes of electricity supplied to end users by 183 GWh and the increase in the average price of sold distribution services by 1.6 per cent.

**Increase in results on the generation segment** stems from an increase in revenues from sales of electricity mainly in the trade and an increase in revenues from achievement of certificates of origin for energy in Koziencice Power Plant. In the period of 9 months of 2011 in Elekrownie Wodne an increase of production of electricity (better hydrological conditions) and an increase in sales prices was reflected in greater revenues from sales of electricity and revenues by title of certificates of origin. At the same time starting from H1 2011 in the segment of generation financial conditions of the heat sector have been included whose result cumulatively for the period of 9 months of 2011 amounted to PLN 2,102,000.

**Decrease in results on the other activities segment** stems from inclusion of the financial results of the companies of the heat sector in the generation segment.

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

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

##### **Consolidated balance sheet**

Total assets in PLN '000	As at:		Change	Difference
	31 December 2010	30 September 2011		
<b>Fixed assets</b>	<b>8,737,868</b>	<b>9,312,844</b>	<b>106.6%</b>	<b>574,976</b>
Tangible fixed assets	8,308,650	8,841,337	106.4%	532,687
Perpetual usufruct right	29,208	70,974	243.0%	41,766
Intangible assets	145,141	308,585	212.6%	163,444
Investment properties	8,203	8,225	100.3%	22
Investments in associated entities, accounted for using the equity method	170,220	10,986	6.5%	-159,234



Available-for-sale financial assets	74,867	71,135	95.0%	-3,732
Financial assets valued at fair value by the profit and loss account	1,411	1,352	95.8%	-59
Trade and other receivables	168	250	148.8%	82
<b>Current assets</b>	<b>4,098,837</b>	<b>4,010,152</b>	<b>97.8%</b>	<b>-88,685</b>
Inventories	242,058	346,396	143.1%	104,338
Trade and other receivables	922,460	981,203	106.4%	58,743
Current income tax assets	1,819	1,001	55.0%	-818
Financial assets held-to-maturity investments	250,934	586,398	233.7%	335,464
Financial assets valued at fair value by the profit and loss account	1,781,939	1,131,717	63.5%	-650,222
Cash and cash equivalents	899,627	963,437	107.1%	63,810
<b>Total assets</b>	<b>12,836,705</b>	<b>13,322,996</b>	<b>103.8%</b>	<b>486, 291</b>
<b>Total liabilities in PLN '000</b>	<b>As at:</b>		<b>Change</b>	<b>Difference</b>
	<b>31 December 2010</b>	<b>30 September 2011</b>		
<b>Total equity</b>	<b>9,876,471</b>	<b>10,405,261</b>	<b>105.4%</b>	<b>528,790</b>
Share capital	588,018	588,018	100.0%	0
Share premium	3,632,464	3,632,464	100.0%	0
Share based payments reserve	1,144,336	1,144,336	100.0%	0
Financial instruments revaluation reserve	50,922	48,162	94.6%	-2,760
Other reserves	-22,110	-21,722	98.2%	388
Retained earnings	4,458,944	4,986,050	111.8%	527,106
Minority interest in equity	23,897	27,953	117.0%	4,056
<b>Total liabilities</b>	<b>2,960,234</b>	<b>2,917,735</b>	<b>98.6%</b>	<b>-42,499</b>
Non-current liabilities	1,373,976	1,439,179	104.7%	65,203
Current liabilities	1,586,258	1,478,556	93.2%	-107,702
<b>Total equity and liabilities</b>	<b>12,836,705</b>	<b>13,322,996</b>	<b>103.8%</b>	<b>486,291</b>



As at 30 September 2011, the balance-sheet total of the ENEA Capital Group was PLN 13,322,996,000 and increased by PLN 486,291,000, that is by 3.8 per cent relative to the situation as at 31 December 2010.

Fixed assets as at 30 September 2011 amounted to PLN 9,312,844,000 and increased in relation to the previous year by PLN 574,976,000, which mainly stems from the purchase of the shares of the Bialystok Heat and Power Plant, which on 1 June 2011 became a subsidiary of ENEA S.A. (so far an affiliate) and acquiring by Elektrownie Wodne of ENEA Centrum S.A.'s wind power stations in Darzyno.

At the end of September 2011 the current assets amounted to PLN 4,010,152,000 and decreased in relation to the state as at the end of 2010 by PLN 88,685,000 (by 2.2 per cent). In current assets there was a drop in the item of financial assets valued at fair value by the profit and loss account mainly in relation to the purchase of the shares of EC Bialystok. In addition, there was an increase in financial assets held to maturity in the Koziencice Power Plant in relation to investing of cash with the maturity term exceeding 3 months. Additionally, reserves rose in result of a higher stock of coal and a higher stock of certificates of origin for energy in EC Bialystok and receivables from trade and services, which results from the fact that Koziencice Power Plant sells the major part of energy on the Polish Power Exchange where payments are realised regularly when last year energy was sold based on agreements with deferred payments.

The dominant source of financing the assets of the Group is equity, which on 30 September 2011 amounted to PLN 10,405,261,000 and was higher than as at 31 December 2010 by PLN 528,790,000, that is by 5.4 per cent. The change is impacted by the profit gained in the period of 9 months of 2011 and the value of dividend for the shareholders.

As at 30 September 2011, the value of the Group's long-term liabilities was PLN 439,179,00 and increased by PLN 65,203,000, that is by 4.7 per cent in relation to the state as at 31 December 2010. It stems mainly from increasing of the reserve by title deferred income tax by PLN 37,259,000 and reserve for other obligations and liabilities by PLN 12,851,000. Employee benefits obligations also grew. In addition, the level of drawn credit facilities and loans increased, in relation to the loan from National Fund for Environmental Protection and Water Management for the construction of MEW Oborniki with a simultaneous repayment of part of the loan by Koziencice Power Plant.

Short-term liabilities were at the level of PLN 1,478,556,000 and decreased by PLN 107,702,000 (by 6.8 per cent) in relation to the state as at the end of the previous year, mainly in result of the drop in liabilities by title of deliveries and services, decrease of reserve or other liabilities and obligations, liabilities by title of current income tax. At the same time the liabilities from loans, employee benefits and reserve for certificates of origin grew.

## Cash

### Consolidated cash flow statement

Cash flow statement in PLN '000	As at		Change	Difference
	30 September 2010	30 September 2011		
Net cash flows from operating activities	989,579	1,048,318	105.9%	58,739
Net cash flows from investing activities	-630,462	-767,406	121.7%	-136,944
Net cash flows from financing activities	-202,637	-217,102	107.1%	-14,465





Net increase (decrease) in cash and cash equivalents	156,480	63,810	40.8%	-92,670
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1 059,023</b>	<b>963,437</b>	<b>91.0%</b>	<b>-95,586</b>

At the end of September 2011 the ENEA Capital Group's balance of cash and cash equivalents amounted to PLN 963,437,000 and were by PLN 95,586,000 lower than at the end of September 2010 (PLN 1,059,023,000).

Operating cash flows amounted to PLN 1,048,318,000 in the period of 9 months of 2011, an increase of PLN 58,739,000 relative to the comparative period of 2010 (PLN 989,579,000). The increase was mainly due to increases in financial result, stocks, decrease in settlements of income by title of subsidies and connection fees, and other reserves, higher change of liabilities by title of deliveries and services and other liabilities in comparison to changes occurring during 9 months of 2010.

Cash flows from investment activities amounted to PLN -767,406,000 in the period of 9 months of 2011, decreasing by PLN 136,944,000 in relation to the analogical period of 2010, when they amounted to PLN -630,462,000. This was mainly due to the increase in value of the acquisition of intangible assets and financial assets.

Cash flow on financial operations amounted to PLN -217,102,000 in the period of 9 months of 2011, and in the period of 9 months of 2010 PLN -202,637,000. A change in the amount of PLN -14,465,000 resulted mainly from higher expenses related to the payment of dividend for the shareholders.

### Ratio analysis.

#### Financial indicators

Item	Performance	
	2010 – 9 months	2011 – 9 months
<b>PROFITABILITY RATIOS</b>		
<b>ROE - return on equity</b>		
<i>gross profit (loss)</i>	9.5%	11.5%
<i>equity</i>		
<b>ROA - return on assets</b>		
<i>operating profit (loss)</i>	6.5%	7.8%
<i>total assets</i>		
<b>Net profitability</b>		
<i>net profit (loss)</i>	9.4%	10.1%
<i>sales revenues</i>		



<b>Operating profitability</b>		
<i>operating profit (loss)</i>	10.5%	10.8%
<i>sales revenues</i>		
<b>EBITDA</b>		
<i>operating profit (loss) + amortisation and depreciation</i>	18.9%	18.1%
<i>sales revenues</i>		
<b>LIQUIDITY AND FINANCIAL STRUCTURE RATIOS</b>		
<b>Current liquidity ratio</b>		
<i>current assets</i>	3.2	2.7
<i>current liabilities</i>		
<b>Equity-to-fixed assets ratio</b>		
<i>equity</i>	116.5%	111.7%
<i>non-current assets</i>		
<b>Total debt ratio</b>		
<i>total liabilities</i>	21.7%	21.9%
<i>total assets</i>		
<b>ECONOMIC ACTIVITY RATIOS</b>		
<b>Current receivables turnover in days</b>		
<i>avg. net trade and other receivables x number of days</i>	42	36
<i>sales revenues</i>		
<b>Turnover of trade and other payables in days</b>		
<i>average trade and other liabilities x number of days</i>	60	48
<i>cost of products, goods and materials sold</i>		
<b>Inventory turnover in days</b>		
<i>average inventory x number of days</i>	17	15
<i>cost of products, goods and materials sold</i>		



In the period of 9 months of 2011 the ENEA Capital Group achieved a positive financial result and positive profitability ratios. EBITDA amounted to 18.1 per cent and was lower than that achieved in the period of 9 months of 2010 (18.9 per cent).

Net profitability achieved by the Group in the period of 9 months of 2011 amounted to 10.1 per cent and increased by 0.7 percentage points from the level achieved in the period of 9 months of 2010.

The efficiency of the Group's operations increased as measured by the ROE and ROA business activity ratios. In the period of 9 months of 2010 ROE was 9.5 per cent and increased to 11.5 per cent in the period of 9 months of 2011, as a result of a higher pretax profit in the reporting period of 2011 than in the previous year. ROA increased from 6.5 per cent in the period of 9 months of 2010 to 7.8 per cent in the period of 9 months of 2011 as a result of a higher operating profit.

The ENEA Capital Group is able to settle its current liabilities on time, which is confirmed by the level of the current liquidity ratio, which was 2.7 in the period of 9 months of 2011. That figure is the result of the high level of current assets due to the investment of funds obtained from the 2008 issue of shares on the Warsaw Stock Exchange in financial assets.

As at 30 September 2011, the receivables turnover rate was at the lower level than in the previous year, and amounted to 36 days. Meanwhile the liabilities turnover indicator for 30 September 2011 was 48 days, and was thus 12 days shorter than in the previous year. Please note that a correct relationship was maintained between the receivables and payables turnover rates (liabilities are settled after receivables are obtained), which in turn has a beneficial effect on the Group's financial liquidity. The inventory turnover indicator in the period of 9 months of 2011 was 15 days, and was thus 2 days shorter than in the previous year.

At the end of September 2011, the total debt ratio was 21.9 per cent. The ratio of shareholders equity to fixed assets was 111.7 per cent on 30 September 2011 (and 116.5 per cent on 30 September 2010).

## IX. 2. Presentation of financial results of ENEA S.A. for 9 months of 2011 in comparison with 9 months of 2010.

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

Data in PLN '000	9 months 2010	9 months 2011	Change	Difference
Sales revenues	4,905,842	4,355,462	88.8%	-550,380
Excise tax	192,296	169,143	88.0%	-23,153
<b>Net sales revenues</b>	<b>4,713,546</b>	<b>4,186,319</b>	<b>88.8%</b>	<b>-527,227</b>
Cost of sales	4,572,386	4,116,505	90.0%	-455,881
Other operating revenue	6,504	12,527	192.6%	6,023
Other operating expenses	20,317	23,692	116.6%	3,375
Profit (loss) on sales and liquidation of tangible fixed assets	-473	123	x	596
Tangible and intangible impairment	0	5,634	x	5,634



write-off				
<b>Operating profit (loss)</b>	<b>126,874</b>	<b>53,138</b>	<b>41.9%</b>	<b>-73,736</b>
Financial revenue	88,996	98,660	110.9%	9,664
Dividend income	193,888	236,339	121.9%	42,451
Financial expenses	4,413	4,867	110.3%	454
<b>Gross profit (loss)</b>	<b>405,345</b>	<b>383,270</b>	<b>94.6%</b>	<b>-22,075</b>
<b>Income tax</b>	<b>45,684</b>	<b>31,767</b>	<b>69.5%</b>	<b>-13,917</b>
<b>Net profit (loss)</b>	<b>359,661</b>	<b>351,503</b>	<b>97.7%</b>	<b>-8,158</b>
<b>EBIDTA</b>	<b>139,915</b>	<b>65,923</b>	<b>47.1%</b>	<b>-73,992</b>

### Sales revenues

The gross revenues of ENEA S.A. from sales in the reporting period amounted to PLN 4,355,462,000, which in relation to 9 months of 2010 constituted a decrease of PLN 550,380,000 or 11.2 per cent.

The table below shows the value of sales revenues generated during the period of 9 months of 2011.

Data in PLN '000	9 months 2010	9 months 2011	Change	Difference
<b>Gross sales revenues</b>	<b>4,905,842</b>	<b>4,355,462</b>	<b>88.8%</b>	<b>-550,380</b>
including:		0		
Revenues from sales of electricity and distribution services to end users	4,479,968	4,195,957	93.7%	-284,011
including:				
Sales of electricity to end users	3,043,388	2,931,806	96.3%	-111,582
Sales of distribution services to users holding comprehensive agreements	1,436,579	1,264,150	88.0%	-172,429
Sales of electricity to cover balancing differences and own needs	230,014	0	x	-230,014
Sales of electricity to other entities	171,232	120,483	70.4%	-50,749
Sales of services	42,443	44,322	104.4%	1,879
Other revenue	-17,815	-5,300	29.8%	12,515



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

- lower revenues from the sale of electricity to end users, which constitute 67.3 per cent of all sales revenues amounted to during 9 months of 2011 PLN 2,931,806,000, a decrease of PLN 111,582,000 or 3.7 per cent, which in turn stemmed from sold electricity volumes declining by 643 GWh and a 2.0 per cent increase in the average sale price. The most significant decreases of sold electricity volumes (by 326 GWh) and average sales prices (by 0.7 per cent) were noted for customers in tariff group sets C. In tariff groups A and B the decrease in the volume was noted by 300 GWh and drop in price by 0.5 per cent, and in tariff group G the volume of sales slightly declined. The average price of sales by 8.2 per cent.
- revenues from sales of distribution services to users holding comprehensive agreements, which at the end of the period of 9 months of 2011 constituted 29.0 per cent of all sales revenues in the reporting period amounted to PLN 1,264,150,000 and were lower than in the same period of the preceding year by PLN 172,429,000 or 12.0 per cent. The level of the decrease was influenced mainly by separation of comprehensive agreements into the agreements of sale of energy and distribution services. The process stems from the increasing competition on the market which increases the commercial significance of customer service that in the case of comprehensive services is often second in place in connection with much greater problems resulting from rendering of distribution services (exceeding of capacities, quality standards, etc.). In addition, the decrease of revenues from sales results from the fact that part of users connected to the grid of ENEA Operator changed the seller, and on the other hand ENEA S.A. achieved customers from the areas of other Distribution System Operators. The decrease in the volume of distribution services within a comprehensive service is a natural process and will deepen in the future.
- revenues from the sale of electricity to cover balance differences in 2010 concerned the agreement concluded with ENEA Operator which was not signed in 2011.
- revenues from electricity sales to other entities amounted to PLN 120,483,000, a reduction of PLN 50,749,000 or 29.6 per cent in comparison with the comparative period of 2010, which stemmed mainly from a drop in the amount of electricity sold by 282 GWh with a simultaneous growth of the average price by 1.6 per cent.
- the remaining revenues are mainly influence by estimated revenues from statistic sales.

#### Costs of sales

During 9 months of 2011 ENEA S.A.'s total cost of sales amounted to PLN 4,116,505,000 and decreased by PLN 455,881,000 nor 10 per cent relative to the same period of the previous year.

The table below shows the value of the cost of sales achieved during the period of 9 months of 2011.

Data in PLN '000	9 months 2010	9 months 2011	Change	Difference
<b>Costs of sales</b>	<b>4,572,386</b>	<b>4,116,505</b>	<b>90.0%</b>	<b>-455,881</b>
including:				
Costs of electricity for resale	2,980,317	2,666,212	89.5%	-314,105
including: purchase of certificates of origin	383,767	353,471	92.1%	-30,296
value of unbalanced energy	0	73,342	x	73,342
Cost of providing distribution services for the performance of comprehensive	1,433,161	1,261,216	88.0%	-171,945



agreements for the provision of electricity and distribution services				
Depreciation and amortisation of fixed and intangible assets	13,041	12,785	98.0%	-256
Consumption of materials and energy and value of sold materials	2,685	4,116	153.3%	1,431
Other external services	96,699	123,192	127.4%	26,493
Employee benefit costs	39,177	41,371	105.6%	2,194
Taxes and charges	7,306	7,613	104.2%	307

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

- the costs of electricity for resale, which amounted to PLN 2,666,212,000, a reduction of PLN 314,105,000 or 10.5 per cent in comparison with 9 months of 2010, mainly as a result of a decrease in the volume of purchased electricity by 2,065 GWh, and in relation to a lower demand of users for electricity and lack of electricity purchases for coverage of the balance difference for ENEA Operator. Simultaneously in the reporting period there was an increase in the average electricity purchase prices by 5.4 per cent in relation to the comparative period of 2010.
- the costs of providing distribution services for the performance of comprehensive services, which amounted to PLN 1,261,216,000, and were lower by PLN 171,945,000 or 12.0 per cent than in the comparative period of 2010, which stemmed from the lower performance of sales of distribution services to users with comprehensive agreements.
- the costs of other external services amounted to PLN 123,192,000, an increase of PLN 26,493,000 or 27.4 per cent in comparison with the analogical period of the preceding year, which was caused by higher costs of marketing (by PLN 18,777,000 or 147 per cent in relation to the same period of last year) and costs of commissions for account of: ELKO Trading (PLN 2,987,000) and ENEA Centrum (PLN 2,772,000), which is a result of separation on 1 August 2011 of activity connected with wholesale trade and customer service.
- employee benefit costs in the reporting period amounted to PLN 41,371,000, an increase of PLN 2,194,000 or 5.6 per cent, which was mainly caused by increased costs of remuneration with derivatives by PLN 8,397,000. At the same time there was a drop in the reserves by title of energy equivalent by PLN 7,147,000. The average employment (in full-time equivalents) increased from 417 in during 9 months of 2010 to 496 during 9 months of 2011 which is a result of the fact that ENEA S.A. took over customer service activities from ENEA Operator together with the employees engaged in these tasks from March to 1 August 2011 (transfer of employees to ENEA Centrum). As a result the level of provisions for employee benefits increased.

### **IX. 3. Presentation of financial results of ENEA Operator for 9 months of 2011 in comparison with in comparison with 9 months of 2010.**

#### **Profit and loss statement of ENEA Operator**

<b>Data in PLN '000</b>	<b>9 months 2010</b>	<b>9 months 2011</b>	<b>Change</b>	<b>Difference</b>
Sales revenues	1,953,835	2,022,859	103.5%	69,024



Cost of sales	1,687,657	1,740,414	103.1%	52,757
Other operating revenue	28,361	70,305	247.9%	41,944
Other operating expenses	12,453	29,998	240.9%	17,545
Profit (loss) on sales and liquidation of tangible fixed assets	-2,682	-183	6.8%	2,499
<b>Operating profit (loss)</b>	<b>279,404</b>	<b>322,569</b>	<b>115.4%</b>	<b>43,165</b>
Financial revenue	8,022	5,956	74.2%	-2,066
Revenue on dividend	0	0	x	0
Financial expenses	8,194	9,044	110.4%	850
<b>Gross profit (loss)</b>	<b>279,232</b>	<b>319,481</b>	<b>114.4%</b>	<b>40,249</b>
Income tax	55,812	64,045	114.8%	8,233
<b>Net profit (loss)</b>	<b>223,420</b>	<b>255,436</b>	<b>114.3%</b>	<b>32,016</b>
<b>EBITDA</b>	<b>554,441</b>	<b>588,691</b>	<b>106.2%</b>	<b>34,250</b>

### Sales revenues

ENEA Operator's net revenues from sales in the reporting period amounted to PLN 2,022,860,000, which in relation to 9 months of 2010 constituted growth by PLN 69,025,000 or 3.5 per cent.

The table below shows the value of the cost of sales achieved during the period of 9 months of 2011.

Data in PLN '000	9 months 2010	9 months 2011	Change	Difference
<b>Sales revenues</b>	<b>1,953,835</b>	<b>2,022,860</b>	<b>103.5%</b>	<b>69,025</b>
<i>including:</i>				
Revenues from sales of electricity and distribution services to end users, including:				
<i>comprehensive agreements</i>	1,782,614	1,837,550	103.1%	54,936
<i>other agreements</i>	1,436,564	1,264,131	88.0%	-172,433
Revenues from additional fees	346,050	573,419	165.7%	227,369
Revenues from distribution services in the WO and DO settlement system	2,377	2,549	107.2%	172
Fees for customer grid connection	-1,483	-1,361	91.8%	121
	75,673	84,654	111.9%	8,982



Revenues from the illegal collection of electricity	4,858	4,957	102.0%	99
Revenues from services	73,148	75,772	103.6%	2,624
Sales of distribution services to other entities	13,831	17,215	124.5%	3,383
Sales of goods and services and other revenues	2,816	1,525	54.2%	-1,291

ENEA Operator's sales revenues increase in the reporting period in the amount of PLN 69,025,000 in relation to the same period of 2010 was mainly due to:

- growth of revenues from the sale of distribution services to end users, which constitute 90.8 per cent of all sales revenues. Revenues from sales of distribution services during 9 months of 2011 amounted to PLN 1,837,550,000, and were higher than in the same period of the preceding year by PLN 54,936,000 or 3.1 per cent. The level of those revenues was influenced mainly by the growth in the volume of supplies, by 183 GWh, with a simultaneous increase in the average sale price of 1.6 per cent.
- increase of fees for customer grid connection which during the period of 9 months of 2011 amounted to almost PLN 84,654,000 and grew in relation to the same period of 2010 by PLN 8,982,000, which stemmed from assuming to the property of higher value of connections.
- higher revenues from sales of distribution services to other entities which amounted to PLN 17,215,000 and were higher than during the period of 9 months of 2010 by PLN 3,383,000, which was mainly influenced by a greater amount of electricity given to the neighbouring Distribution Systems by 61 GWh, increase of the contracted power on the nodes of the low-voltage grid, and increase of the average sales price by 9.0 per cent.

#### Costs of sales

During the period of 9 months of 2011 ENEA Operator's total cost of sales amounted to PLN 1,740,414,000 and grew by PLN 52,757,000 or 3.1 per cent relative to the same period of the previous year.

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

Data in PLN '000	9 months 2010	9 months 2011	Change	Difference
<b>Cost of sales</b>	<b>1,687,657</b>	<b>1,740,414</b>	<b>103.1%</b>	<b>52,757</b>
<i>including:</i>				
Depreciation and amortisation of fixed and intangible assets	275,037	266,122	96.8%	-8,915
Employee benefit costs	379,686	397,484	104.7%	17,798
Consumption of materials and raw materials and value of goods sold	36,446	37,828	103.8%	1,382





Costs of purchases for resale	260,654	270,005	103.6%	9,351
Costs of transmission services	515,486	532,865	103.4%	17,379
Other external services	136,755	150,578	110.1%	13,823
Taxes and charges	83,593	85,532	102.3%	1,939

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 397,484,000 and were higher than in the comparative period of 2010 by PLN 17,798,000. The difference stems mainly from creation of a reserve for Programme of Voluntary Redundancy, increasing costs of personal remunerations by 19,500,000. At the same time, reserves for anniversary bonuses and gratuities.
- costs of transmission services higher by PLN 17,379,000 in relation to the comparative period, which was influenced by an increase of the contracted power on the nodes of the low-voltage grid, increase of the prices and rates for the fixed and variable transmission fee in the Tariff for 2011 in relation to the Tariff for 2010 and increase of the prices of energy for losses (decisive in relation payment to the Distribution System Operator).
- purchase of energy for sale in relation to 2010 grew by PLN 9,351,000, which mainly results from adjustments resulting from the rules of functioning of the Balancing Market and higher energy purchase of energy for coverage of the balance sheet difference than in 2010.
- other external services that in the reporting period grew by PLN 13,823,000 and amounted to PLN 150,578,000, which was influenced by higher costs of grid operation and higher collection, higher posting costs (change of vindication policy) and higher costs of inspections, repairs and cutting down trees under lines.
- amortisation and depreciation decreased by PLN 8,915,000 in relation to the comparative period, mainly in result of verification of amortisation and depreciation rates and lower costs of low-value fixed assets.

#### **IX. 4. Presentation of financial results of Kozenice Power Plant for 9 months of 2011 in comparison with in comparison with 9 months of 2010.**

##### **Profit and loss statement of Kozenice Power Plant**

<b>Data in PLN '000</b>	<b>9 months 2010</b>	<b>9 months 2011</b>	<b>Change</b>	<b>Difference</b>
<b>Sales revenues</b>	<b>1,815,040</b>	<b>2,156,313</b>	<b>118.8%</b>	<b>341,273</b>
Excise duty	-3,591	16	x	3,607
Net sales revenues	1,818,631	2,156,297	118.6%	337,666
Cost of sales	1,598,748	1,808,142	113.1%	209,394
Other operating revenue	10,064	22,098	219.6%	12,034
Other operating expenses	23,964	29,642	123.7%	5,678
Profit (loss) on sales and liquidation of tangible fixed assets	-597	-243	40.7%	354



<b>Operating profit (loss)</b>	<b>205,386</b>	<b>340,368</b>	<b>165.7%</b>	<b>134,982</b>
Financial revenue	12,835	25,123	195.7%	12,288
Revenue from dividend	578	1,282	221.8%	704
Financial expenses	9,634	12,144	126.1%	2,510
<b>Gross profit (loss)</b>	<b>209,165</b>	<b>354,629</b>	<b>169.5%</b>	<b>145,464</b>
Income tax	43,741	72,664	166.1%	28,923
<b>Net profit (loss)</b>	<b>165,424</b>	<b>281,965</b>	<b>170.4%</b>	<b>116,541</b>
<b>EBITDA</b>	<b>386,549</b>	<b>530,194</b>	<b>137.2%</b>	<b>143,645</b>

### Sales revenues

Kozienice Power Plant's gross revenues from sales in the reporting period amounted to PLN 2,156,313,000, which in relation to the period of 9 months of 2010 constituted an increase by PLN 341,273,000, i.e. by 18.8%.

The table below shows the value of sales revenues achieved during the period of 9 months of 2011.

Data in PLN '000	9 months 2010	9 months 2011	Change	Difference
<b>Gross sales revenues</b>	<b>1,815,040</b>	<b>2,156,313</b>	<b>118.8%</b>	<b>341,273</b>
<i>including:</i>				0
Revenues from the sale of electricity, including:	1,725,048	1,946,676	112.8%	221,627
<i>agreements with ENEA</i>	1,011,193	0	x	-1,011,193
<i>other agreements</i>	713,855	1,946,676	272.7%	1,232,820
Revenues from compensation for stranded costs	15,580	2,472	15.9%	-13,108
Revenues from the sale of certificates of origin	56,336	75,350	133.7%	19,013
Revenues from the sale of heat	4,394	4,083	92.9%	-311
Revenues from the sale of services and other revenues from sales	3,514	118,659	3376.4%	115,145
Revenues from the sale of goods and materials	10,167	9,073	89.2%	-1,094



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

- revenues from the sale of electricity, which constitute 90.3 per cent of sales revenues, amounted to in the reporting period PLN 1,946,676,000; in comparison to the same period of the preceding year, these revenues increased by PLN 221,627,000 or 12.8 per cent. From 9 August 2010 the novelised Energy Law imposes an obligation to sell electricity by Kozenice Power Plant in the public mode, in connection to that fact in 2011 no sales of energy to ENEA S.A. take place; during the period of 9 months of 2011 the volume of sales of electricity amounted to 9,719 GWh and rose in relation to the same period last year by 832 GWh (mainly within trading licences), and at the same time, the average sale price of electricity increased by 3.1 per cent. Production of electricity during 9 months of 2011 amounted to 8,827 GWh and was lower in relation to the same period of the previous year by 330 GWh, with a simultaneous increase of production from renewable sources (biomass) by 51 GWh.
- Revenues from sales of services and other revenues from sales increased by PLN 115,145,000, which stemmed from realisation in the reporting period of sales of free allowances for CO<sub>2</sub> emissions.
- revenues from sales of certificates of origin were higher by PLN 19,013,000 than in the same period of 2010, which stemmed from higher production of energy from renewable sources - combustion of biomass.
- Revenues from compensation for stranded costs amounted to in ten reporting period PLN 2,472,000 and were lower than in the same period of 2010 by 13,108,000. Compensation for stranded costs in the same period of 2010 was recognised at the level of the annual adjustment for 2009, and in the reporting period of 2011 analogically at the level of the annual adjustment for 2010.

#### Costs of sales

During the period of 9 months of 2011 total costs of sales of Kozenice Power Plant amounted to PLN 1,808,142,000 and increased by PLN 209,394,000 or by 13.1 per cent in relation to the same period of the previous year.

The table below shows the value of the cost of sales achieved during the period of 9 months of 2011.

Data in PLN '000	9 months 2010	9 months 2011	Change	Difference
<b>Cost of sales</b>	<b>1,598,748</b>	<b>1,808,142</b>	<b>113.1%</b>	<b>209,394</b>
<i>including:</i>				
Depreciation and amortisation of fixed and intangible assets	181,163	189,826	104.8%	8,663
Employee benefit costs	173,108	173,983	100.5%	875
Consumption of materials and raw materials and value of goods sold	1,011,810	1 035,614	102.4%	23,804



Costs of purchases for resale	68,283	270,440	396.1%	202,157
Costs of transmission services	2,062	1,902	92.2%	-160
Other external services	116,778	90,120	77.2%	-26,658
Taxes and charges	45,544	46,257	101.6%	713

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

- costs of purchase for sales which amounted to PLN 270,440,000 and rose by PLN 202,157,000 in relation to a greater volume of energy sold within the trading licence (increase in the volume and average price of purchased energy and growth in the volume of energy received from the Balancing Market),
- costs of materials used, as well as the value of goods sold, which amounted to PLN 1,035,614,000 and rose by PLN 23,804,000 or 2.4 per cent. This situation is related to the increased costs of biomass use by PLN 18,032,000, in relation to a higher production from biomass and higher average cost of biomass (including transport) by 6 per cent; in addition the costs of other materials increased (by PLN 48,620,000), which mainly results from higher costs of allowances for emissions of CO<sub>2</sub>; simultaneously, the decrease in the cost of use of coal was noted (by PLN 40,334,000) in result of lower production of electricity with the prices of coal including transport which remained at the same level as in the previous year,
- the costs of other external services amounted to PLN 90,120,000 and decreased in relation to the previous year by PLN 26,658,000 or 22.8 per cent, which was mainly caused by lower costs of repairs (by PLN 22,888,000) lower costs of coal transport (by 6,189,000). In addition there was an increase in the costs of property insurances, counselling services and services connected with marketing comparing to the previous year.

#### **Other significant information**

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

#### **Strong market position**

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

#### **Efficient generation assets**

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

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



Emission of above pollutions was realised within permissible values of monthly and 48-hour concentrations specified in the integrated concession, emission ensures also keeping mass annual permissible values.

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

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

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

### **Reduction of emission of pollutants**

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

### **Waste management**

Within waste management the Power Plant realises activities aiming at the highest possible utilisation of generated waste. In Q3 2011 around 86.4 per cent of generated burner waste was utilised and around 100 per cent of gypsum resulting from the process of fume desulphuring. The Power Plant realises a systematic monitoring of Environment quality in the vicinity of the waste storage facility. Actions are also conducted preventing repeated spread of dust through protecting surfaces with membrane-forming chemicals, sprinkling of fields and flooding of fields.

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

- CO<sub>2</sub> emissions trading scheme
- production from renewable sources of energy
- integrated prevention of pollutions and their controlling (LED)

For the purposes of the emissions trading, CO<sub>2</sub> emissions are monitored using, since 2008, the weighing systems for continuous measurements of amounts of combusted coal and our own, certified chemical laboratory.

The solid-state biomass co-firing system made it possible to generate electricity from renewable resources. The completion of a liquid biomass co-firing system construction is planned for 2011. Yet, its



operation and firing of technical glycerine will be possible after achievement by the Power Plant of a relevant formal and legal decision, which in turn is connected with amendment of the Waste Act aiming at transposition of the Community Directive 2008/98 on wastes into the Polish law.

In Q3 2011 44,094 Mg of biomass was fired. That amount of biomass consumed results in a reduction in carbon dioxide emissions of 71,317 Mg. The value of allowances corresponding to the avoided emissions is an amount of around PLN 3,596,000 (the average quarterly price EUA=12.15 EUR/Mg; average quarterly rate of EUR: 1€=4.1508 PLN).

As a result of the completed modernisation of some low-pressure turbines on 200 MW and 500 MW units and some high-pressure turbines on 500 MW units, we have effectively reduced the coal unit consumption, and thus we reduced CO<sub>2</sub> emission to the atmosphere.

### **Investments presently realised in Kozenice Power Plant**

In Q3 2011 the Company continues realisation of the investment plan within which the following investment were conducted:

- modernisation of block No. 4, including replacing of electrofilter, modernisation of pressure part of the boiler, modernisation of the turbo set and block automatics;
- modernisation of the power evacuation system from 500 MW blocks No. 9 and 10;
- construction of a new chimney No. 5 for transmission of fumes from the IOS I and IOS III desulphuring installation;
- realisation of another stage of construction of the biomass dosing installation;
- modernisation of the horizontal gallery for stoking system for blocks 2x500 MW;
- modernisation of ash and slag storage facility;

### ***New supercritical power block with a capacity of up to 1,000 MW***

Kozenice Power Plant is one of Poland's first power plants to take action in order to develop a new supercritical power block with a capacity of up to 1,000 MWe. To this end, in 2008, ENEA S.A. and Kozenice Power Plant established special purpose vehicle Kozenice II Sp. z o.o., whose primary objective was to prepare the investment and to develop the new power block using hard coal as the primary fuel. On 3 March 2011 Kozenice II Sp. z o.o. was incorporated into Kozenice Power Plant. In connection with the incorporation the merging company (Kozenice Power Plant) in result as of the merger date took over all the rights and obligation of the merged company (Kozenice II Sp. z o.o.). The merger of the companies will enable achievement of both organisational and economic benefits. The proceedings for granting the sector order in the mode of negotiations with the announcement for "Construction of a supercritical power block fired with hard coal with a net capacity of 900 MWe, up to 1,000 MWe" is realized within the newly established Block Construction Division in accordance with the provisions of the Act of 29 January 2004 – Law on Public Procurements.

The new block will be the eleventh block at Kozenice Power Plant. The power block will be designed and built using high-performance technology that involves the combustion of coal in a supercritical power furnace that meets the most recent requirements of the BAT directive, and will feature a fume purification system with the required environmental components: electrofilters, nitrogen oxide reduction systems and fume desulphurisation systems. The block will feature a closed cooling system with a cooling tower and a fume incinerator heat recovery system.

The new unit will be prepared to become a CO<sub>2</sub> capture-ready plant. The block's net electrical capacity is at least 900 MW; the block's net efficiency is at least 44.5 per cent.



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

Selection of the winner in the tender for "Construction of a supercritical power block fired with hard coal with a capacity of 900 MWe, up to 1,000 MWe" is planned for Q1 2012.

### **Diversified customer portfolio**

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

In Q3 2011, the proceeds from supplying electricity to our largest customer accounted for 1.9 per cent of the overall value of electricity and distribution sales, and the share of the ten largest customers amounted to 10.5 per cent.

### **Convenient location for developing wind farms**

Investments in renewable wind power are a crucial element of our strategy. Our distribution network covers the north-western part of Poland that, due to the prevailing atmospheric conditions in this part of the country - plenty of wind - is a good location for building wind farms. The coastal area, regarded as a very convenient location for developing wind farms, has an estimated year-average wind speed of more than 6 m/s. In Q3 2011, we continued our efforts to acquire wind farm projects at various stages of development, in order to expand the Group's wind generation capacity and reach our 2020 goal of between 250 and 350 MW in installed capacity. Currently a company of the ENEA Capital Group dedicated, among others, to develop generating capacities from Renewable Sources of Energy (Elektrownie Wodne) develops or is interested in purchasing projects of wind farms at various stages of development with the total installed capacity of 124 MW. In addition, in December 2010 ENEA S.A. concluded a frame agreement on cooperation, based on which it achieved a temporary exclusivity for negotiations and pre-emptive right to buy shares of special purpose vehicles being owners of wind farm projects with the target installed capacity of 214 MWe.

### **Bond Issue Programme**

On 9 August 2011 ENEA S.A. (here as: Guarantor) concluded with ENEA Operator (here as: Bond) and the Financial Authority (Paying Agent and Depositary) an Agreement on the Bond Issue Programme for PLN 500,000,000 (say: five hundred million zlotys). On the same day ENEA S.A. (Guarantor) executed the Guarantee Agreement with ENEA Operator (Bond Issuer). The aforementioned agreements were concluded for the term of 10 years. Bonds issued within the Bond Issue Programme are bonds within the meaning of the Act on Bonds of 29 June 1995 (Journal of Laws of 2001 No. 120, item 1300, as amended). The Bond Issue Programme determined based on the aforementioned Agreement predicts multiple issues of Bonds performed by the Bond Issuer in the mode of directing of the proposal for purchase of the bonds to the Guarantor. The Bond Issuer will be entitled to issue Bonds within 1 (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 Bond Issuer within the Bond Issue Programme. Bonds issued within the Bond Issue Programme have a floating rate of interest. The funds received by ENEA Operator from the issue of Bonds within the Bond Issue Programme will be dedicated to financing of the capital expenditures connected with the extension and modernisation of the energetic infrastructure.

### **Bank guarantees**

On 3 November 2011 ENEA S.A. executed a frame agreement with PKO BP S.A. bank for the period of 12 months for granting bank guarantees up to the amount not exceeding PLN 200,000,000. The guarantees



issued within the guarantee facility are to be a hedge for making deposits for the account of IRGiT S.A. and KDPW S.A. by ENEA S.A. and ELKO Trading Sp. z o.o. The liabilities towards the above mentioned entities to make deposits result among others from the futures contracts executed for supply of electricity and transactions of purchase of property rights to electricity certificates of origin.

### Tariffs

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

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

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

### Sales to end users

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

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

This offer is directed to customers on the domestic market.

In practice, in 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, and cities and districts for street lighting, whereas in tariff group set G, settlements are made with end users using electricity to power households and related commercial premises.





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

#### Sales to other end users.

ENEA S.A. in participating in the domestic electricity market also sells on the wholesale market, including the Polish Power Exchange, Elko Trading Sp. z o.o. and to other electricity traders. Wholesale sales volume results mainly from our efforts to optimise (at all hours of the trading day) the costs of covering the forecast demand for electricity by the Company's customers, at the same time limiting the Company's exposure risk on the balancing market.

#### Sales by value and type

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

Item	Sales of energy [MWh]		
	Q1 2011	Q2 2011	Q3 2011
Tariff group set A	570,395	434,124	561,921
Tariff group set B	1,323,354	1,245,492	1,238,552
Tariff group set C	898,825	725,361	663,099
Tariff group set G	1,246,788	1,086,459	1,022,740
<b>TOTAL</b>	<b>4,039,362</b>	<b>3,491,436</b>	<b>3,486,312</b>

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

Item	Revenues on sales of electricity to end users ['000 PLN]		
	Q1 2011	Q2 2011	Q3 2011
Tariff group set A	132,873.2	98,830.6	131,067.6
Tariff group set B	355,665.2	323,196.5	323,136.4



Tariff group set C	264,888.6	212,466.8	198,077.6
Tariff group set G	323,636.8	292,333.1	275,633.6
<b>TOTAL</b>	<b>1,077,063.8</b>	<b>929,827.0</b>	<b>927,915.4</b>

### **Risks relating to the Company's activity and its environment**

Notwithstanding the above positive factors in the evaluation of the staffing, property and financial situation and the financial result of the Issuer and its Group, a series of factors exist that are identifiable as risks relating to the activity conducted by the Company and the environment in which it takes place. Among them, we must point out the potential effect of the events and occurrences set out in the Management Report on the operations of the ENEA Capital Group published as part of the consolidated interim report on 28 April 2011 and in Note 28 to the consolidated quarterly financial statements (pages 36-41 hereof).

#### **Collective labour disputes**

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.

On 8 July 2011, in the presence of a mediator, the meeting of the Board of ENEA Operator took place with trade unions acting in the subsidiary, during which an understanding was signed terminating the collective dispute concerning remunerations in ENEA Operator in 2011.

#### **Long-Term Power Purchase Agreements (LTPPA)**

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

The LTPPA compensation mechanism is as follows:

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

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

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



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

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

For 2010 the Power Plant applied for the advance for stranded costs in the amount of PLN 0. In 2010 the revenues from compensations for 2010 were not recognised (the report included only the amount of the annual adjustment for 2009). On 29 July 2011 the President of ERO determined the amount of the annual adjustment of stranded costs for 2010 in the amount of PLN 2,472,000. Since also this decision is disadvantageous for the Power Plant on 18 August 2011 it filed an appeal against this decision with the Regional Court in Warsaw, at the Court of Competition and Consumer Protection. On 30 September 2011 the Power Plant received the amount of the annual adjustment for 2010 in the amount of PLN 2,472,000 from Zarzadca Rozliczen S.A.

At present formal and procedural activities are still in progress.

For 2011 the Power Plant applied for the advance for stranded costs in the amount of PLN 3,500,000. Till 5 October 2011 Zarzadca Rozliczen S.A. made the payment of the advances for three quarters of 2011 in the total amount of PLN 2,625,000. In January-September 2011 revenues on compensates were recognised only in the amount of the annual adjustment of stranded costs for 2010, i.e. PLN 2,472,000.

For 2012 the Power Plant applied for the advance for stranded costs in the amount of PLN 0.

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

#### **Information on transactions hedging the currency risk**

Transactions hedging exchange rate risk are conducted by one of the subsidiaries - Elektrociepłownia Białystok S.A. It sold the surplus of allowances for CO<sub>2</sub> emissions concerning the limit for 2008-2012 in futures contracts. The contracts will be realised in December 2011 and December 2012. They are EUR transactions. In order to hedge against the exchange rate risk the Company concluded forward transaction of EUR sale. USD purchase transactions are connected with the purchase of the raw material – coal. Coal purchase agreements are settled among others in USD.



## **Coal supplies**

The key supplier of the bituminous coal for the Power Plant is the Lubelski Wegiel "Bogdanka" S.A., which during first 3 quarters of 2011 supplied around 2.1 mln tonnes, which constitutes over 57 per cent of the material purchased on the quantitative basis. Moreover, the Power Plant within supplies of power coal cooperates with the Katowicki Holding Weglowy S.A.; Jastrzebska Spolka Weglowa S.A; Kompania Weglowa S.A. The only supplier of light-up fuel to Kozenice Power Plant during the first three quarters of 2011 was PKN ORLEN S.A. The supplied fuel is heavy oil with sulphur content up to 3 per cent.

The Polish market of coal supplies is a market highly monopolised by companies belonging to the State Treasury, out key shareholder, which control a substantial part of domestic supplies of coal on the quantitative basis, excluding the Lubelski Wegiel "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 Kozenice Power Plant or the deliveries are suspended or disrupted for any other reason (i.e. as a result of strikes at mines), Kozenice Power Plant may be forced to purchase coal from more distant places at higher prices, suspend or limit 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 Kozenice Power Plant 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. Moreover, no ability to keep stocks of bituminous coal at an appropriate level required by law may in turn result in imposing administrative penalties on us in the amount of up to 15 per cent of our revenues from licensed activity during the previous tax year.

## **Coal transport**

We are dependent on a single railway carrier with regard to the transport of bituminous coal.

The basic means of transport used to deliver bituminous coal to Kozenice Power Plant is rail transport. Over 90 per cent of deliveries of that raw material to Kozenice Power Plant are carried out by the state carrier PKP Cargo, the largest rail carrier in Poland. The transport potential of the other carriers is in many cases insufficient to satisfy our coal transport needs. There is no guarantee that if unforeseen disruptions occur in PKP Cargo's activities or if our agreement with PKP Cargo is terminated we will be able to ensure the continuity of deliveries of bituminous coal to Kozenice Power Plant, which could lead to us being forced, albeit temporarily, to reduce our electricity production, which in turn could have an adverse effect on our revenues.

## **Relocation of the registered office of ENEA S.A.**

There is a relocation of the registered office of ENEA S.A. planned in the near future. In December 2011 the Company will have its new seat in the Skalar Office Center in Poznan at the crossing of Gorecka and Hetmanska streets. The offices of ENEA S.A. in the Skalar will be located at 3rd and 4th floor and will cover around 4 thousand square meters. The owner of the office building is presently preparing the area according of the specified requirements. Along with ENEA S.A. ENEA Centrum S.A. will also change its registered office which will take up part of the office space located at the 3rd floor. The lease of the office space for the new seat of ENEA S.A. is correlated in time with the delivery of the presently rented building by Nowowiejskiego 11 in Poznan for occupancy. It must be stressed that lease of the office space by Nowowiejskiego 11 will minimise the costs of lease of the office space in the Skalar Office Center. Thanks to moving to the Skalar Office Center working conditions will substantially improve. Moreover, the Company's resources will be consolidated within three, and not as so far seven, locations in Poznan, which will surely favourably impact work efficiency and quickness of communication.



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

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

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

We intend to implement that strategy by:

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

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

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

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

As part of the Group's strategic area that involves core business development, one of the long-term strategic course of action to be taken by the Group is gaining access to own sources of energy generation of the potential enabling at least satisfaction of the demand for electricity of all the customers of the Group. The first step in order to realise the strategy was inclusion in October 2007 to the ENEA Capital



Group of Koźienice Power Plant, the Poland's largest power plant in relation to the generation capacity which is fired with bituminous coal. Irrespective of the opportunities there may be to acquire additional generation capacity by acquiring existing entities, we are planning to increase our own generation capacity, including at Koźienice Power Plant, where by 2016 we plan to construct a new power unit with a total capacity of up to 1,000 MWe. In connection with anticipated increases in the requirements for renewable and co-generated energy sources, we are taking action aimed at increasing our control over the costs of meeting the legal requirements. To this end, we plan to continue concluding long-term agreements for the purchase of energy certificates for energy produced from renewable sources and cogeneration from external entities, and to carry out direct investments in such sources. Our intention is to invest in wind farm projects and biogas plants, already commenced and at various stages of development, by acquiring existing entities or investing in co-operation with external entities. There are four possible acquisition scenarios, depending on the stage of a given project: searching for projects that would in part be implemented by a third party on a developer service basis, purchasing a project from a third party before that entity has obtained a building permit, and continuing the development of the project, purchasing projects/special purpose vehicles (set up by developers for the purpose of implementing a project) after a final building permit has been issued for the project/special purpose vehicle, or purchasing "turnkey" completed wind farms or biogas plants. Acquired thermal plants will be modernised and transformed into thermal-electric plants, including those fuelled by biomass, which will generate electricity and heat in cogeneration, enabling us to obtain additional energy certificates.

As part of improving the effectiveness of the Group's operations, strategic goals will be implemented in order to increase revenues, reduce costs and integrate operations to increase the margin on 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 realised that in the long run will increase the value of the business by incorporating 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. A fundamental task of this new model is to guarantee that the ENEA Capital Group will be able to function flexibly over the long term, thereby taking full advantage of the opportunities and meeting the challenges that arise in the Polish power industry.

Financial resources will be essential for the implementation and development of the Group's strategy, and securing these resources is the key to the implementation of the above investment plans and increasing the Group's value to its shareholders. In implementing our strategy, we assume a base variant of about PLN 18.7 billion till 2020 for investments in conventional generation (about 39.4 per cent of all investment outlays), distribution (about 34.4 per cent of total investment outlays) and renewable energy sources and cogeneration (about 26.2 per cent of total investment outlays).

Our main goal for conventional generation is to construct a new 1,000 MWe bituminous coal-fired power unit in Swierze Gorne (we assume an average construction cost of EUR 1.4 million per 1 MW). Start-up is planned for 2016. We are currently going through the process of selecting a contractor to design and build the new 1,000 MWe unit. We are planning to select a contractor for Q1 2012. at the same time we are continuing modernisation of 200 MW and 500 MW units operated by Koźienice Power Plant. We are also conducting studies with regard to the construction of a second up to 1,000 MWe unit in Swierze Gorne, which involves investment outlays, starting from 2012.

In the area of distribution, during the period covered by the strategy we are planning investment works, modernisation of the grid infrastructure, and essential refurbishment in connection with increasing demand for electricity and the need to connect renewable sources of energy. Such investment and



modernisation activities should result in increasing the functionality of our grid and in restricting grid 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.

In 2010, investment expenditures within distribution amounted to PLN 583.3 mln in comparison to the planned PLN 575. In H1 2011 investment expenditure within distribution amounted to over PLN 217.5 mln, which constitutes 99.7 per cent in relation to the outlays planned for the end of Q2 2011 and 27.1 per cent of the total outlays planned for realisation in 2011.

2011 Investment Plan is the first investment plan of ENEA Operator within which most investments will relate to modernisations and recovery of fixed assets connected with improvement of service quality and/or increase in demand for power. They will constitute over 50 per cent of the above amount in 2011. The remaining part of the outlays will in the majority be dedicated to connecting new customers and sources of electricity generation. In previous plans this relation was the opposite – majority of outlays were for connections of new customers and sources.

In the area of renewable sources of electrical energy, we plan to increase our generating capacity to a level of 250-350 MW installed by 2020. We have also decided to invest into biogas capacity, planning to reach a capacity of approximately 40-60 MW in 2020.

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

In March 2011 a company of ENEA Capital Group dedicated to, among other things, the extension of production capacity of the Group from Renewable Energy Sources (Elektrownie Wodne) purchased a wind farm located in Darzyno in Pomorze with installed capacity of 6 MW. This is the first undertaking of this kind in the Group. Purchase of the farm is the first step in acquiring significantly bigger sources of this type. The wind farm in Darzyno was built in 2008. It consists of modern Enercon E-82 wind turbines with the power of 2 MW each. It is located in the area of very favourable wind conditions. Its productivity in 2010 was 14.7 GWh.

On 1 June 2011 ENEA S.A. purchased from French company Société Nationale d'Électricité et de Thermique (SNET) 69.58 per cent of Elektrociepłownia Białystok S.A. (Białystok Heat and Power Plant) shares. Thanks to the transaction the Group holds almost 100 per cent of shares of the company from Białystok (0.06 per cent belongs to the employees of the enterprise from Białystok). Białystok Heat and Power Plant is one of the biggest enterprises in the region. The attainable heat capacity of Białystok Heat and Power Plant is 459.2 MW. Apart from the heat production Białystok Heat and Power Plant produces also electric energy and process steam. Equipment of the heat and power plant can generate 350 GWh of electric energy, which is then sold on the wholesale market. The basic fuel used in the heat and power plant is coal. In 2008, in block 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 firing. 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.

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

Depending on the market situation, our financial standing, technical and economic analyses carried out as well as the ability to finance investments, we do not rule out the possibility of expanding the base



investment programme by additional investments in conventional generation facilities in the amount of approximately EUR 1,400,000,000. This amount takes into account the construction of another unit with the capacity of approximately 1,000 MWe. Moreover, the Management Board does not rule out a realisation of an investment connected with the construction of a nuclear power plant with the capacity of approximately 1,600 MW. In this case additional outlays shall be approximately PLN 14,400,000,000 (PLN 9,400,000,000 until 2020).

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

Below, we have defined the key items of the 2011-2013 investment plan that affect the efficiency of ENEA S.A. and the Company's growth, which, of course, does not eliminate investment needs, but only indicates the primary allocation of spending and will take considerable amounts also after 2013:

#### 1. Monetary equity investments:

Given that ENEA S.A. manages the ENEA Capital Group, and its core activity involves trading in electricity, and due to the fact that the majority of fixed asset investments are made by the subsidiaries of ENEA S.A., equity investments are a major and material component of the Company's activity.

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

- Recapitalisation of Kozenice Power Plant with a cash contribution to cover the costs of developing a supercritical power unit with an approximate capacity of ca. 1,000 MWe. As part of the construction of the new unit with an approximate capacity of 1,000 MWe, ENEA S.A. plans to capitalise in 2011-2013 Kozenice Power Plant with a total amount of up to PLN 430,000,000 cash contribution. Furthermore, it is anticipated that the implementation of this investment will involve significant resources after the lapse of the above period. According to the preliminary intentions, the process of unit construction was planned through the special purpose vehicle – Kozenice II Sp. z o.o., presently after the merger of companies Kozenice II and Kozenice Power Plant, in relation to the process optimisation, the subject responsible for further realisation of the unit construction is Kozenice Power Plant. As mentioned above, commissioning of the power unit No. 11 is anticipated for the end of 2016.
- Recapitalising Elektrownie Wodne with a cash contribution to cover the costs of developing wind farm projects. One of the basic directions of investment by ENEA S.A. is engaging in projects concerning generation of electricity in renewable energy sources (RES). Realisation of the investment within this field is to ensure fulfilment of the condition of achievement of the obligatory number of property rights resulting from electric energy certificates of origin produced in renewable energy sources. Taking into account existing contracts there is a shortage of certificates of origin which should be covered by involvement of ENEA S.A. in new undertakings within renewable power industry, so that finally avoid necessity to incur compensatory payments, and more precisely, reapply funds dedicated so far for compensatory payments within the Group. ENEA S.A. plans to recapitalise Elektrownie Wodne in the years 2011-2013 with a PLN 235,000,000 cash contribution with dedication for coverage of the cost of purchase of shares in special purpose vehicles set up for realisation of wind farm projects of the total capacity of 102 MW. The purchase of shares is planned for the stage of gaining building permits. We assume that investments will also be realised with use of external financing and the aforementioned cash funds planned for recapitalisation will among others constitute hedging of own contribution for construction of wind farms and their connection into the grid;
- Acquisitions/construction of new renewable energy and cogeneration sources. For the realisation of the investment within this field in 2011-2013 the Company planned to spend a total of up to ca. PLN





380,000,000 dedicated for gaining new RES (biogas plants, biogas power plants and wind farms), cogeneration sources and modernisation of acquired sources for heat generation (heating plants) consisting in installation of units enabling production of electricity generated in combination with heat generation (CHP) for fulfilment of the obligation to gain certificates of origin – certificates coming from production of electricity from RES and certificates coming from production of electricity and heat in cogeneration. Within the planned funds the Company among others intends to acquire shares in special purpose vehicles set up by third entities for the needs of RES and cogeneration projects realisation and acquire projects from the field of RES and cogeneration.

- As we assume, the planned funds for spending within capital and monetary investments may cover just part of expenditures necessary for the realisation of investments realisation by the companies form ENEA Capital Group. In connection with the above we do not rule out a supplementary way of financing of the aforementioned investment which may be loans taken by the Group companies or funds achieved within intra-Group bond issue programmes (as described below).

## 2. Telecommunications and IT

In this area, in the years 2011-2013, the Company intends to implement seven main investments to benefit ENEA S.A., for a total amount of up to PLN 128,000,000, i.e.:

- Updating and developing the ERP software;
- Developing a document flow system and a business process management platform;
- Developing an Integrated Customer Management System;
- Consolidating work resources;
- Developing and implementing an IT policy, which includes designing the IT architecture, security policies, IT service quality assurance and project management;
- Updating and developing the IT and telecommunications network;
- Technical system architecture.

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

## 3. Street lighting update

Planned 2011-2013 investments into updating street lighting the Company planned spending of the amount of up to PLN 20,000,000. The Company anticipates transfer of the lighting assets of ENEA S.A. to ENEOS Sp. z o. o. (a subsidiary responsible for lighting in the Group). It does not however substantially change investment needs within this field but transfers the burden of expenditures for modernisation of street lighting to the subsidiary of ENEA S.A.

It must be noted that the Company will not have sufficient funds to implement the adopted development plan (even in its minimum scope) covered by “Corporate Strategy of the ENEA Capital Group for 2010-2015 with perspective till 2020” that anticipates investment needs of approximately PLN 18.7 billion till 2020. The Management Board of ENEA S.A. realises that financing the above projects using its own funds only is not the best solution, so it is essential to obtain external funding for these investments.

In addition to the factors related to the implementation of the growth strategy and the proposed investments, another factor that may affect the Group's performance is the enactment on 11 March 2010 of the amended Energy Law of 10 April 1997, stemming from the amended Energy Law and certain other acts of 8 January 2010 concerning amendment of the Act – Energy Law and amendment of some other acts (Journal of Laws of 2010 No. 21, item 104) (Amendment). Under the Amendment, distribution system operators (in a vertically integrated utility) cannot conduct business activity that involves producing or trading in electricity, or to conduct such activity under a contract for other utilities. This required a spin-off from the body of ENEA Operator of its customer service segment and its transfer to ENEA S.A. Moreover, under the Amendment, power companies are required to sell no less than 15 per cent of the



electricity generated in a given year on commodity exchanges or on the regulated market, and additionally, power companies entitled to compensation for stranded costs incurred as a result of the early termination of long-term power purchase agreements, are required to sell the remaining portion of the electricity in a manner that ensures public and equal access to the electricity, by an open tender, via the online trading platform on the regulated market or on commodity exchanges.

Other factors that may affect the performance of the ENEA Group in at least the next quarter may include:

- **The overall condition of the economy**

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

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

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

- **Synergies**

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



