

**Separate financial statements of ENEA S.A.
for the financial year ended
31 December 2012**

Poznań, 11 March 2013

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

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ENEA S.A.

Separate financial statements for the financial year ended 31 December 2012 prepared in accordance with IFRS-EU.

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

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union and approved by the Company's Management Board for publication and submission to the competent bodies of the Company for approval in line with the Accounting Act and the Code of Commercial Companies.

Members of the Management Board

President of the Management Board **Krzysztof Zamasz**

Member of the Management Board **Hubert Rozpędek**

Member of the Management Board **Janusz Bil**

Poznań, 11 March 2013

Prepared by: Wiesława Bazaniak

Accounting Office Manager

ENEA S.A.

Separate financial statements for the financial year ended 31 December 2012 prepared in accordance with IFRS-EU.

*(all amounts in PLN '000, unless specified otherwise)***Separate statement of financial position**

	Note	Balance as at	
		31.12.2012	31.12.2011 Restated*
ASSETS			
Non-current assets			
Property, plant and equipment	7	182 708	178 785
Perpetual usufruct of land	8	1 437	1 471
Intangible assets	9	3 572	3 114
Investment property	10	17 455	17 512
Investments in subsidiaries, associates and joint-ventures	11	8 820 100	8 522 698
Deferred tax assets	23	42 109	56 833
Financial assets available for sale	13	5	19 365
Financial assets held to maturity	13	596 450	142 193
Financial assets measured at fair value through profit or loss	13	1 504	1 557
		9 665 340	8 943 528
Current assets			
Inventory	15	120 160	56 764
Trade and other receivables	14	981 525	804 832
Current income tax receivables		4 750	14 065
Financial assets held to maturity	13	79 475	-
Financial assets measured at fair value through profit or loss	13	422 173	712 670
Cash and cash equivalents	16	361 401	707 610
Non-current assets held for sale	12	12 876	17 818
		1 982 360	2 313 759
Total assets		11 647 700	11 257 287
EQUITY			
Share capital		588 018	588 018
Share premium		4 627 673	4 627 673
Share-based payments reserve		1 144 336	1 144 336
Revaluation reserve (financial instruments)		-	11 989
Reserve capital		1 205 625	1 062 349
Retained earnings		2 932 240	2 771 491
Total equity	18	10 497 892	10 205 856
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	22	7 289	5 548
Deferred income due to subsidies and connection fees	20	29 909	30 853
Liabilities due to employee benefits	24	87 810	79 384
Provisions for other liabilities and charges	25	17 084	12 810
		142 092	128 595
Current liabilities			
Trade and other liabilities	19	712 626	611 504
Finance lease liabilities	22	3 405	3 136
Deferred income due to subsidies and connection fees	20	2 344	2 343
Liabilities due to employee benefits	24	16 776	14 567
Liabilities due to an equivalent of the right to acquire shares free of charge		306	508
Provisions for other liabilities and charges	25	272 259	290 778
		1 007 716	922 836
Total liabilities		1 149 808	1 051 431
Total equity and liabilities		11 647 700	11 257 287

* Restatements of comparative figures are presented in Note 3 of these separate financial statements

The separate statement of financial position should be analyzed together with the notes which constitute an integral part of these separate financial statements.

ENEA S.A.

Separate financial statements for the financial year ended 31 December 2012 prepared in accordance with IFRS-EU.

*(all amounts in PLN '000, unless specified otherwise)***Separate statement of profit or loss and other comprehensive income**

	Note	For the period	
		12 months ended 31.12.2012	12 months ended 31.12.2011 Restated *
Sales revenue		5 953 337	5 805 632
Excise duty		(193 998)	(227 999)
Net sales revenue	25	5 759 339	5 577 633
Other operating revenue	28	11 344	25 945
Depreciation	26	(16 878)	(16 645)
Costs of employee benefits	26	(64 324)	(63 266)
Consumption of materials and supplies and costs of goods sold	26	(4 199)	(5 493)
Energy purchase for sale	26	(3 705 516)	(3 575 667)
Transmission services	26	(1 595 649)	(1 665 980)
Other external services	26	(197 601)	(179 530)
Taxes and charges	26	(8 486)	(9 450)
Gain/(loss) on sale and liquidation of property, plant and equipment		1 786	(2 408)
Impairment loss on property, plant and equipment	7	-	(5 634)
Other operating expenses	28	(42 838)	(43 314)
Operating profit		136 978	36 191
Financial expenses	30	(37 719)	(6 436)
Financial revenue	29	99 583	122 110
Revenue from dividends		362 091	236 339
Profit before tax		560 933	388 204
Income tax	31	(38 253)	(35 370)
Net profit for the reporting period		522 680	352 834

Other comprehensive income:

Items that are or may be reclassified to profit or loss

change in fair value of financial assets available for sale
reclassified to profit or loss

(12 245) -

change in fair value of financial assets available for sale

- 1 294

income tax

256 (246)

Items that will not be reclassified to profit or loss

net actuarial gains/(losses) on defined benefit plans

(8 349) 2 883

income tax

1 586 (548)

Net other comprehensive income**(18 752) 3 383****Total comprehensive income****503 928 356 217**

Earnings attributable to the Company's shareholders

522 680 352 286

Weighted average number of ordinary shares

441 442 578 441 442 578

Net earnings per share (in PLN per share)**1.18 0.80****Diluted earnings per share (in PLN per share)****1.18 0.80**

* Restatements of comparative figures are presented in Note 3 of these separate financial statements

The separate statement of profit or loss and other comprehensive income should be analyzed together with the notes which constitute an integral part of these separate financial statements.

ENEA S.A.

Separate financial statements for the financial year ended 31 December 2012 prepared in accordance with IFRS-EU.

*(all amounts in PLN '000, unless specified otherwise)***Separate statement of changes in equity**

	Note	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Share-based payments reserve	Revaluation reserve (financial instruments)	Reserve capital	Retained earnings	Total equity
Balance as at 1 January 2012		441 443	146 575	588 018	4 627 673	1 144 336	11 989	1 062 349	2 771 491	10 205 856
Net profit									522 680	522 680
Net other comprehensive income							(11 989)		(6 763)	(18 752)
Total comprehensive income							(11 989)		372 641	503 928
Distribution of the net profit								143 276	(143 276)	-
Dividends	33								(211 892)	(211 892)
Balance as at 31 December 2012		441 443	146 575	588 018	4 627 673	1 144 336	-	1 205 625	2 932 240	10 497 892

	Note	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Share-based payments reserve	Revaluation reserve (financial instruments)	Reserve capital	Retained earnings	Total equity
Balance as at 1 January 2011		441 443	146 575	588 018	4 627 673	1 144 336	10 941	892 198	2 780 708	10 043 874
Net profit *									352 834	352 286
Net other comprehensive income *							1 048		2 335	3 383
Total comprehensive income							1 048		355 169	356 217
Distribution of the net profit								170 151	(170 151)	-
Dividends	33								(194 235)	(194 235)
Balance as at 31 December 2011		441 443	146 575	588 018	4 627 673	1 144 336	11 989	1 062 349	2 771 491	10 205 856

* Restatements of comparative figures are presented in Note 3 of these separate financial statements

The separate statement of changes in equity should be analyzed together with the notes which constitute an integral part of these separate financial statements.

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

Separate statement of cash flows

	Note	For the period	
		12 months ended 31.12.2012	12 months ended 31.12.2011 Restated *
Cash flows from operating activities			
Net profit for the reporting period		522 680	352 834
Adjustments:			
Income tax disclosed in the income statement	32	38 253	35 370
Depreciation	27	16 878	16 645
(Gain) / loss on sale and liquidation of property, plant and equipment		(1 786)	(6 676)
Impairment loss on property, plant and equipment	7	-	6 631
(Gain)/loss on disposal of financial assets		(10 758)	(9 098)
Interest income		(93 767)	(116 813)
Revenue from dividends		(362 091)	(236 339)
Interest expense		7 814	2 489
(Gain)/loss on measurement of financial assets		24 149	-
Other financial expense		5 756	-
		(375 552)	(307 791)
Paid income tax		(12 374)	(66 045)
Interest received		62 382	33 591
Interest paid		(3 629)	(2 140)
Changes in working capital			
Inventory		(63 396)	31 796
Trade and other receivables		(175 266)	12 890
Trade and other liabilities		95 921	(137 549)
Liabilities due to employee benefits		2 286	(3 444)
Deferred income due to subsidies and connection fees		(2 207)	(2 258)
Liabilities due to an equivalent of the right to acquire shares free of charge		(202)	(49)
Non-current assets available for sale and related liabilities		4 942	-
Provisions for other liabilities and charges		(14 245)	40 720
		(152 167)	(57 894)
Net cash flows from operating activities		41 340	(47 445)
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(18 820)	(15 790)
Receipts from disposal of property, plant and equipment and intangible assets		2 401	363
Acquisition of financial assets		(678 483)	(140 511)
Receipts from disposal of financial assets		344 288	1 159 052
Acquisition of subsidiaries and associates		(55 925)	(652 770)
Receipts from disposal of subsidiary		1 752	-
Dividends received		232 468	236 339
Other receipts from investing activities		42	329
Net cash flows from investing activities		(172 277)	587 012
Cash flows from financing activities			
Dividends paid		(211 892)	(194 206)
Payment of finance lease liabilities		(3 380)	(3 870)
Net cash flows from financing activities		(215 272)	(198 076)
Net increase/ (decrease) in cash		(346 209)	341 491
Opening balance of cash	16	707 610	366 119
Closing balance of cash	16	361 401	707 610

* Restatements of comparative figures are presented in Note 3 of these separate financial statements

ENEA S.A.

Separate financial statements for the financial year ended 31 December 2012 prepared in accordance with IFRS-EU.

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

Notes to the separate financial statements**1. General information****1.1. General information about ENEA S.A.**

Name (business name):	ENEA Spółka Akcyjna
Legal form:	joint-stock company
Country:	Poland
Registered office:	Poznań
Address:	Górecka 1, 60-201 Poznań
National Court Register - District Court in Poznań	KRS 0000012483
Telephone:	(+48 61) 856 10 00
Fax:	(+48 61) 856 11 17
E-mail:	enea@enea.pl
Website:	www.enea.pl
Statistical number (REGON):	630139960
Tax identification number (NIP):	777-00-20-640

ENEA S.A., operating under the business name Energetyka Poznańska S.A., was entered in the National Court Register at the District Court in Poznań under KRS number 0000012483 on 21 May 2001.

The Company changed its address from Nowowiejskiego 11 to Górecka 1. The change was registered in the National Court Register on 2 January 2012.

As at 31 December 2011 the shareholding structure of ENEA S.A. was the following: the State Treasury of the Republic of Poland – 51.51% of shares, Vattenfall AB – 18.67%, other shareholders – 29.82%.

As at 31 December 2012 the Company's statutory share capital registered in the National Court Register equaled PLN 441 443 thousand (PLN 588 018 thousand after restatement to IFRS-EU and considering hyperinflation and other adjustments) and it was divided into 441 442 578 shares.

Trade in electricity is the core business of ENEA S.A. ("ENEA", "Company").

ENEA S.A. is the Parent of the ENEA Group, which as at 31 December 2011 comprised also 15 subsidiaries, 7 indirect subsidiaries and 1 associate.

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

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

1.2. Composition of the Management Board and the Supervisory Board

As at 31 December 2012, the composition of the Management Board was as follows:

Janusz Bil – Acting President of the Board, Member of the Board responsible for Commercial Matters;

Hubert Rozpędek – Member of the Board responsible for Economic Matters;

Krzysztof Zborowski – Member of the Board responsible for Energy Production.

On 24 February 2012 the Supervisory Board of ENEA S.A. adopted a resolution on appointment of Mr. Janusz Bil to the position of a Member of the Company's Management Board responsible for Commercial Matters, effective from 19 March 2012.

On 1 October 2012 the Supervisory Board of ENEA S.A. dismissed Mr. Maciej Owczarek from the President of the Board position and appointed Mr. Janusz Bil as Acting President till the nomination of a new President of the Board.

On 29 November 2012 the Supervisory Board of ENEA S.A. appointed Mr. Krzysztof Zamasz to the position of the President of the Company's Management Board, effective from 1 January 2013.

On 11 January 2013 Mr. Krzysztof Zborowski resigned from the Management Board.

As at 1 January 2012, the composition of the Supervisory Board for the 7th term of office was as follows:

Wojciech Chmielewski – the Chairman of the Supervisory Board,

Małgorzata Aniołek,

Tadeusz Dachowski,

Michał Kowalewski,

Paweł Lisiewicz,

Agnieszka Mańkowska,

Jeremi Mordasewicz,

Mieczysław Pluciński,

Graham Wood.

On 12 March 2012 the Extraordinary Shareholders' Meeting of ENEA S. A. appointed Mr. Sławomir Brzeziński to the Supervisory Board for the 7th term of office.

On 29 June 2012 the Ordinary Shareholders' Meeting of ENEA S.A. appointed the following members of the Supervisory Board for the 8th term:

Wojciech Chmielewski – the Chairman of the Supervisory Board,

Małgorzata Aniołek,

Sławomir Brzeziński,

Michał Kowalewski,

Przemysław Łyczyński,

Sandra Malinowska,

Tadeusz Mikłosz,

Jeremi Mordasewicz,

Graham Wood.

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

On 22 October 2012 the Extraordinary Shareholders' Meeting of ENEA S. A. appointed Mr. Michał Jarczyński to the Supervisory Board for the 8th term of office.

2. Description of key accounting principles

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

The Company early adopted the changes to IAS 19. The influence of amendments on the Company's financial position and financial performance is presented in Note 3.

2.1. Basis for preparation

These separate financial statements for the period from 1 January 2012 to 31 December 2012 have been prepared in compliance with the requirements of the International Financial Reporting Standards as endorsed by the European Union ("IFRS-EU").

These financial statements have been prepared on the historical cost basis, except for financial assets measured at fair value through profit or loss, financial assets held to maturity measured at amortized cost using the effective interest rate, financial assets available for sale and share-based payments.

The Company prepares the consolidated financial statements of the ENEA Capital Group in accordance with the IFRS-EU. In the consolidated financial statements the entities in which the Company holds shares, directly or indirectly, giving the right to at least 50% of votes or over which it exercises effective control in any other way, have been subject to consolidation using the full consolidation method. The consolidated financial statements of the ENEA Capital Group were approved by the Management Board of ENEA S.A. on the same date as the separate financial statements. The separate financial statements of ENEA S.A. ought to be read together with the consolidated financial statements of the ENEA Capital Group for the period from 1 January to 31 December 2012 in order to obtain complete information on the financial position as well as the financial profit/loss of the Capital Group as a whole.

2.2. Business combinations/acquisitions

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

The Company adopted an accounting policy according to which such transactions are recognized at book value.

The accounting principles adopted by the Company are as follows:

The acquirer recognizes the assets, equity and liabilities of the acquiree at their current book value adjusted only for the purpose of applying the same accounting principles for the combined entities. Goodwill and a gain for a bargain purchase are not recognized. Any differences between the book value of the net assets acquired and the fair value of the payment in the form of equity instruments and/or assets issued by the entity are recognized in the equity of the combined entities.

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

Business combinations/acquisitions of entities other than companies under common control are settled using the acquisition method in line with IFRS 3.

2.3. Measurement of investments in subsidiaries, associates and joint-ventures

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

Associates include all entities over which ENEA S.A. has a substantial influence without exercising control, which usually results from holding 20-50% of the total number of votes in an entity's decision-making bodies.

Joint-ventures include all entities over which ENEA S.A. exercises control together with other companies based on contractual arrangements.

As there is no active market for the entities whose shares are held by ENEA S.A., investments in subsidiaries, associates and joint-ventures are measured at acquisition price less impairment losses. Impairment losses on investments are charged to financial expenses. If the circumstances based on which an impairment loss was made are no longer present, the equivalent of the total amount or an appropriate portion of the impairment loss recognized previously increases the value of investments and is disclosed under financial revenue.

2.4. Foreign currency transactions and measurement of foreign currency balance

(a) Functional and presentation currency

Balance presented in the financial statements are measured in the currency of the primary economic environment in which the entity carries out its business activity (functional currency). The financial statements are presented in the Polish zloty (PLN), which is the functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated upon their initial recognition to the functional currency at the exchange rate ruling as at the transaction date.

As at the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate (the average exchange rate published by the National Bank of Poland as at the measurement date).

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

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

2.5. Property, plant and equipment

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

ENEA S.A. applied the optional exemption provided for in IFRS 1, recognizing as at 1 January 2004, i.e. the date of IFRS-EU adoption, the fair value of selected items of property, plant and equipment as the deemed cost.

Further expenditures are recognized in the carrying amount of a given tangible fixed asset or recognized as a separate tangible fixed asset (where appropriate) only if it is probable that ENEA S.A will generate economic benefits in connection with such an asset, whereas the cost of an item may be reliably measured.

Any other expenditure incurred for repair and maintenance is recognized in profit or loss in the period when they are incurred.

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

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

The useful lives of property, plant and equipment are as follows:

- buildings and structures	25 – 80 years
- technical equipment and machines	4 – 50 years
- vehicles	5 – 20 years
- other equipment	5 – 15 years

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

Depreciation begins when a given asset has been commissioned for use. Depreciation is no longer recognized when an asset is to be sold or derecognized.

The Company receives street lighting equipment from communes and municipalities free of charge and such tangible fixed assets are recognized at their fair value with a corresponding recognition in the statement of financial position as deferred income from grants and fixed assets received free of charge. Deferred income is settled as revenue pro-rate to depreciation charges over the period of 30 years for overhead and other cables and over the period of 20 years for lighting installations.

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

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

2.6. Perpetual usufruct right of land

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

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

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

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

2.7. Intangible assets

(a) Goodwill

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

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

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

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

(b) Other intangible assets

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

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

Amortization is calculated based on the straight-line method, taking into account the estimated useful life, which is as follows:

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

2.8. Research and development expenses

Like other intangible assets, R&D expenses meeting the capitalization criteria presented below are measured at acquisition or manufacturing cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated based on the straight-line method, taking into account the estimated useful life, which is from 2 to 7 years.

Capitalization criteria:

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

2.9. Investment property

Investment property is maintained in order to generate rental income, for capital appreciation or for both. For measurement Investment property after the initial recognition, ENEA S.A. selected the acquisition cost model.

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

Buildings 25 – 33 years

Revenue from lease of investment property is recognized in the profit or loss according to the straight-line method over the term of the lease.

2.10. Leases

Lease agreements that transfer substantially all the risks and rewards incidental to ownership to ENEA S.A. are classified as finance leases. Leases other than finance leases are regarded as operating leases.

The object of a finance lease is recognized in the assets as at the lease commencement date at the lower of: the fair value of the leased asset or the present value of the minimum lease payments. Each finance lease

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

payment is divided into an amount reducing the balance of the liability and financial expenses so as to produce a constant rate of interest on the remaining balance of the liability. The interest portion of a lease payment is recognized under financial expenses in profit or loss over the lease term. Depreciable assets acquired under finance lease agreements are depreciated over their useful life.

Lease payments under an operating lease (less any special promotional offers from the lessor) are recognized as an expense on a straight-line basis over the lease term.

2.11. Impairment of assets

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

Non-financial assets

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

All impairment losses are recognized in profit or loss. Impairment losses may be reversed in subsequent periods if events occur justifying the lack or change in the impairment of assets.

Financial assets

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

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

The principles for recognition of impairment losses on financial assets have been presented in detail in Note 2.12.

2.12. Financial assets

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

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

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

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

The category includes two sub-categories:

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

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

(b) Loans and receivables

Loans and receivables are financial assets with determined or determinable payments, which are not quoted on an active market.

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

(c) Investments held to maturity

Investments held to maturity are financial assets with determined or determinable payments and fixed maturity that ENEA S.A. intends to and is able to hold to maturity.

(d) Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments designated as “available for sale” or not included in any other category. This category includes mainly shares in unrelated parties. AFS financial assets are recognized as non-current assets if ENEA S.A. does not intend to dispose of the investment within 12 months from the end of the reporting period.

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

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

AFS financial assets and those measured at fair value through profit or loss are initially recognized at fair value. AFS financial assets are measured at acquisition price less impairment losses if it is not possible to determine their fair value and they do not have a fixed maturity.

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

The effects of measurement of financial assets at fair value through profit or loss are recognized in profit or loss in the period when they occurred. The effects of measurement of AFS financial assets are recognized in equity, except for impairment losses. Upon derecognition of an asset classified as “available for sale” from the accounting records, the total accumulated profits or loss previously recognized in equity are recognized in profit or loss.

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

(e) Hedge accounting

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

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

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

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

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

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

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

The Company discontinues fair value hedge accounting if:

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

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

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

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

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

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

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

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

(f) Impairment

At the end of each reporting period, ENEA S.A. verifies whether there is any objective evidence indicating impairment of a financial asset or a group of financial assets.

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

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

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

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

2.13. Inventory

Certificates of origin acquired for redemption and for resale are presented as inventory.

As at the moment of purchase certificates of origin are measured at acquisition price.

As at the end of the reporting period, the certificates of origin acquired for redemption are measured at acquisition price, less impairment losses.

As at the end of the reporting period, certificates of origin acquired for resale are measured at fair value and the effects of the remeasurement are recognized in profit or loss.

2.14. Certificates of origin

Pursuant to Article 9a of the Energy Law, ENEA S.A. – as an energy company involved in trading and sales of electricity to end customers connected to the power grid on the territory of the Republic of Poland – is obliged to:

- a) obtain certificates of origin and submit them to the President of the Energy Regulatory Office in order to redeem them, or
- b) pay a substitute fee.

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

The certificate of origin confirms generation of electricity in a renewable source (green certificates for such sources as wind, water, sun, biomass) or in cogeneration (three types of sources: yellow certificates for gas-fuelled sources or other sources up to 1 MW; red certificates for sources above 1 MW capacity other than fuelled with methane or biomass gas; purple certificates for sources fuelled with biomass gas or methane removed from mines). The certificates are issued by the President of ERO following a motion of an energy generator working based on renewable sources or cogeneration.

Property rights to certificates of origin arise when a certificate of origin is entered into the register kept by the Polish Power Exchange (Towarowa Giełda Energii S.A. – TGE S.A.).

Property rights to certificates of origin are transferable and traded on commodity exchanges.

Property rights to certificates of origin are transferred when an appropriate entry is made in the register of certificates of origin.

The rights expire upon redemption of the certificates.

ENEA S.A. is obliged to obtain and submit for redemption certificates of origin in the amount corresponding to the limits defined in ordinances issued based on the Energy Law and expressed as a proportion of its total energy sales to end customers. The deadline for complying with the requirement of certificate redemption or substitute fee payment expires on 31 March of the following year.

During the financial year and until 31 March of the following year the Company presents certificates of origin for redemption on a monthly basis in order to fulfill its obligation regarding the financial year. Redemption of certificates of origin is recognized in the accounting records based on a redemption decision issued by the President of ERO, the redeemed certificates being subject to detailed identification.

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

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

When estimating sales of electricity, the total of invoiced energy sales to end users and estimated sales volume determined as at the end of the reporting period is assumed in order to ensure the matching of revenue and expenses with the calculation basis of provision for redemption of certificates of origin.

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2.15. Cash and cash equivalents

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

2.16. Share capital

The share capital of the Company is recognized in the amount specified in the Company's by-laws and registered in the court register, adjusted by the effects of hyperinflation as well as settlement of the effects of business combinations and acquisitions. An increase in the share capital covered by the shareholders as at the end of the reporting period and not yet registered in the National Court Register is also disclosed as share capital.

2.17. Credit facilities and loans

Upon initial recognition financial liabilities are measured at fair value less transaction costs incurred by the Company.

Following their initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

2.18. Income tax (including deferred income tax)

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

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

The deferred tax is a tax of from events that occurred in a given period, recognized on the accrual basis in the accounting records of the period but realized in future. It occurs when the tax effect of revenue and expenses is the same as in the statement of financial position but pertains to other periods.

The balance sheet liability method is used to calculate the deferred tax. The method is characterized with temporary differences between the carrying and tax amount of assets and liabilities.

The carrying value of assets and liabilities recognized in the accounting records is the base value, which is compared to the tax amount and tax loss deductible in future.

Differences between the carrying amount and tax value of an asset or liability may include:

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

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

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

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

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

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

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

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

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

The deferred income tax is determined based on tax rates (and regulations) which are expected to be applicable when an asset is used and the liability settled, on the basis of the tax rates (and regulations) which were legally or actually applicable as at the end of the reporting period.

If the tax law allows changes in tax rates, the total amount of assets and liabilities is calculated in accordance with various tax rates.

If changes in tax rates occur in the period from determining the deferred tax assets or provisions to their settlement, the effects of measurement of assets and provisions are included in the reporting period in which the tax regulations have been amended.

Further, as at the end of the reporting period at the latest, the entity tests the assets for impairment in order to check whether they still can be settled. The deferred tax asset is recognized only to the extent that it is probable that sufficient taxable income to use the deferred tax asset in part or in whole will be generated.

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

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

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

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

For the purpose of presentation in the statement of financial position, the deferred tax asset and liability should be offset and the surplus of the asset over the liability (or the surplus of the liability over asset) recognized in the statement of financial position.

2.19. Employee benefits

The following types of employee benefits are provided by ENEA S.A.:

A. Short-term employee benefits

Short-term employee benefits at ENEA S.A. include but are not limited to: monthly wages, salaries, annual bonuses, electricity allowance, short-term paid leave with social security contributions, industry specific bonus.

The liability due to short-term (accrued) paid leave (compensation for paid leave) is recognized even if employees are not entitled to receive payment in lieu of holiday. ENEA S.A. determines the expected cost of accumulated paid leave as an additional amount expected to be paid as a result of the unused entitlement determined as at the end of the reporting period.

B. Defined benefit plans

Defined benefit plans of ENEA S.A. include:

1) Retirement benefits

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

2) Right to energy allowance after retirement

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

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

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

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

Liabilities relating to the benefits referred to in points 1-4 are estimated by an actuary using the projected unit credit method. The total value of actuarial gains and losses is recognized in other comprehensive income.

C. Other long-term employee benefits

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

D. Defined contribution plan

1) Social security contributions

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

2) Employee Pension Scheme

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

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

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

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

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

E. Share-based payments

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

ENEA S.A. recognizes the services provided under equity-settled share-based payments and the corresponding increase in equity upon their receipt. If the services rendered in share-based payment transactions may not be classified as assets, they are recognized as cost.

The value of such cost is determined based on the fair value and measured at grant date. As the fair value of the services provided by employees may not be determined directly, it is estimated based on the fair value of equity instruments granted.

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

2.20. Provisions

Provisions are created if ENEA S.A. has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation, discounted at the end of the reporting period.

2.21. Revenue recognition

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

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

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

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

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

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

2.22. Grants

ENEA S.A. receives grants in the form of fixed assets and compensation for expenses incurred for fixed assets. Such grants are recognized by the Company in the statement of financial position as deferred income when there is reasonable assurance that they will be received and that the Company will comply with appropriate conditions related to such grants. Grants received as compensation for costs already incurred by the Company are recognized on a systematic basis as revenue in profit or loss in the periods in which the entity recognizes as expenses the related costs. Grants received by the Company as compensation for capital expenditure incurred are recognized on a systematic basis in proportion to the depreciation charges as other operating revenue in profit or loss over the useful life of an asset.

2.23. Dividend payment

Payments of dividends to shareholders are recognized as a liability in the financial statements of ENEA S.A. for the period when they were approved by the shareholders.

2.24. Non-current assets held for sale

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

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

If the aforementioned criteria have been satisfied after the end of the reporting period, the asset is not reclassified at the end of the financial year preceding the event. The classification change is reflected in the reporting period when the aforementioned criteria have been satisfied. Amortization/depreciation charges are no longer applied starting from the date when the asset is reclassified to assets held for sale.

Assets held for sale are measured at the lower of: the net carrying amount or the fair value less costs to sell.

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2.25. Statement regarding application of new International Financial Reporting Standards and Interpretations

2.25.1. Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2012, but were early adopted by the Company

The following new Standards and amendments to the existing Standards and Interpretations are not yet mandatorily effective for annual periods ending on 31 December 2012. Nevertheless, ENEA S.A. has early adopted the following new standards and amendments to the existing standards and interpretations and has applied them preparing these separate financial statements.

Standard/Interpretation	Nature of impending change in accounting policy	Effective date for periods beginning as at the date or after that date
Amendments to IAS 1 <i>Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income</i>	The amendments: <ul style="list-style-type: none"> • require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects then the aggregated tax amount should be allocated between these sections. • change the title of the <i>Statement of Comprehensive Income</i> to <i>Statement of Profit or Loss and Other Comprehensive Income</i>, however, other titles are also allowed to be used. 	1 July 2012
IAS 19 Employee Benefits (2011)	<ul style="list-style-type: none"> • The amendments require actuarial gains and losses related to defined benefit plans to be recognised immediately in other comprehensive income. • The amendments remove the corridor method previously applicable to recognising actuarial gains and losses, and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendments also require the expected return on plan assets recognised in profit or loss to be calculated based on the rate used to discount the defined benefit obligation. 	1 January 2013

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

2.25.2 Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2012

The following new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods ending on 31 December 2012, and have not been applied in preparing these separate financial statements. The Company plans to adopt these pronouncements when they become effective.

Standard/Interpretation	Nature of impending change in accounting policy	Effective date for periods beginning as at the date or after that date
Amendments to IFRS 7 <i>Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	<p>The Amendments contain new disclosure requirements for financial assets and liabilities that are:</p> <ul style="list-style-type: none"> • offset in the statement of financial position; or • subject to master netting arrangements or similar agreements. 	1 January 2013
IFRS 10 <i>Consolidated Financial Statements</i>	<p>IFRS 10 provides a new single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when (1) it is exposed or has rights to variable returns from its involvement with the investee, (2) has the ability to affect those returns through its power over that investee and (3) there is a link between the power and returns.</p> <p>The new standard also includes disclosure requirements and requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).</p>	1 January 2014
IFRS 11 <i>Joint Arrangements</i>	<p>IFRS 11, <i>Joint Arrangements</i>, supersedes and replaces IAS 31, <i>Interest in Joint Ventures</i>. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.</p> <p>Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:</p> <ul style="list-style-type: none"> - a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement. 	1 January 2014

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	<p>- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.</p> <p>IFRS 11 effectively carves out from IAS 31, those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations, under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, must be accounted for using the equity method. Proportionate consolidation is no longer possible.</p>	
IFRS 12 Disclosure of Interests in Other Entities	IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.	1 January 2014
IAS 27 Separate Financial Statements (2011)	IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been carried over into IFRS 10 Consolidated Financial Statements.	1 January 2014
IAS 28 Investments in Associates and Joint Ventures (2011)	<p>There are limited amendments made to IAS 28 (2008):</p> <ul style="list-style-type: none"> • <i>Associates and joint ventures held for sale.</i> IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture. • <i>Changes in interests held in associates and joint ventures.</i> Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if 	1 January 2014

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	significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.	
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The Company is currently evaluating the impact of above mentioned new Standards, amendments to Standards and Interpretations. However, it is not expected to have a significant effect on its financial position or performance.

Standard/Interpretation	Nature of impending change in accounting policy	Effective date for periods beginning as at the date or after that date
<p>IFRIC Interpretation 20: <i>Stripping Costs in the Production Phase of a Surface Mine</i></p>	<p>The Interpretation sets out requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets.</p> <p>To the extent that benefits from production stripping are realised in the form of inventory produced, the related production stripping costs are accounted for in accordance with IAS 2 <i>Inventories</i>.</p> <p>Production stripping costs that improve access to ore to be mined in the future are recognised as a non-current asset if, and only if, all of the following criteria are met:</p> <ul style="list-style-type: none"> • it is probable that future economic benefits will flow to the entity; • the entity can identify the component of the ore body for which access has been improved; and • the costs relating to the stripping activity associated with that component can be measured reliably. <p>The stripping activity asset shall be accounted for as an addition to, or as an enhancement of, an existing asset.</p> <p>The stripping activity asset shall initially be recognised at cost while after initial recognition, while subsequently it shall be carried either at its cost or at its revalued amount, less depreciation or amortisation and impairment losses, in the same way as the existing asset of which it is a part.</p> <p>The Interpretation also requires that when the costs of the stripping activity asset and of the inventory produced are not separately identifiable, the entity allocates production stripping costs between the two based on a 'relevant' production measure.</p>	<p>1 January 2013</p>

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<p>Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First – time Adopters</p>	<p>The Amendments add an exemption to IFRS 1 that an entity can apply at the date of transition to IFRSs after being subject to severe hyperinflation. The exemption allows an entity to measure assets and liabilities held before the functional currency normalization date at fair value and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position</p>	<p>1 January 2013</p>
<p>IFRS 13 Fair Value Measurement</p>	<p>IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains ‘how’ to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.</p> <p>The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.</p>	<p>1 January 2013</p>
<p>Amendments to IAS 12 Income taxes - Deferred Tax: Recovery of Underlying Assets</p>	<p>The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management’s intention would not be relevant unless the investment property is <i>depreciable</i> and held within a business model whose objective is to consume substantially all of the asset’s economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted..</p>	<p>1 January 2013</p>
<p>Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities</p>	<p>The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.</p> <p>The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:</p>	<p>1 January 2014</p>

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	<ul style="list-style-type: none"> • not contingent on a future event; and • enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties 	
Amendments to IFRS 1 <i>First-time adopters</i> Government Loans	<p>The amendments add a new exception to retrospective application of IFRS. A first-time adopter of IFRS now applies the measurement requirements of financial instruments standards (IAS 39 or IFRS 9) to a government loan with a below-market rate of interest prospectively from the date of transition to IFRS.</p> <p>Alternatively, a first-time adopter may elect to apply the measurement requirements retrospectively to a government loan, if the information needed was obtained when it first accounted for that loan. This election is available on a loan-by-loan basis.</p>	1 January 2013

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

2.25.3. Standards and interpretations not yet endorsed by the EU

The following new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods ending on 31 December 2012, and have not been applied in preparing these consolidated financial statements. The Company plans to adopt these pronouncements when they become effective.

Standard/Interpretation	Nature of impending change in accounting policy
Improvements to IFRS (2009-2011)	<p>The <i>Improvements to IFRSs (2009-2011)</i> contains 7 amendments to 5 standards, with consequential amendments to other standards and interpretations. The main changes relate to:</p> <ul style="list-style-type: none"> • repeated application of IFRS 1 – a repeated adopter that elects not to apply IFRS 1 has to apply IFRS retrospectively in accordance with IAS 8, as if it had never stopped applying IFRS; • clarification that first-time adopter of IFRS choosing to apply borrowing costs exemptions should not restate the borrowing cost component that was capitalized under previous GAAP and should account for borrowing cost incurred on or after the date of transition (or an earlier date, as permitted by IAS 23) in accordance with IAS 23; • clarification that only one comparative period, which is the preceding period, is required to a complete set of financial statements; however if additional comparative

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	<p>information is prepared it should be accompanied by related notes and be in accordance with IFRS;</p> <ul style="list-style-type: none"> • clarification that the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or reclassification has a material effect upon the information in that statement of financial position and except for the disclosures required under IAS 8, other notes related to the opening statement of financial position are no longer required. • clarification on the classification and accounting of spare parts, stand-by equipment and servicing equipment; • removal of inconsistencies between IAS 32 and IAS 12 in respect of distributions to holders of an equity instrument and transaction costs of an equity transaction, by clarification that IAS 12 applies to the accounting for income taxes relating to those transactions; • additional disclosure required of a measure of total assets and liabilities for a particular reportable segment for interim financial reporting.
<p>Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</p>	<p>The amendments:</p> <ul style="list-style-type: none"> • define the date of initial application of IFRS 10 as the beginning of the annual period in which the standard is applied for the first time (1 January 2013 unless early adopted). At this date, an entity tests whether there is a change in the consolidation conclusion for its investees; • limit the restatement of comparatives to the period immediately preceding the date of initial application; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged; • requires disclosure of the impact of the change in accounting policy only for the period immediately preceding the date of initial application (i.e. disclosure of impact on the current period is not required); • will remove the requirement to present comparative information disclosures related to unconsolidated structured entities for any periods before the first annual period for which IFRS 12 is applied.
<p>Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)</p>	<p>The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit or loss, rather than consolidating them.</p> <p>The consolidation exemption is mandatory (i.e. not optional), with the only exception</p>

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	<p>being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated.</p> <p>An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. According to these essential elements an investment entity:</p> <ol style="list-style-type: none"> 1 obtains funds from investors to provide those investors with investment management services; 2 commits to its investors that its business purpose is to invest for returns solely from appreciation and/or investment income; and 3 measures and evaluates the performance of substantially all of its investments on a fair value basis. <p>The amendments also set out disclosure requirements for investment entities.</p>
<p>IFRS 9 <i>Financial Instruments</i> (2009)</p>	<p>This Standard replaces the guidance in IAS 39 <i>Financial Instruments: Recognition and Measurement</i>, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.</p> <p>Financial assets will be classified into one of two categories on initial recognition:</p> <ul style="list-style-type: none"> • financial assets measured at amortized cost; or • financial assets measured at fair value. <p>A financial asset is measured at amortized cost if the following two conditions are met:</p> <ul style="list-style-type: none"> • the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and • its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. <p>Gains and losses on remeasurement of financial assets measured at fair value are recognized in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date.</p>
<p>Additions to IFRS 9 <i>Financial Instruments</i> (2010)</p>	<p>The 2010 additions to IFRS 9 replace the guidance in IAS 39 <i>Financial Instruments: Recognition and Measurement</i>, about classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities.</p> <p>The Standard retains almost all of the existing requirements from IAS 39 on the</p>

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	<p>classification and measurement of financial liabilities and for derecognition of financial assets and financial liabilities.</p> <p>The Standard requires that the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as fair value through profit or loss, be presented in other comprehensive income (OCI), with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss.</p> <p>Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity.</p> <p>Derivative financial liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are required to be measured at fair value under IFRS 9.</p>
<p>Amendments to IFRS 9 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i></p>	<p>These Amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 <i>Financial Instruments</i> (2009) and IFRS 9 <i>Financial Instruments</i> (2010).</p> <p>The amended IFRS 7 requires to disclose more details about the effect of the initial application of IFRS 9 when an entity does not restate comparative information in accordance with the amended requirements of IFRS 9.</p> <p>If an entity adopts IFRS 9 on or after 1 January 2013, then it will no longer be required to restate comparative information for periods prior to the date of initial application.</p> <p>If an entity early adopts IFRS 9 in 2012, then it has a choice either to restate comparative information or to provide the enhanced disclosures as required by the amended IFRS 7.</p> <p>If an entity early adopts IFRS 9 prior to 2012, then neither restatement of comparative information nor provision of the enhanced disclosures under the amended IFRS 7 are required</p>

The Company is currently evaluating the impact of above mentioned new Standards, amendments to Standards and Interpretations.

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3. Changes in accounting policies and presentation of financial data

Consequently to the effects of changes in the Company's accounting policies, comparative data derived from the approved financial statements for the year ended 31 December 2011 have been restated for comparability.

a) Application of amendments to IAS 19 Employee benefits

The Company decided to early adopt changes to IAS 19, which become effective for the periods beginning on 1 January 2013, which require actuarial gains and losses related to defined benefit plans to be recognised in other comprehensive income.

b) Change in presentation of certificates of origin

From 2012 certificates of origin are presented in inventories and their carrying amount does not decrease the provision for certificates of origin. Until 2011 the carrying amount of certificates of origin held by the Company set off the provision presented in the statement of financial position.

c) Other changes in presentation

The Company has made also other presentation changes, the most important of which concerns reclassification of long-term part of provision for non-contractual use of land; presentation of provision for certificates of origin and provisions for other liabilities and charges; and reclassification of carrying amount of advance payments received for delivery of services.

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

Separate statement of financial position

ASSETS	31.12.2011	(b)	(c)	Total adjustments	31.12.2011 Restated
Non-current assets					
Property, plant and equipment	178 785			-	178 785
Perpetual usufruct of land	1 471			-	1 471
Intangible assets	3 114			-	3 114
Investment property	17 512			-	17 512
Investments in subsidiaries, associates and jointly-controlled entity	8 522 698			-	8 522 698
Deferred tax assets	56 833				56 833
Financial assets available for sale	19 365			-	19 365
Financial assets held to maturity	142 193			-	142 193
Financial assets measured at fair value through profit or loss	1 557			-	1 557
	8 943 528	-	-	-	8 943 528
Current assets					
Inventory	-	56 764		56 764	56 764
Trade and other receivables	765 420		39 412	39 412	804 832
Current income tax receivables	14 065			-	14 065
Financial assets measured at fair value through profit or loss	712 670			-	712 670
Cash and cash equivalents	707 610			-	707 610
Non-current assets held for sale	17 818			-	17 818
	2 217 583	56 764	39 412	96 176	2 313 759
Total assets	11 161 111	56 764	39 412	96 176	11 257 287
EQUITY AND LIABILITIES					
	31.12.2011	(b)	(c)	Total adjustments	31.12.2011 Restated
Share capital	588 018			-	588 018
Share premium	4 627 673			-	4 627 673
Share-based payments reserve	1 144 336			-	1 144 336
Revaluation reserve (financial instruments)	11 989			-	11 989
Reserve capital	1 062 349			-	1 062 349
Retained earnings	2 771 491			-	2 771 491
Total equity	10 205 856	-	-	-	10 205 856
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	5 548			-	5 548
Settlement of income due to subsidies and connection fees	30 853			-	30 853
Liabilities due to employee benefits	79 384			-	79 384
Provisions for other liabilities and charges	0		12 810	12 810	12 810
	115 785	-	12 810	12 810	128 595
Current liabilities					
Trade and other liabilities	572 092		39 412	39 412	611 504
Finance lease liabilities	3 136			-	3 136
Settlement of income due to subsidies and connection fees	2 343			-	2 343
Liabilities due to employee benefits	14 567			-	14 567
Liabilities due to an equivalent of the right to acquire shares free of charge	508			-	508
Provision for certificates of origin	192 946	56 764	(249 710)	(192 946)	-
Provisions for other liabilities and charges	53 878		236 900	236 900	290 778
	839 470	56 764	26 602	83 366	922 836
Total equity and liabilities	11 161 111	56 764	39 412	96 176	11 257 287

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

Separate statement of profit or loss and other comprehensive income

	For the 12-month period ended 31.12.2011	(b)	For the 12-month period ended 31.12.2011 Restated
Sales revenue	5 805 632		5 805 632
Excise duty	(227 999)		(227 999)
Net sales revenue	5 577 633		5 577 633
Other operating revenue	25 945		25 945
Depreciation	(16 645)		(16 645)
Costs of employee benefits	(60 383)	(2 883)	(63 266)
Consumption of materials and supplies and costs of goods sold	(5 493)		(5 493)
Energy purchase for sale	(3 575 667)		(3 575 667)
Transmission services	(1 665 980)		(1 665 980)
Other external services	(179 530)		(179 530)
Taxes and charges	(9 450)		(9 450)
Gain/(loss) on sale and liquidation of property, plant and equipment	(2 408)		(2 408)
Impairment loss on property, plant and equipment	(5 634)		(5 634)
Other operating expenses	(43 314)		(43 314)
Operating profit	39 074	(2 883)	36 191
Financial expenses	(6 436)		(6 436)
Financial revenue	122 110		122 110
Revenue from dividends	236 339		236 339
Profit before tax	391 087		388 204
Income tax	(35 918)	548	(35 370)
Net profit for the reporting period	355 169	(2 335)	352 834
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
- change in fair value of financial assets available for sale reclassified to profit or loss	-		-
- change in fair value of financial assets available for sale	1 294		1 294
- income tax	(246)		(246)
Items that will not be reclassified to profit or loss			
- net actuarial gain/(loss) on defined benefit plans	-	2 883	2 883
- income tax	-	(548)	(548)
Net other comprehensive income	1 048	2 335	3 383
Total comprehensive income for the reporting period	356 217	-	356 217

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

Separate statement of cash flow

	For the period 12 months ended 31.12.2011	(b)	(c)	Total adjustments	For the period 12 months ended 31.12.2011 Restated
Cash flows from operating activities					
Net profit for the reporting period	355 169	(2 335)		(2 335)	352 834
Adjustments:					
Income tax disclosed in the profit or loss	35 918	(548)		(548)	35 370
Depreciation	16 645			-	16 645
(Gain) / loss on sale and liquidation of property, plant and equipment	(6 676)			-	(6 676)
Impairment loss on property, plant and equipment	6 631			-	6 631
(Gain)/loss on disposal of financial assets	(9 098)			-	(9 098)
Interest income	(116 813)			-	(116 813)
Revenue from dividends	(236 339)			-	(236 339)
Interest expense	2 489			-	2 489
	(307 243)	(548)	-	(548)	(307 791)
Paid income tax	(66 045)			-	(66 045)
Interest received	33 591			-	33 591
Interest paid	(2 140)			-	(2 140)
Changes in working capital					
Inventory	-		31 796	31 796	31 796
Trade and other receivables	12 890			-	12 890
Trade and other liabilities	(137 549)			-	(137 549)
Liabilities due to employee benefits	(6 327)	2 883		2 883	(3 444)
Deferred income due to subsidies and connection fees	(2 258)			-	(2 258)
Liabilities due to an equivalent of the right to acquire shares free of charge	(49)			-	(49)
Provision for certificates of origin	62 167		(62 167)	(62 167)	-
Provisions for other liabilities and charges	10 349		30 371	30 371	40 720
	(60 777)	2 883	-	2 883	(57 894)
Net cash flows from operating activities	(47 445)	-	-	-	(47 445)
Cash flows from investing activities					
Acquisition of property, plant and equipment	(15 790)			-	(15 790)
Receipts from disposal of property, plant and equipment and intangible assets	363			-	363
Acquisition of financial assets	(140 511)			-	(140 511)
Receipts from disposal of financial assets	1 159 052			-	1 159 052
Acquisition of subsidiaries, associates and a joint-ventures	(652 770)			-	(652 770)
Dividends received	236 339			-	236 339
Other receipts from investing activities	329			-	329
Net cash flows from investing activities	587 012	-	-	-	587 012
Cash flows from financing activities					
Dividends paid	(194 206)			-	(194 206)
Payment of finance lease liabilities	(3 870)			-	(3 870)
Net cash flows from financing activities	(198 076)	-	-	-	(198 076)
Net increase/(decrease) in cash	341 491	-	-	-	341 491
Opening balance of cash	366 119			-	366 119
Closing balance of cash	707 610	-	-	-	707 610

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

4. Material estimates and assumptions

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

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

- **post-employment benefits** – the provisions for employee benefits are measured using a method which involves determination of the opening balance of liabilities due to expected future benefit payments as at the end of the reporting period, calculated in line with actuarial methods; a change in the discount rate and the long-term pay rise rate affect the estimate made (Note 24);

- **trade and other receivables allowance** – their value is determined as the difference between the carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. A change in the estimated value of future cash flows results in a change in the estimated value of allowance on receivables (Note 14);

- **unbilled sales revenue at the end of the financial year** – the value of unbilled energy sales is estimated based on the estimated consumption of electricity in the period from the last meter reading date until the end of the financial period (Note 14);

- **compensation for non-contractual use of property** – the potential payment of compensation for the so called non-contractual use of land and rental fee is estimated by the technical staff of the Company based on analyses of claims filed on a case-by-case basis (Note 25 and 39.5);

- **recoverable amount of shares in subsidiaries** – impairment tests of carrying amount of shares are based on a number of significant assumptions, some of which are outside the control of ENEA S.A. Significant changes to the assumptions impact the results of impairment test and consequently on the financial position and performance of the Company (Note 11).

5. Composition of the Capital Group - list of subsidiaries, associates and joint-ventures

	Name and address of the company	Share of ENEA S.A. in the total number of votes 31.12.2012	Share of ENEA S.A. in the total number of votes 31.12.2011
1.	ENERGOMIAR Sp. z o.o. Poznań, Strzeszyńska 58	100	100
2.	BHU S.A. Poznań, Strzeszyńska 58	92.62	92.62
3.	ENEA Centrum S.A. Poznań, Górecka 1	100	100

ENEA S.A.

Separate financial statements for the financial year ended 31 December 2012 prepared in accordance with IFRS-EU.

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4.	Hotel „EDISON” Sp. z o.o. <i>Baranowo near Poznań</i>	100	100
5.	Energetyka Poznańska Zakład Transportu Sp. z o.o. <i>Poznań, Strzeszyńska 58</i>	100	100
6.	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. <i>Lipno, Gronówko 30</i>	100	100
7.	ENERGO-TOUR Sp. z o.o. <i>Poznań, Marcinkowskiego 27</i>	99,92	99,92
8.	ENEOS Sp. z o.o. <i>Poznań, Strzeszyńska 58</i>	100	100
9.	ENTUR Sp. z o.o. <i>Szczecin, Malczewskiego 5/7</i>	100	100
10.	Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. <i>Inowrocław, Wilkońskiego 2</i>	99,94	99,94
11.	Elektrownie Wodne Sp. z o.o. <i>Samociążek, 86-010 Koronowo</i>	-	99,996
12.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. <i>Oborniki, Wybudowanie 56</i>	-	91,02
13.	„IT SERWIS” Sp. z o.o. <i>Zielona Góra, Zacisze 28</i>	100	100
14.	„Auto – Styl” Sp. z o.o. <i>Zielona Góra, Zacisze 15</i>	-	100
15.	ENEA Operator Sp. z o.o. <i>Poznań, Strzeszyńska 58</i>	100	100
16.	ENEA Wytwarzanie S.A. <i>Świerże Górze, commune Kozienice, Kozienice 1</i>	100	100
17.	Miejska Energetyka Ciepła Piła Sp. z o.o. <i>64-920 Piła, Kaczorska 20</i>	-	65,03
18.	Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A. <i>Ostrów Wlkp., Chłapowskiego 51</i>	-	49
19.	Elektrociepłownia Białystok S.A. <i>Białystok, Gen. Andersa 3</i>	-	99,94
20.	DOBITT Energia Sp. z o.o. <i>Gorzewo 8, 56-420 Bierutów</i>	-	100
21.	Annacond Enterprises Sp. z o.o. <i>Warszawa, Jana III Sobieskiego 1/4</i>	61	61
22.	Windfarm Polska Sp. z o.o. <i>Koszalin, Wojska Polskiego 24-26</i>	-	-
23.	ENEA Trading Sp. z o.o. <i>Świerże Górze, commune Kozienice, Kozienice 1</i>	100	100*
24.	„Ecebe” Sp. z o.o. <i>Augustów, Wojciech 8</i>	99,996**	99,94**
25.	Energo-Inwest-Broker S.A. <i>Toruń, Jęczmienna 21</i>	***	***
26.	Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Sp. k. <i>Samociążek, 86-010 Koronowo</i>	*****	100%*****

* - an indirect subsidiary of ENEA Wytwarzanie S.A., which held 100% shares of ENEA Trading S.A.

** - an indirect subsidiary, 100% of shares in Ecebe Sp. z o.o. is held by Elektrociepłownia Białystok S.A.

*** - an associate of ENEA Wytwarzanie S.A.

**** - an indirect subsidiary by shares of Elektrownie Wodne Sp. z o.o. and ENEA Centrum S.A.

***** - on 2 January 2012 the entity has merged with Elektrownie Wodne Sp. z o.o.

Changes in the structure of the ENEA Group in the period covered by the financial statements

On 2 January 2012 a legal merger of Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Sp. k. and Elektrownie Wodne Sp. z o.o. took place.

On 16 February 2012 ENEA S.A. concluded a sales contract for 269,000 shares of Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A. (“WIRBET”), which represented 49% of share capital of WIRBET. On 22 March 2012 ownership of shares was transferred.

On 13 March 2012 the Extraordinary Shareholders’ Meeting of Elektrownie Wodne Sp. z o.o. decided to increase the share capital by PLN 49 thousand, up to PLN 239,898.5 thousand, by way of issuing 98 new shares. The new shares in the Company’s share capital were acquired by ENEA S.A. for contributing in kind the right of perpetual usufruct of land. On 13 March 2012 the contract transferring the right of perpetual usufruct was signed. The increased share capital of Elektrownie Wodne Sp. z o.o. was registered in the National Court Register on 5 April 2012.

On 8, 9 and 15 March 2012 ENEA S.A. signed agreements for purchase of 984 shares with the nominal value of PLN 10 per share in Elektrociepłownia Białystok S.A., with the register office in Białystok, for the total amount of PLN 325 thousand. The acquisition was realized in April 2012 with due date of 30 days from signing the contract.

On 16 April 2012 ENEA S.A. acquired all 50 shares of Windfarm Polska Sp. z o.o., with the nominal value of PLN 1,000 per share. The acquisition is consistent with the Group’s strategy, which involves the expansion of production capacity in the area of renewable energy sources. The strategy involves acquisition of 250-350 MW of installed capacity in wind turbines by 2020.

On 25 May 2012 Elektrownia “Kozienice” S.A. changed its name in the National Court Register to ENEA Wytwarzanie S.A.

On 6 June 2012 ENEA S.A. acquired 308 employee shares in Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. with the registered office in Oborniki for the total amount of PLN 393 thousand, representing the second tranche (out of total four tranches) of repurchase of employee shares.

On 21 August 2012 the Extraordinary Shareholders’ Meeting of Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o. adopted the resolution to increase the share capital by PLN 2,265 thousand, up to PLN 11,050 thousand, by way of issuing 4 530 new shares of PLN 500 each. The new shares in the company’s share capital were acquired by ENEA S.A. for a contribution in kind. The increased share capital of Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o. was registered in the National Court Register on 20 September 2012.

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On 22 August 2012 the Extraordinary Shareholders' Meeting of Elektrownie Wodne Sp. z o.o. adopted the resolution for redemption of 17 company's shares, acquired from ENEA Centrum S.A on the basis of a sales agreement dated 3 July 2012.

On 17 September 2012 the agreement between ENEA S.A. and ENEA Wytwarzanie S.A. concerning transfer of shares of ELKO Trading Sp. z o.o. was signed, and ENEA S.A. became a direct owner of 100% of shares of ELKO Trading Sp. z o.o. amounting to PLN 129,623 thousand, previously held indirectly through interests in ENEA Wytwarzanie S.A.

On 27 September 2012 the Extraordinary Shareholders' Meeting of ELKO Trading Sp. z o.o. decided to change the name of the company to ENEA Trading Sp. z o.o. The change of the name was registered in the National Court Register on 18 October 2012.

On 4 December 2012 ENEA S.A. concluded a sale contract for 100% shares of Auto-Styl Sp. z o.o.

On 20 December 2012 the General Shareholders' Meeting of ENEA Wytwarzanie S.A. resolved to increase the share capital from PLN 462,482.4 thousand to PLN 2,046,049.5 thousand, by the amount of PLN 1,583,567.1 thousand. The Shareholders' Meeting agreed that all new shares would be acquired by ENEA S.A. by contribution in kind in the form of shares of the following companies: Elektrownie Wodne Sp. z o.o., Elektrociepłownia Białystok S.A., Miejska Energetyka Ciepła Piła Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki, Windfarm Polska Sp. z o.o., Dobit Enerгия Sp. z o.o. and receivables of ENEA S.A. from Windfarm Polska Sp. z o.o. The increase in the company's share capital was registered by the National Court Register on 22 January 2013.

6. Segment reporting

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

- trade – purchase and sale of electricity;
- other activities - maintenance and modernization of road lighting equipment.

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

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

<u>For the period from 1 January 2012 to 31 December 2012</u>	Trade	All other segments	Total
Net sales revenue*	5 694 125	65 214	5 759 339
Inter-segment sales	-	-	-
Total net sales revenue	5 694 125	65 214	5 759 339
Total expenses **	(5 448 446)	(42 681)	(5 491 127)
Segment profit/loss	245 679	22 533	268 212
Unassigned general and administrative expenses			(131 234)
Operating profit			136 978
Financial expenses			(37 719)
Financial revenue			99 583
Revenue from dividends			362 091
Income tax			(38 253)
Net profit			522 680

* - net sales revenue under Trade includes also net revenue from sales of distribution services of PLN 1,595,627 thousand, which was separately presented in the annual consolidated financial statements of the ENEA Group under Distribution segment

** - total expenses:

- include the costs of sales of distribution services of PLN 1,595,649 thousand, which were separately presented in the consolidated financial statements of the ENEA Group under Distribution segment
- include also other operating revenue and expenses

Segment reporting for the period from 1 January to 31 December 2011:

<u>For the period from 1 January 2011 to 31 December 2011</u>	Trade	All other segments	Total
Net sales revenue*	5 515 784	61 849	5 577 633
Inter-segment sales	-	-	-
Total net sales revenue	5 515 784	61 849	5 577 633
Total expenses **	(5 369 764)	(48 239)	(5 418 003)
Segment profit/loss	146 020	13 610	159 630
Unassigned general and administrative expenses			(123 439)
Operating profit			36 191
Financial expenses			(6 436)
Financial revenue			122 110
Revenue from dividends			236 339
Income tax			(35 370)
Net profit			352 834

* - net sales revenue under Trade includes also net revenue from sales of distribution services of PLN 1,665,599 thousand, which was separately presented in the annual consolidated financial statements of the ENEA Group under Distribution segment

** - total expenses:

- include the costs of sales of distribution services of PLN 1,665,980 thousand, which were separately presented in the consolidated financial statements of the ENEA Group under Distribution segment
- include also other operating revenue and expenses

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

Segment reporting (cont'd)

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

Balance as at 31 December 2012	Trade	All other segments	Total
Property, plant and equipment	15 743	138 406	154 149
Trade and other receivables	902 527	10 314	912 841
Total:	918 270	148 720	1 066 990
ASSETS excluded from segmentation			10 580 710
- including property, plant and equipment			28 559
- including trade and other receivables			68 684
TOTAL ASSETS			11 647 700
Trade and other liabilities	649 587	5 107	654 694
Equity and liabilities excluded from segmentation			10 993 006
- including trade and other liabilities			57 932
TOTAL EQUITY AND LIABILITIES			11 647 700

for the 12-month period ended 31 December 2012

Capital expenditure for property, plant and equipment and intangible assets	-	17 417	17 417
Capital expenditure for property, plant and equipment and intangible assets excluded from segmentation			8 773
Depreciation/amortization of fixed assets/intangible assets	219	9 195	9 414
Depreciation/amortization of fixed assets/intangible assets excluded from segmentation			7 464
Net change of receivables allowance	3 521	41	3 562

Other segment reporting information as at 31 December 2011 and for the 12-month period ended as at that date:

Balance as at 31 December 2011	Trade	All other segments	Total
Property, plant and equipment	6 223	114 946	121 169
Trade and other receivables	785 941	8 840	794 781
Total:	792 164	123 786	915 950
ASSETS excluded from segmentation			10 340 789
- including property, plant and equipment			57 616
- including trade and other receivables			10 051
TOTAL: ASSETS			11 256 739
Trade and other liabilities	539 174	4 844	544 018
Equity and liabilities excluded from segmentation			10 712 721
- including trade and other liabilities			67 486
TOTAL: EQUITY AND LIABILITIES			11 256 739

for the 12-month period ended 31 December 2011

Capital expenditure for fixed assets and intangible assets	-	26 728	26 728
Capital expenditure for fixed assets and intangible assets excluded from segmentation			3 258
Depreciation/amortization of fixed assets/intangible assets	156	9 480	9 636
Depreciation/amortization of fixed assets/intangible assets excluded from segmentation			7 009
Net change of receivables allowance	236	3	239

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

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

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

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*(all amounts in PLN '000, unless specified otherwise)***7. Property, plant and equipment**

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2012							
Gross value	1 969	240 851	17 865	5 903	2 577	14 464	283 629
Accumulated depreciation	-	(90 359)	(8 917)	(2 253)	(1 723)	-	(103 252)
Impairment loss	-	477	204	-	(1)	(2 272)	(1 592)
Net book value	1 969	150 969	9 152	3 650	853	12 192	178 785
Changes in the 12 months ended 31 December 2012							
Reclassifications	-	15 801	2 565	30	512	(21 228)	(2 320)
Acquisition	13	4 760	-	513	1 564	19 340	26 190
Disposal (gross value)	(65)	(1 597)	(144)	(159)	(13)	-	(1 978)
Disposal (accumulated depreciation)	-	31	115	159	8	-	313
Depreciation	-	(11 337)	(3 271)	(1 638)	(862)	-	(17 108)
Impairment loss	-	-	-	-	-	-	-
Liquidation (gross value)	-	(1 276)	(284)	-	-	-	(1 560)
Liquidation (accumulated depreciation)	-	863	266	-	-	-	1 129
Reclassification to investment property (gross value)	-	(183)	-	-	-	-	(183)
Other (gross value)	-	-	15	(179)	(15)	(51)	(179)
Other (accumulated depreciation)	-	(312)	(136)	118	-	-	(330)
Balance as at 31 December 2012							
Gross value	1 917	258 356	20 017	6 108	4 625	12 525	303 548
Accumulated depreciation	-	(101 114)	(11 943)	(3 614)	(2 577)	-	(119 248)
Impairment loss	-	477	204	-	(1)	(2 272)	(1 592)
Net book value	1 917	157 719	8 278	2 494	2 047	10 253	182 708

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*(all amounts in PLN '000, unless specified otherwise)***Property, plant and equipment (cont'd)**

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2011							
Gross value	1 987	271 997	16 472	4 907	2 467	12 893	310 723
Accumulated depreciation	-	(91 745)	(6 537)	(1 028)	(1 077)	-	(100 387)
Impairment loss	-	(410)	(355)	-	(5)	-	(770)
Net book value	1 987	179 842	9 580	3 879	1 385	12 893	209 566
Changes in the 12 months ended 31 December 2011							
Reclassifications	-	9 357	2 193	94	28	(12 417)	(745)
Acquisition	-	14 508	126	1 278	86	13 988	29 986
Disposal (gross value)	(18)	(928)	(848)	(376)	(4)	-	(2 174)
Disposal (accumulated depreciation)	-	9	23	269	-	-	301
Contribution in kind (gross value)	-	(29 515)	(23)	-	-	-	(29 538)
Contribution in kind (accumulated depreciation)	-	11 567	17	-	-	-	11 584
Depreciation	-	(13 388)	(2 472)	(1 494)	(646)	-	(18 000)
Impairment loss	-	887	559	-	4	(2 272)	(822)
Liquidation (gross value)	-	(3 721)	(55)	-	-	-	(3 776)
Liquidation (accumulated depreciation)	-	1 376	52	-	-	-	1 428
Reclassification to investment property (gross value)	-	(18 703)	-	-	-	-	(18 703)
Reclassification to investment property (accumulated depreciation)	-	1 192	-	-	-	-	1 192
Other (gross value)	-	(2 144)	-	-	-	-	(2 144)
Other (accumulated depreciation)	-	630	-	-	-	-	630
Balance as at 31 December 2011							
Gross value	1 969	240 851	17 865	5 903	2 577	14 464	283 629
Accumulated depreciation	-	(90 359)	(8 917)	(2 253)	(1 723)	-	(103 252)
Impairment loss	-	477	204	-	(1)	(2 272)	(1 592)
Net book value	1 969	150 969	9 152	3 650	853	12 192	178 785

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*(all amounts in PLN '000, unless specified otherwise)***Property, plant and equipment (cont'd)**

ENEA S.A. uses the following property, plant and equipment under finance leases:

	31.12.2012			31.12.2011		
	Initial value	Accumulated depreciation	Net carrying amount	Initial value	Accumulated depreciation	Net carrying amount
Structures	18 283	(2 420)	15 863	15 010	(1 766)	13 244
Vehicles	3 888	(1 847)	2 041	3 839	(973)	2 866
Other fixed assets	1 564	(170)	1 394	-	-	-
TOTAL	23 735	(4 437)	19 298	18 849	(2 739)	16 110

ENEA S.A. does not act in finance lease agreements as lessor.

No collateral has been pledged on the Company's property, plant and equipment, except for fixed assets used under finance lease agreements.

8. Perpetual usufruct of land

	31.12.2012	31.12.2011
Gross value opening balance	1 571	1 571
Acquisition	713	43
Disposal (gross value)	(737)	(43)
Gross value closing balance	1 547	1 571
Opening balance of amortization	(100)	(83)
Disposal (accumulated depreciation)	11	-
Amortization	(21)	(17)
Closing balance of amortization	(110)	(100)
Net value opening balance	1 471	1 488
Net value closing balance	1 437	1 471

9. Intangible assets

	Computer software, licenses, concessions and patents
Balance as at 1 January 2012	
Gross value	7 335
Accumulated amortization	(4 221)
Net book value	3 114
Changes in 12 months ended 31 December 2012	
Reclassification	1 607
Amortization	(1 149)
Balance as at 31 December 2012	
Gross value	8 942
Accumulated amortization	(5 370)
Net book value	3 572

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	Computer software, licenses, concessions and patents
Balance as at 1 January 2011	
Gross value	6 648
Accumulated amortization	(3 295)
Net book value	3 353
Changes in 12 months ended 31 December 2011	
Reclassification	687
Amortization	(926)
Balance as at 31 December 2010	
Gross value	7 335
Accumulated amortization	(4 221)
Net book value	3 114

No collateral has been pledged on intangible assets.

10. Investment property

	31.12.2012	31.12.2011
Gross value opening balance	18 703	-
Acquisition	483	6 765
Reclassification from / to property, plant and equipment	-	11 938
Gross value closing balance	19 186	18 703
Opening balance of depreciation	(1 191)	-
Accumulated depreciation for the period	(540)	(1 191)
Closing balance of depreciation	(1 731)	(1 191)
Net value opening balance	17 512	-
Net value closing balance	17 455	17 512

ENEA S.A. recognizes the office building and other commercial properties as investment properties. The most significant investment property is the office building; the lease agreement was concluded in January 2012 for the period of 60 months with the possibility to terminate the contract after 48 months, subject to 6-month notice period. The revenue from the rental of the building amounted to PLN 1,149 thousand as at 31 December 2012, the maintenance costs of the building amounted to PLN 490 thousand.

11. Investments in subsidiaries, associates and joint-ventures

	31.12.2012	31.12.2011
Opening balance	8 522 698	7 874 545
Reclassification to non-current assets held for sale	(2 309)	(23 510)
Acquisition of investments	187 813	665 131
Disposal of investments	-	(9 230)
Other changes	122 203	(4 523)
Change of impairment loss	(10 304)	20 285
Closing balance	8 830 376	8 522 698

During 2012 the Company increased shares in its subsidiaries: Elektrownie Wodne Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki, Elektrociepłownia Białystok S.A., Annacond Enterprises Sp. z o.o. and Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. by increasing capital or partial repurchase of non-controlling interests for the total amount of PLN 3,192 thousand (during 2011 the Company acquired shares in subsidiaries for the total amount of PLN 665,131 thousand).

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On 20 December 2012 the General Shareholders' Meeting of ENEA Wytwarzanie S.A. resolved to increase the share capital. All new shares have been acquired by ENEA S.A. by contribution in kind in the form of shares of the following companies: Elektrownie Wodne Sp. z o.o., Elektrociepłownia Białystok S.A., Miejska Energetyka Ciepła Piła Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki, Windfarm Polska Sp. z o.o., DOBITT Energia Sp. z o.o. and receivables of ENEA S.A. from Windfarm Polska Sp. z o.o.

On 30 July 2012 r. the Supervisory Board of ENEA S.A. agreed for the ENEA S.A. to acquire shares of ELKO Trading Sp. z o.o. as a non-cash dividend from ENEA Wytwarzanie S.A. ENEA S.A. became a direct owner of 100% of shares of ELKO Trading Sp. z o.o. amounting to PLN 129,623 thousand, previously held indirectly through interests in ENEA Wytwarzanie S.A. On 18 October 2012 the change of the name ELKO Trading Sp. z o.o. to ENEA Trading Sp. z o.o. was registered in the national Court Register.

On 16 April 2012 ENEA S.A. concluded acquisition of 100% shares of Windfarm Polska Sp. z o.o. (the "Windfarm"), the owner of working wind farm Bardy 50 MW, consisting of 25 Vestas turbines with 2 MW power each and electricity network connection station. The wind farm is situated in the area with high level of wind, predicted annual production of "green" energy equals 150 000 MWh. The total purchase price amounted to PLN 102,398 thousand, including PLN 1,141 thousand of transaction costs.

In connection with the settlement of Windfarm acquisition, part of the amount paid in 2011 as an advance payment, in the amount of PLN 224,910 thousand has been reclassified and till the date of contribution in kind to ENEA Wytwarzanie S.A. was presented within long-term other financial assets. In relation to the acquisition of new shares of ENEA Wytwarzanie S.A. by contribution in kind, the value of the receivables from Windfarm Polska Sp. z o.o. in the amount of PLN 347,112 thousand increased the value of shares in subsidiaries.

During 2012 the Company reclassified shares in "Auto-Styl" Sp. z o.o. in the amount of PLN 2,309 thousand to non-current assets held for sale.

In 2011 the Company acquired shares in its subsidiaries and associates: Hotel "EDISON" Sp. z o. o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki, Elektrociepłownia Białystok S.A., Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o., ENEOS Sp. z o.o. and BHU S.A. for the total amount of PLN 365,147 thousand and acquired 100% shares in DOBITT Energia Sp. z o.o. for the amount of PLN 12,425 thousand and 61% of shares in Annacond Enterprises Sp. z o.o. for PLN 15,250 thousand.

In November and December 2011 ENEA S. A. made advance payments of PLN 272,309 thousand for future shares, in line with the preliminary agreement on the sale of all shares in Windfarm Polska sp. z o. o. dated 25 November 2011.

In 2011 the Company sold shares in an associated entity - Przedsiębiorstwo Energetyki Ciepłej w Śremie S.A. for PLN 9,230 thousand. Moreover, FINEA Sp. z o. o. in liquidation was finally liquidated.

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In 2011, the Company reclassified shares in Hotel "EDISON" Sp. z o.o. in the amount of PLN 12,876 thousand and in Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych "WIRBET" S.A. of PLN 2,699 thousand to non-current assets held for sale.

Impairment loss on investments

	31.12.2012	31.12.2011
Opening balance of impairment loss on investments	19 570	39 855
Recognized	10 304	2 908
Reclassification to non-current assets held for sale	-	(7 935)
Derecognized	-	(1 505)
Assigned	-	(13 753)
Closing balance of impairment loss on investments	29 874	19 570

As at 31 December 2012 the Company carried out an impairment test on investments in subsidiaries. The test covered shares in two companies acquired in 2008: Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki („PEC Oborniki”) and Miejska Energetyka Ciepła Piła Sp. z o.o. („MEC Piła”); four companies acquired in 2011: Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa (on 2 January 2012 r. a merger of the company with Elektrownie Wodne Sp. z o.o. took place), Dobitt Energia Sp. z o.o., Annacond Enterprises Sp. z o.o. and Elektrociepłownia Białystok Sp. z o.o. and in the company acquired in 2012 r.: Windfarm Polska Sp. z o.o. As a result of the analysis the Company recognized an impairment loss on shares in Annacond Enterprises Sp. z o.o.

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

- a) energy prices for years 2013-2033,
- b) prices of certificates of energy origin from renewable resources and cogeneration,
- c) prices of CO₂ emission rights,
- d) Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Sp. k. (merged with Elektrownie Wodne Sp. z o.o.): pre-tax discount rate 9.4%, residual growth rate 2.5%; projection period was extended till 2033 in line with the economic useful lives of assets,
- e) Dobitt Energia Sp. z o.o.: pre-tax discount rate 12.9%, residual growth rate 2.5%; projection period was extended till 2033 in line with the economic useful lives of assets,
- f) Annacond Enterprises Sp. z o.o. – for the impairment testing purposes the Company adopted liquidation value arising from the valuation carried out as at 30 June 2012,
- g) Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki: pre-tax discount rate 9.6%, residual growth rate 2.5%, projection period was extended till 2022 (in the projection period after 2017 it was assumed that the company would generate constant EBITDA that would implicate an increase of EBIT margin as the depreciation would decrease; the extension of the projection period is aimed at equalization of depreciation and capital expenditure in residual period ,
- h) Miejska Energetyka Ciepła Piła Sp. z o.o.: pre-tax discount rate 10.0%, residual growth rate 2.5%, 5-year projection period was assumed (till 2017),
- i) Elektrociepłownia Białystok S.A.: pre-tax discount rate 9.4%, residual growth rate 2.5%, 5-year projection period was assumed (till 2017),

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- j) Windfarm Polska Sp. z o.o.: pre-tax discount rate 8.9%, residual growth rate 2.5%, projection period was extended till 2033 in line with the economic useful lives of assets.

As at 31 December 2012 the Company recognized an impairment loss for shares in Annacond Enterprises Sp. z o.o. in the amount of PLN 10,275 thousand. As at 31 December 2011 it recognized an impairment loss for shares in Hotel "EDISON" Sp. z o.o. in the amount of PLN 2,908 thousand.

Based on the sensitivity analysis performed, prices of energy, certificates of origin, CO₂ emission rights and discount rates are the key factors having an impact on the estimated value in use of cash generating units.

12. Non-current assets held for sale

	31.12.2012	31.12.2011
Opening balance	17 818	-
Reclassification from investments in subsidiaries, associates and joint-ventures	2 309	15 575
Reclassification from assets available for sale	-	2 243
Sale of assets	(7 251)	-
Closing balance	12 876	17 818

During 2012 the Company reclassified shares in „Auto-Styl” Sp. z o.o. to non-current assets held for sale from investments in subsidiaries, associates and joint ventures. In December 2012 ENEA SA the Company sold all shares in Auto-Styl Sp. z o.o. of the carrying value of PLN 2,309 thousand. During the year 2012 the Company sold also shares in Towarowa Giełda Energii S.A. and Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych "WIRBET" S.A.

As at 31 December 2012 the shares in Hotel "EDISON" Sp. z o.o. are presented as non-current assets held for sale. The latest announcement of the sale of the shares in the hotel was published on 8 November 2012 in Gazeta Wyborcza. Despite the initial interest from potential buyer, no entity did request for Information Memorandum and submitted an offer. ENEA S.A. is continuously looking for an investor by establishing direct contacts with potential buyers (hotel chains, investment funds, law companies providing brokerage services, online investment banks and other investors) and the announcement will be published at least every six months. The Company plans to complete the sale process by the end of 2012.

13. Financial assets

	31.12.2012	31.12.2011
Non-current available-for-sale financial assets (shares in unrelated parties)	5	19 365
Non-current financial assets held to maturity	596 450	142 193
Non-current financial assets measured at fair value through profit or loss	1 504	1 557
Total non-current financial assets	597 959	163 115
Trade and other receivables	79 475	-
Short-term financial assets measured at fair value through profit or loss (investment portfolio)	422 173	712 670
Total current financial assets	501 648	712 670
TOTAL	1 099 607	875 785

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a. Bond issue programme of Elektrociepłownia Białystok S.A.

On 23 July 2012 ENEA S.A. (here as: Guarantor) concluded with Elektrociepłownia Białystok S.A. (here as: Bond Issuer) and Financial Authority (Organiser, Issue Agent, Paying Agent and Depository) an Agreement on the Bond Issue Programme for PLN 98.5 million. On the same day ENEA S.A. executed the Guarantee Agreement with Elektrociepłownia Białystok S.A. On 14 December 2012 ENEA S.A. concluded with the Issuer and Financial Authority an Annex No 1 to the Bond Issue Programme Agreement increasing the total value of the Programme by PLN 30 million, up to PLN 128.5 million.

As at 31 December 2012 ENEA S.A. has acquired four series bonds issued under the Bond Issue Programme for the total amount of PLN 128.5 million.

b. Bond issue programme of ENEA Operator Sp. z o.o.

On 9 August 2011 ENEA S.A. concluded with ENEA Operator Sp. z o.o. (here as: Issuer) and Financial Authority (Organiser, Issue Agent, Paying Agent and Depository) an Agreement on the Bond Issue Programme for PLN 500 million.

As at 31 December 2012 ENEA S.A. has acquired three series bonds issued under the Bond Issue Programme for the total amount of PLN 500 million.

c. Bond issue programme of Elektrownie Wodne Sp. z o.o.

On 10 March 2011 ENEA S.A. received an offer to purchase bonds from Elektrownie Wodne Sp. z o.o.

As at 31 December 2012 ENEA S.A. has acquired three series bonds for the total amount of PLN 26 million.

d. Bond issue programme of Dobitt Energia Sp. z o.o.

On 10 March 2011 ENEA S.A. received an offer to purchase bonds from Dobitt Energia Sp. z o.o.

As at 31 December 2012 ENEA S.A. has acquired three series bonds for the total amount of PLN 14.5 million.

14. Trade and other receivables

	31.12.2012	31.12.2011
Short-term trade and other receivables		
Trade receivables	762 440	656 684
Receivables due to taxes (excluding income tax) and other similar charges	4 715	867
Other receivables	68 237	13 517
Receivables due to unbilled sales	231 799	215 868
	1 067 191	886 936
Less: receivables allowance	(85 666)	(82 104)
Net short-term trade and other receivables	981 525	804 832

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Trade and other receivables allowance:

	<u>31.12.2012</u>	<u>31.12.2011</u>
Opening balance of receivables allowance	82 104	82 343
Addition	13 008	13 383
Release	(9 531)	(7 063)
Utilized	85	(6 559)
Closing balance of receivables allowance	85 666	82 104

Ageing structure of trade and other receivables:

	<u>Nominal value</u>	<u>Allowance</u>	<u>Carrying amount</u>
31.12.2012			
Current	682 259	(1)	682 258
Overdue			
0-30 days	142 878	(190)	142 688
31- 90 days	79 667	(25)	79 642
91-180 days	24 532	(2 867)	21 665
over 180 days	137 855	(82 583)	55 272
TOTAL	1 067 191	(85 666)	981 525

	<u>Nominal value</u>	<u>Allowance</u>	<u>Carrying amount</u>
31.12.2011			
Current	570 890	-	570 890
Overdue			
0-30 days	121 993	(4 660)	117 333
31- 90 days	53 471	(757)	52 714
91-180 days	18 065	(1 240)	16 825
over 180 days	122 517	(75 447)	47 070
TOTAL	886 936	(82 104)	804 832

15. Inventory

	<u>31.12.2012</u>	<u>31.12.2011</u>
Certificates of origin	120 160	56 764
Total inventory	120 160	56 764

Certificates of origin:

	<u>31.12.2012</u>	<u>31.12.2011</u>
Opening balance	56 765	88 560
Acquisition	483 002	370 865
Redemption	(419 606)	(402 661)
Closing balance	120 160	56 764

The costs of certificates of origin' redemption are presented in profit or loss as Energy purchase for sale.

16. Cash and cash equivalents

	<u>31.12.2012</u>	<u>31.12.2011</u>
Cash in hand and at bank	360 925	707 076
- cash in hand	160	192
- cash at bank	360 765	706 884
Other cash	476	534
-cash in transit	476	534
Total cash and cash equivalents	361 401	707 610
Cash disclosed in the cash flows statement	361 401	707 610

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As at 31 December 2012 the restricted cash amounted to PLN 7,000 thousand and comprised cash at bank (cash blocked due to a deposit for receivables, a security deposit and a transaction deposit).

As at 31 December 2011 the restricted cash amounted to PLN 9,262 thousand.

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

The Company has an investments portfolio managed by a specialized institution dealing with professional management of cash. In accordance with an agreement with the portfolio manager, the funds are invested only in safe securities, in line with the structure presented below:

Type of assets	Minimum exposure	Maximum exposure
Debt instruments underwritten or guaranteed by the State Treasury and the National Bank of Poland	0%	100%
Bank deposits	0%	40%

As at 31 December 2012 the investments portfolio carrying amount is equal to PLN 508,521 thousand, included financial assets measured at fair value through profit or loss (treasury bills and bonds of PLN 224,309 thousand and bank deposits of PLN 198,683 thousand) and bank deposits with the maturity up to 3 months, presented in cash and equivalents of PLN 85,529 thousand.

The investment strategy is to maximize profit at a minimum risk.

18. Equity

Equity as at 31 December 2012:

Series of shares	Number of shares	Nominal value of 1 share (in PLN)	Carrying amount
"A" series	295 987 473	1	295 988
"B" series	41 638 955	1	41 639
"C" series	103 816 150	1	103 816
Total number of shares	441 442 578		
Share capital (face value)			441 443
Capital from business combination			38 810
Hyperinflation adjustment of share capital			107 765
Total share capital			588 018
Treasury shares			-
Share premium			4 627 673
Share-based payments reserve			1 144 336
Revaluation reserve (financial instruments)			-
Reserve capital			1 205 625
Retained earnings			2 932 240
Total equity			10 497 892

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Equity as at 31 December 2011:

Series of shares	Number of shares	Nominal value of 1 share (in PLN)	Carrying amount
"A" series	295 987 473	1	295 988
"B" series	41 638 955	1	41 639
"C" series	103 816 150	1	103 816
Total number of shares	441 442 578		
Share capital (face value)			441 443
Capital from business combination			38 810
Hyperinflation adjustment of share capital			107 765
Total share capital			588 018
Treasury shares			-
Share premium			4 627 673
Share-based payments reserve			1 144 336
Revaluation reserve (financial instruments)			11 989
Reserve capital			1 062 349
Retained earnings			2 771 491
Total equity			10 205 856

On 29 June 2012 the General Shareholders' Meeting of ENEA S.A. adopted Resolution 7 concerning net profit distribution for the financial period from 1 January 2011 to 31 December 2011 whereby PLN 143,276 thousand was allocated to reserve capital. The remaining amount of PLN 211,892 thousand had been paid as a dividend.

On 29 June 2011 the General Meeting of Shareholders of ENEA S.A. adopted Resolution No. 7 on distribution of the net profit for the reporting period from 1 January 2010 to 31 December 2010, whereby PLN 170,151 thousand was allocated to reserve capital. The remaining amount of PLN 170,151 thousand had been paid as a dividend.

19. Trade and other liabilities

	31.12.2012	31.12.2011
Current trade and other liabilities		
Trade liabilities	578 840	508 720
Advance payments received for deliveries, works and services	37 890	39 735
Tax liabilities (excluding income tax)	42 546	63 019
Others	53 350	-
Total	712 626	611 504

20. Deferred income due to subsidies and fixed assets received free of charge

	31.12.2012	31.12.2011
Long-term		
Deferred income due to subsidies	29 909	30 853
	29 909	30 853
Short-term		
Deferred income due to subsidies	2 344	2 343
	2 344	2 343

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

Deferred income schedule

	<u>31.12.2012</u>	<u>31.12.2011</u>
Up to 1 year	2 344	2 343
1 to 5 years	9 376	9 373
Over 5 years	20 533	21 480
	<u>32 253</u>	<u>33 196</u>

21. Financial instruments

21.1. Principles of financial risk management

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

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

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

Development of the general guidelines and rules of the risk management policy is the responsibility of the Management Board of ENEA S.A.

Risk is managed on an ongoing basis. Risks are analyzed in connection with the impact of the external environment as well as changes in the structure and activities of ENEA S.A. Taking these into consideration, the steps are undertaken aimed at mitigation of the risk or its transfer outside the Company. In order to do so, the Company makes sure that its employees are aware of the possibility of risks occurrence and their influence on the activity of individual organizational unit.

Aware of the risks relating to its business activities, ENEA S.A. continues actions aimed at development of anintegrated, formalized risk management system covering credit, liquidity, market, currency and interest rate risks. In 2012 the Management Board of ENEA S.A. adopted Liquidity Risk Management Policy, Currency Risk and Interest Rate Risk Management Policy. At present, complete documentation of aforementioned policies is being implemented and as well activities regulating the Commodity Risk Management Policy are finalized.

21.2. Credit risk

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

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

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

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

There is no material credit risk concentration.

The maximum exposure of ENEA S.A. to credit risk is presented below:

	31.12.2012	31.12.2011
Financial assets held to maturity	675 925	142 193
Financial assets measured at fair value through profit or loss	423 677	714 227
Trade and other receivables	981 525	804 832
Cash and cash equivalents	361 401	707 610
Total	2 442 528	2 368 862

The credit risk relating to receivables differs for individual market segments in which ENEA S.A. carries out its business activities:

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

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

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ENEA S.A. monitors the amount of past due receivables on an ongoing basis and in justified cases files legal claims and recognizes appropriate impairment losses.

21.3. Liquidity risk

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

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

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

Liquidity management focuses on a detailed analysis of the receivables collection scheme, the ongoing monitoring of bank accounts and cash concentration in consolidated accounts; the Company invests surplus funds in current assets in the form of term deposits. The financial surpluses are invested in current assets in the form of term deposits. The effectiveness of investment process is monitored on an ongoing basis. The Company diversifies sources of external financing and investments to mitigate liquidity risk and ensure stability of financing.

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

Additionally, the Company manages its liquidity risk by maintaining open and unused credit facilities of PLN 150,000 thousand.

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

31.12.2012	Trade and other liabilities	Finance lease liabilities	Cash and cash equivalents	Trade and other receivables	Financial assets measured at fair value through profit or loss	Financial instruments held to maturity	Total
Carrying amount	712 626	10 694	(361 401)	(981 525)	(423 677)	(675 925)	(1 719 208)
Undiscounted contractual cash flows	(712 626)	(14 892)	361 401	981 525	423 677	852 214	1 864 299
up to 6 months	(712 626)	(2 594)	361 401	981 525	423 677	59 504	1 110 887
6 - 12 months	-	(2 526)	-	-	-	64 430	61 904
1 – 2 years	-	(4 111)	-	-	-	260 382	256 271
2 – 5 years	-	(5 661)	-	-	-	277 719	272 058
Over 5 years	-	-	-	-	-	163 179	163 179

31.12.2011	Trade and other liabilities	Finance lease liabilities	Cash and cash equivalents	Trade and other receivables	Financial assets measured at fair value through profit or loss	Financial instruments held to maturity	Total
Carrying amount	611 504	8 684	(707 610)	(804 832)	(714 227)	(142 193)	(1 748 674)
Undiscounted contractual cash flows	(611 504)	(11 895)	707 610	804 832	714 227	199 500	1 802 770
up to 6 months	(611 504)	(2 282)	707 610	804 832	714 227	10 971	1 623 854
6 - 12 months	-	(2 213)	-	-	-	12 430	10 217
1 – 2 years	-	(3 042)	-	-	-	47 930	44 888
2 – 5 years	-	(4 358)	-	-	-	45 032	40 674
Over 5 years	-	-	-	-	-	83 137	83 137

21.4. Commodity risk

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

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

21.5. Currency risk

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

During the reporting period ENEA S. A. concluded forward transactions with the bank, the purpose of which was to hedge FX risk (EUR/PLN) related to the contract on the purchase of assets. Aforementioned transactions have been settled before the end of the reporting period.

21.6. Interest rate risk

The interest rate risk, the Company is exposed to, results from credit facilities and loans taken by ENEA S.A. and financial assets in the form of debt securities portfolio and bank deposits. The Company tends to apply floating interest correlated with market (interbank) rates. As at the end of the reporting period the Company did not have any liabilities arising from credit facilities. As at 31 December 2012 financial liabilities with a floating interest rate included only finance lease liabilities.

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

	31.12.2012	31.12.2011
Fixed rate instruments		
Financial assets	1 010 285	813 717
Financial liabilities	(712 626)	(611 504)
Total	297 659	202 213
Floating rate instruments		
Financial assets	1 432 243	1 555 145
Financial liabilities	(10 694)	(8 684)
Total	1 421 549	1 546 461

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

	as at 31 December 2012		as at 31 December 2011	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
Financial instruments held to maturity	6,26	675 925	6,04	142 193
Financial assets measured at fair value through profit or loss	5,42	423 677	5,66	714 227
Cash and cash equivalents	4,81	361 401	4,52	707 610
Finance lease liabilities	6,22	(10 694)	6,47	(8 684)
Total	-	1 450 309	-	1 555 346

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

The table below presents the impact of interest rate changes on the Company's financial profit.

	Carrying amount as at 31 December 2012	Interest rate risk impact on profit (12-month period)		Carrying amount as at 31 December 2011	Interest rate risk impact on profit (12-month period)	
		+ 1 p.p.	- 1 p.p.		+ 1 p.p.	- 1 p.p.
Financial assets						
Cash	361 401	3 326	(3 326)	707 610	7 076	(7 076)
Financial assets held to maturity	675 925	6 759	(6 759)	142 193	1 422	(1 422)
Financial assets measured at fair value through profit or loss	423 682	4 237	(4 237)	714 227	7 142	(7 142)
Trade and other receivables	981 525	-	-	804 832	-	-
Impact on profit/loss before tax		14 322	(14 322)		15 640	(15 640)
19% tax		(2 721)	2 721		(2 972)	2 972
Impact on profit/loss after tax		11 601	(11 601)		12 668	(12 668)
Financial liabilities						
Trade and other liabilities	(712 626)	-	-	(611 504)	-	-
Finance lease liabilities	(10 694)	(107)	107	(8 684)	(87)	87
Impact on profit/loss before tax		(107)	107		(87)	87
19% tax		20	(20)		17	(17)
Impact on profit/loss after tax		(87)	87		(70)	70
Total		11 514	(11 514)		12 598	(12 98)

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

21.7. Capital management

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

21.8. Fair value

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

	31.12.2012		31.12.2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term financial assets available for sale (shares in unrelated parties)	5	5	19 365	19 365
Non-current financial assets held to maturity	596 450	596 450	142 193	142 193
Non-current financial assets measured at fair value through profit or loss	1 504	1 504	1 557	1 557
Short-term financial assets held to maturity	79 475	79 475	-	-
Short-term financial assets measured at fair value through profit or loss	422 173	422 173	712 670	712 670
Trade and others receivables	981 525	981 525	804 832	804 832
Cash and cash equivalents	361 401	361 401	707 610	707 610
Finance lease liabilities	10 694	10 694	8 684	8 684
Trade and other liabilities	676 270	676 270	572 092	572 092

Financial assets available for sale include shares in unrelated parties for which the ratio of interest in capital to the nominal value is lower than 20%. Their fair value is estimated using a discounted cash flows method.

Financial assets held to maturity include acquired debt instruments – bonds with the original maturity exceeding 1 year.

Long-term financial assets measured at fair value through profit or loss include units in the "Pioneer" Investment Fund which can be traded on an active market, as a result of which their fair value may be determined. The fair value of the above units was measured at the market price of participation units, whereas its changes in the financial period recognized in profit or loss.

Short-term financial assets measured at fair value through profit or loss include an investment portfolio managed by a company specialized in professional fund management (Note 17) and forward contracts. The fair value of the investment portfolio is estimated based on market quotations, while that of forward contracts is determined based on applicable currency rates and market interest rate curves.

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22. Finance lease liabilities

	31.12.2012	31.12.2011
Up to 1 year	3 405	3 136
1-5 years	7 289	5 548
Total	10 694	8 684

The Company classifies rental agreements of lighting, which is used to improve the quality and efficiency of road and street lighting in the municipalities, as finance lease. The agreement is concluded for definite period of time. After the period the ownership of lease subject is transferred to lessee. The lessee is obliged to pay lease payment on the basis of the invoice issued by the lessor. The Company also leases personal vehicles.

	Finance lease liabilities	Interests	Total
Up to 1 year	3 405	1 715	5 120
1 – 5 years	7 289	2 483	9 772
Balance as at 31.12.2012	10 694	4 198	14 892

	Finance lease liabilities	Interests	Total
Up to 1 year	3 136	1 359	4 495
1 – 5 years	5 548	1 852	7 400
Balance as at 31.12.2011	8 684	3 211	11 895

23. Deferred income tax

Changes in the deferred tax liability (considering the setoff of the asset against the liability):

	31.12.2012	31.12.2011
Opening balance	(56 833)	(40 137)
Change recognized in profit or loss	16 566	(17 490)
Change recognized in other comprehensive income	(1 842)	794
Closing balance	(42 109)	(56 833)

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Changes in the deferred tax asset and liability in the financial year (prior to their offsetting):

Deferred tax assets

	Receivables allowance	Liabilities due to employee benefits	Provision for the costs of redemption of certificates of origin	Grants	Tax deductible expenses after the end of the settlement period	Measurement of shares held	Other	Total
Balance as at 1 January 2011 – 19% rate	2 494	18 364	41 675	5 403	56 406	7 986	7 958	140 286
Amount recognized in the profit or loss due to a change in temporary differences	581	(451)	5 770	(69)	53	(6 017)	2 255	2 122
Change recognized in other comprehensive income	-	(548)	-	-	-	(246)	-	(794)
Balance as at 31 December 2011 – 19% rate	3 075	17 365	47 445	5 334	56 459	1 723	10 213	141 614
Amount recognized in the profit or loss due to a change in temporary differences	(45)	(625)	(2 652)	(66)	20 909	1 934	(946)	18 509
Change recognized in other comprehensive income	-	1 586	-	-	-	256	-	1 842
Balance as at 31 December 2012 – 19% rate	3 030	18 326	44 793	5 268	77 368	1 961	9 462	159 660

Provision for deferred income tax

	Income taxed after the end of the accounting period	Accrued unbilled sales	Measurement of fixed assets at fair value	Other	Total
Balance as at 1 January 2011 – 19% rate	56 721	30 305	2 190	10 933	100 149
Amount recognized in the profit or loss due to a change in temporary differences	640	(8 508)	(1 008)	(6 492)	(15 368)
Balance as at 31 December 2011 – 19% rate	57 361	21 797	1 182	4 441	84 781
Amount recognized in the profit or loss due to a change in temporary differences	24 115	11 285	(536)	211	35 075
Balance as at 31 December 2012 – 19% rate	81 476	33 082	646	4 652	119 856

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*(all amounts in PLN '000, unless specified otherwise)***24. Liabilities due to employee benefits**

	31.12.2012	31.12.2011
Defined benefit plans		
Retirement benefits		
- long-term portion	1 252	924
- short-term portion	40	55
	<u>1 292</u>	<u>979</u>
Right to energy allowance after retirement		
- long-term portion	60 436	54 993
- short-term portion	4 571	4 522
	<u>65 007</u>	<u>59 515</u>
Appropriation to the Company's Social Benefits Fund for pensioners		
- long-term portion	6 241	5 206
- short-term portion	428	446
	<u>6 669</u>	<u>5 652</u>
Total defined benefit plans		
- long-term portion	67 929	61 123
- short-term portion	5 039	5 023
	<u>72 968</u>	<u>66 146</u>
Jubilee bonuses		
- long-term portion	5 023	3 403
- short-term portion	527	338
	<u>5 550</u>	<u>3 741</u>
Salaries and wages and other liabilities		
- long-term portion	14 858	14 858
- short-term portion	11 210	9 206
	<u>26 068</u>	<u>24 064</u>
Total liabilities due to employee benefits		
- long-term portion	87 810	79 384
- short-term portion	16 776	14 567
	<u>104 586</u>	<u>93 951</u>

Based on an arrangement entered into by the representatives of employees and the Company, the employees of ENEA S.A. are entitled to specific benefits other than remuneration, i.e.:

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

The present value of the related future liabilities has been measured using actuarial methods. Calculations were made using basic individual data for the employees of ENEA S.A. as at 31 December 2012 (taking into account their gender) regarding:

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

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

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

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- the value of minimum remuneration in the Polish economy since 1 January 2013 was assumed at PLN 1,600;
- pursuant to announcements of the Chairman of the Central Statistical Office, the average salary in the Polish economy, less premiums for retirement, pension and health insurance paid by the insured was assumed at PLN 2,917.14 (average amount assumed for the second half of 2011, which will constitute the basis for calculating the appropriation to the Company's Social Benefits Fund in 2013 under the amendment to the Act on Company Social Benefits Fund dated 7 December 2012.)
- under the assumptions defined by the management of the Group, the growth of the average salary in the Polish economy was assumed at 13.40 % in 2013 and at 5% in the remaining period of the projection,
- mortality rate and the probability of receiving benefits were adopted in line with the 2011 Life Expectancy Tables published by the Central Statistical Office;
- the value of the provision for disability benefits was not determined separately but the individuals receiving disability allowance were not taken into consideration in calculating the employee turnover ratio;
- standard retirement age was assumed under particular regulations of the Act of Pension, excluding these employees, which fulfill the conditions expected to earlier retirement;
- the long-term pay rise rate was adopted at the level of 2.7% (as at 31 December 2011: 3.1%);
- the interest rate for discounting future benefits was adopted at the level of 3.9% (5.87% as at 31 December 2011);
- the base value of the annual equivalent of the electricity allowance for old-age pensioners, disability pensioners and other beneficiaries was adopted at the level of PLN 1,471.87 (PLN 1,400.58 as at 31 December 2011);
- as at 31 December 2012 the electricity price growth rate for 2013 was assumed at the level of nil, for 2014 +6.3%, for 2015 +14.2% and for 2016 +5.2% (as at 31 December 2011 the rate adopted for 2012 was 4.9%, for 2013 +11.1%, for 2014 +5.9%, for 2015 +7.3%, and for 2016 +10.4%);
- distribution charge growth rate for 2013 was adopted at the level of 2.1%, for 2014 +3.8%, for 2015 +2.0% (as at 31 December 2011 the rate adopted for 2012 was 5.7%, for 2013 +5.29%, for 2014 +3.64%, for 2015 + 3.19% and for 2016 + 3.22%);
- the average rise in the cash equivalent of the electricity allowance was adopted for 2013 at the level of 2.3%, for 2014 +7.0%, for 2015 +10.8%, for 2016 +5.8%, for 2017-2026 at the level of 3.9% and the following years +2.5% (as at 31 December 2011 the increase in 2012 was adopted at the level of 4.67%, for 2013 +10.4%, for 2014 +6.6%, for 2015 +7.3%, for 2016 +9.4%, for 2017 - 2018 at the level of +4.6%, for 2019 - 2022 +4.7%, for 2023 and the following years +2.5%).

Defined benefit plan

	Retirement benefits	Right to energy allowance after retirement	Appropriation to the Company's Social Benefits Fund for pensioners	Total
Balance as at 1 January 2012	979	59 515	5 652	66 146
Changes during 12 months ended 31 December 2012				
Costs recognized in profit or loss, including:	54	3 083	285	3 422
- current employment costs	155	143	26	324
- post-employment costs	(155)	(288)	(47)	(490)
- costs of interests	54	3 228	306	3 588
Costs recognized in other comprehensive income, including:	287	6 886	1 176	8 349
- net actuarial losses/(profits) due to adjustments of ex-post assumptions	(2)	(4 721)	(79)	(4 802)
- net actuarial losses/(profits) due to changes in demographic assumptions	2	886	88	976
- net actuarial losses/(profits) due to changes in financial assumptions	287	10 721	1 167	12 175
Decrease in the liability due to benefits paid (negative value)	(28)	(4 477)	(444)	(4 949)
Total changes	313	5 492	1 017	6 822
Balance as at 31 December 2012	1 292	65 007	6 669	72 968

	Retirement benefits	Right to energy allowance after retirement	Appropriation to the Company's Social Benefits Fund for pensioners	Total
Balance as at 1 January 2011	1 055	63 354	5 761	70 170
Changes during 12 months ended 31 December 2011				
Costs recognized in profit or loss, including:	48	3 361	307	3 716
- current employment costs	220	196	31	447
- post-employment costs	(226)	(233)	(30)	(489)
- costs of interests	54	3 398	306	3 758
Costs recognized in other comprehensive income, including:	(95)	(2 833)	45	(2 883)
- net actuarial losses/(profits) due to adjustments of ex-post assumptions	(49)	(3 386)	(254)	(3 689)
- net actuarial losses/(profits) due to changes in demographic assumptions	5	1 247	112	1 364
- net actuarial losses/(profits) due to changes in financial assumptions	(51)	(694)	187	(558)
Decrease in the liability due to benefits paid (negative value)	(29)	(4 367)	(461)	(4 857)
Total changes	(76)	(3 839)	(109)	(4 024)
Balance as at 31 December 2011	979	59 515	5 652	66 146

Other long-term employee benefits - jubilee bonuses	31.12.2012	31.12.2011
Opening balance	3 741	3 664
Changes in the 12 months ended at the reporting date		
Costs recognized in profit or loss, including:	2 201	424
- current employment costs	625	766
- post-employment costs	398	(855)
- net actuarial losses/(profits) due to adjustments of ex-post assumptions	(53)	456
- net actuarial losses/(profits) due to changes in demographic assumptions	4	9
- net actuarial losses/(profits) due to changes in financial assumptions	1 027	(141)
- costs of interests	200	189
Decrease in the liability due to benefits paid (negative value)	(392)	(347)
Total changes	1 809	77
Closing balance	5 550	3 741

Sensitivity analysis for defined benefit plans

	Actuarial assumptions change impact on the liabilities due to defined benefit plans	
	+ 1 p.p.	- 1 p.p.
Defined benefit plans		
Discount rate	(6 670)	7 946
Anticipated rise in the salaries and wages rate	922	(773)
Average rise in the cash equivalent of the electricity allowance	6 424	(5 530)

Maturity of liabilities due to defined benefit plans

The weighted average duration of liabilities due to defined benefit plans (in years)	31.12.2012	31.12.2011
Retirement benefits	24.0	18.9
Electricity allowance for pensioners	10.2	9.4
Appropriation to the Company's Social Benefits Fund for pensioners	11.0	9.8

25. Provision for other liabilities and other charges

Long-term and short-term provisions for liabilities and other charges:

	31.12.2012	31.12.2011
Long-term	17 084	12 810
Short-term	272 259	290 778
Total	289 343	303 588

	Provision for non-contractual use of property	Provision for projected loss due to compensation proceedings	Provisions for certificates of origins	Other	Total
Balance as at 01.01.2011	5 551	12 832	219 339	25 146	262 868
Provisions made	22 413	5 258	3 467 816	10	3 495 497
Provisions used	-	(1 753)	(3 437 445)	-	(3 439 198)
Reversal of provisions	(1 387)	(13 174)	-	(1 018)	(15 579)
Balance as at 31.12.2011	26 577	3 163	249 710	24 138	303 588
Provisions made	17 562	1 276	3 489 301	-	3 508 139
Provisions used	(1 043)	-	(3 503 257)	(14 394)	(3 518 694)
Reversal of provisions	(3 690)	-	-	-	(3 690)
Balance as at 31.12.2012	39 406	4 439	235 754	9 744	289 343

Provisions for liabilities are determined in reasonable, reliably estimated amounts. Individual provisions are recognized for projected losses related to court action brought against the Company. The amount recognized as a provision is the best estimate of the expenditure required to settle a claim. The cost of provisions is recognized under other operating expenses. The descriptions of claims and relevant contingent liabilities have been presented in Notes 39.2 and 39.5.

Provisions for liabilities and other charges include mainly the amount for claims of individuals owning real estate property arising from non-contractual use of land. The majority of such claims are requests for compensation for non-contractual use of land, determination of a rental fee or, in a few cases, requests for relocation of facilities (restoring land to its previous condition). As at 31 December 2012, a substantial number of claims filed had not been brought to court. The Company recognizes a related provision for both disputed claims brought to court and claims which have not been submitted to court yet.

Provisions for non-contractual use of property claims (stage before judicial proceeding) are presented as long-term provisions).

Provisions for projected losses due to compensation proceedings (including non-contractual use of property claims) as well as other provisions are presented as current liabilities.

26. Net sales revenue

	01.01.2012	01.01.2011
	31.12.2012	31.12.2011
Revenue from sales of electricity	5 694 084	5 515 190
Revenue from sales of goods and materials	41	594
Revenue from sales of other services	65 214	61 849
Total	5 759 339	5 577 633

27. Costs by type

	01.01.2012	01.01.2011
	31.12.2012	31.12.2011
Depreciation	(16 878)	(16 645)
Costs of employee benefits	(64 324)	(63 266)
- salaries and wages	(49 836)	(41 416)
- social security and other benefits	(14 488)	(21 850)
Consumption of materials and supplies and costs of goods sold	(4 199)	(5 493)
- consumption of materials and energy	(4 199)	(5 493)
- value of goods and materials sold		
External services	(1 793 250)	(1 845 510)
- transmission and distribution services	(1 595 649)	(1 665 980)
- other external services	(197 601)	(179 530)
Taxes and charges	(8 486)	(9 450)
Value of energy purchased	(3 705 516)	(3 575 667)
Total costs of products, goods and materials sold, costs of sales and marketing and general and administrative costs	(5 592 653)	(5 516 031)

28. Costs of employee benefits

	01.01.2012	01.01.2011
	31.12.2012	31.12.2011
Payroll costs	(49 836)	(41 416)
- current salaries and wages	(47 713)	(41 656)
- jubilee benefits	(1 809)	112
- retirement benefits	(314)	128
Social insurance	(14 488)	(21 850)
- Social Security premiums	(6 823)	(6 798)
- appropriation to the Company's Social Benefits Fund	(1 514)	(1 362)
- other social benefits	(6 151)	(13 690)
	(64 324)	(63 266)

Employment guarantees

Based on an arrangement entered into by the Company and labor unions, specific employment guarantees have been given to people employed by the Company before 29 June 2007, which expire on 31 December 2018.

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

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

29. Other operating revenue and expense

Other operating revenue

	01.01.2012	01.01.2011
	31.12.2012	31.12.2011
Release of provisions for claims	3 690	5 932
Reimbursement of expenses by an insurance company	437	320
Reversal of receivables allowance	-	468
Fixed assets received free of charge	1 185	1 236
Received damages and fines	1 893	863
Other operating revenue	4 139	17 126
Total	11 344	25 945

Other operating expenses

	01.01.2012	01.01.2011
	31.12.2012	31.12.2011
Cost of provision for claims	(2 252)	(2 163)
Costs of other provisions	(18 839)	(17 994)
Receivables allowance	(2 702)	-
Uncollectible receivables written off	(5 336)	(5 862)
Court fees	(2 523)	(1 657)
Trade union related expenses	(81)	(178)
Other operating expenses	(11 105)	(15 460)
Total	(42 838)	(43 314)

30. Financial revenue

	01.01.2012	01.01.2011
	31.12.2012	31.12.2011
Interest income	93 766	69 905
- bank accounts and deposits	22 206	23 171
- bonds	48 427	27 717
- other loans and receivables	2 159	14
- other interest income	20 974	19 003
Revaluation of financial assets measured at fair value through profit or loss	5 817	52 205
Total	99 583	122 110

31. Financial expenses

	01.01.2012	01.01.2011
	31.12.2012	31.12.2011
Interest expense	(4 026)	(2 489)
- on credit facilities	(35)	(37)
- interest on leases	(607)	(567)
- other interest	(3 384)	(1 885)
Foreign currency differences	(29 905)	-
Costs of discounted liabilities due to employee benefits	(3 788)	(3 947)
Total	(37 719)	(6 436)

32. Income tax

	01.01.2012	01.01.2011
	31.12.2012	31.12.2011
Current tax	(21 687)	(52 860)
Deferred tax	(16 566)	17 490
Total	(38 253)	(35 370)

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The difference between the income tax on gross profit before tax and the theoretical amount resulting from application of the nominal tax rate applicable to the Company's profit is presented below:

	01.01.2012 31.12.2012	01.01.2011 31.12.2011
Profit before tax	560 933	388 204
Tax at a 19% rate	(106 577)	(73 759)
Costs not classified as tax-deductible expenses (permanent differences) at a 19% rate	(473)	(6 515)
Dividends received at a 19% rate	68 797	44 904
Amount charged to profit or loss due to income tax	(38 253)	(35 370)

33. Dividend

A decision regarding the payment of dividend for the financial year shall be made by General Shareholders Meeting in 2013. The Management Board intends to propose using 30% of separate 2012 profit for the dividend payment.

On 29 June 2012 the General Shareholders' Meeting of ENEA S.A. adopted Resolution No. 7 concerning net profit distribution for the financial period from 1 January 2011 to 31 December 2011 whereby the dividend for the shareholders amounted to PLN 211,892 thousand (PLN 0.48 per share). The dividend had been paid to the shareholders before the end of the reporting period. The amount of dividend paid to shareholders had been decreased by financial gain income tax.

34. Earnings per share

	01.01.2012 31.12.2012	01.01.2011 31.12.2011
Earnings attributable to the Company's shareholders	522 680	352 834
Weighted average number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	1.18	0.80
Diluted earnings per share (in PLN per share)	1.18	0.80

35. Related party transactions

The Company concludes transactions with the following related parties:

(i) Companies from the ENEA Group

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Purchases, including:	3 771 624	2 110 083
investment purchases	15 400	11 580
materials	699	862
services	1 595 821	1 766 750
other (including energy)	2 159 704	330 891
Sales, including:	96 675	31 651
energy	73 028	18 621
services	11 628	4 142
other	12 019	8 888
Interest income, including:	23 397	3 788
bond	23 397	3 788
	31.12.2012	31.12.2011
Receivables	20 682	11 010
Liabilities	464 446	309 546

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(ii) Transactions concluded by the Company and members of its governing bodies divided into two categories:

- resulting from appointment of Members of the Supervisory Board;
- resulting from other civil law agreements.

The value of transactions falling within the scope of the first category has been presented below:

Item	Management Board of the Company		Supervisory Board of the Company	
	01.01.2012 31.12.2012	01.01.2011 31.12.2011	01.01.2012 31.12.2012	01.01.2011 31.12.2011
Remuneration under employment contracts	-	446	-	-
Remuneration under managerial contracts and consultancy agreements	3 151	504	-	-
Remuneration relating to appointment of members of management or supervisory bodies	514	1 341	378	415
Remuneration due to the position held in supervisory boards of subsidiaries	-	98	-	-
Remuneration due to other employee benefits, including: (electricity allowance)	108	176	-	-
TOTAL	3 773	2 565	378	415

As at the end of the reporting period the liabilities resulting from managerial contracts and consultancy agreements to the members of the Management Board amount to PLN 460 thousand and other liabilities amount to PLN 6 thousand. The provision for bonuses to the members of the Management Board amount to PLN 2,119 thousand.

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

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

Governing body	Balance as at 01.01.2011	Granted from 01.01.2011	Repaid till 31.12.2011	Balance as at 31.12.2011
Management Board	-	-	-	-
Supervisory Board	29	5	(13)*	21
TOTAL	29	5	(13)	21

* - including PLN 6 thousand due to canceling a loan – expiry of the term of office of a Member of the Supervisory Board

** - appointment of the new Member of the Supervisory Board

*** - including PLN 18 thousand due to expiration of the term of office of a Member of the Supervisory Board

Other transactions resulting from civil law agreements concluded between the Company and Members of its governing bodies relate only to private use of company cars by Members of the Company's Management Board.

(iii) Transactions with entities controlled by the State Treasury

ENEA S.A. also concludes business transactions with entities of the central and local administration and entities whose shares are held by the State Treasury of the Republic of Poland.

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The transactions concern mainly:

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

Such transactions are concluded under arm's length terms and their conditions do not differ from those applied in transactions with other entities. As the Company does not keep a record of the aggregate value of all transactions concluded with all state institutions and entities controlled by the State Treasury, the turnover and balances of transactions with related parties disclosed in these separate financial statements do not include data related to transactions with entities controlled by the State Treasury.

The most significant customers of ENEA S.A. among entities controlled by the State Treasury is Kompania Węglowa S.A. In 2012 the net sales to the entity amounted to PLN 135,209 thousand (in 2011 it was PLN 19,146 thousand). The most significant supplier of ENEA S.A. is Zespół Elektrowni Pątnów-Adamów-Konin S.A. In 2012 the net purchase from the entity amounted to PLN 196,742 thousand (2011 it was PLN 303,120 thousand).

36. Concession arrangements on the provision of public services

The core business of ENEA S.A. is trade in electricity.

In line with the provisions of the Energy Law, on 26 November 1998 ENEA S.A. obtained the following concessions to carry out its business activities:

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

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

Pursuant to the provisions of the Energy Law, the President of the Energy Regulatory Office is responsible for granting concessions, exercising supervision over energy companies as well as approval of tariffs. Energy prices, fee rates and the principles for their application laid down in the Tariff are approved by the President of the Energy Regulatory Office based on administrative decisions.

While approving the Tariff, the President of the Energy Regulatory Office verifies its compliance with the following legal acts:

- the Energy Law of 10 April 1997 (Journal of Laws of 2006 no. 89, item 625 as amended);
- Ordinance of the Minister of Economy of 18 September 2011 on detailed principles for tariff establishment and calculation as well as the principles for settlements in electricity trading (Journal of Laws of 2011, No. 189, item 1126);

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Pursuant to a decision issued by the President of the Energy Regulatory Office ENEA S.A. was released from the obligation to submit a Tariff for the A, B and C group customers.

On 24 January 2012 the Management Board of ENEA S.A. adopted a resolution on introduction of a electricity Tariff of ENEA S.A. for tariff groups in the corporate, classic, economy, universal and green packages.

On 20 December 2012 r. the President of the Energy Regulatory Office approved the prolongation of the electricity tariff for ENEA S.A. in 2012 for household and prepaid G tariff groups until 30 June 2013.

37. Future payments due to the right of perpetual usufruct of land as well as rental and operating lease agreements

The future liabilities arising from the right of perpetual usufruct of land (estimated at the fees for 2012) apply to the remaining term of agreements for the use of land (40-99 years). Such agreements are recognized as operating leases, where ENEA S.A. acts as a lessee:

	31.12.2012	31.12.2011
Up to 1 year	5 018	5 060
1 – 5 years	13 078	7 083
Over 5 years	55 219	55 417
Total	73 315	67 560

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

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

	31.12.2012	31.12.2011
Acquisition of property, plant and equipment	7 017	4 845
Acquisition of intangible assets	57 539	254
Total	64 556	5 099

39. Contingent liabilities and proceedings before court, bodies competent to conduct arbitration proceedings or public administration bodies

39.1. Sureties and guarantees

In 2012 ENEA S.A. granted a surety to ENEA Trading Sp. z o.o. As at 31 December 2012 the total value of contingent liabilities resulting from sureties and guarantees granted by the Company was PLN 50,200 thousand.

In 2011 ENEA S.A. granted a surety to ENEA Trading Sp. z o.o. (former ELKO Trading Sp. z o.o.). As at 31 December 2011 the total value of contingent liabilities resulting from sureties and guarantees granted by the Company was PLN 50,216 thousand.

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Guarantees and sureties as at 31 December 2012

No.	Name of the beneficiary of the guarantee or surety	Total liabilities subject to guarantee or surety	Tenor	Relation between the Company and the entity which incurred the liability
1.	EP Zakład Transportu Sp. z o.o.	PLN 200 thousand (EUR 49 thousand)	31-08-2017	subsidiary
2.	ENE A Trading Sp. z o.o.	PLN 50,000 thousand	31-07-2013	subsidiary

Guarantees and sureties as at 31 December 2011

No.	Name of the beneficiary of the guarantee or surety	Total liabilities subject to guarantee or surety	Tenor	Relation between the Company and the entity which incurred the liability
1.	EP Zakład Transportu Sp. z o.o.	PLN 216 thousand (EUR 49 thousand)	31-08-2017	subsidiary
2.	ENE A Trading Sp. z o.o.	PLN 50,000 thousand	31-07-2012	indirect subsidiary

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*(all amounts in PLN '000, unless specified otherwise)***Other collateral, including for the liabilities presented in the table above**

Entity's name	Collateralized liability	Type of collateral (e.g. blank promissory notes)	Collateral value	Collateral pledged for:	Debt as at 31 December 2012	Debt as at 31 December 2011	Collateral period
ENEA S.A.	Liabilities related to settlement of payments for energy UPE/URB/SD/ENEA/2007	blank promissory note and promissory note agreement	-	PSE Operator S.A.	-	PLN 15,000 thousand	unlimited
ENEA S.A.	Securing a transactional deposit and a securing deposit for the benefit of IRGIT S.A. with relation to settling transactions related to trading in electricity and property rights in the commodity exchange	bank guarantee granted under a guarantee limit of PLN 250,000 thousand	PLN 30,000 thousand	Izba Rozliczeniowa Giełd Towarowych S.A.	PLN 30,000 thousand	PLN 35,000 thousand	18.11.2013
	Bank guarantee for liabilities of ENEA Trading Sp. z o.o.		PLN 150,000 thousand	Izba Rozliczeniowa Giełd Towarowych S.A.	PLN 150,000 thousand	PLN 45,000 thousand	

39.2. Pending proceedings before courts of general jurisdiction

Actions brought by the Company

Actions which ENEA S.A. brought to common courts of law refer to claims for receivables due to provision of electricity (the so-called electricity cases) and claims for other receivables – illegal consumption of electricity, connections to the power grid and other specialist services rendered by the Company (the so-called non-electricity cases).

As at 31 December 2012, the total of 11,467 cases brought by the Company were pending before common courts of law for the total amount of PLN 22,661 thousand (7,677 cases for the total amount of PLN 17,530 thousand as at 31 December 2011).

None of the cases can significantly affect the Company's financial profit.

Actions brought against the Company

Actions against the Company are brought both by natural and legal persons. They mainly refer to such issues as compensation for interrupted delivery of electricity, identification of illegal electricity consumption and compensation for the Company's use of real property where electrical devices are located. The Company considers actions concerning non-contractual use of real property not owned by the Company as particularly important (Note 24 and Note 39.5).

As at 31 December 2012, the total of 129 cases against the Company were pending before common courts of law for the total amount of PLN 17,760 thousand (141 cases for the total amount of PLN 36,949 thousand as at 31 December 2010).

39.3. Arbitration Proceedings

As at 31 December 2012 there were no pending proceedings before competent arbitration bodies.

39.4. Proceedings before Public Administration Bodies

On 27 November 2008 the President of the Energy Regulatory Office concluded that ENEA failed to comply with the obligation to purchase electricity produced in the energy cogenerated with heat system in 2006, imposing a fine of PLN 7,594 thousand. On 17 December 2008, ENEA filed an appeal to the Regional Court in Warsaw - the Court of Competition and Consumer Protection. On 15 December 2009 the Court of Competition and Consumer Protection issued a judgment favorable for the Company, changing the decision of the President of the Energy Regulatory Office of 27 November 2008 and discontinuing the administrative proceedings. The President of the Energy Regulatory Office appealed against the decision to the Court of Appeals in Warsaw. On 24 November 2010 (VI ACa 327/10) the Court of Appeal reversed the decision of the Regional Court in Warsaw – Court of Competition and Consumer Protection of 15 December 2009 appealed against by the President of the Energy Regulatory Office and remanded the case for reconsideration and settling the costs of the appeal proceedings. On 27 September 2011 the Regional Court of Competition and Consumer Protection in

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Warsaw dismissed the appeal of ENEA against the decision of the President of the Office of Competition and Consumer Protection on imposing a fine on ENEA. An appeal against the decision of 27 September 2011 was filed on 18 November 2011. On 30 May 2012 the Court of Appeals in Warsaw reversed the decision Court of Competition and Consumer Protection, included the appeal of ENEA S.A., and remanded the case to the court of first instance for reconsideration and settling the costs of the appeal proceedings. On 10 December 2012 the Regional Court in Warsaw – Court of Competition and Consumer Protection reversed the appeal against the decision of President of the Office of Competition and Consumer Protection of 27 November 2008 and imposed a fine in amount of PLN 630 for the costs of proceedings representation for both instances.

On 4 January 2013 ENEA S.A. filed an appeal against the decision of 10 December 2012. As at 11 March 2013 the Court of Appeals in Warsaw did not consider the appeal.

On 28 December 2009 the President of the Energy Regulatory Office issued a decision on ENEA's failure to comply with the obligation to purchase electricity produced in the energy cogenerated with heat system in the first half of 2007, imposing a fine of PLN 2,150 thousand on the Company. On 19 January 2010, ENEA filed an appeal against the decision of the President of the Energy Regulatory Office to the Regional Court in Warsaw - the Court of Competition and Consumer Protection. On 6 March 2012 the Regional Court in Warsaw – Court of Competition and Consumer Protection reversed the decision on ENEA's failure to comply with the obligation to purchase electricity produced in the CHP system in the first half of 2007. The decision is not legally binding. On 16 April 2012 he President of the Energy Regulatory Office filed an appeal against the decision. As at 11 March 2013 the Regional Court in Warsaw has not completed the proceeding. As at 31 December 2011, ENEA recognized a provision in the total amount of the aforementioned fine.

39.5. Risk related to the legal status of property used by ENEA S.A.

The risk related to the legal status of the property used by the Company (currently used by ENEA Operator Sp. z o.o.) results from the fact that the Company does not have all legal titles to use the land where transmission networks and the related devices are located. In the future the Company may have to incur costs related to non-contractual use of property, which was the case in the past until the spin-off of ENEA Operator Sp. z o.o.

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

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

The Company recognized a provision for all claims lodged by owners of property located near transmission networks and devices based on best estimates of expenditures necessary to settle the claims adopted by the Management Board. Since the date of unbundling of the distribution system operator such claims have also

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been filed to ENEA Operator Sp. z o.o., which is currently the owner of the transmission networks and the related devices.

The Company does not recognize a provision for claims which have not been filed yet by owners of land used non-contractually. The value of the potential claims may be significant, considering the area of land used non-contractually. The Company does not keep any record and it has no knowledge of the legal status of land, therefore is it unable to reliably estimate the maximum amount of possible claims arising from non-contractual use of land.

40. Employment at ENEA S.A.

The average number of employees at the Company in 2012 and 2011 was as follows:

	<u>31.12.2012</u>	<u>31.12.2011</u>
Blue-collar positions	-	-
White-collar positions	388	467
Total	388	467

The data in the table are presented in full time employee equivalent.

41. Explanations of the seasonal and the cyclical nature of the Company's business

Sales of electricity during the year are subject to seasonal fluctuations. They increase during the winter months and decrease in summer. This depends on the temperature and the length of a day. The extent of fluctuations depends on low temperature and shorter days in winter and higher temperature and longer days in summer. Seasonal sales of electricity apply to a more considerable degree to small clients (44% of the sales value), rather than to the industrial sector.

42. Bond issue programmes**42.1. Bond issue programme of ENEA S.A.**

On 21 June ENEA S.A. executed a Programme Agreement with five banks acting as issue guarantors. The Agreement relates to Bond Issue Programme to the amount of PLN 4 bln. The Agreement was concluded for the term of 10 years. The Programme finishes on 15 June 2022. The Programme will finance current operations and investment needs of the ENEA S.A. and ENEA Group's companies.

On 31 December 2012 and till the date of these separate financial statements, ENEA S.A. has not issued any bonds under the above Bonds Issue Programme.

According to the Agreement the Company is obligated to maintain the determined level of the indicator: net debt/EBITDA relating to data from consolidated financial statement. As at the date of preparation of these separate financial statements the condition is met.

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42.2. Bond issue programme of ENEA Wytwarzanie S.A.

On 8 September 2012 ENEA S.A. executed a Programme Agreement with ENEA Wytwarzanie S.A. and BRE Bank S.A. (Bank). The Agreement relates to Bond Issue Programme up to the amount of PLN 4 bln (the "Agreement"). The bond issue programme established by ENEA Wytwarzanie S.A. based on the Agreement (the "Programme") provides bond issue under the bond purchase referral to ENEA S.A.

The Programme finishes on 15 June 2022 and the availability period expires on 31 December 2017. The issued bonds will be straight.

The funds from the issue (up to PLN 4 bln) will be designated for financing of the construction of a new coal fired power unit of a minimum capacity of 900 MWe and a maximum capacity of 1,000 MWe in the Power Plant in Koziencice and other investment needs of ENEA Wytwarzanie S.A., approved by ENEA S.A.

The Programme Agreement anticipates a possibility of issuing bonds of maximum 40 numerous series, the nominal value of each series will not be lower than PLN 100 million and the nominal value of one bond will amount to PLN 1 mln. These will be dematerialised bearer bonds. The interest rate of the bonds is floating and determined annually based on WIBOR 6M rate plus a fixed margin. The bonds will bear interest from the issue date (inclusive) till the redemption date (exclusive).

Bonds issued within the Bond Issue Programme are bonds in accordance with the Act on Bonds dated 29 June 1995, the offering will be held in the meaning of Art. 9, par. 3 of the Act. The bonds will not be issued on the terms of public offering of shares within the meaning of the Public Offer of Financial Instruments Act dated 29 July 2005.

The Agreement is valid during the Programme period or till the day of the last bond redemption if on the last day of the Programme period all bonds are not purchased.

As a part of the Agreement, on 8 September 2012 ENEA S.A. and ENEA Wytwarzanie S.A. executed a Guarantee Agreement concerning the Programme. Under the terms of the Guarantee Agreement ENEA S.A. is obliged to purchase bonds of initial offering, on the terms determined in the Guarantee Agreement and in the Programme. The obligation of ENEA S.A. to purchase bonds applies to the Availability Period.

The Guarantee Agreement is valid for the Programme period and expires on 15 June 2022 or till the day of the last bond redemption if on the last day of the Programme period all bonds are not purchased.

As at 31 December 2012 and till the date of these separate financial statements ENEA Wytwarzanie S.A. has not issued bonds under the Programme.

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

On 4 July 2012 the Company signed a framework agreement on the exploration for and extraction of shale gas (the "Agreement"). The parties to the Agreement are ENEA S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A. (hereafter jointly referred to as the "Parties").

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

The Agreement provides for cooperation based on the targeted structure of a limited partnership that, following a successful exploration, will extract shale gas. Estimated expenditures on exploration, evaluation and extraction with respect to the first three zones (Kochanowo, Częstkowo and Tęcz pads) within the Area of Cooperation are projected to be in the amount of PLN 1.72 bln.

The Parties are working to determine the detailed terms of cooperation, including a detailed project budget and timeline, the shares of the Parties in financing the expenditures arising from the agreed-on budget, shares in the project's profits and the principles of responsibility, including contractual penalties in the case of the failure, in particular by PGNiG, to fulfill certain obligations resulting from the Agreement. Should such specific arrangements not be forthcoming, the Agreement may be terminated by each of the Parties. On 12 November 2012 the Parties signed an annex to the Agreement and agreed to extend the deadline to determine detailed terms of cooperation till 4 February 2013.

On 21 February 2013 the Parties signed an Annex No 2 to the Agreement related to common exploration for and extraction of shale gas. The parties of the Annex are all the companies which signed the Agreement. The Parties agreed to further extend the deadline to determine detailed terms of cooperation till 4 May 2013. Should such specific arrangements not be forthcoming, the Agreement may be terminated by each of the Parties. If within three months after reaching such arrangements the Parties have not received all of the required corporate approvals, or if by 31 December 2013 the required antimonopoly clearances have not been received, the Agreement will expire. The changes of aforementioned dates result from negotiations concerning i.a. preparation of Project documentation.

44. The participation in the construction of the atomic power plant programme

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

On 28 December the Parties to the letter of intent agreed to extend its validity period till 31 March 2013.

45. Signing of the Loan Agreement with European Investment Bank

On 18 October 2012 ENEA S.A. (Debtor) executed a Bank Loan Agreement (Agreement) with European Investment Bank (Bank) for the value of PLN 950 million or its equivalent in Euro currency. The Agreement anticipates a possibility of granting a loan in other currency commonly used on main foreign exchange markets.

The funds from the issue will be designated for financing of long-term investment plan (Programme) for the modernization and extension of power grids of ENEA Operator Sp. z o.o located in north - western Poland. The total value of the Programme is estimated at approximately PLN 3,244 million.

The loan should be repaid after maximum of 15 year from the scheduled date of the loan payday. The loan availability period equals 24 months from the date of the Agreement. The loan will be paid in maximum of 6 tranches; the value of each will not be lower than PLN 100 million, except for the last tranche which amounts to unused part of the loan.

The interest rate of the loan can be fixed or floating. The Debtor has the right to choose a fixed or floating interest rate separately for the each loan tranche under the terms of the Agreement. The floating interest will be determined for each period between payments dates (the first period is counted from the day of payment of installment under floating rate). The floating interest rate equals to adequate WIBOR rate plus fixed spread determined by the Bank including margin specified in the Agreement. The Agreement execution is subject to the law of England and Wales. Potential disputes related to the Agreement will be proceeded in England and Wells.

The funds, which amount almost 10% of the Company's equity, will be a significant source of financing investments scheduled in ENEA Capital Group.

In connection with the Agreement, on 18 October 2012 ENEA S.A. concluded an additional agreement on the Programme realization with ENEA Operator Sp. z o.o. and the Bank which settles issues relating the rules of the Programme realization in part based on funds granted by the Bank.

As at 31 December 2012 the Company did not utilize any funds within the Agreement and had no liability due to the loan.

46. Subsequent events

The Extraordinary Shareholders' Meeting of ENTUR Sp. z o.o. in Szczecin adopted a resolution no. 3 on 27 February 2013 on the company dissolution following liquidation. The adopted resolution is effective from 1 March 2013.

The liquidation of the company results from the ENEA Group restructuring process aimed at development of its core business, which is not in line with ENTUR operations (tourism, recreation, catering and health care services).