

2012

Report of the Management Board

on the operations of the ENEA
Capital Group in 2012

Poznań, 11 March 2013



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1. Introduction

1.1. Letter of the President of the Management Board



I am delighted to submit the Annual Report constituting the summary of the year of 2012 within operations of the companies of the ENEA Capital Group. It was a very important year of work directed at the realisation of strategic goals of the Group, activities towards gaining financing for an ambitious investment plan, changes within the generation and energy trading. The year of 2012 will also go down in history as the one in which the most important investment for the Group commenced - a construction of a modern power unit No. 11 in Kozenice, the start-up of which will not only increase our generating capacities but will also constitute a considerable stabiliser of the national energetic system.

In 2012 we managed to gain the financing enabling the realisation of the investment plan assuming a growth in generating capacities from traditional and renewable sources. To this end ENEA S.A. concluded a Programme Agreement which specifies the terms for the Bond Issue Programme of the value of up to PLN 4 bln. The parties to the agreement were banks - issue guarantors, i.e.: PKO

Bank Polski, Pekao, Bank Zachodni WBK, Bank Handlowy and Nordea Bank Polska. The Company also concluded a 15-year Loan Agreement valued PLN 950 mln with the European Investment Bank. The completion of projects of obtaining funds from external institutions was preceded with the maintenance of a long-term rating (awarded to the Company in April 2011 by Fitch Ratings) on the previous level of BBB (on the international scale) and A (on the domestic scale).

The Bond Issue Programme, supplemented with the funding from multilateral banks, shall cover all the investment needs of the ENEA Capital Group within the areas of generation, distribution and renewable sources of energy till 2020. The general contractor of the construction of a new coal unit - Polimex-Mostostal and Hitachi Power Europe consortium - has been performing its works on the construction site since October 2012. This is the largest investment of the Polish power sector, as a result of which the biggest in Europe unit fired with bituminous coal will be developed (capacity of 1,075 MW gross). The termination of the construction is planned for Q2 2017.

The transaction of the purchase of a 50 MW wind farm in Bardy (the Zachodniopomorskie Province) was completed successfully. ENEA Operator continued investing within the development of the distribution network in order to satisfy the demand of recipients for power and electricity and create conditions enabling connecting new subjects to the network. It also conducted numerous investments which energetically secured the key sports event of the previous year - EURO 2012.

In 2012 the ENEA Capital Group reported a growth in net sales revenues and revenues from sales of electricity (electricity sales volumes grew by 188 GWh). The Group generated a positive financial result and achieved positive profitability ratios. The EBITDA profitability amounted to 15.8% and was similar to the performance level of 2011 (15.7%). ENEA joined two strategic projects, the realisation of which will completely change the national power system and will enhance the energy security of Poland. Together with PGNiG, KGHM, PGE and Tauron it became a part of the alliance for the cooperation on the extraction of shale gas. The enterprises will jointly finance the exploration of shale gas and construction of mines, in consideration for the participation in profits from a further extraction. In September ENEA and KGHM, PGE and Tauron signed a letter of intent

concerning undertaking of activities aiming at the determination of rules of cooperation and participation of ENEA in the construction of the first atomic power plant in Poland.

Apart from projects commenced together with external partners considerable changes occurred inside of the ENEA Capital Group. Elektrownia "Kozienice" S.A. changed its name to ENEA Wytwarzanie S.A., becoming a central entity in the Group responsible for the area of energy and heat generation. At the end of the year, as a result of the concluded agreement a holding structure was established for this area in the ENEA Group. ENEA Wytwarzanie S.A. took over six companies from ENEA S.A. which operate within the generation of electricity and heat. It is the first stage of the process of the integration of the generation area. Important actions were undertaken in the area of sales and customer service. The Board of ENEA S.A. adopted a "Strategy of sales of ENEA S.A. in the area of retail sales for 2012-2016", assuming the reconstruction of our share in the market and its effective growth. ENEA S.A. became the owner of 100% shares of ELKO Trading Sp. z o.o., a wholesale company (presently ENEA Trading Sp. z o.o.). The implementation was commenced of the "Information Customer Service System" (ICSS), which will ensure a comprehensive support within sales and customer service. Competences were also developed within the Programme of "Change of the Customer Service Model".

The ENEA Group published the first in its history comprehensive report of the corporate social responsibility (CSR), prepared in accordance with international reporting standards. The approach of ENEA towards the implementation of set strategic goals connected with the corporate social responsibility was for the first time presented in such a comprehensive way.

Achievements of the previous year are grounds for satisfaction. I am convinced that we will skilfully use our experience in order to face new challenges which may bring other chances for ensuring a further growth in the value and development of resources of the ENEA Group. Subsequent months will be marked by the implementation of a new business model for the Group, improving the Capital Group management, enabling achieving of cost synergies resulting from the centralised management of the operations of the whole ENEA Group and a coherent system of customer service. We will consequently realise the assumptions of the "Strategy of sales of ENEA S.A. in the area of retail sales for 2012-2016" adopted in 2012, increasing the market share and expansion to new territories, and reaching good financial results.

Sincerely,

Krzysztof Zamasz

President of the Management Board of ENEA S.A.

1.2. Selected financial data

1.2.1. Selected consolidated financial data of the ENEA Capital Group

Data in PLN '000	2011	2012	Change	Difference
Net sales revenues	9 708 512	10 096 032	104.0%	387 520
Profit / (loss) from operations	845 961	846 547	100.1%	586
Profit / (loss) before tax	989 111	908 167	91.8%	-80 944
Net profit / (loss) for the reporting period	793 928	711 609	89.6%	-82 319
EBITDA	1 528 774	1 596 284	104.4%	67 510
Net cash flows from operating activities	1 110 750	1 242 077	111.8%	131 327
Net cash flows from investing activities	-557 637	-1 109 029	198.9%	-551 392
Net cash flows from financing activities	-235 380	-255 668	108.6%	-20 288
Total net cash flows	317 733	-122 620	x	-440 353
Weighted average number of shares [pcs.]	441 442 578	441 442 578	100.0%	0
Net profit per share [PLN]	1.80	1.62	90.3%	-0.18
Diluted profit per share [PLN]	1.80	1.62	90.3%	-0.18

Data in PLN '000	Q4 2011	Q4 2012	Change	Difference
Net sales revenues	2 540 562	2 666 715	105.0%	126 153
Profit / (loss) from operations	71 038	93 866	132.1%	22 828
Profit / (loss) before tax	95 168	90 083	94.7%	-5 085
Net profit / (loss) for the reporting period	73 173	66 388	90.7%	-6 785
EBITDA	234 269	246 585	105.3%	12 316
Weighted average number of shares [pcs.]	441 442 578	441 442 578	100.0%	0
Net profit per share [PLN]	0.17	0.16	95.7%	-0.01
Diluted profit per share [PLN]	0.17	0.16	95.7%	-0.01

Data in PLN '000	As at:		Change	Difference
	31 December 2011	31 December 2012		
Total assets	14 162 151	14 710 462	103.9%	548 311
Total liabilities	3 682 389	3 772 174	102.4%	89 785
Non-current liabilities	1 659 243	1 748 504	105.4%	89 261
Current liabilities	2 023 146	2 023 670	100.0%	524
Equity	10 479 762	10 938 288	104.4%	458 526
Share capital	588 018	588 018	100.0%	0
Book value per share	23.74	24.78	104.4%	1.04
Diluted book value per share [PLN]	23.74	24.78	104.4%	1.04

1.2.2. Results from particular segments of activity

Results on particular segments of activity in 2012 in comparison with 2011.

Segments [PLN '000]	2011	2012	Change	Difference
Trade				
Sales revenues	4 069 236	4 256 850	104.6%	187 614
EBIT	155 975	241 938	155.1%	85 963
EBITDA	156 678	242 304	154.7%	85 626
Investment outlays for tangible and intangible fixed assets	0	323	x	323
Distribution				
Sales revenues	2 640 730	2 811 961	106.5%	171 231
EBIT	325 372	415 550	127.7%	90 178
EBITDA	678 035	774 350	114.2%	96 315
Investment outlays for tangible and intangible fixed assets	774 838	868 755	112.1%	93 917
Generation				
Sales revenues	3 187 244	3 267 194	102.5%	79 950
EBIT	475 727	301 850	63.5%	-173 877
EBITDA	772 122	648 564	84.0%	-123 558
Investment outlays for tangible and intangible fixed assets	447 787	901 470	201.3%	453 683
Other activity				
Sales revenues	800 210	772 025	96.5%	-28 185
EBIT	46 696	53 807	115.2%	7 111
EBITDA	76 594	76 819	100.3%	225
Investment outlays for tangible and intangible fixed assets	80 471	62 455	77.6%	-18 016
Exclusions				
Sales revenues	-988 908	-1 011 998	102.3%	-23 090
EBIT	-34 370	-35 364	102.9%	-994
EBITDA	-37 556	-37 316	99.4%	240
Investment outlays for tangible and intangible fixed assets	-39 721	-57 485	144.7%	-17 764
Undistributed costs (management costs)	-123 439	-131 234	106.3%	-7 795
Excluded amortisation and amortisation not distributed to segments	6 340	22 797	359.6%	16 457
Investment outlays for tangible and intangible fixed assets excluded from segmentation	32 196	27 601	85.7%	-4 595
TOTAL				
Sales revenues	9 708 512	10 096 032	104.0%	387 520
EBIT	845 961	846 547	100.1%	586
EBITDA	1 528 774	1 596 284	104.4%	67 510
Investment outlays	1 295 571	1 803 119	139.2%	507 548

The increase of the EBITDA result on the segment of trading by PLN 85,626 thou., i.e. by 54.7% results from higher first contribution margin on the trading operations by PLN 119,015 thou. The value is affected by the method of calculation changed in 2012 within provisions for certificates of origin (provisions are valued based on a weighted average price in transactions concluded on the Property Rights Market during the month preceding the reporting date as at which the value of reserves is determined, and in absence of such transactions or shortage of particular securities on the market which enable the Company to purchase a sufficient number of rights required to execute the obligation, the difference in the reserve is valued based on a unit compensatory payment for a given financial year). At the same time, in 2012 a higher unit margin was generated on a unit of energy sold to end users by PLN 3.5/MWh and higher revenues from non-invoiced sales by PLN 16,539 thou. There was an increase in the volume of energy sold to end users by 188 GWh with an increase of the average sales price by 3.1%. There was also a growth in own costs of trading by PLN 15,871 thou. mainly in relation to higher costs of services rendered for ENEA Centrum (by PLN 19,500 thou.) and ENEA Trading (by PLN 1,805 thou.). Additionally, in 9 months of 2012 a higher EBITDA result was generated in ENEA Centrum by PLN 2,349 thou. and ENEA Trading by PLN 218 thou. (companies commenced operations in August 2011). Moreover a lower result was obtained on other operating activities by PLN 14,125 thou. (reserve for anticipated losses - litigation connected with non-contractual use of lands and lower revenues from revaluation of write-downs of receivables for energy).

The increase of EBITDA on the segment of distribution by PLN 96,315 thou. or 14.2%, results mainly from higher sales of distribution services by PLN 132,465 thou., which mainly stems from the increase of the average price of distribution services by 4.8%. At the same time, there was a growth in the estimated revenues from non-invoiced sales (by PLN 17,048 thou.), higher revenues from grid connection fees (by PLN 12,398 thou.) and higher sales of distribution services to other entities (by PLN 2,819 thou.). Additionally, there was a growth in the costs in the segment of distribution by PLN 74,916 thou., which was mainly affected by higher taxes and charges and a drop in the result on other operating activities (lower revenues from nil-paid fixed assets at a higher level of provisions for anticipated losses and claims than in the previous year), with a concurrent decrease in the costs of employee benefits and outsourced services.

The decrease of the EBITDA result on the segment of generation by PLN 123,558 thou. or 16.0%, due to:

- Lower EBITDA in ENEA Wytwarzanie by PLN 84,866 thou., which mainly stems from lower revenues from sales of CO₂ emission allowances by PLN 109,909 thou., lower revenues by title of recovery of stranded costs by PLN 24,119 thou., with a concurrent growth in sales of electricity by PLN 66,546 thou. and in the revenues from certificates of origin by PLN 7,171 thou. Additionally, there was a growth in costs of consumption of materials by PLN 62,826 thou., growth of costs of outsourced services by PLN 25,258 thou., higher costs of employee benefits by PLN 13,708 thou., and at the same time there was a decrease in purchase costs of energy for sale by PLN 48,312 thou. and generation of a higher result on the other operating activity by PLN 29,146 thou.
- A drop in EBITDA in Elektrownie Wodne by PLN 3,740 thou., which mainly stems from lower revenues from sales of electricity by PLN 1,690 thou. and higher costs of repairs, employee benefits, and a lower result on the other operating activity.
- A growth of EBITDA in the Białystok Heat and Power Plant by PLN 11,671 thou. (inclusion into the operations of ENEA Capital Group from June 2011). In the report for 2012 amortisation costs were adjusted by the settlements of the valuation of assets (allowances for emissions of CO₂) and they were shifted to the costs of materials (in 2012 by PLN 45,222 thou., in 2011 by PLN 28,778 thou.), which affected the level of EBITDA.
- Inclusion of EBITDA of Windfarm Polska in the amount of PLN 32,233 thou. (inclusion into the operations of ENEA Capital Group from June 2012).
- Valuation of the Białystok Heat and Power Plant increasing the result of the segment in 2011 by PLN 78,236 thou.

A growth of EBITDA on the segment of other activity by PLN 225 thou., or 0.3%.

Higher management costs by PLN 7,795 thou., or 6.3%, results mainly from higher costs of pays with charges.

Results on particular segments of activity Q4 2012 in comparison with Q4 2011

Segments in PLN '000	Q4 2011	Q4 2012	Change	Difference
Trade				
Sales revenues	1 139 838	1 017 015	89.2%	-122 823
EBIT	16 778	63 543	378.7%	46 765
EBITDA	16 853	63 147	374.7%	46 294
Investment outlays for tangible and intangible fixed assets	0	4	x	4
Distribution				
Sales revenues	690 224	716 679	103.8%	26 455
EBIT	16 211	-7 429	x	-23 640
EBITDA	106 420	82 259	77.3%	-24 161
Investment outlays for tangible and intangible fixed assets	452 389	372 873	82.4%	-79 516
Generation				
Sales revenues	878 404	912 909	103.9%	34 505
EBIT	65 230	63 575	97.5%	-1 655
EBITDA	148 528	115 918	78.0%	-32 610
Investment outlays for tangible and intangible fixed assets	169 881	614 289	361.6%	444 408
Other activity				
Sales revenues	271 598	223 269	82.2%	-48 329
EBIT	23 576	16 006	67.9%	-7 570
EBITDA	31 579	17 459	55.3%	-14 120
Investment outlays for tangible and intangible fixed assets	42 667	36 554	85.7%	-6 113
Exclusions				
Sales revenues	-439 502	-203 157	46.2%	236 345
EBIT	-13 788	-8 117	58.9%	5 671
EBITDA	-13 788	-7 070	51.3%	6 718
Investment outlays for tangible and intangible fixed assets	-37 649	-15 679	41.6%	21 970
Undistributed costs (management costs)	-36 969	-33 712	91.2%	3 257
Excluded amortisation and amortisation not distributed to segments	-18 354	8 584	x	26 938
Investment outlays for tangible and intangible fixed assets excluded from segmentation	-66 399	8 878	x	75 277
Total				
Sales revenues	2 540 562	2 666 715	105.0%	126 153

EBIT	71 038	93 866	132.1%	22 828
EBITDA	234 269	246 585	105.3%	12 316
Investment outlays	560 889	1 016 919	181.3%	456 030

The increase of the EBITDA on the segment of trading by PLN 46,294 thou., i.e. by 274.7% results from higher first contribution margin on the trading operations by PLN 60,428 thou. The value is affected by the change in the methods of calculation made in 2012 within the provisions for certificates of origin. At the same time, in Q4 2012 a higher unit margin was generated on a unit of energy sold to end users by PLN 6.5/MWh and higher revenues from non-invoiced sales by PLN 11,958 thou. There was a growth in the average selling price by 2.6% with a drop in the average purchase price by 3.5%. There was a decrease in the costs of trading by PLN 22,260 thou., mainly as a result of incurring lower costs of services rendered by ENEA Trading by PLN 24,960 thou. (a new model of intergroup settlements) and higher by PLN 1,620 thou. costs of ENEA Centrum. Additionally, in Q4 2012 a lower EBITDA was generated in ENEA Trading by PLN 34,247 thou. Additionally, there was a higher result on the other operating activity by PLN 2,316 thou. (lower costs in relation of the establishment in Q4 2011 of provisions for obligations for use of lands of the State Treasury, lower other operating revenues, in relation to the disclosure in Q4 2011 of residential apartments and utility facilities and from the settlements of inventory differences within the street lighting assets of Poznań conterminous municipalities).

A drop in EBITDA on the segment of distribution by PLN 24,161 thou. or 22.7%, results mainly from higher costs of the segment of distribution by PLN 50,616 thou., which mainly stems from higher taxes and charges and lower result in the other operating activity (higher provisions for anticipated losses and claims, recognition of costs for reference only of non-contractual use of properties). Additionally, there was a drop in costs of employee benefits and external services. At the same time, there was a growth in sales of distribution services by PLN 36,289 thou. (higher average selling price of distribution services by 4.2%), higher revenues from non-invoiced sales by PLN 9,335 thou. and lower revenues from settlements on the Balancing Market by PLN 22,223 thou.

The decrease of EBITDA on the segment of generation by PLN 32,610 thou. or 22.0%, mainly due to:

- Lower EBITDA in ENEA Wytwarzanie by PLN 17,614 thou., which mainly stems from lower revenues from sales of allowances for emissions of CO₂ by PLN 33,805 thou., lower revenues from certificates of origin by PLN 21,720 thou., higher costs of materials by PLN 30,337 thou., higher costs of energy for sale by PLN 15,885 thou., with a concurrent growth in the revenues from sales of electricity by PLN 74,382 thou., and lower costs of external services by PLN 9,448 thou.
- Lower EBITDA in the Białystok Heat and Power Plant by PLN 10,866 thou., which results mainly from lower revenues from sales of electricity by PLN 10,175 thou. and lower revenues from certificates of origin by PLN 6,715 thou., higher costs of CO₂ emission by PLN 16,444 thou. (a change in the presentation method of the valuation of assets made in 2011 - amounts were applied in full to Q4 2012 and 2011). At the same time, there were higher revenues from sales of heat energy by PLN 6,280 thou. and revenues from sales of CO₂ emission allowances by PLN 3,575 thou. and a higher result on the other operating activity by PLN 6,665 thou., and concurrently lower costs of coal consumption by PLN 1,466 thou., lower costs of biomass by PLN 1,495 thou., and lower costs of employee benefits by PLN 1,299 thou.
- Higher EBITDA in Elektrownie Wodne by PLN 2,195 thou., which mainly stemmed from higher revenues from sales of certificates of origin by PLN 1,700 thou. and generation in 2012 of revenues from the operation of the biogas plant in Liszkowo, and lower costs of external services by PLN 1,161 thou. With a concurrent lower result on the other operating activity by PLN 1,963 thou.
- A growth in EBITDA in MEC Piła by PLN 3,133 thou., which stemmed mainly from higher revenues from sales of heat energy by PLN 1,960 thou., with higher costs of coal by PLN 1,005 thou., and a higher result on the other operating activity (mainly nil-paid allowances for emissions of CO₂ in the amount of PLN 2,739 thou.)

- EBITDA of Windfarm Polska in the amount of PLN 15,664 thou. (inclusion into the operations of ENEA Capital Group from June 2012).
- Valuation of the Białystok Heat and Power Plant increasing the result of the segment in Q4 2011 by PLN 22,174 thou.

A drop in EBITDA on the segment of other activity by PLN 14,120 thou., or 44.7%, results mainly from a lower result on the maintenance of street lighting in ENEA S.A. (costs of stocktaking of street lighting assets) and a drop in the results of BHU and Eneos. At the same time, the result on non-licensed activity increased in ENEA Operator.

Lower management costs by PLN 3,257 thou., or 8.8%, results mainly from lower costs of pays with charges.

1.3. Key operating data

	2011	2012	Change %	Q4 2011	Q4 2012	Change %
Generation of electricity (net) [GWh]	11 441	11 480	0.3%	3 015	3 100	2.8%
Production from renewable energy sources [GWh], including:	672	901	34.1%	210	247	17.6%
Co-combustion of biomass	393	519	32.1%	126	138	9.5%
Combustion of biomass	102	131	28.4%	43	30	-30.2%
Hydroelectric power plants	158	149	-5.7%	35	36	2.9%
Wind farms	13	100	669.2%	6	43	616.7%
Biogas plants	6	2	-66.7%	0	0	x
Heat generation [GJ]	2 947 615	4 967 931	68.5%	1 493 931	1 674 236	12.1%
Distribution of electricity [GWh]	17 102	17 204	0.6%	4 311	4 377	1.5%
Sales of electricity to end users [GWh]	14 747	14 935	1.3%	3 730	3 694	-0.9%
Number of customers in the area of Distribution	2 392 621	2 421 074	1.2%	4 519	6 307	39.6%

2. The organisation of the ENEA Capital Group

2.1. Description of the ENEA Capital Group

As at 31 December 2012 the Capital Group consisted of the parent company ENEA S.A. ("Company", "Parent Company") 15 direct subsidiaries, 7 indirect subsidiaries and 1 affiliate. Within the ENEA Capital Group (the "Group"), there are three leading companies, i.e. ENEA S.A. (trade in electricity), ENEA Operator Sp. z o.o. (distribution of electricity) and ENEA Wytwarzanie S.A. (generation of electricity), which were joined by a fourth company - ENEA Trading Sp. z o.o. (wholesale of electricity). The other entities render supplementary services towards the aforementioned companies.

General information regarding ENEA S.A.:

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

As at 31 December 2012 the companies of the ENEA Capital Group operated within the area indicated below:

Company	Scope of operations
1. ENEA S.A. with its registered office in Poznań	Trade in electricity
2. ENEA Operator Sp. z o.o. with its registered office in Poznań	Distribution of electricity conducted from 1 July 2007 based on a licence issued by the President of the Energy Regulatory Office on 28 June 2007 for the period from 1 July 2007 to 1 July 2017. Simultaneously, on 30 June 2007 the President of ERO designated ENEA Operator Sp. z o.o. as the operator of a power distribution system for the life of the licence.
3. ENEA Wytwarzanie S.A. with its registered office in Świerże Górne	Generation of electricity and heat co-generated with electricity.
4. Energomiar Sp. z o.o. with its registered office in Poznań	Production of astronomical clocks, conservation, assembly, legalisation and calibration of electricity meters, readings of electricity consumption and services of radio management of power.

5. BHU S.A. with its registered office in Poznań	Trade in power equipment, accessories and materials.
6. Hotel EDISON Sp. z o.o. with its registered office in Baranów	Hotel, gastronomic, training, holiday, recreation and sport activity.
7. Energetyka Poznańska Zakład Transportu Sp. z o.o. with its registered office in Poznań	Motor transport and workshop activity.
8. Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o. with its registered office in Gronówko	Designing, construction, modernisation and operation of power networks and related equipment.
9. Energo-Tour Sp. z o.o. with its registered office in Poznań	Hotel and gastronomic activities, organisation of holidays, camps, summer camps, tourism services and activity connected with health care.
10. Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrawiskowe ENERGETYK Sp. z o.o. with its registered office in Inowrocław	Spa activity within health care and rehabilitation.
11. Eneos Sp. z o.o. with its registered office in Poznań	Operation and maintenance of street lighting.
12. ENTUR Sp. z o.o.* with its registered office in Szczecin	Holiday, tourism, recreation, training, gastronomic activity and providing health care services.
13. ITSERWIS Sp. z o.o. with its registered office in Zielona Góra	Operations in landline and wireless telecommunications and IT and computer services, as well as wholesale and retail sales of electronic and telecommunication equipment, computers and software.
14. ENEA Centrum S.A. with its registered office in Poznań	Customer service on behalf of ENEA S.A.
15. Annacond Enterprises Sp. z o.o. with its registered office in Warsaw	The company is presently preparing to commence the operating activity within electricity distribution.
16. ENEA Trading Sp. z o.o. with its registered office in Świerże Górne	Management of the portfolio and trading in electricity for the Area of Generation and Area of Sales.
17. Elektrociepłownia Białystok S.A. with its registered office in Białystok	An indirect subsidiary through the shares in ENEA Wytwarzanie S.A. Production of heat energy and electricity.
18. Elektrownie Wodne Sp. z o.o. with its registered office in Samociążek	An indirect subsidiary through the shares in ENEA Wytwarzanie S.A. The Company is engaged in the production of electrical energy and services with respect to the operation of hydroelectric plants as well as the development of operations involving power generation from renewable energy sources by implementing wind farm and biogas power plant projects.
19. Miejska Energetyka Ciepła Piła Sp. z o.o. with its registered office in Piła	An indirect subsidiary through the shares in ENEA Wytwarzanie S.A. Generation, transmission and distribution of heat energy and generation of electricity and heat energy in cogeneration using heat and power units.

20. Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. with its registered office in Oborniki	An indirect subsidiary through the shares in ENEA Wytwarzanie S.A. Generation, transmission and distribution of heat energy.
21. Windfarm Polska Sp. z o.o. with its registered office in Koszalin	An indirect subsidiary through the shares in ENEA Wytwarzanie S.A.
22. Dobitt Energia Sp. z o.o. with its registered office in Gorzesław	An indirect subsidiary through the shares in ENEA Wytwarzanie S.A. The owner of the construction design of a biogas power plant (agricultural) with the capacity of 1.6 MW.
23. Ecebe Sp. z o.o. with its registered office in Augustów	An indirect subsidiary through the shares in Elektrociepłownia Białystok S.A.
24. Energo-Invest-Broker S.A. with its registered office in Toruń	An affiliate of ENEA Wytwarzanie S.A.

* Entity under liquidation - a detailed description is to be found in item 2.2.3 "Changes in the organisation and management rules of the Capital Group".

Subsidiaries

As at 31 December 2012 the ENEA Capital Group comprised of 15 direct subsidiaries, in which ENEA S.A. held shares with a total nominal value of PLN 5,378,066.3 thou., and which, as at 31 December 2012, constituted 99.85% of their share capital, amounting to PLN 5,386,101.8 thou.

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

No.	Company name and address	Share capital	Shareholding of	Percentage share
		- nominal value [PLN '000]	ENE S.A. [PLN '000]	of ENE S.A. in the capital and voting rights
1	BHU Spółka Akcyjna ul. Strzeszyńska 58, 60-479 Poznań	16 540.70	15 320.70	92.62
2	Hotel EDISON Sp. z o.o. Baranowo k/Poznania, 62-081 Przeźmierowo	21 271.50	21 271.50	100.00
3	Energetyka Poznańska Zakład Transportu Sp. z o.o. ul. Strzeszyńska 58, 60-479 Poznań	4 975.50	4 975.50	100.00
4	Energomiar Sp. z o.o. ul. Strzeszyńska 58, 60-479 Poznań	2 749.00	2 749.00	100.00
5	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o. Gronówko 30, 64-111 Lipno near Leszno	11 050.00	11 050.00	100.00
6	Energo-Tour Sp. z o.o. ul. Marcinkowskiego 27, 61-745 Poznań	9 543.00	9 535.00	99.92
7	ENE S.A. Operator Sp. z o.o. ul. Strzeszyńska 58, 60-479 Poznań	4 678 050.00 *	4 678 050.00	100.00
8	ENE Wytwarzanie S.A. Świerże Górne, gmina Kozienice, 26-900 Kozienice 1	462 482.44**	462 482.44	100.00

9	ITSERWIS Sp. z o. o. ul. Zacisze 28, 65-775 Zielona Góra	6 364.00	6 364.00	100.00
10	Eneos Sp. z o.o. ul. Strzeszyńska 58, 60-479 Poznań	32 089.50	32 089.50	100.00
11	ENTUR Sp. z o. o.*** ul. Malczewskiego 5/7, 71-616 Szczecin	4 134.50	4 134.50	100.00
12	Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. ul. Wilkońskiego 2, 88-100 Inowrocław	17 448.00	17 438.00	99.94
13	ENEA Centrum S.A. ul. Górecka 1, 60-201 Poznań	1 973.70	1 973.70	100.00
14	Annacond Enterprises Sp. z o.o. ul. Jana III Sobieskiego 1 / 4 02-957 Warszawa	17 430.00	10 632.50	61.00
15	ENEA Trading Sp. z o.o. Świerże Górne, gmina Kozienice, 26-900 Kozienice 1	100 000.00	100 000.00	100.00
	TOTAL	5 386 101.84	5 378 066.34	99.85

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

** Share capital in accordance with the Statute and the National Court Register as at 31 December 2012. In the financial statement prepared in accordance with EU IFRSs the share capital is presented after adjustments by title of hyperinflation. On 22 January 2013 the raised share capital of ENEA Wytwarzanie S.A. was registered in the National Court Register which presently amounts to PLN 2,046,049,500.

*** Entity under liquidation - a detailed description is to be found in item 2.2.3 "Changes in the organisation and management rules of the Capital Group".

Indirect subsidiaries and affiliates

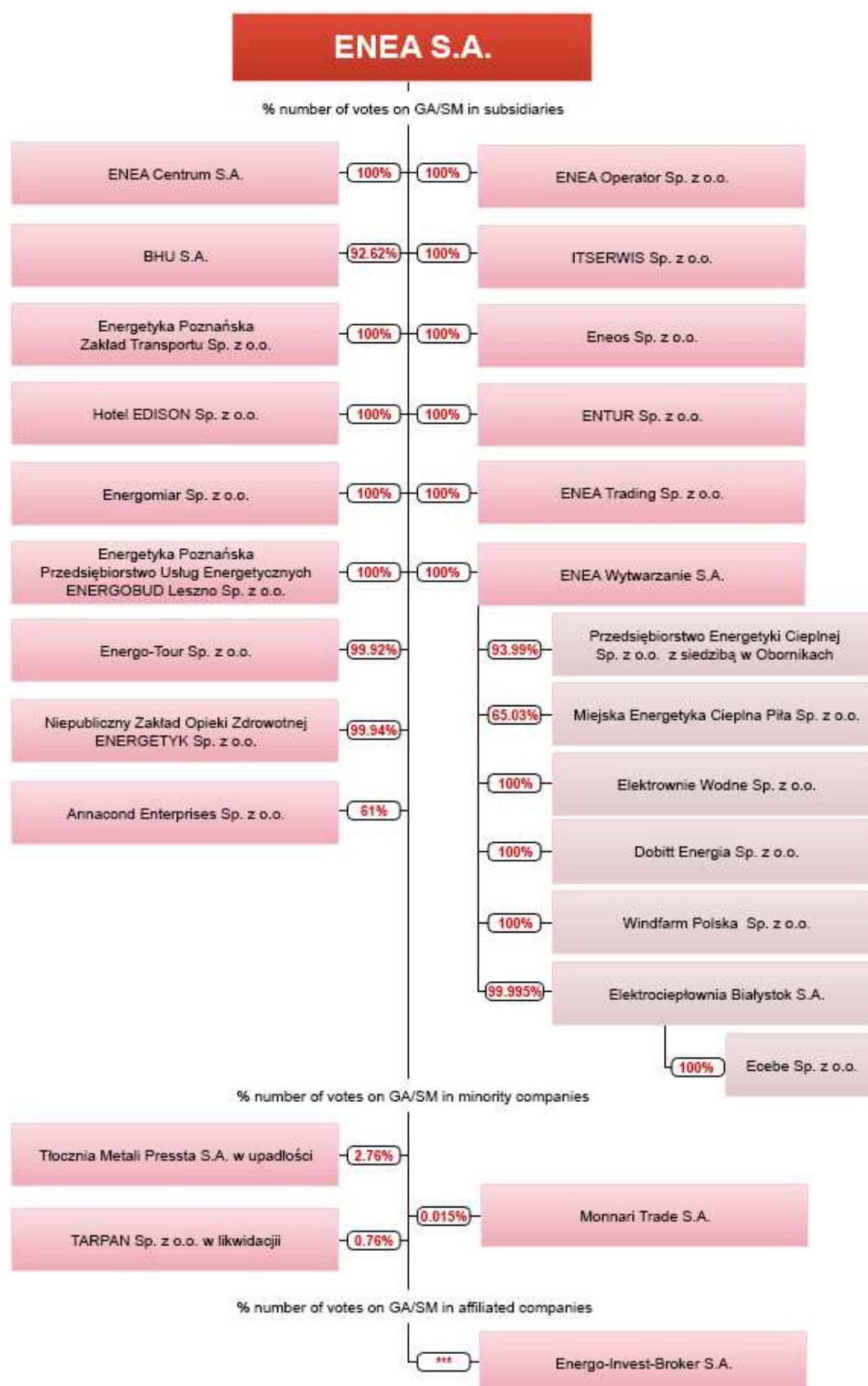
No.	Company name and address	% share of ENEA S.A. in the capital and voting rights
1	Elektrociepłownia Białystok S.A. ul. Gen. Andersa 3, 15-124 Białystok	99.996*
2	Elektrownie Wodne Sp. z o.o. Samociążek 92, 86-010 Koronowo	100.00*
3	Miejska Energetyka Ciepła Piła Sp. z o.o. ul. Kaczorska 20, 64-920 Piła	65.03*
4	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. ul. Wybudowanie 56, 64-600 Oborniki	93.99*
5	Windfarm Polska Sp. z o.o. ul. Wojska Polskiego 24-26, 75-712 Koszalin	100.00*
6	Dobitt Energia Sp. z o.o. Gorzewski 8, 56-420 Bierutów	100.00*
7	Ecebe Sp. z o.o. ul. Wojciecha 8, Augustów	99.99 **
8	Energo-Invest-Broker S.A. ul. Jęczmienna 21, Toruń	***

* An indirect subsidiary through the shares in ENEA Wytwarzanie S.A.

** An indirect subsidiary through the shares in Elektrociepłownia Białystok S.A.

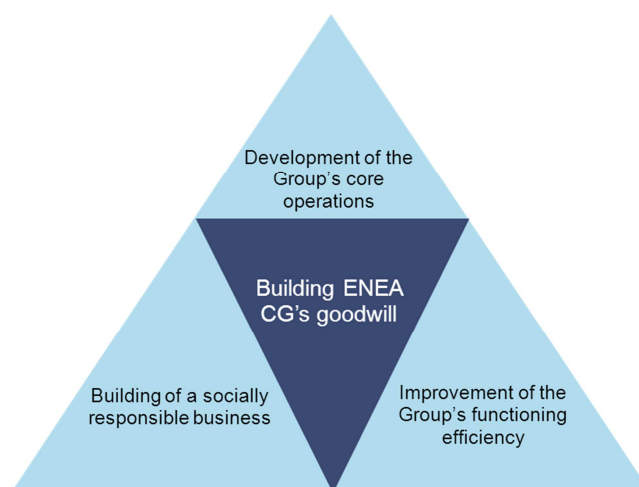
*** An affiliate of ENEA Wytwarzanie S.A.

The organisational diagram showing the structure of the ENEA Capital Group as at 31 December 2012.



2.2. Policy on directions of development of the Capital Group

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



Developing the core operations of the Group

As part of the Group's strategic area that involves core business development, one of the long-term strategic courses of action to be taken by the Group is gaining access to own sources of energy generation of the potential enabling at least satisfaction of the demand for electricity of all the customers of the Group.

The first step towards the realisation of this strategy was inclusion in October 2007 of Elektrownia "Kozienice" S.A. into the ENEA Capital Group. (On 25 May 2012 Elektrownia "Kozienice" S.A. changed its name into ENEA Wytwarzanie S.A.), a bituminous coal fired power plant with largest generating capacity in Poland.

Irrespective of what opportunities there may be to acquire additional generation capacity by acquiring existing entities, we are planning to increase our own generation capacity, including on the area of ENEA Wytwarzanie S.A. where we are planning the construction and start-up of a new power unit with a gross electrical capacity of 1,075 MWe.

In relation to the anticipated increase in the share and sales of electrical energy in Poland which was generated from renewable sources of energy and in cogeneration, we undertake activities aiming at the increase of control of costs related to the realisation of the obligations resulting from the legal regulations within this field. To this end, we plan to continue concluding long-term agreements for the purchase of certificates confirming the generation of energy in renewable sources and cogeneration from external entities, and to carry out direct investments in such sources. Our intention is to invest in wind farm and biogas plant projects which are already commenced and at various stages of development, by acquiring existing entities or investing in new projects in co-operation with external entities.

Heretofore acquired thermal plants will be modernised and transformed into heat and power plants, also into ones fired with biomass which will generate electricity and heat in cogeneration, enabling us to obtain additional certificates of origin for the energy.

A wider description of the above business area was presented in "Strategy of Development of the Capital Group".

Improving the effectiveness of how the Group functions

As part of improving the effectiveness of how the Group functions, strategic goals will be realised in order to increase revenues, reduce costs and integrate operations to increase the margin on the Group's core operations. Optimisation activities will concern all the business areas of the Group and will be realised among others through the transfer of basic functions connected with the growth of the company to the level of a corporate centre of the Group, and also realisation of synergies resulting from the activity of particular business areas within the whole Capital Group. One of the examples of an enhanced efficiency of the Group's functioning, including obtaining a synergy, is the realisation of the project titled "Integration of the Generation Area", which is described in more detail in "Strategy of Development of the Capital Group".

Building a socially responsible business

We undertake activities with an objective to build a socially responsible business. Within these activities tasks will be realised which in the long run will increase the value of the business by incorporating responsible business principles into the operations of the Group. A more detailed description of the area was presented in the "Report on operations of ENEA S.A. within corporate social responsibility" constituting an attachment to this document.

A new business model of the Group

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

2.2.1. Asset restructuring

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

- ***Sale of a block of shares of Towarowa Giełda Energii S.A.***

On 23 December 2011 ENEA S.A. concluded an agreement for the sale of 14,750 shares of Polish Power Exchange (PPE) with Warsaw Stock Exchange (WSE) constituting 1.0172% of PPE's share capital. On 29 February 2012 the transaction was closed and the aforementioned shares were transferred to WSE. In relation to the transaction closing on 29 February 2012 ENEA S.A. ceased to be the shareholder of PPE.

- ***Sale of a block of shares of Przedsiębiorstwo Produkcji Strunobetonowych Źerdzi Wirowanych WIRBET S.A.***

On 16 February 2012 ENEA S.A. concluded an agreement for sale of 269,000 shares of Przedsiębiorstwo Produkcji Strunobetonowych Źerdzi Wirowanych WIRBET S.A. (WIRBET) with THC Fund Management Ltd. with its registered office in Nicosia, Cyprus, constituting 49% of the share capital of WIRBET. At the same time, ENEA S.A., based on the authorisation granted to it on behalf of the other shareholders of WIRBET, i.e. Tauron Dystrybucja S.A., ENERGA S.A., PGE Obrót S.A., sold within the aforementioned agreement also their shareholdings totalling to 280,000 shares. The payment was made on 15 March 2012, the share certificates were issued on 22 March 2012.

- ***Sale of a block of shares of EXATEL S.A.***

On 14 December 2012 ENEA S.A. concluded a Sale Agreement for 184,939 shares of EXATEL S.A. with its registered office in Warsaw with PGE Polska Grupa Energetyczna S.A., constituting 2.12% of the Company's share capital. On the same day the closing was made and thus ENEA S.A. ceased to be a shareholder of EXATEL S.A.

- ***A merger of Elektrownie Wodne Sp. z o.o. with Elektrownie Wiatrowe - ENEA Centrum Spółka Akcyjna Spółka Komandytowa***

On 17 November 2011 an Extraordinary General Meeting of Shareholders of Elektrownie Wodne Sp. z o.o. with its registered office in Samociążek was held during which a decision was made to merge Elektrownie Wodne Sp. z o.o. with Elektrownie Wiatrowe - ENEA Centrum Spółka Akcyjna Spółka Komandytowa with its registered office in Samociążek. The merger took place by the incorporation of Elektrownie Wiatrowe - ENEA Centrum Spółka Akcyjna Spółka Komandytowa into Elektrownie Wodne Sp. z o.o. in the mode described in Article 492 § 1 item 1 of the Commercial Companies Code, i.e. through the transfer of the whole assets of Elektrownie Wiatrowe - ENEA Centrum Spółka Akcyjna Spółka Komandytowa to Elektrownie Wodne Sp. z o.o. - a Limited Partner in the Merged company, in consideration for shares which Elektrownie Wodne Sp. z o.o. issued to the General Partner of Elektrownie Wiatrowe - ENEA Centrum Spółka Akcyjna Spółka Komandytowa, i.e. to ENEA Centrum S.A. The Limited Partner of the merged company, i.e. Elektrownie Wodne Sp. z o.o., as a Merging company, did not receive its shares. On 2 January 2012 with the decision of the District Court in Bydgoszcz, 13th Commercial Division of the National Court Register, the both companies were merged. As a result of the merger the share capital of Elektrownie Wodne Sp. z o.o. was increased from the amount of PLN 239,841,000 by PLN 8,500, i.e. to the amount of PLN 239,849,500 through the creation of 17 new shares of a nominal value of PLN 500 each. Based on the Share Subscription Agreement for the shares of ENEA Wytwarzanie S.A. concluded on 28 December 2012, ENEA S.A. made a contribution in kind to ENEA Wytwarzanie S.A. being the shares of Elektrownie Wodne Sp. z o.o.

- ***Sale of shares of Auto-Styl Sp. z o.o.***

On 4 December 2012 ENEA S.A. concluded a sale agreement for 4,400 shares of Auto-Styl Sp. z o.o. with its registered office in Zielona Góra with Mr. Lech Dziubiński - constituting 100% of the Company's share capital. Thus, ENEA S.A. ceased to be the owner of Auto-Styl Sp. z o.o. with its registered office in Zielona Góra.

The decision to sell the aforementioned shares was made because of the fact that the scope of operations of the companies: WIRBET, PPE, EXATEL S.A. and Auto-Styl Sp. z o.o. varies from the core operations of ENEA S.A. The sale of the above shares will contribute to the organisation of the structure of the Capital Group.

2.2.2. Description of key capital investments

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

- ***Raising of the share capital of Elektrownie Wodne Sp. z o.o. in consideration for a contribution in kind in the form of a real property***

On 13 March 2012 the Extraordinary General Meeting of Shareholders of Elektrownie Wodne Sp. z o.o. adopted a Resolution on raising of the share capital of the Company by PLN 49,000, from PLN 239,849,500 to PLN 239,898,500, through the creation of 98 new shares that were offered to ENEA S.A. which took up all the newly created shares and paid for them with a contribution in kind being the right of perpetual usufruct of the properties comprising plots of land located in Ptusza, of the total area of 1.2798 ha, and in Dobrzyca, of the total area of 0.4924 ha, of the total value of PLN 49,000. The transfer of the aforementioned property to the company aimed at, among others, organisation of the economic position of ENEA Capital Group.

- ***Consolidation of a block of shares of Elektrociepłownia Białystok S.A.***

Within the process being in progress of purchasing shares of Elektrociepłownia Białystok S.A., on 8, 9 and 15 March 2012 and 10 August 2012 agreements were concluded based on which ENEA S.A. purchased a total of 985 shares of Elektrociepłownia Białystok S.A. with its registered office in Białystok. In relation to the above, the shareholding structure was as follows: ENEA S.A. held 1,844,199 shares, and the other

shareholders held 76 shares. Based on the Share Subscription Agreement for the shares of ENEA Wytwarzanie S.A. concluded on 28 December 2012, ENEA S.A. made a contribution in kind to ENEA Wytwarzanie S.A. being the shares of Elektrociepłownia Białystok S.A.

- ***Investments in the renewable energy sources - purchase of Windfarm Polska Sp. z o.o. (in Bardy in the Zachodniopomorskie Province)***

On 16 April 2012 ENEA S.A. purchased from Equiventus Capital S.a.r.l (Luxembourg) all the 50 shares in Windfarm Polska Sp. z o.o. with the nominal value of PLN 1,000.00 each. Windfarm Polska Sp. z o.o. with its registered office in Koszalin operates within generation of electricity. The farm located in Bardy (municipality of Dygowo, Kołobrzeg District, the Zachodniopomorskie Province) has a capacity of 50 MW. It consists of 25 Vestas turbines of the capacity of 2 MW each. The farm will generate ca. 150,000 MWh of green energy annually. The Bardy wind farm may be extended to the total capacity of 60 MW. Based on the Share Subscription Agreement for the shares of ENEA Wytwarzanie S.A. concluded on 28 December 2012, ENEA S.A. made a contribution in kind to ENEA Wytwarzanie S.A. being the shares of Windfarm Polska Sp. z o.o.

- ***Consolidation of a block of shares of Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki***

On 6 June 2012 ENEA S.A. purchased 308 shares constituting a second tranche (out of four) of the buy-out of employee shares. The above constitutes the realisation of the provisions of § 5 "Package of rights and social guarantees for employees of Przedsiębiorstwo Energetyki Ciepłej Spółka z ograniczoną odpowiedzialnością in Oborniki" of 11 December 2008 in which ENEA S.A. undertook to buy back the employee shares. As a result of the above, the shareholding structure was as follows: ENEA S.A. - 9,742 shares – 93.99%, Gmina Oborniki - 11 shares - 0.11% and Company Employees - 612 shares – 5.90%. Based on the Share Subscription Agreement for the shares of ENEA Wytwarzanie S.A. concluded on 28 December 2012, ENEA S.A. made a contribution in kind to ENEA Wytwarzanie S.A. being the shares of Przedsiębiorstwo Energetyki Ciepłej Spółka z ograniczoną odpowiedzialnością in Oborniki.

- ***Intergroup restructuring of the ownership structure of Elektrownie Wodne Sp. z o.o.***

Based on the sale and purchase agreement dated 3 July 2012 Elektrownie Wodne Sp. z o.o. purchased 17 treasury shares from ENEA Centrum S.A. for redemption. On 22 August 2012 the Extraordinary General Meeting of Shareholders of Elektrownie Wodne Sp. z o.o. with its registered office in Samociążek adopted a resolution concerning the redemption from net profit of 17 shares of the Company purchased for redemption from ENEA Centrum S.A. based on the sale and purchase agreement of 3 July 2012. As a result the share capital of Elektrownie Wodne Sp. z o.o. amounted to PLN 239,898,500.00 and was divided into 479,780 shares of PLN 500.00 each, wholly owned by ENEA S.A. Based on the Share Subscription Agreement for the shares of ENEA Wytwarzanie S.A. concluded on 28 December 2012, ENEA S.A. made a contribution in kind to ENEA Wytwarzanie S.A. being the shares of Elektrownie Wodne Sp. z o.o.

- ***Raising of the share capital of Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o. in consideration for a contribution in kind in the form of a real property***

On 21 August 2012 an Extraordinary General Meeting of Shareholders of Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Spółka z ograniczoną odpowiedzialnością seated in Gronówko was held, during which a resolution was adopted regarding raising of the share capital from the amount of PLN 8,785,000, by PLN 2,265,000, to PLN 11,050,000 in consideration for a contribution in kind in the form of rights of perpetual usufruct of the property located in Gorzów Wielkopolski, by ul. Energetyków and of ownership rights to the buildings and constructions located on the plots of land and constituting a separate than the land object of ownerships comprising the property. The amendment was registered in the National Court Register on 20 September 2012.

- **Purchase by ENEA S.A. of shares of ELKO Trading Sp. z o.o.**

On 17 September 2012 ENEA S.A. purchased 100% of shares of ELKO Trading Sp. z o.o. which trades in electricity, proprietary interests connected with electricity and emission allowances for the account of the ENEA Capital Group. At the same time, the company performs analytical functions and manages the portfolio of contracts on the wholesale market of electricity. In accordance with the Strategy of the ENEA Capital Group ELKO Trading Sp. z o.o. acts a Centre of responsibility for wholesale within the ENEA Capital Group and is the only entity contacting the market and making decisions as to the volume, price and moment of purchases of particular products for other areas of the ENEA Capital Group. On 27 September 2012 an Extraordinary General Meeting of Shareholders of ELKO Trading Sp. z o.o. was held in Poznań which e.g. adopted a resolution regarding the amendment of the Company's Articles of Association including the change of the Company's name from the present to the new name, i.e.: ENEA Trading Sp. z o.o. The change of the Company's name is in line with the adopted brand management strategy for "ENEA". On 18 October 2012 the change of the company name from ELKO Trading Sp. z o.o. to ENEA Trading Sp. z o.o. was registered in the National Court Register.

- **Generation Area Integration**

On 28 December 2012 ENEA and ENEA Wytwarzanie S.A., within the realisation of the process of the Integration of the Generation Area in the ENEA Capital Group, concluded the agreement on the subscription for shares of ENEA Wytwarzanie S.A. Compliant with its provisions ENEA S.A. subscribed for all, i.e. 158,356,706 ordinary registered shares of C series, of the nominal value of PLN 10 each, i.e. of the total nominal value of PLN 1,583,567,060, in the raised share capital of ENEA Wytwarzanie S.A. The Shares subscribed for correspond to 77.4% share in the raised share capital of ENEA Wytwarzanie S.A. In consideration for the taken up Shares ENEA S.A. made a contribution in kind of the total value of PLN 1,583,567,060, in the form of:

- 1,844,199 shares of **Elektrociepłownia Białystok S.A. in Białystok** of the nominal value of PLN 10 each, of the total value of PLN 538,506,100,
- 479,780 shares of **Elektrownie Wodne Sp. z o.o. in Samociążek** of the nominal value of PLN 500 each, of the total value of PLN 513,062,330,
- 9,742 shares in **Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki** of the nominal value of PLN 500 each, of the total value of PLN 11,171,340,
- 18,657 shares in **Miejska Energetyka Ciepła Piła Sp. z o.o. in Piła** of the nominal value of PLN 1,000 each, of the total fair value of PLN 41,743,350,
- 18,350 shares in **Dobitt Energia Sp. z o.o. in Gorzesław** of the nominal value of PLN 500 each, of the total fair value of PLN 14,999,100,
- 50 shares in **Windfarm Polska Sp. z o.o. in Koszalin** of the nominal value of PLN 1,000 each, of the total fair value of PLN 102,398,080,
- a claim towards **Windfarm Polska Sp. z o.o. in Koszalin** by title of the loan agreement in the amount of EUR 8,877,094.31 of the fair value of PLN 37,827,960,
- a claim towards **Windfarm Polska Sp. z o.o. in Koszalin** by title of the supply and construction in the total amount of EUR 76,000,000 of the value of PLN 323,858,800.

The share of ENEA S.A. in the share capital of ENEA Wytwarzanie S.A. remains unchanged and amounts to 100%. On 22 January 2013 the raised share capital of ENEA Wytwarzanie S.A. was registered in the National Court Register and presently amounts to PLN 2,046,049,500. ENEA S.A. presently holds 204,604,950 votes at a General Meeting of ENEA Wytwarzanie S.A., which constitutes 100% of the total number of votes in ENEA Wytwarzanie S.A.

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

In 2012 the changes as described below took place in the organisation or management rules of the ENEA Capital Group. Additionally, it is worth reminding that on 25 May 2012 the name of the Company was changed in the National Court Register from Elektrownia "Kozienice" S.A. to ENEA Wytwarzanie S.A.

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

The above described process of the Integration of the Generation Area being in progress in the ENEA Group aims at the implementation of a new model of the ENEA Group's operations, ensuring e.g. an efficient decision making process within the cohesive generation strategy, an optimal allocation of resources, competences and means, and an improvement in the efficiency through the integration of the generation area of electricity.

An entity integrating the area of generation of electricity and heat in the ENEA Group will be ENEA Wytwarzanie S.A. which will also become a unit focusing the management and operating competences within this scope in the ENEA Group. The implementation of the new model of operations of the ENEA Group is connected with the necessity to make changes within its organisational structure. Presently, seven subsidiaries are dealing with the generation of electricity and heat in the ENEA Group: ENEA Wytwarzanie S.A. and six companies listed above in item 2.2.2 which, based on the Agreement, were taken over by ENEA Wytwarzanie S.A. As a result of the conclusion of the Agreement in the ENEA Capital Group a holding structure was developed which is managed by ENEA Wytwarzanie S.A. in Świerże Górne. ENEA Wytwarzanie S.A. took over six companies from ENEA S.A. which operate within the generation of electricity and heat in the ENEA Capital Group. This is the first stage of the process of the Integration of the Generation Area. Another stage is the integration of companies generating electricity and heat. ENEA Wytwarzanie S.A. will merge with Elektrociepłownia Białystok S.A., Elektrownie Wodne Sp. z o.o. and Dobitt Energia Sp. z o.o. The companies will be included in the capital structure of ENEA Wytwarzanie S.A. as its branches. In turn, Miejska Energetyka Ciepła Piła Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o., and Windfarm Polska Sp. z o.o. will remain in a complete operating subjectivity as subsidiaries of ENEA Wytwarzanie S.A.

Changes after 31 December 2012

On 27 February 2013 the Extraordinary General Meeting of Shareholders of the Issuer's subsidiary, ENTUR Sp. z o.o. with its registered office in Szczecin adopted the Resolution No. 2 concerning the dissolution of the Company after the liquidation proceedings. The Issuer informs that based on the Resolution No. 3 of the Extraordinary General Meeting of Shareholders of ENTUR Sp. z o.o. of 27 February 2013 Ms. Luiza Jelewska was appointed the liquidator. The resolutions mentioned above entered into force on 1 March 2013. The liquidation of ENTUR Sp. z o.o. is the result of the restructuring realised by the Issuer of the ENEA Capital Group directed e.g. at the development of the core business which does not match with the leisure and holiday, tourism, recreation, training and gastronomic activity and health care services performed by ENTUR.

Within the area of improving the efficiency of functioning of the Group strategic goals will be realised which are directed at the growth of revenues, cost reduction and operating integrity, which are to be gained e.g. through the implementation of a new business model of the ENEA Capital Group which finally assumes the functioning of the following business models: corporate centre, centre of generation based on fossil fuels and renewable sources, wholesale, sales, distribution centre and the shared services centre.

2.3. Information on branches

In 2012 ENEA S.A. did not operate any branches, however in accordance with the information given in the item above it plans to establish them in the subsidiaries in the future.

Outside of Poznan, however, there are Sales Offices operating in Bydgoszcz, Gorzów Wielkopolski, Zielona Góra and Szczecin.

3. Description of the ENEA Capital Group's operations

3.1. Key events in 2012

In the financial year of 2012 numerous considerable events occurred which were important both from the point of view of the ENEA Capital Group and its parent company, i.e. ENEA S.A. It is enough to remind that last year we selected the contractor for our representative investment in Kozienice and along with it we broke the ground under a new power unit. At the same time, ENEA S.A. launched a strategic investment financing programme, and within its scope it concluded a programme agreement with a consortium of banks determining the terms of the Bond Issue Programme of the value of up to PLN 4 bln. Additionally, we ensured a financial support of the European Investment Bank in the form of a 15-year loan agreement totalling to PLN 950 mln.

A detailed summary of chronological events which are key for us is presented in the table below. For the convenience of this Board's Statement the events relating to the Capital Group were presented in **bold**, and the events relating to directly to ENEA S.A. in *italics*.

Month	Events
January	<ul style="list-style-type: none"> • Conclusion by ENEA Wytwarzanie S.A. and LW Bogdanka S.A. of a multiannual agreement for the supply of the fuel coal for the needs of a newly built unit No. 11 in Kozienice. The agreement was concluded till the end of 2036. Annex No. 1 was also concluded to the present agreement which is still bidding for the parties till 31 December 2025. The total value of the aforementioned multiannual agreements during 2011-2036 at current prices amounts to around PLN 22.7 bln
February	<ul style="list-style-type: none"> • <i>Acceptance to the National Depository for Securities and admitting of 30,981,380 B series "employee shares" of ENEA S.A. for exchange trading</i> • <i>Listing on the stock exchange and determination of the first quotation date of the above mentioned B series shares</i> • <i>Nomination of Mr. Janusz Bil to the position of the Member of the Management Board for Commercial Affairs of ENEA S.A.</i> • <i>Winning the tender for the purchase of electricity by Bełchatów city</i>
March	<ul style="list-style-type: none"> • <i>Holding of the Extraordinary General Meeting of Shareholders of the Company</i> • <i>Nomination by the Extraordinary General Meeting of Shareholders of Mr. Sławomir Brzeziński into the composition of the Supervisory Board of ENEA S.A. for the 7th term</i> • <i>Listing of employee shares on the Warsaw Stock Exchange</i>
April	<ul style="list-style-type: none"> • <i>Maintenance of a long-term rating awarded to the Company in April 2011 by Fitch Ratings Agency on the previous level of BBB (on the international scale) and A (on the domestic scale)</i> • <i>Recommendation of the Board regarding the distribution of the dividend for 2011</i> • Opening of offers submitted in the procedure for awarding a sectoral contract in the mode of negotiations with the announcement for the construction of a power unit No. 11 in ENEA Wytwarzanie S.A. • <i>Conclusion of a final agreement for the purchase of the Bardy wind farm</i>
May	<ul style="list-style-type: none"> • Selection of a winner in the tender for the construction of the power unit No. 11 in the power plant in Kozienice - the winner was Polimex-Mostostal and Hitachi Power Europe consortium • Change of name of the subsidiary from Elektrownia "Kozienice" S.A. to ENEA Wytwarzanie S.A. - competence centre in the ENEA Capital Group within generation of energy and heat

June	<ul style="list-style-type: none"> • Conclusion by ENEA S.A. and PKO Bank Polski S.A., Pekao S.A., Bank Zachodni WBK S.A., Bank Handlowy w Warszawie S.A. and Nordea Bank Polska S.A. of a Programme Agreement specifying the terms of the Bond Issue Programme totalling to up to PLN 4 bln • Holding of the Ordinary General Meeting of Shareholders of the Company • Changes in the composition of the Company's Supervisory Board - nomination of Members of the Supervisory Board of the 7th term • Determination of the height of the dividend in the amount of PLN 0.48 per share
July	<ul style="list-style-type: none"> • Conclusion by ENEA S.A. and PGNiG S.A., KGHM Polska Miedź S.A., PGE S.A. and Tauron Polska Energia S.A. of an agreement regarding a joint exploration and extraction of shale carbohydrates
August	<ul style="list-style-type: none"> • Acceptance to the National Depository for Securities and admitting of 556,603 B series shares • Listing of 556,603 employee series shares of ENEA S.A.
September	<ul style="list-style-type: none"> • Execution of a letter of intent to undertake actions aiming at the determination of the rules of cooperation and participation of ENEA S.A. in the construction of an atomic power station • Conclusion of a programme agreement and an agreement on guaranteeing the subscription for the bonds issued by ENEA Wytwarzanie S.A. • Conclusion by ENEA Wytwarzanie S.A. and Hitachi Power Europe GmbH and Polimex – Mostostal S.A. consortium of an agreement for the construction of a power unit in Kozenice • Conclusion of a contract for the supply and implementation of a new billing system • Conclusion by ENEA S.A. and ENEA Wytwarzanie S.A. of an agreement based on which the Company became the holder of 100% of shares of ELKO Trading Sp. z o.o. (presently ENEA Trading Sp. z o.o.)
October	<ul style="list-style-type: none"> • Recalling by the Supervisory Board of Mr. Maciej Owczarek from the function of the President of the Board of ENEA S.A. and appointing Mr. Janusz Bil - Member of the Management Board for Commercial Affairs to that position • Conclusion of a 15-year Loan Agreement valued PLN 950 mln with the European Investment Bank • Nomination of Mr. Michał Piotr Jarczyński into the composition of the Company's Supervisory Board for the 7th term • Holding of the Extraordinary General Meeting of Shareholders of the Company • Change of name of ELKO Trading Sp. z o.o. to ENEA Trading Sp. z o.o. • Handing over of the site for the construction of a new unit to the general contractor
November	<ul style="list-style-type: none"> • Signing of an annex to the frame agreement on the joint exploration and extraction of carbohydrates from shale in the subject of extending the term of the agreement • Nomination of the President of the Board of ENEA S.A. - Mr. Krzysztof Zamasz
December	<ul style="list-style-type: none"> • Approval by the President of ERO of the tariff for electricity distribution services for ENEA Operator Sp. z o.o. for 2013 • Holding of the Extraordinary General Meeting of Shareholders of the Company • Prolongation by the President of ERO of the tariff validity for electricity of ENEA S.A. for recipients in the G set of tariff groups • Conclusion by ENEA S.A. and ENEA Wytwarzanie S.A. of the subscription agreement for shares of ENEA Wytwarzanie S.A. in consideration for a contribution in kind within the realisation of the process of the Integration of the Generation Area in the ENEA Capital Group

3.2. Segments of activity

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

promote the competition in the energy sector. Below we present a short description of the segments of activity, and the financial results for each segment are presented in item 1.2.2.

Conventional generation

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

Renewable energy sources

Within the holding structure managed by ENEA Wytwarzanie the electricity from renewable sources is generated by ENEA Wytwarzanie by co-firing of biomass with conventional fuel (bituminous coal), by Elektrociepłownia Białystok S.A. by the production of electricity in cogeneration with the use of biomass, by Elektrownie Wodne Sp. z o.o. (21 hydro-electric power plants, Darżyno Wind Farm), Dobitt Energia Sp. z o.o. (Liszkowo Biogas Plant) oraz Windfarm Polska Sp. z o.o. (Bardy Wind Farm).

Distribution

Within our Group, the distribution of electricity is the responsibility of ENEA Operator Sp. z o.o. (further on: ENEA Operator), which acts as the operator of the power distribution system.

ENEA Operator Sp. z o.o. acts as a monopolist playing a role of a public utility company, in the conditions regulated by the law.

The basic legal act specifying the duties and obligations of the Company is the Act of 10 April 1997 Energy Law which also contains provisions constituting the implementation to the Polish law of the regulations of the EU law, in particular provisions of the Directive of the European Parliament and the Council No. 2009/72 of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC.

Trade

Within the ENEA Capital Group the wholesale trade in electricity and sales of electricity to end users belongs in major part to ENEA S.A. for which it constitutes the core business.

Pursuant to the approval given by the Ordinary General Meeting of Shareholders of ENEA S.A. held on 29 June 2011 a reorganisation was performed within the Group, as a result of which competencies within wholesale were transferred to the special purpose vehicle - ENEA Trading Sp. z o.o. The company is responsible towards ENEA among others for conducting a portfolio of electricity and sale of proprietary interests for account of the customers of ENEA S.A., purchase of energy on a wholesale market, settlements and it functions as a commercial coordinator (OH).

Other activity

Group Companies render supplementary services towards the core business mentioned above. The other activity is mostly the construction, extension, modernisation and renovation of the power network and equipment, designing, constructing, production and sales of electrical and energetic devices and apparatus. Besides, the companies render services connected with the maintenance of street lighting and LV networks, transport services, social activity and customer service.

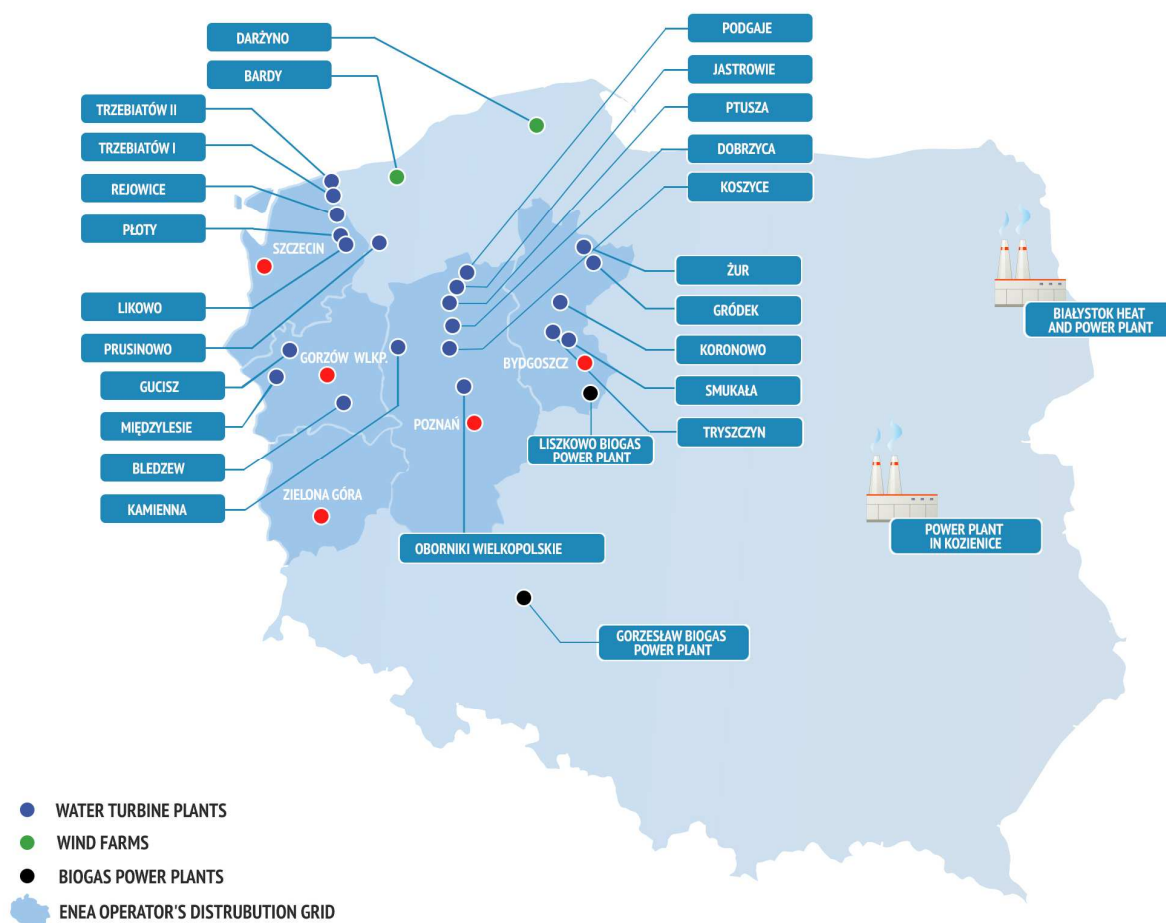
Total generating capacity

Item	Installed capacity [MW]	Generating capacity [MW]
ENEA Wytwarzanie*	2 845	2 905
Białystok Heat and Power Plant	203.500	156.600
Darżyno Wind Farm	50.000	50.000

Liszkowo Biogas Plant	3.726	2.126
MEC Piła	0.372	0.372
Elektrownie Wodne**	66.299	63.600
TOTAL	3 168.897	3 177.698

* In ENEA Wytwarzanie a small amount of heat is also generated - the heating capacity of the power plant amounts to 266 MWt.

** Including Darżyno Wind Farm - 6.00 MW.



3.2.1. Conventional generation

ENEA Wytwarzanie

The conventional generation is focused in the power plant belonging to ENEA Wytwarzanie. It should be noted that the work of the power plant characterizes with low levels of carbon dioxide (in 2010 the emission level was 880 kg/MWh, in 2011 866 kg/MWh and in 2012 839 kg/MWh) and one of the lowest levels of coal consumption per MWh of generated electricity, reported at 0.397 Mg/MWh in 2012. The Power Plant in 2012 reached a general gross generating efficiency of 39.3%.

The volume of electricity generated by ENEA Wytwarzanie in 2011 - 2011 in gross and net MWh (generated and sold) with the division into particular quarters is presented in the table below:

Gross electricity generated by ENEA Wytwarzanie [MWh]		
Period	2011	2012
Q1	2 844 851	2 763 646
Q2	2 976 352	2 810 293
Q3	3 005 476	3 084 796
Q4	3 062 113	3 166 175
TOTAL	11 888 792	11 824 910
Net electricity generated and sold by ENEA Wytwarzanie [MWh]		
Period	2011	2012
Q1	2 629 927	2 543 164
Q2	2 758 167	2 594 852
Q3	2 781 080	2 842 577
Q4	2 831 250	2 921 332
TOTAL	11 000 424	10 901 925

ENEA Wytwarzanie in 2012 generated and sold 10,901,925 MWh of net electricity. This constitutes a level comparable to the volume of generation in the same period of the previous year when ENEA Wytwarzanie generated and sold 11,000,424 MWh gross electricity (a drop in the production yoy by 0.90%).

Elektrociepłownia Białystok S.A.

The basic units for heat generation in Elektrociepłownia Białystok S.A. (further on the Białystok Heat and Power Plant) are three heating units and peak sources of heat of the total generating capacity of 446.5 MWt. Three heat units and a condensation module are responsible for the production of electricity whose total generating capacity totals to 156.6 MWe. Generating capacity of the power plant in 75% cover the annual demand for heat of the Białystok agglomeration. The remaining 25% of energy is produced in Ciepłownia Zachód owned by Miejskie Przedsiębiorstwo Energetyki Ciepłej w Białymstoku (MPEC) (Municipal Heat Supply Company in Białystok).

Heat generation and sales

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

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

Gross generation of heat [GJ]		
Period	2011	2012
Water	3 217 951.593	3 288 044.867
Steam	378 276.184	346 370.515

Net generation of heat [GJ]		
Period	2011	2012
Water	3 162 857.35	3 242 463.12
Steam	335 537.13	306 484.18

Production and sale of electricity

The process of energy production in Białystok Heat and Power Plant is performed in a combined system (cogeneration). Combined production of electric and heat energy is a technological process which simultaneously uses the chemical energy of a fuel for generation of electric electricity and heat. The application of such a technology brings energetic, economic and ecological benefits. It constitutes the most efficient method of generation of heat and electric energy. Additionally there is a possibility of generating electricity using pass-out and condensing turbine set.

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

Białystok Heat and Power Plant in 2012 converted one of its coal boilers to biomass. Starting from March 2012 the boiler was switched off, which caused during subsequent periods the limitation of electricity generation to the level resulting exclusively from the production combined with heat. After a successful completion of the investment process in December 2012 the boiler is again available for operation.

Gross generation of electricity [MWh]		
Period	2011	2012
Q1	187 413.378	171 769.352
Q2	101 868.669	53 858.545
Q3	103 803.962	46 241.586
Q4	165 252.758	119 663.412
TOTAL	558 338.767	391 532.895

Net electricity generated and sold [MWh]		
Period	2011	2012
Q1	162 924.271	147 705.822
Q2	87 396.465	43 113.080
Q3	89 281.989	35 969.121
Q4	143 103.777	99 432.336
TOTAL	482 706.502	326 220.359

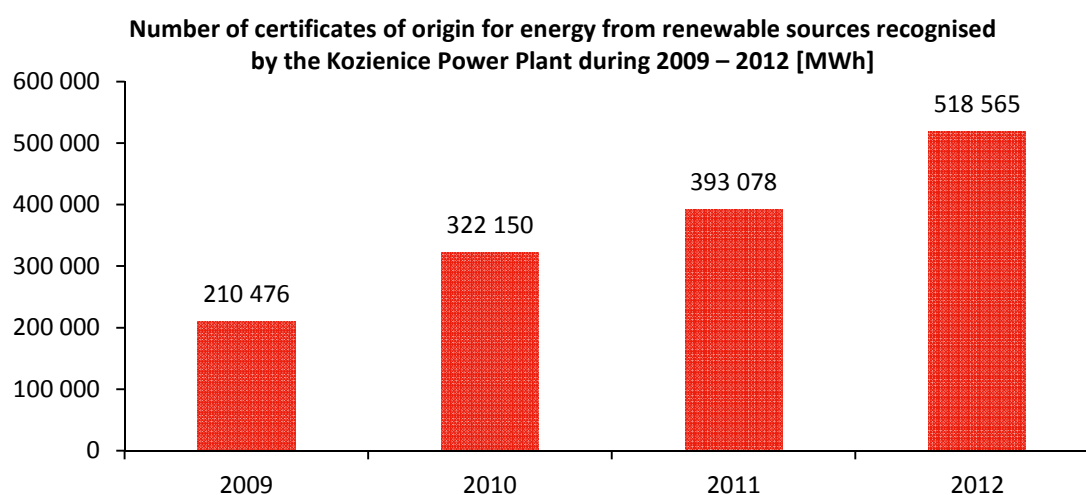
Apart from trading in electricity on the wholesale market the Białystok Heat and Power Plant sells electricity to end users (direct sales). Deliveries of electricity is performed on direct cable lines belonging to recipients. Recipients in this segment of sales are companies and industrial plants located in the direct vicinity of the Białystok Heat and Power Plant. Direct sales are performed on the level of 0.4 and 15 kV voltage. In case of 0.4 kV recipients electricity is collected from the auxiliary distribution board of the heat and power plant and for 15 kV recipients the energy is collected from the 15 kV distribution board which is specially dedicated for this types of sales and powered from two 10/15/6 three-winding transformers.

3.2.2. Renewable energy sources

In relation to higher obligations within sales of electricity generated in renewable energy sources and in cogeneration, we undertake activities aiming at a growth in the production of "green" electricity through the extension of own generating capacities. To this end we are planning to gradually gain projects of wind farms and biogas power plants at various levels of advancement - through taking over operating installations and investing in developments in cooperation with external entities. The subject of investments will also be cogeneration installations and heat sources in which it will be possible and economically justified to install cogeneration aggregates.

ENEA Wytwarzanie

In January 2008 ENEA Wytwarzanie also began generating power from renewable sources by co-firing biomass with conventional fuels (hard coal) thanks to the installation for co-firing of solid biomass with coal for 200 MW units. In 2012 ENEA Wytwarzanie generated certificates of origin for energy from renewable sources in the amount of 518,565 MWh. For comparison, in 2011 ENEA Wytwarzanie generated certificates of origin of energy from renewable sources in the amount of 393,078 MWh.



A further co-firing of biomass with coal will depend on the profitability of production of "green" energy, dependant in a considerable part from prices of proprietary interests from the certificates of origin for energy from renewable energy sources (PMOZE) and new legal regulations (new Act on RES) within co-firing.

In 2012 ENEA Wytwarzanie purchased 294,962.42 thou. tonnes of biomass for the purpose of production of renewable energy.

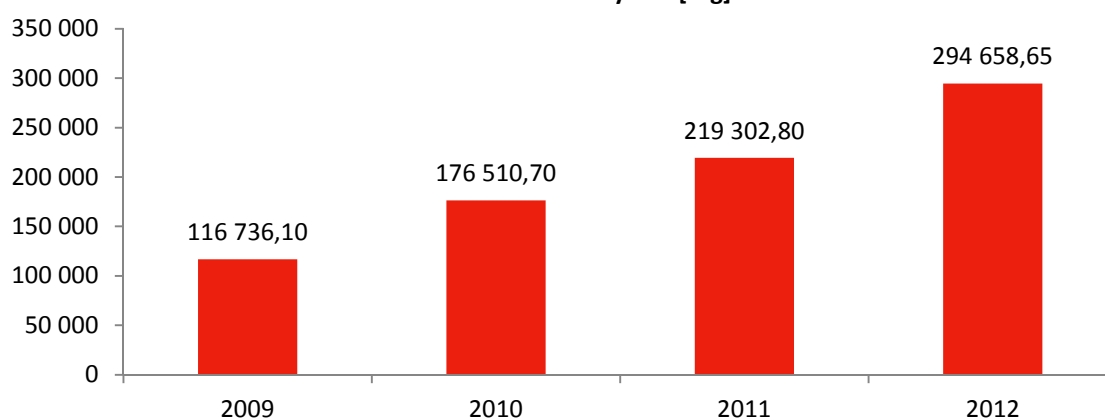
In particular quarters of 2011-2012 the purchases of biomass are as follows:

Purchase of biomass by ENEA Wytwarzanie [Mg]		
Period	2011	2012
Q1	47 989.76	67 066.46
Q2	56 557.50	73 066.54
Q3	44 871.88	73 018.94
Q4	71 841.78	81 810.48
TOTAL	221 260.92	294 962.42

In 2012 294,658.65 Mg of biomass was used for combustion. Such a volume of fired biomass results in "avoidance of emissions" of carbon dioxide in the amount of 460,534.60 Mg.

Volume of biomass combusted by ENEA Wytwarzanie [Mg]		
Period	2011	2012
Q1	47 503.200	66 005.350
Q2	57 002.10	74 963.16
Q3	44 094.000	72 945.60
Q4	70 703.50	80 744.54
TOTAL	219 302.80	294 658.65

Volume of biomass combusted by the Kozenice Power Plant over the last four years [Mg]



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

Energy from RES Green certificates [MWh]		
Period	2011	2012
Q1	85 763	118 048
Q2	103 138	134 146
Q3	78 017	127 923
Q4	126 160	138 450
TOTAL	393 078	518 565

Energy from cogeneration Red certificates [MWh]		
Period	2011	2012
Q1	25 023	26 349
Q2	10 288	11 374
Q3	5 212	6 301
Q4	15 078	17 053
TOTAL	55 601	61 077

Elektrownie Wodne

Elektrownie Wodne Sp z. o.o. is also engaged in the generation of electricity from renewable resources (further on: Elektrownie Wodne). Within the operations of the Company there are 21 hydroelectric power plants functioning and Darżyno Wind Farm. Till October 2012 Liszkowo Biogas Plant operated as well (presently in the structure of Dobitt Energia Sp. z o.o.).

The volume of electricity generated by 21 hydroelectric plants for which the Company received green certificates and the volume of energy introduced into the network in particular quarters of 2011-2012 was as follows:

Gross electricity generated from RES for which Elektrownie Wodne receives green certificates of origin for energy [MWh]		
Period	2011	2012
Q1	54 598.828	46 354.072
Q2	36 669.033	35 322.749
Q3	33 866.147	32 709.918
Q4	35 342.222	36 823.074
TOTAL	160 476.230	151 209.813
Net electricity generated and sold [MWh]		
Period	2011	2012
Q1	53 720.821	45 561.791
Q2	36 322.964	34 776.596
Q3	33 391.702	32 212.154
Q4	34 779.462	36 190.208
TOTAL	158 214.949	148 740.749

The operations of Elektrownie Wodne include the activity connected with the development of projects from within the wind energy sector conducted based on the development of own investments and market acquisitions.

The portfolio of own projects include wind farms with the total capacity of 42.5 MW from which a building permit was achieved for the 15 MW Baczyzna project. The farm is at the stage of preparation of the civil engineering design and the Specification of Essential Terms of a Contract.

Works over the project of the Baczyzna Wind Farm of the capacity of 15 MW consisting of 6 wind turbines, located on the area of the municipality of Lubiszyn in Gorzów district, commenced in 2008 when the first property lease agreements were signed. The connection conditions the Company obtained in 2011, after a prior bringing to the adoption of amendments in the study and then in the zone development plan.

A direct engagement of the Company in the processes of social arrangements and consultations resulted in very good relations with the municipality authorities and its citizens, which lead to a lack of protests, especially during an important question of assessing the impact on the investment environment.

Wind measurements performed since 2009 indicate that the wind conditions for the localisation of wind power plants are advantageous, and the annual production of electricity will amount to 38,000 MWh.

On 4 February 2013 Elektrownie Wodne received a decision on the building permit. Presently, preliminary works are in progress preparing to the initiation of the tender procedure for the selection of contractors. The activating of the installation is planned for Q1 2014.

The other 27.5 MW in the group of own products is Choszczno Wind Farm for which, starting from 2009, land was secured, changes were made to the local zoning plan, wind measurements were achieved and an application for the conditions for connection to the network was filed again (the initial application for 50 MW was rejected because of lack of technical and economic possibilities of connection). The planned readiness for the construction should be achieved in 2014 but in the case of a necessity to perform the network modernisation the realisation period may be shifted to 2015-16.

The both presented above projects are own investments, realised from scratch.

From among the other projects conducted based on the market acquisition and being the subject of the Company's interests is Złotów Wind Farm with the capacity of 12 MW being during advanced negotiations, and the activating of which is planned for 2013. The farm is under the arrangements relating to the contents of the agreement and negotiations of the preliminary purchase price arising from the situation on the market of proprietary interests.

Within the acquisition activities an agreement was concluded concerning the acquisition of rights to the project of a wind power plant of the capacity of 1,8 MW and the process of its take-over will be completed in Q1 2013.

The project of Srocko Wielkie Wind Power Plant of the capacity of 1,8 MW located on the area of Czempin municipality in the Kościan District was gained in 2012. It possesses all the necessary permits and decisions, together with the Building Permit. The process of the take-over of complete rights to the project should be completed in Q1 2013. Concurrently, the Company analyses the possibilities of re-designing the documentation for the application of a technologically newer turbine, which would allow for increasing the anticipated production of energy from the level of 4,450 MWh/year to 4,900 MWh/year.

The supplementation of own investments is a pilot project of a photovoltaic wind farm of the capacity of 1 MW. A pilot project of the set of photovoltaic cell of the total capacity of 1 MW located on the territory of Jastrowie. Lands were secured, connection conditions were obtained and the tender procedure was initiated for the preparation of the civil engineering design. The commissioning is planned for H2 2013.

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

Gross electricity generated by Darżyno Wind Farm for which Elektrownie Wodne receives green certificates of origin for energy [MWh]		
Period	2011	2012
Q1	0.000	5 032.521
Q2	3 614.483	3 603.306
Q3	3 593.365	3 195.709
Q4	5 711.148	4 578.800
TOTAL	12 918.996	16 410.336
Net electricity generated and sold [MWh]		
Period	2011	2012
Q1	0.000	4 998.293
Q2	3 614.483	3 579.893
Q3	3 577.583	3 176.175
Q4	5 674.021	4 550.790
TOTAL	12 866.087	16 305.151

Białystok Heat and Power Plant

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

In order to maximise energy production from RES in the Białystok Heat and Power Plant the TZ4 condensing turbine set is used which is powered with the extraction steam of the TZ1 heating turbine set with the pressure of 1.0 MPa.

Electricity generated in RES generating unit [MWh]		
Period	2011	2012
Q1	48 006.903	49 119.546
Q2	44 532.263	40 163.865
Q3	52 236.214	37 631.990
Q4	49 494.485	33 085.270
TOTAL	194 269.865	160 000.671
Electricity generated in CHP cogeneration unit [MWh]		
Period	2011	2012
Q1	187 413.378	171 769.352
Q2	101 868.669	53 858.545
Q3	103 803.962	46 241.586
Q4	71 354.917	119 663.412
TOTAL	464 440.926	391 532.895

Dobitt Energia

Biogas Plant in Gorzesław

On 11 May 2011 ENEA S.A. purchased Dobitt Energia Sp. z o.o. (further on: Dobitt Energia) located in the Dolnośląskie Province. The company holds the construction design for a biogas power plant (agricultural) with the electric power of 1.6 MW, and a final building permit. The construction of the biogas plant was commenced in June 2011. In 2012 the operations of Dobitt Energia concentrated on the construction of the installation for the electricity production from biogas. On 2 December 2012 construction works were completed by the biogas installation in Gorzesław, and on 28 December 2012 a motion was filed for an occupancy permit to the Powiat Construction Supervision Inspectorate in Oleśnica. On 14 January 2013 the Powiat Construction Supervision Inspector in Oleśnica granted the Occupancy Permit.

Presently works are in progress regarding the connection of the biogas plant to the power grid, which is necessary for the performance of a technological start-up and launching production.

Biogas Plant in Liszkowo

On 18 September 2012 Dobitt Energia concluded an agreement with Elektrownie Wodne and leased the biogas installation with the capacity of 2.1 MWe in Liszkowo. On 28 December 2012 ENEA Wytwarzanie purchased from the hitherto Partner of ENEA S.A. in Poznań 18,350 shares (100%) in the share capital of Dobitt Energia with its registered office in Gorzesław. Since October 2012 Dobitt Energia has leased the biogas installation in Liszkowo.

As a result of the inspection on 27 April 2012 the Agency's President issued the decision on a prohibition to perform business operations within generation of agricultural biogas and energy from agricultural biogas for Elektrownie Wodne Sp. z o.o. in Liszkowo Biogas Plant.

The Board of Elektrownie Wodne, aiming at the maintenance of undisturbed operation of the Biogas Plant installation in Liszkowo and realising the assumptions of the project "Integration of the Generation Area in the ENEA CG", undertook activities directed at the conclusion of the lease agreement of the installation between Elektrownie Wodne and Dobitt Energia, which took place of 18 September 2012. From the entry into force of the lease agreement the installation has been operating continuously and the energy production is being gradually increased.

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

Gross electricity generated by the Liszkowo Biogas Plant for which Elektrownie Wodne receives green certificates of origin for energy [MWh]		
Period	2011	2012
Q1	2 686.912	182.944
Q2	1 776.040	503.840
Q3	1 539.160	1 139.896
Q4	173.768	0.000
TOTAL	6 175.880	1 826.680
Net electricity generated and sold [MWh]		
Period	2011	2012
Q1	2 492.577	148.059
Q2	1 614.543	423.870
Q3	1 402.716	938.667
Q4	153.897	0.000
TOTAL	5 663.733	1 510.596

Because of the fact that since October 2012 the installation in Liszkowo has been leased by Dobitt Energia, the whole production of the biogas plant for Q4 2012 was allocated to this Company. In Q4 2012 the gross electricity generated by Liszkowo Biogas Plant for which Dobitt Energia received green certificates of origin for energy amounted to 2,636.088 MWh, yet the volume of net electricity generated and sold totalled to 2,059.032 MWh.

PEC Oborniki

The basic heat energy generating units in Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. with its registered office in Oborniki are 3 fine coal and 4 gas boiler houses with the total installed power of 35.78 MWt.

Heat production [GJ]		
Period	2011	2012
Water	131 331.76	129 618.09

Windfarm Polska

The basic electricity generation unit in Windfarm Polska Sp. z o.o. (further on: Windfarm Polska) are 25 wind turbines of the total capacity of 50 MW. The company commenced generation of electricity on 26 January 2012 (during the first month within the technological start-up), from the date of gaining the licence, i.e. 29 February 2012 it commenced generation from the licensed source. The company intends to extend the generating capacity of the farm with further 9 MW (3 turbines x 3 MW). Preliminary works have been launched (within the administration). The anticipated date of activating is 2015.

In 2012 the main and the only recipient of the electricity generated by Windfarm Polska was ENEA S.A. - electricity purchases are made based on the agreement between the above parties which is in force till 2022.

Gross generation of electricity [MWh]		
Period	2011	2012
Q1	-	23 937.441 (Commencement of production on 27 January 2012)
Q2	-	29 387.640
Q3	-	27 548.537
Q4	-	41 040.726
TOTAL	-	121 914.344
Net electricity generated and sold [MWh]		
Period	2011	2012
Q1	-	23 933.184 (Commencement of production on 27 January 2012)
Q2	-	27 350.037
Q3	-	25 050.564
Q4	-	37 978.578
TOTAL	-	114 312.363

MEC Piła

Within the works connected with obtaining energy from renewable sources and cogeneration in MEC Piła Sp z o.o. the following project was prepared - "Construction of the Biomass Cogeneration Unit in ORC technology on the Regional Boiler House KR-Koszyce in Piła" which obtained co-financing from the European Union from the funds of the Cohesion Fund within 9.1 action - Highly efficient energy production, priority IX - Environment-friendly energy infrastructure and energy efficiency, of the Infrastructure and Environment 2007-2013 Operational Programme up to the amount of PLN 12,548,000.00. The detailed analysis of the project and of updated external and internal conditions indicated the justifiability of its modification through replacing the ORC installation based on biomass with a cogeneration sources fired with natural gas. The Company applied to the institution implementing and financing financial aids for an approval for project modification. A cogeneration installation fuelled with natural gas with electric power amounting to around 10 MWe and heat power of around 10 MWt shall produce electricity and heat in cogeneration satisfying the requirements of the highly efficient cogeneration.

3.2.3. Distribution

The Energy Law in Article 3 item 25 indicates that ENEA Operator, as the Operator of the Distribution System is responsible for the grid traffic in the power distribution system, current and long-term safety of this system functioning, operation, maintenance, renovations and necessary extensions of the distribution network, including connections to other power systems.

The liability was in detail specified in the content of the law through the determination of particular duties and obligations of distribution companies. It in particular relates to Article 4 and Article 9 c item 3 of the Energy Law.

Article 4 of the Energy Law imposes an obligation on Operators of the Distribution System to maintain the efficiency of the equipment, installations and networks for the realisation of supplies of energy in a continuous and uninterrupted way, maintaining the valid quality requirements, and the obligation to ensure all the recipients, subject to the rules of equal treatment, the provision of energy distribution services, based on the terms and requirements specified in the law. At the same time, Article 9 c item 3 of the Energy Law lays down numerous detailed tasks that the operator is obliged to realise.

It must be emphasised that the application of relatively objective and clear rules ensuring an equal treatment of users of distribution systems and taking into account environmental protection requirements was deemed by the legislator significant for operators' activity.

ENEA Operator supplies electricity to over 2.42 mln users in the western and northwestern Poland. To this end it uses the distribution network covering an area of over 20% of the country, including over 109 thou. km of power lines (over 127 thou. including connections) and over 35 thou. power stations. The Company operates on the area of 58,213 km² in 6 provinces: Wielkopolskie, Zachodniopomorskie, Lubuskie, Kujawsko-Pomorskie and in small part Dolnośląskie and Pomorskie. The area of Poznań covers 20,510 km², Bydgoszcz - 10,349 km², Gorzów - 8,484 km², Szczecin - 9,981 km², Zielona Góra - 8,868 km².

Because of the size, the Company performs operations within the extended field structure - the basic organisational unit in the field is the Distribution Department. The seats of the five Departments are located in Poznań, Bydgoszcz, Gorzów Wielkopolski, Szczecin and Zielona Góra. The units deal mostly with the realisation of tasks connected with the core business pursued by ENEA Operator, in particular they:

- extend and modernise the distribution network, in particular they connect to the network (including the renewable energy sources),
- operate, maintain and repair the distribution network ensuring its uninterrupted work,
- conduct the traffic of the distribution network.

Within each of the Distribution Departments subordinate Distribution Regions operate which deal with the realisation of the aforementioned tasks on smaller territories.



3.2.4. Trade

In 2012 the total sales within trading in energy amounted to (excluding non-invoiced statistic sales - date of meter reading is after the date ending the given turnover year) 16.0 TWh, including sales to retail users of 14.9 TWh, however sales to recipients connected to the grid of distribution system operators other than ENEA Operator amounted to 3.1 TWh. The number of end users as at 31 December 2012 amounted to 2.4 mln.

The portfolio of recipients to whom we sell electricity is highly diversified. Presently we sell electricity to 2.4 mln recipients, including 2.1 of individual recipients and 0.3 mln business entities. In 2012 the proceeds from supplying electricity to our largest customer accounted for 4.43% of the overall value of electricity and distribution sales, and the share of 10 largest customers amounted to 15%.

3.2.5. Other activity

The companies of our Group also conduct operations supplementary to the basic operations listed above, including, e.g.:

- construction, expansion, modernisation and repair of electric power equipment and networks,
- design, construction, production and sale of electrical and power equipment and apparatus,
- services related to the maintenance of street lighting and low-voltage networks,
- servicing customers of comprehensive agreements and sales agreements,
- transport services (including the sale, servicing and repair, as well as leasing, of vehicles), and
- social activity (tourism objects, restaurants and recreation services, health protection).

3.3. Sales and supply markets

3.3.1. Sales to end users

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

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

ENEA S.A.'s offer is directed to customers on the domestic market.

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

Typically, ENEA S.A. concludes comprehensive agreements for an indefinite term, but agreements for the sale of energy (without energy distribution services), including agreements with customers connected to networks of distribution system operators other than ENEA Operator, are most often concluded for a fixed term usually amounting to 12 months. Notice periods are most frequently set for 1 month (around 2.3 mln agreements), less frequently for two, three or six months (around 0.1 mln agreements).

3.3.2. Other sales

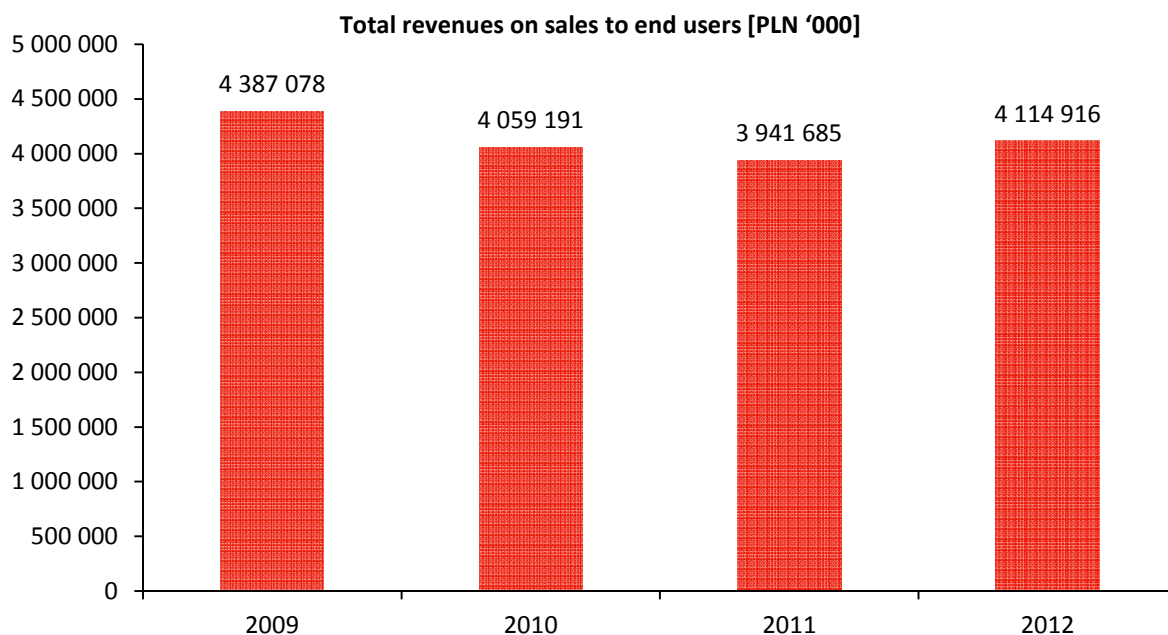
Participating in the domestic trade in electricity we are realising sales on the wholesale market to other traders (starting from 1 August 2011 the realisation by ENEA Trading Sp. z o.o.), that as a result balance their own contract positions. Sales volume results mainly from our actions in order to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

3.3.3. Sales by value and type

Revenues on sales of electricity in particular sets of tariff groups by value (not including non-invoiced statistical sales) were as follows:

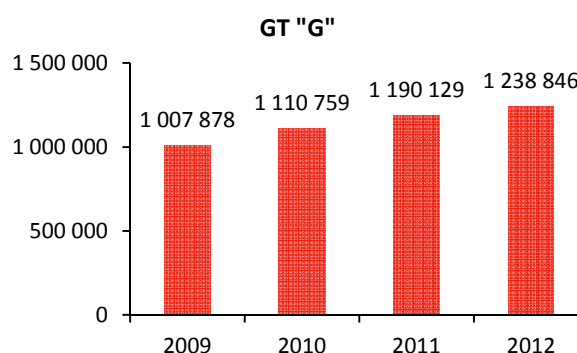
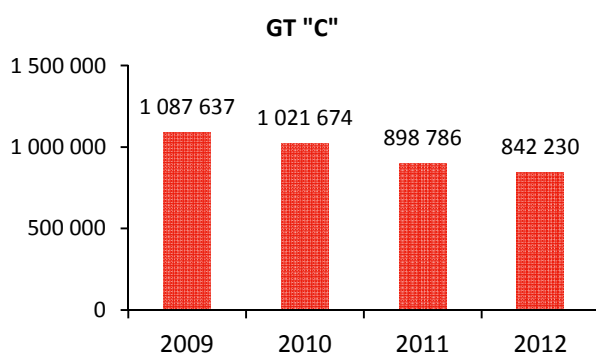
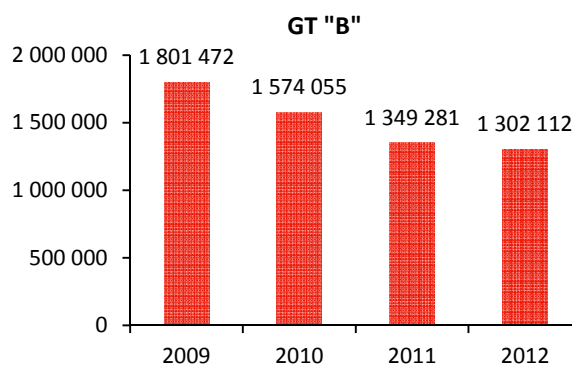
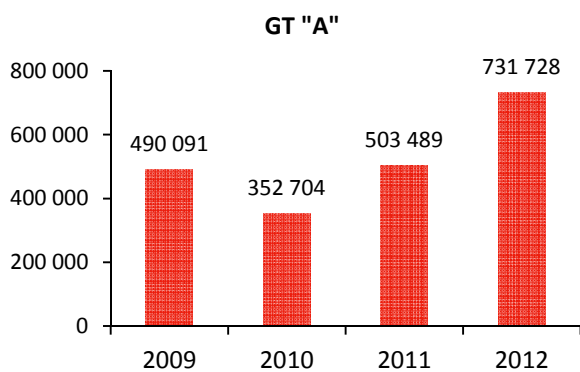
Item	Revenues on sales of electricity to end users [PLN '000]		
	2011	2012	Change
Tariff group set A	503 489.1	731 728.4	145.3
Tariff group set B	1 349 281.0	1 302 112.0	96.5
Tariff group set C	898 785.8	842 229.7	93.7
Tariff group set G	1 190 128.6	1 238 845.6	104.1
TOTAL	3 941 684.5	4 114 915.7	104.4

The diagrams below demonstrate the revenues from sales of electricity in total and in particular tariff group sets by value for particular tariff group sets over the last 4 years.



As a result of active sales actions in 2012 over a 4% growth was achieved in sales revenues. In accordance with the adopted "Strategy of sales of ENEA S.A. in the area of retail sales for 2012 - 2016" the Company will aim at a further increase of the share in the market and achieving good financial results.

Revenues from sales to end users in particular tariff group sets [PLN '000]



A substantial increase in the revenues in A tariff group set resulted mainly from gaining new customers in 2012, and the growth in the revenues generated in G group set was a reflection of the change of price of energy offered to households.

The drop in the sales revenues noted in B and C group sets resulted from a dynamic growth in the competition in these segments of energy market and a concurrent drop in the margin obtained in these groups.

In 2012 in relation to 2011 the greatest increase in revenues on sales was noticed in the A tariff group set and amounted to 45.3%. However, the greatest drop in revenues on sales of energy was noted in the C tariff group set. The drop amounted to 6.3%. In 2012 total revenues on sale of energy were higher by PLN 173,231.2 thou., i.e. 4.4% in relation to 2011.

Electricity sales in particular tariff group sets on a quantitative basis (excluding non-invoiced statistical sales) were as follows:

Item	Sales of electricity [MWh]		
	2011	2012	Change
Tariff group set A	2 171 771	3 083 155	142.0
Tariff group set B	5 103 742	4 835 208	94.7
Tariff group set C	3 010 626	2 602 643	86.4
Tariff group set G	4 460 507	4 413 834	99.0
TOTAL	14 746 646	14 934 840	101.3

In 2012 in relation to 2011 the growth in the volume of sales was noted in the A tariff group set. The greatest increase in the volume of sales, by 42% was noted in the A tariff group set. However, the greatest drop in sales of energy was reflected in the C tariff group set. In 2012 total sales of energy were higher by 188,194 MWh, i.e. by 1.3% in relation to 2011.

3.3.4. Purchase and sale of energy by ENEA S.A. on the wholesale market

In connection with organisational changes and separation as of 1 August 2011 the scope of the operations connected with the wholesale market to the special purpose vehicle ENEA Trading Sp. z o.o. all the contracts connected with the wholesale market (also those concluded by ENEA S.A.) are serviced and administered by the subsidiary.

A major part of energy sold by ENEA S.A. constituted energy purchased within bilateral transactions, including mainly those with ENEA Trading Sp. z o.o. (almost 52%). The remaining purchase contracts were entered into through PPE (17%) and realised in the process of balancing of the balancing mechanism unit on the balancing market (transactions on the balancing market of the Transmission System Operator resulting from the difference between estimated and actual trading positions).

In order to render comprehensive services (sales of electricity and distribution services for electricity) to end users connected to the grid of ENEA Operator Sp. z o.o. the Company purchases services of electricity distribution from ENEA Operator Sp. z o.o. based on a concluded electricity distribution agreement.

3.3.5. Purchase and sale of energy by ENEA Wytwarzanie on the wholesale market

In relation to the entry into force of amendments in the Energy Law from 9 August 2010 ENEA Wytwarzanie S.A. is obliged to sell at least 15% of the generated energy through the Power Exchange. Such a direction of sales is a consequence of the increase of turnover on the stock exchange market as a result of changes imposed on the energy companies dealing with generation pursuant to the regulations resulting from Article 49a of the Energy Law (an energy company dealing with generation of electricity is obliged to sell not less than 15% of electricity

generated in a given year on commodity exchanges or on a regulated market - Article 49a item 1 of the Energy Law, subject to the fact that an energy company dealing with generation of electricity possessing the right to receive funds for coverage of stranded costs is obliged to sell the generated electricity in full (100% of sold own production) in the way ensuring public and equal access to the electricity through an open tender on the Internet trading platform on the regulated market or on commodity exchanges - Article 49a item 2 of the Energy Law).

Within the realisation of this obligation sales of generated electricity on PPE during 2012 constitutes around 99% of sold and generated electricity.

The remaining volume of electricity is sold on the balancing market (4%), or designated for covering power reserves under regulatory systems services, with insignificant amounts sold to local end users conducting business on the area of the Company.

On 1 August 2011 in the ENEA Capital Group there was a reorganisation performed as a result of which the competences within the wholesale were transferred to the special purpose vehicle - ENEA Trading Sp. z o.o. The Company is responsible towards ENEA S.A. for e.g. conducting the portfolio of electricity and proprietary interests for the account of customers of ENEA S.A., purchase of energy on the wholesale market, settlements, and is an OH (Commercial Operator), however for ENEA Wytwarzanie S.A. from November 2011 it supports analytically the trading processes within electricity, and presently conducts settlements in full scope (electricity, proprietary interests) and is the OHT (Scheduling Co-ordinator) for the Power Plant.

Attainable generating capacity of electricity of ENEA Wytwarzanie amounts to 2,905 MW. The technical generation potential of ENEA Wytwarzanie is 14.1 TWh net (15.0 TWh gross) annually.

From 2005-2012, ENEA Wytwarzanie generated a net total of, respectively, 11.2; 12.3; 11.5; 10.9; 11.2; 11.4; 11.0; and 10.8 TWh of electricity (corresponding to gross electricity volumes of 12.1; 13.2; 12.4; 11.8; 12.1; 12.3 and 11.9; 11.8 TWh).

ENEA Wytwarzanie produced 11.8 TWh gross energy in 2012. Taking into account the current size and efficiency of ENEA Wytwarzanie's generating capacity and the planned assignment levels of carbon dioxide emission allowances in 2008-2012 (9.6 mln tonnes annually), ENEA Wytwarzanie could generate about a gross 10.9 TWh of electricity annually without needing to purchase additional allowances.

In 2012 ENEA Wytwarzanie within the wholesale market purchased electricity based on bilateral agreements and on trading platforms in the amount of 1,466.6 GWh - the total within the ENEA CG.

3.3.6. Purchase of transmission services from PSE Operator

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

3.3.7. Coal supplies

The basic fuel used to produce electricity with the Issuer's production assets, i.e. ENEA Wytwarzanie, is bituminous coal (it is also the case of other leading power companies in Poland). In 2012, the cost of coal in ENEA Wytwarzanie comprised about 45% of operating costs.

Within supplies of coal, the companies of the Issuer's Capital Group are presently dependant on Lubelski Węgiel "Bogdanka" S.A. and Katowicki Holding Węglowy S.A. The Polish market of coal supplies is a market highly monopolised by companies belonging to the State Treasury which control a substantial part of domestic supplies of coal on the quantitative basis, excluding Lubelski Węgiel "Bogdanka" S.A., which in 2010 became public, listed in the Warsaw Stock Exchange.

The key supplier of bituminous coal for ENEA Wytwarzanie is Lubelski Węgiel "Bogdanka" S.A., which, during 2012, supplied around 3.3 mln tonnes, which constitutes around 71% of the material supplied on the quantitative basis. The main reason for choosing Lubelski Węgiel "Bogdanka" S.A. as the main supplier is its proximity to ENEA Wytwarzanie - about 130 km - when most Polish mines are located in Upper Silesia more than 300 km away. The coal from the Bogdanka mine has a high sulphur content, due to the current level of efficiency of the desulphurisation systems in ENEA Wytwarzanie, use of Bogdanka coal as the sole fuel for the Plant would mean exceeding permitted sulphur emission levels. For this reason, and in order to diversify the supplies, ENEA Wytwarzanie concluded agreements for supplies of bituminous coal with suppliers from the Upper Silesia, i.e. with Katowicki Holding Węglowy S.A., Jastrzębska Spółka Węglowa S.A. and KHW S.A. ENEA Wytwarzanie possesses frame multiannual agreements within which the price and volume of supplied coal are determined each year. With other suppliers the power plant enters into short-term agreements with due dates within one year.

3.3.8. Coal transport

The basic means of transport used to deliver bituminous coal to ENEA Wytwarzanie in 2012 was rail transport. 90% supplies of this material to ENEA Wytwarzanie were realised by PKP Cargo S.A., the largest Polish forwarder, with which contracts were concluded for coal transport to ENEA Wytwarzanie with the mines of companies: Lubelski Węgiel "Bogdanka" S.A., Katowicki Holding Węglowy S.A., Jastrzębska Spółka Węglowa S.A. and Kompania Węglowa S.A. as a result of an open tender procedure. Around 10% of coal transports were purchased by the Power Plant subject to the terms that the supplier sold coal with its transport to the Power Plant.

3.4. Information on concluded agreements.

3.4.1. Agreements of significance to ENEA Capital Group operations

Below there is a description of agreements significant for the ENEA Capital Group, which were concluded during previous years and were realised in 2012 and agreements newly concluded in 2012 by the Company's subsidiaries.

Agreement with Hitachi Power Europe GmbH, and Polimex-Mostostal S.A. on the construction of the power unit in Kozenice

On 21 September 2012, a subsidiary of the Issuer - ENEA Wytwarzanie signed an agreement with the consortium of Hitachi Power Europe GmbH and Polimex-Mostostal S.A. (Contractor) on the construction of a supercritical bituminous coal fired power unit with the electric capacity of 1,075 MWe gross and the efficiency of 45.6% net. The net value of the Agreement is around PLN 5.1 bln. The Parties decided that the Agreement would be realised within 58 months of the date of its execution. The investment in the construction of the power unit is one of the key undertakings taken up in order to enhance the generating capacities of the ENEA Group and constitutes an element of the long-term strategic directions of the Group, which is acquiring of an access to own sources of energy generation with a potential enabling at least a satisfaction of the demand for electricity of all the customers of the ENEA Group. The new power unit in Kozenice will be the most modern unit fired with coal in Poland and Europe. A successful completion of the investment will allow for increasing generating capacities of the power plant in Kozenice by ca. 30%. The technical solutions applied will enable equipping the unit with the installation for capture and condensation of carbon dioxide, which may have a substantial importance in the future in relation to the policy of the European Union within reduction of CO₂ emissions.

Agreement on transfer of ownership to shares of generating companies within the Integration of the Generation Area

On 28 December 2012 the Issuer and ENEA Wytwarzanie, within the realisation of the process of the Integration of the Generation Area in the ENEA Capital Group, concluded the agreement on the subscription for shares of ENEA Wytwarzanie (Agreement). Compliant with the Agreement the Issuer subscribed for all, i.e. 158,356,706 ordinary registered shares of C series, with the nominal value of PLN 10 each, i.e. of the total nominal value of PLN 1,583,567,060, in the raised share capital of ENEA Wytwarzanie (Shares). The Shares subscribed for correspond to 77.4% share in the raised share capital of ENEA Wytwarzanie. The C series shares were subscribed for by the Issuer compliant with Article 431 § 2 item 1 of the Commercial Companies Code through a private subscription at the issue price equal to the nominal value of shares. The new shares entitle to the dividend starting from the registration date of the raising. The Shares purchased this way constitute a long-term capital deposit of the Issuer and will be recognised in the Issuer's books of account in the book value of PLN 1,583,567,060, corresponding to the nominal value of the Shares. In consideration for the taken up Shares the Issuer made a contribution in kind of the total fair value of PLN 1,583,567,060, in the form of:

- 1,844,199 shares of the Białystok Heat and Power Plant of the nominal value of PLN 10 each, of the total fair value of PLN 538,506,100. The amount of the contribution was determined by a certified auditor using the income method - discounted cash flows.
- 479,780 shares in Elektrownie Wodne in Samociążek of the nominal value of PLN 500 each, of the total fair value of PLN 513,062,330. The amount of the contribution was determined by a certified auditor using the income method - discounted cash flows and multiplies method - comparative method.
- 9,742 shares in Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki of the nominal value of PLN 500 each, of the total fair value of PLN 11,171,340. The amount of the contribution was determined by a certified auditor using the income method - discounted cash flows and comparative method - market multiplies.
- 18,657 shares in Miejska Energetyka Ciepła Piła Sp. z o.o. in Piła of the nominal value of PLN 1,000 each, of the total fair value of PLN 41,743,350. The amount of the contribution was determined by a certified auditor using the income method - discounted cash flows and comparative method - market multiplies.
- 18,350 shares in Dobitt Energia in Gorzestaw of the nominal value of PLN 500 each, of the total fair value of PLN 14,999,100. The amount of the contribution was determined by a certified auditor using the income method - discounted cash flows and assets based method - adjusted net asset method.
- 50 shares in Windfarm Polska in Koszalin of the nominal value of PLN 1,000 each, of the total fair value of PLN 102,398,080. The amount of the contribution was determined by certified auditors using the discounted cash flow method.
- A claim towards Windfarm Polska in Koszalin by title of the loan agreement in the amount of EUR 8,877,094.31 of the fair value of PLN 37,827,960. The value of the contribution was determined by certified auditors as the nominal value of the principal of the loan denominated in EUR with interests calculated till 30 December 2012, recalculated into PLN using the average exchange rate published by NBP (National Bank of Poland) as at the valuation date, i.e. PLN/EUR 4.2613.
- A claim towards Windfarm Polska in Koszalin by title of the supply and construction in the total amount of EUR 76,000,000 of the fair value of PLN 323,858,800. The value of the contribution in kind was determined by certified auditors as the nominal value of the claim denominated in EUR recalculated into PLN using the average exchange rate published by NBP (National Bank of Poland) as at the valuation date, i.e. PLN/EUR 4.2613.

In relation to the subscription for shares the share of the Issuer in the share capital of ENEA Wytwarzanie S.A. remains unchanged and amounts to 100%. As a result of the concluded Agreement the Issuer presently holds 204,604,950 votes at a General Meeting of ENEA Wytwarzanie which constitutes 100% of the total number of votes in ENEA Wytwarzanie.

The conclusion of the Agreement is closely related to the process of the Integration of the Generation Area in the ENEA Capital Group aiming at the implementation of a new model of the ENEA Group's operations, ensuring e.g. an efficient decision making process within the cohesive generation strategy, an optimal allocation of resources, competences and means, and an improvement in the efficiency through the integration of the generation area of electricity. An entity integrating the area of generation of electricity and heat in the ENEA Capital Group will be ENEA Wytwarzanie S.A. which will also become a unit focusing the management and operating competences within this scope in the ENEA CG. The implementation of the new model of operations of the ENEA Capital Group is connected with the necessity to make changes within its organisational structure. Presently, seven subsidiaries are dealing with the generation of electricity and heat in the ENEA Group: ENEA Wytwarzanie and six companies listed above which, based on the Agreement, were taken over by ENEA Wytwarzanie.

As a result of the conclusion of the Agreement on 28 December 2012 in the ENEA Capital Group a holding structure was developed which is managed by ENEA Wytwarzanie in Świerże Górne. ENEA Wytwarzanie took over six companies from the Issuer operating within the generation of electricity and heat in the ENEA Capital Group. This is the first stage of the process of the Integration of the Generation Area.

Another stage is the integration of companies generating electricity and heat. ENEA Wytwarzanie will merge with the Białystok Heat and Power Plant, Elektrownie Wodne and Dobitt Energia. The companies will be included in the capital structure of ENEA Wytwarzanie as its branches. In turn, Miejska Energetyka Ciepła Piła Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o., and Windfarm Polska will remain in a complete operating subjectivity as subsidiaries of ENEA Wytwarzanie.

Programme Agreements relating to bond issue

- **The Programme Agreement dated 8 September 2012 between ENEA Wytwarzanie, as the Issuer, ENEA S.A., as Guarantor, and BRE Bank S.A., as the Issue Agent, Payment Agent, Depositary, relating to the bond issue programme up to the amount of PLN 4,000,000,000.**

On 8 September 2012 the Company, ENEA Wytwarzanie (Subsidiary) and BRE Bank S.A. (Bank) the Programme Agreement was concluded relating to the Bond Issue Programme up to the amount of PLN 4,000,000,000 (Programme Agreement). The Bond Issue Programme up to the amount of PLN 4,000,000,000 (Programme) established by ENEA Wytwarzanie based on the Programme Agreement anticipates the bond issue as a proposal of their purchase to ENEA S.A.

The Programme was established for the period from the conclusion of the Programme Agreement to 15 June 2022, and the Programme availability period within which bond issues will be performed expires on 31 December 2017 (Programme Availability Period). The bonds issued within the Programme will be straight. The funds gained from the issue will be designated for the financing of the construction of the gross 1,075 MWe bituminous coal fired supercritical power unit in ENEA Wytwarzanie and other investment needs of the Subsidiary approved by ENEA S.A.

The Programme Agreement anticipates a possibility of issuing bonds of the total value not exceeding the Programme value in no more than 40 series, however the nominal value of each series will not be lower than PLN 100,000 thou., a nominal value of one bond will amount to PLN 1,000. The bonds will be dematerialised registered 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) until the redemption date (exclusive).

The bonds will be issued in accordance with the Act of 29 June 1995 on bonds, the offering will be performed in the mode of Article 9 item 3 of the Act. The bonds will not be issued in a public offer in the meaning of the Act of 29 July 2005 on Public Offerings. The Programme Agreement was concluded for the term of the Programme or till the redemption day of the last bond if on the last day of the Programme not all the bonds are redeemed.

As at 31 December 2012 ENEA Wytwarzanie did not issue bonds within the aforementioned Programme.

- **Agreement on Guaranteeing Bond Subscription of 8 September 2012 between ENEA Wytwarzanie, as Issuer, and ENEA S.A., as Guarantor, relating to the Bond Issue Programme up to the amount of PLN 4,000,000,000.**

Together with the Programme Agreement on 8 September 2012 between ENEA S.A. and ENEA Wytwarzanie an Agreement was concluded for guaranteeing the bond subscription relating to the Bond Issue Programme up to the amount of PLN 4,000,000,000 (Guarantee Agreement).

Compliant with the Guarantee Agreement ENEA S.A. is obliged towards ENEA Wytwarzanie to purchase the bonds on the primary market subject to the terms mentioned in the Guarantee Agreement and conditions contained in the Programme Agreement. ENEA S.A.'s obligation to subscribe for bonds within the guarantee of issue subscription is valid within the Programme Availability Period.

The Guarantee Agreement was concluded for the term of the Programme, i.e. from the date of conclusion of the Programme Agreement to 15 June 2022 or till the redemption day of the last bond if on the last day of the Programme not all the bonds are redeemed.

Agreements under which fuel coal supplies were made in 2012

- **Multiannual agreement No. UW/LW/01/2010 of 4 March 2010 between ENEA Wytwarzanie and Lubelski Węgiel "Bogdanka" S.A.**

Term of the agreement: 4 March - 31 December 2025. The subject of the agreement is to define the framework rules for the long-standing supply of power coal, in particular delivery deadlines and basic quantity and quality parameters of the coal. The multiannual agreement predicts conclusion of annual contracts as annexes specifying the terms of deliveries during the subsequent periods such as: prices, specific amounts of supplies and specific conditions of supply and receipt (including the procedure and rules for documentation, rules for identifying and measuring coal amounts, and the complaints procedure). The price for a given calendar year will be fixed through negotiations according to the set negotiation terms. The agreement contains a clause enabling, in case of substantial change of market conditions, each party to claim agreement terms renegotiation. The agreement provides for contractual penalties for the delivery of coal with characteristics worse than the limits specified in annual agreements or failure to deliver or failure to accept the amount of coal specified in the delivery schedule. Each party may terminate the agreement with 2-year notice beginning on the first day of the subsequent year, in case of failure to fix the price for the following calendar year in at least three negotiation terms. On 23 January 2012 the Board of ENEA Wytwarzanie concluded with Lubelski Węgiel "Bogdanka" S.A. an annex to the aforementioned multiannual agreement. The Annex anticipates the change of the present method of setting prices in annual contracts into a solution adopted in a new additional Contract, i.e. prices of energetic coal will be set for a given calendar year through negotiations, including the dynamics of change of prices of energetic coal in Poland.

- **Multiannual agreement No. UW/KHW/01/09 of 8 January 2009 between ENEA Wytwarzanie and Katowicki Holding Węglowy S.A.**

The subject of the agreement is to define the framework rules for the long-standing supply of power coal, in particular delivery deadlines and basic quantity and quality parameters of the coal. The agreement is valid for the period of 1 January 2009 to 31 December 2013. The multiannual agreement predicts conclusion of annual contracts specifying the terms of deliveries during the subsequent periods such as: prices, specific amounts of supplies and specific conditions of supply and receipt (including the procedure and rules for

documentation, rules for identifying and measuring coal amounts, and the complaints procedure). The Agreement contains a clause which makes it possible, in the case of significant changes in coal prices, the rules for setting prices for energy producers, or other important factors affecting coal prices, to renegotiate prices on consent of the two Parties to the contract. The agreement provides for contractual penalties for the delivery of coal with characteristics worse than the limits specified in annual agreements or failure to deliver or failure to accept the amount of coal specified in the delivery schedule. Either party may terminate the agreement with a one-year notice period beginning on the first day of a financial quarter.

- **Annual Agreement of 20 December 2010 for the provision of fuel coal for 2011 (UR2011) constituting Attachment No. 2 to the Multiannual Agreement No. UW/LW/01/2010 between ENEA Wytwarzanie and Lubelski Węgiel "Bogdanka" S.A.**

The subject of the a/m Annual Agreement is supplementary provision of fuel coal that meets specified quality parameters, carried out during the life of the agreement, i.e. 1 January 2011 - 31 March 2012 from the mine belonging to Lubelski Węgiel "Bogdanka" S.A. The annual agreement set out the price of coal, the basic quantities to be delivered, the parametric limits of the coal (beyond which the power plant may impose contractual penalties in its monthly settlement), the method of transport, the method of financial settlement as well as the particular provisions under which the amounts and quality of the coal are to be accounted. The agreement could be terminated by either Party upon one year's notice, the first day of which will fall on the first day of a financial quarter, or at any moment as agreed by the Parties. Either Party may impose contractual penalties for failure to deliver or failure to accept the amounts of coal according to the provisions specified in the Agreement. The term of the agreement expired on 31 March 2012 but coal supplies in the volume complaint with the contract terms were fully satisfied.

- **Annual Agreement of 27 December 2011 for the provision of fuel coal for 2012 (UR2012) constituting Attachment No. 3 to the Multiannual Agreement No. UW/LW/01/2010 between ENEA Wytwarzanie and Lubelski Węgiel "Bogdanka" S.A.**

The subject of the a/m Annual Agreement is supplementary provision of fuel coal that meets specified quality parameters, carried out during the life of the agreement, i.e. 1 January 2012 - 31 March 2013 from the mine belonging to Lubelski Węgiel "Bogdanka" S.A. The annual agreement sets out the price of coal, the basic quantities to be delivered, the parametric limits of the coal (beyond which the power plant may impose contractual penalties in its monthly settlement), the method of transport, the method of financial settlement as well as the particular provisions under which the amounts and quality of the coal are to be accounted. The agreement may be terminated by either Party upon one year's notice, the first day of which will fall on the first day of a financial quarter, or at any moment as agreed by the Parties. Either Party may impose contractual penalties for failure to deliver or failure to accept the amounts of coal according to the provisions specified in the Agreement. The term of the agreement expires on 31 March 2013 but coal supplies in the volume complaint with the contract terms were fully satisfied.

- **Annual Agreement of 7 August 2009 for fuel coal supply in 2010 and 2011 (UR2010 and 2011) constituting Attachment No. 2 to the Multiannual Agreement No. UW/KHW.01.09 concluded between ENEA Wytwarzanie and Katowicki Holding Węglowy S.A.**

The subject of the a/m Annual Agreement were deliveries of fuel coal carried out by the Seller in favour of ENEA Wytwarzanie during the life of the Agreement, i.e. from 1 January 2010 to 31 March 2012. The Annual Agreement defined the basic quantities to be delivered together with an initial schedule of deliveries divided into quarters and mines designated for the realisation of supplies, the price of specific class of coal, the parametric quality limits (beyond which the Power Plant could impose contractual penalties), the method of transport, the method of financial settlement as well as the detailed provisions under which the amounts and quality of the coal are to be accounted for. The agreement could be terminated by either Party upon one year's notice, which will commence on the first day of a financial quarter. In the case of a failure to perform or

improper performance of the Agreement, either Party could impose contractual penalties as provided for in the Agreement.

- **Annual Agreement of 23 February 2012 for the provision of fuel coal for 2012 constituting Attachment No. 3 to the Multiannual Agreement No. UW/KHW/01/09 between ENEA Wytwarzanie and Katowicki Holding Węglowy S.A.**

The subject of the a/m Annual Agreement were deliveries of fuel coal carried out by the Seller in favour of ENEA Wytwarzanie during the life of the Agreement, i.e. from 1 April 2012 to 31 December 2012. The Annual Agreement defined the basic quantities to be delivered together with an initial schedule of deliveries divided into quarters and mines designated for the realisation of supplies, the price of specific class of coal, the parametric quality limits (beyond which the Power Plant may impose contractual penalties), the method of transport, the method of financial settlement as well as the detailed provisions under which the amounts and quality of the coal are to be accounted for. The agreement could be terminated by either Party upon one year's notice, which will commence on the first day of a financial quarter. In the case of a failure to perform or improper performance of the Agreement, either Party could impose contractual penalties as provided for in the Agreement.

- **Agreement No. 70/DH/SE/2012 of 4 December 2012 for supplies of coal for energetic purposes for the period of 1 November 2012 to 28 February 2013 concluded between ENEA Wytwarzanie S.A. and Jastrzębska Spółka Węglowa S.A.**

The subject of the agreement is sales and delivery of coal by Jastrzębska Spółka Węglowa S.A. for ENEA Wytwarzanie. The prices and detailed terms and volume of supplies were negotiated before the agreement execution. Each of the parties may terminate the agreement on mutual agreement. The agreement was concluded for the period from 1 November 2012 to 28 February 2013. The agreement defines the coal prices, supply and receipt terms, volume of supplies with tolerance of allowable deviations, coal quality parameters with limits beyond which (in its monthly settlement) ENEA Wytwarzanie could impose contractual penalties, method of transport, method of settlements, and specific conditions for settlements in terms of coal quantity and quality.

- **Agreement for transport of fuel coal of 31 May 2010 concluded between ENEA Wytwarzanie and PKP Cargo and the Agreement for transport of coal from Lubelski Węgiel "Bogdanka" S.A. of 20 February 2012 and transport of coal from mines from the Silesia region of 20 February 2012 concluded between PKP Cargo S.A. and ENEA Wytwarzanie**

The Agreement of 2010 specifies the performance by PKP Cargo of transport services of fuel coal for ENEA Wytwarzanie from the Silesia mines of Katowicki Holding Węglowy S.A. and Kompania Węglowa S.A. and the mine of Lubelski Węgiel "Bogdanka" S.A. from 1 June 2010 to 31 May 2012 taking into account an earlier termination of the term of the agreement after the performance of transports of volumes of coal specified in the agreement. The agreement specifies the volume of coal planned to be transported, and prices for the transport of one tonne of coal from particular suppliers during particular years of its term. The agreement sets out monthly transport schedules, rules for receiving coal transports and rules for the settlement of receivables for transport, including complaint procedures. PKP Cargo has provided cash security for the proper performance of the agreement. The agreement provides contractual penalties for PKP Cargo for failing to carry out more than 15% of the contracted transports for reasons within the control of PKP Cargo, and contractual penalties for ENEA Wytwarzanie if it terminates the agreement for reasons within its control. ENEA Wytwarzanie may terminate the agreement with immediate effect in case of a flagrant breach by PKP Cargo, and may demand compensation for the cost differential of services provided by another carrier. The agreement does not permit either party to terminate before its expiry without grounds.

One Agreement from 2012 specifies the performance by PKP Cargo of transport services of fuel coal for ENEA Wytwarzanie from the Silesia mines of Katowicki Holding Węglowy S.A. and Kompania Węglowa S.A. and

Jastrzębska Spółka Węglowa. Another Agreement of 2012 specifies the performance by PKP Cargo of transport services of fuel coal for ENEA Wytwarzanie from Lubelski Węgiel "Bogdanka" S.A. Both agreements are in force till 20 December 2013.

The Agreements from 2012 specify the volume of coal planned for transport and the price for the transport of one tonne of coal from particular suppliers. The Agreements set out monthly transport schedules, rules for receiving coal transports and rules for the settlement of receivables for transport, including complaint procedures. PKP Cargo has provided cash security for the proper performance of the agreement. The Agreements anticipate contractual penalties for each party for failure to perform transports in the volumes specified in each agreement. The Power Plant may claim the difference resulting from the reimbursement of costs of the transport service by another forwarder if the agreement is terminated by default of PKP Cargo. The Agreements provide for a 5-month notice period by any party subject to the terms specified in the agreements.

All the contracts based on which supplies of coal were realised to ENEA Wytwarzanie in 2012 described in this paragraph were concluded in the course of normal operations.

Agreements entered into under which fuel coal supplies will be carried out in future years:

On 23 January 2012 the Board of ENEA Wytwarzanie concluded with Lubelski Węgiel "Bogdanka" S.A. a new multiannual contract for supplies of fuel coal for the needs of of the newly constructed unit. The Contract was concluded for the period from the execution date till 31 December 2036 with physical commencement of deliveries of energetic coal in the first calendar quarter of 2017. The Contract anticipates 20 calendar years of deliveries of coal for the needs of the newly constructed unit of ENEA Wytwarzanie. The estimated value of the Agreement according to the delivery prices of the current year amounts to PLN 11.248 bln net excluding the volume quantitative tolerance ($\pm 5\%$) resulting from the Contract. The Agreement anticipates the following terms:

- Prices of fuel coal will be set for a given calendar year of physical deliveries through negotiations with inclusion of the dynamics of change of prices of deliveries of fuel coal in Poland.
- Annual agreements will be concluded specifying: quantitative volume, schedules of deliveries, declares qualitative parameters, other rules of logistics and settlement of delivery during the term of an annual contract.
- The parties to the Agreement reserve the right to terminate it when there are no arrangements through price negotiations for the following calendar year of the Agreement with a 2-year notice period commencing with 1 January of the following year.
- Additionally the Buyer has the right to terminate the Agreement with a 6-month notice period and if till 31 December 2012 the following conditions do not occur jointly (a) Signing of an agreement for the construction of a power unit and (b) Closing of the financing of the unit financing confirmed with the resolution of the Board of ENEA Wytwarzanie.

The subject of the agreement is to define the framework rules for the long-standing supply of power coal, in particular delivery deadlines and basic quantity and quality parameters of the coal. The multiannual agreement provides for the conclusion of annual agreements as annexes specifying the terms of deliveries during the subsequent periods such as: prices, specific amounts of supplies and specific conditions of supply and receipt (including the procedure and rules for documentation, rules for identifying and measuring coal amounts, and the complaints procedure). The price for a given calendar year will be fixed through negotiations according to the set negotiation terms. The agreements contains a clause enabling, in case of substantial change of market conditions, each party to claim agreement terms renegotiation. The agreement provides for contractual penalties for the delivery of coal with characteristics worse than the limits specified in annual agreements or failure to deliver or failure to accept the amount of coal specified in the delivery schedule.

Each party may terminate the agreement with a 2-year notice period beginning on the first January of the subsequent year, in case of failure to fix the price for the following calendar year in at least three negotiation terms. The agreement provides for the following contractual penalties: for failure to deliver or collect the volumes of coal resulting from the schedule of deliveries - in the amount of 20% of the value of non-delivered or non-collected coal; for delivery by the Seller of coal supply whose quality parameters are worse than the limit parameters specified in the Agreement - in the amount from 1% to 5% of net value of a given fuel coal supply, each of the parties may claim complementary damages on general terms of the aforementioned contractual penalties do not cover the incurred loss. The remaining terms of the Agreement do not diverge from the market standards applied in contracts of this type.

With the exception of electricity transmission agreements concluded with PSE Operator and a coal transport agreement concluded with PKP Cargo, and agreements concerning the bond issue programme, we are not dependent on other industrial, trade or financial agreements. If the agreements with PSE Operator must be terminated, we will be forced to conclude electricity transmission agreements on new terms, and if the agreement with PKP Cargo, the largest rail carrier in Poland, is to be terminated, we might have difficulty in ensuring continuous deliveries of coal to ENEA Wytwarzanie. When it comes to the agreements relating to the bond issue programme - if they are terminated we may have difficulties in financing the new power unit No. 11. We depend on two suppliers for our coal supplies: Lubelski Węgiel "Bogdanka" S.A. that in 2012 supplied ca. 71% of coal by volumes and Katowicki Holding Węglowy S.A. Additionally, ENEA Wytwarzanie made supplementary purchases from Jastrzębska Spółka Węglowa S.A.

3.4.2. Information on transactions with affiliated entities

Both ENEA S.A. and the ENEA Capital Group Companies conclude transactions with the following affiliates:

- Companies comprising the Capital Group among themselves - transactions are eliminated on the stage of consolidation,
- Transactions concluded between the Group and Members of Group Authorities which need to be divided into three categories:
 - resulting from the concluded contracts of employment with Members of the Board of the Parent Company and relating to the nomination to Members of Supervisory Boards,
 - relating to the loans granted from the Company Social Benefits Fund for Members of the Board of the Parent Company and Members of the Supervisory Board, being employees of ENEA S.A.,
 - resulting from other civil law agreements.
- Transactions with subsidiaries of the State Treasury of the Republic of Poland.

The rules and amount of remuneration for members of bodies of ENEA S.A. are in detail described in item 6.2 and 6.3.

Collective data within this subject are presented below:

Title	The Company's Management Board	The Company's Supervisory Board
	01.01.2012 - 31.12.2012	01.01.2012 - 31.12.2012
Remunerations by title of contracts of employment	-	-
Remunerations by title of managerial contracts and consulting agreements	3 151	-
Remunerations by title of nominations	514	378

to the supervising bodies		
Remuneration for sitting on the supervisory board of subsidiaries	-	-
Remunerations by title of other employee benefits (in particular discounted rates for electricity)	108	-
TOTAL	3 773	378

Transactions relating to the loans from the Company Social Benefits Fund are presented in the table below:

Company's body	State as at	Granted till	Repayment till	State as at
	1 January 2012	1 January 2012	31 December 2012	31 December 2012
Management Board	-	-	-	-
Supervisory Board	21	24	(24)	21
TOTAL	21	24	(24)	21

Company's body	State as at	Granted till	Repayment till	State as at
	1 January 2011	1 January 2011	31 December 2011	31 December 2011
Management Board	-	-	-	-
Supervisory Board	29	5	(13)	21
TOTAL	29	5	(13)	21

Other transactions resulting from civil law contracts concluded between the Parent Company and Members of the Authorities of the Parent Company relate exclusively to the use by Members of the Board of ENEA S.A. company cars for personal purposes.

The Group concludes also commercial transactions with units of the public administration and self-governments and subsidiaries of the State Treasury of the Republic of Poland.

The subject of such transactions are mainly:

- purchases of coal, electricity, proprietary interests resulting from certificates of origin for energy within the renewable energy and energy from cogeneration with heat, transmission and distribution services, which the Company realises from subsidiaries of the State Treasury,
- sales of electricity, service of distribution, connection to the grid and other related fees, which the Group realises both for the bodies of the public administration, self-governments (sales to end users) and subsidiaries of the State Treasury (wholesale and retail sales - to end users),

The transactions are performed on market conditions and the terms do not diverge from relevant transactions with other entities. The Group does not keep any registry enabling aggregating of values of all the transactions realised with all the state institutions and subsidiaries of the State Treasury. Among the entities being subsidiaries of the State Treasury the major contractor - recipient of the ENEA Group is Polskie Sieci Energetyczne Operator S.A. The purchase cost of transmission services from PSE S.A. in 2012 amounted to PLN 645,723.400 thou., excluding a transitory charge of PLN 435,655.200 thou.

Additional information regarding transactions with affiliates may be found in note No. 45 of the Financial statement of ENEA S.A. for 2012.

3.4.3. Credit and loan agreements concluded and terminated

In the reporting period ENEA S.A. had access to working capital loans from BZ WBK S.A., Pekao S.A. and PKO BP S.A. The total limit on working capital facilities as at 31 December 2012 was PLN 150,000 thou., and as at 31 December 2012 the Company had no debts pertaining to them.

Additionally, during the financial year ENEA S.A. concluded the loan agreements with the European Investment Bank for the amount of PLN 950,000 thou. - a detailed description within this issue is to be found in item 3.5. of the Statement regarding the sources of financing of the investment programme.

The status of the loans as at 31 December 2012 is shown in the table below:

Creditor	Credit facility granted [PLN '000]	Interest rate	Costs of credit [PLN '000]	Debt on credit facilities as at 31.12.2012 [PLN '000]	Date of commencement	Date of completion	Repayment period
PKO BP S.A.	50 000.00	WIBOR 1M + margin	0.00	0.00	25.04.2006	x	5 years of the first usage of the credit
Bank Pekao S.A.	10 000.00	WIBOR 1M + margin	0.00	0.00	17.11.2011	17.11.2014	17.11.2014
Bank Zachodni WBK S.A.	90 000.00	WIBOR 1M + margin	35.4	0.00	17.11.2011	17.11.2014	17.11.2014
EIB	950 000.00	floating or fixed	2 395.8*	0.00	18.10.2012	17.10.2029	15 years of the last usage of the credit
TOTAL			2 431.2	0.00			

* Costs of the loan are included in the Profit and Loss Statement

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

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

Information on credits and loans in the ENEA Capital Group can be found in the consolidated financial statements in note No. 27.

Company	Creditor	Credit currency	Credit type	Amount of credit granted [PLN '000]	Credit costs [PLN '000]	Interest rate	Debt on credit facilities as at 31.12.2012 [PLN '000]	Start date	End date	Repayment period
Loan agreements										
PEC Oborniki Sp. z o.o.	Provincial Fund for Environmental Protection and Water Management in Poznań	PLN	Loan for the boiler house modernisation	1 000.00	0.30	0.5 bill rediscount rate of NBP (National Bank of Poland) not less than 3%	1 000.00	14.12.2012	20.03.2018	6 years
BHU SA	BPH SA	PLN	Revolving facility	2 500.00	7	WIBOR 1M + margin	0	27.12.2012	08.02.2013	1 year
Hotel Edison	BZ WBK SA	PLN	Revolving facility	Up to PLN 300 thou.	23.80	WIBOR 1M	219.70	31.10.2012	31.10.2013	1 year
ENEA Trading Sp. z o.o.	Bank Polska Kasa Opieki Spółka Akcyjna	PLN	Revolving credit facility in account	40 000.00	115.37	WIBOR 1M + margin	0.00	09.07.2012	08.07.2013	1 year
ENEA Trading Sp. z o.o.	ENEA Wytwarzanie S.A.	PLN	Cash loan in current account	40 000.00	3 143.66	WIBOR 1M + margin	0.00	05.01.2012	06.08.2012	paid up
MEC Piła Sp. z o.o.	Provincial Fund for Environmental Protection and Water Management in Poznań	PLN		174.60		0.5 bill rediscount rate of NBP (National Bank of Poland) but not less than 3%	174.60	14.12.2012	22.05.2015	5 years
MEC Piła Sp. z o.o.	Provincial Fund for Environmental Protection and Water Management in Poznań	PLN		143.30		0.5 bill rediscount rate of NBP (National Bank of Poland) but not less than 3%	143.30	14.12.2012	22.05.2015	5 years

3.4.4. Loans granted

Within the loans granted in the ENEA CG there are loans granted by ENEA S.A. in 2011 to Hotel Edison Sp. z o.o. in the amount of PLN 300 thou., and a loan granted to Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. in the amount of PLN 250 thou. The balance by title of unsettled loans as 31.12.2012 amounts to PLN 508.3 thou.; from which from Hotel Edison Sp. z o.o. in the amount of PLN 300 thou., and from Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. in the amount of PLN 208.3 thou. Additionally, in the reporting period the ENEA CG did not grant any loans.

3.4.5. Granted and received sureties and guarantees

During the financial year ENEA S.A. concluded an annex to the suretyship agreement for the liabilities drawn by ENEA Trading Sp. z o.o. in relation to Warsaw Commodity Clearing House up to the amount of PLN 50,000 thou., extending thus the validity of the surety till 31 July 2013.

The status of granted guarantees and suretyships as at 31 December 2012 is shown in the table below:

No.	Date surety/ guarantee was granted	Date of validity of surety/ guarantee	Entity for which surety/ guarantee was granted	Entity to which surety/ guarantee was granted	Agreement number	Value of surety/guarantee	Designation of amounts covered with surety/guarantee	Actual debt as at 31.12.2012
1	26.08.2003	31.08.2017	EP Zakład Transportu Sp. z o.o.	Poznań Department of Communal Services and Housing	Surety's statement of 02.09.2003	PLN 200.3 thou.	for the purpose of meeting the statutory conditions for obtaining a licence to carry on for-profit transport operations	0.00
						EUR 49 thou.		
2	12.07.2012	31.07.2013	ENEA Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House)	ZAM/DF/40/107 2/2011	PLN 50 000 thou.	for the purpose of securing the liabilities drawn by ENEA Trading in relation to the membership in GIR (Exchange Clearing House) and purchasing electricity and proprietary interests	0.00
TOTAL						PLN 50 200.3 thou.		0.00

The average EUR exchange rate as at 31 December 2012 was 4.0882 - NBP table No. 252/A/NBP/2012 from 31 December 2012

The total off-balance sheet value of sureties and guarantees granted as at 31 December 2012 was PLN 50,200.3 thou.

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

On 9 November 2012 ENEA S.A. signed with PKO BP S.A. a frame contract for 12 months for granting of bank guarantees up to the amount of PLN 250,000 thou. The guarantees issued within the guaranty facility are to constitute the securing of making deposits for IRGiT S.A. and KDPW S.A. by ENEA S.A. and ENEA Trading Sp. z o.o. and other obligations (max. PLN 3,000 thou.). Obligations towards the aforementioned entities to make deposits result among others from the concluded futures contracts for supply of electricity and transactions of purchase of proprietary interests to the certificates of origin for electricity.

The status of guarantees issued to the order of ENEA S.A. as at 31 December 2012 is shown in the table below:

Date security was granted	Date of security validity	Entity for which security was granted	Purpose of the agreement	Form of security	Granted security amount
12.11.2012	18.11.2013	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House)	the purpose of securing the transaction and securing deposit for the account of IRGIT S.A. in connection with settlements of transactions connected with trade in electricity and property rights on the commodity exchange	bank guarantee granted within the guarantee line in the amount of PLN 250 000 thou.	PLN 30 ,000 thou.
			guarantee granted by the bank for the obligations of ENEA Trading*		PLN 150 000 thou.

*On 30 November 2012 ENEA S.A. and ENEA Trading Sp. z o.o. concluded an annex to the agreement for a guaranty facility up to the amount of PLN 200,000 thou. (say: two hundred million zlotys), within which, on request of ENEA Trading, ENEA will apply to the Bank for the issue of a guarantee for liabilities of ENEA Trading toward exchange clearing houses.

Sureties and guarantees granted in the ENEA Capital Group are presented in the table below:

Date surety/ guarantee was granted	Date of validity of surety/ guarantee	Entity for which surety/ guarantee was granted	Entity to which surety/ guarantee was granted	Agreement number	Value of surety/guarantee [PLN '000]	Real financed liability [PLN '000]
22.02.2012	01.02.2015	Elektrownie Wodne Sp. z o.o.	SG EQUIPMENT LEASING POLSKA SP. Z O.O.	36817	213.75	133.05
18.12.2012	20.11.2015	Elektrownie Wodne Sp. z o.o.	BRE LEASING	EWKORONOWO/B Y/148682/2012	15.91	64.66
18.12.2012	20.11.2015	Elektrownie Wodne Sp. z o.o.	BRE LEASING	EWKORONOWO/B Y/148713/2012	15.66	63.66
01.11.2012	31.10.2013	IT SERWIS Sp. z o.o	Schiever Polska Sp. z o.o.	1535/822/150/05/ 00	15.00	0
27.04.2012	24.04.2013	IT SERWIS Sp. z o.o	Bank guarantee for KNF (Financial Supervision Authority) in relation to rendering payment services	KGWA0265/12	125	0
09.11.2012	15.11.2012 to 14.01.2013	Energomiar Sp. z o.o.	Dolnośląska Spółka Gazownictwa Wrocław	Insurance guarantee for depositing bid security	Within the frame agreement three blank promissory notes, freezing in the bank account PLN 245.00	48.00
13.12.201	13.12.2012 to 30.01.2014	Energomiar Sp. z o.o.	Dolnośląska Spółka Gazownictwa Wrocław	Insurance performance bond	Within the frame agreement three blank promissory notes, freezing in the bank account PLN 245.00	88.60
06.06.2012	5 years after the project completion	ENEA Operator Sp. z o.o.	Ministry of Economy	Performance bonds	1 950	-

3.4.6. Agreements between shareholders of the parent company

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

3.4.7. Insurance agreements

The insurance agreements in the ENEA Group are concluded in accordance with the Corporate Insurance Policy of the ENEA CG adopted by the Company's Board in 2012. The policy strengthens the position of the ENEA CG in relation to the participants of the insurance market, unifies the standards of insurances concluded by Companies and standardises the rules, forms and procedures of concluding insurances in particular ENEA Group Companies.

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

3.4.8. Collaboration or cooperation agreements

Agreement on the exploration and extraction of carbohydrates from shale

On 4 July 2012 ENEA S.A. concluded a frame agreement on the exploration and extraction of carbohydrates from shale. The parties to the agreement are ENEA S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG), KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A.

The subject of the cooperation of the parties based on the agreement shall be exploration, recognition and extraction of carbohydrates in geological deposits covered with the licence for exploration and recognition of deposits of crude oil and natural gas relating to the areas of Wejherowo, held by PGNiG (Wejherowo Licence). Within the Wejherowo Licence the close cooperation will relate to the area of ca. 160 km² (Cooperation Area). The Agreement additionally anticipates preferences for the parties within a possibility of cooperation on the remaining area of the Wejherowo Licence (apart from situations where PGNiG performs individual exploration, recognition or extraction of carbohydrates and except the area on which PGNiG has been already performing exploration works near Opalino and Lubocino). In accordance with the agreement each of the parties shall participate in the project realisation supervision particularly through the share in the operating committee established for the purpose. Estimated outlays for exploration, recognition and extraction in the three first locations (Kochanowo, Częstkowo and Tępcz pads) within the Cooperation Area are planned for the amount of PLN 1.72 bln. At present the parties are conducting works in order to determine detailed conditions of the cooperation, including: detailed budget and project schedule, participation of the parties in the funding of expenses resulting from the agreed budget, participation in profits from the project and rules of liability, including contractual penalties for non-performance of some obligations resulting from the agreement.

On 21 February 2013 the parties of the agreement signed the Annex No. 2 to the frame agreement, in which they decided upon the prolongation of the term for the determination of detailed terms of cooperation till 4 May 2013, of which the Company informed in the current report CR No. 5/2013 on 21 February 2013.

A letter of intent on the elaboration of the terms of cooperation on the construction of the first in Poland atomic power plant

On 5 September 2012 ENEA S.A. and PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and TAURON Polska Energia S.A. signed a letter of intent, based on which, together with the aforementioned partners, it conducts activities aiming at the elaboration of a draft agreement for the purchase of shares in the special purpose vehicle PGE EJ 1 Sp. z o.o. (PGE EJ 1) which is responsible for the direct preparation of the investment process of the construction and operation of the first Polish atomic power plant (Atomic Project). Based on the letter of intent the parties agreed that the draft agreement for the purchase of shares in the special purpose vehicle PGE EJ1 will include the rights and obligations of each party by the realisation of the Atomic Project, assuming that PGE will, directly or through a subsidiary, act as a leader in the process of the project realisation. The conditions of shares purchase in PGE EJ1 will include the financial outlays which have been so far incurred by PGE and its subsidiaries relating to the present realisation of the Atomic Project. Based on the letter of intent the parties assumed exclusivity for further conduction of talks between the parties in connection with the construction of an atomic power plant in Poland. The letter of intent gives the basis for the commencement of detailed negotiations within the development of the draft agreement for the purchase of shares in PGE EJ1, however at this stage of talks it constitutes no liability of the parties to conclude the share sale agreement and participation in the Atomic Project.

On 28 December 2012 the parties of the letter of intent, which relates to the commencement of detailed negotiations within the elaboration of a draft agreement of the purchase of shares in the special purpose vehicle which will be responsible for the direct preparation of the investment process of the construction and operation of the first Polish atomic power plant, prolonged the validity of the letter of intent till 31 March 2013.

3.4.9. Purchase of bonds issued by subsidiaries

- On 23 July 2012 ENEA S.A. (Guarantor) concluded with Elektrociepłownia Białystok S.A. (Issuer) and Financial Institution (Organiser, Issue Agent, Payment Agent and Depositary) an Agreement for Bond Issue Programme for the amount of PLN 98,500 thou. (say: ninety eight million five hundred thousand zlotys). On the same day ENEA S.A. (Guarantor) concluded with Elektrociepłownia Białystok (Issuer) the Guarantee Agreement for the Bond Issue Programme. The aforementioned agreements were concluded for the term of 7 years. Additionally, on 14 December 2012 an annex was signed to the aforementioned agreements increasing the amount of the Bond Issue Programme to the amount of PLN 128,500 thou., i.e. by PLN 30,000 thou.

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

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

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

Bonds issued within the Bond Issue Programme have a floating rate of interest.

As at 31 December 2012 ENEA S.A. purchased bonds of the four series of the total value of PLN 128,500 thou.

- Additionally, during the financial year ENEA S.A. purchased the bonds issued by the subsidiary ENEA Operator (Bond Issuer) of the total value of PLN 400,000 thou. within the Bond Issue Programme up

to the amount of PLN 500,000 thou. The funds received by ENEA Operator from the issue of Bonds within the Bond Issue Programme are dedicated to financing of the capital expenditures connected with the extension and modernisation of the energetic infrastructure.

- On 8 September 2012 the Company, ENEA Wytwarzanie (Subsidiary) and BRE Bank S.A. (Bank) the Programme Agreement was concluded relating to the Bond Issue Programme up to the amount of PLN 4,000,000,000 (Programme Agreement).

The Bond Issue Programme up to the amount of PLN 4,000,000,000 (Programme) established by ENEA Wytwarzanie based on the Programme Agreement anticipates the bond issue as a proposal of their purchase to ENEA S.A.

The Programme was established for the period from the conclusion of the Programme Agreement to 15 June 2022, and the Programme availability period within which bond issues will be performed expires on 31 December 2017 (Programme Availability Period). The bonds issued within the Programme will be straight.

The funds gained from the issue will be designated for the financing of the construction of the gross 1,075 MWe bituminous coal fired supercritical power unit in ENEA Wytwarzanie and other investment needs of the Subsidiary approved by ENEA S.A.

The Programme Agreement anticipates a possibility of issuing bonds of the total value not exceeding the Programme value in no more than 40 series, however the nominal value of each series will not be lower than PLN 100,000 thou., a nominal value of one bond will amount to PLN 1,000. The bonds will be dematerialised registered 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).

The bonds will be issued in accordance with the Act of 29 June 1995 on bonds, the offering will be performed in the mode of Article 9 item 3 of the Act. The bonds will not be issued in a public offer in the meaning of the Act of 29 July 2005 on Public Offerings.

The Programme Agreement was concluded for the term of the Programme or till the redemption day of the last bond if on the last day of the Programme not all the bonds are redeemed.

Together with the Programme Agreement on 8 September 2012 between ENEA S.A. and ENEA Wytwarzanie an Agreement was concluded for guaranteeing the bond subscription relating to the Bond Issue Programme up to the amount of PLN 4,000,000,000 (Guarantee Agreement).

Compliant with the Guarantee Agreement ENEA S.A. is obliged towards ENEA Wytwarzanie to purchase the bonds on the primary market subject to the terms mentioned in the Guarantee Agreement and conditions contained in the Programme Agreement. ENEA S.A.'s obligation to subscribe for bonds within the guarantee of issue subscription is valid within the Programme Availability Period.

The Guarantee Agreement was concluded for the term of the Programme, i.e. from the date of conclusion of the Programme Agreement to 15 June 2022 or till the redemption day of the last bond if on the last day of the Programme not all the bonds are redeemed.

As at 31 December 2012 ENEA Wytwarzanie did not issue bonds within the aforementioned Programme.

3.5. Financing sources of the investment programme

The Programme Agreement on the bond issue programme up to the amount of PLN 4,000,000,000

ENEA S.A. adopted and is under the realisation of the project titled "Gaining funding for the realisation of investment projects in the ENEA CG", within which on 21 June 2012 between the Issuer and five banks acting as

Issue Guarantors, i.e. Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, Bank Polska Kasa Opieki Spółka Akcyjna, Bank Zachodni WBK Spółka Akcyjna, Bank Handlowy w Warszawie Spółka Akcyjna and Nordea Bank Polska Spółka Akcyjna, a programme agreement was concluded relating to the bond issue programme up to the amount of PLN 4,000,000,000, in which the terms and conditions of the bond issue programme were determined between the Issuer and Bank Guarantors. This is a 10-year programme of issue of national bonds, unique in its construction and adjusted to the investment programme realised by the ENEA Capital Group. The funding is unsecured and free from limitations for shareholders within the so called ownership clause and dividends.

The funds gained from commercial banks are designated for the realisation of investment projects in the ENEA CG, including e.g. for the construction of the 1,075 MWe gross supercritical bituminous coal fired power unit, which is to be constructed within the operations of ENEA Wytwarzanie.

In accordance with the Programme Agreement the Company is obliged to maintain a level of the financial indicator specified in the agreement: net debt/EBITDA relating to the amounts resulting from the consolidated financial statement. As at the date of preparation of this financial statement the above condition is fulfilled.

As at 31 December 2012 ENEA S.A. did not issue bonds within the aforementioned Programme.

Investment loan from the European Investment Bank

Additionally, on 18 October 2012 ENEA S.A. concluded a Financial Agreement with the European Investment Bank providing for the granting to ENEA S.A. of a loan in the amount of PLN 950 mln (say: nine hundred and fifty million zlotys) or its equivalent in EUR. The funds gained from the loan will be designated for the funding of a multiannual investment plan regarding the modernisation and extension of the power grids of ENEA Operator Sp. z o.o. The loan repayment period is up to 15 from the planned disbursement of the facility.

At the same time, on 18 October 2012 in relation to the conclusion of the aforementioned loan agreement an additional agreement was concluded for the realisation of the programme between ENEA S.A., European Investment Bank and ENEA Operator Sp. z o.o., which regulates the issues connected with the rules of realisation of the Programme in the part based on the funds made available by the Bank.

Presently, the agreement with EIB is finalised for another "B" tranche of the loan which will increase the EIB's involvement in the financing of the distribution area.

As at 31 December 2012 ENEA S.A. did not use any loans within the aforementioned Agreement.

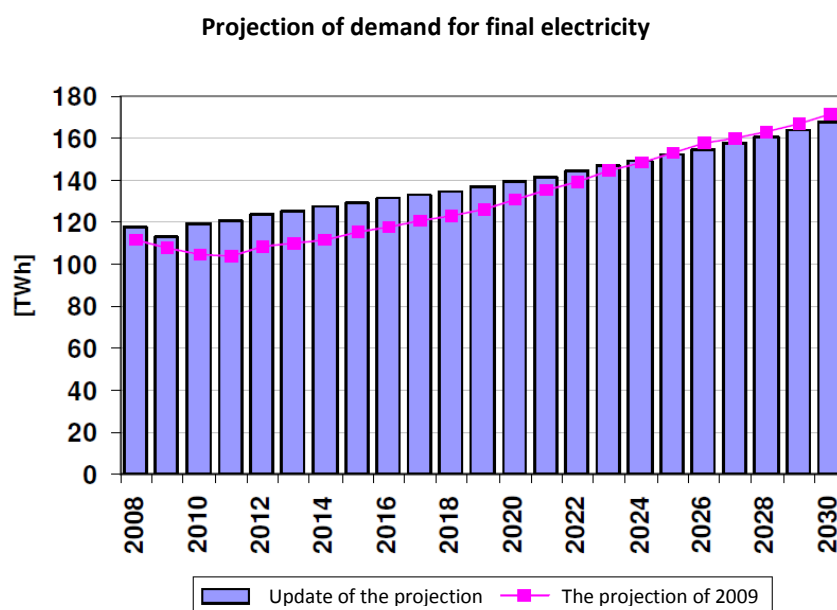
Additionally, ENEA S.A. continues parallel talks with the European Bank for Reconstruction and Development ("EBRD") concerning the possibility to obtain a maximum of PLN 800 mln of a long-term unsecured loan for implementation of the investment programme of the Capital Group with regard to the area of electricity distribution. It is planned that the funds from EBRD will be obtained in H2 2013 and will be used gradually during the availability period established with the Banks. The funds for which ENEA S.A. applies in EBRD would be, beside the funds gained from EIB, one of the basic sources of financing of the investment programme in the area of electricity distribution during 2012-2015 with the estimate value of PLN 3.2 bln.

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

3.6. Development perspectives

On the order of the Ministry of Economy in 2011 Agencja Rynku i Energii S.A. (The Energy Market Agency) conducted "Update of the projection of demand for fuels and energy until 2030" (further on: "Report"). Selected issues described in the Report are presented below (full content is available at: http://www.mg.gov.pl/files/upload/11099/ARE%20MG_2011_Raport_koncowy_01_09_2011.pdf).

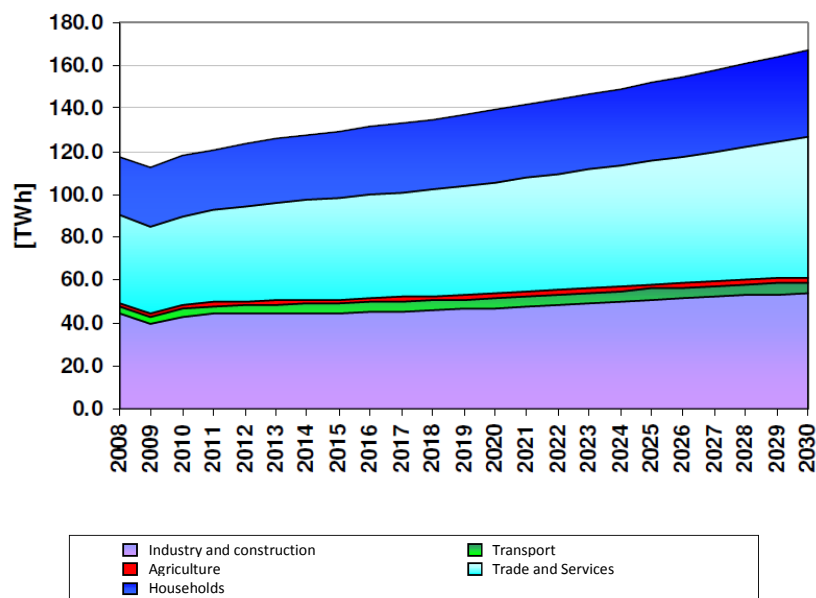
In accordance with its results the net production of electricity will grow till 2030 to 193.3 TWh in relation to 141.9 TWh in 2010, which means a growth by 36.3% (it means the annual average growth by 1.6%). At the same time the demand for electricity will grow from 119.4 TWh to 167.6 TWh.



Source: Update of the projection of demand for fuels and energy until 2030. ARE SA on the order of the Ministry of Economy, Warsaw, September 2011.

From the Report it results that the demand will grow in all the sectors of the economy. The highest, percentage growth of the demand for electricity is projected in the services sector (by 60%), and in households (by 50%), which is connected with the improvement of the economic situation in Poland. A substantial increase in the demand in services is most of all an implication of a dynamic growth of this sector anticipated in the macroeconomic prognosis. In households the main reason for growths in the multiannual perspective is an improvement of standards of life and the related greater number of electrical devices in the residential apartments and changes in the intensity of the use of these devices. Energy consumption indicator per person in Poland is still one of the lowest in the European Union, therefore growths within this sector must be anticipated. According to the authors of the report, the demand for final electricity in the industry will grow by ca. 22% in 2030, in comparison with the base year, i.e. 2008. The authors emphasised that it was a slight increase resulting from a moderate prognosis of the value added in this sector and a lowering importance of the energy consuming industry in the generation of GDP. Despite that, the industry as one of the largest recipients of the electricity in 2008, will still remain a significant consumer. The demand for electricity in the agriculture, which is mainly connected with the coverage of needs of the agricultural production, grows insignificantly - as reported.

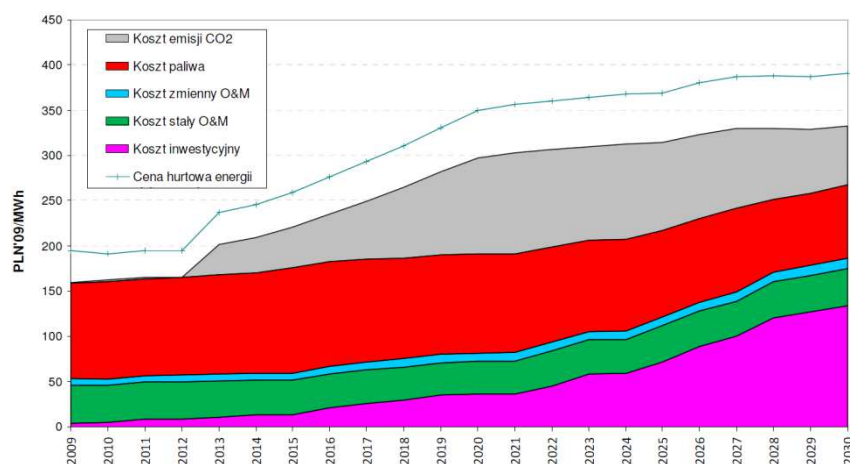
Projection of the demand for final electricity in division into sectors of economy [TWh]



Source: Update of the projection of demand for fuels and energy until 2030.
ARE SA on the order of the Ministry of Economy, Warsaw, September 2011.

According to the Report from 2013 the electricity price will be more and more affected by the annually growing cost of allowances for CO₂ emissions. In accordance with the projection it will grow by from ca. PLN 2/MWh to over PLN 100/MWh in 2020, after which it is to lower gradually (mainly because of the development of the atomic power engineering and CCS technology). An equally important impact on the future prices of energy will have the necessity of reinstatement of the generating assets, their modernisation and upgrading.

Cost of electricity generation in heat power plants and wholesale prices of electricity



Source: Update of the projection of demand for fuels and energy until 2030.
ARE SA on the order of the Ministry of Economy, Warsaw, September 2011.

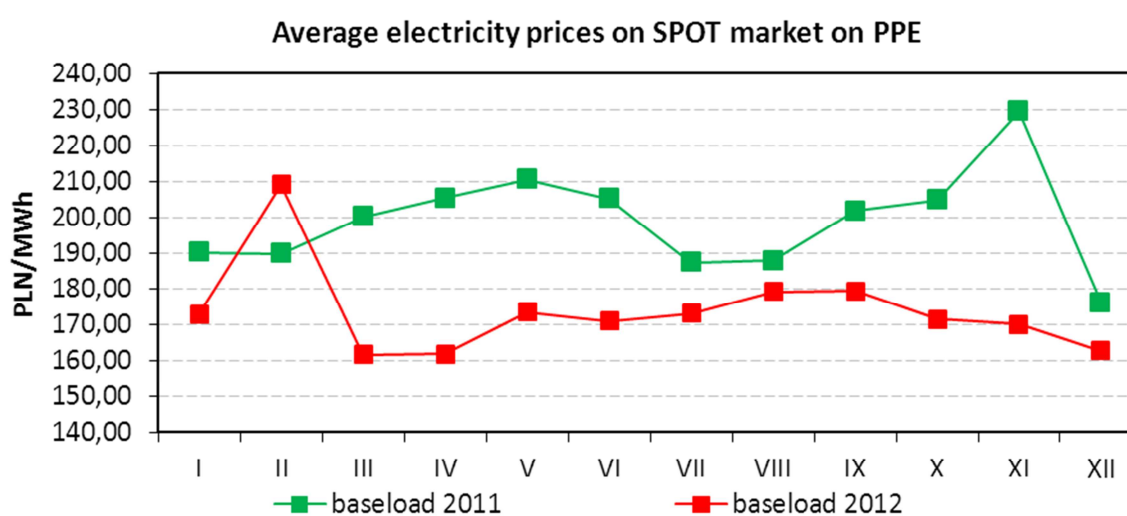
In the projection horizon, the share of the hard coal in the production of electricity drops from 55% in the base year to 21% at the end of the projection period. Production of electricity based on brown coal, together with

closing of existing power plants, will not diminish since (...) the withdrawn units will be successively replaced with new ones and after 2025 the production from IGCC units will appear which are equipped with CCS installations - as reported.

The volume of electricity generated from natural gas grows in the whole projection period, mainly in combined heat and power plants, which obtain additional revenues from sales of certificates of origin from gas cogeneration. Therefore, the share of this fuel in the balance of electricity production grows from 3% to 10%. The obtained results indicate thus an important role that this fuel may play during the upcoming decades in the Polish power system. The role is however strongly conditioned with future prices of gas and on an equally important level with the price of emission allowances for CO₂.

3.6.1. Wholesale electricity prices

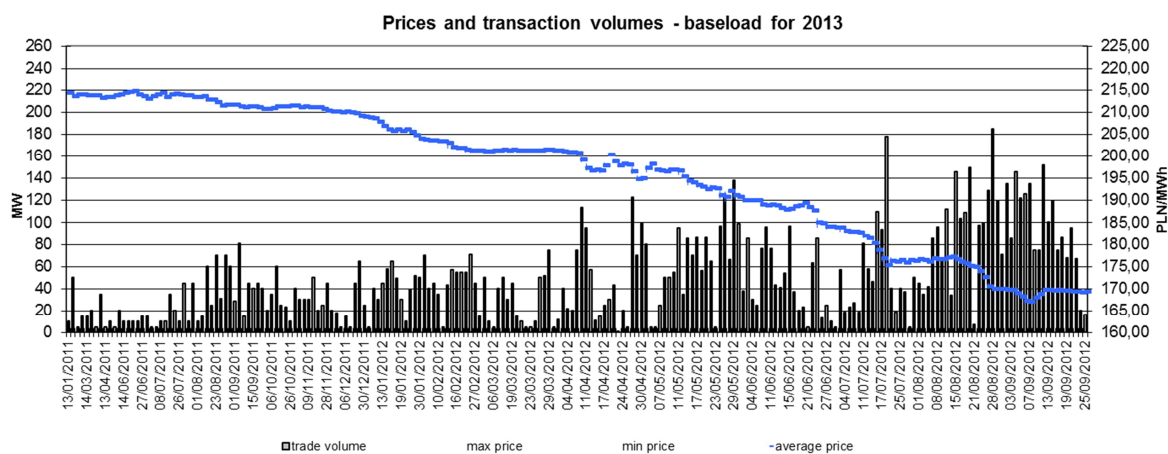
In 2012 prices of electricity on the spot market were much lower than in the previous year. The average price of energy in the baseload amounted to PLN 173.58/MWh and was by PLN 25.41/MWh (12.8%) lower than in 2011. The highest prices were noted in February that concurrently was the coldest month in the year (the air temperature reached -22°C) and the month of the highest demand for power in the National Power System. The lowest prices were noted on the turn of March and April 2012 which usually are the cheapest months in a year. Information on the average level of prices in the baseload and euro-peak in subsequent months of the year were presented in the diagram below:



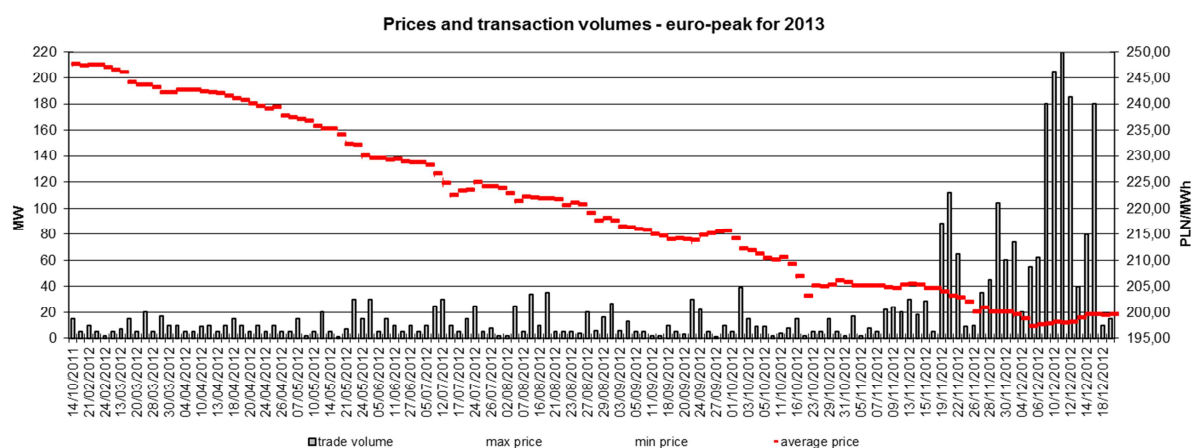
Source: Own paper based on data from PPE.

The forward market for the whole 2012 was dominated by a downward trend. The price of the most liquid product, a baseload with delivery in 2013 (BASE Y-13), noted a drop from PLN 214.80/MWh at the beginning of the year to almost PLN 170.00/MWh at the end of December (the minimum transaction price, reported on 7 December 2012 amounted to PLN 166.90/MWh). The average volume weighted price of this product determined over the quotation period, from January to the end of December 2012 amounted to PLN 189.54/MWh, which means it was by PLN 13.29/MWh (6.6%) lower than the analogical average price of the baseload product with delivery in 2012 (i.e. BASE Y-12). Euro-peak with delivery in 2013 product (PEAK Y-13) turned out to be cheaper than the respective product with delivery in 2012. Its average price which was shaped in 2012 amounted to PLN 208.52/MWh and was by PLN 19.98/MWh (8.7%) lower than the analogical price for PEAK Y-12.

The volume of the market turnover in the analysed products (i.e. BASE Y-13 and PEAK Y-13) grew with time and the highest values were reached during the last months of the year when the prices were lower. Detailed information is presented on the diagrams below.



Source: own development based on data from PPE, WSE, POEE, TFS.



Source: own development based on data from PPE, WSE, POEE, TFS.

In 2012 one of the factors causing a large uncertainty on the energy market was awaiting the decision concerning the functioning of the European CO₂ emissions trading system (EU ETS), in particular in the context of the derogation and change in the pooling of allowances for the subsequent years. Such considerable drops of prices on the market resulted on one side from the information flowing in regularly concerning the decreasing rate of growth of the Polish economy (Polish GDP dropped during the year from 103.6 in Q1 to 101.1 in Q4 2012), weaker and weaker forecasts for the subsequent two years and a decrease in the domestic consumption of electricity, and on the other side low levels of prices of allowances for emissions of CO₂ EUA, which you noted a drop by ca. EUR 6.00/t, described in more detail in item 3.6.2.

During the previous year the domestic consumption of electricity decreased. According to the data of PSE in 2012 the consumption amounted to 157.0 TWh, which means a drop in relation to the previous year by 0.6%. Although the yoy change was not large, in subsequent quarters of the year the drop increased.

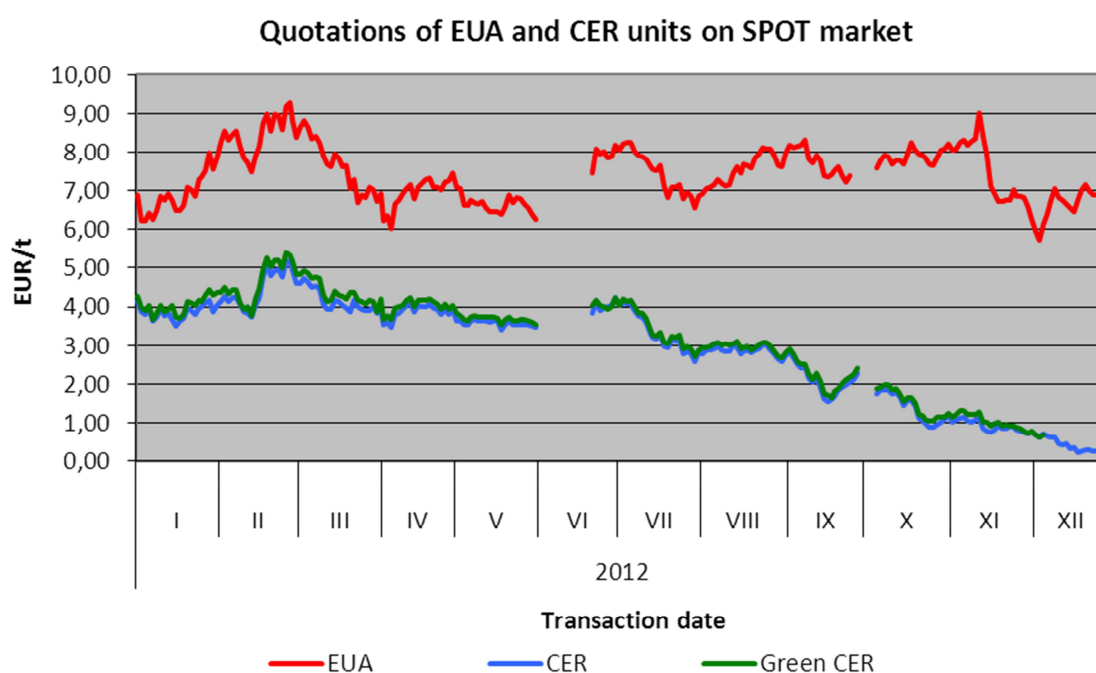
It is worth noting that in 2012 on the forward market annual products were quoted with deliveries not only for 2013 but also for the two subsequent years (i.e. BASE Y-14 i BASE Y-15), which speaks of the wholesale market growth and allowed for the limitation of the price risk in contracts concluded on the retail market, and also in the case of reaching a satisfactory level of margins, for hedging the commercial position of generation.

Reported low prices of energy may be a trigger to keep the competitiveness of Polish entrepreneurs, however it must be born in mind that the level of prices must ensure retaining of a proper level of investment outlays in the sector of generation, for the purpose of ensuring energy security and competitiveness of the Polish economy in the long run.

3.6.2. Limits of CO₂ emission allowances and their market prices

Along with the end of 2012 the 2nd settlement period expired within the European Emissions Trading System (EU ETS). Mainly as a result of a worsening macroeconomic situation in Europe and information on actual levels of CO₂ emissions lower than those projected, the prices of allowances for CO₂ emissions of did not reach anticipated high price levels. According to the information from February 2013 the surplus in the system is estimated for even 1.5-2.0 bln units*.

The average price of the EUA unit on the spot market in 2012 amounted to EUR 7.40/t and was by EUR 5.62/t (43.1%) lower than the average price from 2011. For CER units the average prices amounted to EUR 2.87/t for "grey" CER (a drop by EUR 5.91/t, i.e. 67.3%) and EUR 3.19/t for "green" CER** (a drop by EUR 6.75/t, i.e. 67.9%). Detailed information on daily quotations are included in the diagram below.



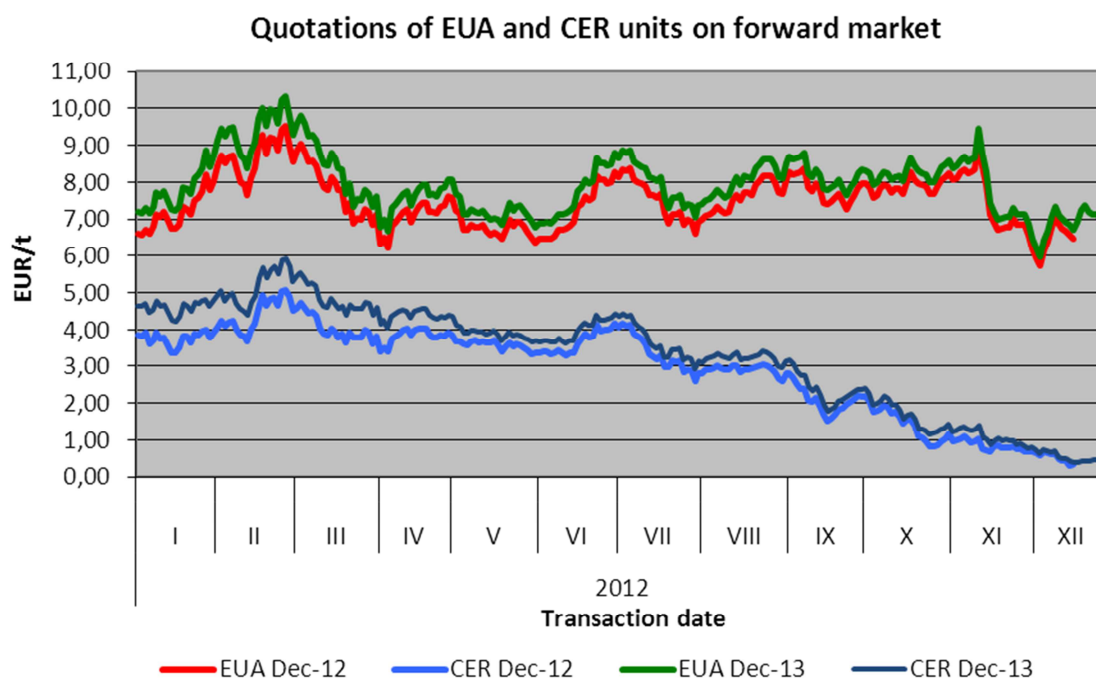
Source: own development based on data from BlueNext and ICE.

* Estimate of Consus Brokerage House, <http://www.nettg.pl/news/108288/eu-ets-spolki-weglowe-negatywnie-oceniajaten-system>

** "Green" CER – cover the units from projects other than projects within the reduction of HFC-23 and N₂O industrial gases from the production of adipic acid, i.e. they cover the projects within the wind, solar energy, utilisation of landfill gas, except large hydroenergetic projects. There are no limitations as to the possibility of their use for settlements of emissions within EU ETS. "Grey" CER - cover only the units from projects within the reduction of HFC-23 and N₂O industrial gases from the production of adipic acid. The possibility of their use for the settlements of emission within EU ETS was limited till the end of 2012.

On the forward market average prices of EUA and CER were also much lower than in 2011. For EUA with delivery in December 2012 the average price yoy dropped by EUR 6.32/t (45.7%) from EUR 13.82/t in 2011 to

EUR 7.50/t in 2012. For CER with delivery in December 2012 the average price dropped in comparative periods by EUR 7.42/t (69.3%) from EUR 10.69/t in 2011 to EUR 7.42/t in 2012. Generally, the more distant the delivery term for EUA or CER units, the higher were drops of prices by value. Detailed information on daily quotations on the forward market is included in the diagram below.



Source: own development based on data from ICE.

Both on the spot market and the forward market the daily fluctuations of prices of particular units were similar. EUA prices reacted mainly to the information appearing on the market on the surplus of allowances and planned dates of votes in the European Union institutions, or actions of the European Commission that could affect the EU ETS system. The price fluctuations were also affected by information on changes in the auction calendar for allowances for the third settlement period of EU ETS, or on the plans to merge EU ETS with the Australian system of CO₂ emissions allowances trading. At the end of October 2012 it was informed that at the beginning of December 2012 BlueNext exchange will cease to operate which conducted the most liquid spot market. The reason for that was the loss of the exchange in the hitherto tenders for the organisation of auction platforms in the 3rd settlement period. The organisation of the platform was granted to two exchanges, EEX and the London ICE. As a result of the decision on the turn of October and November the turnover on the market greatly increased and then also the EUA price seasonally.

Otherwise than EUA prices, especially in the second half of the year, CER unit prices were shaped. At the end of the year they were quoted on the level much below EUR 1.00/t. The situation resulted from, on one hand, a relatively high supply of these units, on the other hand from limited possibilities of their use by installations within the settlements of CO₂ emissions in EU ETS.

In 2012 two breaks in quotations of allowances for emissions of CO₂ occurred on the spot market. The first one, during 1 to 20 June, resulted from the consolidation of national registers of European Union member states and launching of a new EUTL system, and the other one, on the turn of September and October, was connected with a temporary closing of the Union Registers because of the planned implementation of a new version of the software. During these periods it was however possible to trade on the forward market.

Generation assets	CO ₂ emission in 2012	Annual average allocation according to KRPU (National Allocation Plan) form 2012
ENEA Wytwarzanie	9 925 556 Mg (excluding biomass)	9 636 619 Mg
Elektrociepłownia Białystok	331 614 Mg (excluding biomass)	695 753 Mg
MEC Piła	82 149	75 301 Allocated 2008-2012 [Mg CO ₂]
PEC Oborniki	14 859.9 Mg	none

3.6.3. Obligations with respect to obtaining energy certificates of origin

In accordance with the regulations being in force energy companies selling electricity to end users were obliged for 2012 to obtain and redeem the following types of certificates of origin:

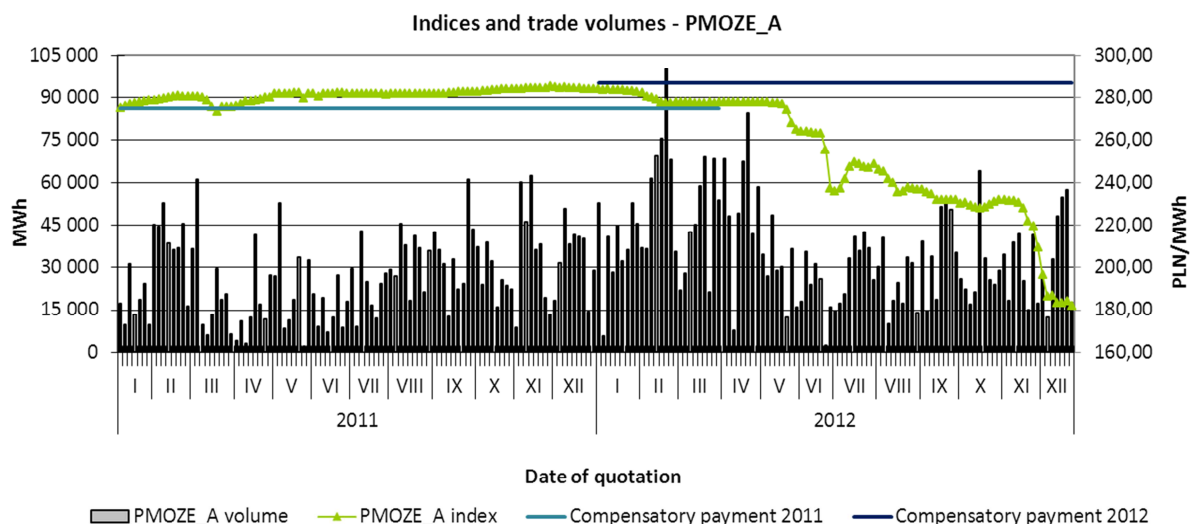
- for energy generated in renewable sources, the so called "green" certificates - the obligation on the level of 10.4% sales to end users,
- for energy generated in cogeneration, for the cogeneration unit fired with gas fuels, or with the total installed electrical power of the source below 1 MW, mentioned in Art. 9l item 1(1) of the Act of 10 April 1997 - Energy Law, the so called "yellow" certificates - the obligation on the level of 3.5% sales to end users,
- for energy generated in cogeneration fired with methane released and captured by underground mining works in operating, liquidated or closed mines of hard coal or with gas obtained from biomass processing, mentioned in Art. 9l item 1(1) of the Act of 10 April 1997 - Energy Law, the so called "purple" certificates - the obligation on the level of 0.6% sales to end users,
- for energy generated in cogeneration in sources other than the ones mentioned in item 2 and 3, the so called "red" certificates - the obligation on the level of 23.2% sales to end users, or an obligation to make a compensatory payment.

During the previous years the prices of certificates of origin listed on the Polish Power Exchange, because of the surplus of the demand over the supply, were such as to include the discount connected with the value of money in time and pursued the level of a unit compensatory payment. For "green" certificates the benefit from the reduction of the excise tax base (in the amount of PLN 20.00/MWh) was additionally taken into account.

In 2012, and for "red" certificates also in 2011, the pricing trend of these products was different. Detailed information on the level of pricing indices for particular types of certificates of origin with the trading volume was presented on the diagrams below.

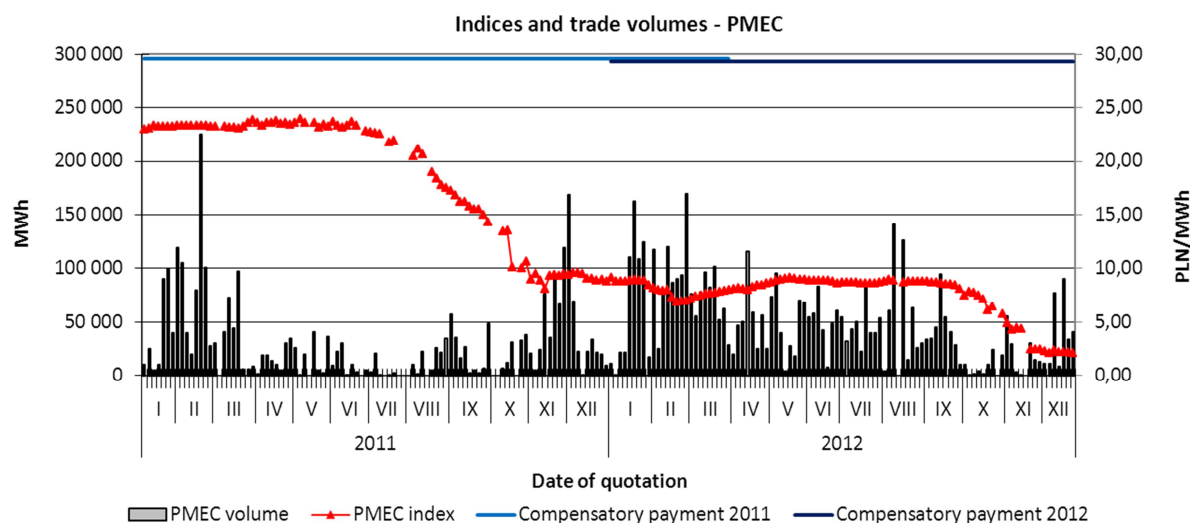
For "green" certificates from the beginning of 2012 drops in prices were visible. From the mid February till the mid May the indices stabilised on the level slightly lower than PLN 280.00/MWh, then subsequent much higher drops in prices occurred. During the year, with a unit compensatory payment on the level of PLN 286.74/MWh, the exchange index (PMOZE_A) decreased by over PLN 100.00/MWh from PLN 284.00/MWh at the beginning of January to PLN 182.21/MWh during the last session in the year. Substantially, such a pricing trend was affected by two factors: an oversupply of these types of rights on the market and regulatory uncertainty connected with the drafted amendments of legal acts shaping the new support system for the renewable energy engineering, and also postponing the adoption of final solutions. At the end of 2012, according to the data of PPE, the number of recorded and not redeemed certificates in the register amounted to 8.0 TWh. With the same percentage level of the obligations and a slight change yoy in the domestic consumption of electricity, it may be assumed that the required redemption of certificates for 2012 will be similar to the level of 2011. It would mean that the actual surplus of these certificates on the market would amount to several TWh for the realisation of the obligation for 2012.

Reported low prices of certificates of origin for energy generated in renewable sources may be reflected in a lower cost burden for energy end users, yet it must be born in mind that the level of certificate prices should ensure the maintenance of a due level of return from investment outlays in the RES sector, in order to ensure the realisation of the required level of the energy share from RES in energy "mix" in the long run.



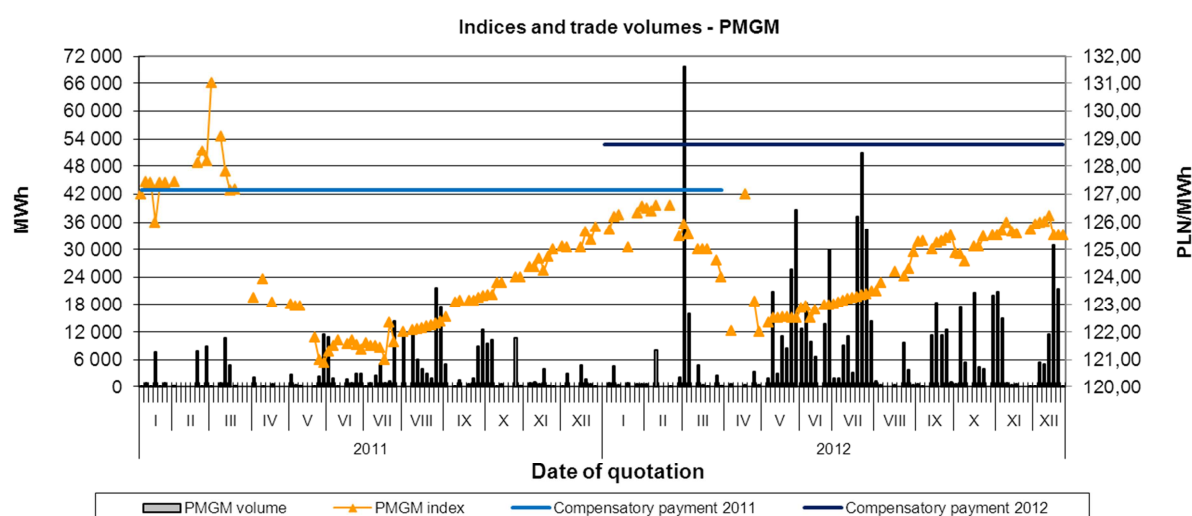
Source: own development based on the data from PPE, levels of unit compensatory payments acc. to the information of the President of ERO.

Significant decreases in prices occurred also on the market of "red" certificates. The rebates commenced in 2011 were continued in 2012. Similarly, as in the case of "green" certificates, such a pricing trend was affected by two factors: oversupply of these types of rights on the market and the fact that in accordance with the regulations being in force the year of 2012 would be the last year of the realisation of the obligation to redeem these certificates. Drops occurred despite the forecasts of the plans and publications of draft legal acts prolonging the period of the obligation realisation. As, in the case of "green" certificates, the surplus of "red" certificates may be estimated at several TWh, but till the end of December 2012 no legal act was finally adopted which would prolong the obligation realisation period. The exchange index (PMEC) decreased during the year by PLN 7.00/MWh from the level of PLN 9.15/MWh at the beginning of January to PLN 2.15/MWh at the end of December 2012. The unit compensatory payment amounted at that time to PLN 29.30/MWh.



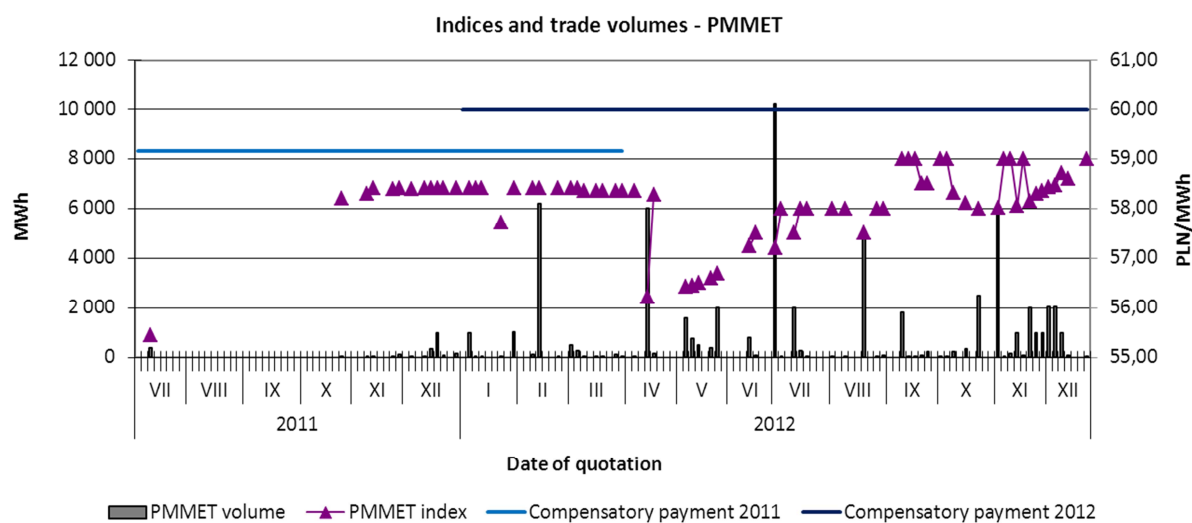
Source: own development based on the data from PPE, levels of unit compensatory payments acc. to the information of the President of ERO.

Otherwise than for "green" and "red" certificates the price index proved to be for "yellow" certificates (PMGM). In this case the trend substantially reflected the discount connected with the value of money in time and the price of the unit compensatory payment. Decreases of the index in March resulted from the legally regulated date of realisation of the obligation, i.e. 31 March of the subsequent calendar year. As a result, March is a "transitory" month, i.e. at the beginning of the month rights may still be bought in order to realise the obligation for the previous year (2011 in this case), in the second half only in order to realise the obligation for the current year (i.e. 2012). What is worth noting here is the decreases in the index in the second half of December 2012. They could follow from the expiry of the period of the obligation realisation (similarly to "red" certificates the year of 2012 is the last year for the realisation of the obligation) and lack of final decisions, whether it would be continued in the future. The exchange index (PMGM) at the end of December 2012 amounted to PLN 125.50/MWh and was by PLN 3.30/MWh lower than the unit compensatory payment which for 2012 amounted to PLN 128.80/MWh.



Source: own development based on the data from PPE, levels of unit compensatory payments acc. to the information of the President of ERO.

The lowest value changeability in prices was characteristic for "purple" certificates, for which the difference between the minimum and maximum index amounted to almost PLN 2.80/MWh, and the volume of the trade on the session market of PPE was, in comparison with the other types of certificates, substantially marginal. The value of the index (PMGM) at the end of December 2012 was PLN 59.00/MWh and was by PLN 1.00/MWh lower than the unit compensatory payment for 2012. It is also worth mentioning that contrary to "red" and "yellow" certificates the obligation to redeem "purple" certificates is continued in the subsequent year.



Source: own development based on the data of PPE, the levels of unit compensatory payments acc. to information of the President of ERO.

3.6.4. Development strategy of the Capital Group

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

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

We plan to realise our strategy through the realisation of the below defined goals:



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

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

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

We assume, that implementing our strategy during 2010-2020, we will designate in the base variant a total of about PLN 18.7 bln for investments in conventional generation, distribution and renewable energy sources and cogeneration.

Taking into account planned investments, in ENEA S.A.'s opinion it is important to ensure a long-term construction of a portfolio of equities, so that in the future it is possible to manage the investment realisation. The funds from the profit could complement the sources of financing of investment expenses, particularly within investments connected with the growth of the Group, mainly investments in new generating capacity.

Area of Generation

Our main goal for conventional generation is to construct a new 1.075 MWe gross electrical capacity bituminous coal-fired supercritical power unit in Świerże Górne. We are planning to commission it in 2017. As a result of the conducted proceedings for the selection of the construction contractor of the new power unit with the capacity of around 1,000 MWe executed in accordance with the provisions of the Act from 29 January 2004 on Public Offerings, from the two filed offers the offer of Hitachi Power Europe GmbH and Polimex – Mostostal S.A. consortium was selected as the most advantageous (the other offer was submitted by the consortium of China National Electric Engineering Co. Ltd. and China Overseas Engineering Group Co. Ltd.). Within the prescribed time, i.e. till 8 June 2012 the appeals made by each of the above entities were filed in the National Chamber of Appeal in Warsaw. On 27 July 2012 the National Chamber of Appeal in Warsaw announced the judgement in which it overruled the appeals filed by the both offerers. Therefore, it became possible to conclude on 21 September 2012 an agreement with the contractor whose offer was selected, on the construction of a supercritical power unit fired with bituminous coal with the gross electrical capacity of 1,075 MWe, efficiency of 45.6% net and the availability during the first year of over 90%, and in subsequent years over 92%. Pursuant to the concluded agreement, the realisation of the investment will last for 58 months from the date of execution of the agreement. The outlays anticipated for the investment realisation are around PLN 5.1 bln net (excluding financial costs). In September 2012 the Board of ENEA Wytwarzanie concluded a programme agreement with BRE Bank and ENEA S.A. concerning the Bond Issue Programme up to the amount of PLN 4 bln. The funds from the issue will be designated for e.g. financing of the construction of the power unit in ENEA Wytwarzanie. Together with the programme agreement relating to the Bond Issue Programme up to the amount of PLN 4 bln between ENEA S.A. and ENEA Wytwarzanie an agreement on guaranteeing the subscription for the bonds was concluded.

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

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

In the area of renewable energy sources we expect to further develop our generation capacities. By 2020 we are planning to achieve 250-350 MW of power installed in wind. Concurrently we are conducting activities aiming at the realisation of the investment in biogas capacities. In 2012 the investment expenditures within RES exceeded PLN 355 mln, which means their maintenance on a similar level in relation to 2011.

On 15 January 2010 ENEA S.A. completed the purchase of the first biogas power plant in Liszkowo (The Kujawsko-Pomorskie Province) with the capacity of 2.12 MWe. In Q2 2011 ENEA S.A. purchased 100% shares in the special purpose vehicle Dobitt Energia established for the needs of the construction of an agricultural biopower plant with the capacity of 1.6 MW - the construction was completed in December 2012. Having been connected to the network and after a technological start-up the biopower plant will commence the production of electricity in Q2 2013. The total capacity of biogas power plants in the ENEA Capital Group will reach 3.72 MWe at that time.

In March 2011 a subsidiary of ENEA S.A., i.e. Elektrownie Wodne, dedicated to, among other things, the extension of production capacities of the Group from Renewable Energy Sources purchased a wind farm located in Darżyno in Pomorze with the installed capacity of 6 MW. The wind farm in Darżyno was constructed in 2008. It located on the very windy area. In 2012 the farm generated 16,410.3 MWh of electricity.

On 1 June 2011 ENEA S.A. purchased from the French company Société Nationale d'Électricité et de Thermique (SNET) 69.58% of the Białystok Heat and Power Plant's shares. Thanks to the transaction the Group holds almost 100% shares of the company from Białystok. The Białystok Heat and Power Plant is one of the biggest enterprises in the region. The attainable heat capacity of the Białystok Heat and Power Plant (before the conversion of the second boiler to biomass) amounted to 459.2 MW. Apart from the heat production the Białystok Heat and Power Plant produces also electricity and process steam. The equipment of the combined heat and power plant may generate 400 GWh of electricity which is then sold on the wholesale market. The basic fuels used in the combined heat and power plant are biomass and coal. In 2008, in unit No. I, a boiler fired exclusively with biomass was started. The new installation helped to limit the emission of gases and dusts harmful to the environment and decreased the volume of waste from coal combustion. Commissioning of the biomass-fired installation enabled to decrease coal consumption by 120 thou. tonnes per year and replace it with 270 thou. tonnes of biomass. The capacity of the plant fired with this fuel is 75.2 MW. In 2012 the Białystok Heat and Power Plant completed the investment of the conversion of another coal boiler to the BFB fluidised bed type boiler - powered with biomass. Presently, the generating capacities of the Białystok Heat and Power Plant amount to respectively:

- the heat generating capacity 446.5 MWt, of which the heat generating capacity in RES - 98.4 MWt,
- the electrical generating capacity 156.6 MWe, of which the electrical generating capacity in RES - 56.6 MWe.

In June 2011 a hydroelectric plant was commissioned on the Wełna River in Oborniki. The building, which belongs to Elektrownie Wodne with the seat in Samociążek has the capacity of 330 kW. In 2012 the power plant generated 1,150.8 MWh of electricity. The water power plant in Oborniki is the 21st installation of that kind belonging to the ENEA Capital Group.

On 16 April 2012 ENEA S.A. purchased 100% shares of the special purpose vehicle, Windfarm Polska. The Company owns the newly built 50 MW wind farm in Bardy consisting of 25 Vestas turbines with the capacity of 2 MW each and the own switching station. The wind farm is located on a very windy area in the northwestern Poland, which translates into the forecast of an annual average production of electricity on the level of 150,000 MWh. In the period from the start-up (March 2012) until the end of 2012 the farm produced

121,914.3 MWh electricity. Windfarm Polska intends to extend the generating capacities of the farm with another 9-10 MW.

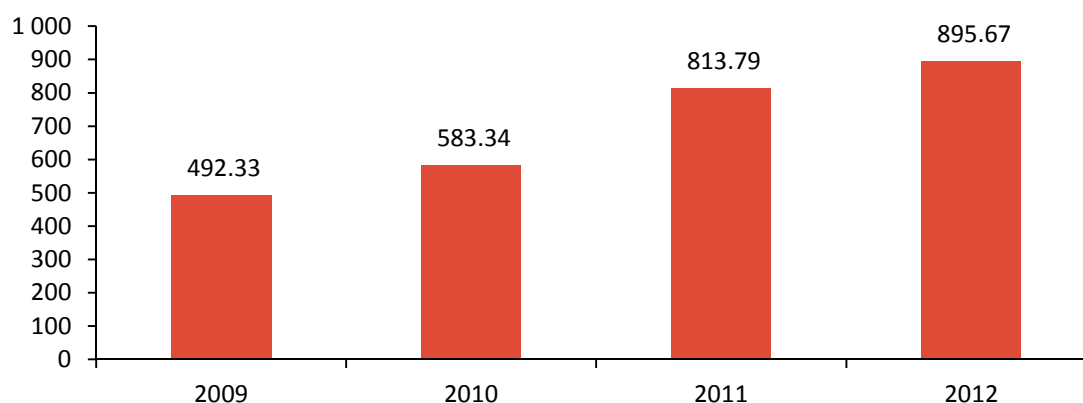
On 25 May 2012, within the "Integration of the Generation Area" Elektrownia "Kozienice" S.A. changed its name to ENEA Wytwarzanie S.A. and will manage the production of electricity and heat in the whole ENEA Capital Group. The Integration of the Generation Area covers seven subsidiaries of the ENEA CG: ENEA Wytwarzanie S.A., Elektrociepłownia Białystok S.A., Elektrownie Wodne Sp. z o.o., Dobitt Energia Sp. z o.o., Windfarm Polska Sp. z o.o., MEC Piła Sp. z o.o. and PEC Oborniki Sp. z o.o. The integration of electricity and heat generating companies aims at the implementation of a new model of the Group's operations ensuring an efficient decision-making process within the coherent generation strategy, optimum allocation of resources and improvement in the generation area efficiency. On 28 December 2012 ENEA Wytwarzanie took over from ENEA S.A. the shares of six companies operating within the generation of electrical and heat energy in the ENEA CG. In return, ENEA S.A. took up all the shares in the raised share capital of ENEA Wytwarzanie. As a result of these actions a holding structure of the generation area was established which is managed by ENEA Wytwarzanie. Another stage of the integration of the generation area realised in 2013 will be the inclusion of the three of the above-mentioned companies into the capital structure of ENEA Wytwarzanie, the remaining three companies will remain in the full operating subjectivity as subsidiaries of ENEA Wytwarzanie.

In 2011 ENEA S.A. also started cooperation with Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG) analysing the ability to construct together an electric power generating source fuelled by gas. Within this cooperation we are planning to perform works aimed at the selection of an optimum location for the gas-powered unit. Presently, together with PGNiG we are conducting detailed location and economic analyses for the selected locations based on which relevant corporate decisions will be made.

Area of Distribution

In the area of distribution, during the period covered with the strategy we are planning investment works and modernisation of the grid infrastructure, and essential refurbishment in connection with an increasing demand for electricity and the need to connect renewable sources of energy. Such investment and modernisation activities should result in increasing the functionality of our grid and reducing grid losses. They will also involve replacing those sections of power distribution lines that have been the longest in service. These activities should substantially affect the increase in reliability of deliveries of electricity to customers. Below we present the amounts of investment outlays made by ENEA Operator since 2009.

Value of investment outlays incurred in ENEA Operator Sp. z o.o. [PLN mln]



Our investment expenditures within distribution are continually increasing. In 2012 ENEA Operator's investment expenditures were by 82% higher than in 2009.

The Company designated the outlays to:

- connecting new users and new sources and related construction of new networks,
- modernisation and reinstatement of the existing assets connected with improving the quality of services and/or power demand increase,
- other investment outlays (in particular: connectivity, measurements, IT, buildings, constructions, means of transport).

In the perspective of 2009-2012 an explicit trend was noticed consisting in the decreasing of the share of outlays for connecting new recipients and new sources and related construction of new networks in the total amount of outlays. In 2009 such outlays constituted 66% of the value of the investment plan, and in 2012 - 38%.

At the same time, a trend is visible of increasing the share of outlays for the modernisation and reinstatement of the existing assets. In 2009 such outlays constituted 26% of the value of the investment plan, and in 2012 - already 50%.

Area of Sales

On 25 September 2012 the Board of ENEA S.A. adopted the "Strategy of sales of ENEA S.A. in the area of retail sales for 2012 - 2016". The strategy based on the expansion beyond the historical market, improvement in the efficiency of customer service and purchases on the wholesale market of energy, assumes the reversion of the downward trend in sales observed during 2009 and 2010.

The pillars of the sales strategy are:

- expansion of retail sales (gaining new clients beyond the historical area, keeping and recovery of clients from the historical area, and the development of the gas trade competences),
- efficiency of customer service (development of new channels of customer gaining and service, improvement in the efficiency and quality of customer service and optimisation of costs),
- efficiency in the wholesale trading (efficiency of purchases on the wholesale market, better projections, risk and portfolio management).

Area of Customer Service

In 2012 a programme of customer service model change was launched which covered the most important issues from the area of customer service.

The programme groups initiatives and projects which lead to the gaining of the following goals:

- increase in the efficiency of gaining and retaining customers,
- increase in the level of customer service quality,
- reduction of unit costs of customer service.

A growth in the efficiency of gaining and retaining customers and a higher level of the quality of customer service will be reached through the implementation of a new operating model of sales and customer service areas and the implementation of an IT system of customer service (Billing, CRM, Contact Centre).

As a result of the implementation of the new operating model it is planned to lower the unit costs of customer service, increase the volumes of sales and share in the energy market, and also enhance customer satisfaction.

A key and largest project realised within the Programme is the implementation of the operating model together with an IT customer service system.

Area of Wholesale Trade

In 2012 the model of settlements was changed between ENEA S.A. and ENEA Trading within the cooperation on wholesale trade in electricity and proprietary interests. The cooperation between the parties aims at reaching optimum business effects for the ENEA Capital Group within sales of electricity to end users and within products and services connected with the supply for the area of electricity sales, including also the rules of calculation of the remuneration of ENEA Trading by title of the services rendered for ENEA S.A.

The new model is based on the method of a net transaction margin and introduces an incentive mechanism for ENEA Trading to effectively realise its function for the account of ENEA S.A., both on the side of the efficiency of the trading function towards the market and the cost discipline.

The new settlement model entered into force starting from 1 January 2012, however the efficiency criteria application on which the amount of ENEA Trading's remuneration will depend relates to settlements starting from 1 January 2013.

3.6.5. Assessment of the Feasibility of Implementing Investment Plans

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

3.6.6. Customer Service

Within the customer service in 2012 the Programme of Customer Service Model Change was launched (ZMOK) which covered the key issued from within the area.

The goals of the ZMOK programme and expected benefits after its termination

ZMOK programme groups all the initiatives and projects which lead to the gaining of the following goals:

- increase in the efficiency of gaining and retaining customers,
- increase in the level of customer service quality,
- optimisation of unit costs of customer service,

A growth in the efficiency of gaining and retaining customers and a higher level of the quality of customer service will be reached through the implementation of a new operating model of sales and customer service areas and the implementation of ISOK, the IT system of customer service (Billing, CRM, Contact Centre).

As a result of the implementation of the new operating model it is planned to lower the unit costs of customer service, increase the volumes of sales and share in the energy market, and also enhance customer satisfaction.

Selected projects realised within ZMOK programme:

- development and implementation of the operating model of the sales and customer service areas,
- automation of downloading the measurement data of TPA clients to the billing system,
- extension of the scope and area of operations of the Call Centre,
- optimisation of the debt collection process,
- reporting and monitoring of levels of service in Customer Service Points,
- development of the product offer and additional services,
- development of the indirect sales channel,
- Dual Fuel project (conducting the market entry analysis for gas fuel).

The implementation project of the operating model with the ISOK system is the largest project realised within ZMOK Programme. The project was divided into four stages.

The concept of the Project division into Implementation Stages anticipates:

- at Stage 1 support of the Partner Channel in sales, settlements and service of Customers with Sales agreements,
- at Stage 2 a complete takeover of the support of sales, settlements and service of new and present Key and Strategic Customers,
- at Stage 3 a complete takeover of the support of sales, settlements and service of all the present customers of ENEA S.A.,
- at Stage 4 migration and commencing the service of the other present customers of ENEA S.A.

Within the first stage being presently in progress the following works were performed:

- Development of a detailed work schedule for Stage 1 of the project,
- Development and determination of the project management procedures (which at the same time are management procedures bidding for all the projects included in the programme),
- Commencement of the realisation of the task "Detailed analysis", within which the following is determined: (i) division of responsibility and course of processes; (ii) organisation sizing; (iii) process efficiency and efficacy indicators; (iv) target model of business processes including ISOK specifics; (v) detailed interpretation of requirements and mapping of requirements to processes; (vi) data migration scope; (vii) report specification; (viii) communication with the surroundings (integration with other systems).

3.6.7. Rating

Awarding ENEA S.A. in April 2012 by the Fitch Ratings agency with a long-term rating of an entity in domestic and foreign currency at the level of "BBB" and a long-term domestic rating at the level of "A" is of a key importance as to the investment intentions of the Group. The perspective of the ratings is stable.

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

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

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

3.6.8. Risks and key factors of the operations

The operations of the ENEA Capital Group depends on various macroeconomic and legal conditions. Our results may be e.g. affected by other factors described below.

3.6.8.1. The overall condition of the economy

The position of the Group in 2012 was to a certain extent shaped by the general trends in the national economy. 2012 was the year of economic growth for the Polish economy. According to figures from the Central Statistical Office, the Gross Domestic Product (GDP) in fixed prices of the previous year grew by 2.0% in 2012 yoy compared to 4.3% a year before. According to the Central Statistical Office, the growth of GDP was affected

by a positive impact of net exports and, to a small extent, of the national consumer demand, with almost neutral impact of the investment demand.

Gross added value in the national economy in 2012 rose by 1.9% yoy (as compared to +4.3% yoy a year before). Gross added value in the industry rose by 1.2% (as compared to + 10.0% yoy a year before), in the construction sector it dropped by 0.5% (as compared to +8.2% yoy a year before) and in the sector of trade and motor car repairs it grew by 1.5% (as compared to a drop of 1.8% yoy a year before).

Domestic demand increased by 0.1% yoy (against +3.4% yoy a year before), total consumption rose by 0.4% (against +1.5% yoy a year before) and individual consumption grew by 0.5% (against +2.5% yoy a year before).

The growth rate of the basic macroeconomic indicators relative to the previous year is as follows:

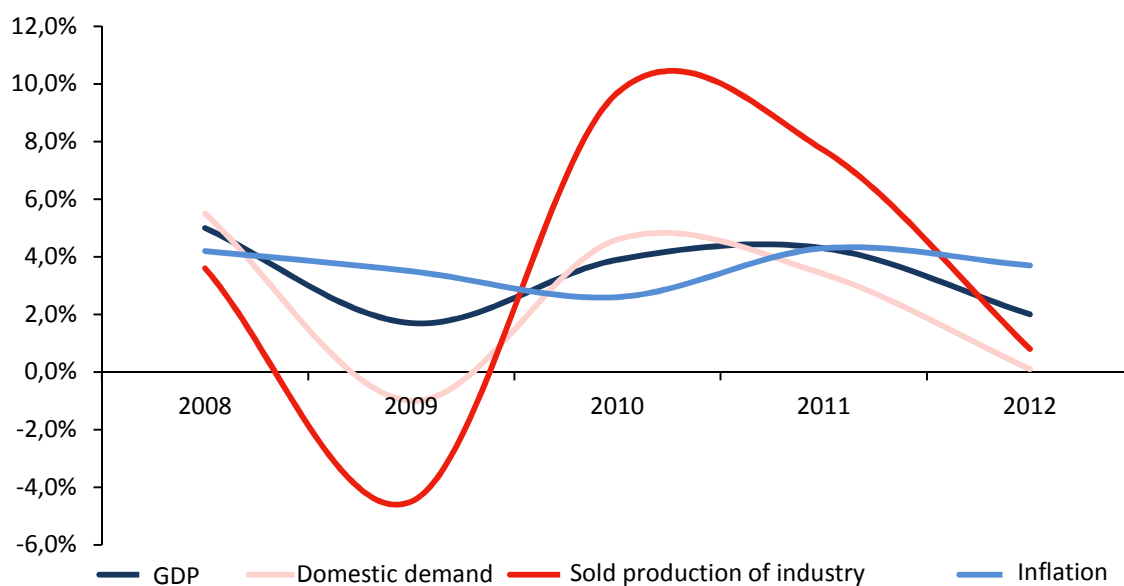
Item	unit	2011	2012*
GDP	growth in %	4.3	2.0
Value added in industry	growth in %	10.0	1.2
Domestic demand	growth in %	3.4	0.1
Gross outlays on fixed assets	growth in %	9.0	0.6
Industrial production sold	growth in %	7.7	0.8
Average monthly gross nominal remuneration in the enterprise sector	growth in %	5.0	3.4
Unemployment rate	%	12.5	13.4
Inflation	%	4.3	3.7
Export [EUR]	growth in %	12.8	3.8
Import [EUR]	growth in %	12.1	-0.6

* some figures are only estimates published by the Central Statistical Office

Gross outlays on fixed assets in 2012 grew by 0.6% yoy as compared to a 9.0% growth a year before. The rate of investments in the economy (i.e. gross outlays on fixed assets to GDP in current prices) amounted to 19.7% as compared to 20.3% a year before.

Data on the retail sales proved to be quite weak and additionally, according to analysts, one reason may not be indicated, sales dropped in all the categories. The economy is strong enough, the situation on the market is difficult, which leads to a drop in the consumption, since consumers are running out of savings, and banks grant consumer loans more reluctantly.

The change of selected macroeconomic indicators during the previous years was as follows:



3.6.8.2. Factors related to economic activity

Risk factors connected to economic activity in Poland

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

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

The legal and regulatory environment in which we operate is subject to changes

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

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

The operations of our Group are also strongly affected by changes in taxation law. The taxation system in Poland is subject to dynamic changes that result from the need to adapt its regulations to meet the requirements arising from European Union legal regulations. The nature and extent of such changes, together

with difficulties of interpretation related to the application of tax law, hamper both day-to-day activity and proper tax planning. Tax authorities' practice and court decisions in this area are not uniform. The adoption by the tax authorities of interpretations of tax regulations that differ from our own may have a negative effect on our activity, financial results, and financial situation or development prospects.

3.6.8.3. Legal regulation and tariffs

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

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

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

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

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

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

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

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

Until 31 December 2007, ENEA S.A.'s activities relating to sales of electricity to end customers were subject to an obligation to present tariffs to the President of ERO for approval. As at the date of publication of this report,

due to a decision of the President of ERO of 14 May 2008 we are exempt from the obligation to submit electricity tariffs to the President of ERO for approval, except for the tariff for customers from the G tariff group sets (households) connected to the grid of ENEA Operator to whom ENEA sales energy based on comprehensive agreements.

Within sales to recipients from G tariff group set for 2012, on 19 October 2011 the President of ERO called ENEA S.A. to submit a tariff request for approval. In reply to the call ENEA S.A. on 26 October 2011 applied to the President of ERO for approval of the "Electricity tariff" for G tariff group sets for 2012. The administrative procedure regarding the approval of the "Electricity tariff" for G tariff groups sets for 2012 ended with the issue of the decision No. DTA-4211-53(15)/2011/2688/V/BH of 16 December 2011 by which the President of ERO approved the Tariff for G tariff group sets for the period till 31 December 2012. The Tariff, in accordance with the Resolution of the Board of ENEA S.A. No. 761/2011 of 20 December 2011 entered into force on 1 January 2012. On 20 December 2012 with the decision No. DTA-4211-99(2)/2012/2688/V/BH the President of ERO prolonged till 30 June 2013 the validity period of the "Electricity tariff" approved by the Decision No. DTA-4211-53(15)/2011/2688/V/BH of 16 December 2011.

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

3.6.8.4. New legal regulations within RES

Co-firing of biomass with coal is presently a leading technology of generation of electricity from RES in Poland (around 45%). A dynamic development is mainly a result of the support of the state in the form of certificates of origin ("green certificates") with relatively low investment costs. A further development of co-firing of biomass with coal will depend on the level of profitability of electricity production from these sources. This in turn depends on the correlation between the price of electricity, level of support, thus the market price and the method of calculation of certificates of origin, and costs of production, i.e. mainly the price of biomass used for co-firing.

If the new Law on RES introduces correction coefficients or specifies time limits for rights to certificates a real reduction in the support will occur. The level of support limitation will directly translate into the lowering of the number of operated installations, lowering of levels of electricity production in the technology and a decline in the supply of generated certificates. The objective of investors will be other, more economically attractive sources of RES.

3.6.8.5. Supplies and prices of bituminous coal and other fuels

The basic fuel used to produce electricity by our basic generating assets, i.e. ENEA Wytwarzanie S.A., is bituminous coal. In 2012 the cost of coal comprised about 45% of operating costs of ENEA Wytwarzanie S.A. With regard to supplies of coal we are dependent on Lubelski Węgiel "Bogdanka" S.A. which in 2008 delivered 54%, in 2009 52.8%, in 2010 approx. 61%, in 2011 also around 61%, and in 2012 around 71% of this material by volume, and on Katowicki Holding Węglowy S.A. Additionally, in 2012 additional deliveries were realised from Jastrzębska Spółka Węglowa S.A. The Polish market of coal supplies is a market highly monopolised by companies belonging to the State Treasury, our key shareholder, which control a substantial part of domestic supplies of coal on the quantitative basis, excluding Lubelski Węgiel "Bogdanka" S.A., which in 2010 became public, listed in the Warsaw Stock Exchange. It is uncertain whether the present contracts in force for supply of coal which we concluded with our key suppliers will not be terminated or prolonged after their term. Moreover, according to these contracts, the price and quantity of delivered coal are determined during negotiations each year. It is not certain that the result of such negotiations will be always advantageous for us.

If we are not able to execute contracts for supply of coal to ENEA Wytwarzanie or the deliveries are suspended or disrupted for any other reason (i.e. as a result of strikes at mines), ENEA Wytwarzanie may be forced to purchase coal from more distant places at higher prices, suspend or limit generation of electricity till the supplies of coal are resumed or adjust own generating assets to use alternative fuels, which may result in increases in its expenditures. Increase of costs in ENEA Wytwarzanie would be reflected in the prices of power energy we sell which could lead to a situation that our prices become uncompetitive in relation to the prices of electricity sold by our competitors on the market. Moreover, lack of ability to keep stocks of bituminous coal on the proper level required by law may in turn result in imposing administrative penalties on us in the amount of up to 15% of our revenues from licensed activity during the previous tax year.

In January 2008, the Power Plant began production of power from the co-firing of biomass as fuel. Co-firing of biomass is carried out in eight 215-225 MW power units. Sawdust pellets and briquettes as well as sunflower pellets and briquettes are primarily used as biomass. In 2012 the Power Plant had agreements with 15 biomass suppliers. In 2010, biomass consumption amounted to 176,510.7 tonnes, whilst in 2011 it was 219,302.8 tonnes, and in 2012 294,658.65 tonnes (according to beltway scales).

3.6.8.6. Long-term contracts

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

The LTPPA compensation mechanism is as follows:

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

The Group developed a calculation model on the basis of which it requests advance payments and annual settlements from the President of ERO. The calculation of the amounts due is not unequivocal as it is determined by numerous factors, including the interpretation of statutory provisions. The Group decided to enter as proceeds only amounts stipulated in the decision concerning the annual adjustment of stranded costs.

For 2008 ENEA Wytwarzanie obtained advance payments towards stranded costs from the company Zarządca Rozliczeń S.A. in the amount of PLN 93,132 thou. In the decisions of the President of ERO the amount of annual adjustments of stranded costs for the Company for 2008-2010 was set on the following level:

- for 2008 the amount of PLN -89,537 thou.,
- for 2009 the amount of PLN 15,580 thou.,
- for 2010 the amount of PLN 2,472 thou.,

ENEA Wytwarzanie S.A. filed an appeal against this decision of the President of ERO with the Regional Court in Warsaw, the Court of Competition and Consumer Protection. Any other activities in 2009-2011 concerning annual adjustment of stranded costs were described in the financial statements for the previous years.

In 2012 the following key events relating to stranded costs took place:

On 20 April 2012 the Regional Court in Warsaw, Court for Competition and Consumer Protection, made a judgement in the case from the appeal of ENEA Wytwarzanie S.A. against the decision of the President of ERO

of 31 July 2009 (annual adjustment of stranded costs for 2008). With this judgement the Decision of the President of ERO of 31 July 2009 was amended in such a way that the amount of the annual adjustment of stranded costs for ENEA Wytwarzanie S.A. for 2008 was set on the level of PLN -4,192 thou. instead of the original amount of PLN -89,537 thou. The total costs of the proceedings were charged to the President of ERO. The judgement is not final and was challenged with the decision of the President of ERO of 27 June 2012 to the Court of Appeal in Warsaw.

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

On 31 July 2012 the President of ERO determined the amount of the annual adjustment of stranded costs for 2011 in the amount of PLN -37,397 thou. On 20 August 2012 ENEA Wytwarzanie S.A. appealed against the decision of the President of ERO to the Court for Competition and Consumer Protection, Regional Court in Warsaw (the appeal contains the motion to suspend the enforcement of the decision till the case is settled). On 19 September 2012 the Regional Court in Warsaw issued a decision in which it refused to suspend the enforcement of the decision of the President of ERO concerning LTPPA 2011 ordering a refund of the amount of PLN 37,397 thou. On 28 September 2012 the Company returned the full amount of the annual adjustment of stranded costs to Zarządca Rozliczeń S.A.

For 2012 the Power Plant applied for the advance payment towards stranded costs in the amount of PLN 0. In 2012 the revenues for indemnities for 2012 were not recognised, however the amount was recognised of PLN 3,500 thou. (the amount of the advance payment requested and received for 2011). In the financial statement for the period of January-December 2012 the costs included the amount of PLN 25,147 thou. - the amount of recognised revenues for 2008-2011.

The Court of Appeal in Warsaw set the date for the appeal hearing concerning the annual adjustment of stranded costs for 2008 for 15 March 2013.

As of the date of preparation of these consolidated financial statements it is not possible to clearly determine the final amounts of annual adjustments for 2008-2011. The complete amount of the granted permissible public aid by title of compensates of stranded costs will be determined in the decision of the President of ERO determining the amount of the final adjustment which will be issued in 2015. Having the above in mind, it must be reserved that the revenues by title of LTPPA which have been recognised so far and that were based on annual adjustments set by the President of ERO may be subject to a change which will result from the issuance by relevant courts of final judgements regarding annual adjustments and the final adjustment for the Power Plant.

3.6.8.7. The regulatory value of assets

RAB (regulatory asset base) is the value of assets engaged in the distribution activity. It is used to calculate the distribution tariffs. The initial RAB providing the basis for further calculations will be estimated on the basis of the lost revenue method, i.e. on the basis of a determination of the value of the loss that the Distribution System Operator would incur if it were deprived of its network assets. The initial RAB was specified as at 31 December 2008. The method of its calculation is specified in the paper of the President of ERO dated 19 November 2008 titled "Method of determining the regulatory asset base and return on the engaged capital".

3.6.8.8. The process of producing and distributing electricity

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

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

3.6.8.9. Risk associated with connecting renewable energy sources (RES)

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

3.6.8.10. Market liberalisation

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

The year of 2012 on the energy market demonstrated that the conscience of a possibility to change the sellers is getting higher not only among business clients but also households. The activities of the President of ERO aiming at activation of energy recipients bring more and more effects. For full market liberalisation what is lacking is only deregulation of prices of electricity for households. According to the data of ERO in 2012 141,797 recipients changed the electricity supplier (growth change on the level of 293% yoy), including 65,327 commercial customers (200% growth yoy) and 76,470 households (433% growth yoy).

ENEA S.A. is an active participant on the competitive market, engaging in activities aimed at selling energy to customers connected to the grids of operators other than ENEA Operator. In 2012 we sold around 3.1 TWh to such customers (growth change on the level of 48% yoy).

3.6.8.11. Dominant position on the local market.

We have a dominant position with regard to providing distribution services on the local market covering Northwest Poland. The actions we take are therefore subject to an inspection by Polish and European anti-monopoly institutions (including the President of OCCP and the European Commission). If those authorities find that we are applying monopolistic practices, they will issue a decision ordering us to refrain from applying them and possibly fine us. Furthermore, any legal acts that are a manifestation of an abuse of a dominating position will be invalid, either entirely or partially, as appropriate. In the future, any decisions that might be issued by the President of OCCP or the European Commission may have an adverse effect on our business activities, financial standing, financial results or development prospects.

3.6.8.12. Licences

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

- ENEA S.A. holds a licence to trade in electricity, valid until the end of 2025,
- ENEA Operator has a licence to distribute electricity, valid until mid-2017,
- ENEA Wytwarzanie holds a licence to generate electricity, valid until the end of 2025, and a licence to trade in electricity, valid until 31 December 2030,
- ENEA Trading Sp. z o.o. holds a licence for the generation of electricity, valid till the end of 2030.

3.6.8.13. Bituminous coal transportation.

The basic means of transport used to deliver bituminous coal to ENEA Wytwarzanie is rail transport. Over 90% of supplies of this material to ENEA Wytwarzanie were realised by PKP Cargo S.A., the biggest railway carrier in Poland, with which an agreement was concluded for transport of coal to the Power Plant from Lubelski Wegiel "Bogdanka" S.A. and mines of KHW S.A. and KW S.A. as a result of the public tender on an open basis. Around 10% of coal transports were purchased by the Power Plant subject to the terms that the supplier sold coal with its transport to the Power Plant.

3.6.8.14. Risks connected with the possibility of strategy realisation

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

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

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

On 21 June 2012 between ENEA and five banks acting as Guarantors for the issue, i.e.: Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Bank Handlowy w Warszawie S.A. and Nordea Bank Polska S.A. a programme agreement was concluded concerning the bond issue programme up to the amount of PLN 4 bln, which is described in detail in item 3.4.1 above.

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

Our ability to obtain financing and the cost of capital depend on many factors, and in particular on: (i) general market conditions and the situation on capital markets; (ii) the availability of bank loans; (iii) investors' confidence; (iv) the Company's financial situation; and (v) tax regulations.

We conduct our activities in an environment which is subject to a special legal framework. The situation of the Group is particularly affected by the provisions of the Energy Law and European Union regulations, including

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

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

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

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

3.6.8.15. Synergy results

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

3.6.8.16. Modernisation of generating assets

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

Our activities involving the production and distribution of electricity require ongoing and regular refurbishments and modernisations, as well as new investments in production and distribution assets. Such projects are burdened with significant risk factors. These risk factors in particular relate to inclement weather, delays in the completion of construction, repair and modernisation works, increases of planned investment costs, the insolvency of contractors or sub-contractors, contractors' or sub-contractors' employee disputes, shortages of construction materials or equipment, accidents, unforeseen technical difficulties or the

impossibility of obtaining required permits. If any of those risks occurs, it could lead to delays in implementing plans to modernise our distribution or production assets or prevent them from being implemented, which could have an adverse effect on our financial results and development prospects.

3.6.8.17. Events of force majeure and malfunctions

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

Maintaining the power system and our distribution infrastructure in a proper working order is of a key significance for our business activities. The law also imposes certain obligations on us to maintain and repair key elements of our power infrastructure. A malfunction of the electricity system (including transmission or distribution grids and production assets belonging to third parties) or our electricity infrastructure could prevent or reduce the purchase or sale of electricity or system services and the provision of electricity distribution services. Our distribution infrastructure is getting older, although it is modernised periodically, which caused that we are additionally exposed to a risk of a failure. In the event of a malfunction in the distribution infrastructure due to its current technical condition, problems related to it or events of force majeure, because ENEA Operator is obliged under the provisions of the Energy Law to maintain and repair the distribution grid it may become necessary to incur substantial unforeseen costs.

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

Malfunctions of our distribution infrastructure or production assets could give rise to liability with respect to third parties, which could result in an obligation to pay substantial damages. Additionally, a breakdown in our distribution or generating infrastructure may be grounds for imposition on us by the President of ERO of a penalty of up to 15% of our revenues from licensed activities.

The failure rate of ENEA Wytwarzanie in 2012 in comparison with the previous year declined and amounted to:

- for 8x200 MW units: 1.35% (1.88% in 2011),
- for 2x500 MW units: 2.84% (5.92% in 2011),
- for all the units: 1.60% (2.53% in 2011).

The key reasons for failures and exclusions of units in 2012 were leakages of the pressure parts of boilers.

From important failure events in 2012 the following failures must be mentioned:

- 9TZ1 turbine-driven pump because of the blade system of the rotor,
- high-pressure part of the turbine of unit No. 4 (damage of turbine tapping step barrier, damage of rotor and guide blades).

3.6.8.18. Insuring our operations

Insurance policies concluded for the benefit of Companies belonging to the ENEA Capital Group may not be sufficient to cover losses borne as a result of activities carried out. Such activities are associated with many risks. For example, malfunctions in the electricity system could prevent us from selling electricity or make it necessary to incur unforeseen costs in order to repair the distribution infrastructure. Our key assets, particularly production assets, power lines or transformer units, could be destroyed due to an event of force

majeure or other events, including fires, other natural disasters or a terrorist attack. Our Group's activities could also result in claims being asserted relating to damage caused to third parties. The scope of the insurance policies we hold corresponds to the scope of the insurance policies held by other power companies in Poland, though it may differ from the scope of insurance policies held by foreign entities. There is no guarantee that the insurance policies concluded on our behalf will be sufficient to cover all the losses incurred by us or by third parties in connection with our operations. The occurrence of any of the above circumstances or similar circumstances could therefore lead to our being unable to resume the full scope of our activities within a reasonable time or at all, which could have an adverse effect on our operations, financial standing, financial results or development prospects.

In order to prevent a possibility of occurring aforementioned risks the ENEA Capital Group Companies cover their assets with insurances mentioned in item 3.4.7 above.

3.6.8.19. Management personnel

Highly qualified management personnel holding a widely understood experience in corporate management has an important impact on future successes of the Company.

Staffing policy assumptions of the Company serve the realisation of plans of a dynamic growth and strengthening of the market competitive position. Company's working towards maintaining the position of a leader on the power services market and active gaining of new clients, both individual and business, and also higher and higher dynamics and comprehensiveness of changes that occur in the power business are connected with serious challenges for the management personnel. Knowledge, skills and experience of people holding managerial positions in the Company constitute key factors regarding strategic interests within commercial operations.

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

For example, in 2012, a range of trainings devoted to the development of held skills were organised for senior managers. Programmes of particular workshop sessions were elaborated based on the survey of training needs. In relation to the fact that the whole training programme was highly assessed by participants, in 2013 it is planned to conduct similar workshops for other groups of managers.

3.6.8.20. Collective disputes and agreements.

Collective disputes with employees may cause disruptions to our business.

ENEA S.A.

Approximately 43% of our employees belong to trade unions. The position of trades unions in the power sector is particularly strong because of the volume of employment in the sector and its strategic influence on the functioning of the economy. Furthermore, the expectations of trade unions are based on conditions won by the employees of other power companies or power generators in agreements concluded in relation to the earlier privatisation of these companies. Although we are endeavouring to maintain good relations with our employees and to resolve all problems that arise on an ongoing basis, we cannot exclude the possibility of collective disputes taking place in the future. Collective disputes with employees may lead to disruption of our ongoing activities, and in particular to stoppages, and may also cause an increase in labour costs, which may have a negative effect on our business, financial situation, financial results or development prospects.

ENEA is a party to a collective dispute which was initiated on 7 September 2009, and concerned the planned privatisation of the Company and the effects of a potential change to the shareholding structure on the Company's employees.

Our ability to improve productivity and reduce costs by restructuring employment is limited by collective agreements.

If we consider that improvement of our profitability and ability to compete effectively thanks to more efficient operation depends on reducing employment, our efforts to do so will be subject to limitations that arise from collective agreements concluded with trades unions operating in the Group. In particular, in accordance with the agreement concluded with trade unions on 18 December 2002, our employees are covered by specific guarantees that conditions of work and payment will be maintained, and also by a guarantee of long-term employment. On the basis of this agreement, we undertook to pay an employee, in the event of termination of his or her contract of employment, severance pay amounting to the product of the individual's monthly remuneration and the period remaining to the end of the period guaranteed by the agreement - 80% of this amount is payable if payment is made in a lump sum and 100% if payment is made monthly.

ENEA Wytwarzanie

Around 65% of the employees of ENEA Wytwarzanie belong to trade unions operating within the Company. At present, we have no misunderstandings or conflicts pertaining to work time, remuneration, employee benefits or union rights and freedoms, and so there are no collective disputes between employees and the employer in the understanding of the law of resolving disputes. In ENEA Wytwarzanie S.A. no collective dispute is in progress at the moment.

Elektrownie Wodne and Liszkowo Biogas Plant

The Corporate Collective Labour Agreement applies to Elektrownie Wodne. Presently no disputes are in progress.

ENEA Operator

Around 77% of all the employees of ENEA Operator are associated in trade unions. In 2012 ENEA Operator was a party to one collective dispute with five trade unions resulting from failure to realise the demand of increasing remunerations. The dispute commenced on 1 March 2012 - of which the Company informed in a current report No. 10/2012 on 7 March 2012 and terminated on 28 May 2012 with a concluded agreement (CR 19/2012).

3.6.8.21. Court and administrative proceedings

We are now and may be in the future a party to court and administrative proceedings.

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

The description of court or administrative proceedings to which a party is any company from the ENEA Capital Group may be found in item 8.2 below.

3.6.8.22. Environmental protection

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

Our activities have a significant effect on the natural environment and require possession of a series of permits to make use of the environment. In particular, in order for ENEA Wytwarzanie to conduct its business, it must hold integrated permits, which we obtained under Decision of the Mazowieckie Provincial Administrator

No. WŚR.I.6640/13/6/05 of 20 December 2005. The permit together with amending decisions is valid through 20 December 2015.

Failure to comply with the provisions of permits, or rescission of those permits, can lead to our incurring liabilities, to penalties being imposed on us, or to suspension of the operation of certain facilities. Also, activities of ENEA Operator require regular measurements of electromagnetic field emissions when commissioning investments as well as certain permits to generate waste.

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

3.6.8.23. Real estate

The Company holds no due legal title to some properties used by ENEA Operator. This applies to approximately 30% of all the real properties on which the power infrastructure is located (except for power lines).

This may entail the risk of paying further costs on account of non-contractual use of real properties, which may have an adverse effect on operations and financial performance. There is a risk of proceedings being initiated against the Company in order to prevent it from any further use of such properties, which might result in significant costs incurred by the Company.

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

The total value of provisions against claims by title of non-contractual use being subject of the proceedings before the courts to which ENEA Operator was a party, as well as pre-court claims (potential claims) amounted to PLN 120,434.1 thou. as at 31 December 2012.

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

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

3.6.8.24. Modernisation and development.

The development of the ENEA Capital Group will be carried out in three basic strategic areas:

- development of the core business of the Group,
- enhancement of the effectiveness of the Group functioning,
- building of a socially responsible business, which was described in more detail in item 2.2 above "Policy on directions of development of the Capital Group".

Current maintenance, and above all modernisation and expansion of the power plant in Świerże Górne and of power lines require significant investment expenditures to be incurred regularly. We expect that our investment outlays during the coming years will be financed primarily from funds generated from operating activity and debt finance.

On 21 June 2012 between ENEA and five banks acting as Guarantors for the issue, i.e.: Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Bank Handlowy w Warszawie S.A. and Nordea Bank Polska S.A. an agreement was concluded concerning the bond issue programme up to the amount of PLN 4 bln. The programme will fund the current operations and selected investment needs of the Group, including in particular the construction of a new power unit with the capacity of 1,075 MWe gross in Świerże Górne (ENEA Wytwarzanie). The Bond Issue Programme was established for the period of 10 years and terminates on 15 June 2022, however the bonds may be issued till 31 December 2017. The agreement anticipates the possibility of performing the bond issue in numerous series and issue dates will be dependent on the ENEA Capital Group's investment needs.

Despite the agreement concluded on the bond issue programme mentioned above our ability to obtain funding and capital costs within the other investment needs depend on many factors of which many lay beyond our control, and in particular: (i) general market conditions and the situation on capital markets; (ii) the availability of bank loans; (iii) investors' confidence; (iv) our financial situation, results and development prospects; and (v) tax regulations and regulations on trading in securities.

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

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

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

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

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

4.1. Discussion of key economic and financial figures disclosed in the annual consolidated financial statement

4.1.1. Financial results

In order to standardise the presentation of IAS 19 solutions, employee benefit costs were adjusted for reference only, in the part relating to actuarial profit/loss, in 2011 by PLN 1,737 thou., and in 2012 by PLN 60,888 thou., which was applied to retained earnings.

Profit and loss statement in PLN '000	2011	2012	Change	Difference
Net sales revenues	9 708 512	10 096 032	104.0%	387 520
Cost of sales	8 913 299	9 118 150	102.3%	204 851
Other operating revenue	228 768	108 159	47.3%	-120 609
Profit/(Loss) on sales and liquidation of tangible fixed assets	-12 878	-8 549	66.4%	4 329
Tangible and intangible impairment write-off	6 406	5 397	84.2%	-1 009
Other operating expenses	158 736	225 548	142.1%	66 812
Operating profit (loss)	845 961	846 547	100.1%	586
Financial expenses	46 887	84 133	179.4%	37 246
Financial revenue	184 070	148 646	80.8%	-35 424
Write-off of goodwill	0	-5 921	x	-5 921
Dividend revenue	1 438	2 724	189.4%	1 286
Share in (losses)/profits of affiliated entities accounted for using the equity method	4 529	304	6.7%	-4 225
Profit (loss) before tax	989 111	908 167	91.8%	-80 944
Income tax	195 183	196 558	100.7%	1 375
Net profit (loss) for the reporting period	793 928	711 609	89.6%	-82 319
EBITDA	1 528 774	1 596 284	104.4%	67 510

Individual events

- The final settlement in 2011 of the transaction of purchase of the Białystok Heat and Power Plant – profit for a bargain purchase in the amount of PLN 81,988 thou.
- In the other operating costs in 2012 costs for non-contractual use of properties were included for reference only.
- In 2011 the tangible assets impairment write-off was made in the amount of PLN 5,634 thou. resulting from diminishing of the value of assets of street lightings transferred to ENEOS.
- Write-off of goodwill in 2012 in the amount of PLN 5,921 thou. results from the performance of a test for a loss of goodwill of Annacond Enterprises Sp. z o.o.
- A higher share in profits of affiliates valued with the equity method in 2011 relates mainly to higher shares of ENEA Wytwarzanie in Energo-Invest-Broker S.A.
- In 2012 Auto-Styl was sold as well as shares in Exatel.

Revenues

The Group's net revenues from sales in 2012 amounted to PLN 10,096,032 thou., which in relation to 2011 constitutes a growth by PLN 387,520 thou, i.e. by 4.0%.

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

Item	2011		2012		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Revenues from the sale of electricity	6 508 001	67.0	6 768 335	67.0	104.0%	260 334
Revenues from the sale of distribution services	2 642 110	27.2	2 813 446	27.9	106.5%	171 336
Revenues from the sale of goods and materials	123 357	1.3	127 603	1.3	103.4%	4 246
Revenues from the sale of other services	138 859	1.4	129 573	1.3	93.3%	-9 286
Revenues from certificates of origin	19 230	0.2	37 531	0.4	195.2%	18 301
Revenues from sales of CO ₂ emission allowances	168 559	1.8	62 225	0.5	36.9%	-106 334
Recovery of stranded costs	2 472	0.0	-21 647	-0.2	x	-24 119
Revenues from the sale of heat energy	105 924	1.1	178 966	1.8	169.0%	73 042
Total net revenues	9 708 512	100.0	10 096 032	100.0	104.0%	387 520

The Group's revenues mainly consist of revenues from sales of electricity and from sales of distribution services, which amount to 67.0% and 27.9% of total net revenues, respectively.

- Revenues from sales of electricity in 2012 amounted to PLN 6,768,335 thou. and rose in relation to the previous year by 4.0%. It mainly results from the growth of revenues from sales of electricity to end users by PLN 173,231 thou. (higher volumes of sold energy by 188 GWh with an increase of the average sale price by 3.1%). Additionally, there was a growth in revenues from sales of electricity in ENEA Wytwarzanie by PLN 66,545 thou. (higher average price by 2.3%). Additionally, higher non-invoiced sales were generated within electricity, which in relation to 2011 grew by PLN 16,539 thou. The growth in revenues by PLN 33,907 thou. was also affected by incurring lower excise taxes. Concurrently, there were lower revenues from sales of electricity in the Białystok Heat and Power Plant by PLN 28,909 thou.
- Revenues from sales of distribution services in 2012 amounted to PLN 2,813,446 thou. and were higher than in the preceding year by PLN 171.336 thou. A growth in these revenues stemmed mainly from higher revenues from sales of distribution services to end users by PLN 132,465 thou. which results from a higher average selling price of distribution services to end users by 4.8% and higher volume by 102 GWh. Additionally, there was a growth in the revenues from the settlements on the Balancing Market by PLN 6,926 thou., revenues from grid connection fees by PLN 12,398 thou., estimated revenues from non-invoiced sales by PLN 17,048 thou. and sales of distribution services to other entities by PLN 2,799 thou.
- Revenues from sales of heat energy in 2012 amounted to PLN 178,966 thou. and increased by PLN 73,042 thou., which mainly stemmed from higher revenues from sales of heat energy of the Białystok Heat and Power Plant by PLN 68,728 thou. (for 2012 PLN 126,903 thou., from June 2011 PLN 58,175 thou.).
- Revenues from sales of certificates of origin amounted to in 2012 PLN 37,531 thou. and constitute mainly revenues realised by the Białystok Heat and Power Plant.

- Revenues from sales of goods and materials in 2012 amounted to PLN 127,603 thou. and grew in comparison with 2011 by PLN 4,246 thou., which mainly stems from higher sales of goods and materials in the following companies: ENERGOBUD Leszno, ITSERWIS and BHU.
- The decrease in revenues from sales of allowances for emissions of CO₂ by PLN 106,334 thou. results mainly from lower sales of allowances for emissions of CO₂ in ENEA Wytwarzanie.
- A drop in revenues from the recovery of stranded costs is lower by PLN 24,119 thou. stems from the inclusion of an adjustment of recognised revenues for 2008-2011 in the amount of PLN -25,147 thou. and an advance payment for 2011 in the amount of PLN 3,500 thou. which was applied for and received.
- The decrease in revenues from sales of other services by PLN 9,286 thou. stems mainly from a decrease in revenues under this item in the companies: ENERGOBUD Leszno, Auto-Styl, Energomiar and ENEA Operator.

In 2012 the total costs of sales amounted to PLN 9,118,150 thou. and increased by 2.3% in relation to the comparative period.

The breakdown below shows the value and structure of costs on sales which were incurred in 2012.

Costs

Item	2011		2012		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Amortisation/depreciation	682 813	7.7	749 737	8.2	109.8%	66 924
Employee benefit costs	1 010 673	11.3	1 009 467	11.1	99.9%	-1 206
Consumption of materials and raw materials and value of goods sold	1 773 649	19.9	1 906 931	20.9	107.5%	133 282
Costs of purchases for resale	4 116 226	46.2	4 075 607	44.7	99.0%	-40 619
Transmission services	713 880	8.0	714 451	7.8	100.1%	571
Other external services	411 217	4.6	437 100	4.8	106.3%	25 883
Taxes and charges	204 841	2.3	224 857	2.5	109.8%	20 016
Total cost of revenues from sales	8 913 299	100.0	9 118 150	100.0	102.3%	204 851

The largest items in the Capital Group's costs are the costs of purchasing electricity and consumption of materials, as well as the value of goods sold, which constitute respectively 44.7% and 20.9% of the costs of revenues from sales.

- Costs of consumption of materials, as well as the value of goods sold in the reporting period amounted to PLN 1,906,931 thou. and grew in relation to the previous year by PLN 133,282 thou. which mainly stems from higher costs of consumption of materials of the Białystok Heat and Power Plant in the amount of PLN 67,182 thou. (in 2012 PLN 178,136 thou., and from June 2011 PLN 110,954 thou.). Additionally, there was a growth in this item in ENEA Wytwarzanie by PLN 62,826 thou., including a growth in costs of coal by PLN 52,226 thou. (as a result of a higher average price of coal by 6.5%, with a concurrent drop in the consumption volumes by 1.8% - lower production of electricity from coal by 189 GWh); a growth in the biomass costs by PLN 49,253 thou. (higher production from biomass by 126 GWh and thus higher consumption of the material by 75 thou. tonnes, higher biomass price by 8.4%). Additionally, there were higher inventory shortages and higher costs of CO₂ emissions. At the same time, a lower value was noted of sold allowances for emissions of CO₂.
- The purchase of energy for sales in the reporting period amounted to PLN 4,075,607 thou. and diminished in relation to the previous year by 1.0% and this was mainly caused by higher purchases inside

the Capital Group through ENEA Trading and in connection with the acquisition of Windfarm Polska and the Białystok Heat and Power Plant.

- Costs of employee benefits in 2012 amounted to PLN 1,009,467 thou. and decreased in relation to 2011 PLN 1,206 thou., mainly as a result of the application of IAS 19. In 2011 the costs of employee benefits were decreased with the net actuarial loss in the amount of PLN 1,737 thou. and in 2012 the costs were diminished by the net actuarial loss in the amount of PLN 60,888 thou. This mainly results from adjustments in employee benefits in ENEA Operator (in 2011 a profit in the amount of PLN 626 thou., in 2012 a loss in the amount of PLN 26,454 thou.), in ENEA Wytwarzanie (in 2011 a loss in the amount of PLN 2,688 thou., in 2012 a loss in the amount of PLN 18,602 thou.), in ENEA S.A. (in 2011 a profit in the amount of PLN 2,883 thou., in 2012 a loss in the amount of PLN 8,349 thou.), Average pay in the ENEA CG increased in 2012 in relation to the average pay in 2011 by 4.7%, with a drop in the average employment from 10,253.47 full time equivalents in 2011 to 10,127.12 full time equivalents in 2012.
- Costs of outsourced services for 2012 amounted to PLN 437,100 thou. and increased in relation to the previous year by PLN 25,883 thou., which mainly stems from higher costs in the Białystok Heat and Power Plant by PLN 9,099 thou. (in 2012 PLN 26,382 thou., from June 2011 PLN 17,283 thou.), from the inclusion of costs in Windfarm Polska in the amount of PLN 7,542 thou. (from 16 April 2012 Windfarm Polska demonstrated as a subsidiary in the reports of the Capital Group) and from incurring higher costs of repairs, transport, property insurance and costs of rents and other charges relating to property lease.
- Costs of taxes and charges in 2012 amounted to PLN 224,857 thou. and increased in relation to the previous year by PLN 20,016 thou. which mainly stems from higher costs in the Białystok Heat and Power Plant by PLN 3,552 thou. (in 2012 PLN 8,845 thou., from June 2011 PLN 5,293 thou.), from higher costs of taxes from lines and power connections and the annual fee for the access to energy devices (State Forests) by PLN 12,499 thou. in ENEA Operator, higher tax on property and higher tax on civil law transactions by PLN 3,397 thou. in ENEA Wytwarzanie.
- Amortisation and depreciation in the reporting period amounted to PLN 749,737 thou. and was higher than in 2011 by PLN 66,924 thou. or 9.8%. Increase of amortisation stems from higher amortisation in ENEA Wytwarzanie (by PLN 25,809 thou.), in relation to the commissioning of IOS III investment (flue gas desulphurisation plant) and from verification of the economical period of utilisation of fixed assets on 1 January 2012. In ENEA Operator amortisation increased by PLN 15,731 thou., which stems from the amortisation calculated on newly-included fixed assets realised in 2012. Additionally, costs of amortisation in Windfarm Polska were recognised in the amount of PLN 12,359 thou. (from 16 April 2012 Windfarm Polska is included in the statements of the capital group as a subsidiary). Additionally, a growth in costs of amortisation of the Białystok Heat and Power Plant by PLN 7,704 thou. (in 2012 PLN 29,985 thou., from June 2011 PLN 22,281 thou.).

Data in PLN '000	2011	2012	Change	Difference
Other operating revenue	228 768	108 159	47.3%	-120 609
Other operating expenses	158 736	225 548	142.1%	66 812
Profit/(Loss) on sales and liquidation of tangible fixed assets	-12 878	-8 549	66.4%	4 329
Tangible and intangible impairment write-off	6 406	5 397	84.2%	-1 009

In 2012 the result on other operating activity amounted to PLN -117,389 thou. and was lower than in the previous year by PLN 187,421 thou., which mainly stems from lower revenues by title of nil-paid fixed assets and the gaining in 2011 of a profit for a bargain purchase of the Białystok Heat and Power Plant, from higher provisions for anticipated losses and claims than in the previous year. At the same time, in the other operating costs the costs for non-contractual use of properties were included for reference only.

Lower loss on sales and liquidation of fixed assets relates mainly to the assets of ENEA Operator.

In 2011 a tangible assets impairment write-down was made in the amount of PLN 5,634 thou. resulting from the reduction in the value of street lighting assets transferred to ENEOS, and in 2012 a write-down in the amount of PLN 5,397 thou. relates to a tangible assets revaluation write-down of Annacond Enterprises Sp. z o.o.

Data in PLN '000	2011	2012	Change	Difference
Financial revenue	184 070	148 646	80.8%	-35 424
Financial expenses	46 887	84 133	179.4%	37 246
Write-off of goodwill	0	-5 921	x	-5 921
Share in (losses)/profits of affiliated entities accounted for using the equity method	4 529	304	6.7%	-4 225

In 2012 the result on financial activity amounted to PLN 64,513 thou. and was lower than in 2011 by PLN 72,670 thou., in relation to the settlement of the acquisition of Windfarm Polska (foreign exchange differences), balance sheet valuation of CO₂ forward contracts, higher costs of the discount of employee benefits and provisions (change of the discount rate in the assumptions to the reserve valuation) and from lower revenues gained from funds invested in financial assets (bonds, treasury bills, fixed time deposits).

Write-off of goodwill in the amount of PLN 5,921 thou. results from the performance of a test for a loss of goodwill of Annacond Enterprises Sp. z o.o.

A higher share in profits of affiliates valued with the equity method in 2011 relates mainly to higher shares of ENEA Wytwarzanie in Energo-Invest-Broker S.A.

4.1.2. Asset situation

Total assets in PLN '000	As at:		Change	Difference
	31 December 2011	31 December 2012		
Fixed assets	9 830 686	11 011 502	112.0%	1 180 816
Tangible fixed assets	9 076 871	10 459 377	115.2%	1 382 506
Perpetual usufruct right	69 496	70 369	101.3%	873
Intangible assets	102 312	201 357	196.8%	99 045
Investment properties	32 219	30 752	95.4%	-1 467
Investments in associated entities, accounted for using the equity method	278 854	5 951	2.1%	-272 903
Deferred income tax assets	198 650	175 081	88.1%	-23 569
Financial assets held for sale	70 490	66 735	94.7%	-3 755
Financial assets valued at fair value by the profit and loss account	1 557	1 504	96.6%	-53
Trade and other receivables	237	376	158.6%	139
Current assets	4 331 465	3 698 960	85.4%	-632 505
CO ₂ emission allowances	246 722	194 622	78.9%	-52 100
Inventories	483 022	502 654	104.1%	19 632
Trade and other receivables	1 091 531	1 449 314	132.8%	357 783

Current income tax assets	15 004	16 026	106.8%	1 022
Financial assets held-to-maturity investments	531 883	5 135	1.0%	-526 748
Financial assets valued at fair value by the profit and loss account	723 439	422 173	58.4%	-301 266
Cash and cash equivalents	1 218 361	1 095 495	89.9%	-122 866
Fixed assets for sale	21 503	13 541	63.0%	-7 962
Total assets	14 162 151	14 710 462	103.9%	548 311

Total liabilities in PLN '000	As at:		Change	Difference
	31 December 2011	31 December 2012		
Total equity	10 479 762	10 938 288	104.4%	458 526
Share capital	588 018	588 018	100.0%	0
Share premium	3 632 464	3 632 464	100.0%	0
Share based payments reserve	1 144 336	1 144 336	100.0%	0
Financial instruments revaluation reserve	49 565	50 233	101.3%	668
Other reserves	-21 710	-21 317	98.2%	393
Retained earnings	5 058 001	5 521 833	109.2%	463 832
Non-controlling interests	29 088	22 721	78.1%	-6 367
Total liabilities	3 682 389	3 772 174	102.4%	89 785
Non-current liabilities	1 659 243	1 748 504	105.4%	89 261
Current liabilities	2 023 146	2 023 670	100.0%	524
Total equity and liabilities	14 162 151	14 710 462	103.9%	548 311

As at 31 December 2012, the balance-sheet total of the ENEA Capital Group was PLN 14,710,462 thou. and increased by PLN 548,311 thou., that is by 3.9% relative to the situation as at 31 December 2011.

Fixed assets as at 31 December 2012 amounted to PLN 11,011,502 thou. and were higher than at the end of the previous year by PLN 1,180,816 thou., which is mainly caused by the settlement of the purchase of the shares of Windfarm Polska and impacts the change of particular items of fixed assets (from 16 April 2012 Windfarm Polska is included in the financial report of the Capital Group as a subsidiary). Additionally there was an increase in the tangible assets in ENEA Operator and ENEA Wytwarzanie.

As at 31 December 2012 the current assets amounted to PLN 3,698,960 thou. and decreased in relation to the state as at the end of 2011 by PLN 632,505 thou. In the current assets there was a drop in the sum of financial assets and cash and cash equivalents, mainly in relation to the acquisition of the shares of Windfarm Polska and distribution of dividends. Additionally, allowances for emissions of CO₂ are not presented in intangible assets but separately under current assets and their decrease results from lack of rights for emissions in 2012 by the Białystok Heat and Power Plant. Additionally trade receivables increased. A growth in inventories results mainly from reference changes relating to certificates of origin for energy: all the certificates are presented under the balance item of "inventories" and their value is not compensated with reserves.

The dominant source of financing the assets of the Group is equity, which as at 31 December 2012 amounted to PLN 10,938,288 thou., i.e. PLN 458,526 thou. more than at the end of December 2011. The change is impacted mainly by the profit generated for 2012.

As at 31 December 2012, the value of the Group's non-current liabilities was PLN 1,748,504 thou. and increased by PLN 89,261 thou. in relation to the state as at the end of December 2011, which stems mainly from higher employee benefits and provisions for litigation. At the same time, there was a decrease in provisions for deferred income tax, credits and loans and settlements of income by title of subsidies and connection fees.

Current liabilities amounted to PLN 2,023,670 thou. and decreased by PLN 524 thou. in comparison with the state as at the end of the previous year.

4.1.3. Cash

Cash and cash equivalents at the end of the reporting period	2011	2012	Change	Difference
Net cash flows from operating activities	1 143 379	1 242 077	108.6%	98 698
Net cash flows from investing activities	-590 266	-1 109 029	187.9%	-518 763
Net cash flows from financing activities	-235 380	-255 668	108.6%	-20 288
Net increase / decrease in cash and cash equivalents	317 733	-122 620	x	-440 353
Cash and cash equivalents at the end of the reporting period	1 218 361	1 095 495	89.9%	-122 866

As at 31 December 2012 the ENEA Capital Group's balance of cash and cash equivalents amounted to PLN 1,095,495 thou. and was lower by PLN 122,866 thou. than at the end of December 2011 (PLN 1,218,361 thou.).

Operating cash flows amounted to PLN 1,242,077 thou. for 12 months of 2012, an increase of PLN 98,698 thou. relative to 12 months of 2011, i.e. PLN 1,143,379 thou. Taking into account the net profit before amortisation and eliminating one-off events in 2011 in the form of a profit for a bargain acquisition (the Białystok Heat and Power Plant) the operating result increases by PLN 66,593 thou. Additionally, the growth in operating cash flows is affected by an increase in corrections adjusting the accrual result to the cash result by PLN 32,105 thou.

Cash flows from investment activities amounted to PLN -1,109,029 thou. for 12 months of 2012 and for 12 months of 2011 they amounted to PLN -590,266 thou. A change in the amount of PLN 518,763 thou. results mainly from higher purchases of tangible assets with a lower purchase value of subsidiaries.

Cash flows from financing activities amounted to PLN -255,668 thou. for 12 months of 2012 and for 12 months of 2011 they amounted to PLN -235,380 thou. A change in the amount of PLN 20,288 thou. results mainly from a higher amount of a dividend paid to parent company's shareholders and a lower amount of received credits and loans.

4.1.4. Ratio analysis

Indicator	Item	2011	2012
PROFITABILITY RATIOS			
ROE - return on equity	gross profit (loss) / equity	9.4%	8.3%
ROA - return on assets	operating profit (loss) / total assets	6.0%	5.8%
Net profitability	net profit (loss) / net sales revenues	8.2%	7.0%
Operating profitability	net operating profit (loss) / net sales revenues	8.7%	8.4%
EBITDA profitability	net operating profit (loss) + amortisation and depreciation / net sales revenues	15.7%	15.8%
LIQUIDITY AND FINANCIAL STRUCTURE RATIOS			
Current liquidity ratio	current assets / current liabilities	2.1	1.8
Equity-to-fixed assets ratio	equity / non-current assets	106.6%	99.3%
Total debt ratio	total liabilities / total assets	26.0%	25.6%
Net debt / EBITDA	(bearing-interest obligations - cash) / operating profit (loss) + amortisation and depreciation	-1.2	-0.9
ECONOMIC ACTIVITY RATIOS			
Current receivables turnover in days	avg. net trade and other receivables x number of days / net sales revenues	37	45
Turnover of trade and other payables in days	average trade and other liabilities x number of days / cost of products, materials sold	55	60
Inventory turnover in days	inventories x number of days / cost of products, materials sold	23	24

In 2012 the ENEA Capital Group achieved a positive financial result and positive profitability ratios. The EBITDA profitability amounted to 15.8% and was similar to the performance level of 2011 (15.7%).

Net profitability achieved by the Group in 2012 amounted to 7.0% and was lower than the one achieved in the previous year (8.2%).

ROE in 2012 amounted to 8.3% and reached a lower level than the level of ROE from 2011 (9.4%), and ROA amounted to 5.8% in 2012 (in 2011 it was 6.0%).

The ENEA Capital Group is able to settle its current liabilities on time, which is confirmed by a low level of the current liquidity ratio, which was 1.8 as at the end of 2012.

As at 31 December 2012 the total debt ratio was 25.6%. and the ratio of shareholders equity to fixed assets was 99.3% as at 31 December 2012 (and 106.6% as at 31 December 2011). Net debt/EBITDA ratio in 2012 amounted to -0.9 (in 2011 -1.2). A negative level of the ratio during 2011-2012 results from a low value of loans drawn, and the change of the ratio in 2012 in comparison with 2011 is caused by a lower level of cash and cash equivalents.

In 2012, the receivables turnover rate was higher than in the previous year by 8 days and amounted to 45 days. Meanwhile, the liabilities turnover indicator in 2012 was 60 days, and was thus 5 days longer than in the previous year. Please note that a correct relationship was maintained between the receivables and payables turnover rates (liabilities are settled after receivables are obtained), which in turn has a beneficial effect on the Group's financial liquidity. In connection with the change in the method of presentation of proprietary interests, for the first time at the end of 2011 and 2012, the balance sheet contains an item of inventories

regarding such rights, and inventory turnover indicators were determined according to the state as at the end of each year (and not the average state of inventories). The inventory turnover indicator in 2012 was 24 days, and was thus 1 day longer than in the same period of the previous year.

4.1.5. Description of key off-balance sheet items

In the table below the Company presents the description of off-balance sheet items identified within the Company's Capital Group.

Company	Off-balance sheet item type	Value [PLN]
ITSERWIS Sp. z o.o.	Bank guarantee of 20 October 2005 valid through 31 October 2013 for Schiever Polska Sp. z o.o.	15 000
	Operating leasing of Volkswagen Bank Polska S.A. till 31 July 2015	99 536.40
	Bank guarantee of 25 June 2012 valid through 27 April 2013 for the Polish Financial Supervision Authority	125 000
	Promissory notes	*
	TOTAL	239 536.40
Elektrociepłownia Białystok S.A.	Contingent liabilities as promissory notes as at 31 December 2012 relating to agreements concluded by EC Białystok S.A. with NFOŚiGW (National Fund of Environmental Protection and Water Management) in Warsaw for co-financing of projects: <ul style="list-style-type: none"> • conversion of OP-140 boiler for biomass, • construction of the installation in order to limit the amounts of generated waste, • extension of the heating system with the heat accumulation system, • energetic audit. 	31 421 187.82
	Guarantees and sureties	*
	TOTAL	31 421 187.82
Enea Trading Sp. z o.o.	Operating leasing:	
	• from 10.05.2011 to 27.04.2014	34 177.82
	• from 25.10.2011 to 17.10.2014	37 021.51
	• from 25.10.2011 to 17.10.2014	37 021.51
	• from 25.10.2011 to 17.10.2014	36 996.34
	• from 23.11.2011 to 30.10.2014	34 236.19
	• from 23.11.2011 to 30.10.2014	34 236.19
	• from 23.11.2011 to 30.10.2014	34 236.19
	• from 23.11.2011 to 30.10.2014	34 236.19
	• from 20.12.2011 to 30.12.2014	38 056.42
TOTAL	320 218.36	
Total off-balance sheet items		31 980 942.58

4.1.6. Presentation of financial results of the ENEA Capital Group for Q4 2012 in comparison with Q4 2011

4.1.6.1. Financial results

Financial results on quarterly basis were presented in a simplified way. Data for 2011 and 2012 include the change resulting from the application of IAS 19, and the results for 9 months of 2011 and 9 months of 2012 were not updated within this field. In relation to the above, the annual adjustment is applied to the results of Q4 2011 and 2012.

Profit and loss statement [PLN '000]	Q4 2011	Q4 2012	Change	Difference
Net sales revenues	2 540 562	2 666 715	105.0%	126 153
Cost of sales	2 423 755	2 450 615	101.1%	26 860
Other operating revenue	37 644	35 199	93.5%	-2 445
Profit/(loss) on sales and liquidation of tangible fixed assets	-12 925	-6 697	51.8%	6 228
Tangible and intangible impairment write-off	772	5 291	685.4%	4 519
Other operating expenses	69 716	145 445	208.6%	75 729
Operating profit	71 038	93 866	132.1%	22 828
Financial expenses	17 174	35 411	206.2%	18 237
Financial revenue	40 156	37 440	93.2%	-2 716
Write-off of goodwill	0	-5 921	x	-5 921
Dividend revenue	0	0	x	0
Share in (losses)/profits of affiliated entities accounted for using the equity method	1 148	109	9.5%	-1 039
Profit before tax	95 168	90 083	94.7%	-5 085
Income tax	21 995	23 695	107.7%	1 700
Net profit for the reporting period	73 173	66 388	90.7%	-6 785
EBITDA	234 269	246 585	105.3%	12 316

Individual events

- In the other operating costs in Q4 2012 costs for non-contractual use of properties were included for reference only.
- Write-off of goodwill in Q4 2012 in the amount of PLN 5,921 thou. results from the performance of a test for a loss of goodwill of Annacond Enterprises Sp. z o.o.
- In Q4 2012 Auto-Styl was sold as well as shares in Exatel.

The Group's net revenues from sales in Q4 2012 amounted to PLN 2,666,715 thou., which in relation to Q4 2011 constituted a growth by PLN 126,153 thou., i.e. by 5.0%.

The breakdown below shows the value and structure of revenues on sales achieved in Q4 2012.

Revenues

Item	Q4 2011		Q4 2012		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Revenues from the sale of electricity	1 662 182	65.4	1 784 356	66.9	107.4%	122 174
Revenues from the sale of distribution services	690 674	27.2	717 156	26.9	103.8%	26 482
Revenues from the sale of goods and materials	40 270	1.6	37 443	1.4	93.0%	-2 827
Revenues from the sale of other services	32 892	1.3	37 479	1.4	113.9%	4 587
Revenues from certificates of origin	10 146	0.4	8 151	0.3	80.3%	-1 995
Revenues from sales of CO ₂ emission allowances	53 417	2.1	22 377	0.9	41.9%	-31 040
Recovery of stranded costs	0	0.0	0	0.0	x	0
Revenues from the sale of heat energy	50 981	2.0	59 753	2.2	117.2%	8 772
Total net revenues	2 540 562	100.0	2 666 715	100.0	105.0%	126 153

The Group's revenues mainly consist of revenues from sales of electricity and from sales of distribution services, which amount to 66.9% and 26.9% of total net revenues, respectively.

- Revenues from the sale of electricity in Q4 2012 amounted to PLN 1,784,356 thou. and rose in relation to the previous year by PLN 122,174 thou. or 7.4%. It mainly results from higher revenues from sales of electricity to end users by PLN 16,419 thou. (higher average selling price by 2.6%, with lower volumes of electricity sold by 35 GWh). Moreover, the revenues from sales of electricity increased in ENEA Wytwarzanie by PLN 74,382 thou. (a growth of the average price by 1.9% with a concurrent growth in the volumes of sold electricity realised by ENEA Wytwarzanie by 289 GWh). Additionally, there were higher revenues generated from sales of electricity to other entities by PLN 20,946 thou. Additionally, a growth was noted in estimated revenues from non-invoiced sales in relation to electricity by PLN 11,958 thou. The growth in revenues by PLN 20,069 thou. was also affected by incurring lower excise taxes. Concurrently, there were lower revenues from sales of electricity in the Białystok Heat and Power Plant by PLN 22,966 thou.
- Revenues from the sale of distribution services in Q4 2012 amounted to PLN 717,156 thou. and were higher than in the preceding year by PLN 26,482 thou. The increase in these revenues resulted mainly from a growth in the average selling price of distribution services to end users by 4.2%. Additionally, there was an increase in the revenues from grid connection by PLN 4,128 thou. and revenues from non-invoiced sales of distribution services by PLN 9,335 thou. At the same time, there was a decrease in revenues from settlements on the Balancing Market by PLN 22,224 thou.
- Revenues from sales of heat energy in Q4 2012 amounted to PLN 59,753 thou. and increased by PLN 8,772 thou., which stemmed from higher revenues from sales of heat energy of the Białystok Heat and Power Plant by PLN 6,281 thou. (increase in the average price by 5.5% and higher volumes of heat energy sold by 122,099 GJ).
- Revenues from sales of goods and materials in Q4 2012 amounted to PLN 37,443 thou. and dropped by PLN 2,827 thou., which mainly stems from lower sales of goods and materials in the following companies: BHU and Auto-Styl (the company was sold in November 2012 r., in the consolidated statement for 2012 the Company's results were recognised for 11 months of 2012).

- The decrease in revenues from sales of allowances for emissions of CO₂ by PLN 31,040 thou. results mainly from lower sales of allowances for emissions of CO₂ in ENEA Wytwarzanie with higher sales in the Białystok Heat and Power Plant.
- The growth in revenues from sales of other services by PLN 4,587 thou. stems mainly from a growth in revenues under this item in the companies: ENERGOBUD Leszno, Energomiar and Zakład Transportu.
- Revenues from sales of certificates of origin amounted to in Q4 2012 PLN 8,151 thou. and constitute mainly revenues realised by the Białystok Heat and Power Plant.

In Q4 2012 total costs of sales amounted to PLN 2,450,615 thou. and increased by 1.1% in relation to the comparative period.

The breakdown below shows the value and structure of costs on sales which were incurred in Q4 2012.

Costs

Data in PLN '000	Q4 2011		Q4 2012		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Amortisation/depreciation	163 231	6.7	152 719	6.2	93.6%	-10 512
Employee benefit costs	309 695	12.8	280 740	11.5	90.7%	-28 955
Consumption of materials and raw materials and value of goods sold	557 265	23.0	591 170	24.1	106.1%	33 905
Costs of purchases for resale	1 039 987	42.9	1 063 143	43.4	102.2%	23 156
Transmission services	179 187	7.4	180 480	7.4	100.7%	1 293
Other external services	123 294	5.1	123 667	5.0	100.3%	373
Taxes and charges	51 096	2.1	58 696	2.4	114.9%	7 600
Cost of sales	2 423 755	100.0	2 450 615	100.0	101.1%	26 860

The largest items in the Capital Group's costs are the costs of purchasing electricity and consumption of materials, as well as the value of goods sold, which constitute respectively 43.4% and 24.1% of the costs of revenues from sales.

- Purchases of energy for sales in the analysed period amounted to PLN 1,063,143 thou. and increased in relation to the previous year by 2.2%. Internal purchases of electricity grew over four times (higher purchases thorough ENEA Trading) with a concurrent drop in sales of certificates of origin. In relation to the above external purchases grew marginally.
- Costs of materials and value of goods sold in the analysed period amounted to PLN 591,170 thou. and increased in relation to the previous year by PLN 33,905 thou., i.e. 6.1%, which mainly stems from a growth in these costs in ENEA Wytwarzanie by PLN 30,337 thou., including a growth in the costs of coal by PLN 31,436 thou. (higher average price of coal by 8.6% and higher volumes of consumption by 25 thou. tonnes as a result of higher production of electricity from coal by 92 GWh), and higher costs of biomass consumption by PLN 5,918 thou. (higher average price of biomass by 1.8% and higher consumption of biomass as a result of higher production form biomass by 12 GWh). Other costs of materials and value of goods sold (including costs of allowances for emissions of CO₂, value of sold allowances for emissions of CO₂, inventory shortages) decreased by a total of PLN 7,017 thou.
- Amortisation and depreciation in the reporting period amounted to PLN 152,719 thou. and was lower than in Q4 2011 by PLN 10,512 thou. or 6.4%. A drop in amortisation results from lower costs of amortisation in the Białystok Heat and Power Plant, in the report for 2012 amortisation costs were adjusted with the valuation of assets (allowances for emissions of CO₂) and they were shifted to the item

of cost of materials (in Q4 2012 by PLN 45,222 thou., in Q4 2011 by PLN 28,778 thou.). Additionally, the costs of amortisation in Windfarm Polska were included as well as higher costs of ENEA Wytwarzanie and ENEA Operator.

- Costs of employee benefits in Q4 2012 amounted to PLN 280,740 thou. and decreased in relation to the previous year by PLN 28,955 thou., i.e. 9.3%, mainly as a result of the application of IAS 19. In Q4 2011 the costs of employee benefits were decreased with the net actuarial loss in the amount of PLN 1,737 thou. and in Q4 2012 the costs were diminished by the net actuarial loss in the amount of PLN 60,888 thou. This mainly results from adjustments in employee benefits in ENEA Operator (in Q4 2011 a profit in the amount of PLN 626 thou., in Q4 2012 a loss in the amount of PLN 26,454 thou.), in ENEA Wytwarzanie (in Q4 2011 a loss in the amount of PLN 2,688 thou., in Q4 2012 a loss in the amount of PLN 18,602 thou.), in ENEA S.A. (in Q4 2011 a profit in the amount of PLN 2,883 thou., in Q4 2012 a loss in the amount of PLN 8,349 thou.). Average pay in the ENEA CG increased in Q4 2012 in relation to the average pay in Q4 2011 by 5.6%, with a drop in the average employment from 10,252.70 full time equivalents in Q4 2011 to 10,071.38 full time equivalents in Q4 2012.
- The costs of taxes and charges in Q4 2012 amounted to PLN 58,696 thou. and grew in relation to the previous year by PLN 7,600 thou., or 14.9%, which mainly stems from higher costs and higher taxes from civil law transactions.

Data in PLN '000	Q4 2011	Q4 2012	Change	Difference
Other operating revenue	37 644	35 199	93.5%	-2 445
Other operating expenses	69 716	145 445	208.6%	75 729
Profit/(Loss) on sales and liquidation of tangible fixed assets	-12 925	-6 697	51.8%	6 228
Tangible and intangible impairment write-off	772	5 291	685.4%	4 519

In Q4 2012 the other operating revenues amounted to PLN -110,246 thou. and were lower than in the preceding year by PLN 78,174 thou., which mainly stems from higher provisions for anticipated losses and claims than in the previous year. At the same time, in the other operating costs the costs for non-contractual use of properties were included for reference only.

Lower loss on sales and liquidation of fixed assets relates mainly to the assets of ENEA Operator.

In Q4 2012 a higher tangible assets impairment write-down by PLN 4,519 thou. relates to a tangible assets revaluation write-down of Annacond Enterprises Sp. z o.o.

Data in PLN '000	Q4 2011	Q4 2012	Change	Difference
Financial revenue	40 156	37 440	93.2%	-2 716
Financial expenses	17 174	35 411	206.2%	18 237
Write-off of goodwill	0	-5 921	x	-5 921
Share in (losses)/profits of affiliated entities accounted for using the equity method	1 148	109	9.5%	-1 039

In Q4 2012 the result on financial activity amounted to PLN 2,029 thou. and was lower than in Q4 2011 by PLN 20,953 thou., in relation to the settlement of the acquisition of Windfarm Polska (foreign exchange differences), balance sheet valuation of CO₂ forward contracts, higher costs of the discount of employee benefits and provisions (change of the discount rate in the assumptions to the reserve valuation) and from lower revenues gained from funds invested in financial assets (bonds, treasury bills, fixed time deposits).

Write-off of goodwill in the amount of PLN 5,921 thou. results from the performance of a test for a loss of goodwill of Annacond Enterprises Sp. z o.o.

4.1.6.2. Ratio analysis

Indicator	Item	Q4 2011	Q4 2012
PROFITABILITY RATIOS			
ROE - return on equity	gross profit (loss) / equity	3.6%	3.3%
ROA - return on assets	operating profit (loss) / total assets	2.0%	2.6%
Net profitability	net profit (loss) / net sales revenues	2.9%	2.5%
Operating profitability	net operating profit (loss) / net sales revenues	2.8%	3.5%
EBITDA profitability	net operating profit (loss) + amortisation and depreciation / net sales revenues	9.2%	9.2%
LIQUIDITY AND FINANCIAL STRUCTURE RATIOS			
Current liquidity ratio	current assets / current liabilities	2.1	1.8
Equity-to-fixed assets ratio	equity / non-current assets	106.6%	99.3%
Total debt ratio	total liabilities / total assets	26.0%	25.6%
Net debt / EBITDA	(bearing-interest obligations - cash) / operating profit (loss) + amortisation and profitability depreciation	-7.8	-5.9
ECONOMIC ACTIVITY RATIOS			
Current receivables turnover in days	avg. net trade and other receivables x number of days / net sales revenues	36	45
Turnover of trade and other payables in days	average trade and other liabilities x number of days / cost of products, materials sold	51	49
Inventory turnover in days	inventories x number of days / cost of products, materials sold	22	22

In Q4 2012 the ENEA Capital Group achieved a positive financial result and positive profitability ratios. The EBITDA profitability amounted to 9.2% and was similar to the performance level of Q4 2011 (9.2%).

Net profitability achieved by the Group in Q4 2012 amounted to 2.5% and was lower than the one achieved in the previous year (2.9%).

ROE in Q4 2012 amounted to 3.3% and reached the level lower than the level of ROE from Q4 2011 (3.6%), and ROA amounted to 2.6% in Q4 2012 (in Q4 2011 it was 2.0%).

The ENEA Capital Group is able to settle its current liabilities on time, which is confirmed by a low level of the current liquidity ratio, which was 1.8 as at the end of 2012.

As at 31 December 2012 the total debt ratio was 25.6%. and the ratio of shareholders equity to fixed assets was 99.3% as at 31 December 2012 (and 106.6% as at 31 December 2011). Net debt/EBITDA ratio in Q4 2012 amounted to -5.9 (in Q4 2011 -7.8). A negative level of the ratio during 2011-2012 results from a low value of loans drawn, and the change of the ration in 2012 in comparison with 2011 is caused by a lower level of cash and cash equivalents.

In Q4 2012, the receivables turnover rate was at the level, comparing to Q4 2011, by 9 days higher and amounted to 45 days. Meanwhile the liabilities turnover indicator in Q4 2012 was 49 days, and was thus 2 days shorter than in the previous year. Please note that a correct relationship was maintained between

the receivables and payables turnover rates (liabilities are settled after receivables are obtained), which in turn has a beneficial effect on the Group's financial liquidity. In connection with the change in the method of presentation of proprietary interests, for the first time at the end of 2011 and 2012, the balance sheet contains an item of inventories regarding such rights, and inventory turnover indicators were determined according to the state as at the end of each year (and not the average state of inventories). Inventory turnover indicator achieved the level of 22 days in Q4 2012.

4.2. Selected non-consolidated financial data of ENEA S.A.

In order to standardise the presentation of IAS 19 solutions, employee benefit costs were adjusted for reference only, in the part relating to actuarial profit/loss, in 2011 by PLN 2,883 thou., and in 2012 by PLN 8,349 thou., which was applied to retained earnings.

Data in PLN '000	2011	2012	Change	Difference
Net sales revenues	5 577 633	5 759 339	103.3%	181 706
Profit / (loss) from operations	36 191	136 978	378.5%	100 787
Profit / (loss) before tax	388 204	560 933	144.5%	172 729
Net profit / (loss) for the reporting period	352 834	522 680	148.1%	169 846
EBITDA	52 836	153 856	291.2%	101 020
Net cash flows from operating activities	-47 445	41 340	x	88 785
Net cash flows from investing activities	587 012	-172 277	x	-759 289
Net cash flows from financing activities	-198 076	-215 272	108.7%	-17 196
Total net cash flows	341 491	-346 209	x	-687 700
Weighted average number of shares [pcs.]	441 442 578	441 442 578	100.0%	0
Net profit per share [PLN]	0.80	1.18	148.4%	0.38
Diluted profit per share [PLN]	0.80	1.18	148.4%	0.38

The net revenues from sales of ENEA S.A. in the reporting period amounted to PLN 5,759,339 thou., which in relation to 2011 constitutes a growth by PLN 181,706 thou., i.e. by 3.3%.

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

- Revenues from the sale of electricity to end users, which constitute 69.1% of all sales revenues. In 2012 these revenues amounted to PLN 4,114,916 thou., an increase of PLN 173,232 thou. or 4.4% in relation to the preceding year, which stemmed from sold electricity volumes increasing by 188 GWh and a 3.1% increase in the average sale price.
- Revenues from sales of distribution services to users holding comprehensive agreements, which constitute 26.7% of all sales revenues. These revenues in 2012 amounted to PLN 1,588,583 thou. and were lower than in the preceding year by PLN 84,306 thou. or 5%. The level of the decrease was influenced mainly by the separation of comprehensive agreements into the agreements of sale of energy and distribution services.
- Revenues from electricity sales to other entities amounted to PLN 168,540 thou., an increase of PLN 24,993 thou. or 17.4% in comparison with 2011, which stemmed from a growth in the volume of electricity sold by 284 GWh with a simultaneous decline of the average price by 14.5%.

- Non-invoiced sales relating to electricity and distribution services which in 2012 amounted to PLN 16,476 thou. and were higher than in 2011 by PLN 30,631 thou. (sales of electricity by PLN 16,539 thou. and sales of distribution services - comprehensive agreements by PLN 14,092 thou.).
- An excise tax which in 2012 amounted to PLN 193,998 thou. and was lower than in the previous year by PLN 34,001 thou., i.e. 14.9%.

Costs of sales in ENEA S.A. in 2012 amounted to PLN 5,592,653 thou. and grew by PLN 76,622 thou., i.e. 1.4% in relation to the previous year.

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

- Costs of purchases of electricity for sales which amounted to PLN 3,705,516 thou. and increased in relation to 2011 by PLN 129,849 thou. or 3.6% as a result of a higher volume of purchased energy by 538 GWh and the average purchase price on a similar level as in the previous year.
- The costs of providing distribution services for the performance of comprehensive services, which amounted to PLN 1,595,649 thou. and were lower by PLN 70,331 thou. or 4.2% than in 2011, which stemmed from the lower performance of sales of distribution services to users with comprehensive agreements.
- The costs of other external services amounted to PLN 197,601 thou., an increase of PLN 18,071 thou. or 10.1% in comparison with the preceding year, which was mainly caused by higher costs for the account of ENEA Centrum (by PLN 19,088 thou.). Additionally, higher costs of rents and other fees were incurred in relation to the rental of the property by PLN 3,386 thou. and higher costs of other services (by PLN 4,981 thou.), mainly street lighting stocktaking. At the same time, there was a decrease in costs of external services connected with advertising by PLN 9,857 thou.

The result on the other operating activity in 2012 amounted to PLN -31,494 thou. and decreased in comparison with the previous year by PLN 14,125 thou., which mainly stems from generating lower other operating revenues, in relation to the disclosing in 2011 residential apartments and commercial premises, as a result of a won process and settlement of inventory variances within the lighting assets of Poznań conterminous municipalities.

Profits before tax, i.e. after financial activities in 2012 amounted to PLN 560,933 thou. and was higher by PLN 172,729 thou., that is by 44.5% than in the preceding year. It mainly stems from the achievement of a higher operating result and higher profits on dividends by PLN 125,752 thou. At the same time the result on financial activity decreased by PLN 53,810 thou., which is mainly connected with the settlement of the purchase of Windfarm Polska and lower revenues generated on funds invested in financial assets.

The net profit generated by ENEA S.A. in 2012 amounted to PLN 522,680 thou. and was higher than the profit attained in 2011 by PLN 169,846 thou., i.e. by 48.1%.

As at 31 December 2012 the balance of cash and cash equivalents amounted to PLN 361,401 thou. and was lower by PLN 346,209 thou. than the level achieved at the end of December 2011 (PLN 707,610 thou.).

Operating cash flows amounted to PLN 41,340 thou. in 2012, an increase of PLN 88,785 thou. relative to 2011 (PLN -47,445 thou.). The growth was mainly caused by higher net financial results with lower changes in the working capital at the same time.

Cash flows from investment activities amounted to PLN -172,277 thou. in 2012 and in 2011 they amounted to PLN 587,012 thou. A change in the amount of PLN -759,289 thou. stems mainly from achievement of lower incomes from selling financial assets with higher value of purchase of financial assets and from the purchase of subsidiaries with lower value.

Cash flows from financing activities amounted to PLN -215,272 thou. in 2012 and in 2011 they amounted to PLN -198,076 thou. A change in the amount of PLN -17,196 thou. results mainly from the distribution of a higher dividend.

Financial results on quarterly basis were presented in a simplified way. Data for 2011 and 2012 include the change resulting from the application of IAS 19, and the results for 9 months of 2011 and 9 months of 2012 were not updated within this field. In relation to the above, the annual adjustment affects the results of Q4 2011 and 2012.

Data in PLN '000	Q4 2011	Q4 2012	Change	Difference
Net sales revenues	1 391 314	1 461 008	105.0%	69 694
Profit / (loss) from operations	-16 947	72 893	x	89 840
Profit / (loss) before tax	4 934	83 683	1 696.0%	78 749
Net profit / (loss) for the reporting period	1 331	69 111	5 192.4%	67 780
EBITDA	-13 087	77 197	x	90 284
Weighted average number of shares [pcs.]	441 442 578	441 442 578	100.0%	0
Net profit per share [PLN]	0.003	0.157	5 192.4%	0.154
Diluted profit per share [PLN]	0.003	0.157	5 192.4%	0.154

The net revenues from sales of ENEA S.A. in Q4 2012 amounted to PLN 1,461,008 thou., which in relation to Q4 2011 constituted a growth by PLN 69,694 thou., i.e. by 5.0%. The increase in ENEA S.A.'s sales revenues was caused mainly by:

- Revenues from the sale of electricity to end users, which constitute 68.4% of all sales revenues. In Q4 2012 these revenues amounted to PLN 1,026,298 thou., an increase of PLN 16,420 thou. or 1.6% on the same period of the preceding year, which stemmed from sold electricity volumes decreasing by 35 GWh and a 2.6% increase in the average sale price.
- Revenues from sales of distribution services to users holding comprehensive agreements, which constitute 26.2% of all sales revenues. These revenues in Q4 2012 amounted to PLN 392,801 thou. and were lower than in the same period of the preceding year by PLN 15,937 thou. or 3.9%.
- Revenues from electricity sales to other entities amounted to PLN 52,651 thou., an increase of PLN 29,586 thou. or 128.3% in comparison with Q4 2011, which stemmed from a growth in the volume of electricity sold by 208 GWh with a simultaneous decline of the average sales price by 13.9%.
- Non-invoiced sales relating to electricity and distribution services which in Q4 2012 amounted to PLN 9,963 thou. and was higher than in Q4 2011 by PLN 19,193 thou. (sales of electricity grew by PLN 11,958 thou. and sales of distribution services - comprehensive agreements grew by PLN 7,235 thou.).

Costs of sales in ENEA S.A. in Q4 2012 amounted to PLN 1,383,827 thou. and declined by PLN 15,699 thou., i.e. 1.1% in relation to the previous year.

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

- Costs of purchases of electricity for sales which amounted to PLN 927,017 thou. and increased in relation to Q4 2011 by PLN 17,562 thou. or 1.9% as a result of a higher volume of purchased energy by 216 GWh and a lower average purchase price by 3.5%.
- The costs of providing distribution services for the performance of comprehensive services, which amounted to PLN 396,023 thou. and were lower by PLN 8,741 thou. or 2.2% than in Q4 2011, which stems from the lower performance of sales of distribution services to users with comprehensive agreements.

- The costs of other external services amounted to PLN 38,287 thou., a decrease of PLN 18,051 thou. Or 32.0% in comparison with the same period of the preceding year, which was mainly caused by incurring lower costs for the account of ENEA Trading (by PLN 26,649 thou.) (change of intergroup settlements – the adjustment relates to whole 2012). Additionally, higher costs were incurred of external services connected with promotion by PLN 2,264 thou. and higher costs of other services, mainly street lighting stocktaking (by PLN 2,250 thou.).
- Costs of employee benefits in Q4 2012 amounted to PLN 15,144 thou. and decreased in relation to Q4 2011 by PLN 6,751 thou., i.e. 30.8%, mainly as a result of the application of IAS 19. In Q4 2011 the costs of employee benefits were increased with the net actuarial profit in the amount of PLN 2,883 thou. and in Q4 2012 the costs were diminished by the net actuarial loss in the amount of PLN -8,349 thou. Additionally, the change was a result of a higher change in the actuarial reserves, mainly for anniversary awards and energy equivalent.

The result on the other operating activity in Q4 2012 amounted to PLN -3,888 thou. and grew in comparison with Q4 2011 by PLN 2,316 thou. which mainly stems from gaining lower costs in relation to the creation in Q4 2011 of provisions for anticipated losses (costs of liabilities by title of the use of the State Treasury's land). Moreover, lower other operating revenues were generated, in relation to the disclosure in Q4 2011 of residential apartments and business premises and the settlement of inventory variances within the lighting assets of Poznań conterminous municipalities.

Profit before tax, thus after the recognition of the financial activity, in Q4 2012 amounted to PLN 83,683 thou. and was higher by PLN 78,749 thou. than in Q4 2011. It mainly results from a higher operating profit generated.

The net profit generated by ENEA S.A. in Q4 2012 amounted to PLN 69,111 thou. and was higher than the profit attained in Q4 2011 by PLN 67,780 thou.

Data in PLN '000	As at:		Change	Difference
	31 December 2011	31 December 2012		
Total assets	11 257 287	11 647 700	103.5%	390 413
Total liabilities	1 051 431	1 149 808	109.4%	98 377
Non-current liabilities	128 595	142 092	110.5%	13 497
Current liabilities	922 836	1 007 716	109.2%	84 880
Equity	10 205 856	10 497 892	102.9%	292 036
Share capital	588 018	588 018	100.0%	0
Book value per share	23.12	23.78	102.9%	0.66
Diluted book value per share [PLN]	23.12	23.78	102.9%	0.66

As at 31 December 2012, the balance-sheet total of the ENEA S.A. was PLN 11,647,700 thou. and increased by PLN 390,413 thou., that is by 3.5% in relation to the situation as at 31 December 2011.

Fixed assets as at the end 2012 amounted to PLN 9,665,340 thou. and increased in relation to the previous year by PLN 721,812 thou. (by 8.1%) in comparison with the previous year. The increase in fixed assets stems mainly from investments in affiliated entities in relation to acquiring of the shares of Windfarm Polska and ENEA Trading. Moreover, the financial assets rose which are kept till maturity in relation to the purchase of corporate bonds from companies: ENEA Operator, Elektrociepłownia Białystok, Elektrownie Wodne and Dobitt Energia.

In 2012 the current assets amounted to PLN 1,982,360 thou. and decreased in relation to 2011 by PLN 331,399 thou. (by 14.3%). The drop in current assets stems mainly from the decrease in the total of cash

and financial assets in which funds from sales of shares on the Warsaw Stock Exchange are located. At the same time, the trade receivables and stock relating to proprietary interests increased.

A dominant source of financing of the assets of the Company is Company's equity. The equity at the end of 2012 amounted to PLN 10,497,892 thou. and was higher than as at the end of 2011, i.e. PLN 10,205,856 thou., by PLN 292,036 thou., by 2.9%. The increase in the equity stems mainly from the increase in the reserve capital in relation to designation of part of the profit of 2011 for the investment financing and form a higher net financial result generated in 2012.

As at 31 December 2012, the value of non-current liabilities was PLN 142,092 thou. and increased by PLN 13,497 thou., that is by 10.5%, in relation to the state as at the end of 2011 in connection with the actuarial valuation of employee benefits and higher reserves for other liabilities.

Current liabilities were at the level of PLN 1,007,716 thou. and increased by PLN 84,880 thou. (by 9.2%) in relation to the previous year, which was mainly a result of higher trade liabilities. At the same time, the reserves decreased for other liabilities.

4.3. Selected financial data of ENEA Wytwarzanie S.A.

In order to standardise the presentation of IAS 19 solutions, employee benefit costs were adjusted for reference only, in the part relating to actuarial profit/loss, in 2011 by PLN 2,688 thou., and in 2012 by PLN 18,602 thou., which was applied to retained earnings.

Data in PLN '000	2011	2012	Change	Difference
Net sales revenues	2 900 501	2 842 492	98.0%	-58 009
Profit / (loss) from operations	387 331	276 656	71.4%	-110 675
Profit / (loss) before tax	407 554	308 235	75.6%	-99 319
Net profit / (loss) for the reporting period	324 484	245 198	75.6%	-79 286
EBITDA	643 777	558 911	86.8%	-84 866
Net cash flows from operating activities	543 617	297 366	54.7%	-246 251
Net cash flows from investing activities	-355 434	-178 175	50.1%	177 259
Net cash flows from financing activities	-105 749	-66 227	62.6%	39 522
Total net cash flows	82 434	52 964	64.3%	-29 470

In 2012 ENEA Wytwarzanie realised the sales revenues on the level of PLN 2,842,492 thou., which decreased in relation to 2011 by PLN 58,009 thou., i.e. 2.0%. The above change was mainly caused by:

- Lower revenues from sales of CO₂ emission allowances by PLN 109,909 thou. (lower volume of sales by 1,767 thou. tonnes and a lower average sale price by 37.6%), sales transactions were carried for the needs of the replacement of EUA certificates to CER certificates.
- Lower revenues for the compensation of stranded costs by PLN 24,119 thou. (inclusion of the adjustment of recognised revenues for 2008-2011 in the amount of PLN -25,147 thou.).
- Higher revenues from sales of electricity by PLN 66,546 thou. which was mainly a result of an increase in the average selling price by 2.3%.
- Higher revenues from certificates of origin by PLN 7,171 thou. (which was the result of higher production from biomass).

Costs of sales in ENEA Wytwarzanie in 2012 amounted to PLN 2,584,305 thou. and grew by PLN 79,981 thou., i.e. 3.2 % in relation to the previous year. The change in the costs stems mainly from:

- Higher costs of materials and value of products sold by PLN 62,826 thou., including an increase in the costs of coal consumption by PLN 52,226 thou. (as a result of a higher average sale price by 6.5% with a concurrent drop in the volumes of use by 85 thou. tonnes - a lower production of electricity from coal by 189 GWh); higher costs of biomass consumption by PLN 49,253 thou. (higher price of biomass by 8.4% and higher use of the material by 75 thou. tonnes in relation to higher production of electricity from biomass by 126 GWh). Additionally, there were higher inventory shortages and higher costs of CO₂ emissions. At the same time, a lower value was noted of sold allowances for emissions of CO₂.
- A growth in the amortisation costs by PLN 25,809 thou., which was affected by the verification of the economic period of use of fixed assets conducted in January 2012 and delivery of new investments.
- Higher costs of external services by PLN 25,258 thou., which mainly stems from a growth in the average rates of coal transport, higher costs of repairs, property insurance, and services within wholesale trade rendered by ENEA Trading.
- Higher costs of employee benefits by PLN 13,708 thou., which stems from the change of reserves for employee benefits by PLN 5,642 thou. and higher costs of the remuneration budget including charges and other benefits for employees; higher monthly gross pay by 2.7% in relation to the previous year with a concurrent drop in the average employment by 33 full time equivalents.
- Lower costs of purchase of energy for sales by PLN 48,312 thou., which results from a drop in the average purchase price for energy by 18.4% (volumes of purchases higher by 114 GWh).

Result on other operating activity in 2012 was higher by PLN 29,146 thou. in relation to 2011. The other operating revenues are higher by PLN 16,942 thou., which mainly stems from the reversal of revaluation write-downs, release of provisions, and settlement of the income from the subsidy for the installation for biomass combustion and the construction of IOS III for unit No. 10. Other operating costs are lower by PLN 12,204 thou., which stems from lower write-downs, creation of lower provisions, and also lower costs of litigation.

Result on financial activity was higher by PLN 11,356 thou. in relation to the previous year and amounted to PLN 31,579 thou. The growth in the result on financial activity stems mainly from higher financial revenues by PLN 26,265 thou. (mainly fixed time deposits interests and interest on loans granted and revenues from the surplus of the market value of shares in ENEA Trading over their book value). Additionally, higher revenues on dividends were generated by PLN 4,998 thou. At the same time, financial costs grew by PLN 19,907 thou. (mainly costs of the discount of employee benefits and provisions, and disadvantageous exchange rate differences).

Cash and cash equivalents as at 31 December 2012 amounted to PLN 318,362 thou., which means a growth in relation to the comparative period by PLN 52,718 thou.

Cash flows from operating activities in 2012 amounted to PLN 297,366 thou. i.e. PLN 246,251 thou. less than in 2011, which mainly stemmed from generating a lower net financial result, and a decrease in the change of working capital by PLN 168,921 thou.

Cash flows from investing activities in 2012 amounted to PLN -178,175 thou. and in 2011 to PLN -355,434 thou. The change results mainly from lower investments in financial assets with higher expenses on the acquisition of property, plant and equipment and intangible assets (mainly connected with the construction of a new power unit).

Cash flows from financial activities in 2012 amounted to PLN -66,227 thou. and in 2011 to PLN -105,749 thou. It mainly stems from the distribution of a lower dividend in 2012 than in 2011.

Financial results on quarterly basis were presented in a simplified way. Data for 2011 and 2012 include the change resulting from the application of IAS 19, and the results for 9 months of 2011 and 9 months of 2012

were not updated within this field. In relation to the above, the annual adjustment is applied to the results of Q4 2011 and 2012.

Data in PLN '000	Q4 2011	Q4 2012	Change	Difference
Net sales revenues	744 204	762 651	102.5%	18 447
Profit / (loss) from operations	46 963	27 164	57.8%	-19 799
Profit / (loss) before tax	52 925	8 525	16.1%	-44 400
Net profit / (loss) for the reporting period	42 519	6 002	14.1%	-36 517
EBITDA	113 583	95 969	84.5%	-17 614

In Q4 2012 ENEA Wytwarzanie realised sales revenues on the level of PLN 762,651 thou., which increased in relation to Q4 2011 by PLN 18,447 thou., i.e. 2.5%. The change was mainly caused by:

- Higher revenues from sales of electricity by PLN 74,382 thou., which was mainly a result of higher volumes of sales by 299 GWh and an increase in the average selling price by 1.9%.
- Lower revenues on sales of allowances for emissions of CO₂ by PLN 33,805 thou., in Q4 2012 the Company did not realise any substantial revenues on sales of allowances for emissions of CO₂.
- Lower revenues on certificates of origin by PLN 21,720 thou. despite a higher recognition of RES and green certificates, revenues diminished as a result of drops in average prices.

Costs of sales in ENEA Wytwarzanie in Q4 2012 amounted to PLN 733,930 thou. and grew by PLN 37,748 thou., i.e. 5.4% in relation to the previous year. The change in the costs of sales incurred by ENEA Wytwarzanie are mainly a result of:

- Higher costs of use of materials and value of goods sold by PLN 33,337 thou. mainly as a result of higher costs of coal consumption by PLN 31,436 thou. (higher average price of coal by 8.6% and higher volumes of consumption by 25 thou. tonnes following from higher production of electricity from coal by 92 GWh).
- Higher costs of purchase of electricity for sales by PLN 15,885 thou., which results from a higher volume of purchases by 199 GWh, and a lower average purchase price by 13.7%.
- Lower costs of external services by PLN 9,448 thou., mainly lower renovation costs and services within wholesale trade (adjustment of costs relating to 2012 made in December 2012 and included in the costs of Q4 2012).
- Lower costs of employee benefits by PLN 2,441 thou. mainly as a result of lower average employment by 33 full time equivalents and lower average pay by 7.2% in comparison with the same period of the previous year.

Result on financial activity was lower by PLN 24,601 thou., which mainly stems from higher costs of the discount of employee benefits and provisions (change of the discount rate in the assumptions for provisions valuation) and disadvantageous exchange rates connected mainly with the valuation of receivables from Windfarm Polska.

Data in PLN '000	As at:		Change	Difference
	31 December 2011	31 December 2012		
Total assets	4 048 766	5 719 775	141.3%	1 671 009
Total liabilities	942 977	941 386	99.8%	-1 591

Non-current liabilities	417 851	408 777	97.8%	-9 074
Current liabilities	525 126	532 609	101.4%	7 483
Equity	3 105 789	4 778 389	153.9%	1 672 600
Share capital	480 723	2 064 290	429.4%	1 583 567

The Company's assets as at the end of 2012 amounted to PLN 5,719,755 thou. and grew in relation to 2011 by PLN 1,671,009 thou., i.e. by 41.3%, which is mainly affected by:

- Higher investment in subsidiaries as a result of the takeover of shares in the companies of the generation segment (Elektrociepłownia Białystok, Elektrownie Wodne, Miejska Energetyka Ciepła Piła, Przedsiębiorstwo Energetyki Ciepłej, Dobitt Energia, Windfarm Polska). At the same time the item decreased by the shares in ENEA Trading taken over by ENEA S.A.
- A growth in the tangible fixed assets mainly as a result of making outlays for the construction of a new power unit.
- Higher non-current financial assets kept till maturity mainly as a result of the takeover from ENEA S.A. of receivables from Windfarm Polska.
- Higher levels of trade and other receivables, mainly higher receivables from sales of electricity and VAT receivables.
- Lower financial assets kept till maturity as a result of termination of fixed time deposits with terms longer than 3 months.

The dominant source of financing the assets of the Company is the equity, which as at the end of 2012 amounted to PLN 4,778,389 thou. and was higher than as at the end of 2011 by PLN 1,672,600 thou., that is by 53.9%. A growth in the equity results mainly from a higher share capital. In 2012 the share capital was raised by PLN 1,583,567 thou. - ENEA S.A. took 158,356,706 ordinary registered C series shares of the nominal value PLN 10 each. In consideration for the taken up shares ENEA S.A. made a contribution in kind to ENEA Wytwarzanie of the total value of PLN 1,583,567 thou. being the shares in the subsidiaries of the generation segment with receivables from these companies (a project of the Integration of the Generation Area). Additionally, the increase in the equity resulted from the generation of a financial result and revaluation of financial instruments.

4.4. Selected financial data of ENEA Operator Sp. z o.o.

In order to standardise the presentation of IAS 19 solutions, employee benefit costs were adjusted for reference only, in the part relating to actuarial profit/loss, in 2011 by PLN 626 thou., and in 2012 by PLN -26.454 thou., which was applied to retained earnings.

Data in PLN '000	2011	2012	Change	Difference
Net sales revenues	2 739 360	2 911 286	106.3%	171 926
Profit / (loss) from operations	344 933	446 287	129.4%	101 354
Profit / (loss) before tax	341 008	432 566	126.8%	91 558
Net profit / (loss) for the reporting period	275 501	348 444	126.5%	72 943
EBITDA	704 782	821 867	116.6%	117 085
Net cash flows from operating activities	619 515	705 744	113.9%	86 229
Net cash flows from investing activities	-725 290	-898 862	123.9%	-173 572
Net cash flows from financing activities	-11 149	242 145	x	253 294
Total net cash flows	-116 924	49 027	x	165 951

ENEA Operator's revenues from sales in the reporting period amounted to PLN 2,911,286 thou., which in relation to 2011 constitutes a growth of PLN 171,926 thou. or 6.3%. The above growth was mainly caused by:

- Higher revenues from sales of distribution services by PLN 152,332 thou., which in 2012 amounted to PLN 2,635,104 thou.:
 - revenues from sales of distribution services to end users for 2012 grew by PLN 132,465 thou., or 5.4%; the increase in these revenues stemmed mainly from higher average selling price by 4.8% and higher volumes of delivered electricity by 102 GWh,
 - revenues from non-invoiced sales of distribution services grew by PLN 17,048 thou.
- Higher revenues from grid connection fees by PLN 12,398 thou., which in 2012 amounted to PLN 129,146 thou.

Costs of sales in ENEA Operator in 2012 amounted to PLN 2,362,795 thou. and decreased by PLN 28,355 thou., i.e. 1.2% in relation to the previous year.

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

- Employee benefit costs which during the reporting period amounted to PLN 545,921 thou. and were lower than in the comparative period in 2011 by PLN 30,121 thou. The difference is mainly a result of a lower change in the inventories and accruals by PLN 37,195 thou. and lower costs of other benefits for employees by PLN 2,914 thou. At the same time, higher costs were incurred within remunerations with charges by PLN 10,183 thou.
- Costs of other external services, which in the reporting period amounted to PLN 189,014 thou. and decreased by PLN 23,218 thou., which mainly stems from the activation of costs of meters legalisation as investment outlays for fixed assets and the reference recognition of costs for non-contractual use of real properties in other operating costs. Additionally, lower costs were incurred for failure repairs of the grid assets, for tree cutting and collection services.
- Amortisation increased by PLN 15,731 thou., or 4.4%, in relation to the comparative period, mainly because of amortisation calculated from newly accepted fixed assets realised in 2012.
- Costs of taxes and fees which increased by PLN 12,499 thou., or 11.1%, in relation to higher costs of tax on lines and power connections and the annual fee for the access to energy devices (State Forests).

Result on other operating activity in 2012 amounted to PLN - 95,430 thou. and was lower than in the previous year by PLN 102,490 thou. (in 2011 the profit totalling to PLN 7,060 thou.), which mainly stems from the generation of lower revenues for nil-paid fixed assets (in 2011 the receipt of a donation in the form of the power infrastructure) and from higher levels of provisions for anticipated losses and claims than in the previous year. At the same time, the other operating costs included for reference only costs for non-contractual use of the property - lands of the State Treasury under the supervisions of the Board of the State Forests Public Company.

Result on financial activity in 2012 amounted to PLN -13,721 thou. and was lower than in 2011 by PLN 9,796 thou., which was mainly impacted by lower revenues from interests and higher costs of interests for external funding of the investment.

As at 31 December 2012 ENEA Operator's balance of cash and cash equivalents amounted to PLN 117,574 thou. and was higher by PLN 49,027 thou. than at the end of 2011.

Cash flows from operating activities amounted to PLN 705,744 thou. and grew by PLN 86,229 thou. in relation to 2011 (PLN 619,515 thou.), which was impacted by a higher net financial result and a higher change in the working capital.

Cash flows from investment activities in 2012 amounted to PLN -89,862 thou. and in 2011 they amounted to PLN -725,290 thou. A change in the amount of PLN -173,572 thou. stems mainly from a higher value of purchased tangible and intangible fixed assets.

Cash flows from financial activities in 2012 amounted to PLN 242,145 thou. and in 2011 they amounted to PLN -11,149 thou. A change in the amount of PLN 253,294 thou. stems mainly from gaining funds through the issue of intergroup bonds with a concurrent distribution of a higher dividend for the owner than in 2011.

Financial results on quarterly basis were presented in a simplified way. Data for 2011 and 2012 include the change resulting from the application of IAS 19, and the results for 9 months of 2011 and 9 months of 2012 were not updated within this field. In relation to the above, the annual adjustment is applied to the results of Q4 2011 and 2012.

Data in PLN '000	Q4 2011	Q4 2012	Change	Difference
Net sales revenues	716 501	745 704	104.1%	29 203
Profit / (loss) from operations	22 364	6 244	27.9%	-16 120
Profit / (loss) before tax	21 527	743	3.5%	-20 784
Net profit / (loss) for the reporting period	20 065	-1 431	x	-21 496
EBITDA	116 091	100 318	86.4%	-15 773

The revenues from sales of ENEA Operator in Q4 2012 amounted to PLN 745,704 thou., which in relation to Q4 2011 constituted an increase by PLN 29,203, i.e. by 4.1%, and the change was mainly a result of:

- Higher revenues from sales of distribution services by PLN 45,624 thou., which in Q4 2012 amounted to PLN 2,635,104 thou.:
 - revenues from the sale of distribution services to end users in Q4 2012 were higher than in the comparative period by PLN 36,289 thou. i.e. by 5.8%. The increase of these revenues stemmed mainly from a growth of the average sales price by 4.2% with a higher volume of supplied electricity by 66 GWh.
 - revenues from non-invoiced sales of distribution services grew by PLN 9,335 thou.
- Higher revenues for grid connection fees by PLN 4,128 thou., which in Q4 2012 amounted to PLN 36,222 thou., the growth results from the shift of the connection realisation to Q4 2012.
- Lower revenues from sales of materials by PLN 22,172 thou., which in Q4 2012 amounted to PLN 3,363 thou. The drop results from lower revenues from sales of electricity on the Balancing Market by PLN 22,223 thou.

Costs of sales in ENEA Operator in Q4 2012 totalled to PLN 635,116 thou. and declined by PLN 15,620 thou., i.e. 2.4% in relation to the comparative period.

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

- Costs of employee benefits which in the reporting period amounted to PLN 164,275 thou. and were lower than in 2011 by PLN 14,283 thou., which mainly stems from the change of reserves and accruals for employee benefits and lower pays.
- Costs of other external services, which amounted to PLN 53,466 thou. and decreased by PLN 8,188 thou., which mainly stems from the activation of costs of meters legalisation as investment outlays for fixed assets and the reference recognition of costs for non-contractual use of real properties in other operating costs. Additionally, lower costs were incurred for failure repairs of the grid assets, for tree cutting and collection services.

- Costs of taxes and fees which increased by PLN 5,276 thou., in relation to higher costs of the annual fee for the access to energy devices (State Forests).

Result on other operating activity in Q4 2012 amounted to PLN -98,728 thou. and was lower than in the previous year by PLN 65,481 thou. (in Q4 2011 a loss totalling to PLN -33,247 thou.), which mainly stems from lower revenues for nil-paid fixed assets (in 2011 the receipt of a donation in the form of the power infrastructure) and from higher levels of provisions for anticipated losses and claims than in the previous year. At the same time, the other operating costs included for reference only costs for non-contractual use of the property - lands of the State Treasury under the supervisions of the Board of the State Forests Public Company.

Result on other operating activity in Q4 2012 amounted to PLN -98,728 thou. and was lower than in the previous year by PLN 65,481 thou. (in Q4 2011 a loss totalling to PLN -33,247 thou.), which mainly stems from higher levels of provisions for anticipated losses and claims than in the previous year. At the same time, the other operating costs included for reference only costs for non-contractual use of the property - lands of the State Treasury under the supervisions of the Board of the State Forests Public Company.

Result on financial activity amounted to PLN 5,501 thou. and was lower by PLN 4,664 thou. than in the previous year, which stemmed from lower revenues from interests and higher costs of a financial leasing.

Data in PLN '000	As at:		Change	Difference
	31 December 2011	31 December 2012		
Total assets	6 270 328	6 889 909	109.9%	619 581
Total liabilities	1 818 038	2 252 798	123.9%	434 760
Non-current liabilities	1 065 544	1 488 979	139.7%	423 435
Current liabilities	752 494	763 819	101.5%	11 325
Equity	4 452 290	4 637 111	104.2%	184 821
Share capital	4 054 386	4 054 386	100.0%	0

As at 31 December 2012 the assets amounted to PLN 6,889,909 thou. and grew by PLN 619,581 thou., or 9.9%, in relation to the state as at 31 December 2011, which stems from higher fixed assets (by PLN 525,140 thou.) and current assets (by PLN 94,441 thou.).

As at 31 December 2012, the value of the Company's non-current liabilities was PLN 1,488,979 thou. and increased by PLN 423,435 thou. in relation to the state as at the end of December 2011, which stems mainly from increasing of the obligations by title of loans, and debt securities, employee benefits, provisions for litigation. At the same time, settlements of income from subsidies and connection fees were decreased.

Short-term liabilities were at the level of PLN 763,819 thou. and increased by PLN 11,325 thou. in relation to the state as at the end of the previous year, mainly as a result of the increase in liabilities by title of loans and debt securities. At the same time, settlements of income from subsidies and connection fees, liabilities for current income tax, trade liabilities and employee benefits liabilities.

4.5. Future financial position

4.5.1. Future financial position

The future financial position of the ENEA Capital Group depends on a number of internal and external legal and macro-economic factors which could at the same time, if there are significant and also unfavourable departures from standard or assumed parameters (or circumstances associated with such factors), pose risks and dangers in achieving the Group's desired results or development. Such factors, and also events in the world's and national economy, which will determine them, are not absolute likelihood but are merely likely, which in the case of their actual occurrence may, but needs not, affect the financial situation in the ENEA Capital Group.

At the same time, the Company informs that it has not published any forecasts regarding financial results concerning future financial results.

Below there is a description of events or factors that may negatively or positively affect the future financial situation in the ENEA Capital Group.



As results from "Update of the projection of demand for fuels and energy until 2030" conducted by The Energy Market Agency, whose selected notions were described in item 3.6 of this statement till 2030 in all the sectors of economy (Trade and Services, Transport, Industry and Construction, Agriculture, Households) we may expect a higher demand for electricity, which may result in a higher supply within the production of electrical energy by the entities from the ENEA Capital Group, which with the assumption of the realisation of the strategy specified in item 3.6.4 ("Strategy of Development of the Capital Group") may have a positive impact on the financial situation.



It must be indicated that a material element within costs, determining the generation of electricity is the allocation of allowances for emissions of CO₂ and other gases and substances in a given settlement period. Any potential restrictions within this field, which are expected during 2013-2020 may considerably affect the costs of electricity generation, which as a consequence may negatively impact the financial situation of the Group. At the same time, the Issuer indicates that detailed information within this field was described in item 3.6.2 "Limits of CO₂ emission allowances and their market prices".



On 5 September 2012 a letter of intent was concluded between ENEA S.A. and the other companies from the national power sector (a detailed description in item 3.4.8 of "Collaboration or cooperation Agreement"), based on which the Issuer, together with the other parties, conducts actions aiming at the development of a draft agreement for the purchase of shares in the special purpose vehicle PGE EJ1, which is responsible for the direct preparation of the investment process of the construction and operation of the first Polish atomic power plant. Development of the energy engineering besides numerous aspects, has a considerable impact on the limitation of emissions of CO₂ to the atmosphere and atomic power in the structure of electricity generation in the future may constitute an important position in the national energy system (item 3.6 "Development perspectives"). In relation to the above the steps undertaken by the Issuer within this field may in the future have a considerable effect on the financial situation and facilitate the adaptation of the Capital Group to new conditions within energy gaining.



On 4 July 2012 ENEA S.A. concluded a frame agreement on the exploration and extraction of carbohydrates from shale. The parties to the agreement are ENEA S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG), KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A. Having in mind the likelihood of higher obligations within sales of electricity generated from renewable sources of energy, the conclusion of the above agreement may positively affect the financial situation of the Issuer as one of the elements of widening of renewable energy sources in relation to the sources already held.



On 21 September 2012, a subsidiary of the Issuer - ENEA Wytwarzanie S.A. signed an agreement with the consortium of Hitachi Power Europe GmbH and Polimex-Mostostal S.A. (Contractor) on the construction of a supercritical bituminous coal fired power unit with the electric capacity of 1,075 MWe gross and the efficiency of 45.6% net (Agreement). The net value of the Agreement is around PLN 5.1 bln. The Parties decided that the Agreement would be realised within 58 months of the date of its execution. The investment in the construction of the power unit is one of the key undertakings taken up in order to enhance the generating capacities of the ENEA Group and constitutes an element of the long-term strategic directions of the Group, which is acquiring of an access to own sources of energy generation with a potential enabling at least a satisfaction of the demand for electricity of all the customers of the ENEA Group. The new power unit in Kozienice will be the most modern unit fired with coal in Poland and Europe. A successful completion of the investment will allow for increasing generating capacities of the power plant in Kozienice by ca. 30%. The technical solutions applied will enable equipping the unit with the installation for capture and condensation of carbon dioxide, which may have a substantial importance in the future in relation to the policy of the European Union within reduction of CO₂ emissions.

4.5.2. Financial results forecasts

The Management Board of ENEA S.A did not publish any financial results forecasts for 2012.

4.5.3. Major events that have, or could have in the future, a material effect on the Company's operations and financial results

A description of major events that could have in the future a material effect on the Company's and Capital Group's operations and financial results was included in item 4.5.1 above.

4.6. Financial resources and instruments

4.6.1. Financial resources management

During the turnover year ENEA S.A. had financial resources at its disposal that guarantee that all current and planned expenses associated with the Company's operations will be serviced. The balance of available cash makes it possible to flexibly settle its ongoing liabilities. The Company's liquidity management is concentrated on a detailed analysis of the flow of receivables, ongoing monitoring of bank accounts as well as the ongoing concentration of cash resources in consolidated accounts, the resulting financial surpluses are invested by the Company in current assets as fixed time deposits.

In 2012 ENEA S.A. had open working capital facilities from BZ WBK S.A., Pekao S.A. and PKO BP S.A. banks. The total limit of the working capital facilities as at 31 December 2012 was PLN 150,000 thou.

ENEA S.A. in 2011 only from time to time made a use of working capital facilities in order to finance current operations.

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

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

4.6.2. Description of the use of issue proceeds

ENEA S.A. during 2012 did not issue any securities. Proceeds of ENEA S.A. from public offering conducted in 2008 are invested in instruments exhibiting minimum risk, i.e. issued debt instruments, secured by suretyship or guaranteed by the State Treasury or bank deposits. Revenues from the aforementioned investments in 2012 amounted to PLN 44,480 thou.

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

4.6.3. Used financial instruments

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

Additionally, forward transactions are also concluded by one of the subsidiaries - Elektrociepłownia Białystok S.A. The Company sold the excess of allowances for emissions of CO₂ relating to the limit for 2008-2012 as future contracts and concluded agreements for exchanges of the allowances EUA into CER. Agreements were

partially realised in December 2011, and partly in December 2012. These are transactions presented in EUR. The Company conducted forward transactions for the sale of this currency.

Result on sales and exchange of allowances for emissions of CO₂ in 2012 closed with the amount of PLN (+) 22,327 thou. Forwards contract for EUR as at 31 December 2012 closed with the valuation in the amount of PLN (-) 14 thou.

4.6.4. Financial risk management

An efficient financial management must cover both the results generated on current operations and the financial risk inherently connected with its pursuing.

In ENEA S.A. the following material risks may be identified within finances:

Credit risk - is understood as the risk of financial loss by the Company resulting from the client's or the counterparty's to a financial instrument failure to perform their contractual obligations. The credit risk is mainly connected to recoverability of receivables. The main factors influencing the appearance of a credit risk in the case of ENEA S.A. are:

- a large number of small recipients (ca. 2.4 mln) impacting the high costs of supervising the inflow of receivables, which is made based on specialist billing systems,
- a necessity to deliver electricity to budget units being in a difficult financial situation - this requirement results from the Energy Law, which provides that the provisions relating to a suspension of supplies of energy as a result of delays in the payment of obligations do not apply to objects which serve the defence of the state (a list of such objects was provided for in separate regulations),
- legal regulations regulating the rules of suspending supplies of electricity as a result of no payment, or limiting in some cases a possibility of not concluding agreements with clients because of their condition (a role of a nominated vendor/reserve vendor).

The Policy adopted by the Board within the management of credit risk orders an ongoing monitoring of exposures to the credit risk and of risk levels, and also conduction of the creditworthiness estimate and determination of limits for risk and bonuses by title of the risk in relation to all the customers (buyers) exceeding, in commercial relations with the Company, a volume-specified Materiality Threshold.

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

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

The Policy adopted by the Board of managing the risk of loss of financial liquidity anticipates ensuring availability of financial means at the level allowing for settling obligations in the course of normal operations and enabling simultaneously an undisturbed continuation of activity and in situations of liquidity crises for a period necessary to launch an emergency financing plan allowing for quick increase in liquidity.

ENEA S.A.'s liquidity management is concentrated on a detailed analysis of the flow of receivables, ongoing monitoring of bank accounts as well as the ongoing concentration of cash resources in consolidated accounts. The remaining financial surplus the Company locates in current assets as fixed-term deposits. The efficiency of

this investment, in accordance with the rules of liquidity management, requires an ongoing monitoring. In order to limit the liquidity risk and ensure stability of financing sources the Company diversifies the sources of external financing and directions of investing cash surpluses analysing at the same time the standing of financial institutions with which it cooperates within this scope.

The currency risk is connected with a possible occurring of changes generated by ENEA S.A. in cash flows as a result of changes in the foreign exchange rates in which the values are denominated. A requirement resulting from the adopted Policy of managing foreign exchange risk and interest rate risk is the identification of a future net exposure of the Company to the foreign exchange risk and - in the case of deeming this exposure significant - securing of the position using the derivative instruments allowed for use in ENEA S.A. by the provisions of the Policy.

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

Interest rate risk – is connected with the concluded loan and credit agreements, and with financial assets in the form of a portfolio of debentures and bank deposits. In relation to the above the Company tries to operate based on a floating rate, calculated in correlation with the market rates (inter-banking). Within security operations actions realised in the field of the interest rate risk, within the identification of exposure or allowed instruments, are analogical - including specific differences - to those performed within the field of foreign exchange risk.

Commodity risk - is connected with a possible occurring of changes in the revenues/cash flows generated by ENEA S.A., mainly as a result of changes in commodity prices, and fluctuations within the demand for the products/services offered by the Company. The objective of managing commodity risk is maintaining exposure to that risk within the acceptable frames with a simultaneous optimisation of return on risk. The presently prepared policy of commodity management anticipates the use in the managerial process of specific econometric models and imposing of specific limits to the price risk, calculated based on statistic measures. Limits for the volumetric risk will be expressed in quantity units and based on the concept of efficacy of forecast methods realised in the Company. Determination of current limits and estimate of the level of their utilisation will be, within the process of commodity risk management, realised on an ongoing basis.

4.7. Principles of preparation of an annual consolidated financial statement

This Report of the Management Board on the operations of the ENEA Capital Group for the financial year of 2012 was prepared in accordance with § 92 item 1(4) and § 92 item 3 in connection with § 91 item 5-6 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and conditions of recognising as equivalent information required by legal regulations of a state not being a member state (Journal of Laws No 33, item 259 as amended).

The consolidated financial statement of the Capital Group included in the consolidated report of ENEA S.A. for the financial year of 2012 was prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IASs/IFRS) approved by the European Union.

The consolidated financial statement of the Capital Group was prepared with an assumption of continuing business operations by the Capital Group in the foreseeable future. The Company's Board states, as at the execution of the consolidated report, no facts or circumstances that could indicate any threats to the possibility of continuing the activity during the period of 12 months after the balance sheet date as a result of a wilful or mandatory negligence or substantial limitation of the so far activities.

Financial data presented in this report, if not stated otherwise, were presented in thousands of PLN.

5. Information on shares and shareholding

5.1. Share capital structure

As at the date of preparation of this Report of the Management Board the amount of the Issuer's share capital is PLN 441,442,578.

A general number of votes at a general meeting resulting from all the issued shares of the Issuer corresponds to the number of shares and amounts to 441,442,578 votes.

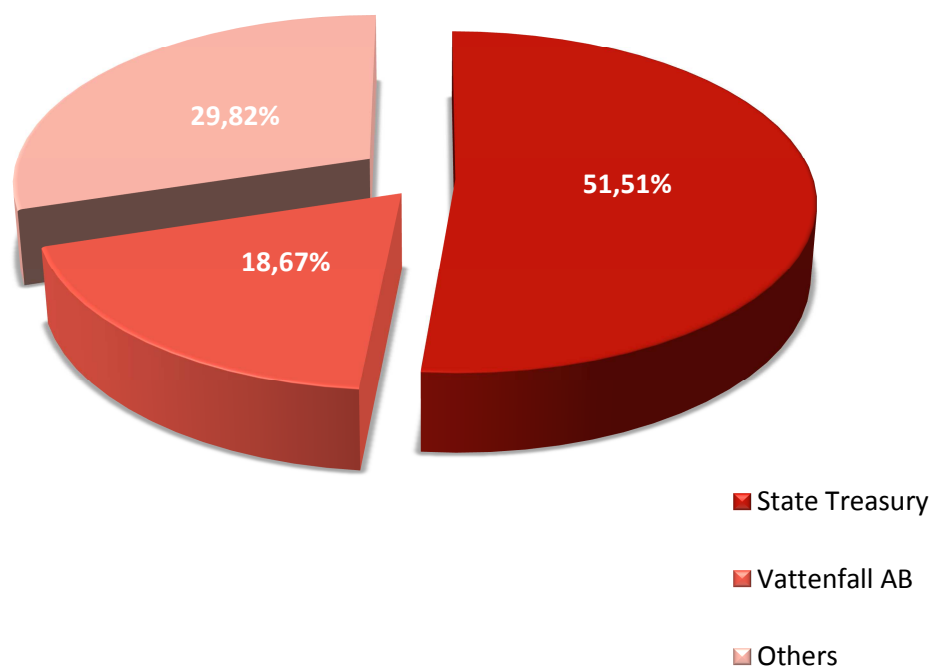
As at 31 December 2012 the structure of the share capital is as follows:

- 1,991,063 registered shares,
- 439,451,515 bearer shares.

5.2. Shareholding structure

The table and diagram below demonstrate the structure of shareholders holding more than 5% of the total number of votes at ENEA S.A.'s General Meeting of Shareholders as at 31 December 2012:

No.	Shareholder	State as at 31 December 2012	
		Number of shares/number of votes during GM	Share in the share capital/total number of votes
1	State Treasury	227 385 698	51.51%
2	Vattenfall AB	82 395 573	18.67%
3	Others	131 661 307	29.82%
TOTAL	441 442 578	100.00%	100.00%



5.3. Changes in the shareholding structure in 2012

In 2012 there were no significant changes in the shareholding structure of ENEA S.A.

It must be however noted that during the period from 31 December 2011 and 31 December 2012 slight fluctuations in the shareholding of the key Shareholder of the Company, i.e. the State Treasury occurred - on border dates the share in the share capital and number of votes amounted to respectively, 51.68% according to the state as at 31 December 2011 and 51,51% as the end of the current reporting period. The divergence in the number of shares held by the State Treasury was connected with the specificity of the process of nil-paid rights to acquire employee shares from the State Treasury by entitled employees and their heirs.

5.4. Potential changes in the shareholder structure

The Company does not know of any agreements or events that could result in future changes in the proportions of shares held by the existing Shareholders.

The Company reminds, however, that on 27 March 2012 the Council of Ministers adopted a Privatisation Plan for 2012-2013 prepared by the Minister of Treasury. The document contains key assumptions of the privatisation policy and a list of entities with the share of the State Treasury which were selected to undergo the ownership changes.

Ownership changes will be applied to companies from all the sectors of economy. In the energy sector they will be realised in accordance with the provisions of government documents: "Programme for the power industry" and "Energy Policy of Poland till 2030". Within the planned projects the privatisation through the Warsaw Stock Exchange will be preferred. In accordance with the "Privatisation Plan for 2012-2013" ownership changes will cover e.g. ENEA S.A. Detailed assumptions regarding the mode and schedule of these changes are not known to the Company.

5.5. Treasury shares

As at 31 December 2012, during the reporting period and as well as at the date of the approval of this report, the Company did not hold any treasury shares.

5.6. Information on the system of inspecting employee share programmes

In 2012 ENEA S.A. did not launch any standard control systems for employee share programmes, however there was a formal process in progress of the nil-paid acquisition of shares of ENEA S.A. by authorised people from the State Treasury (based on the privatisation and commercialisation act).

The right to take up shares was established based on the privatisation and commercialisation act on 16 May 2010 in relation to the sales of shares of ENEA S.A. by the State Treasury three months ago. 8,818 people were authorised to the nil-paid acquisition from the State Treasury of ENEA S.A.'s shares for whom 33,239,235 shares were designated. Heirs of authorised people were also entitled to acquire the shares.

Dom Inwestycyjny BRE Banku S.A. performed the organisation of the conclusion of agreements based on the agreement signed with ENEA.

The process of concluding agreements commenced on 14 October 2010 in Bydgoszcz, Gorzów Wielkopolski, Poznań, Szczecin, Zielona Góra. The agreements were concluded in the locations of companies from the ENEA Group. Then, from December 2010 agreements were concluded in Customer Service Points of Dom Inwestycyjny BRE Banku S.A. in Bydgoszcz, Poznań and Szczecin. People who, acquired nil-paid shares from

the State Treasury could not sell them before 16 February 2012 (within the shares allotted to officers of the Company the prohibition was in force till 16 March 2013). After that date, the shares were listed on WSE and people who opened investment accounts in brokerage houses could sell the held shares.

The right to the nil-paid acquisition from the State Treasury of ENEA's shares by authorised people expired on 16 May 2012. After that date, agreements may be concluded only by heirs of authorised people in specific cases provided for in the commercialisation and privatisation act.

Till the present moment authorised people and their heirs based on 9,842 agreements acquired 31,250,869 shares of ENEA S.A. Although the act indicates no specific date for the termination of the agreement conclusion term for heirs of authorised people, it must be estimated that it will constitute rare cases (maximum of several cases).

5.7. Listing of ENEA S.A.'s shares on the Warsaw Stock Exchange

Shares of ENEA S.A. have been listed on the Warsaw Stock Exchange (WSE) since 17 November 2008.

As at 31 December 2012 the Company belonged to the following exchange indices:

- WIG - covers all the companies listed on the Main Market of WSE which fulfil fundamental criteria for the participation in indices,
- mWIG40 - covers 40 medium enterprises listed on the Main Market of WSE,
- WIG Energia - covers companies participating in the WIG index and simultaneously classified to the sector of "energy engineering",
- WIG-Poland - the index includes exclusively shares of domestic companies listed on the Main Market of WSE which fulfil fundamental criteria for the participation in indices,
- WIGdiv - its portfolio covers up to 30 companies which participate in WIG20, mWIG40 and sWIG80, which characterise with the highest rate of dividends at the end of September each year and regularly distributed the dividend during previous years,
- MSCI Poland Standard Index – selection criteria of companies to the portfolio of this index are compliant with the criteria concerning a company size, its liquidity and free float.

Percentage of shares of ENEA S.A. in particular indices on 28 December 2012 [%]*

WIG	mWIG40	WIG Energia	WIG – Poland	WIGdiv	MSCI Poland
0.84	4.89	9.14	0.90	3.22	0.94

* 28 December 2012 was the last quotation day on WSE in 2012.

Key data concerning shares:	2011	2012
Maximum price [PLN]	23.98	18.99
Minimum price [PLN]	14.21	14.11
Last price [PLN]	18.00	15.73
Capitalisation at the end of period [PLN mln]	7 946	6 944
Capitalisation of ENEA S.A. on the background of domestic companies listed on WSE at the end of period [%]	1.78	1.33
Book value [PLN mln]	10 405.26	10 918.63
C/Z	9.80	9.70
C/WK	0.76	0.64

Return rate at end of period [%]	-21.85	-10.05
Dividend rate [%]	2.4	3.1
Value of turnover [PLN mln]	977.02	561.42
Share in turnover [%]	0.39	0.30
Turnover indicator [%]	12.70	7.90
Average volume per session	205 697	137 298
Average number of transactions per session	205	202
Average spread [pb]	32	36
Value of turnover [PLN mln]	977.02	561.417
Volume [pcs]	51 630 071	34 187 283

Source: WSE Statistical bulletin

5.8. Last share issue

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

6. Authorities of the Capital Group

6.1. Members, appointment and description of powers delegated to authorities of the parent company

The description of personal composition, rules of nomination and scope of rights of the authorities of the parent company may be found in the Attachment No. 1 to this Board's Report - "Declaration of the application of corporate governance rules" mentioned in item 7 below.

6.2. Principles of Remuneration

In 2011 based on a resolution of the Supervisory Board of ENEA S.A. changes were introduced to the method of remunerating the Company's Members of the Board. All Members of the Board of the Company concluded management services agreements with the Company which are specified in Art. 3 item 2 of the Act of 3 March 2000 on remunerating persons managing some legal entities (Journal of Laws No. 26, item 306, as amended).

The agreements on management services concluded with the Company do not provide for any compensation in the case of a resignation of a Member of the Board or his being recalled with no material reason or when such a dismissal or recalling results from a merger of the Company through a takeover.

Agreements on management services concluded by the Company provide as follows:

- a) in each case of the expiry or termination of the agreement a Member of the Management Board for a month receives remuneration for the provision of services within the scope enabling full assignment of his/her obligations to another entity; the remuneration equals the amount of the hitherto fixed pay; the remuneration is not paid if the expiry or termination of the agreements resulted from specific circumstances at fault of the Member of the Board;
- b) after the expiry or termination of the agreement and after the expiry of circumstances specified under letter a) a Member of the Board is covered with an Extended period of non-competition; for the period of such a prohibition a Member of the Board is entitled to receive 100% of the hitherto amount of the fixed monthly remuneration;
- c) for some Members of the Board of the Company the Extended period of non-competition is in force for the period of 12 months after the expiry or termination of the agreement and after the expiry of the term specified in a) above; if the agreement is terminated or expires during the first 9 months of its validity, the Company has a right to unilaterally terminate the Extended period of non-competition; in the case of the termination or expiry of the agreement before the expiry of 12 months of its validity, the period of Extended non-competition equals the period of performing the agreement by a Member of the Board, however under no circumstances shall it be shorter than 3 months;
- d) for some Members of the Board of the Company the Extended period of non-competition is in force for the period of 12 months after the expiry or termination of the agreement and after the expiry of the term specified in a) above, with no additional reservations regarding the term of the agreement on management services.

Members of the Board at own expense insured against third party liability that may occur as a result of a failure to perform or improper performance of the management agreement. The remuneration of Members of the Supervisory Board is set on the basis of the Minister of Treasury's declaration of 20 June 2000 on establishing the remuneration of members of Supervisory Boards in companies wholly owned by the State Treasury and is set at the level of the average monthly remuneration in the enterprise sector net of payments of bonuses from profits in the fourth quarter of the previous year as published by the President of the Central Statistical Office.

In connection with Art. 14 of the Act of 26 November 2010 on amendment of some acts connected with the realisation of the budget law the provisions of the Act of 3 March 2000 on remuneration of persons managing some legal entities were novelised, and Art. 29b was added which provides that in 2011 the average monthly remuneration in the enterprise sector net of payments of bonuses from profits is set in the amount of the average monthly remuneration in enterprise sector net of payments of bonuses from profits in the fourth quarter of 2009, i.e. PLN 3,454.58. In 2012 the remuneration of Members of the Supervisory Board did not change.

The principles of remunerating other Employees of the Company are contained in the Corporate Collective Labour Agreement for Employees of ENEA S.A. and its subsidiaries. The Corporate Collective Labour Agreement contains provisions concerning remunerating and benefits relating to employment, providing for an extensive catalogue of various benefits exceeding the level resulting from the common labour law regulations.

6.3. Level of Remuneration

The remuneration of persons composing the Management Board of ENEA S.A. collected in the period from 1 January 2012 to 31 December 2012 with whom the Company concluded the agreement on provision of services within management is presented in the table below:

Name	Position	Net remuneration (excluding VAT)*	Additional consideration**
Owczarek Maciej	President of the Board	902 618.98	36 531.00
Rozpędek Hubert	Member of the Board	847 618.98	30 910.00
Górniak Maksymilian	Member of the Board	157 342.68	0.00
Zborowski Krzysztof	Member of the Board	536 100.12	18 208.72
Bil Janusz	Member of the Board	707 500.00	22 010.00
TOTAL	-	3 151 180.76	107 659.72

* The remuneration includes any titles resulting from concluded contracts and is included in the Company's costs, including also remuneration for non-competition clause.

** Additional consideration – understood as reimbursement of partial costs of the use of the available residential apartment and for a language course.

Remuneration for a Members of the Management Board of ENEA S.A. in 2012 for holding an office in ENEA subsidiary is presented in the table below:

Name	Position	Remuneration for holding a position in the ENEA subsidiaries
Zborowski Krzysztof	President of the Board	397 408.22
Owczarek Maciej	Member of the Board	61 033.55
Rozpędek Hubert	Member of the Board	55 793.48

Remuneration for members of the Supervisory Board of ENEA S.A. in the financial year 2012 is presented in the following table:

No.	NAME	2012
1	Chmielewski Wojciech	39 652.32
2	Mordasewicz Jeremi	39 652.32
3	Kowalewski Michał	39 652.32

4	Aniołek Małgorzata	39 652.32
5	Brzeziński Sławomir ¹	33 319.98
6	Dachowski Tadeusz ²	18 924.84
7	Jarczyński Michał ³	8 023.56
8	Lisiewicz Paweł ⁴	18 924.84
9	Łyczyński Przemysław ⁵	20 727.48
10	Malinowska Sandra ⁶	20 727.48
11	Miklosz Tadeusz ⁷	20 727.48
12	Pluciński Mieczysław ⁸	18 924.84
13	Mańkowska Agnieszka ⁹	19 816.14
14	Wood Graham	39 652.32

1 Mr. Sławomir Brzeziński has held the position of a member of the Supervisory Board of ENEA S.A. since 12 March 2012

2 Mr. Tadeusz Dachowski was a Member of the Supervisory Board of ENEA S.A. till 30 June 2012

3 Mr. Michał Jarczyński has held the position of a member of the Supervisory Board of ENEA S.A. since 22 October 2012

4 Mr. Paweł Lisiewicz was a Member of the Supervisory Board of ENEA S.A. till 30 June 2012

5 Mr. Przemysław Łyczyński has held the position of a member of the Supervisory Board of ENEA S.A. since 1 July 2012

6 Ms. Sandra Malinowska has held the position of a member of the Supervisory Board of ENEA S.A. since 1 July 2012

7 Mr. Tadeusz Mikłosz has held the position of a member of the Supervisory Board of ENEA S.A. since 1 July 2012

8 Pan Mieczysław Pluciński was a Member of the Supervisory Board of ENEA S.A. till 30 June 2012

9 Ms. Agnieszka Mańkowska was a Member of the Supervisory Board of ENEA S.A. from 30 June 2012

Members of the Supervisory Board of ENEA S.A during the financial year of 2012 did not collect any remuneration for holding offices in the Supervisory Board in the amount compliant with the legal regulations being in force.

On 12 March 2012 Mr. Sławomir Brzeziński was nominated to the composition of the Supervisory Board.

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

Name	Position	Number of shares of ENEA S.A. held as at 14 November 2012	Number of held shares of ENEA S.A. as at 31 December 2012
Tadeusz Mikłosz	Member of the Supervisory Board	4 140	4 140

As at the publication date of this interim report the other people from the Management and Supervisory Board do not hold ENEA S.A.'s shares.

As at the day of publication of this interim report, people from the Management and Supervisory Board do not hold shares in subsidiaries of ENEA S.A.

During the period from the publication of the interim report for Q3 2012 there were no changes in the shareholding of managing and supervising people.

7. Declaration of the application of Corporate Governance Rules

The Management Board of ENEA S.A. declares that in 2012 the Company applied the rules of corporate governance constituting an Addendum to the Resolution of the WSE Supervisory Board No. 20/1287/2011 of 19 October 2011 as amended, titled "Best Practices of WSE Listed Companies" (BPLC, Corporate Governance Rules), published on the Warsaw Stock Exchange website under <http://corp-gov.gpw.pl>. That set of Corporate Governance Rules contains a section entitled "Recommendations Regarding Best Practices of WSE Listed Companies" describing the best practice rules that the Issuer can decide to apply at its own discretion.

At the same time it should be noted that the WSE Supervisory Board introduced amendments to the Corporate Governance Rules with the resolution of the WSE Supervisory Board no. 19/1307/2012 of 21 November 2012 concerning adoption of amendments to "Best Practices of WSE Listed Companies", at the same time passing a consolidated text of those rules available under the internet address mentioned above.

With corporate transparency in mind contributing, among others, to creating value for shareholders, the Management Board of ENEA S.A. makes every effort to implement all the rules of corporate governance that do not present any excessive strain for the Company, unless it is balanced by advantages arising from market needs. With consideration of the above, in 2012 the Management Board of ENEA S.A. applied the majority of rules set forth in Best Practices of WSE Listed Companies, in particular those specified in parts II-IV of BPLC.

The complete information concerning application of corporate governance rules, including the information on departure from application of the Corporate Governance Rules or Recommendations specified in part I of BPLC has been included in Attachment No. 1 integral to the Report of the Management Board on the Operations of the ENEA Capital Group.

8. Additional Information

8.1. The entity authorised to audit financial statements

By a Resolution of the Supervisory Board of 20 December 2011 KPMG Audyt Sp. z o.o. was selected to perform the audit of the non-consolidated annual statements of ENEA S.A. and the consolidated statement of the ENEA Capital Group prepared as at 31 December 2012, 31 December 2013 and 31 December 2014, and to perform the reviews of the non-consolidated statement of ENEA S.A. and the consolidated statement of the ENEA Capital Group prepared as at 31 March 2012, 30 June 2012, 30 September 2012, 31 March 2013, 30 June 2013, 30 September 2013, 31 March 2014, 30 June 2014, 30 September 2014. The agreement with the aforementioned entity was concluded on 27 March 2012.

The table below presents the net fees due to KPMG Audyt Sp. z o.o. under services to ENEA S.A. concerning a given financial year (expressed in PLN '000):

	01.01.2012 - 31.12.2012
KPMG Audyt Sp. z o.o.'s remuneration for auditing and reviewing the non-consolidated and consolidated financial statements of ENEA S.A.	136
KPMG Audyt Sp. z o.o. 's remuneration for other services	178
TOTAL	314

By a Resolution of the Supervisory Board of 17 January 2011, Deloitte Audyt Sp. z o.o. was selected to perform the audit of the non-consolidated and consolidated annual financial statements of ENEA S.A. for 2011 and to audit mid-year non-consolidated statements of ENEA S.A. and mid-year consolidated statements of the ENEA Capital Group prepared as at 31 March 2011, 30 June 2011 and 30 September 2011. The agreement was concluded on 1 March 2011.

The table below presents the net fees due to Deloitte Audyt Sp. z o.o. under services to ENEA S.A. concerning a given financial year (expressed in PLN '000):

	01.01.2011 - 31.12.2011
Deloitte Audyt Sp. z o.o.'s remuneration for auditing and reviewing the non-consolidated and consolidated financial statements of ENEA S.A.	316
Deloitte Audyt Sp. z o.o.'s remuneration for other certification services provided to ENEA S.A. – including review of the financial statements	2
TOTAL	318

8.2. Description of court and administrative proceedings

We are now and may be in the future a party to court and administrative proceedings.

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

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

ENEA S.A.

- In proceedings concerning ENEA S.A.'s charging energy customers a double subscription fee for the month of January 2008, in a decision issued on 12 September 2008, the President of the Office of Competition and Consumer Protection ruled that charging energy customers a double subscription fee for the month of January 2008 constituted an anticompetitive practice and ordered the practice to be stopped. He also imposed a fine on ENEA S.A. in the amount of PLN 160,000, constituting approximately 0.03% of the maximum fine (the amount of the fine results from the fact that the President of the Office of Competition and Consumer Protection recognised that there was no need for repressive measures against ENEA S.A., and that the fine was a disciplinary measure). On 30 September 2008, ENEA S.A. lodged an appeal against the above decision with the Regional Court in Warsaw, the Court of Competition and Consumer Protection. On 31 August 2009, the Competition and Consumer Protection Court changed the decision of the President of the Office of Competition and Consumer Protection, as a result of the appeal filed by ENEA S.A., reducing the fine to PLN 10,000. On 25 September 2009, ENEA filed an appeal against the decision of the Competition and Consumer Protection Court with the Court of Appeal in Warsaw, moving that the decision be revoked in its entirety. On 27 April 2010 the Court of Appeal overturned the verdict by the Court of Competition and Consumer Protection and returned the case for reconsideration. In its judgement of 27 January 2011 the Court of Competition and Consumer Protection upheld the cash fine imposed on the Company in the amount of PLN 10,000. On 27 April 2010 the Court of Appeal ruled favourably in the appeal of ENEA S.A. against the verdict of the Court of Competition and Consumer Protection and overruled the verdict and returned the case for reconsideration. With the decision of 27 January 2011 the Court of Competition and Consumer Protection upheld the penalty imposed on the Company in the amount of PLN 10,000. Having received the decision justification the attorney of ENEA S.A. filed an appeal on 20 April 2011 with the Court of Appeal in Warsaw, VI Civil Department. The Court of Appeal during the hearing on 8 February 2012 overruled the appeal of ENEA S.A. The judgement is final.
- On 27 November 2008, the President of ERO ruled in the matter of ENEA S.A.'s failure to meet its obligation of purchasing electricity generated in cogeneration in 2006, and imposed a fine on the Company, in the amount of PLN 7,594,613.28. On 17 December 2008, ENEA S.A. appealed against that decision to the Regional Court in Warsaw, the Court of Competition and Consumer Protection. On 15 December 2009, the Court of Competition and Consumer Protection ruled in favour of ENEA S.A., changing the decision of the President of ERO of 27 November 2008 and dismissing the administrative proceedings. The President of ERO filed an appeal to the Court of Appeal in Warsaw against this ruling. In its judgement of 24 November 2010 (VI ACa 327/10) the Court of Appeal revoked the judgement of the Regional Court in Warsaw - the Competition and Consumer Protection Court of 15 December 2009 and returned the case to the Competition and Consumer Protection Court for reconsideration and for awarding costs of appeal proceedings. On 27 September 2011 the Regional Court in Warsaw, the Court of Competition and Consumer Protection overruled the appeal of ENEA S.A. against the decision of the President of ERO on imposing of a penalty to ENEA S.A. On 18 November 2011 an appeal was filed against the verdict of 27 September 2011. On 30 May 2012 the Court of Appeal in Warsaw recognised the appeal of ENEA S.A., overturning the challenged judgement and directing the case for reconsideration, leaving the Court of first instance the decision within the costs of the appeal proceedings.

On 10 December 2012 the Regional Court in Warsaw - the Court for Competition and Consumer Protection issued a verdict based on which it overruled the appeal against the decision of the President of the Energy Regulatory Office of 27 November 2008 and ordered the payment from ENEA S.A. for the account of the President of the Energy Regulatory Office the amount of PLN 630.00 as the

reimbursement of the costs of legal representation in the proceedings being in progress before two instances.

On 4 January 2013 ENEA S.A. filed an appeal against the verdict of 10 December 2012. The Court of Appeal in Warsaw till now has not recognised the appeal.

- On 28 December 2009, the President of ERO ruled in the matter of ENEA S.A.'s failure to meet its obligation of purchasing electricity generated in cogeneration in H1 2007, and imposed a fine on the Company, in the amount of PLN 2,150,000.00. On 19 January 2010, ENEA S.A. lodged an appeal against the above decision of the President of ERO with the Court of Competition and Consumer Protection. With a judgement of 6 March 2012 the Regional Court in Warsaw, the Court of Competition and Consumer Protection revoked the decision of the President of ERO of 28 December 2009 imposing on ENEA S.A. a financial penalty for infringing upon the obligation to purchase energy from cogeneration in H1 2007. On 16 April 2012 the President of the Energy regulatory Office filed an appeal against the above verdict. The Court of Appeal in Warsaw has not finished the proceedings till the present day.

Administrative proceedings - ENEA S.A.

ENEA S.A. was a party to the administrative proceedings run by the President of the Office of Consumer and Customer Protection concerning the suspicion of using by ENEA S.A. of practices infringing the collective interests of consumers. The proceedings was a result of the inspection performed in 2011 by the Office of Consumer and Customer Protection of contractual patterns used by power companies in trading with recipients in households. The proceedings were terminated based on the decision of the Office of Consumer and Customer Protection of 5 December 2011.

The description of the proceedings being in progress to which a party is one of the subsidiaries of ENEA S.A. is presented below.

Elektrownie Wodne and Liszkowo Biogas Plant

Court proceedings conducted against Agrogaz Sp. z o.o. in cases for the transfer of proprietary interests, proceedings for payment, proceedings for order of release of documents.

The proceedings before the Supreme Administrative Court resulting from the filing of a cessation appeal by Elektrownie Wodne regarding the decision issued by the President of the Agency for Restructuring and Modernisation of Agriculture of 27 April 2012 regarding the prohibition to perform economic activity within the generation of agricultural biogas and generation of energy from agricultural biogas by Elektrownie Wodne, caused by the omissions of the entity responsible for the operation of the biogas plant during the period to which the inspection of the ARMA related - Agrogaz Sp. z o.o. In order to secure the continuity of the electricity production in the Biogas plant located in Liszkowo the aforementioned biogas installation was leased to Dobitt Energia seated in Gorzesław.

Białystok Heat and Power Plant

In 2012 the Heat and power plant was a party to court proceedings, enforcement proceedings and administrative proceedings. The key court cases are: 1) lodging of a claim in the bankruptcy proceedings (arrangement bankruptcy) to the District Court in Białystok conducted on the petition of PMB S.A. in Białystok. The amount of the claim is PLN 4,130,795.27; 2) a complaint to the Provincial Administrative Court in Białystok against the decision of the Head of the Customs Chamber in Białystok upholding the decision of the Head of the Customs Office, by which the Białystok Heat and Power Plant was refused the recognition and return of overpayment in the excise duty from electricity for the period from 1 January 2006 to 31 December 2006, in the amount of PLN 9,124,655.00; 3) a complaint to the Provincial Administrative Court in Białystok against the decision of the Head of the Customs Chamber in Białystok upholding the decision of the Head of the Customs Office, discontinuing the proceedings regarding the determination of the amount of the obligation in

the excise duty from electricity for the period of 1 January 2006 to 31 December 2006. In 2012 enforcement proceedings were conducted for the total amount of ca. PLN 458,189.00. In 2012 administrative proceeding took place regarding the determination of tax obligation in the excise duty from electricity and for the recognition and return of overpayment in the excise duty from electricity for the period of 1 January 2007 to 28 February 2009, in the amount of PLN 17,259,538.00. The proceedings are in progress before the Head of the Customs Office in Białystok. The case of the determination of the amount of the obligation in the excise tax from electricity and the recognition and return of the overpayment for the period of 1 January 2006 to 31 December 2006 was terminated with final decisions of the Head of the Customs Office in Białystok. The Head of the Customs Office in Białystok set the deadline for dealing with the matter till 31 January 2013.

ENEA Wytwarzanie

Administrative proceedings on the overpayment in the excise tax

On 11 February 2009, ENEA Wytwarzanie submitted a motion to the Customs Office in Radom for the recognition and return of excise duty overpayments in the excise duty from electricity for the months from January 2006 to December 2008, in the amount of PLN 694.6 mln, together with corrections of the tax returns.

Moreover, on 24 November 2009, the Company submitted a motion with the Customs Office in Radom requesting the confirmation and return of excise duty overpayments on electricity for subsequent months, i.e. January 2009 and February 2009, in the amount of PLN 34.6 million, of which PLN 247 thou. was from excise duty on electricity from renewable resources.

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

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

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

Proceedings concerning overpayment for 2008 - the Head of the Customs Office in Radom issued decisions specifying the overpayment of excise tax from electricity but only that generated from renewable sources for particular months of 2008 in the total amount of PLN 2.6 mln. However within the scope resulting from the inconsistency of the Polish tax regulations with the Community regulations he issued the decisions denying to return the overpayment re-determining the tax obligation in the values diminished by an excise tax from energy from renewable sources for the indicated period. The Company lodged appeals against the aforementioned decisions to the Head of the Customs Chamber in Warsaw who issued decisions upholding the decisions of the Head of the Customs Office in Radom declining the return of overpayment in the excise duty for the months of 2008 and defining tax liability for the aforementioned months in the amounts resulting from preliminary declarations of the Company diminished by the excise tax from green energy.

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

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

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

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

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

The Administrative Court in Warsaw, Division VIII Circuit in Radom, pronounced judgements in which the appeals of ENEA Wytwarzanie were overruled to the decisions of the Head of the Customs Chamber in Warsaw and its preceding decisions of the Head of the Customs Office in Radom in the cases concerning denial to return of the overpayment of excise tax for the following months: January 2006 - February 2009. Cessation appeals were filed against these judgements.

On 11 July 2012 the Supreme Administrative Court issued judgements overruling cessation appeals lodged by the Head of the Customs Chamber in Warsaw concerning the determination of tax obligations of the excise duty for the months: August 2006, April 2007, May 2007, June 2007, October 2007, June 2008, August 2008, October 2008.

On 12 July and 19 September 2012 the Supreme Administrative Court, as a result of withdrawal of cessation appeals by the Head of the Customs Chamber in Warsaw, issued the decisions to discontinue the proceedings in cases concerning the determination of tax obligations of the excise duty for the months: March 2008, May 2008, July 2008, September 2008, November 2008, December 2008, January 2009, February 2009.

"The Supreme Administrative Court in Warsaw set: 22, 23, 24 and 29 January and 12 February 2013 for the hearings regarding the determination of tax obligations in the excise duty (19 cases) and regarding the refusal to return the overpayment of tax."

On 22 January 2013 the Supreme Administrative Court overruled 6 cessation appeals of ENEA Wytwarzanie S.A. against the decisions of the Provincial Administration Court in Warsaw regarding the refusal to recognise and return the overpayment of the excise duty for particular settlement months: July 2006, August 2006, March 2006, May 2006, September 2006, June 2006, on sales of electricity.

The judgements of the Supreme Administrative Court terminate the court and administrative proceedings in these cases.

On 23 January 2013 the Supreme Administrative Court overruled 6 cessation appeals of ENEA Wytwarzanie S.A. against the decision of the Provincial Administration Court in Warsaw regarding the refusal to recognise and return the overpayment of the excise duty for particular settlement months: January 2006, February 2006, April 2006, October 2006, October 2008, February 2009, on sales of electricity.

The judgements of the Supreme Administrative Court terminate the court and administrative proceedings in these cases.

On 24 January 2013 the Supreme Administrative Court overruled 6 cessation appeals of ENEA Wytwarzanie S.A. against the decision of the Provincial Administration Court in Warsaw regarding the refusal to recognise and return the overpayment of the excise duty for particular settlement months: November 2006, July 2007, August 2007, February 2008, March 2008, May 2008, on sales of electricity.

The judgements of the Supreme Administrative Court terminate the court and administrative proceedings in these cases.

On 29 January 2013 the Supreme Administrative Court overruled 10 cessation appeals of ENEA Wytwarzanie S.A. against the decision of the Provincial Administration Court in Warsaw regarding the refusal to recognise and return the overpayment of the excise duty for particular settlement months: December 2006, January 2007, February 2007, April 2007, January 2008, April 2008, August 2008, September 2008, November 2008, January 2009, on sales of electricity.

The judgements of the Supreme Administrative Court terminate the court and administrative proceedings in these cases.

On 12 February 2013 the Supreme Administrative Court overruled 10 cessation appeals of ENEA Wytwarzanie S.A. against the decision of the Provincial Administration Court in Warsaw regarding the refusal to recognise and return the overpayment of the excise duty for particular settlement months: March 2007, May 2007, June 2007, September 2007, October 2007, November 2007, December 2007, June 2008, July 2008, December 2008, on sales of electricity.

The judgements of the Supreme Administrative Court terminate the court and administrative proceedings in these cases.

Administrative proceedings regarding fees for the use of the natural environment

ENEA Wytwarzanie received the decision from the Marshall of the Mazowieckie Province regarding the use of the environment by title of introduction of gases or dust into the air for H1 and H2 2008. In the decision No. 132 the fee was imposed in the amount of PLN 2,888,542.00, in the decision No. 133 the fee was imposed in the amount of PLN 2,177,780.00.

ENEA Wytwarzanie appealed against the above decisions with the Self-government Appeal Court in Warsaw. The Self-government Appeal Court ordered the upholding of the challenged decisions of the Marshall of the Mazowieckie Province.

Against both decisions of the Self-government Appeal Court the attorney of ENEA Wytwarzanie lodged complaints with the Provincial Administrative Court in Warsaw. On 1 April 2011 the hearings in the both cases took place before the Provincial Administrative Court in Warsaw. The Court issued judgements in which it overturned the complaints of ENEA Wytwarzanie. On 16 June 2011 an attorney of ENEA Wytwarzanie lodged cessation appeals with the Supreme Administrative Court in which the both judgements were challenged. The Supreme Administrative Court has not set the dates of cessation hearings yet.

Other court cases:

As at 31 December 2012, 25 actions were conducted before common courts concerning payments brought by ENEA Wytwarzanie for the total amount of around PLN 14,133 thou., and against ENEA Wytwarzanie 3 actions were brought for payment for the total amount of around 10,385 thou.

8.3. Environmental issues

Specifications and nature of the operations of ENEA Wytwarzanie

The power plant belonging to ENEA Wytwarzanie is a condensation power plant in which the basic fuel utilised in the generation of electricity is bituminous coal. The main impact of the power plant is in connection with emissions of atmospheric pollutions, storage of combustion waste, intake of water and disposal of sewage. Main pollutants emitted into the atmosphere include sulphur dioxide, nitric oxide, dust and carbon dioxide.

The amounts of pollutants emitted in 2012 are:

- SO₂ – 32,488 Mg,
- NO_x – 18,203 Mg,
- dust - 787 Mg,
- CO - 972 Mg,
- CO₂ - 9,925,556 Mg,
- waste (stored slag-ash mixture) – 226,092 Mg.

The power plant has fume anti-dust installations with high-efficiency electrostatic precipitators mounted on each of its energy units. Taken into account in the modernisation, renovation and investment cycle of the units there is the need for the Power Plant to keep the permissible level of concentration of dust in the fumes from each unit, which must not exceed 50 mg/Nm³.

The power plant has in place installations for initial reduction of nitric oxides. Their role is to limit the concentration of nitric oxides to a guaranteed level of 500 mg/Nm³, utilising such devices as ROBTAS low-emission burners and a system of air nozzles installed on the front and rear walls of the furnaces above the burner zone (so-called OFA, SOFA nozzles).

Restricting emissions of SO₂ is handled by flue gas desulphurisation plants using the wet limestone method: IOS I - for 560 MW of installed power covering unit No. 9, IOS III for 560 MW of installed power covering unit No. 10, and IOS II for 800 MW (four 200 MW units) of installed power in 200 MW units No. 2-8.

From the need of observing stricter emission requirements that are to be binding from 1 January 2016, resulting from the IED Directive, decisions were made in the power plant regarding the need for investments within the flue gas desulphurisation for 800 MWe of the installed power for 200 MW units No. 1-8 and the development on all the units of installations of flue gases denitrification.

Characteristics of the realised investment tasks

Reduction of nitric oxide emissions

Within the reduction of nitric oxide emissions a construction programme is being realised for the installation of the catalytic denitrogenation of flue gases (SCR) for 200 MW units No. 4-8 guaranteeing levels of concentration much lower than the permissible value 200 mg/m³u.

Unit 1-2 denitrifying

The planned development of the installations of flue gases denitrification - SCR for units No. 1-2 will ensure maintaining the emission standards specified in "Directive No. 210/75/EU of the European Parliament and Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control)" being in force from 2016 and will enable further operation of units No. 1-2 and allow for reaching required concentrations much below the value of 200 mg/Nm³.

The SCR installation development on units No. 9 and 10 is planned for 2017 and 2018.

In 2012 the investment was completed within the installation of low-emission burners on unit No. 3 with a guarantee of permissible concentrations below 300 mg/m^3 .

Construction of a flue gas desulphurisation plant

The flue gas desulphurisation plant IOS IV will have a capacity allowing for desulphurisation of flue gases from four 200 MW units. It is assumed that after the reconstruction of flue gas channels it will be able to desulphurise flue gases from any 1-8 units. It is about gaining maximum availability of the both 200 MW unit installations, i.e. IOS II and the planned IOS IV.

Construction of a chimney and starting gas pass

Within the construction of the flue gas desulphurisation plant the currently operating chimney No. 3 will be modernised in order to be adapted to carry away flue gases coming from the start-up of units during which mazut and coal dust are combusted with no electro filters switched on. The chimney will be shortened to the height of 150 m.

New (starting) flue gas passes will also be developed with gates through which to the chimney No. 3 flue gases will be carried away coming from the start-up of boilers and also flue gases from operating units in case of any emergency regarding the flue gas desulphurisation plant IOS II or IOS IV.

Dust emission reduction

Within the modernisation of dust removal it is planned to replace the electro filters of the power unit No. 8 in 2013. Taking into consideration the plans of IOS IV construction the flue gas dust removal in ENEA Wytwarzanie will be realised in two stage from 2016. The main dust removal will occur in electro filters which presently ensure reaching permanent concentrations within the range of $50\text{-}30 \text{ mg/m}^3$ on 1-8 units and below 30 mg/m^3 on 9-10 units. Wet desulphurisation installations will ensure additional dust removal from flue gases, which, with a possibility of reaching concentrations of 30 mg/m^3 behind electro filters, will allow for complying with the standard required by the IED Directive in the amount of 20 mg/m^3 .

Waste management

Waste management is conducted in accordance with the applicable laws, i.e. the Waste Materials Act of 21 April 2001. The Company has an ash and cinder storage facility with an active storage area of 313 ha, consisting of 6 storage fields from which a burner waste warehouse and a storage facility and warehouse for gypsum with a separated place for storing wet cake from the waste treatment plant of the Flue Gas Desulphurisation Plant were also delineated.

In 2012, activities were realised aimed at making the greatest possible use of burner wastes. The waste use ratio was 76%.

In 2012 142.3 tonnes of gypsum from IOS were utilised (the amount produced was 151.7 tonnes).

Sales are also important of: fly ash 494,065.22 tonnes and microsphere (dry) 1,655.8 tonnes. 311,541.527 tonnes of slag-ash mixture (dry) were passed for recycling.

In the vicinity of the waste storage facilities, a monitoring of the quality of the environment is carried out in accordance with the relevant regulations being in force including the examination of physical and chemical properties of fly ashes of the slag and ash mixture, gypsum and examination of water quality. The results of tests carried out indicate only a small impact on the environment.

The power plant undertakes activity designed to avoid repeated spread of dust, through periodic sprinkling of fields, flooding of fields not in use and protecting surfaces with membrane-forming chemicals. It performs ongoing maintenance and conservation works (maintaining green areas and the area of the storage facility, planting trees and bushes), and hydroseeding embankments and waste heap surfaces.

8.4. Information on employment

The table below shows ENEA S.A.'s employment level as at 31 December 2012 and the annual average employment in the Company in 2012, divided into trade and other activities.

	State as at the end of 2011 (FTEs)	Annual average employment in 2012 (FTEs)
Trade	143.00	136.91
Other activity	250.88	251.11
TOTAL	393.88	388.02

The employment status as at 31 December 2012 amounted to 393.88 full-time equivalents and as at the end of the analogical period of the previous year it amounted to 384.28 full-time equivalents. Higher employment in 2012 results from the need of realisation of ongoing operations of the Company.

The table below shows employment at subsidiaries in 2012:

Item	Employment at the end of 2012 (FTEs)	Annual average employment in 2012 cumulatively (FTEs)
Auto Styl Sp. z o.o.	-	43.30
BHU S.A.	163.25	168.29
ENEA Wytwarzanie S.A.	2 320.38	2 309.00
Elektrownie Wodne Sp. z o.o.	163.13	162.14
ENEA Operator Sp. z o.o.	5 244.60	5 312.46
Eneos Sp. z o.o.	117.75	120.37
ENEA Centrum S.A.	155.81	148.24
Energetyka Poznanska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o.	596.15	597.16
Energetyka Poznanska Zakład Transportu Sp. z o.o.	59.25	59.08
Energomiar Sp. z o.o.	187.75	191.76
Energo-Tour Sp. z o.o.	21.50	22.04
ENTUR Sp. z o.o.	4.00	4.92
Hotel EDISON Sp. z o.o.	21.00	21.48
ITSERWIS Sp. z o.o.	84.70	86.91
Miejska Energetyka Ciepła Pila Sp. z o.o. with its registered office in Pila	162.00	162.91
Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o.	78.00	78.78
Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. z siedziba w Obornikach	38.00	37.08
Elektrociepłownia Białystok S.A.	190.00	187.6
Dobitt Energia Sp. z o.o.	3.00	2.50
Annacond Enterprises Sp. z o.o.	5.00	3.17
Windfarm Polska Sp. z o.o.	1.00	0.58

ENEA Trading Sp. z o.o.	58.40	19.33
TOTAL	9 674.67	9 739.10

* Entity under liquidation - a detailed description is to be found in item 2.2.3 "Changes in the organisation and management rules of the Capital Group".

8.5. Awards, distinctions and achievements

Newsweek's 100 Most Valuable Companies Ranking	The ENEA Group won twelfth place. According to the listing its value increased in comparison to the year 2010 by 12%. The "Newsweek" reports have been published for 10 years. The ranking included 100 most prosperous Polish companies with over 250 employees.
Rzeczpospolita's 500 Biggest Companies Ranking	The ENEA Group got 19. place in the ranking. The place on the list was decided by economic factors, among others sales revenues and profit.
The Great Jewel of Polish Economy 2012, Polish Market (Wielka Perła Polskiej Gospodarki 2012)	The distinction of the Great Jewel of Polish Economy is given to companies that within the last three years achieved the greatest level of progress in the use of three production factors: capital, fixed assets and labour. The test includes over 2,000 companies.
The Golden Badge of a Trusted Brand, European Trusted Brands (Złote Godło Marki Godnej Zaufania)	The ENEA brand was honoured in Poland in the Energy Provider category. The distinction is given on the basis of test results of European Trusted Brands. Over 27,000 respondents from 15 European countries participated in the tests. Besides ENEA, in Polish local categories Złote Godło (Golden Badge) was awarded to, e.g.: RMF FM, TVN, Apart, Winiary, Ludwik.
ENEA the "Benefactor of the year", Academy of Philanthropy Development in Poland	As a celebration of the 15. edition of the competition two special awards were given to the companies that, according to the organisers and the Competition Jury, set new trends of social involvement. The ENEA Group was distinguished for the innovative lifesaving corporate volunteering – education in first aid.
The ENEA Group the Winner of the 100% – Corporate Volunteering Awards competition (100 PROCENT Nagrody Wolontariatu Pracowniczego)	In the first edition of the competition for employers acting in the area of corporate volunteering the ENEA Group became the winner in the Programme Debut category. The Competition Jury recognised the comprehensive approach to the management of volunteer programme in the Capital Group integrating actions undertaken in various companies of the Group. There were 36 applications for the 100% – Corporate Volunteering Awards competition.
Distinction in "Idea Awards", advertising industry competition, for the TV commercial "In contact with nature" ("W kontakcie z naturą")	The TV commercial "In contact with nature" by ENEA was the winner of the 21. edition of the prestigious competition of advertising industry – Idea Awards in the Products and services – television category. Over 500 TV commercials were assessed in the competition, first by internet users and then by an international jury during the finals. Idea Awards is one of the oldest advertising competitions in Poland. Its main purpose is to raise the

	standards for commercials by honouring the best of them.
ENEA among 30 listed companies best reporting non-financial data	The Company was distinguished for the standards and transparency of communication concerning its non-financial data: environmental, social and corporate governance (ESG) in the project of "ESG data analysis in Poland". ENEA S.A. found itself among the best entities in the industry, defined in the research as public utility sector companies.
Business Innovation Award	Awarded by the Institute for Eastern Studies and the editorial team of the Polish Market monthly for giving inspiration to higher education facilities in their didactic programmes concerning innovation in the energy sector.
Certificate of the Integracja Foundation "The Disabled-Friendly Website" ("Portal Przyjazny Osobom z Niepełnosprawnością")	<p>In December 2012 ENEA S.A. adapted its website www.enea.pl for the disabled users becoming the first company to receive the Certificate of the Integracja Foundation "The Disabled-Friendly Website" on the grounds of the website having been tested for accessibility to several groups of users, including people having various types of disability. Modifications include introduction of the international web content accessibility guidelines – WCAG 2.0.*</p> <p><i>* WCAG 2.0 (Web Content Accessibility Guidelines 2.0) is a collection of rules developed by W3C which should be observed by website developers so that they are able to prepare maximally accessible websites. The importance of the aforementioned guidelines is confirmed with an entry in the Digital Agenda for Europe, which is a document of the European Union indicating that W3C recommendations are valid.</i></p>
ENEA S.A. qualified for the "Responsible Business in Poland 2011. Good practices" Report organised by the Responsible Business Forum with two of its good practices ("Odpowiedzialny biznes w Polsce 2011. Dobre praktyki")	<p>Another year in a row the Responsible Business Forum verified positively two examples of responsible activities reported by ENEA S.A.:</p> <ol style="list-style-type: none"> Project for pro-environmental education "W kontakcie z naturą" (In contact with nature). Educational programme for children "Nie taki prąd straszny" (Power-not so scary). <p>A good volunteering practice was reported in the area: "Involvement in and development of the local community" and the "In contact with nature" website in the area: "Environment".</p> <p>The report is the most significant annual publication concerning CSR activities undertaken in Poland. The report shows good practices of companies concerning involvement in execution of the rules of responsible business and trends in companies' operations.</p>
The "Friend of the Enchanted Bird" statuette of Anna Dymna Foundation and Telewizja Polska S.A. ("Przyjaciół Zaczarowanego Ptaszka")	On 19 November 2012 in the premises of Telewizja Polska S.A., ul. Woronicza in Warsaw a ceremony of handing out the "Friend of the Enchanted Bird" statuettes to those who contributed to the VIII edition of the Marek Grechuta Enchanted Song Festival being carried out and supported the disabled young people who are vocally talented – including ENEA S.A. as the major sponsor of the Festival.

ENEA Operator

The good practices reported by ENEA Operator, initiated within the concept of the socially responsible business in Poland, were recognised by the Responsible Business Forum (RBF). The result is the "Responsible Business in Poland. Good practices" Report whose main part is the good business practices presented as divided into 4 areas: business vs. workplace, business vs. market, business vs. society and business vs. environment.

The RBF commission decided that the good practices reported as having been implemented in 2011 – the action: "Akademia Bezpiecznego Przedszkolaka" (The Safe Preschooler Academy), originally our "Kodeks Dobrych Praktyk" (Best Practices Code), the project "Prace Pod Napięciem 2010+" (Live works 2010+) and corporate volunteering programme "Ratownictwo Przedmedyczne" (Pre-medical Rescue) are excellent examples to be followed by other companies.

8.6. Glossary of industry terms

Terms and acronyms

Below please find a glossary of industry terms and a list of acronyms most frequently used in this Report of the Management Board on the Operations of the ENEA Capital Group.

Acronym and industry term	Full name/explanation
CHP	(Combined Heat and Power) – systems generating energy and heat in Cogeneration
CO (CH)	Central Heating
CO ₂	Carbon dioxide
CWU (UHW)	Usable hot water heater - an appliance used in households for water supply systems, as a common method of preparation of usable hot water.
GJ	Gigajoule
GPZ	Switching station
ISOK	(ICSS) Information Customer Service System
Cogeneration	A technological process of a combined generation of electricity and usable heat energy in combined heat and power plants
Bilateral contracts	Purchase/sale agreements for energy concluded directly between producers and other entities acting on the market
KPRU III	National Allocation Plan of CO ₂ emission allowances for 2013-2020
MWe	Megawatt of electrical power
MWh	Megawatt hour
MWt	Megawatt of heating power
OH	Commercial Coordinator
OHT	Scheduling Co-ordinator
OSD	Operator of Distribution Network
PMOZE	Proprietary interests from certificates of origin for energy from renewable sources of energy

TGE (PPE)	Towarowa Gielda Energii (Polish Power Exchange)
Pass-out and condensing turbine set	A type of a steam turbine equipped with heating pass-outs from which overheated steam supplies power to heat exchangers transmitting heat to the system water delivered to the municipal services installation
Energy Law	The Act of 10 April 1997 - Energy Law (Journal of Laws 1997 No. 54 item 348, as amended)
WRA (RAB)	The Regulatory Value of Assets
ZMOK	Change of Customer Service Model
ZUZP	Corporate Collective Labour Agreement

Attachments:

Declaration of the application of Corporate Governance Principles

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1. The set of principles applied

The Board of ENEA S.A. represents that in 2012 the Company applied the corporate governance rules constituting an Addendum to the Resolution of the WSE Supervisory Board No. 20/1287/2011 of 19 October 2011 as amended, "Best Practices of WSE Listed Companies" (BPLC, Corporate Governance Rules), published on the Warsaw Stock Exchange website under <http://corp-gov.gpw.pl>. That set of Corporate Governance Rules contains a section entitled "Recommendations Regarding Best Practices of WSE Listed Companies" describing the best practice rules that the Issuer can decide to apply at its own discretion.

At the same time it should be noted that the WSE Supervisory Board introduced amendments to the Corporate Governance Rules with the resolution of the WSE Supervisory Board No. 19/1307/2012 of 21 November 2012 concerning adoption of amendments to "Best Practices of WSE Listed Companies", at the same time passing a consolidated text of those rules available under the internet address mentioned above.

2. Principles which have not been applied

With Corporate transparency in mind contributing, among others, to creating value for shareholders, the Management Board of ENEA S.A. makes every effort to implement all the rules of corporate governance that do not present excessive strain for the Company, unless it is balanced by advantages arising from market needs. With consideration of the above, in 2012 the Management Board of ENEA S.A. applied the majority of rules set forth in Best Practices of WSE Listed Companies, in particular those specified in parts II-IV of BPLC. At the same time, the Company indicates the recommendations and corporate governance rules the application of which it waived in 2012:

2.1. Conducting an interactive general e-meeting of the Company's shareholders

Part IV. Best Practices of Shareholders - item 10

"A company should enable its shareholders to participate in a General Meeting using electronic communication means through real-life broadcast of General Meetings, real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting."

read together with: Part I. Recommendations for Best Practice for Listed Companies – item 1

"A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular: (...) ensure adequate communication with investors and analysts, and use to this purpose also modern methods of Internet communication."

Comment:

In relation to the recommendation specified in BPLC P. I, item 1 and the rule set forth in P. IV, item 10 above, the Company informs that in 2012 it did not transmit the proceedings of general meetings via the internet, nor did it record the proceedings of general meetings, and moreover did not provide its shareholders with the possibility of taking part in general meetings with the use of electronic communication means. Failure to comply by the Issuer with the aforementioned part of the recommendations and the rule arose from the fact that in the Statute of the Company there is no provision for participation in General Meetings with the use of electronic communication means.

However, the Issuer ensures that it exercises due diligence in designating places, dates and times of the Company's general meetings in a way the least inconvenient for Shareholders and enabling the greatest possible numbers to participate, as well as in ensuring that the information policy of ENEA S.A. concerning holding general meetings be executed in a reliable, timely and transparent manner. In pursuing the foregoing objective, the Company applies traditional forms of communication with shareholders and analysts (current and periodic reports, as well as corporate governance reports) and for the purpose also uses its website with a dedicated Investor Relations section, including a tab relating to General Meetings.

In addition, we would like to indicate that the Issuer publishes information about all general meetings held, so that Shareholders have sufficient time to get acquainted in advance with all the issues on the agenda for the meeting in question. Referring to the course of general meetings, the Issuer wants to note that the information on resolutions adopted during the general meeting in question, on withdrawal from any of the points of the agenda, as well as on protests raised and recorded in the minutes of the general meeting in question, is published in current reports pursuant to provisions of § 38 of the Regulation on current and periodic information [...].

At the same time, the Issuer does not rule out any future possibility of full compliance with the aforementioned rule and recommendation in its revised wording, specified in item 2.4 below.

2.2. Questions asked by shareholders in connection to general meetings

Part II. Best Practice for Management Boards of Listed Companies - item 1(7)

"A company should operate a corporate website and publish on it, in addition to information required by legal regulations: (...) shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions."

Comment:

The principle was not and will not be applied by the Company in the foreseeable future. To some extent the source of information concerning proceedings of General Meetings are notarised minutes of GM, but they do not include all pronouncements, questions or answers occurring during the proceedings of General Meetings. With regard to answering Shareholders' questions outside of general meetings the Company abides by, above all, the mode of publication of this type of information specified in § 38 item 1 (12) of the regulation of the Minister of Finance of 19 February 2009 on current and periodic information (...)

2.3. Parity of women and men in governing bodies

Part I. Recommendations for Best Practice for Listed Companies – item 9

"WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business."

Comment:

The Company explains that at this moment the share of women and men in holding positions in the management and supervisory authorities of ENEA S.A. is not equal, but it must be stressed that both men and women are the members of the Supervisory Board of the Company. Until 30 June 2012, i.e. the moment the mandates of members of the Supervisory Board of the 7th term expired, the Supervisory Board had included: Ms. Małgorzata Aniołek and Ms. Agnieszka Mańkowska. The Supervisory Board of the 8th term includes:

Ms. Małgorzata Aniołek and Ms. Sandra Malinowska. No women were present in the composition of the Management Board in 2012.

At the same time, the Issuer announces that the selection and appointment of members of management and supervisory authorities of the Company is conducted on the basis of applications obtained from candidates. Candidates are selected for respective offices after a thorough analysis of the experience, competences, skills and professional background of each of them. The foregoing are some of the criteria (apart from the generally binding applicable provisions) considered during the recruitment to positions in the Management Board. In the Company's opinion, the criteria of evaluation of candidates for offices in management and supervisory authorities permit the selection of candidates who guarantee creativity and innovativeness, as well as the expansion of operations of ENEA S.A.

2.4. New BPLC recommendations and rules

Part I. Recommendations for Best Practice for Listed Companies – item 12

"A company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means."

Comment:

The above recommendation was introduced into the P. I of the set of corporate governance rules by virtue of the Resolution of the WSE Supervisory Board No. 19/1307/2012 of 21 November 2012 concerning adoption of amendments to "Best Practices of WSE Listed Companies" and came into force on 1 January 2013.

The Company informs that it will not implement the foregoing recommendation. In the opinion of the Issuer's Management Board, the rules of participation and exercising of the voting right during general meetings applicable at the Company allow for proper and effective exercise of rights arising from the Company's shares. In the assessment of the Company's Management Board introduction of the possibility to exercise the voting right by a shareholder or their proxy outside of the place of holding the general meeting with the use of electronic communication means is not yet widespread enough or tested enough and therefore poses many risks of an organisational and technical nature that can significantly affect the proceedings of general meetings. In addition, introduction of such a way of holding general meetings would involve the necessity to incur substantial costs by the Company.

As at 11 March 2013 the Issuer's Statute does not allow for the participation in General Meetings by means of electronic communication.

Part II Best Practice for Management Boards of Listed Companies - item 1(9a)

"A company should operate a corporate website and publish on it, in addition to information required by legal regulations, a record of the General Meeting in audio or video format."

Comment:

The above recommendation was introduced into the P. I of the set of corporate governance rules by virtue of the Resolution of the WSE Supervisory Board No. 19/1307/2012 of 21 November 2012 concerning adoption of amendments to "Best Practices of WSE Listed Companies" and came into force on 1 January 2013, and therefore the Company was not obligated to comply with it in 2012. On 6 March 2013 with the EBI current report No. 1/2013 the Company informed of the waiver of the aforementioned rule.

In the assessment of the Company, performing the obligation to inform in accordance with applicable law, in particular through publication of appropriate current reports and publication of relevant information on its website, provides the shareholders with access to all significant information relating to general meetings.

At the same time the Issuer executes due diligence in designating places, dates and times of the Company's general meetings in a way the least inconvenient for Shareholders and enabling their greatest possible number to participate.

3. Description of the main features of the internal control and risk management systems applied in the issuer's company

The Management Board of ENEA S.A. is responsible for the internal control system in the Company and its effectiveness in the process of drawing up financial statements and periodic reports. The task of an effective internal control system in financial reporting is to ensure that the financial information set out in financial statements and periodic reports is appropriate and correct.

The financial data being the basis for financial statements and periodic reports and the monthly management and operational reporting carried out by ENEA S.A. is taken from the Company's financial and accounting system. After all the predetermined processes of closing the books of account at the end of each month have been carried out, detailed management reports on financial and operational matters are drawn up. Those reports are drawn up by the Control Office, with the participation of middle and senior managers from individual organisational units. With regard to closed reporting periods, the Company's financial results as compared with budget assumptions are subject to a detailed analysis, and any deviations are identified and appropriately clarified.

The Company also carries out annual reviews of business and financial strategies and plans. Middle and senior management personnel are engaged in the process of detailed planning and budgeting, which covers all the areas of the Company's operations. The financial and economic plan prepared by the Control Office for the next three years is accepted by the Company's Management Board and approved by the Supervisory Board. During the course of the year, ENEA S.A.'s Management Board analyses current financial results and compares them to the adopted financial plan, presenting the execution of the plan and any deviations to the Supervisory Board. This is constructed on the basis of the Company's adopted accounting policy (International Financial Reporting Standards) and applies the format and degree of detail of the financial data presented in the periodic financial statements of ENEA S.A. and the Group.

The Company applies consistent accounting principles and presents financial data in financial statements, periodic financial reports and other reports disclosed to the shareholders.

The Company regularly assesses the quality of its internal control and risk management systems with regard to the process of drawing up financial statements. On the basis of an assessment, the Management Board of ENEA S.A. confirms that as at 31 December 2012 there were no shortcomings that could significantly affect the effectiveness of internal control as it relates to financial reporting.

An important element of the internal control system is that of internal audits. Among the basic tasks of an internal audit are a review and evaluation of processes and the control mechanisms they contain, and monitoring of and recommendations for improvements in the risk management system and corporate governance. The ENEA S.A. internal audit is independent, and accountable to the Audit Committee acting as part of the Supervisory Board.

The ENEA Capital Group, being aware of the risks connected with conducting operations, has been finalising actions aimed at creating a formalised, integrated risk management system. The scope of works includes the development of formal policies, procedures and methods regulating the management process of risks occurring in several areas of corporate operations, i.e.: business risk, operating risk, market risk (including commodity risk, foreign exchange risk, interest rate risk), credit risk, and liquidity risk. The designed management model allows for a comprehensive dealing with the risk management object, determining the

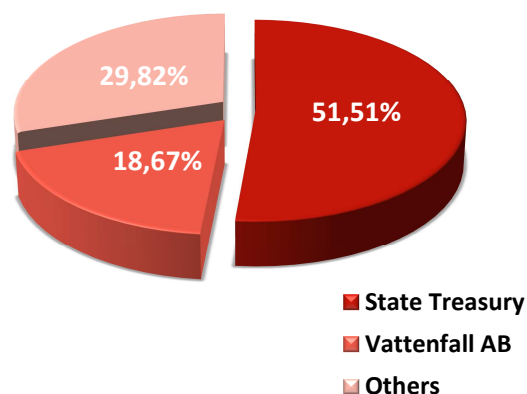
rules for measuring exposures to risk, risk identification, their analysis and measurement and most of all formulating the ways and methods of risk handling.

One of the material elements of control in the process of drawing up financial statements of ENEA S.A. and the Group is also the verification of the financial statements by an independent auditor. The tasks of the auditor include in particular: a review of the mid-year financial statements and an audit of the non-consolidated and consolidated annual financial statements. The independent auditor is selected by the Supervisory Board. Once the auditor has completed auditing the financial statements, they are sent to the members of the Company's Supervisory Board, which assesses the non-consolidated and consolidated financial statements with regard to their compliance with the books of account, documents and the factual status. Under the provisions of the Accountancy Act, the members of the Management Board and the Supervisory Board are obliged to ensure that the financial statements and the report on operations fulfil the requirements set out in that act.

4. Shareholders holding substantial blocks of shares

The table and diagram below demonstrate the structure of shareholders holding more than 5% of the total number of votes at ENEA S.A.'s General Meeting of Shareholders as at 31 December 2012:

No.	Shareholder	State as at 31 December 2012	
		Number of shares/number of votes during GM	Share in the share capital/total number of votes
1	State Treasury	227 385 698	51.51%
2	Vattenfall AB	82 395 573	18.67%
3	Others	131 661 307	29.82%
Total		441 442 578	100.00%



In 2012 there were no significant changes in the shareholding structure of ENEA S.A.

It must be however noted that during the period from 31 December 2011 and 31 December 2012 slight fluctuations in the shareholding of the key Shareholder of the Company, i.e. the State Treasury occurred - on border dates the share in the share capital and number of votes amounted to respectively, 51.68% according to the state as at 31 December 2011 and 51.51% as the end of the current reporting period. The divergence in the number of shares held by the State Treasury was connected with the specificity of the process of nil-paid rights to acquire employee shares from the State Treasury by entitled employees and their heirs.

5. Holders of securities carrying special inspection rights

Till the date of preparation of this report ENEA S.A. has not issued any securities that could give special inspection rights with respect to the Issuer.

6. Restrictions on exercising voting rights

As at 31 December 2012 there are no restrictions on exercising voting rights in the Company, other than those provided for in generally applicable provisions of law.

7. Restrictions on assigning the ownership title to securities

As at the date of preparation of this report the Company has no limitations concerning transfer of the title to securities of the Issuer.

Having in mind the reporting period it must be remembered that as a result of the Company's privatisation being in progress, in accordance with the act of 30 August 1996 on commercialisation and privatisation (Journal of Laws 1996 No. 118 item 561 as amended), the authorised employees acquired nil-paid shares of ENEA S.A. There were specific time restrictions on the possibility of a further disposal of shares of ENEA S.A. acquired free of charge. Pursuant to Art. 38 item 3 of the aforementioned act, shares acquired free of charge by employees/heirs of ENEA S.A. could not be traded before 16 February 2012, i.e. before the lapse of two years from the date when the State Treasury transfers the first shares on general terms, and shares acquired by employees performing the function of members of the Management Board of ENEA cannot dispose of their shares until three years have elapsed from the date when the State Treasury transferred the first shares on general terms, i.e. before 16 February 2013. Limitation in selling employee shares does not apply to the shares of ENEA S.A. acquired by authorised employees of ENEA Wytwarzanie.

8. Principles relating to appointing and recalling management personnel

Pursuant to § 12 item 1 of the ENEA S.A.'s Statute the Company's Management Board is composed of a minimum of three and a maximum of eight persons, including the President of the Board. Management Board members are appointed for a joint term of three years (§ 12 item 2 of the Statute).

The Management Board members or the entire Management Board are appointed and recalled by the Supervisory Board, subject to the a person elected by employees in the mode described below (§ 13 item 1 of the Statute). In appointing management and supervisory board members application is made of the principles contained in the regulation of the Council of Ministers of 18 March 2003 concerning qualification proceedings for management board members of certain commercial companies (Journal of Laws No. 55, item 476 as amended). Pursuant to § 16 item 1 of the Act of 30 August 1996 on commercialisation and privatisation, if the annual average employee count in the Company exceeds 500 employees, the Supervisory Board will appoint one person elected by the employees to the Management Board for the term of the Management Board. § 14 item 7 of the Company's Statute lays down the following principles and procedure for electing the Management Board member elected by the employees.

1. Candidates may be persons nominated according to the procedure set out in items 2 and 3 below.
2. Candidates may be nominated by any trade union organisation active within the Company and by employee groupings of at least 300 persons. Each employee can only support one candidate.
3. Candidates must be nominated in writing to the Main Election Committee, not later than seven days before the scheduled date of voting.
4. If a candidate is not elected in the first round of elections (for a Management Board Member to be elected in the first round of the elections, the candidate must obtain an absolute majority of votes, with at least 50% of all the employees taking part in the elections), a second round of elections is held, in which the two candidates who obtained the greatest number of votes in the first round participate.
5. The second round of elections is carried out in accordance with the procedure established for the first round, taking into account the changes provided for in item 4.
6. After the final results of the elections have been established, the Main Election Committee (appointed by the Supervisory Board) declares that they are valid and then makes an appropriate announcement and delivers the election documentation to the Supervisory Board.

7. As soon as it receives the election documentation, the Supervisory Board appoints the Management Board Member elected by the employees.

At the written request of at least 15% of all of the Company's employees, the Supervisory Board will convene a vote on recalling an employee-elected Management Board member. The outcome of the vote will be binding for the Supervisory Board, provided that at least 50% of all the employees take part in it and the same majority required for the Management Board Member to be elected is returned. A motion on recalling the Management Board Member elected by the employees should be submitted to the Management Board, which will then deliver it immediately to the Supervisory Board (§ 16 of the Statute of ENEA S.A.).

9. Powers of the Management Board members

The Board of Management of ENEA S.A. transacts business of the Company and represents it.

Pursuant to § 11 item 2 of the Statute resolutions of the Management Board are required on all the matters exceeding the scope of ordinary activities of the Company, and particularly:

- a) adopting the Company's organisational regulations, subject to approval by the Supervisory Board,
- b) creating and liquidating branches,
- c) appointing an authorised signatory or an authorised representative, except for an attorney ad litem; appointing an authorised signatory requires the consent of all the members of the Management Board,
- d) taking out loans or credit facilities,
- e) adopting annual material and financial plans, including investment plans, and long-term strategic plans, subject to approval by the Supervisory Board,
- f) contracting contingent obligations, including the Company granting guarantees and sureties and issuing promissory notes,
- g) acquiring, disposing of or encumbering real property, rights of perpetual usufruct or shares in real property, on the basis of one or more legal acts in a period of 12 consecutive months, with a value greater than or equal to the equivalent of EUR 50,000,
- h) giving over the Company's real property under a leasing, tenancy, lease, lending or usufruct agreement or for any other use,
- i) taking over real property under a leasing, tenancy, lease or usufruct agreement or for any other use, on the basis of one or more legal acts in a period of 12 consecutive months, where the value of the rent for 12 consecutive months is greater than or equal to the equivalent of EUR 50,000,
- j) acquiring, disposing of or encumbering a fixed asset, except for real property, rights of perpetual usufruct or shares in real property, on the basis of one or more legal acts in a period of 12 consecutive months, with a value greater than or equal to the equivalent of EUR 50,000,
- k) any instance of offering fixed assets, except for real property, for leasing, lease, rent, borrowing, usufruct or any other use,
- l) taking over a fixed asset, except for real property, under a leasing, tenancy, lease or utilisation agreement or for any other use, on the basis of one or more legal acts in a period of 12 months, where the value of the rent for 12 consecutive months is greater than or equal to the equivalent of EUR 50,000,
- m) matters that the Management Board requests that the Supervisory Board or General Meeting of Shareholders consider,
- n) determining the manner in which the Company exercises its voting rights at the General Meeting of Shareholders or at shareholders meetings of Significant Subsidiaries, subject to § 20 item 6(5) of the Statute.

Other than the provisions specified above, the Company's Statute contains no provisions that grant additional powers to the management board members, including powers to make decisions on the issuance or redemption of shares.

10. Description of the principles governing the amendment of ENEA S.A.'s Statute

An amendment to the Company's Statute, in accordance with the provisions of the Commercial Companies Code requires a resolution passed with the majority of votes, mentioned in Art. 415 § 1 of the Commercial Companies Code during a General Meeting of the Company and entry into the register (Art. 430 § 1 of the Commercial Companies Code).

Pursuant to § 32 item 2 of the ENEA S.A.'s Statute resolutions regarding:

- the dissolution of the Company,
- moving the Company's registered office abroad,
- changes in the subject of the Company's business activities limiting the possibility of it conducting the activities referred to in § 5 item 1-4 of the Company's Statute,
- disposing of or leasing the Company's business undertaking or an organised part thereof, whose subject are the activities referred to in § 5 item 1-4 of the Statute, or establishing a limited right in rem on the Company's business undertaking or an organised part thereof,
- merging the Company by transferring all of its assets to a different company,
- a demerger of the Company,
- establishing preferential terms for shares,
- establishing, converting into or joining a European Company,
- amendment of § 32 of the Statute specifying the mode of adoption of resolutions on the aforementioned matters.

may be adopted if at least half of the Company's share capital is represented at the General Meeting of Shareholders, and it will require a majority of four fifths of the votes when and if the State Treasury ceases to hold more than 50% of the share capital.

Other than those specified above, the Company's Statute contains no provisions that differ from the provisions of the Commercial Companies Code regulating the Statute amendment.

11. The procedure and basic powers of the General Meeting of Shareholders and a description of shareholders' rights and the procedure for exercising them

Pursuant to § 29 item 1 of the Statute of ENEA S.A. the Company's Management Board convenes a General Meeting in instances set out in the provisions of law and the provisions of the Statute, as well as upon the written request of the key shareholder, i.e. State Treasury.

In accordance with § 31 item 1 and 2 of the Statute, read together with Art. 354 § 1 of the Commercial Companies Code, the State Treasury, as long as it is the Company's shareholder and irrespective of its share in the Company's share capital, may, pursuant to Article § 400 item 1 of the Commercial Companies Code, request that an Extraordinary General Meeting of Shareholders be convened or that certain matters be included in the agenda of the next General Meeting. The State Treasury must submit such a demand in writing to the Management Board not later than one month before the proposed date of the General Meeting. If the request is submitted after a General Meeting is convened, it will be deemed a request for convening a subsequent Extraordinary General Meeting of Shareholders.

If the General Meeting is not convened within two weeks of the request, the State Treasury shareholder is entitled to convene the General Meeting pursuant to Article 354 item 1 of the Commercial Companies Code (§ 29 item 3 of the Company's Statute).

A scheduled General Meeting on whose agenda certain matters have been included at the request of entitled entities, or which was convened at the request of entitled entities, can only be cancelled with the consent of the parties that submitted the request. In other instances, a General Meeting may be cancelled if holding it at the original date would meet extraordinary obstacles (force majeure) or would become pointless beyond reasonable doubt. Such cancellation is effected in the same way as convening a meeting, ensuring that the adverse effects for the company and the shareholders are minimised, and in any event complaint with § 29 item 4 of the Company's Statute not later than three weeks before the originally planned date of the meeting. The scheduled time of a General Meeting is changed by the same procedure as cancelling it, even if the proposed agenda of the meeting has not changed.

Pursuant to § 33 of the Statute of ENEA S.A., besides the matters specified in mandatory provisions of law and other provisions of the Statute, the powers of the General Meeting of Shareholders include:

- a) appointing and recalling members of the Supervisory Board, subject to the provisions of the Company's Statute authorising the shareholder being the State Treasury to appoint and recall one member of the Supervisory Board (under Article 354 item 1 of the Commercial Companies Code) in a situation when the State Treasury ceases to be the only shareholder of the Company,
- b) adopting the Regulations of the General Meeting laying down the detailed principles for conducting meetings and adopting resolutions,
- c) issuing convertible or exchangeable bonds and other instruments enabling the purchase or subscription of the Company's shares.

Acquiring and disposing of real property, rights or perpetual usufruct or a share in a real property, i.e. the acts specified in Article 393 item 4 of the Commercial Companies Code (§ 35 of the Company's Statute), do not require the consent of the General Meeting of Shareholders.

Pursuant to § 36 of the Statute of ENEA S.A., as long as the State Treasury holds over a half of the total number of shares of the Company, a consent of the General Meeting is required for these actions which are mentioned in Art. 18 item 2 of the Act of 30 August 1996 on commercialisation and privatisation (incorporation of another company, acquisition or takeover of another company, sale of purchased or held shares of another company), excluding:

1. Acts for which the Statute requires the consent of the Supervisory Board, provided that the Supervisory Board has granted such consent,
2. Other acts than those specified in Item 1 above, if those acts involve:
 - a) establishing or joining another company in the Republic of Poland if the purchase price for the share(s) or the advance on the contribution in a civil partnership does not exceed EUR 5,000,000,
 - b) subscribing to or purchasing shares whose nominal value does not exceed EUR 5,000,000,
 - c) selling or encumbering the shares purchased or held in another company if their nominal value does not exceed EUR 5,000,000,
 - d) purchasing shares for the Company's receivables in settlement, corporate recovery or bankruptcy proceedings.

Besides those specified above, the Company's Statute does not contain any provisions on the procedure of the General Meeting and its powers that are not directly provided for in provisions of law.

The Company has Regulations of the General Meeting of Shareholders, available at www.enea.pl

12. The composition of the management and supervisory boards of ENEA S.A., changes to it, and a description of their operations

12.1. Management Board

Pursuant to Art. § 12 item 2 of the Statute, the Issuer's Management Board members are appointed for a joint term of three years.

From 1 January 2012 the Management Board operated in the following composition:

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

On 24 February 2012 the Supervisory Board of ENEA S.A. adopted a resolution on appointing, starting from 19 March 2012, Mr. Janusz Bil to the position of a Member of the Management Board for Commercial Affairs.

On 27 September 2012 Mr. Maciej Owczarek, the President of the Board of ENEA S.A., submitted a termination notice of the service agreement within the management of the undertaking effective as at the notice submission date. On 1 October 2012 the Supervisory Board of ENEA S.A. adopted a resolution regarding recalling of Mr. Maciej Owczarek from the composition of the Issuer's Management Board, at the same time, till the nomination of a new President of the Board ENEA S.A. vested this function to a Member of the Board, Mr. Janusz Bil.

On 29 November 2012 the Supervisory Board of ENEA S.A. adopted a resolution on appointing, starting from 1 January 2013, Mr. Krzysztof Zamasz to the position of the President of the Board in the Management Board of ENEA S.A. for the 7th term.

At the same time, the Supervisory Board of ENEA S.A. confirmed in the aforementioned resolution that till the newly nominated President of the Board, Mr. Krzysztof Zamasz, assumes the duties of the President of the Board, these duties will be performed by Mr. Janusz Bil.

On 11 January 2013 the Member of the Management Board for Energy Generation - Mr. Krzysztof Zborowski, resigned from the function of the Member of the Board of ENEA S.A.

As at the date of this report, i.e. 11 March 2013, the Company's Management Board operates in the following composition:

Name	Position
Krzysztof Zamasz	President of the Board
Janusz Bil	Member of the Management Board for Commercial Affairs
Hubert Rozpędek	Member of the Management Board for Economic Affairs

On 14 February 2013, based on Article 19a of the Act of 30 August 1996 on commercialisation and privatisation and the regulation of the Council of Ministers of 18 March 2003 concerning the qualification procedure to the position of a member of the board in some commercial companies, including § 13 of the Statute, the Supervisory Board initiated the qualification procedure to the positions of four Members of the Board of ENEA S.A., i.e. President of the Board, Member of the Management Board for Financial Affairs, Member of the Management Board for Commercial Affairs and Member of the Management Board for Corporate Affairs.

The announcement on the qualification procedure was published on 18 February 2013 in the Rzeczpospolita daily. The deadline for submitting applications expired on 5 March 2013.

12.2. Competences and powers of the Management Board

The Board transacts the business of the Company and represents it (§ 10 item 1 of the Statute and Art. 368 § 1 CCC). Two Members of the Board acting jointly or one Member of the Board and an authorised signatory acting jointly are authorised to make declarations of will on behalf of the Company (§ 10 item 1 of the Statute).

The powers, organisation and operating principles of the Management Board are set out in the Statute, the Rules of the Management Board, and the Commercial Companies Code.

Pursuant to Article 371 § 6 of the Commercial Companies Code, including § 11 of the Statute, the Company's Board adopts the Rules of the Management Board specifying the operations of the Board, rules of transacting business of the Company by the Board and adoption of resolutions by the Board. The Rules of the Management Board are drafted by the Management Board on the basis of the instructions set out by the Supervisory Board, are adopted by a Management Board's resolution, and approved by the Supervisory Board.

Presently, the Rules of the Management Board in force in the Company were adopted with the resolution of the Board of 22 June 2010, approved by the resolution of the Supervisory Board of 12 July 2010.

Pursuant to the Rules of the Management Board, meetings of the Management Board take place at the registered office of the Company on Tuesdays, unless the President of the Board or a Member of the Board assigned by him decides otherwise. Meetings of the Management Board of the Company are convened by the President of the Board or a Member of the Board designated by him, at the President's own initiative or upon a motion by two Members of the Board. A Member of the Board is required to justify their absence from a Meeting in writing. Absence at a Board's meeting is justified by a Chairman of the meeting (§ 6 item 1-3 of the Rules of the Management Board).

Employees of the Company, experts and external advisers may be invited to attend Management Board meetings. The agenda and the necessary documents for a Board meeting are provided by the Management Board Office at least one business day before the meeting (§ 6 item 4 and 6 of the Rules of the Management Board).

For valid reasons, a meeting can be convened immediately and without materials being provided. For a meeting to be held, all the members of the Management Board must be effectively notified of the meeting (§ 6 item 7 of the Rules of the Management Board).

Decisions of the Management Board associated with conducting the Company's affairs, as referred to in § 11 item 2 of the Statute, require a resolution of Management Board. The Board adopts resolutions if at least a half of its members are present at the meeting, and all the members have been duly notified of the meeting (§ 7 item 1 and 2 of the Rules of the Management Board). In the case of an equal number of votes on the adoption of a resolution by the Board, the vote of the President of the Board is decisive (§ 7 item 5 of the Rules of the Management Board).

The Management Board can adopt resolutions in writing or remotely using a means of direct communication. Adopting resolutions in this manner requires a justification and that the draft resolution be presented in advance to all the members of the Management Board. Resolutions adopted in writing or remotely using a means of direct communication are presented at the next meeting of the Management Board with the outcome of the vote (§ 7 item 7 and 8 of the Rules of the Management Board).

Pursuant to § 4 item 3 of the Rules of the Management Board being in force, the normal business of the Company not reserved for a decision of the Management Board (adopted as a resolution) is conducted by the

President of the Management Board acting alone and by particular Members of the Board according to their individual internal division of competencies:

- **President of the Board** coordinates tasks in connection with the overall operations of the Company and the ENEA Capital Group.
- **Member of the Management Board for Commercial Affairs** supervises and coordinates the overall tasks in connection with the trade in electricity and customer service.
- **Member of the Management Board for Economic Affairs** supervises and coordinates the overall tasks in connection with economic, financial and accounting matters and risk-related issues in the Company and the ENEA Capital Group.
- **Member of the Management Board for Energy Generation** supervises and coordinates the entirety of issues associated with the compilation of development strategies and their implementation, as well as exercises supervision over companies belonging to the ENEA Capital Group carrying out electrical and heat energy generation activities.

It does not however change a rule concerning making declarations of will on behalf of the Company mentioned in § 10 item 2 of the Company's Statute.

The full text of the Rules of the Management Board of ENEA Spółka Akcyjna is available at www.enea.pl Taking into account the fact that the qualification procedure initiated on 14 February 2013 regarding the election of candidates to the positions of Members of the Board of ENEA S.A. does not cover the position of the Member of the Management Board for Energy Generation, yet it covers the position of the Member of the Management Board for Corporate Affairs, after the completion of the qualification procedure and nomination of Members of the Board, the Rules of the Management Board will need to be amended.

12.3. Supervisory Board

As at 1 January 2012, the Supervisory Board of the Company was composed of nine members and operated in the following composition:

Name	Position
Wojciech Chmielewski	Chairman of the Supervisory Board
Jeremi Mordasewicz	Vice-Chairman of the Supervisory Board
Michał Kowalewski	Secretary of the Supervisory Board
Małgorzata Aniołek	Member of the Supervisory Board
Agnieszka Mańkowska	Member of the Supervisory Board
Tadeusz Dachowski	Member of the Supervisory Board
Paweł Lisiewicz	Member of the Supervisory Board
Mieczysław Pluciński	Member of the Supervisory Board
Graham Wood	Member of the Supervisory Board

On 12 March 2012 the Extraordinary General Meeting of Shareholders nominated Mr. Sławomir Brzeziński to the composition of the Supervisory Board for the 7th term.

The 7th term of the Supervisory Board of ENEA S.A. expired on 29 June 2012.

The Ordinary General Meeting of Shareholders of ENEA S.A. convened as at 29 June 2012 decided that with the end of 30 June 2012 the term of a member of the Supervisory Board would expire for:

- Małgorzata Aniołek,
- Agnieszka Mańkowska,
- Sławomir Brzeziński,
- Wojciech Chmielewski,
- Tadeusz Dachowski,
- Michał Kowalewski,
- Paweł Lisiewicz,
- Jeremi Mordasewicz,
- Mieczysław Pluciński,
- Graham Wood.

At the same time, the Ordinary General Meeting of of ENEA S.A. decided on 29 June 2012 that the Supervisory Board of ENEA S.A. of the 7th term will be composed of 9 people and nominated from 1 July 2012 the following Members of the Supervisory Board of the 7th term:

- Małgorzata Aniołek,
- Sandra Malinowska,
- Sławomir Brzeziński,
- Wojciech Chmielewski,
- Michał Kowalewski,
- Przemysław Łyczyński,
- Tadeusz Mikłosz,
- Jeremi Mordasewicz,
- Graham Wood.

The Extraordinary General Meeting of Shareholders of ENEA S.A. decided on 22 October 2012 that the Supervisory Board of ENEA S.A. for the 8th term will be composed of 10 people. Additionally, on the same day the Extraordinary General Meeting of Shareholders of the Company nominated Mr. Michał Piotr Jarczyński to the composition of the Supervisory Board of the 8th term.

As at the date of preparation of this report, i.e. 11 March 2013, the Supervisory Board of the Company of the 8th term is composed of ten members and operates in the following composition:

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

* Members of the Supervisory Board fulfilling the independence criterion mentioned in § 22 of the Company's Statute.

12.4. Competences and powers of the Supervisory Board

The Supervisory Board supervises all areas of the activities of the Company on an ongoing basis. The special duties of the Supervisory Board include assessing the Management Board's report on the Company's operations and the financial statements for the previous financial year, to ensure their compliance with the books of account and documents and the factual status, and motions of the Management Board on the distribution of profits or covering of losses, as well as submitting an annual written report on the results of that assessment to the General Meeting of Shareholders (particularly Art. 382 § 1 and 3 CCC and § 20 of the Statute). The powers, organisation and operating principles of the Supervisory Board are set out in the Statute, *the Rules of the Supervisory Board of ENEA S.A.* and the Commercial Companies Code.

Pursuant to § 22 item 1 and 4, § 23 and § 24 of the Company's Statute the Supervisory Board is composed of six to fifteen members appointed by: (i) the General Meeting of Shareholders, (ii) the Company's employees - to the extent of their entitlement under the Act on commercialisation and privatisation (the employees can elect two, three or four members of the Supervisory Board if it is composed of up to six, from seven to ten, or more than eleven members respectively) and (iii) the State Treasury - the State Treasury has the right to appoint one member of the Supervisory Board. Additionally, pursuant to § 22 item 7 of the Company's Statute, the Supervisory Board should be as a minimum composed of one person nominated by the General Meeting from among the persons satisfying the independence criterion specified in the corporate governance rules adopted by the Supervisory Board of the Warsaw Stock Exchange.

On 29 June 2012 the General Meeting of Shareholders of the Company nominated two independent Members of the Supervisory Board, namely Mr. Graham Wood and Mr. Jeremi Mordasewicz, and on 22 October 2012 it nominated a third independent Member of the Supervisory Board - Mr. Michał Jarczyński.

In accordance with the Rules of the Supervisory Board, adopted with the resolution of the Supervisory Board of 15 December 2009, amended by the Resolution No. 59/VII/2012 of 29 June 2012 (in force since 30 June 2012) the Board meets at least once every two months (§ 3 item 1 of the Rules of the Supervisory Board and § 26 item 1 of the Statute). Meetings of the supervisory Board are convened by the Chairman or of the Board, who will also present a detailed agenda. A Supervisory Board's meeting should be convened at the request of any Supervisory Board member or at the request of the Management Board (§ 26 item 4 of the Statute). A request for convening a meeting should be prepared in writing and should contain a proposed agenda, justification of each item of the agenda and should be signed by the applicant. A request shall be formally verified by the Chairman of the Supervisory Board who transfers the request to the other members of the Supervisory Board if it fulfils legal requirements. A meeting of the Supervisory Board convened based on the request may be held the earliest within two weeks of the delivery of the request to the Chairman.

A meeting of the Board will be convened within two weeks from the date when a request is received. For a meeting of the Supervisory Board to be convened, all the members of the Board must be invited in writing at least seven days before the meeting. For valid reasons, the Chairman of the Supervisory Board can reduce that period to two days, specifying the manner of delivering the invitations. In an invitation to a meeting of the Supervisory Board, the Chairman will specify the time and venue of the meeting and include a detailed draft agenda. He/she will also enclose materials with the invitation relating to the matters included on the agenda. In cases indicated in Rules of the Supervisory Board meetings of the Supervisory Board may also be held with no formal convening (§ 3 of the Rules of the Supervisory Board).

Supervisory Board's meetings are chaired by its Chairman, or, in his/her absence, by the Vice-Chairman or other Supervisory Board member appointed at the meeting (§ 26 item 5 of the Statute). The Chairman of the Supervisory Board, and in his/her absence, a Vice-Chairman or another Supervisory Board member chairing the meeting, ensures an efficient and proper course of the Supervisory Board's meetings, in accordance with the

adopted agenda, legal regulations, the Statute and the *Rules of the Supervisory Board of ENEA S.A.*, and in particular he/she has an exclusive right to:

- a) open, proceed and close meetings of the Supervisory Board,
- b) give and take back the floor to members of the Supervisory Board,
- c) issue standing orders,
- d) order a voting, supervise its proper progress and announce results,
- e) settle order issues,
- f) order breaks in meetings of the Supervisory Board,
- g) issue instructions to a keeper of the minutes of the meeting of the Supervisory Board,
- h) distribute written resolutions of the Supervisory Board,
- i) undertake other actions necessary for an efficient operation of the Supervisory Board.

The proposed agenda can be changed if all the members of the Supervisory Board are present at the meeting and no one objects to the agenda. Any matter not included in the agenda shall be included into the agenda of the subsequent meeting (§ 4 item 2 and 3 of the Rules of the Supervisory Board). Participation in Supervisory Board's meetings is obligatory for Supervisory Board members. Supervisory Board members are required to justify their absence from a Meeting in writing. Supervisory Board member's absence justification requires a resolution of the Supervisory Board (§ 4 item 6 of the Rules of the Supervisory Board).

On recognition of each submitted matter members of the Supervisory Board are entitled to assess draft resolutions in a discussion and submit amendments to them, however the discussion should proceed in accordance with the following principles (§ 4 item 7a of the Rules of the Supervisory Board):

- a) a member of the Supervisory Board may speak exclusively on matters included in the agenda within the scope of the item of the agenda under discussion,
- b) on considering each business from the agenda, depending on its nature, the Chairman may set a time limit for its discussion by each speaker,
- c) the Chairman shall have the right to instruct the speaker who diverges from the topic, exceeds permitted time limits, or makes prohibited utterances,
- d) the Chairman shall have the right to take the floor back from speakers who do not adhere to the Chairman's remarks or to the provisions of the Regulations,
- e) the Chairman shall decide on termination of the discussion.

The Supervisory Board adopts resolutions if at least half of its members are present at the meeting and all of its members have been invited (§ 27 item 2 of the Statute and § 6 item 1 of the Rules of the Supervisory Board). The Supervisory Board shall adopt resolutions by an absolute majority of votes cast. In the event of a voting tie the Chairman of the Supervisory Board will have the casting vote (§ 27 item 3 of the Statute and § 6 item 4 of the Rules of the Supervisory Board).

The Supervisory Board can also adopt resolutions in writing, by signing the same copy (or copies) or the draft resolution or separate documents with the same content, or by telephone or by other means of remote communication, in a manner that allows all the members participating in the meeting to directly communicate with each other. Adopting a resolution by this procedure requires that a justification for the resolution be drawn up in advance and that a draft resolution be presented to all the members of the Supervisory Board together with the justification (§ 6 item 6 of the Rules of the Supervisory Board). Resolutions cannot be adopted in writing or remotely using means of direct communication for elections of the Chairman or Vice-Chairman of the Board, appointing a member of the Management Board or recalling or suspending those persons (§ 27 item 4 of the Statute read together with Art. 388 § 4 CCC). Resolutions adopted in writing or remotely using a means of direct communication are presented at the next meeting of the Supervisory Board with the outcome of the vote (§ 6 item 7-8 of the Rules of the Supervisory Board). Members of the Supervisory Board may participate in adopting resolutions of the Supervisory Board casting votes in writing through another Member of the Supervisory Board, subject to Art. 388 § 2 and 4 of the Commercial Companies Code

(§ 6 item 9 of the Rules of the Supervisory Board and § 27 item 5 of the Statute read together with Art. 388 § 4 CCC).

On 19 December 2012 the Extraordinary General Meeting of Shareholders of ENEA S.A. amended the Statute of ENEA S.A. within the functioning of the Supervisory Board of the Company, giving a new wording to § 22 and § 25.

As a result of the amendments § 22 and § 25 of the Statute receive the following wording:

§ 22:

1. *The Supervisory Board is composed of 6 to 15 members.*
2. *Supervisory Board members are appointed for a joint three-year term.*
3. *Supervisory Board members should meet the requirements prescribed by law.*
4. *Subject to § 24, the Supervisory Board members are nominated and recalled by the General Meeting.*
5. *The election of the Chairman of the Supervisory Board is made from among the persons indicated by a shareholder who, as at the date of the adoption of the resolution of the General Meeting implementing such an authorisation, represented the highest share in the share capital of the Company. The Chairman of the Supervisory Board may be recalled from the function exclusively by the General Meeting.*
6. *A motion for the nomination of the Supervisory Board member is filed to the Management Board, however if the motion is made during a General Meeting whose object is to elect the Supervisory Board, the motion in order to be valid should be made to the Chairman of the General Meeting immediately after his/her appointment, however not later than before the commencement of the voting on the nomination of members of the Supervisory Board. Each of the motions is a subject of a separate voting.*
7. *The Supervisory Board should be as a minimum composed of one person nominated by the General Meeting from among the persons satisfying the independence criterion specified in the corporate governance rules adopted by the Supervisory Board of the Warsaw Stock Exchange.*
8. *The Supervisory Board member mentioned in item 7 is obliged to submit a written statement to the Company regarding the satisfaction of all the independence criteria along with the obligation to immediately inform the Company of ceasing to satisfy the independence criteria.*
9. *Failure to nominate the Supervisory Board member as referred to in § 24 or failure to elect by the General Meeting of the Supervisory Board members satisfying the independence criteria mentioned in item 7, or failure to elect the Supervisory Board members mentioned in § 23, and also the expiry of the mandates of these members during the term, shall not constitute any hindrance to adopt valid resolutions by the Supervisory Board.*

§ 25:

1. *Members of the Supervisory Board during the first meeting shall elect from among the members a Vice-Chairman and Secretary of the Supervisory Board.*
2. *The Supervisory Board may dismiss the Vice-Chairman and Secretary of the Supervisory Board from their function.*
3. *Any statements addressed to the Supervisory Board between meetings will be received by the Chairman of the Board, and if this is not possible, by the Vice-Chairman or the Secretary.*

A registration by the Registry Court of changes in the Statute within the aforementioned scope was made on 25 February 2013 of which the Company informed in the current report No. 6/2013 of 26 February 2013.

Audit Committee and Nominations and Remuneration Committee

The Rules of the Supervisory Board of ENEA S.A. provides for the nomination of two Committees of the Supervisory Board, i.e. the Audit Committee (pursuant with the Act of 7 May 2009 on certified auditors and their self-government (...)) and the Nominations and Remuneration Committee (§ 7 item 1 of the Rules of the Supervisory Board).

Pursuant to the Rules of the Supervisory Board, a committee consists of at least three members appointed by the Supervisory Board from among its members for a period corresponding to the length of the Board's term. The members of the committee elect a chairman of the committee from among their number. The chairman of the committee directs and supervises the committee's work, particularly the organisation and procedure of committee meetings. Committee meetings are convened by the chairman of the committee or, if he/she is absent, by a member of the Board indicated by him/her. Notifications of committee meetings are subject to the provisions on notifications of Board meetings, as appropriate. However, committee meetings should be held once per quarter, before the Company publishes its financial statements. Only persons invited by the chairman can take part in committee meetings. Committee resolutions are adopted by an ordinary majority of votes. In the event of an equal number of votes, the chairman of the committee has the casting vote. Committee resolutions are adopted at meetings or remotely using a means of direct communication. The chairman of the committee submits resolutions, motions and reports on matters on the Board's agenda to the Board, as well as other motions, including motions regarding the need to draw up an expert opinion or an opinion concerning the scope of the committee's tasks for the needs of the committee or employ an adviser (§ 7 item 2-10 of the Rules of the Supervisory Board).

Pursuant to Art. 86 item 7 of the Act on certified auditors the competence of the audit committee include:

- 1) monitoring the process of financial reporting,
- 2) monitoring the effectiveness of internal control systems, internal audits and risk management,
- 3) monitoring of the performance of financial review activities,
- 4) monitoring the independence of the auditor and the entity authorised to audit financial statements, including in the case of the provision of services as specified in Article 48 item 2 of the Act.

Additionally, pursuant to §8 item 5 of the Rules of the Supervisory Board the task of the Audit Committee is to advise the Board regarding the internal policy and budget procedures adopted by the Company and inspect them and advise on the Company's contracts with certified auditors, in particular:

- a) monitoring the accuracy of the financial information presented by the Company, particularly by reviewing the appropriateness and consistency of the application of the accounting methods adopted by the Company and its group (including the criteria for consolidating the financial statements of the companies in the group);
- b) monitoring the process of financial reporting;
- c) monitoring the effectiveness of internal control systems, internal audits and risk management;
- d) monitoring the financial review and presenting recommendations to the Board regarding the selection, appointment, re-appointment and dismissal of an external auditor by the authorised body and regarding the terms and conditions of his engagement;
- e) monitoring the independence of a certified auditor and the entity authorised to audit financial statements, including in the case of the provision of services as specified in Article 48 item 2 of the Act on certified auditors;
- f) evaluating and submitting an annual internal audit plan to the Supervisory Board for approval;
- g) evaluating and submitting an annual internal audit unit budget to the Supervisory Board for approval;
- h) evaluating and submitting changes in the scope of activities of the internal audit unit to the Supervisory Board for approval;

- i) discussing any problems or reservations that might result from auditing financial statements;
- j) discussing the nature and scope of the audit with the Company's certified auditors before the commencement of each audit of the annual financial statements and monitoring the coordination of work between the Company's certified auditors;
- k) reviewing internal control and risk management systems at least once a year, in order to ensure that key risks (including those associated with compliance with applicable provisions of law and regulations) are correctly identified, managed and disclosed;
- l) ensuring the effectiveness of the internal audit by expressing an opinion on the election, appointment or recall of the head of the internal audit department, as well as monitoring the reaction of the Management Board of the Company to its findings and recommendations;
- m) issuing an opinion on withdrawing from the payment conditions (reducing the remuneration) of the Director of the Inspection and Audit Office;
- n) analysing reports of the Company's internal auditors and the key conclusions of other internal analysts and the Management Board's response to those conclusions, including examining the degree of independence of internal auditors;
- o) inspecting the nature and scope of non-auditing services, in particular on the basis of the external auditor disclosing the sum of all fees paid by the Company and its group to the auditing firm and its chain, in order to prevent a material conflict of interests in that context;
- p) reviewing the effectiveness of the external auditing process and monitoring the response of the Management Board to written recommendations presented to it by external auditors;
- q) examining issues being the reason for dismissing an external auditor and issuing recommendations on required action;
- r) cooperating with the Company's organisational units responsible for auditing and control and periodically assessing their work;
- s) reviewing the Company's system of management accounting.

Pursuant to § 9 item 2 of the Rules of the Supervisory Board the task of the Nominations and Remuneration Committee is to promote the achievement of the Company's strategic objectives by presenting opinions and motions to the Board regarding the structure of employment and the remuneration paid to the Company's personnel, particularly management personnel. The Committee's tasks include:

- a) analysing Management Board's policy concerning the nomination, election and appointment of senior managerial personnel;
- b) presenting proposals to the Board relating to the remuneration and forms of employment of members of the Management Board, taking into account their previous achievements;
- c) presenting opinions to the Supervisory Board on the justification for awarding performance-based remuneration and on incentives based on realisation of tasks and goals of the Company and proposals in that respect;
- d) assessing the Company's human resources management system;
- e) periodical assessment of the skills, knowledge and experience of individual members of the Management Board and management personnel and presenting the results of the assessment to the Board.

As at the date of this report, i.e. 11 March 2013, the composition of the Committees of the Supervisory Board of the Company is as follows:

1. The Audit Committee:
 - Graham Wood – Chairman,
 - Małgorzata Aniołek – Member,
 - Wojciech Chmielewski – Member,

- Przemysław Łyczyński – Member.

2. Nominations and Remuneration Committee:

- Michał Kowalewski – Chairman,
- Sandra Malinowska – Member,
- Tadeusz Mikłosz – Member,
- Jeremi Mordasewicz – Member.

In 2012 the Audit Committee held two meetings and adopted 3 resolutions. Meetings of the Committee were devoted, among other things, to:

- election of the Chairman of the Audit Committee of the Supervisory Board of the 8th term,
- assessment of methods for auditing financial statements of the Company for the financial year of 2011,
- approval of the Report on internal audit activities for 2011,
- assessment of the internal control system in ENEA S.A.

On 17 January 2013 the Audit Committee has positively approved the following documents: "2013 Annual Audit Plan for ENEA CG" in the part relating to ENEA S.A. and "Budget Proposal of the Control and Audit Office for 2013" and decided to present the said documents to the Supervisory Board for approval.

In addition, the Audit Committee:

- reviewed the Financial statements for the first half of 2012,
- reviewed completed internal audits and approved final reports on such audits,
- accepted the information on the current status of the implementation of the Project "Development and implementation of risk management system in the ENEA Capital Group",
- assessed the progress of works within reorganisation of the internal audit,
- familiarised with the report on the realisation of audit plans for 2012 and the proposal of Audit plans for 2013.

In 2012 the the Nominations and Remuneration Committee held 4 meetings and adopted 9 Resolutions. The subject matter of the meetings of the Committee was e.g. development of a recommendation for the Supervisory Board regarding:

- setting a new date for the change of the rate of fixed remuneration due to the Vice-President of the Board for Energy Generation, by title of performing the Agreement on management services,
- change of a draft Agreement on management services of 26 January 2012 which will be concluded with Members of the Board nominated as of 2012,
- conclusion with the President of the Board and Member of the Management Board for Commercial Affairs of Agreements on management services, setting the amount of fixed remuneration due to the President of the Board and Member of the Management Board for Commercial Affairs and authorisation for the Chairman of the Supervisory Board to execute such Agreements,
- change of the rate of fixed remuneration due to the Member of the Management Board for Energy Generation, by title of performing the Agreement on management services concluded on 28 June 2011,
- granting consent to the Member of the Management Board for Commercial Affairs to hold a position of a member of a Supervisory Board of a company comprising the ENEA Capital Group.

Additionally, the Nominations and Remuneration Committee:

- elected the Chairman of the Committee,
- conducted discussions on the rules of employment and remunerating Members of the Board of ENEA S.A.

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1. Introduction

Irrespective of the information presented in the other parts of the interim report for 2012 in the opinion of the Board of ENEA S.A. the attention must be paid to the activities of ENEA CG within corporate social responsibility (CSR).

Information within this area are presented below also compliant with the recommendation mentioned in part I item 10 of Best Practices of WSE Listed Companies* of ENEA S.A., according to which: "If a company supports different forms or artistic and cultural expression, sport activities, educational or scientific activities, and considers its activity in this area to be a part of its business mission and development strategy, impacting the innovativeness and competitiveness of the enterprise, it is good practice to publish, in a mode adopted by the company, the rules of its activity in this area".

ENEA Group joined the companies reporting CSR since its priority is reliable informing on the activities undertaken in the context of economic, social and environmental responsibilities and on the approach to management. GRI standard indicators and the rules specifying the principles of selection and gaining reported information facilitate us in the realisation of this goal.**

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

- Improving the effectiveness of how the Group functions,
- Development of the core business of the Group,
- Building of a socially responsible business.

* Best Practices of WSE Listed Companies constitute an Addendum to the Resolution No. 19/1307/2012 of the supervisory Board of the Warsaw Stock Exchange of 21 November 2012.

** GRI - Global Reporting Initiative (GRI) is an international non-profit organisation which through a global dialogue with stakeholders develops international guidelines for sustainability reporting: "Sustainability Reporting Guidelines". GRI disseminates reporting practices through a chain of partners, the so called Organizational Stakeholders (OS).

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

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

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

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

In ENEA S.A. in 2012 numerous new activities were conducted realising the aforementioned goals of the CSR Strategy but at the same time being the continuation of the activities commenced in 2011 within projects contained in the Operating Plan. They are described in item 2 below.

Report on corporate social responsibility of ENEA S.A. for 2011 is available at www.enea.pl.

2. Building a socially responsible business

2.1. Ensuring sustainable human resource management

Within goal 1 titled: "Ensuring sustainable human capital management" the following projects were realised:

2.1.1. Launching of an Intranet platform

In H1 2012 a corporate Intranet platform was implemented - a tool which is to be finally available for all the ENEA Group companies. At the end of 2012 all the companies comprising the Group (except PEC Oborniki) were connected to the corporate Intranet. Another connection will be performed after technical problems are solved. Thanks to the Intranet the employees of the Group companies obtained a real time access to the same information. Th Intranet fulfils not only an information function but also integrates employees and is co-developed by them.

The average statistics of visits per a month amounts to 30-35 thou., which is a proof of a great interest and a need of using this tool in everyday work.

Works are in progress over the improvement of the functions of the corporate Intranet and division of a special Intranet platform available only to the employees of ENEA S.A.

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

In Q3 2011 the Corporate Communication Department of ENEA S.A. commenced preparations to perform a poll of opinions and expectations of employees of the ENEA Group for 2011. The research started in December 2011 and then, after a break, was continued in April 2012.

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

In the second phase a quantitative research directed at all the ENEA Group employees was conducted. Its form was a survey. It ended at the end of June 2012.

It was a great logistic challenge. Surveying took place concurrently in all the ENEA Group companies. Employees who possess individual e-mail address and access to the Internet, and they are almost 5 thou. people, received electronic surveys. The others (around 5 thou. people as well) could fill in the questionnaire in a paper form. A form with an option of printing was loaded in the Intranet of companies and sent to the research coordinators in particular locations. The efficiency of the research was around 23%.

In Q3 2012 reports were developed concerning ENEA S.A., ENEA Operator Sp. z o.o. and the whole Group. Consultations inside the Group took place.

The last stage was communicating the research results to the Group employees. In ENEA S.A. the results were submitted to the HR department.

2.2. Ensuring a dialogue with stakeholders, including local community, and taking their opinions into account in business operations

2.2.1. ENEA Group published "The report of the corporate social responsibility of the ENEA Group 2011" according to GRI

In the mid November 2012 the ENEA Group published its first comprehensive sustainability report (CSR report). The first report covers the period from 1 January 2011 to 31 December 2011. The document was issued according to the international reporting standard - Global Reporting Initiative (GRI), compliant with their latest version G3.1, C application level. On this level it is required to present a minimum of 10 indicators with a division to the following indicators: economic, social and environmental. The CSR report of the ENEA Group presents 18 such indicators.

The development of "The report of the corporate social responsibility of the ENEA Group 2011" was a natural consequence of the adoption by the Group of a document "The ENEA Capital Group's strategy of corporate social responsibility" and pursuing by particular Group companies the realisation of the set and measured CSR goals. The report for 2011 is the first CSR report of the ENEA Group.

The CSR reporting process compliant with the GRI standard is a demanding process, which however brings tangible benefits. It requires presentation of specific figures. Thanks to it it is easier to understand the goals by which the organisation is directed. In "The report of the corporate social responsibility of the ENEA Group 2011" the calculation methods were applied which are specified in the GRI guidelines. An approach was assumed in which data is presented in division into particular companies anywhere it was possible. Thanks to it the stakeholders may gain better knowledge on the strategic goals of the ENEA Group and their translation into the activities and initiatives undertaken by the Group companies. It allows for the assessment of the whole environmental and social impact of the ENEA Group and particular key companies.

On defining the content of the report the GRI rules were followed, in particular the four guidelines relating to the content: materiality, taking into account stakeholders, sustainable development context and completeness. The key issues in the reporting process were set by "The ENEA Capital Group's strategy of corporate social responsibility" approved in 2010. On a later stage, feedback was specially gained for the needs of the reporting process from external and internal stakeholders, other strategic documents, policies, issues important for the sector and more widely the economic environment. The results of this analysis in the form of a list of issues were ordered during a workshop meeting in which the Group companies representatives took part. As a result of the process of defining the report content a list of key issues was developed to which the report relates.

Representatives of particular ENEA Group companies specialising in various fields of operation took an active part in the CSR reporting process. Their support, time and commitment were substantial in the CSR reporting process. The content of "The report of the corporate social responsibility of the ENEA Group 2011" covers the operations of 18 ENEA Group companies in 2011 and reflects its attitude towards the implementation of the set strategic goals connected with the corporate social responsibility. The Company used also external assistance which facilitated the first reporting process.

The report contains the information on the ENEA Group's approach towards developing relations with its key stakeholders in the context of non-financial risks management and building of a Company's permanent goodwill. The indicators contained in the report reflect also the practices of the ENEA Group within relations with employees, the scale and character of the environmental impact of the Group's operations and the realisations and investments planned by it which diminish the environmental. The indicators inform also of the potential of the ENEA Group in the the perspective of employer-employee relations. The section devoted to customers discusses the character of the implemented system changes which directly translate into the service quality and the level of the ENEA Group's customer satisfaction. The very reporting process engaged not only the representatives of particular Group companies, but also its external stakeholders.

The publication of the corporate social responsibility in the ENEA Group for 2012 was planned at the end of Q2 2013.

2.2.2. ENEA S.A. honoured in the ranking of companies reporting ESG data

In November 2012 ENEA S.A. found its place among 30 listed companies distinguished for the level and transparency of communications within non-financial data: environmental, social and corporate governance (E - environmental, S - social responsibility, G- corporate governance) in the project "ESG data analysis in Poland". ENEA S.A. found itself among the best companies in its industry, defined as companies from the public utility sector in the research.

Such a high assessment is connected with the realisation of "The ENEA Capital Group's strategy of corporate social responsibility".

The document contains e.g. reports on the indicators connected with the impact of the Company on the natural environment, with practices in the working place and from within the area of customers relations or a policy of social engagement.

"ESG data analysis in Poland" was performed on a sample of 831 companies and covered the companies listed on the regulated market on the Warsaw Stock Exchange and companies from the Alternative Trading System (NewConnect market). GES Risk Rating method applied is based on the international standards concerning a sustainable development (e.g. Global Compact, OECD guidelines for multi-national corporations, conventions of the International Labour Organisation, ISO 14001, SA8000), corruption (FCPA) and occupational safety and hygiene (OHSAS 18001) in connection with the Principles for Responsible Investment.

The project was organised by the Stock Exchange Issuers Association, GES and Accreo Taxand.

More information on the methods on www.seg.org.pl/esg.

2.2.3. Access to www.enea.pl website for disabled people

In December 2012 ENEA S.A. adjusted its website www.enea.pl for people with disabilities. It is the first company to receive a Certificate of the Integracja (Integration) Foundation "Portal Przyjazny Osobom z Niepełnosprawnością" ("The Disabled-Friendly Website").



The certificate was awarded based on the examination of the portal as to the content accessibility for a ten odd groups of users, including people with various types of disabilities. During the works various technical difficulties were fought, including the so called "keyboard trap" which disables the access to the service without using a mouse and the construction of contact forms guaranteeing security of transmitted data. Modifications include introduction of the international web content accessibility guidelines – WCAG 2.0.*

Awarding of the certificate does not mean any termination of the works over the improvement of the website. ENEA S.A. is ready to perform further modifications and is open to users' proposals.

The adaptation procedure of www.enea.pl lasted several months, after which the portal reached a level of satisfactory accessibility and should not pose barriers to disabled users.

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

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

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

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

2.2.5. Participation in VI CSR Fair

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

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

In September 2011 ENEA S.A. signed an agreement on providing patronage over the Royal Baths Museum in Warsaw. The Company's goal is to restore due magnificence of the Royal Baths in Warsaw.

Within the upcoming the years, the Company is to undertake the replacement of electrical installations within the whole complex and spectacular lighting of its historic buildings. Taking the patronage was the first stage of the programme "Proud of the legacy" in which ENEA S.A. wishes to express its deep commitment to care for the Polish culture and its place in the consciousness of people around the world. Technical concepts, projects and realisations of works relating to the lighting are performed by ENEOS, belonging to the ENEA Group, which was repeatedly awarded for its professionalism. For over a year the monuments and gardens of the Royal Baths have gained new illumination. Within the works conducted from November 2011 till the end of June 2012 Staw Belwederski (The Belvedere Pond) and Myślewicki Palace and Świątynia Diany (Temple of Diana) were

illuminated. The power installation was replaced in the attic of the Officer Cadets School, the lighting of the second floor was modernised in the Sculpture Gallery in Old Orangery and the power grid was developed along the Aleja Chińska (Chinese Pathway).

2.2.6.1. Artistic competition for middle schools "Proud of the legacy"

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

All the works submitted for the competition took part in the fight for The Audience Award. The photographs which were sent were published on the Facebook profile of the "Proud of the legacy" programme. Portal users could vote for selected projects by clicking "Like it" till the end of May 2012. Collectively in the competition for the Audience Award over 13,000 votes were cast.

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

2.2.6.2. Illumination of the Palace on the Isle in the Royal Łazienki Museum in Warsaw

In Q4 2012 ENEA commissioned the illumination of another building – the Palace on the Isle. The building acquired a new glow emphasizing its historical character even more. The illuminated 17th-century Palace could be admired in winter from 4 to 7 p.m. For the purpose of the Palace on the Isle illumination 28 LED light fixtures were used of combined power of 963 watts and estimated longevity near 50,000 hours. The colour temperature of 3,000 K (Kelvin degrees) was matched to the colour scheme of the facades. The power supply includes 170 m of cables laid partially underwater and partially underground in the gardens and 220 m of cables distributed on the facades and roof of the Palace.

2.2.7. Photo competition – "The Glow of the Palace on the Isle"

In Q4 2012 particular importance was placed on the promotion of the Palace on the Isle illumination. On 17 December 2012 started a four-week photographic competition named: "The Glow of the Palace on the Isle" for the most beautiful photo of the illuminated building. The final of the competition was planned for 25 January 2013. The main prize was a professional photo camera.

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

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



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

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

The X Final of the campaign "The whole Poland reads to children" took place on 26 March 2012. ENEA S.A. was honoured with a statuette that was at the same time a thank you to the company for supporting the Foundation's activities.

A project of an educational movie was prepared in H1 2012 entitled "Jak kochać dziecko?" ("How to love a child? ") whose distribution was planned together with a book "Pierwsza książka mojego dziecka" ("My child's first book"). On 6 February 2013 the project was inaugurated. The idea of the project is to give the multimedia packet entitled "My child's first book" free of charge to mothers who give birth to their children within the territories of four provinces – Świętokrzyskie, Podkarpackie, Podlaskie and Warmińsko-Pomorskie – from 6 February 2013 until the edition is exhausted. The packet includes the book entitled "My child's first book" that was prepared in such a way that should encourage young parents to read their children every day. It includes information concerning developmental advantage coming from reading to children from birth, examples of reading influence on health and life of actual children and poems for children – both, short ones, simple and rhythmic, easy to repeat and longer ones, written by renowned authors, such as: "Lokomotywa" by Julian Tuwim, "Idzie niebo" by Ewa Szelburg-Zarembina and "W kredensowym zamku" by Joanna Papużyńska. The whole book has funny illustrations that encourage to learn, explain and describe various activities, the seasons, household items and the surrounding world. The carefully manufactured book is friendly and safe for the child.

The packet also includes a DVD with an educational movie "How to love a child?" discussing the methods of satisfying emotional needs of a child and "Kołysanki i śpiewanki dla Najmłodszych" (Lullabies and songs for Little Ones) serving to develop a child's aptitude for music. The packet's edition is 6 thou. copies and will be distributed among the mothers during their discharge from the hospital, at the maternity units of private and public healthcare institutions. The book and DVD are intended as a kind of cultural and pedagogical start-up kit for young parents and their newborn babies, hence the plan is to distribute them in future free of charge to all mums at obstetric hospitals. The inaugurated action is a pilot project that in future is to include all of Poland. At

present the packet (book and DVD) distribution will include 4 provinces, selected with regard to their lowest reading rate.

2.2.9. ENEA's involvement in the "Nauki Przyrodnicze na Scenie" ("Science on Stage") project

The Poland-wide education festival "Science on Stage" took place at the Faculty of Physics of the Adam Mickiewicz University in Poznań. Its purpose was to promote natural sciences among students and teachers. For the last weekend of September 2012 the organisers prepared for the students of upper-secondary schools the meeting with physics, astronomy, chemistry, biology, ecology and mathematics. During the meeting the youth could present their achievements in three categories: demonstration of phenomena, artistic activities showing the connection of exact sciences with the problems of contemporary societies and multimedia shows concerning the ways the newest achievements of natural science and mathematics are used in a man's life. The festival is an occasion to popularise the achievements of science, increase cooperation in education, for the scientists and young people to share experience. ENEA S.A. supported the festival for the third time.

2.2.10. Involvement of ENEA in the VIII Charity Concert in Poznań

In December 2012 ENEA S.A. supported the VIII Charity Concert organised by the Adam Mickiewicz University in Poznań. The whole proceeds from the concert was contributed to post-operative rehabilitation of a student born with infantile cerebral palsy. In addition, an auction of artistic works of the students of the University's Faculty of Pedagogy and Fine Arts in Kalisz took place during the concert.

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

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

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

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

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

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

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

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

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

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

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

On 19 November 2012 in the premises of Telewizja Polska S.A., ul. Woronicza in Warsaw a ceremony of handing out the "Friend of the Enchanted Bird" statuettes to those who contributed to the VIII edition of the Marek Grechuta Enchanted Song Festival being carried out and supported the disabled young people who are vocally talented – including ENEA S.A. as the major sponsor of the Festival.

2.2.14. "5 zmysłów. Pauza" ("5 senses. Pause") educational and cultural project – prevention of social exclusion

The goal of the project, which started on 15 September and lasted until 15 November 2012, was prevention of social exclusion caused by disability, activation of the environment of the hearing-impaired and promotion of the attitude of involved participation in the cultural life. The purpose of the participation in the project was to stimulate the need to get involved with cultural life in people who constitute a marginal group of potential recipients. The goal of the "5 senses. Pause" project was to open the field before the deaf people that was heretofore completely unavailable to them. The execution of the project was a new quality in the area of cultural education for the disabled.

The programme of "5 senses. Pause" included music workshops – theory and practice, meetings with musicians and musicologists, sign language specialists, presentations of instruments. The main feature was the music workshops conducted by the "Amadeus" Chamber Orchestra of the Polish Radio conducted by Agnieszka Duczmal, during which the deaf people had prepared a music piece that was performed on 14 November 2012 during the final concert together with the "Amadeus" Orchestra.

The organisers of the "5 senses. Pause" project were the MCA Educational Association and the More Than One Production agency.

The participation in all the events of the "5 senses. Pause" project was free of charge.

2.2.15. Commencement of cooperation with Anna Dymna's Foundation "Mimo Wszystko" ("After All" Foundation)

Within the approved by the ENEA S.A.'s Supervisory Board on 21 April 2012 "Policy of social engagement of the ENEA Capital Group" which determined the key directions of activities of social commitment of companies comprising the Group, such as the environment and community, the Supervisory Board of ENEA S.A. adopted at the end of June 2012 a resolution on commencement of the long term cooperation with the Anna Dymna's Foundation "Mimo Wszystko" from Cracow. The amount of the grant will be designated mainly for the project

of running of a Rehabilitation and Therapeutic Centre "Dolina Słońca" for mentally retarded people in Radwanowice near Cracow and for art therapy workshops of "After All". The cooperation lasted until the end of 2012.

2.2.16. Participation in the "Młodzi Odwagi!" ("Courage, young people!") and "Jak urządzić świat" ("How to organize the world") projects

ENEA S.A. participates as a partner in the "Courage, young people!" community action. The action is a Poland-wide campaign supported by journalists, publicists and healthy lifestyle specialists. The purpose of the action is to make young people pay attention to the quality of food they choose, the way they eat it, as well as encourage them to move everyday and work out. All schools interested in participation in the movement for promotion of healthy eating habits and physical activity are free to join in. The action was launched in September 2012 and will last until July 2013.

Schools participating in the action will be organizing workshop lessons (also for parents) and other creative activities promoting healthy lifestyle. They will also take an active part in organizing the campaign and projects for "healthier" in-school shops and physical activity among young people. The schools will also have to sign the healthy lifestyle Manifesto that contains rules and guidelines that should be observed in order for the action goals to be achieved. The "Courage, young people!" action has been organised by Gazeta Wyborcza and the Centre For Citizenship Education, in collaboration with the Ministry of National Education and Ministry of Health, among others.

In September 2012 ENEA started preparations to participate in the "How to organize the world" project. The objective of the project is reinforcing the public debate about economic, social and ecologic hazards that became visible at the beginning of the 21st century. The project fits in with the modern educational model that promotes critical thinking, cooperation among students and communication – within student teams, the whole school and via the internet networks, and what is particularly important – relating the school to real-life problems, teaching to recognize and solve them. The project is Poland-wide and addressed to students, teachers and headmasters of primary, secondary and upper-secondary schools. The programme was launched on 1 October 2012 and is addressed to students, teachers and headmasters of primary, secondary and upper-secondary schools.

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

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

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

1. Fundacja Wspierania Organizacji Pozarządowych "Umbrella" (Non-government organisations supporting foundation) from Wrocław,
2. "Polites" Association from Szczecin,
3. Wielkopolska Rada Koordynacyjna Związków Organizacji Pozarządowych (The Wielkopolskie Coordination Committee Association of Non-government Organisations) from Poznań.

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

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

ENEA S.A. during H1 2012 conducted a survey among its customers aiming at assessing customer satisfaction. The survey was conducted among both the individual and business customers with division into particular customer segments: strategic, key, medium and small business. As the first stage a qualitative survey was conducted and based on it a quantitative survey was performed taking into account e.g. customer satisfaction from operation of Customer Service Points, invoicing, complaints, customer account managers, functioning of info lines or website.

2.2.19. The Corporate Volunteering Support Programme "Z porywu serca" ("Spur of heart")

The initiatives of help and of social involvement of employees have been present in the culture of the ENEA Group for a long time. The employees have an enormous potential, which ENEA, as a socially committed employer, strongly supports. In 2011, the ENEA Group started an active involvement of their employees in social activities. "Frame Principles of Supporting Corporate Volunteering" has been endorsed, regulating past activity of employees in the pro-social sphere. Today, voluntary work of employees is a substantial factor in building relationships with stakeholders of the company. Employees of the ENEA Group personally engage in giving help selflessly to those in need. Many actions are their own initiative. Without a doubt, the involvement in charitable activities stems from the awareness of the timeless value of helping, but primarily from personal satisfaction and joy brought by charity work. Visible results of the support given to others are their main motivation for further action. Their attitude is inspiring for ENEA S.A.

In H1 2012 the activities of volunteers within the ENEA Group were focused on two main educational programmes: "Nie taki prąd straszny" ("Power-not so scary") and "Pierwsza pomoc – ratownictwo przedmedyczne" ("First aid – pre-medical rescue"). In addition, preparation of the new educational programme, "W kontakcie z naturą KIDS" ("In contact with nature KIDS"), promoting pro-environmental behaviours among children was finished and actual education in schools and kindergartens was started.

Alongside the Intranet platform being launched an information website for the volunteers was created containing, among others, accounts of volunteer actions, guides and interesting facts concerning corporate volunteering in other companies.

In Q1 2012 the volunteers started the action of collecting plastic caps for two children, for whom it became possible to purchase rehabilitation equipment. The action was very popular and therefore became permanent, only beneficiaries change. At the moment a three-year-old named Antek Szczepanek is the beneficiary.

In 2012 the volunteers in cooperation with the Deputy Governor of Wielkopolskie Province participated in a campaign for sick children hospitalised in departments of haematology and surgery of the Krysiewicz Children's Hospital in Poznań.

In March 2012 the "Pokoloruj dzieciom Świąta" ("Make Easter colourful for children") campaign took place. It consisted in collecting presents for children from the community centre run by the Sisters of Saint Ursula in Poznań. ENEA S.A., ENEA Operator Sp. z o.o. and ENEA Centrum S.A. took part in the collection.

From March till May 2012 ENEA S.A. carried out first aid training courses for all employees of the company and the employees of ENEA Centrum S.A. that were willing to participate. The training courses were carried out by qualified pre-medical rescuers and volunteers from ENEA Operator Sp. z o.o.

Actions in April were focused on the "First aid – pre-medical rescue" programme. ENEA S.A. equipped its new offices and the student Campus of the Adam Mickiewicz University in Poznań with defibrillators. The actions were accompanied by first aid shows performed by volunteers from ENEA Operator, who during Q2 also trained all those employees of ENEA S.A. and ENEA Centrum S.A. who were willing. At the end of the year a group of employees was selected willing to broaden their first aid skills and will be trained during an advanced course. The purpose of those actions is to create a group of rescuers capable of educating people – in a similar way to ENEA Operator. Advanced training courses are planned for January 2013.

In May 2012 a charity football game was played for Puchar Serc (Hearts Cup) and during the game money was collected for treatment of two children.

ENEA S.A. also organised Children's Day celebrations for the charges of a community centre. Volunteers helped during the fair for physically and intellectually disabled children, organised by the Zawsze razem (Always together) school in Poznań. The most significant event of June 2012 was "Korczak's Day in Poznań" – a function organised by the volunteers on the occasion of the Year of Janusz Korczak. 150 children (and their guardians) got acquainted with children's rights, as well as Janusz Korczak's thought and prose.

In addition, the volunteers from ENEA S.A. took part in the action of "Sewing dolls for the sick Eliza", organised by the Province Office in Poznań. The dolls were sold in internet auctions and the sales profits dedicated to treatment of a sick girl. They also visited the Children's Home in Wolsztyn that they had taken into their care in Q4 2012. They organised sweets collection for the wards of this orphanage. In December the volunteers participated in St. Nicholas' Day celebrations for the sick children at the Krysiewicz Children's Hospital in Poznań during which they made Christmas tree ornaments and sang carols together with the children.

The actions of the volunteers became recognised by public benefit organizations supporting volunteer work. In 2012 ENEA Operator Sp. z o.o. received the "Nowe trendy społecznego zaangażowania" ("New trends of social involvement") award in the Dobroczyńca Roku (Benefactor of the year) competition, category: Competence volunteering, for the "First aid – pre-medical rescue programme. ENEA S.A. " received the title of a Friend of the Competition "Benefactor of the year" and an award for the best debut in the contest "100% Volunteering". The competition jury recognised a comprehensive approach to management of the volunteering programme within our Capital Group integrating actions undertaken in various companies of the Group.

At the end of 2012 the ENEA Group had 253 volunteers who helped and educated over 26 thou. people, devoting over 1,400 hours for the purpose. The number of beneficiaries increased by 84% in comparison to 2011. The number and activity of volunteers also increased in 2012. From the launch of the programme in May 2011 the volunteers have already acted for over 40 thou. of those in need.

Volunteering at ENEA CG in numbers:

Category	2011	2012	Change %	Total from the launch of volunteering programme
Number of active volunteers	171	253	+48%	253
Number of beneficiaries of	14 141	26 085	+84%	40 226
Number of beneficiaries of "Power-not so scary"	7 345	11 264	+53%	18 609
Number of beneficiaries of "First aid – pre-medical rescue"	5 293	10 204	+93%	15 497
Number of schools and kindergartens included in the education	127	295	+117%	422

Actions of the volunteers were recognised and distinguished during the Benefactor of the Year competition. Volunteers take action for the local communities, as well as participate in organised volunteer programs:

2.2.19.1. Educational programmes: "Power-not so scary" and "In contact with nature KIDS"

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

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

The programmes "Power-not so scary" and "In contact with nature KIDS" are aimed at children aged 5-9 and were developed in collaboration with teachers and methodologists. The "Power-not so scary" programme obtained the following patronages: the Minister of National Education, the Wielkopolskie Educational Officer, the Deputy Governor of Wielkopolskie Province and the President of Poznań. The partner of the programme is Ashoka - Poland.

The volunteers for this project are all employees of the ENEA Group.

The purpose of the project is to broaden the knowledge and shape attitudes concerning:

- a) "Power-not so scary" – safe use and conservation of electricity, as well as increase the awareness of individual social groups in this respect.
- b) "In contact with nature KIDS" – pro-environmental education and creating habits of environmental conservation in everyday life.

The beneficiaries of the project are children aged 5-9, their parents, teachers, opinion leaders and local governments.

The project is addressed to all employees of the ENEA Group. It creates the possibility to conduct classes explaining how electricity is produced, how to conserve energy, how to handle electricity safely at school, the common room, at home and away from home, how to conserve the environment on a daily basis. Thanks to the ready-made scenarios the employees can conduct a lesson on their own, in a tandem or group, or with the help of a teacher. Employees can also include their family members or friends in the action.

Safety of operation of electrical devices and conservation of the environment are issues of extreme importance for the company, as they relate to its business and social activity. The main objective of the ENEA Group is to stress the fact that we care for safety of energy consumers, that the Group acts professionally and that our employees are professionals.

Both, the subject and group of consumers were selected in consideration of the company's and its employees' needs. The project also allows freedom in the choice of place and group for which the workshop is to be carried out (one of primary schools within the area of the ENEA Group operation). It means that a volunteer can suggest the school where they want to make the presentation.

As a support of the "In contact with nature KIDS" project a website was created under the same name. It contains information connected with ecology for both, children and adults. It is presented in an attractive

and interactive way, encouraging to get acquainted with it – in the form of games, puzzles, videos or lesson scenarios.

In 2012 the most active in the project were the volunteers from ENEA Wytwarzanie S.A. who taught ecology to all the children of the Kozienice district – in total 1,370 children. Total number of beneficiaries of the ICWN KIDS project is 1,632.

2.2.19.2. First Aid - pre-medical rescue - social education programme

The program aims to provide people with knowledge of the provision of first aid and teaching its practical applications in the event they become witnesses to the accident. The educational training is conducted by volunteers of ENEA Operator Sp. z o.o. - pre-medical rescuers who underwent a range of professional training and act as pre-medical rescuers on regular basis.

Every year even 40 thou. people in Poland lose consciousness and die from sudden cardiac arrest (SCA). This tragedy can be prevented by an immediate initiation of CPR breathing. The programme in its main premise is to promote among people an impulse to render first aid and knowledge that will effectively and safely help rescue victims and fight social callousness. In 2012 a first aid training was completed by all the volunteering employees of ENEA S.A. and ENEA Centrum S.A.

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

The project is directed to specialists - employees of the Group who are pre-medical rescuers in the Group on daily basis and wish to share their knowledge and skills from within the pre-medical rescue. Because of the topic which is commonly known and the project shape which is based on pre-medical rescue shows, employees who involve in the project do not need any additional preparation and during trainings are confident and comfortable, improving their skills.

In 2012 the project "First aid - pre-medical rescue" covered 10,204 beneficiaries with the educational activities (a growth by almost 50% in relation to 2011).

2.2.20. Volunteers' actions

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

Additionally, volunteers performed collections of goods for the most needing ones, organised events for disadvantaged children, took part in volunteering actions organised by other institutions.

2.2.21. The "Coalition of volunteering Presidents 2011" project

The "Coalition of volunteering Presidents 2011" was initiated by Maciej Owczarek - President of ENEA S.A. factually supported by Paweł Łukasiak - President of the Association of Academy for the Development of Philanthropy in Poland. Initiators wanted to form a coalition of presidents of companies with experience in

social commitment and volunteering. The coalition associates managers and employees of companies which they manage who see the necessity of popularisation of the idea of volunteering and manifesting personal social commitment within volunteering activities. The first joint action of volunteering CEOs was signing and announcement of the appeal - "Time for business, time for help" addressed to business leaders in Poland, in which they invite to join the works of the Coalition, personal commitment and to promote volunteering.

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

In 2012 volunteers of companies associated in the Coalition jointly organised e.g. an educational action - "Playing truant" on the first day of spring. Lessons covered educational programmes of Coalition members, e.g. "Power-not so scary". Lessons were organised also by volunteers of ENEA S.A. participating in Scientific Valentine's Day in one of primary schools.

Additionally, jointly with volunteers from companies associated in the Coalition of the Volunteering Presidents 2011, a Child's Day was organised in the Studio Theatre in Warsaw for children coming from difficult environments. In December, for a second year in row, volunteers took part in the annual Great Gale of Integration in Warsaw, where they helped its disabled guests.

Moreover, the volunteers realised numerous activities in their companies.

The Coalition of volunteering Presidents 2011 gained new members. As at the end of 2012 the Coalition comprised 28 members.

2.3. Promoting pro-environmental practices and behaviours

2.3.1. Polish national environmental education project Wkontakcieznatura.pl for the stakeholders of ENEA S.A.

At the end of December 2012 the project of environmental education "W kontakcie z naturą" ("In contact with nature") was terminated, that promoted pro-environmental attitudes in our society, executed in professional cooperation with a prestigious pro-environmental social organisation – the Environmental Partnership Foundation under the auspices of Global Compact, the international UN initiative for corporate social responsibility and sustainable development.

During the 15-month-long project there were two editions of the "In contact with nature" competition for environmental activity within the action promoted by Michał Żebrowski, the actor. In the first edition (October – December 2011) the form of the competition that proved correct allowed every participant to implement their own pro-environmental idea.

In the second, Spring edition of the competition, from 27 March 2012 to 15 May 2012, the condition for participation was simple, the same as the first edition: all you had to do was register on the www.wkontakcieznatura.pl website, establish a pro-environmental initiative and document its implementation with the aid of a blog, photos or videos. The winners were made known in the first week of June 2012. From among the 53 initiatives that had been submitted we selected four that were awarded with vouchers for PLN 10,000 to be used for pro-environmental actions. The jury chaired by Michał Żebrowski, the ENEA brand ambassador, selected three ideas implemented by schools and "Razem ku dobrej energii" (Together towards good energy), an initiative of four befriended families from Elbląg. The Elbląg people introduced a green code in their households according to which they changed their everyday habits starting saving water and energy,

shopping wisely and spending their free time in an active way. Among the schools the awarded were: the Janusz Korczak Primary School no. 2 with integration divisions in Błonie, the environmental club at the Special Schools Complex no. 97 in Warsaw, and Adam Mickiewicz Schools Complex in Dygów.

"In contact with nature" is an action aimed at long-term effects. The website is also a knowledge database. It continually provided knowledge in the field of pro-environmental attitudes and solutions. A calculator dedicated for the purpose helped check the cost of energy used by our electric appliances and how much carbon dioxide we emit into the atmosphere. Experts advised what to do to lower our energy consumption and make our way of living in a more environment-friendly way. From the website you could also acquire knowledge, among others, of differences between energy saving classes, the properties of antimicrobial coatings in refrigerators, or the energy efficiency of various ways of airing the office.

Quizzes were also prepared where you could draw satisfaction from giving correct answers and win attractive prizes.

Since January 2013 the address www.wkontakcieznatura.pl has been directing you to the website of a subproject dedicated to shaping pro-environmental awareness in the youngest – "In contact with nature KIDS". On the website you can also get acquainted with the idea of the action carried out heretofore and review the pro-environmental initiatives established during the 15 months of the project.

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

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

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

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

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

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

2.3.4. Eco-printing - saving office paper

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

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

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

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

2.3.5. Waste paper and batteries segregation - special cartons in printer rooms

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



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