



Additional Information to the Full Consolidated Financial Report of ENERGA Group

for the period ended March 31, 2013

Gdańsk, May 2, 2013

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ENERGA SA

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1. Selected consolidated financial data of ENERGA Group

	for the 3-month period ended March 31,		for the 3-month period ended March 31,	
	2013	2012*	2013	2012
	in PLN '000		in EUR '000	
Sales revenues	2,933,814	2,905,500	702,912	695,928
Profit on operating activities	282,485	356,720	67,681	85,442
Gross profit before taxation	243,096	337,423	58,243	80,820
Net profit attributable to shareholders of the parent	192,362	284,274	46,088	68,090
Total comprehensive income	180,626	283,911	43,276	68,003
Net cash from operating activities	703,807	80,415	168,625	19,261
Net cash from investing activities	(323,134)	(474,663)	(77,420)	(113,692)
Net cash from financial activities	1,830,248	150,320	438,509	36,005
Change in net cash and cash equivalents	2,210,921	(243,928)	529,714	(58,426)
Basic and diluted net earnings per share (in PLN/EUR per share)	0.04	0.06	0.01	0.01
Weighted average number of ordinary shares outstanding used to calculate earnings per share	4,968,805,368	4,968,805,368	4,968,805,368	4,968,805,368

	As at		As at	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
	in PLN '000		in EUR '000	
Non-current assets	10,675,899	10,697,396	2,555,632	2,616,652
Current assets	6,389,780	4,205,209	1,529,607	1,028,621
Total assets	17,074,757	14,912,773	4,087,412	3,647,760
Long-term liabilities	6,811,969	4,801,461	1,630,672	1,174,468
Short-term liabilities	2,366,851	2,392,789	566,585	585,292
Equity	7,895,936	7,718,522	1,890,156	1,888,000
Equity attributable to shareholders of the parent	7,857,886	7,671,227	1,881,047	1,876,431
Share capital	4,968,805	4,968,805	1,189,449	1,215,402
Book value per share (in PLN/EUR per share)	1.58	1.54	0.38	0.38
Number of ordinary shares at the end of the period	4,968,805,368	4,968,805,368	4,968,805,368	4,968,805,368

* as restated

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2. Selected standalone financial data of ENERGA SA

	for the 3-month period ended March 31,		for the 3-month period ended March 31,	
	2013	2012	2013	2012
	in PLN '000		in EUR '000	
Sales revenues	13,586	11,103	3,255	2,659
Profit on operating activities	(17,091)	(14,362)	(4,095)	(3,440)
Profit before taxes	583,499	(14,798)	139,800	(3,544)
Net profit	586,371	243	140,489	58
Total comprehensive income	586,371	243	140,489	58
Net cash from operating activities	(14,729)	(35,576)	(3,529)	(8,521)
Net cash from investing activities	791,515	(180,896)	189,639	(43,328)
Net cash from financial activities	1,370,108	142,895	328,264	34,226
Change in net cash and cash equivalents	2,146,894	(73,576)	514,374	(17,623)
Basic and diluted net earnings per share (in PLN/EUR per share)	0.12	0.00	0.03	0.00
Weighted average number of ordinary shares outstanding used to calculate earnings per share	4,968,805,368	4,968,805,368	4,968,805,368	4,968,805,368

	As at		As at	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
	in PLN '000		in EUR '000	
Non-current assets	9,199,842	9,341,012	2,202,289	2,284,872
Current assets	3,149,315	1,024,426	753,894	250,581
Total assets	12,349,157	10,365,438	2,956,183	2,535,453
Long-term liabilities	5,166,216	3,148,649	1,236,706	770,180
Short-term liabilities	565,296	1,185,516	135,323	289,985
Equity	6,617,644	6,031,273	1,584,154	1,475,288
Share capital	4,968,805	4,968,805	1,189,449	1,215,402
Book value per share (in PLN/EUR per share)	1.33	1.21	0.32	0.30
Number of ordinary shares	4,968,805,368	4,968,805,368	4,968,805,368	4,968,805,368

The above financial data have been converted into EUR based on the following rules:

- individual assets, equity and liabilities - based on the average exchange rate of the National Bank of Poland as at March 31, 2013 - 4.1774 EUR/PLN and December 31, 2012 - 4.0882 EUR/PLN,
- individual items of the statement of comprehensive income and the statement of cash flows - based on the exchange rate constituting an arithmetic average of the average exchange rates published by the National Bank of Poland as at the last day of each financial month during the

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period from January 1, 2013 to March 31, 2013 - 4.1738 EUR/PLN; for the period from January 1, 2012 to March 31, 2012 - 4.1750 EUR/PLN.

3. Organization of the Capital Group**3.1. Description of the Capital Group's operations**

ENERGA Group is one of the four largest vertically integrated energy groups in Poland (also PGE, Tauron and Enea) with a leading position on the Polish market in terms of the share of electricity from renewable energy sources in total energy production. Core operations of the Group include the electricity production, distribution and trading.

ENERGA Group is the third largest integrated distribution system operator (DSO) in Poland in terms of the volume of supplied energy. In the first quarter of 2013, the Group delivered 5.0 TWh of electricity to more than 2.9 million customers. As at March 31, 2013, its distribution grid was made up of power lines with the total length of over 192,000 km and covered the area of almost 77,000 km² which constituted ca. 25% of the area of the country.

ENERGA Group is also one of the top three sellers of electricity in Poland in terms of the amount of energy sold to end users. In the first quarter of 2013, the Group sold a total of 7.2 TWh of electricity to more than 2.9 million customers, both households and businesses.

As at March 31, 2013, the total achievable power of the Group's plants amounted to approximately 1.1 GW, which constituted ca. 3% of the total achievable power in Poland. In the first quarter of 2013, the Group produced the net volume of 1.2 TWh of electricity, which constituted 3% share of the power generation market in Poland. The Group's manufacturing sources operate as system power plants, renewable energy sources (RES) and heat and power plants (co-generation – CHP). The installed production capacity of the Group's power plants is based on diversified sources of energy such as coal, water and biomass. In the first quarter of 2013, 65% of the energy produced by the Group originated from coal, and, respectively, 22% and 13% from water and biomass.

ENERGA Group has the highest share of electricity from renewable sources in the total energy generated among all the major energy groups operating on the Polish market, mainly due to the production of hydroelectric energy. Green energy production takes place in 47 hydroelectric plants and in biomass combustion facilities. As at March 31, 2013, more than 0.3 GW of the Group's installed power came from renewable energy sources thanks to which in the first quarter of 2013 the Group produced the net volume of 0.4 TWh of electricity, which constituted 10% of the renewable energy generated domestically.

ENERGA Group's activities also include the heat production, distribution and trading. As of March 31, 2013, the total achievable heat output of the Group amounted to 747 MW, and the net heat production in the first quarter of 2013 reached 1,586 TJ. The heat produced by the Group meets the needs of the cities located near the Group's heat and power plants.

ENERGA Group's operations are focused on the following key business segments:

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1. *segment of the electricity distribution* - covering the distribution of electricity by the distribution system operator (DSO) - ENERGA-OPERATOR SA (segment leader) as well as distribution-related activities carried out by other companies in the Group;
2. *sales segment* – covering any activities connected with the trading in electric energy and customer services handled by ENERGA-OBRÓT SA (segment leader) and ENERGA Obsługa i Sprzedaż Sp. z o.o. as well as street and road lighting services provided by ENERGA Oświetlenie Sp. z o.o.;
3. *segment of the system power plants* - covering generation and investment activities in the area of conventional power plants as well as repair and maintenance activities directly related to the generation of electricity from conventional sources; the leader of the segment is ENERGA Elektrownie Ostrołęka SA;
4. *segment of renewable energy sources* – covering activities related to investments in renewable energy sources and the production of electricity in renewable energy sources, including hydroelectric power plants and wind farms; ENERGA Hydro Sp. z o.o. is the segment leader;
5. *CHP segment* – covering production activities carried out through co-generation plants (ENERGA Kogeneracja Sp. z o.o. as the segment leader) and heat distribution activities.

3.2. Changes in the Capital Group

In the first quarter of 2013, there were the following changes in the structure of the Capital Group:

1. On January 4, 2013 ENERGA Bio Sp. z o.o. sold all shares held in Biogazownia Starogard Sp. z o.o.;
2. On January 29, 2013 the Extraordinary Meeting of Shareholders of Międzynarodowe Centrum Szkolenia Energetyki Sp. z o.o adopted a resolution on dissolution of the company and on opening the liquidation procedures effective from February 1, 2013. Arrangements were made with social partners as to the terms and conditions of voluntary redundancies, the Holiday Centre in Karwieńskie Błota was sold and tenders were published for the other assets of the company;
3. On February 27, 2013 Elektrownia Wodna we Włocławku Sp. z o.o. in liquidation, after completion of the liquidation procedures, was deleted from the National Court Register;
4. After initiating the liquidation procedures in December 2012, there were arrangements made in Kongres Sp. z o.o. with social partners as to the terms and conditions of voluntary redundancies;
5. On March 27, 2013 a share capital increase at ENERGA Innowacje Sp. z o.o. from PLN 5,002,000 to PLN 10,002,000 was recorded in the National Court Register; shares in such increased capital were subscribed for by ENERGA SA which holds 50.01% in the share capital of that company, whereas other shareholders, i.e. ENERGA-OBRÓT SA and ENERGA-OPERATOR SA hold 24.995% of shares each;
6. On March 27, 2013 the Extraordinary Meeting of Shareholders of ENERGA Hydro Sp. z o.o. (acquiring company) i ENERGA Bio Sp. z o.o. (acquired company) adopted resolutions on the merger; the merger was recorded in the National Court Register on April 3, 2013;
7. On March 26, 2013 a share capital increase at ENERGA-OPERATOR Eksploatacje i Inwestycje Elbląg Sp. z o.o to PLN 7,900,000 was recorded in the National Court Register; all the shares in such increased share capital were subscribed for by the sole shareholder, i.e. ENERGA-OPERATOR SA;

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8. On March 27, 2013 a share capital increase at ENERGA Finance AB (publ) to EUR 2,000,000 was recorded in the registry court; all the shares in such increased capital were subscribed for by the sole shareholder, i.e. ENERGA SA;
9. On March 5, 2013 a share capital increase at AEGIR 5 Sp. z o.o. to PLN 7,550,000 was recorded in the National Court Register; ENERGA SA holds 99.34% of the share capital, remaining 0.66% is held by ENERGA Hydro Sp. z o. o.;
10. On March 29, 2013 the General Meeting of ENERGA Elektrociepłownia Kalisz S.A. decided to reduce the company's share capital from PLN 16,456,000 to PLN 7,128,000.
11. On April 16, 2013 a share capital increase at BREVA Sp. z o.o. from PLN 50,000 to PLN 1,350,000 was recorded in the National Court Register; shares in such increased share capital were subscribed for by ENERGA SA which already holds 100% of the company's share capital.

3.3. Consolidated companies

As at March 31, 2013 the Group is made up of ENERGA SA as the parent and the following companies:

a) subsidiaries (fully consolidated):

No.	Company name	Registered office	Share of ENERGA SA in the share capital [%]	Share of ENERGA Group in the share capital [%]	Share of ENERGA Group in the total number of votes [%]
1	ENERGA – OPERATOR SA	Gdańsk	99.75	99.75	99.75
2	ENERGA Elektrownie Ostrołęka SA	Ostrołęka	89.38	89.38	89.38
3	ENERGA Kogeneracja Sp. z o.o.	Elbląg	78.07	97.67	100.00
4	ENERGA – OBRÓT SA	Gdańsk	100.00	100.00	100.00
5	ENERGA Invest SA	Gdańsk	100.00	100.00	100.00
6	ENERGA Obsługa i Sprzedaż Sp. z o.o.	Gdańsk	-	100.00	100.00
7	ENERGA Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	100.00	100.00	100.00
8	ENERGA Hydro Sp. z o.o.	Straszyn	100.00	100.00	100.00
9	ENERGA Oświetlenie Sp. z o.o.	Sopot	-	100.00	100.00
10	Międzynarodowe Centrum Szkolenia Energetyki Sp. z o.o. in liquidation	Straszyn	100.00	100.00	100.00
11	ENERGA Elektrociepłownia Kalisz S.A.	Kalisz	-	100.00	100.00
12	Energetyka Kaliska – Usługi Techniczne Sp. z o.o.	Kalisz	-	99.75	100.00
13	ENERGA – OPERATOR Produkcja Sp. z o.o.	Kalisz	-	99.75	100.00
14	Multiserwis Sp. z o.o. in liquidation	Kalisz	-	96.04	96.28
15	Zakład Budownictwa Energetycznego Sp. z o.o.	Koszalin	-	99.75	100.00
16	Zakład Transportu Energetyki Sp. z o.o. in liquidation	Koszalin	-	99.75	100.00
17	ENERGA – OPERATOR Techniczna Obsługa Odbiorców Sp. z o.o.	Koszalin	-	99.75	100.00
18	Zakład Energetyczny Płock - Dystrybucja Zachód Sp. z o.o. in liquidation	Sierpc	-	99.75	100.00
19	ENERGA - OPERATOR Eksploatacja i Inwestycje Płock Sp. z o.o.	Płock	-	99.75	100.00

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No.	Company name	Registered office	Share of ENERGA SA in the share capital [%]	Share of ENERGA Group in the share capital [%]	Share of ENERGA Group in the total number of votes [%]
20	ENERGA Bio Sp. z o.o.	Pruszcz Gdański	100.00	100.00	100.00
21	ZEP - Centrum Wykonawstwa Specjalistycznego Sp. z o.o.	Płock	-	99.75	100.00
22	ZEP - MOT Sp. z o.o.	Płock	100.00	100.00	100.00
23	Zakład Energetyczny Płock - Centrum Handlowe Sp. z o.o.	Płock	-	99.75	100.00
24	ENERGA-OPERATOR Projektowanie Sp. z o.o.	Płock	-	99.75	100.00
25	Przedsiębiorstwo Wielobranżowe Energetyki „ELEKTROINSTAL” Sp. z o.o.	Raciąż	-	99.75	100.00
26	KONGRES Sp. z o.o. in liquidation	Nowe Rumunki	100.00	100.00	100.00
27	ZEP - AUTO Sp. z o.o.	Płock	-	100.00	100.00
28	ENERGETYK Sp. z o.o. in liquidation	Żychlin	-	99.75	100.00
29	Przedsiębiorstwo Budownictwa Elektroenergetycznego ENBUD Słupsk Sp. z o.o.	Słupsk	-	99.75	100.00
30	Zakład Transportu Energetyki ENTRANS Słupsk Sp. z o.o. in liquidation	Słupsk	-	99.75	100.00
31	Zakład Energetyczny Toruń - ENERGOHANDEL Sp. z o.o.	Toruń	-	99.75	100.00
32	Elektrownia Wodna we Włocławku Sp. z o.o. in liquidation	Włocławek	-	-	-
33	ENERGA SLOVAKIA s.r.o.	Bratislava	-	100.00	100.00
34	ENERGA OPEC Sp. z o.o.	Ostrołęka	-	99.91	99.91
35	Ekologiczne Materiały Grzewcze Sp. z o.o.	Gdańsk	100.00	100.00	100.00
36	Elektrownia Ostrołęka SA	Ostrołęka	100.00	100.00	100.00
37	ENERGA Innowacje Sp. z o.o.	Gdańsk	50.01	99.94	100.00
38	ENERGA Serwis Sp. z o.o.	Ostrołęka	14.08	94.64	100.00
39	ENERGA Informatyka i Technologie Sp. z o.o.	Gdańsk	100.00	100.00	100.00
40	ENERGA Agregator Sp. z o.o.	Gdańsk	-	100.00	100.00
41	ENERGA-OPERATOR Eksploatacja i Inwestycje Słupsk Sp. z o.o.	Słupsk	-	99.75	100.00
42	ENERGA-OPERATOR Eksploatacja i Inwestycje Kalisz Sp. z o.o.	Kalisz	-	99.75	100.00
43	ENERGA-OPERATOR Eksploatacja i Inwestycje Toruń Sp. z o.o.	Toruń	-	99.75	100.00
44	ENERGA-OPERATOR Eksploatacja i Inwestycje Elbląg Sp. z o.o.	Elbląg	-	99.75	100.00
45	ENERGA-OPERATOR Eksploatacja i Inwestycje Gdańsk Sp. z o.o.	Gdańsk	-	99.75	100.00
46	AEGIR 1 Sp. z o.o.	Gdańsk	-	100.00	100.00
47	AEGIR 2 Sp. z o.o.	Gdańsk	-	100.00	100.00
48	AEGIR 3 Sp. z o.o.	Gdańsk	-	100.00	100.00
49	AEGIR 4 Sp. z o.o.	Gdańsk	-	100.00	100.00
50	AEGIR 5 Sp. z o.o.	Gdańsk	99.34	100.00	100.00

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No.	Company name	Registered office	Share of ENERGA SA in the share capital [%]	Share of ENERGA Group in the share capital [%]	Share of ENERGA Group in the total number of votes [%]
51	ENERGA Finance AB	Stockholm	100.00	100.00	100.00
52	RGK Sp. z o.o.	Gdańsk	100.00	100.00	100.00
53	BREVA Sp. z o.o.	Szczecin	100.00	100.00	100.00
54	Zakład Energetyki Ciepłej w Żychlinie Sp. z o.o.	Żychlin	-	97.67	100.00
55	Elektrownia CCGT Gdańsk Sp. z o.o.	Gdańsk	100.00	100.00	100.00
56	Elektrownia CCGT Grudziądz Sp. z o.o.	Grudziądz	100.00	100.00	100.00

b) associated entities (accounted for under the equity method)

No.	Company name	Registered office	Share of ENERGA SA in the share capital [%]	Share of ENERGA Group in the share capital [%]	Share of ENERGA Group in the total number of votes [%]
1	Oświetlenie Uliczne i Drogowe Sp. z o.o.	Kalisz	42.20	42.20	42.20
2	SOEN Sp. z o.o.	Grudziądz	48.50	48.50	48.50
3	Słupskie Towarzystwo Koszykówki Sportowa S.A.	Słupsk	0.00	40.90	40.90
4	Bio - Power Sp. z o.o.	Międzyrzec Podlaski	0.00	25.00	25.00

4. Factors and events affecting the financial results

4.1. Macroeconomic conditions and the electric energy market

ENERGA Group operates mainly in Poland, so it is and will remain dependent on the macroeconomic conditions in Poland. There is a positive correlation between the growth of demand for electricity and the economic growth because the macroeconomic situation in the country affects the financial results of ENERGA Group. Weakening economic conditions contributed in the first quarter of 2013 to the fall in demand for electricity in the National Power System which stabilised during this period at a level about 2% lower than in the first quarter of 2012.

4.2. Domestic electricity consumption

Domestic electricity consumption in Poland, according to preliminary data published by Polskie Sieci Energetyczne SA shows a level more than 2% lower than last year. In the context of the expected economic recovery in the country, this information is rather unfavourable. In the period under review, the results for the entire quarter were significantly affected by the month of February when consumption was down by more than 9% from the comparable period last year (a relatively large difference). Thus, despite increases recorded in the remaining two months, the first quarter brought a decrease in the scale of demand for electricity.

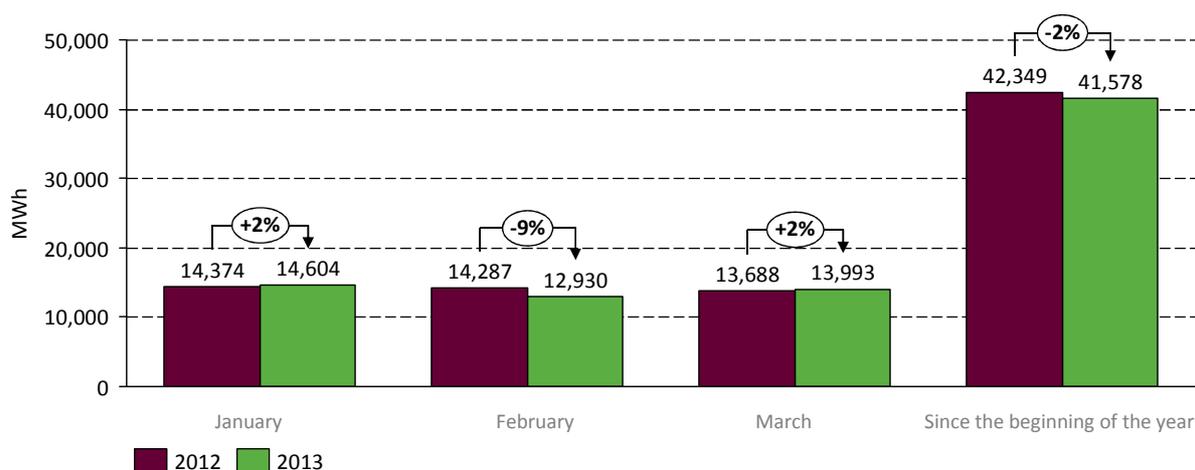


Figure 1. Domestic electricity consumption in Poland in the first quarter of 2013

Source: http://www.pse-operator.pl/index.php?modul=8&id_rap=212

4.3. SPOT electric energy market in Poland

In order to analyse the SPOT market in Poland the table of prices on a weekly basis for hours respectively categorised as the range and the peak supply was used. Since hourly prices in the SPOT market feature a high volatility, hence the analysis carried out as above would allow to observe the trends in isolation from their high hourly volatility.

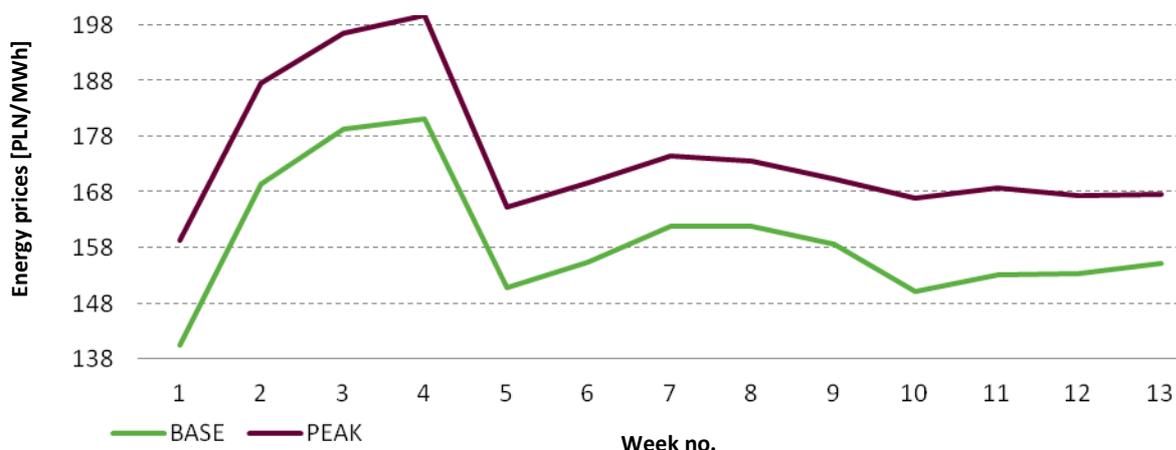


Figure 2. Average weekly energy prices on the SPOT market in Q1 2013

Source: <http://wyniki.tge.pl/wyniki/rdn/ceny-sredniowazone/>

When analysing the SPOT market on the aforementioned basis, one could note a growth in energy prices in January when the average weekly quote reached its high in the fourth week of the year (ca. PLN 181.22/MWh for the baseload). Higher prices in the first month of the year were indirectly stimulated by relatively low temperatures. Then, in subsequent months the prices dropped to the average weekly price of around PLN 155/MWh (baseload). The record low for the period under review (not considering the first incomplete week of the year) was quoted in the tenth week of the year (about PLN 150.12/MWh). The minimum price was recorded on January 1 this year (PLN 101.67/MWh), and the maximum price on January 24, (PLN 204.37/MWh).

4.4. Electric energy futures market in Poland

In order to evaluate the futures market in Poland a one-year futures contract for the supply of energy in the range was selected. When assessing the above contract, it may be found that, especially in January, its price fell as much as PLN 16/MWh. In February the price went into consolidation (low price volatility) and then in March it fell again (this time by ca. PLN 1/MWh only). During the period under review the product followed a downward trend breaking subsequent resistance levels, first at around PLN 164/MWh, and then around PLN 162/MWh and PLN 161/MWh. The price of the product in Poland was strongly correlated with the price of the identical product in Germany where historical lows were recorded too.



Figure 3. Price of the range futures contract for delivery in 2014

Source: <http://wyniki.tge.pl/wyniki/rtee/tables/>

4.5. Market of property rights (RES market)

The market of property rights (RES) is based on bilateral agreements as well as SPOT contracts. On the Polish Power Exchange (PPE) there are session (approximately 20% of the turnover) and OTC (remaining turnover) transactions.

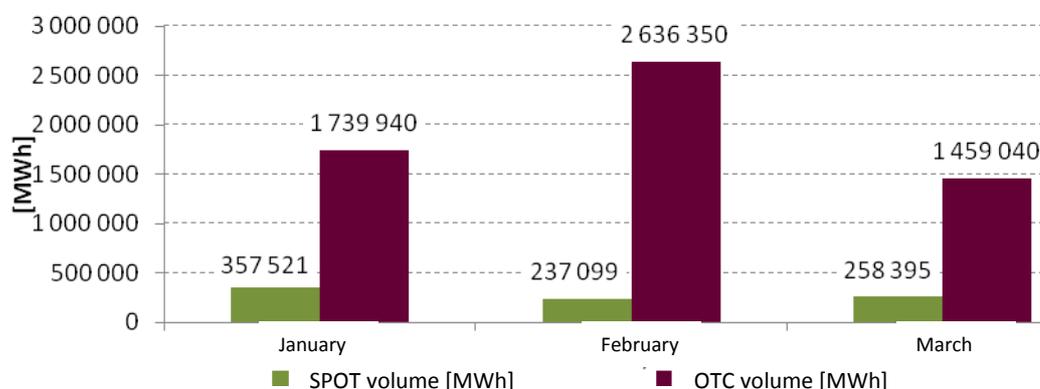


Figure 4. Analysis of the SPOT and OTC prices and volumes in Q1 2013

Source: <http://wyniki.tge.pl/wyniki/rpm/indeksy/>

The first quarter of 2013 was marked by falling prices on the RES market (OZEX_A index). Dynamic price movements were observed in February only. During this period, the green certificate price reached its historical low level of PLN 99.00/MWh following which announcements made mid-month by the Ministry of Economy concerning possible intervention purchases of green property rights was automatically reflected in the prices quoted on the PPE. March was another month characterised by a downward trend but the sell-off was not as violent as in January and February. Once the companies selling electricity to final consumers discharged their statutory obligations for 2012, the contracting process for the next year already started.

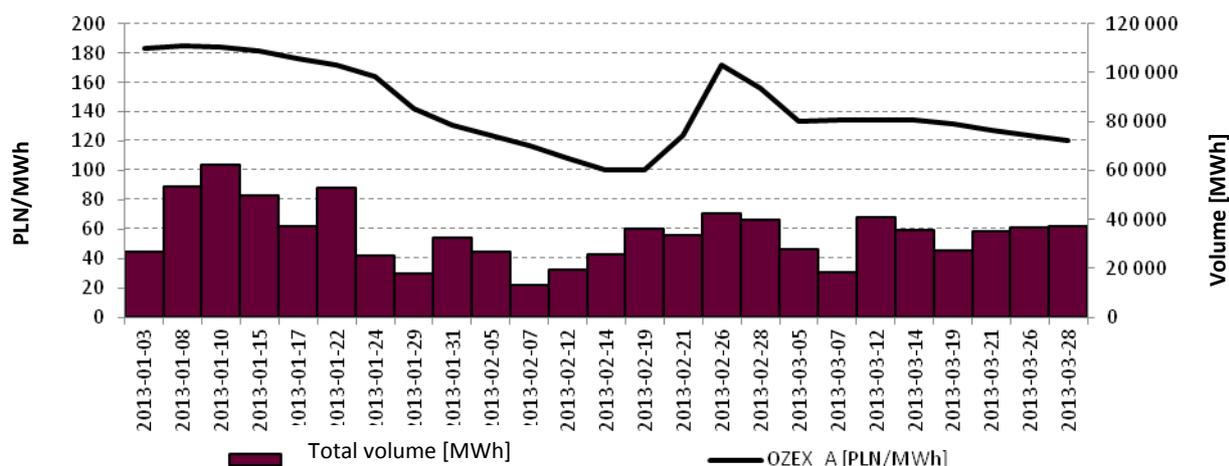


Figure 5. Analysis of the prices and volumes on the PPE based on session quotes (PMOZE_A)

Source: <http://wyniki.tge.pl/wyniki/rpm/indeksy/>

Contracts traded under over-the-counter transactions (OTC) suffered from price declines too. Most likely, this situation is the result of renegotiations of commercial terms and conditions made under the existing bilateral agreements.

A decrease in the value of green certificates was due to the increasing oversupply of certificates of origin (especially from biomass co-firing). According to forecasts, in the absence of new solutions regulating the market, oversupply will continue to grow which is an underlying reason for the lack of price increases in the near term. A chance to restore stability on the market of green property rights is a fast implementation of the RES Act or according to recent press reports, the intervention purchase of the existing surplus using funds accumulated in the past years from the replacement fee. However, there is currently no reliable information on taking any actions in this regard.

4.6. Cross-border exchange

To briefly describe the Poland's cross-border exchange in the first quarter this year it should be noted that exports outnumber imports. This resulted mainly from the high profitability of exports of Polish cheap energy especially in the direction of Germany, Slovakia and Sweden.

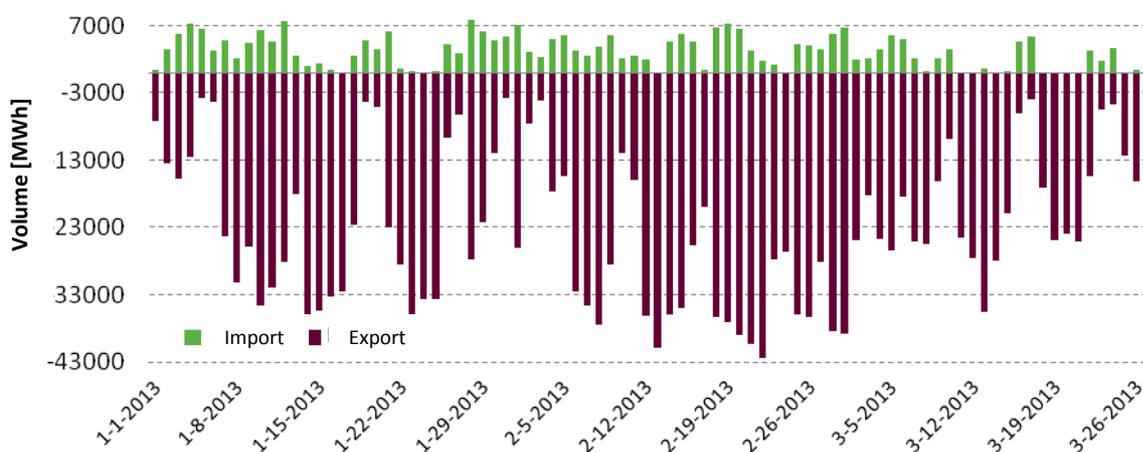


Figure 6. Volumes of the Poland's cross-border exchange in Q1 2013

Source: http://www.pse.pl/index.php?modul=21&id_rap=9

4.7. Balancing market

To sum up the first quarter of 2013 on the balancing market in Poland, one might notice that in terms of the energy flows, supplies to the balancing market prevailed. It was due among others to specific characteristics of the contracting process involving the market participants (their re-contracting) and a rather large production from wind sources. In total, 906,097 MWh were supplied to the balancing market, whereas only 146,469 MWh were received.

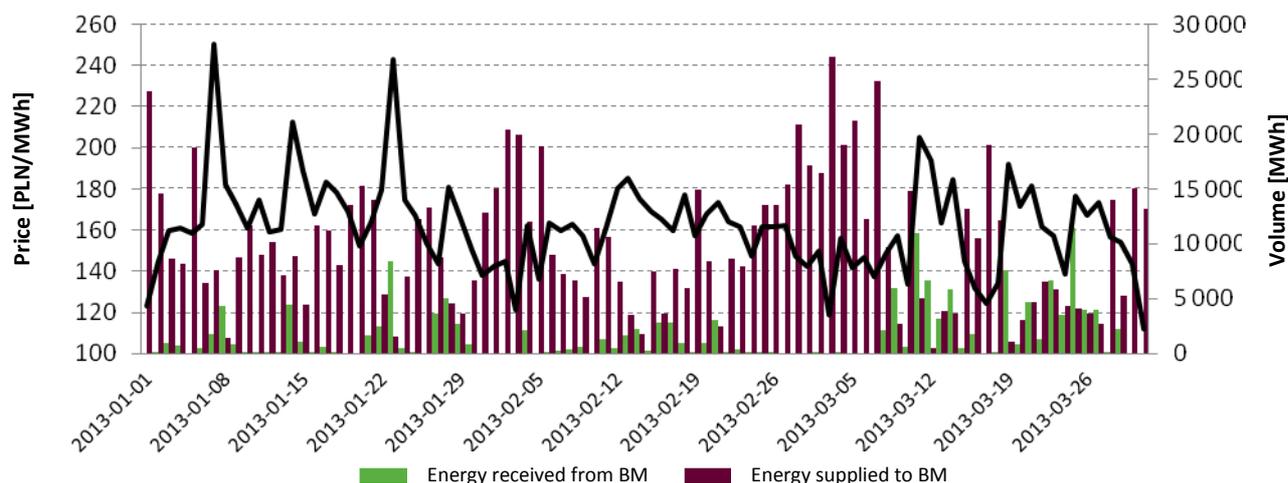


Figure 7. Prices and volumes of electricity on the balancing market in Q1 2013

Source: <http://www.pse-operator.pl/index.php?modul=11>

However, when comparing the same prices on the balancing market relative to the corresponding hours on the wholesale market, our attention is focused on the month of February when prices on both markets were similar (the average monthly price on the balancing market - PLN 159.66/MWh and the price on the wholesale market - PLN 159.28/MWh). In terms of prices, the month with the lowest quotes was March when the average monthly price on the the balancing market dropped as low as to PLN 154.89/MWh. The aggregate market price for the first quarter closed at the average level of PLN 161.67/MWh.

Sudden price changes (increases) noticeable on the balancing market in the first quarter were caused among others by the cross-border energy exchange and losses in the national power system grid.

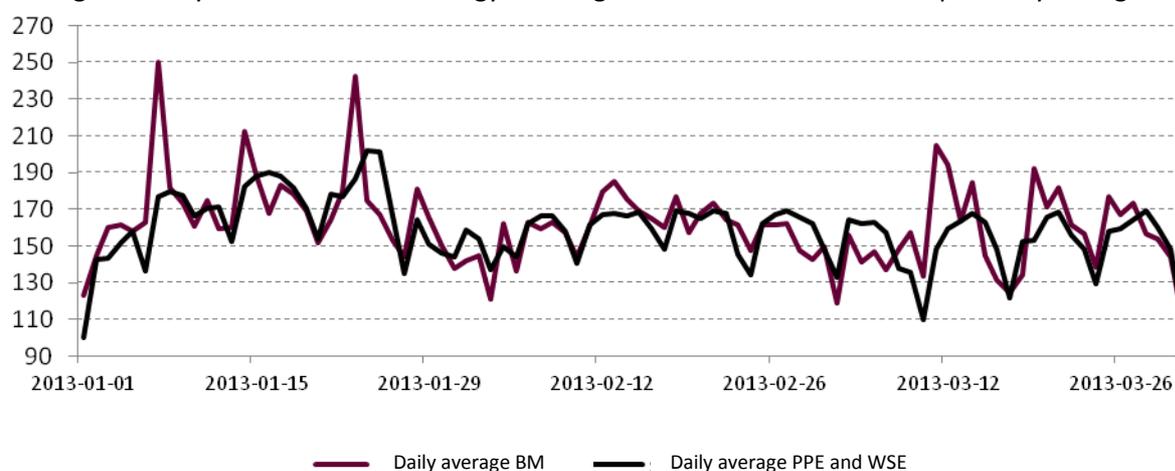


Figure 8. Comparison of prices on the balancing market and on the wholesale market in Q1 2013

Source: <http://www.pse-operator.pl/index.php?modul=11>

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4.8. Key operating data of ENERGA Group

Table: Sales of electric energy by ENERGA Group

Sales of electricity in TWh	3-month period ended March 31		% change
	2013	2012	
Sales of electricity to end users	4.77	5.25	-9%
Sales of electricity on the wholesale market, including:	3.10	2.17	43%
<i>Sales of electricity on the exchange market</i>	2.13	1.46	46%
<i>Sales of electricity to foreign customers</i>	0.18	0.04	378%
<i>Other sales (wholesale)</i>	0.43	0.51	-15%
<i>Sales of electricity to the balancing market</i>	0.36	0.16	120%
Total sales of electricity	7.87	7.42	6%
<i>including inter-company sales within ENERGA Group</i>	0.65	0.68	-5%

In the first quarter of 2013, the volume of electricity sold by ENERGA Group to end users decreased by approximately 9% (0.5 TWh) as compared to the first quarter of 2012. All tariff group suffered from the decrease, while the most significant variation was observed in the tariff group B. The observed decreases in sales to end users confirm the information on the declining consumption of electricity in the national economy. A decline in sales volumes under individual tariff groups was offset by increased volumes of electricity sold on the wholesale market. In this sales segment, a surge by about 43% in volume terms was reported (0.9 TWh).

Volumes sold to households (tariff G) constituted in the first quarter of 2013 ca. 31% of sales to end users whereas in the first quarter of 2012 it was only about 28%.

In the period under review, the average sales prices for end users fell by ca. 2%, while on the wholesale market the average sales prices decreased by ca. 6%.

Table: Purchases of electric energy by ENERGA Group

Purchases of electricity in TWh	3-month period ended March 31		% change
	2013	2012	
Purchases of electricity from ENERGA Group producers	0.50	0.75	-33%
Purchases of electricity on the wholesale market - exchange	1.36	3.58	-62%
Purchases of electricity - trading companies	4.84	2.26	114%
Purchases of electricity on the wholesale market - other	1.09	0.77	42%
Overseas purchases of electricity	0.02	0.01	28%
Purchases of electricity on the balancing market	0.06	0.05	21%
Total purchases of electricity	7.87	7.42	6%
<i>including inter-company purchases within ENERGA Group</i>	0.65	0.87	-26%

In the first quarter of 2013 purchases of electricity made by the trading company from ENERGA Group increased by approximately 6% (0.5 TWh) as compared to the same period last year. It is worth to underline a significant rate of growth in purchases from other trading businesses under bilateral contracts which doubled in volume terms.

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A share of producers from ENERGA Group in the aggregate structure of electric energy purchases decreased in the first quarter of 2013 to ca. 7% as compared to ca. 10% in the corresponding period last year.

Average electric energy purchase prices followed the general price trend on the domestic electricity market and lost approximately 7%.

Table: Distribution of electric energy by tariff groups*

Distribution of electricity by tariff groups in GWh	3-month period ended		% change
	March 31		
	2013	2012	
A Group (HV)	846	881	-4%
B Group (MV)	1,619	1,717	-6%
C Group (LV)	1,060	1,137	-7%
G Group (LV)	1,448	1,472	-2%
Total sales of electricity	4,973	5,207	-4%

* invoiced sales

In the first quarter of 2013, the volume of electricity supplied to end users was lower in all tariff groups compared to the same period last year (by 4% in average). Such decreases in the volume of distribution reflects a general drop in electricity consumption in the economy. A factor that cushioned the decrease in the volume of distribution was an increase in the average distribution rate by about 5% in accordance with the tariffs approved by the President of the ERO for 2013.

Table: Gross production of electric energy in ENERGA Group

Production of electricity in GWh	3-month period ended March		% change
	31		
	2013	2012	
Power plants - coal	754.1	765.3	-1%
Power plants - biomass co-firing	166.6	116.1	43%
Heat and power plants - coal	81.7	79.3	3%
Heat and power plants - biomass	1.6	3.5	-54%
Power plants - water	283.3	217.3	30%
Pumped storage power plant	3.4	5.5	-37%
Total production of electricity	1,290.8	1,187.0	9%
<i>including from renewable energy sources</i>	<i>451.4</i>	<i>336.9</i>	<i>34%</i>

ENERGA Group production companies generated ca. 104 GWh (9%) more electricity in the first three months of 2013 than in the same period last year. The largest growth was reported by biomass co-firing units - by ca. 43% (2013 is the first full year of the operation of the biomass co-firing boiler in ENERGA Elektrownie Ostrołęka SA) and hydroelectric plants – by ca. 30% (advantageous hydrometeorological conditions – a rise in the output of Hydro Power Plant in Włocławek by ca. 38%).

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Table: Sales of heat energy

Sales of heat energy in TJ	3-month period ended March 31		% change
	2013	2012	
ENERGA Kogeneracja Sp. z o.o.	826.5	799.7	3%
ENERGA Elektrownie Ostrołęka SA	558.6	546.0	2%
ENERGA Elektrociepłownia Kalisz SA	194.4	185.7	5%
Total sales of heat energy	1,579.5	1,531.4	3%

A low average temperature in 2012/2013 winter-spring season had a positive impact on the sales of heat generated by ENERGA Group producers in the first quarter of 2013. Total sales of heat and power plants rose by about 48 TJ (3%) as compared to the first quarter of 2012. The largest increase in sales was reported in Elbląg.

Table: Volumes and costs of fuel purchases from external suppliers

Fuel purchases	3-month period ended March 31, 2013		3-month period ended March 31, 2012		% change	
	Volume	Cost (in PLN m)	Volume	Cost (in PLN m)	Volume	Cost
Coal [thousands tons]	339	104	457	149	-26%	-30%
Biomass [thousands tons]	112	48	88	41	27%	18%
Mazut [thousands tons]	0	1	0	1	0%	-11%
Gas [thousands m ³]	53	0	52	0	2%	10%
Total fuel purchases	-	154	-	191	-15%	-19%

In the period under review ENERGA Group producers consumed less by ca. 93,000 tons (17%) basic energy fuels (coal and biomass) as compared to the first quarter of 2012. There was also a change in the structure of purchases - in terms of volume, biomass replaced coal (mainly in generating units owned by ENERGA Elektrownie Ostrołęka SA). Due to the fall in the market prices of energy fuels as well as in the volume of purchases (for coal), costs of purchases of such fuels by producers from ENERGA Group decreased too - in the first quarter of 2013 they spent about PLN 37 m (19%) less than in the first quarter of 2012.

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5. Financial Results
5.1. Condensed Consolidated Interim Income Statement

The following table shows the condensed consolidated interim income statement for the 3-month period ended March 31, 2013 and the comparative figures for the 3-month period ended March 31, 2012 based on the IFRS Condensed Consolidated Interim Financial Statements for the 3-month period ended March 31, 2013.

PLN '000	3-month period ended	3-month period ended	Change	Change
	March 31, 2013	Mar 31, 2012 (restated)		
Continuing operations				
Revenues from sales of goods and products including excise duty	2,038,599	2,023,985	14,614	0.72%
<i>Excise duty</i>	<i>(74,953)</i>	<i>(84,885)</i>	<i>9,932</i>	<i>(11.70%)</i>
Revenues from sales of goods and products	1,963,646	1,939,100	24,546	1.27%
Revenues from sales of services	957,228	954,016	3,213	0.34%
Rental revenues	12,940	12,384	556	4.49%
Sales revenues	2,933,814	2,905,500	28,314	0.97%
Cost of goods sold	2,492,976	2,389,232	103,745	4.34%
Gross profit on sales	440,838	516,268	(75,430)	(14.61%)
Other operating revenues	23,439	19,394	4,045	20.86%
Sales expenses	70,422	62,982	7,440	11.81%
Overhead expenses	93,500	95,795	(2,295)	(2.40%)
Other operating expenses	17,869	20,164	(2,295)	(11.38%)
Financial revenues	29,374	30,977	(1,603)	(5.18%)
Financial expenses	68,255	50,265	17,989	35.79%
Share in the profit (loss) of associate	(509)	(9)	(500)	5,683.21%
Gross profit	243,096	337,423	(94,327)	(27.96%)
Income tax	60,675	68,072	(7,398)	(10.87%)
Net profit on continuing operations	182,421	269,351	(86,930)	(32.27%)
Discontinued operations and non-current assets held for sale				
Net loss from continuing operations	(1,613)	-	(1,613)	-
Net profit on disposal of non-current assets held for sale	-	15,198	(15,198)	(100.00%)
Net profit/(loss) for the period	180,808	284,549	(103,741)	(36.46%)
Attributable to:				
Equity holders of the parent	192,362	284,274	(91,912)	(32.33%)

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PLN '000	3-month period ended March 31, 2013	3-month period ended Mar 31, 2012 (restated)	Change	Change
Non-controlling interests	(11,554)	275	(11,830)	(4,298.21%)
EBITDA	472,036	531,235	(59,200)	(11.14%)

In the first quarter of 2013 ENERGA Group disclosed sales revenues of ca. PLN 2,934 m which constitutes a growth by ca. PLN 28 m (1%) in relation to the corresponding period a year before. With the exception of CHP segment which recorded an increase in sales compared to the first quarter of 2012, other key business segments showed a minimal decline in sales. The increase in the Group's revenues is primarily a result of rising sales of electricity generated by the system power plants for the balancing market and improved sales of heat energy.

An approximately 4% growth in the cost of goods sold as compared to the same period last year was mainly determined by a non-recurring item such as an impairment loss recorded for non-current assets of B power plant operating as part of ENERGA Elektrownie Ostrołęka SA in the amount of about PLN 123 m (see Section 8.2.). In addition, the increase in cost of goods sold was also affected by higher costs of electric energy purchases (by about PLN 96 m). In turn, positive contributors were lower costs of the consumption of energy fuels (by ca. PLN 24 m) and lower costs of purchased transmission and transit services (by ca. PLN 34 m).

On the back of the factors described above the Group's EBITDA dropped by about PLN 59 m (11%) and reached ca. PLN 472 m. Before the non-recurring item such as the impairment loss reported for the non-current assets of B power plant, the Group's EBITDA would equal ca. PLN 595 m and would be by ca. PLN 64 m (11%) higher than EBITDA reported in the same period a year before.

ENERGA Group's net result equalled about PLN 181 m and was worse than the one disclosed in the first quarter of 2012 by about PLN 104 m (36%). An additional, besides the factors mentioned above, significant impact on net result came from financial expenses which rose by about PLN 18 m (36%), mainly due to rising interest expenses on ENERGA Group's external indebtedness.

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5.2. Condensed Consolidated Interim Statement of Financial Position

The following table shows the condensed consolidated interim statement of financial position as at March 31, 2013 and the comparative figures as at March 31, 2012 based on the IFRS Condensed Consolidated Interim Financial Statements for the 3-month period ended March 31, 2013.

PLN '000	As at March 31, 2013	As at December 31, 2012	Change	Change [%]
ASSETS				
Non-current assets				
Property, plant and equipment	9,976,062	10,000,916	(24,855)	(0.25%)
Investment properties	16,490	17,060	(570)	(3.34%)
Intangible assets	371,562	378,563	(7,001)	(1.85%)
Goodwill	28,264	28,627	(363)	(1.27%)
Shares in associates and joint ventures under the equity method	2,245	2,580	(335)	(12.99%)
Other shares and holdings	980	980	-	0.00%
Deferred tax assets	220,952	209,870	11,081	5.28%
Other long-term assets	59,345	58,799	545	0.93%
	10,675,899	10,697,396	(21,497)	(0.20%)
Current assets				
Inventory	279,159	376,928	(97,769)	(25.94%)
Current tax receivables	41,662	37,493	4,168	11.12%
Trade receivables and other financial receivables	1,524,948	1,524,080	868	0.06%
Shares and holdings	10,556	11,381	(825)	(7.25%)
Deposits	5,131	26,784	(21,653)	(80.84%)
Other financial assets	-	3,969	(3,969)	(100.00%)
Cash and cash equivalents	4,248,175	2,069,058	2,179,116	105.32%
Other short-term assets	280,149	155,516	124,633	80.14%
	6,389,780	4,205,209	2,184,571	51.95%
Non-current assets classified as held for sale	9,077	10,168	(1,090)	(10.72%)
TOTAL ASSETS	17,074,757	14,912,773	2,161,984	14.50%
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the parent				
Share capital	4,968,805	4,968,805	-	0.00%
Currency exchange differences from conversion of foreign operations	186	47	139	294.45%
Supplementary capital	471,235	471,235	-	0.00%
Retained earnings/uncovered losses	2,417,660	2,231,139	186,520	8.36%
Non-controlling interests	38,050	47,295	(9,245)	(19.55%)
Total equity	7,895,936	7,718,522	177,414	2.30%

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PLN '000	As at		Change	Change [%]
	March 31, 2013	December 31, 2012		
Long-term liabilities				
Credits and loans	1,958,934	2,026,138	(67,204)	(3.32%)
Liabilities from issued debt securities	3,141,810	1,079,219	2,062,590	191.12%
Non-current provisions	722,871	710,786	12,086	1.70%
Provision for deferred income tax	527,847	519,686	8,161	1.57%
Long-term deferred income and government subsidies	454,423	456,010	(1,587)	(0.35%)
Trade liabilities and other long-term financial liabilities	329	1,717	(1,388)	(80.85%)
Liabilities under financial lease	4,112	7,293	(3,181)	(43.62%)
Other long-term liabilities	1,644	613	1,031	168.33%
	6,811,969	4,801,461	2,010,508	41.87%
Short-term liabilities				
Trade and other financial liabilities	866,435	880,271	(13,836)	(1.57%)
Current portion of credits and loans	257,056	389,639	(132,583)	(34.03%)
Liabilities from issued debt securities	17,681	-	17,681	-
Income tax liabilities	12,817	34,662	(21,845)	(63.02%)
Deferred income and government subsidies	30,684	28,933	1,751	6.05%
Accruals	68,401	117,765	(49,364)	(41.92%)
Provisions	521,288	555,345	(34,058)	(6.13%)
Other short-term liabilities	592,489	386,174	206,315	53.43%
	2,366,851	2,392,789	(25,938)	(1.08%)
Total liabilities	9,178,820	7,194,250	1,984,570	27.59%
TOTAL EQUITY AND LIABILITIES	17,074,757	14,912,773	2,161,984	14.50%

As at March 31, 2013 the balance sheet total of ENERGA Group amounted to ca. PLN 17,075 m and was by about PLN 2,162 m (15%) higher than as at December 31, 2012. The most significant changes refer to current assets – cash and cash equivalents rose by ca. PLN 2,179 m (105%) on the back of the issue of Eurobonds for EUR 500 m launched in March 2013 (see Section 8.1.). Consequently, liabilities for issued debt securities increased from ca. PLN 1,079 m as at December 31, 2012 to ca. PLN 3,159 m as at March 31, 2013 (i.e. by 191%).

A significant change involves also the property, plant and equipment and intangible assets whose aggregate balance decreased by approximately PLN 32 m (2%) as compared to the end of 2012. Despite capital expenditures reaching ca. PLN 292 m in the first quarter of 2013, a depreciation and amortisation write-off for the period (about PLN 190 m) and impairment loss reported for the non-current assets of B power plant (ca. PLN 123 m) led to the decline in the balance of the Group's property, plant and equipment and intangible assets.

A drop in the Group's inventory by about PLN 98 m (26%) results from a decrease in the value of the property rights for the energy production from renewable sources ("green certificates") which are disclosed under inventory. As at the end of 2012 the value of green certificates recorded by the

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Group as inventory amounted to ca. PLN 202 m whereas as at March 31, 2013 the corresponding value equalled ca. PLN 128 m (reduction by 37%). Such decrease in the value of inventory is mainly a consequence of falling prices of green certificates on the Polish Power Exchange based on which such certificates are valued (see Section 4.5.).

ENERGA Group's equity rose by about PLN 177 m (2%), particularly due to the result generated in the period. As at March 31, 2013, the equity financed 46% of the Group's needs, while at the end of 2012 it was as much as 52%. The Group's net indebtedness fell by ca. PLN 298.6 m (21%) and reached the level of about PLN 1,127 m. In relation to annualized EBITDA, the net indebtedness stood at 0.72x which is considered a safe level and consistent with covenants committed by the Group under respective financing agreements.

5.3. Condensed Consolidated Interim Statement of Cash Flows

The following table shows the condensed consolidated interim statement for the 3-month period ended March 31, 2013 and the comparative figures for the 3-month period ended March 31, 2012 based on the IFRS Condensed Consolidated Interim Financial Statements for the 3-month period ended March 31, 2013.

PLN '000	3-month period ended	3-month period ended	Change	Change [%]
	March 31, 2013	March 31, 2012 (restated)		
Operating cash flows				
Gross profit	243,096	337,423	(94,327)	(27.96%)
Adjustments by items:	550,319	(225,617)	775,936	(343.92%)
Share in the result of associates and joint ventures accounted for using the equity method	509	9	500	5,683.21%
Gains (losses) on exchange rate differences	139	(177)	316	(178.27%)
Amortisation and depreciation	189,550	174,515	15,035	8.62%
Net interest and dividends	29,937	27,043	2,894	10.70%
Profit (loss) on investment activities	125,179	939	124,241	13,233.93%
(Increase) / decrease in receivables	75,106	2,431	72,675	2,989.80%
(Increase) / decrease in inventory	92,519	59,371	33,148	55.83%
Increase / (decrease) in liabilities, excluding credits and loans	293,149	(230,087)	523,236	(227.41%)
Change in prepayments/accruals	(231,862)	(210,054)	(21,808)	10.38%
Change in provisions	(21,972)	(49,037)	27,065	(55.19%)
Other	(1,934)	(569)	(1,366)	240.20%
Income tax paid	(89,608)	(31,392)	(58,216)	185.45%
Net cash from operating activities	703,807	80,415	623,392	775.22%
Cash flows from investment activities				
Proceeds from sale of property, plant and equipment and intangible assets	6,278	3,046	3,232	106.12%
Acquisition of property, plant and equipment and intangible assets	(346,475)	(496,968)	150,493	(30.28%)
Sales of shares in the associate	-	8,067	(8,067)	(100.00%)
Proceeds from sale of other financial assets	25,625	11,225	14,400	128.28%

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PLN '000	3-month period ended	3-month period ended	Change	Change [%]
	March 31, 2013	March 31, 2012 (restated)		
Acquisition of other financial assets	-	(57)	57	(100.00%)
Disposal of the subsidiary	1,450	-	1,450	-
Acquisition of subsidiary, net of cash acquired	(10,750)	-	(10,750)	-
Interest obtained	739	24	715	3016.77%
Net cash from investing activities	(323,134)	(474,663)	151,529	(31.92%)
Cash flows from financial activities				
Proceeds from issued debt securities	2,088,700	-	2,088,700	-
Repayment of financial lease liabilities	(4,369)	(346)	(4,022)	1162.10%
Proceeds from loans/credits	863	186,571	(185,708)	(99.54%)
Repayment of credits/loans	(203,028)	(1,400)	(201,628)	14403.10%
Dividends paid	(794)	(21)	(773)	3758.85%
Interest paid	(48,044)	(34,304)	(13,740)	40.05%
Other	(3,082)	(180)	(2,902)	1609.00%
Net cash from financial activities	1,830,248	150,320	1,679,927	1117.56%
Net increase / (decrease) in cash and cash equivalents	2,210,921	(243,928)	2,454,849	(1,006.38%)
Opening balance of cash	2,029,373	1,755,541	273,832	15.60%
Closing balance of cash	4,240,294	1,511,613	2,728,681	180.51%

ENERGA Group's cash balance as at March 31, 2013 amounted to ca. PLN 4,240 m and was higher than as at the end of the corresponding period a year before by ca. PLN 2,729 m (181%).

Aggregate net cash flows from operating, investment and financial activities of ENERGA Group in the first quarter of 2013 equalled about PLN 2,211 m as compared to ca. PLN (244) m in the first quarter of 2012. A key factor that contributed to this change was the first issue of bonds for EUR 500 m under the EMTN program.

A growth in the first quarter of 2013 in the value of cash flows from operating activities as compared to the first quarter of 2012 by about PLN 623 m (775%) is mainly the result of positive changes in working capital despite a decrease in the Group's profit before tax.

Cash flows from investment activities were lower in the first quarter of 2013 than in the same period last year by ca. PLN 152 m (32%) mainly due to reduced expenditures for property, plant and equipment and intangible assets (decline by ca. PLN 150 m, i.e. 30%).

Cash flows from financial activities in the first quarter of 2013 were positive and reached ca. PLN 1,830 m; they exceeded by ca. PLN 1,680 m the respective item reported in the corresponding period last year. The increase is primarily due to the issue of the first tranche of Eurobonds in the amount of EUR 500 m. In the period under review cash flows from financial activities were largely affected by the repayment of the credits and loans in the amount of ca. PLN 203 m (loans and credits from the European Investment Bank, European Bank for Reconstruction and Development, Nordea Bank Polska, PKO BP and PEKAO SA) in amounts significantly higher than in the first quarter of 2012 (ca. PLN 1.4 m).

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Cash flows generated by ENERGA Group in the first quarter of 2013 are specific to companies in the growth phase - positive cash flows from operating activities, negative ones from investment activities negative and again positive ones from financial activities. The Group's liquidity is not under threat.

6. Operating Segments

6.1. Segment of the distribution of electricity

<i>in PLN m</i>	Q1	Q1	Change 2013 vs.	Change 2013 /
	2013	2012	2012	2012
Revenues	935	940	(5)	99.5%
EBITDA	400	366	34	109.3%
<i>including amortisation and depreciation</i>	<i>161</i>	<i>147</i>	<i>14</i>	<i>109.5%</i>
EBIT	239	218	21	109.6%
Net profit	149	161	(12)	92.5%
CAPEX	234	312	(78)	75.0%

<i>in PLN m</i>	March 31	December 31	Change 2013 vs.	Change 2013 /
	2013	2012	2012	2012
Balance of cash	770	702	68	109.7%
Financial indebtedness	3,014	3,058	(44)	98.6%
Headcount as at the end of the period [persons]	6,562	6,746	(184)	97.3%

The electricity distribution segment produced in the first quarter of 2013 about 85% of ENERGA Group's EBITDA (ca. 69% in the first quarter of 2012).

Sales revenues of the electricity distribution segment in the first quarter of 2013 were at a level similar to the same period of the previous year (-0.5% deviation). Lower volumes of electricity distributed by 234 GWh (4%) was offset by an increase in the average unit distribution rate. In turn, revenues from connection fees declined.

Both EBITDA and EBIT showed in the first quarter of 2013 a growth rate of 9-10% as compared to the first quarter of 2012. Improved operating results were the most significantly affected by lower purchase costs for transmission and transit services (by about PLN 34 m) and lower costs of grid losses (by about PLN 3 m) in terms of volume as well as in terms of the average purchase price of electric energy.

The net profit of the distribution segment in the first quarter of 2013 reached ca. PLN 149 m and was lower by about PLN 12 m (8%) as compared to the net profit generated in the corresponding period a year before. A large impact on the reduction of the net financial result came from higher financial expenses resulting from a rising financial indebtedness centrally sourced by ENERGA SA.

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Capital expenditures in the distribution segment declined in the first quarter of 2013 by ca. PLN 78 m as compared to the same period last year and closed the period at about PLN 234 m. Reduced expenditures were a consequence of severe weather conditions associated with a long winter in 2013.

As compared to December 31, 2012 cash and financial indebtedness of the segment as at March 31, 2013 were at similar levels.

6.2. Sales segment

<i>in PLN m</i>	Q1 2013	Q1 2012	Change 2013 vs. 2012	Change 2013 / 2012
Revenues	1,853	1,885	(31)	98.3%
EBITDA	101	77	23	130.1%
<i>including amortisation and depreciation</i>	7	6	1	109.4%
EBIT	94	71	23	131.9%
Net profit	89	64	25	138.1%
CAPEX	2	2	(1)	67.4%

<i>in PLN m</i>	March 31 2013	December 31 2012	Change 2013 vs. 2012	Change 2013 / 2012
Balance of cash	380	248	132	153.4%
Financial indebtedness	2	2	(0)	93.6%
Headcount as at the end of the period [persons]	1,438	1,454	(16)	98.9%

The sales segment generated in the first three months of 2013 approximately 21% of ENERGA Group's EBITDA, as compared to 15% in the same period last year.

Revenues of the sales segment ended the first quarter of 2013 at a level by about PLN 31 m (2%) lower as compared to the first quarter of 2012 and reached PLN 1,853 m. A drop was reported in revenues from sales to end users (by about PLN 157 m), whereas other sales were higher by ca. PLN 120 m just like the sales to the balancing market (by about PLN 23 m). In addition, the segment generated about PLN 28 m less in revenues from trading in CO₂ emission rights - EUA / CER.

In the first quarter of 2013 the segment achieved sales results (EBITDA, EBIT and net profit) more than 30% better than in the same quarter of 2012. Lower electricity purchase prices were the key and the positive impact on the results of the first quarter of 2013 was ca. PLN 116 m.

Favourable trends in cost control had a positive influence on the liquidity of the segment. As compared to December 31, 2012 the cash balance rose by approximately PLN 132 m (53%) as at March 31, 2013.

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6.3. Segment of renewable energy sources

<i>in PLN m</i>	Q1	Q1	Change 2013 vs.	Change 2013 /
	2013	2012	2012	2012
Revenues	105	104	1	100.8%
EBITDA	90	83	6	107.7%
<i>including amortisation and depreciation</i>	7	9	(2)	78.8%
EBIT	83	74	8	111.1%
Net profit	67	64	3	104.1%
CAPEX	15	11	4	132.7%

<i>in PLN m</i>	March 31	December 31	Change 2013 vs.	Change 2013 /
	2013	2012	2012	2012
Balance of cash	62	246	(184)	25.2%
Financial indebtedness	86	91	(4)	95.2%
Headcount as at the end of the period [persons]	259	298	(39)	86.9%

In the first quarter of 2013 the segment of renewable energy sources contributed ca. 19% to the aggregate EBITDA of ENERGA Group while in the corresponding period a year before such contribution reached about 16% only.

Despite a growth in the period under review of production volumes from generation assets of the segment (by about 30%) which was positively influenced by hydrometeorological conditions, the segment's sales were at a level similar to the first quarter last year. This was due to a decrease in market prices of certificates of origin for electricity from renewable sources (green certificates) based on which revenues are recognized in respect of certificates obtained.

The segment's performance in terms of EBITDA, EBIT and net profit slightly improved as compared to the first quarter of 2012 thanks to the reduction of operating costs (by about 15%) most of which are fixed costs.

Following the commencement of repayments under the investment loan for the modernisation of ESP Żydowo financial liabilities of the segment decreased. At the same time the dividend for 2012 paid in the first quarter of 2013 reduced the balance of cash. Capital expenditures incurred during the period included the modernisation of hydroelectric power plants managed by the segment.

6.4. CHP segment

<i>in PLN m</i>	Q1	Q1	Change 2013 vs.	Change 2013 /
	2013	2012	2012	2012
Revenues	62	56	6	111.3%
EBITDA	12	10	2	122.3%
<i>including amortisation and depreciation</i>	2	2	0	116.0%
EBIT	9	0	9	5288.8%
Net profit	8	8	1	109.3%

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CAPEX	22	7	15	321.3%
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<i>in PLN m</i>	March 31 2013	December 31 2012	Change 2013 vs. 2012	Change 2013 / 2012
Balance of cash	80	89	(9)	89.8%
Financial indebtedness	133	143	(10)	93.1%
Headcount as at the end of the period [persons]	451	23	428	1924.9%

The contribution of CHP segment to EBITDA of ENERGA Group was stable in the first quarter of 2013 as compared to the same period last year and amounted to about 2%.

Sales revenues increased by about PLN 6 m (11%) on the back of rising volumes of heat produced and sold (by ca. 4%) and higher unit prices for heat energy (by about 9%) in line with the approved tariffs. Sales volumes were favourably impacted by a long and frosty winter. Electricity sales revenues did not show significant variations.

With lower operating costs, and particularly lower costs of the consumption of production fuels (a decline in coal purchase prices with a similar level of consumption), the segment improved its EBITDA and EBIT. The net result was adversely affected by costs of servicing the financial debts, especially the ones for the construction of a biomass unit.

In the period under review the heat and power plant in Elbląg continued to build the biomass unit for which ca. PLN 18 m were expended. Following the commencement of repayments under the investment loan for the construction of the unit financial liabilities of the segment decreased.

6.5. Segment of system power plants

<i>in PLN m</i>	Q1 2013	Q1 2012	Change 2013 vs. 2012	Change 2013 / 2012
Revenues	212	254	(42)	83.4%
EBITDA	(123)	10	(133)	-1240.1%
<i>including amortisation and depreciation</i>	14	14	(0)	99.2%
EBIT	(137)	(4)	(132)	3129.6%
Net profit	(112)	(9)	(103)	1226.2%
CAPEX	16	54	(38)	29.2%

<i>in PLN m</i>	March 31 2013	December 31 2012	Change 2013 vs. 2012	Change 2013 / 2012
Balance of cash	56	61	(6)	90.9%
Financial indebtedness	123	145	(21)	85.2%
Headcount as at the end of the period [persons]	931	862	69	108.0%

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In the first quarter of 2013 the segment of system power plants generated a negative EBITDA, mainly due to the impairment loss reported for non-current assets of B power plant belonging to ENERGA Elektrownie Ostrołęka SA. The value of such impairment loss was about PLN (123.4) m.

Sales revenues of the segment, represented mainly by ENERGA Elektrownie Ostrołęka SA decreased by about PLN 42 m (17%) on the back of the volumes of sold electricity (its own energy as well as the one sold for resale) – a decline by about 10% in the first quarter of 2013 as compared to the first quarter of 2012 and average electricity sales prices – a decline by ca. 9%. A share of electricity sales revenues generated in the must-run operation for the benefit of PSE SA amounted in the period under review to ca. 67% as compared to about 40% in the first quarter of 2012. Both production and sale of heat energy were at a similar level.

In the cost structure there is a noticeable drop in the costs of the consumption of energy fuels. Growing volumes of consumed coal (by about 5% in aggregate) were offset by lower unit prices for the purchase of those fuels (by about 6% for coal and ca. 7% for biomass).

The performance of the segment in the period under review was adversely impacted by lower market prices of certificates of origin for electricity from renewable sources (green certificates) generated through biomass co-firing based on which revenues from the certificates obtained are recognised.

Before the non-recurring item such as the impairment loss reported for the non-current assets of B power plant, the segment's EBITDA would oscillate around zero and would be by ca. PLN 10 m worse than EBITDA produced in the same period a year before.

Capital expenditures of the segment were significantly lower in the first quarter of 2013 as compared to the first quarter of 2012 (by about 70%). In the first quarter of 2012 the segment incurred capital expenditures for Ostrołęka C Project in the amount of approximately PLN 44 m. The project was suspended by the Group (see Section 8.5.).

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7. Implementation of the investment program

In the first quarter of 2013 ENERGA Group's entities incurred capital expenditures of PLN 292 m as compared to PLN 429 m in the same period last year. The largest share in that amount came from expenditures of ENERGA-OPERATOR SA (PLN 234 m) and expenditures for the construction of the biomass unit in ENERGA Kogeneracja Sp. z o.o. (PLN 18 m).

In the first quarter of 2013 ENERGA Group was carrying out the following strategic investment projects:

- Project for the redevelopment and modernisation of the distribution grid, including the implementation of *Smart Grid* intelligent network components.
- Construction of a gas and steam unit in Grudziądz with the capacity of approximately 500 MWe. The project is at the stage of the tender for the selection of the General Contractor. The power plant is scheduled to be commissioned in 2017.
- Construction of a gas and steam unit in Gdańsk with the capacity of approximately 500 MWe. The project is at the stage of drafting a design documentation. The stage of preparation for the construction is scheduled to be completed in 2016.
- Construction of a biomass unit in Elbląg heat and power plant with the capacity of 25 MW and 30 MWt. Currently, works on the construction of the unit are almost completed. The unit is scheduled to be commissioned in the first half of 2013.
- Development of heat energy production facilities in the power units of Ostrołęka B power plant. The project is under construction. The new heat source is scheduled to be commissioned in 2014.
- Modernisation of ESP Żydowo, including increasing the capacity of the power plant by 9 MWe. Currently, modernisation works are in progress. The project is expected to be completed in the second half of 2013.
- Construction of the second dam on Vistula together with the hydroelectric power plant with the capacity of 76 MWe. The project is at the stage of preparation of studies required to obtain the Environmental Decision. According to the schedule, the stage of the project preparation for construction is supposed to be completed in 2017.
- Construction of a wind farm with the capacity of 28 MWe in Drzewiany. The project is at the stage of acquisition of the land for construction. The wind farm is scheduled to be commissioned in 2015.
- Construction of a wind farm with the capacity of 20.5 MWe in Myślino. Currently, tenders for the selection of contractors for the investment are in progress. The wind farm is scheduled to be commissioned in 2014.

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8. Major events of the reporting period and subsequent events**8.1. Issue of bonds under the Eurobond program**

In order to diversify funding sources for ENERGA Group, on March 19, 2013 as part of the Eurobond Issue Program ("EMTN Programme") the first issue of Eurobonds with the value of EUR 500 m was launched out by ENERGA Finance AB (publ), a 100% subsidiary of ENERGA SA. The EMTN program was granted the investment rating of BBB issued by Fitch and Baa1 by Moody's Investors Service. The first issue under the program included 5,000 bonds with the value of EUR 100,000 each, with 7-year maturities, paying an annual coupon of 3.250%. Eurobonds are listed on the Luxembourg Stock Exchange.

8.2. Impairment of non-current assets in B power plant in Ostrołęka

In view of the evidence found in relation to the B power plant operating as part of ENERGA Elektrownie Ostrołęka SA which may result in decrease in the value in use of the property, plant and equipment of the entity, as at March 31, 2013 impairment tests were carried out based on the financial projections for the period April 2013 -2017. The tests showed the need for a write-down of the property, plant and equipment in B power plant. Therefore, the write-down was made for the property, plant and equipment of B power plant in Ostrołęka in the amount of PLN 123.4 m and was included in ENERGA Group's cost of goods sold. More information is presented in Note 10 to the condensed consolidated interim financial statements.

In the event when forecasts of falling energy prices become true or there are conditions indicating a growth in prices of energy fuels, additional impairment losses in subsequent reporting periods cannot be excluded.

8.3. Loan and credit agreements with multilateral financial institutions

ENERGA Group is in talks with the European Investment Bank ("EIB") and the European Bank for Reconstruction and Development ("EBRD") on the subsequent long-term financing for investments in the expansion and modernisation of distribution networks, including *Smart Grid*, carried out by its subsidiary, ENERGA-OPERATOR SA. The Company's investment plan amounts to EUR 5.2 bn. It is assumed that following agreements with the banks PLN 800 m would be contracted from the EBRD and PLN 1,000 m from the EIB.

On February 26, 2013 the Management Committee of the EIB approved a draft loan for ENERGA SA based on the following assumptions:

- Borrower: ENERGA SA,
- Final beneficiary / Co-borrower: ENERGA-OPERATOR SA,
- Amount: up to PLN 1,000 m,
- Financing period: up to 15 years.

On March 14, 2013 the Board of Directors of the EIB took a positive decision on the approval of funding on the terms and conditions proposed above.

The Group expects that the agreements with these institutions will be entered into in the first half of 2013.

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8.4. Privatisation process

In January 2013, the Minister of the State Treasury ("MST") decided to restart the process of privatisation of ENERGA SA. According to publicly available information, the intention of MST is to sell a minority stake in ENERGA SA on the Warsaw Stock Exchange under an IPO-type transaction (*Initial Public Offering*).

8.5. Ostrołęka C Project

As a result of the suspension in September 2012 of the construction of a new power unit in Ostrołęka, ENERGA Group currently carries out activities aimed at finding an external investor for this project. In January and February this year, invitations to take part in the transaction were sent. Currently, the project is under examination by prospective investors. The sale process is expected to be completed by the end of 2013.

8.6. Acquisitions of wind assets

On February 19, 2013 ENERGA Hydro Sp. z o.o. signed the purchase agreement for up to 100% of shares in the companies making up on-shore wind assets of Dong Energy Wind Power A/S in Poland as part of the consortium with the partner: PGE Polska Grupa Energetyczna SA. Subject to the approval of the concentration by way of the decision of the President of the Office for Competition and Consumer Protection („OCCP”) ENERGA Hydro Sp. z o.o. will become the owner of:

- 100% of shares of Dong Energy Karcino Sp. z o.o. with the registered office in Warsaw,
- 100% of shares of Dong Energy Tuszyny Sp. z o.o. with the registered office in Warsaw,
- 100% of shares of Dong Energy Pancierzyn Sp. z o.o. with the registered office in Warsaw,
- 100% of shares of Dong Energy Gąsiorowo Sp. z o.o. with the registered office in Warsaw,
- 100% of shares of Dong Energy 3 Sp. z o.o. with the registered office in Warsaw,
- up to 100% of shares of Dong Energy Olecko Sp. z o.o. with the registered office in Warsaw.

After the acquisition of the foregoing entities ENERGA Group will hold one operating 51 MW wind farm and the portfolio of wind projects on different stages of progress with the aggregate capacity of over 200 MW.

In addition, on February 26, 2013, ENERGA Hydro Sp. z o.o. signed an agreement to acquire shares in Iberdrola Renewables Polska Sp. z o.o. ("Iberdrola"), in the consortium with the partner PGE Polska Grupa Energetyczna SA. As a result of the transaction, subject to the approval of the concentration by OCCP ENERGA Hydro Sp. z o.o. will hold 67.3% of the shares in the acquired company. As part of the transaction ENERGA Group will take over two active 114 MW wind farms and the portfolio of wind projects on different stages of progress with the aggregate capacity of over 1,186 MW.

The concentration statements concerning the acquisition of Iberdrola and Dong group companies were submitted to the Office for Competition and Consumer Protection by ENERGA Hydro Sp. z o.o., respectively on March 19 and March 12, 2013.

8.7. Acquisition of heating assets

On April 9, 2013 the subsidiary ENERGA Kogeneracja Sp. z o.o. signed an agreement with the City of Kalisz to acquire a 90% stake in Ciepło Kaliskie Sp. z o.o. Ciepło Kaliskie Sp. z o.o. manages an integrated heat distribution system in Kalisz and has a natural monopoly position on the market. The

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company does not carry out any heat production and distribution activities, but only leases heat production and distribution assets to Przedsiębiorstwo Energetyki Ciepłej S.A. in Kalisz which currently conducts operating activities on the basis of the company's assets.

8.8. Sales Service System

ENERGA Group's strategy for the years 2009-2015 is to gain a competitive advantage in sales and customer service areas and to be a leader in the quality of services on the Polish market for the sale of electricity and other utilities by the Group. This objective ENERGA would like to achieve, in particular, by building appropriate IT systems to support billing and customer relationships (*Customer Relationship Management*) areas - Sales Service System. To date, corporate approvals have been obtained in ENERGA Group to conclude an agreement with an integrator for the design and implementation of the Sales Service System for a total amount of not more than PLN 90.7 m, including for the acquisition of non-current assets with a total value of up to PLN 75 m.

8.9. Distribution of net profit for 2012 and retained earnings of ENERGA SA

On April 23, 2013 the Ordinary General Meeting of ENERGA SA adopted a resolution on the distribution of the net profit for 2012 and retained earnings (other net comprehensive income). From the total distributable profit of EUR 547,135,921.36, almost 91% or PLN 496,880,536.80 was appropriated for dividends to shareholders, i.e. PLN 0.10 per share. PLN 50,255,384.56 was allocated to the company's supplementary capital.

The Board of Directors of ENERGA SA recommended a dividend of PLN 0.04 per share, or PLN 198,752,214.72 which accounts for over 36% of the net profit for 2012.

A dividend payment date was set for June 3, 2013.

9. Factors that may affect the results in subsequent periods

According to the Board of Directors of ENERGA SA, the following factors will affect the performance and operations of the Company and the Group for at least the next quarter of 2013:

- demand for electricity and heat;
- electricity prices in the wholesale and retail markets;
- prices of property rights;
- prices of fuels used to produce electricity and heat, especially the prices of coal and biomass;
- macroeconomic environment, in particular interest rates and exchange rates;
- availability and prices for CO₂ emission rights;
- changes in the legal environment;
- weather and hydrometeorological conditions;
- outcome of pending litigations

10. Shareholding

As of the date of this document the shareholding structure in ENERGA SA is as follows:

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Shareholder	Number of shares	Number of votes	Share in the total number of votes at the General Shareholders Meeting
	[pcs]	[pcs]	
State Treasury	4,182,744,801	4,182,744,801	84.18%
Others	786,060,567	786,060,567	15.82%
Total	4,968,805,368	4,968,805,368	100.00%

11. Related party disclosures

Related party disclosures are presented in Note 16 to the condensed consolidated interim financial statements.

12. Litigation

Information on significant court proceedings pending with the participation of ENERGA Group is set out in Note 20.4 to the condensed consolidated interim financial statements.

13. Forecasts

ENERGA SA did not publish any forecasts of financial results.

14. Abbreviations and definitions

Unless the context indicates otherwise, the following definitions shall apply throughout the document:

"biomass"	Solid or liquid biodegradable plant or animal substances originating from agricultural or forestry products, waste, and residues, or from the processing of such products, as well as biodegradable fraction of other waste, in particular agricultural raw material.
"tariff group"	Group of electricity or heat consumers or consumers benefiting from electricity or heat supply services to whom a uniform list of prices or fee rates and charging terms are applied.
"GW"	Gigawatt, SI unit of power, 1 GW = 109 W
"cogeneration"	Technological process of simultaneous generation in one process of thermal energy and electrical and/or mechanical energy.
"kWh"	Kilowatt hour, unit of electrical energy generated or used over 1 hour by a unit with a power of 1 kW; 1 kWh = 3 600 000 J = 3.6 MJ.
"kV"	Kilovolt, SI unit for measuring electric potential, electric potential difference and electromotive force, 1 kV= 103 V.
"MW"	SI unit of power, 1 MW = 106 W

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"MWe"	Megawatt electrical.
"MWt"	Megawatt thermal
"renewable energy source", "RES"	A source that uses in the transformation process wind, solar, geothermal, wave, current, tidal and river energy or energy from biomass, landfill gas, sewage disposal or treatment gas or gas from the decomposition of plant and animal material.
"distribution system operator", "DSO"	Energy undertaking dealing with the distribution of gaseous fuels or electricity, responsible for providing the operation of a gas distribution system or power distribution system, day-to-day and long-term security of the system operation, and operation, maintenance, repair and necessary development of the distribution network, including connections with other gas systems or other power systems.
"power transmission system operator", "PTSO"	Energy undertaking dealing with the transmission of gaseous fuels or electricity, responsible for providing the operation of a gas transmission system or power transmission system, day-to-day and long-term security of the system operation, and operation, maintenance, repair and necessary development of the transmission network, including connections with other gas systems or other power systems.
"proprietary rights"	Transferable and exchangeable rights arising from certificates of origin for energy produced from renewable energy sources in cogeneration.
"vertically integrated undertaking"	Energy undertaking or group of undertakings the interrelations of which are specified in Article 3 (2) of the Merger Regulation, dealing with: (i) in relation to gaseous fuels: the transmission or distribution or storage or liquefaction and generation or sale of such fuels, or (ii) in relation to electricity: the transmission or distribution or generation or sale of electricity.
"PSE"	Polskie Sieci Elektroenergetyczne Spółka Akcyjna with registered seat in Warsaw, entered in the business register of the National Court Register under No. KRS 0000197596; by Decision of the President of the Energy Regulatory Office (URE) No. DPE-47-58(5)/4988/2007/BT of 24 December 2007 the company was designated to be the power transmission system operator in the territory of the Republic of Poland for the period between 1 January 2008 and 1 July 2014.

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"certificates of origin"	Certificate of origin from renewable sources and certificate of origin from cogeneration.
"certificate of origin from cogeneration"	Document issued by the President of the Energy Regulatory Office (URE) pursuant to Article 9l. of the Energy Law certifying the generation of electricity by means of high-efficiency cogeneration in: (i) a cogeneration unit fired with gaseous fuels or with a total electrical capacity installed at source below 1 MW (yellow certificate), (ii) a cogeneration unit fired with methane released and captured during underground mining operation in active, liquidated or decommissioned hard coal mines or with gas obtained from biomass processing (purple certificate), or (iii) in other cogeneration unit (red certificate).
"certificate of origin from renewable sources" "green certificate"	Document issued by the President of the Energy Regulatory Office pursuant to Article 9e. of the Energy Law certifying the generation of electricity from a renewable energy source (green certificate).
"Towarowa Giełda Energii", "TGE" – (Polish Power Exchange)	Towarowa Giełda Energii S.A. – commodities exchange for trading commodities admitted to public trade, i.e. electricity, liquid or gaseous fuels, natural gas, emission allowances and proprietary rights arising from certificates of origin, the price of which depends directly or indirectly on the prices of electricity, liquid and gaseous fuels or on emission volumes.
TWh	Terawatt hour, a multiple unit of an SI power unit. 1 TWh = 109 kWh.
"URE"	Urząd Regulacji Energetyki (Polish Energy Regulatory Office).
"volume"	Amount in physical terms.
"co-incineration"	Generation of electricity or heat by means of joint and simultaneous incineration in a single unit of biomass or biogas and other fuels; some of the energy produced in the process may be considered as energy generated from a renewable source.