



# Report of the Management Board of the operations of ENEA S.A. in 2014

Date of approval: 3 March 2015

Poznań, 20 March 2015



## We have changed the organisation's "genetic code"

### The previous year was a year of crucial changes in ENEA Group

2014, in my assessment, was very successful both for ENEA S.A. and the whole Capital Group. Thanks to the huge commitment of our Employees, we implemented all the planned changes, and investment projects are being realised according to the schedule. Within a year of the new corporate strategy announcement we have built a modernly managed organisation which is flexibly responding to the market needs. We implemented a modern corporate governance, enhanced the structure, introduced modern risk management procedures and improved these elements of our operations which build Customer trust. With the aid of modern systems we integrated the key information in one place. Additionally, we have been optimising the costs of operations and ensured a continuous growth of the goodwill.

### We have been regularly reporting good results

A stable financial position is an indispensable condition for ENEA S.A.'s and the Group's further development. Our work is noticed which is reflected in e.g. high ratings and awards given by specialists. This is a proof of an effective strategy and appropriate satisfaction of the market needs.

### Corporate Governance is of key importance

Due to the change of the "genetic code" and adopting new "constitution", namely the Code, ENEA Group became an efficient, modern and homogeneous economic body. Decisions are taken efficiently, and the goal of all the companies, their management boards and Employees, is the interest of not only the Parent Company but the whole Group.

### We have implemented a new, integrated risk management system

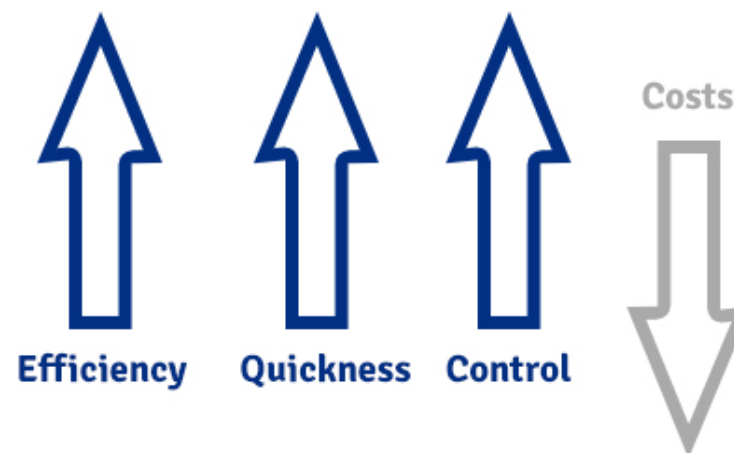
Due to its operations both ENEA Group and ENEA alone are exposed to various types of risks. What I mean here is mainly operating, financial and market risks. The awareness of these risks resulted in the establishment of a formalised, integrated risk management system. The system comprises in particular the areas of corporate risk, loss of liquidity, currency risk and interest rate risk and credit and commodity risk.

### Integrated information system i.e. comprehensively, more quickly and more efficiently

After a period of intense works over the software implementation, ENEA Group's business processes are supported with new extended versions of information systems. They will enhance ENEA Group's performance due to business process optimisation and maximum efficiency in the use of already held resources.

### The Company's structure has changes, the importance of a company responsible for support services increased

The Group focuses on its core operations, which is generation, distribution and trade in energy, and each of the companies has its own specific functions in the value chain. ENEA S.A. remains responsible for sales of electricity. As a consequence of the centralisation of support services and optimisation of the financial structure we can already see specific organisational benefits, and due to well thought changes we are able to improve what is the most important - our Customer service quality.



### We offered new products to Customers, and we plan new ones

Beside the competitive energy price we have been widening our portfolio with supplementary services. From 2014 Customers may choose from new products joining energy sales and insurance and banking services. Soon, our offer will be enriched with new proposals of this type. A new product for our business partners is blue fuel in the dual-fuel formula, i.e. together with electricity. The essence of our way of thinking is adjusting the offer to the precise and specific needs of our Customers.

### An important goal of ENEA's strategy is development within wholesale trade

We have been developing very intensely. We offer numerous and professional solutions to our Customers, including origination type products. ENEA S.A. is present on ICE Futures Europe exchange which is one of the largest power exchanges in Europe through its subsidiary.

### We have been consistently realising the investment plan

As perceived by the whole Capital Group, the investment which is the most important and - which is significant - realised strictly on the schedule - is the construction of a new power unit. 2014 was a key moment for this investment. The greatest change could be observed on the construction site. Due to the investment needs of the Group we have been investing a lot in the area of distribution, since we wish to enhance the reliability of energy supplies to our Customers and prepare for the introduction of the quality tariff.

### We have planned a growth in the segment of renewable and cogeneration sources and heating networks in the corporate strategy

We have been working intensely on that and are interested mainly in existing wind farms as regards RES. We are observing the market and engage where it is the most efficient regarding our business. We think in similar way on acquisitions in cogeneration and heating sectors. A good example of our approach is the takeover of 85% of shares in MPEC Białystok which allowed to optimise the heat production in this city and use our modern, biomass-fired, cogeneration Combined Heat and Power Plant more efficiently. We are facing new challenges. Depending on the business decisions made we will also launch individual bond issue programmes.

### As regards end Customers energy distribution is an extremely important area

The distribution is the area which requires and will require capital expenditures. Introduction of the quality tariff, which requires improved reliability, reduction in the failure rate and building intelligent grids, is a challenge for the whole sector, also for us. Therefore in the following years we will construct and modernise ca. 11 thousand km overhead lines and cable routes and over 4,100 electrical substations. We will buy over 8,000 transformers. All that means ca. PLN one billion investment annually. However, we have been already reducing the key ratios.

### Cost optimisation is of key importance on the demanding market

Cost control is needed also because our investment plans will result in higher debts. Due to undertaken initiatives cost savings in 2014 amounted to PLN 252 mln for the Group. The greatest savings were realised in the area of Generation (PLN 133 mln) and Distribution (PLN 102 mln). We have been observing carefully each spent zloty in all the areas of our operations and it brings results. We have made huge changes within finance management. We possess one cash management centre for the whole Group. The tax capital group, which has been operating since the beginning of 2014, allows us to operate more efficiently as regards the tax law.



### ENEA Group will face the most important challenges in 2015

We have been consistently continuing activities which we set to accomplish. Many difficult challenges are ahead of us and they need to be faced in a more and more demanding market environment. A key to success is however the fact that we are one efficient team in which each player works for the common result. This constitutes a solid foundation on which our success will be built.

Sincerely,

Krzysztof Zamasz  
President of the Board of ENEA S.A.



## 1. Operating Summary

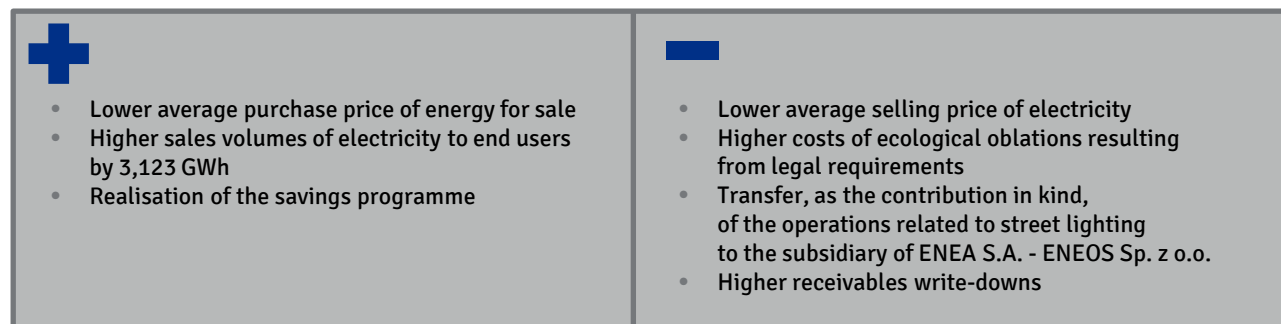
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In 2014 ENEA S.A. generated:

- **PLN 5,084 mln** net sales revenue
- **PLN 69 mln** EBITDA
- **PLN 697 mln** net profit

Factors which affected the financial results generated by ENEA S.A. are presented in the diagram below:

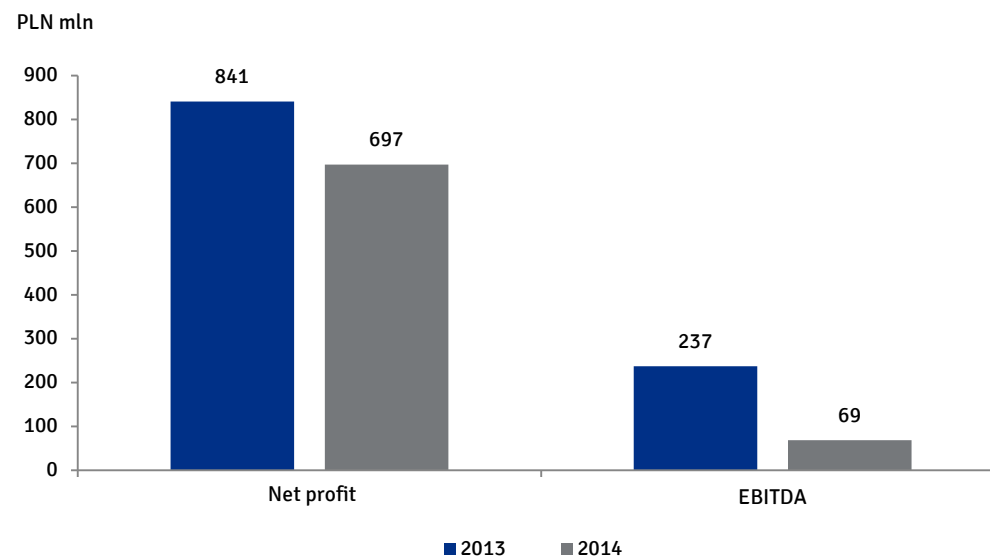


The savings programme being consistently realised in all ENEA Group Companies, including in ENEA S.A., in 2014 allowed to reduce the costs on the Group's level by PLN 252 mln.

[PLN '000]	2013	2014	Change	Change %
Net sales revenue	4 951 774	5 084 271	132 497	2.7%
Operating profit / (loss)	219 190	60 886	-158 304	-72.2%
Profit / (loss) before tax	896 293	728 981	-167 312	-18.7%
Net profit / (loss) for the reporting period	840 621	696 608	-144 013	-17.1%
EBITDA	237 063	68 778	-168 285	-71.0%
Net cash flows from:				
operating activities	115 964	51 803	-64 161	-55.3%
investing activities	-281 610	-1 483 404	-1 201 794	-426.8%
financing activities	611 281	1 065 380	454 099	74.3%
Balance of cash	807 036	440 815	-366 221	-45.4%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	1.90	1.58	-0.32	-16.8%
Diluted profit per share [PLN]	1.90	1.58	-0.32	-16.8%

[PLN '000]	Q4 2013	Q4 2014	Change	Change %
Net sales revenue	1 251 788	1 375 257	123 469	9.9%
Operating profit / (loss)	29 060	13 644	-15 416	-53.0%
Profit / (loss) before tax	46 998	37 521	-9 477	-20.2%
Net profit / (loss) for the reporting period	41 757	35 356	-6 401	-15.3%
EBITDA	33 465	15 469	-17 996	-53.8%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	0.09	0.08	-0.01	-11.1%
Diluted profit per share [PLN]	0.09	0.08	-0.01	-11.1%

[PLN '000]	31 December 2013	31 December 2014	Change	Change %
Total assets	12 989 139	14 859 164	1 870 025	14.4%
Total liabilities	1 826 565	3 256 638	1 430 073	78.3%
Non-current liabilities	852 248	2 226 207	1 373 959	161.2%
Current liabilities	974 317	1 030 431	56 114	5.8%
Equity	11 162 574	11 602 526	439 952	3.9%
Share capital	588 018	588 018	-	-
Book value per share [PLN]	25.29	26.28	1.00	3.9%
Diluted book value per share [PLN]	25.29	26.28	1.00	3.9%





## I quarter

### Cost optimisation due to a comprehensive bank service agreement

On 28 January ENEA and PKO BP and Pekao S.A. banks concluded an agreement which provided the companies from our Group with an access to additional financing totalling to up to PLN 700 mln. Customers of ENEA Group companies will be able to make free cash payments in over 3,400 units of PKO BP and Pekao S.A.

### All ENEA S.A.'s shares are already listed on WSE

All the shares of ENEA S.A. may be already traded on the Warsaw Stock Exchange. On 11 February, 2,000,033 Company's shares were listed.

### Financial institutions replaced Vattenfall in the shareholding structure

Numerous financial institutions bought ENEA S.A.'s shares which were sold by Vattenfall AB on 22 January. Shares constituting 18.67% of the Company's share capital changed the holder. The process confirmed that ENEA is a good investment for renowned Polish and foreign financial investors. Due to that fact the Company's free float will increase. It is also a proof that the Company is a good investment.

## II quarter

### Fitch Ratings affirms the Company's high and stable ratings

On 30 April Fitch Ratings agency maintained the long term rating issued for the Company in April 2011 on the present level of BBB (on the international scale) and A (on the national scale). The outlook of the ratings is stable. A stable rating issued by a prestigious agency confirms the Company's high credibility in the eyes of international financial institutions.

### Financing from Bank Gospodarstwa Krajowego will be used for the realisation of the investment strategy of ENEA Group

The programme agreement signed on 15 May with Bank Gospodarstwa Krajowego will help the Company to finance the current operations and investment needs of ENEA Group. The funds will be used e.g. for adjusting the units operating in the power plant in Koźnice to the environmental requirements and for acquisition projects in the segment of cogeneration and RES. The agreement relates to long-term bonds issue of the value of PLN 1 billion.

### The funds from the new bond programme will finance strategic investments

On 30 June ENEA S.A. and the banks: PKO BP, ING Bank Śląski, Pekao S.A. and mBank concluded an agreement relating to the bond issue programme up to the maximum amount to PLN 5 billion. The proceeds coming from new issues will be used by the Company for the implementation of the investments described in the corporate strategy and for the financing of the Group entities' current operations.

## III quarter

### ENEA distributed dividend to shareholders

On 12 August ENEA distributed dividend from profit for 2013 in the amount of PLN 0.57 per share. The dividend rate totalled to 3.8%.

### ENEA will take part in the nuclear power plant construction project

ENEA will purchase from PGE Polska Grupa Energetyczna S.A. 10% of shares in the special purpose vehicle PGE EJ1 Sp. z o.o. - responsible for the preparation and construction of the first Polish nuclear power plant with the capacity of around 3,000 MW. ENEA S.A., PGE Polska Grupa Energetyczna S.A. TAURON Polska Energia S.A. and KGHM Polska Miedź S.A. concluded the Shareholder Agreement on 3 September. On 8 October the President of the Office of Competition and Consumer Protection issued an unconditional permit which enables realisation of the agreement.

### New corporate governance enables an optimal use of the organisational possibilities

Simplification of the decision making processes and shortening of the flow of information are the key effects of transferring by the Board of some competences to Committees and establishment of technical Management Departments. The Group has completed the reconstruction of the corporate governance, due to which it may operate more flexibly.

## IV quarter

### Commencement of gas supplies to business customers

At the beginning of October ENEA commenced gas supplies to the first Customers. The Company offers gas in the dual-fuel formula, i.e. together with electricity. As a result it may offer its customers very attractive commercial conditions and strengthen its position on the market. The offer is presently directed to companies, and already next year also individual customers will be able to use it.

### New tariffs approved by the President of ERO

The President of ERO approved new tariffs for electricity. The approved electricity tariff includes the increase in energy selling prices for G tariff group sets by 0.68% yoy on average and results from higher costs of realisation of statutory duties to redeem colour certificates.

### New integrated information systems support management

Integrated information systems implemented in ENEA Group in 2014 allow it to respond flexibly to the current situation on the energy market and improve the key business processes. Due to a new SAP programme it is possible to integrate the key information in the Group in one place. IFS supports generation segment management. Workflow delivers information on invoices and orders for SAP and IFS systems. Thanks to the modern CCSS system the Group obtained a homogeneous system in the area of billing and CRM (Customer Relations Management) allowing to act more efficiently and optimise Customer Service costs.





## 2. ENEA's organisation and operations



### ENEA S.A. as the dominant entity in the ENEA Capital Group

In 2014 works were continued which related to the adjustment of the organisational structure to the directions set in ENEA Capital Group's strategy.

As part of the implementation of the Shared Service Centre project in 2014 the tasks realised by the Teleinformation Department were transferred to ENEA Centrum Sp. z o.o. along with some tasks relating to widely understood personnel services rendered by the Human Resources Management Department. Additionally, works were connected relating to the centralisation of the area of purchases, consisting in the transfer on 1 January 2015 of the Purchase Department to ENEA Centrum Sp. z o.o.

The core business of the Company is realised by the Portfolio and Product Management Department and Sales Department; within which e.g. field units are operating.

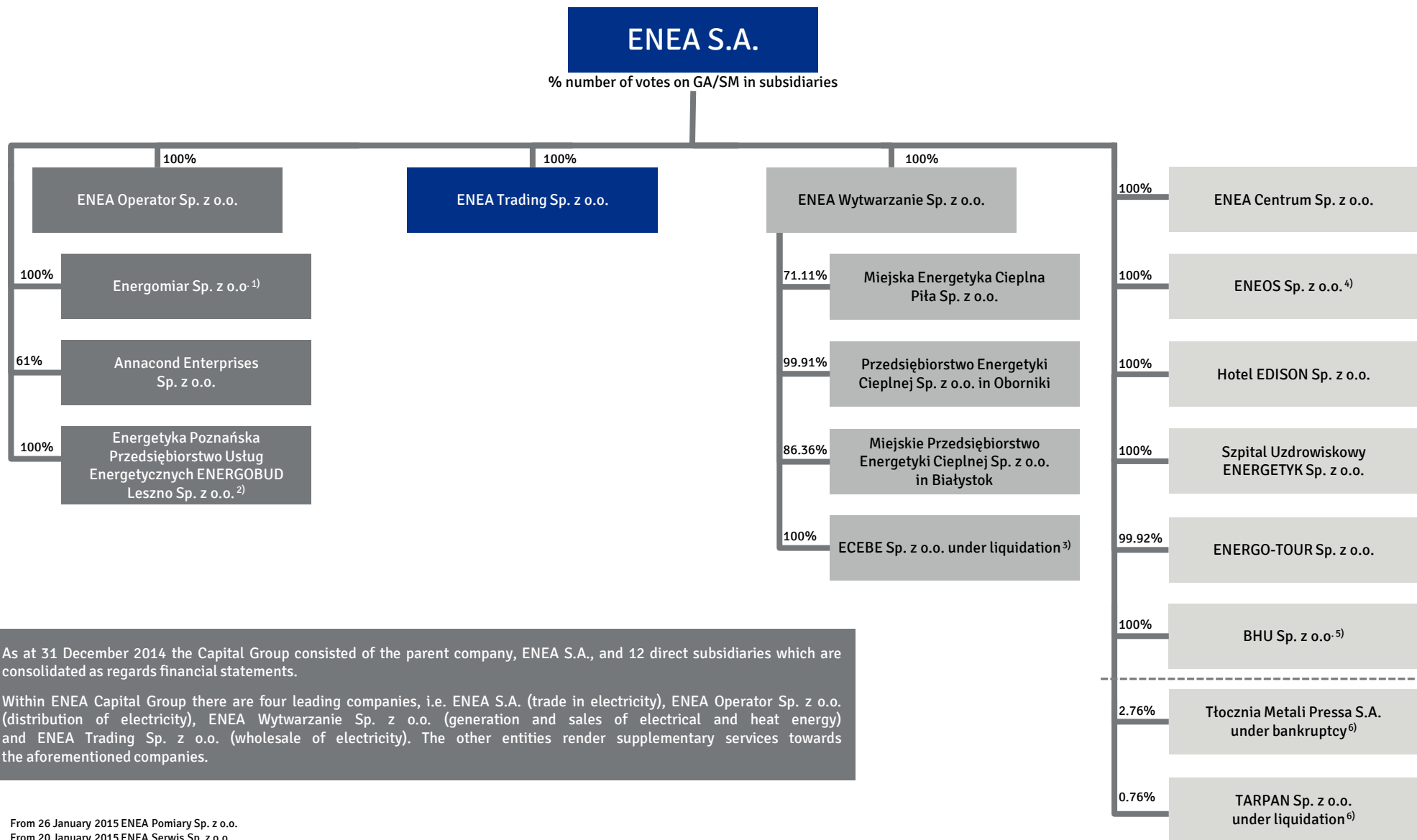
Activity within management and service for the Company support is realised in the following Departments: Development Strategy, Controlling, Operating Management, Corporate, Corporate Communication, Human Resources Management, Risk Management and Audit and Control Office.

The interdependencies established within the Company (including a diagram of its organisational structure) and the division of tasks, responsibilities and authorisations, are formally reflected in the organisational rules: Organisational Rules for the Business of the Company and Rules for Organisational Units of ENEA S.A.

The Company's organisational structure is presented below as at the date of the report.



ENEA Capital Group's composition



As at 31 December 2014 the Capital Group consisted of the parent company, ENEA S.A., and 12 direct subsidiaries which are consolidated as regards financial statements.

Within ENEA Capital Group there are four leading companies, i.e. ENEA S.A. (trade in electricity), ENEA Operator Sp. z o.o. (distribution of electricity), ENEA Wytwarzanie Sp. z o.o. (generation and sales of electrical and heat energy) and ENEA Trading Sp. z o.o. (wholesale of electricity). The other entities render supplementary services towards the aforementioned companies.

1) From 26 January 2015 ENEA Pomiary Sp. z o.o.  
 2) From 20 January 2015 ENEA Serwis Sp. z o.o.  
 3) On 30 January 2015 ECEBE Sp. z o.o. under liquidation was removed from KRS (National Court Register).  
 4) From 20 February 2015 ENEA Oświetlenie Sp. z o.o.  
 5) From 29 January 2015 ENEA Logistyka Sp. z o.o.  
 6) With minority interest in ENEA S.A.

■ Trade ■ Distribution ■ Generation ■ Other activity

### Asset restructuring

In 2014 ENEA Capital Group continued the asset restructuring. The activities below are conducted in accordance with the Corporate Strategy of ENEA Group for 2014-2020 which focuses on the core operations. The implemented activities are to guarantee the operation of relevant organisational structures and processes enabling the further development of ENEA Capital Group.

Segment	Date	Company	Event
Distribution	1 September 2014	EP Zakład Transportu	Merger with EP PUE ENERGOBUD Leszno
Generation	12 May 2014	Ecebe	Commencement of the liquidation proceedings. The Company was removed from the register on 30 January 2015
	30 June 2014	Windfarm	Merger with ENEA Wytwarzanie as part of ENEA CG's Integration of the Generation Area
	31 December 2014	ENEA Wytwarzanie	Transformation of joint-stock companies into limited liability companies (spółka z ograniczoną odpowiedzialnością)
Other activity	29 August 2014	IT SERWIS, ENTUR	Merger with ENEA Centrum
	1 October 2014	BHU	Transformation of joint-stock companies into limited liability companies (spółka z ograniczoną odpowiedzialnością)
	30 December 2014	ENEOS	Acquisition of the lighting assets from ENEA Operator in order to consolidate the whole lighting management in the Company

### Key equity investments

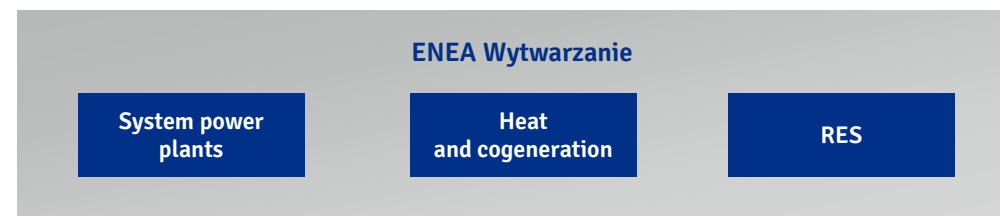
Segment	Date	Company	Event
Generation	16 September 2014	Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. with its registered office in Białystok	Purchase of 85% of shares by ENEA Wytwarzanie as part of the strategy within the development and restructuring of ENEA Capital Group. Implementing the provisions of the privatisation agreement ENEA Wytwarzanie raised the Company's share capital and currently holds 86.36% in its share capital.
Other activities	4 December 2014	Szpital Uzdrowskiowy ENERGETYK Sp. z o.o.	Purchase of 0.06% of shares by ENEA in order to organise the capital structure. Currently, ENEA holds 100% of shares.

### Key equity divestments

Segment	Date	Company	Event
Generation	30 December 2014	Energo-Inwest-Broker S.A.	Sale to Energo-Inwest-Broker S.A. (EIB S.A.) of 400 registered treasury shares held by ENEA Wytwarzanie for redemption by EIB S.A.

### Changes in the Group's organisation

Within the Integration of the Generation Area three competence segments were created in ENEA Wytwarzanie: System Power Plants, Heat and cogeneration, and RES. The current structure contributes to the increase in the generating potential of ENEA CG and enables an efficient management system.



### New corporate governance in ENEA Group - precise and efficient management model

Legal and corporate solutions implemented within the project aim in particular at raising the management efficiency within the Group and directing the operations of the Subsidiaries towards the realisation of strategic goals of the whole Capital Group. Information on the new corporate governance is described in more detail in Chapter 2. Organisation and operations of ENEA Group / Capital Group management on page 16.

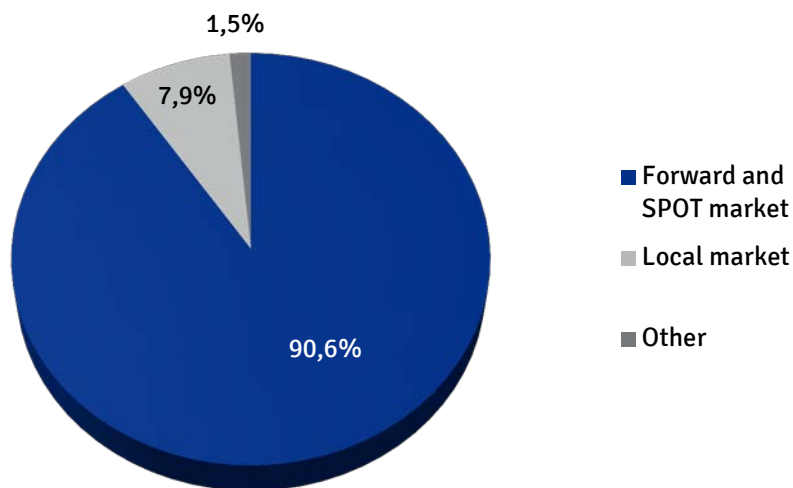


Information on products and services

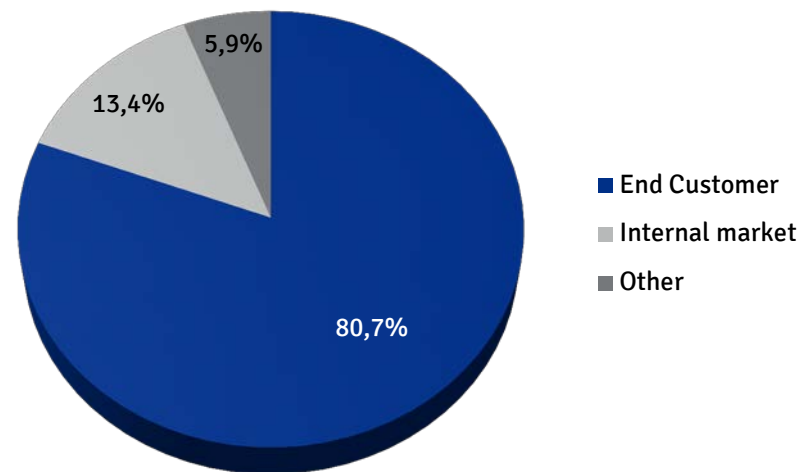
Forward and SPOT markets constitute the key source of electricity purchased by the segment of Trade (ENEA S.A. and ENEA Trading). 18.3 TWh electricity was purchased on these markets in 2014, which constituted 90.6% of total purchases. The purchased energy was sold mainly to end Customers in 2014, whose share in the total shares totalled to 80.7%.

The diagrams below demonstrate the directions of purchases and sales of electricity by the segment of Trade in 2014.

Purchase of electricity



Sales of electricity



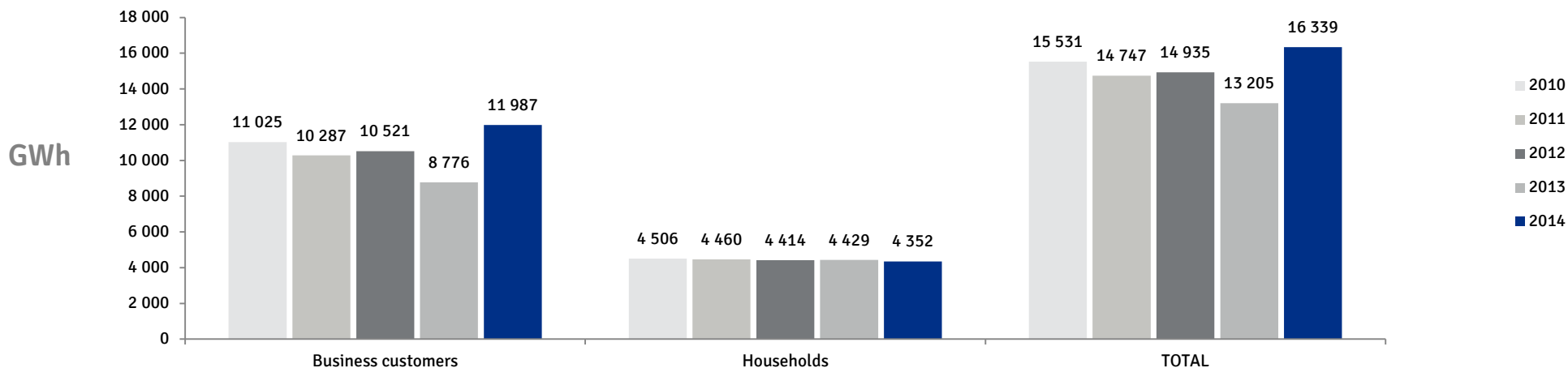
	Volume [TWh]
SPOT and forward market	18.3
Local market	1.6
Other	0.3
<b>TOTAL</b>	<b>20.2</b>

	Volume [TWh]
End Customer	16.3
Internal market	2.7
Other	1.2
<b>TOTAL</b>	<b>20.2</b>

Information on products and services

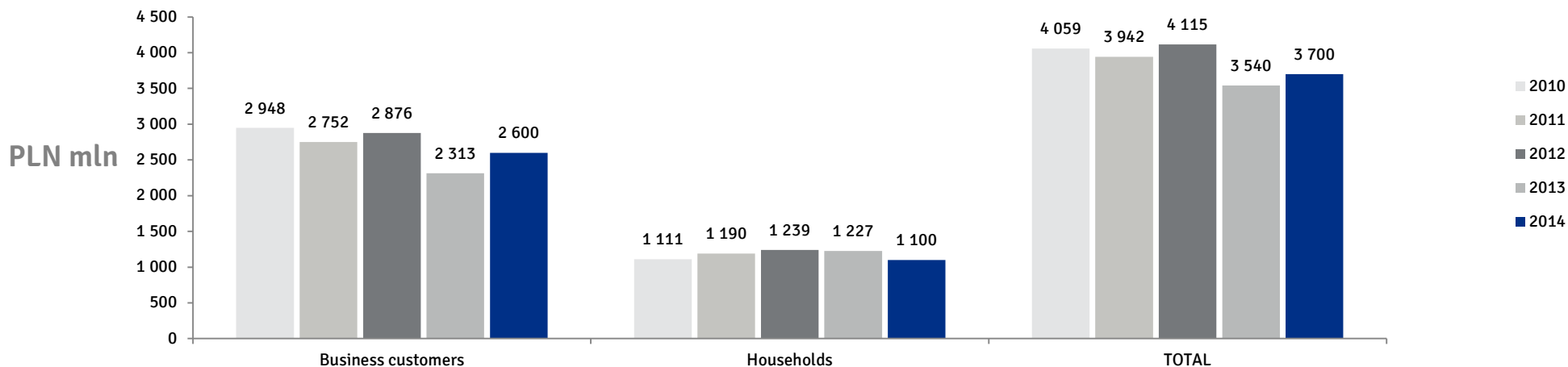
Sales of electricity to retail users are performed mainly by ENEA S.A. In 2014 the Company regenerated the portfolio of electricity sales to business customers, maintaining the sales levels to household customers. It was possible due to introduction of new products into the offer and the reorganisation of the sales area.

Sales of electricity to retail users of ENEA S.A. in 2010-2014



In 2014 sales volumes of electricity to retail users increased by 3,134 GWh in relation to the previous year. It resulted in higher revenue from sales of electricity by PLN 160 mln. Higher sales revenue was reported in the segment of business customers.

Electricity sales revenue to retail users of ENEA S.A. in 2010-2014

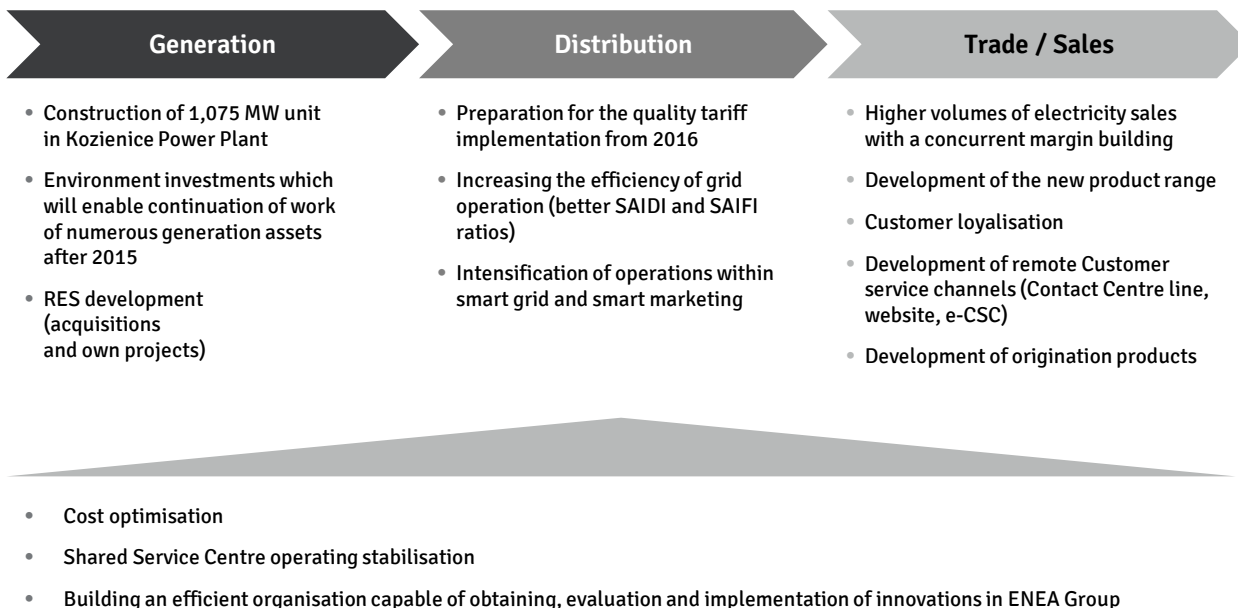


### Development strategy of the Capital Group

A detailed description of the strategy of operations of ENEA Capital Group is to be found in the Report of the Management Board on the operations of ENEA Capital Group in 2013. The selected information relating to the issue is presented below.



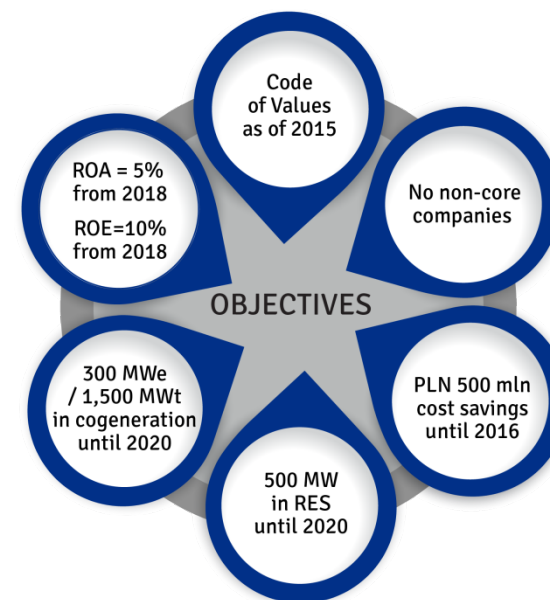
#### Implementation of challenges faced by ENEA Group will enhance its competitive advantage:



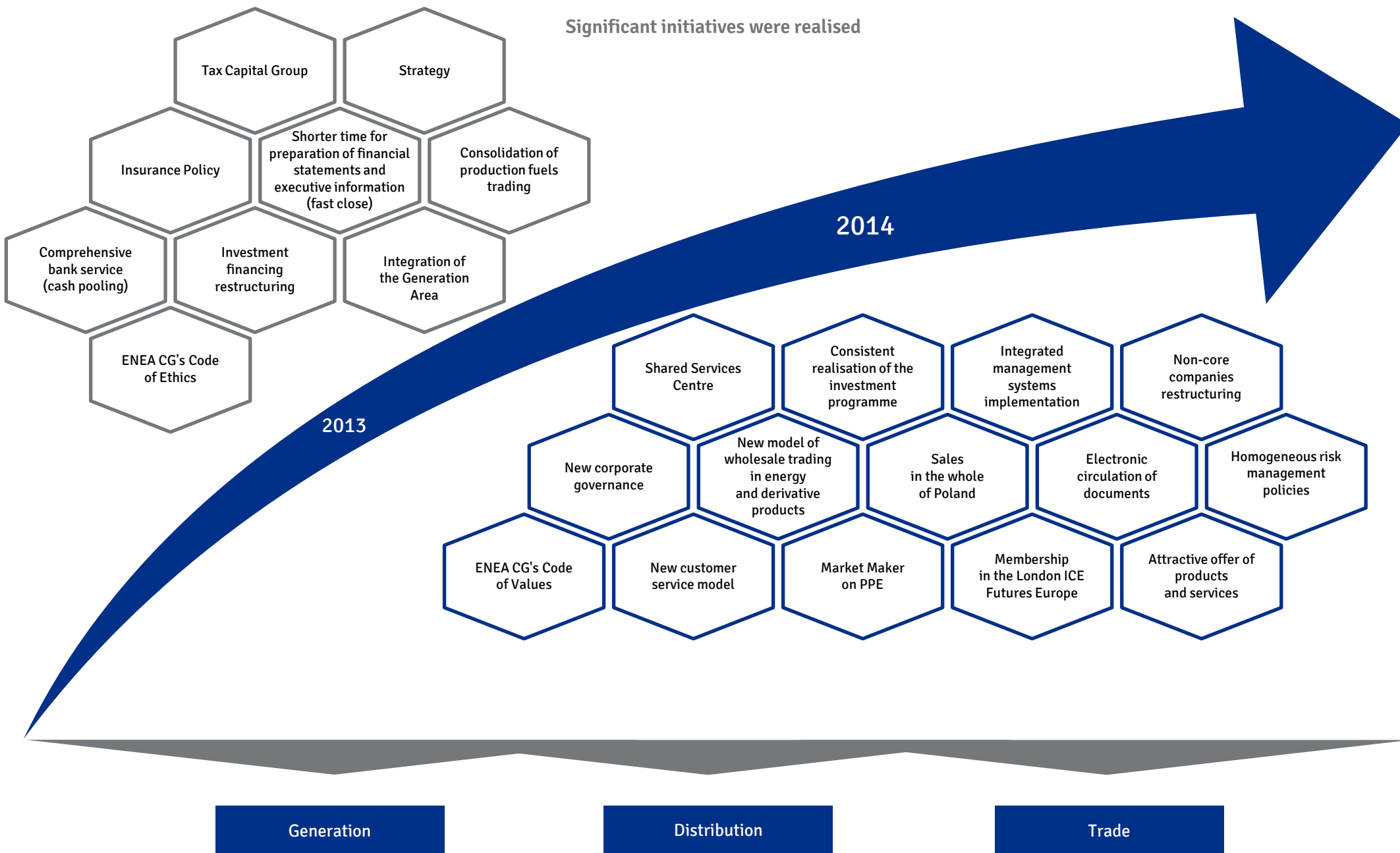
#### ENEA Group pursues generation of target values being the determinant of strategic goal realisation

ENEA Group's strategic goals:

- Higher value for shareholders
- Building long-lasting relations with Customers
- Growth in profitable areas
- Better efficiency
- Optimum use of the organisation's potential







**Corporate governance**

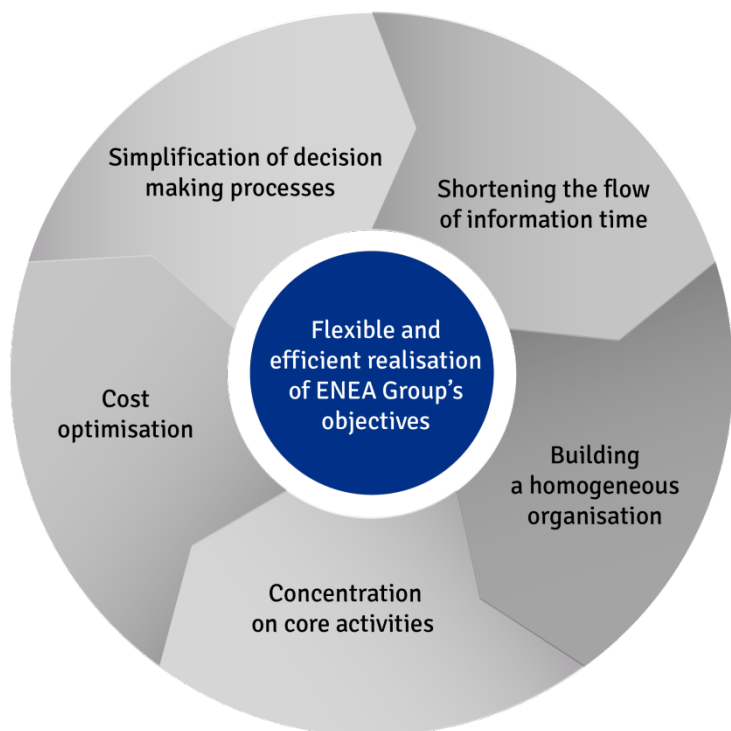
In 2014 the construction process was completed of the new corporate governance model in ENEA Capital Group which was initiated in 2013. The analysis was performed of the method of realisation of key functions on ENEA S.A. and Subsidiaries. As a consequence, a decision was made to remodel the method of managing the functions in the Group and functions were divided among the Companies.

A new decision-making competence division was designed among the Management Board of ENEA S.A., Management Boards of ENEA Group Companies and ENEA Group Committees. Based on legal tools of corporate governance (mainly ENEA Group Code) the by-laws of ENEA Group Companies were adjusted to the new competence map.

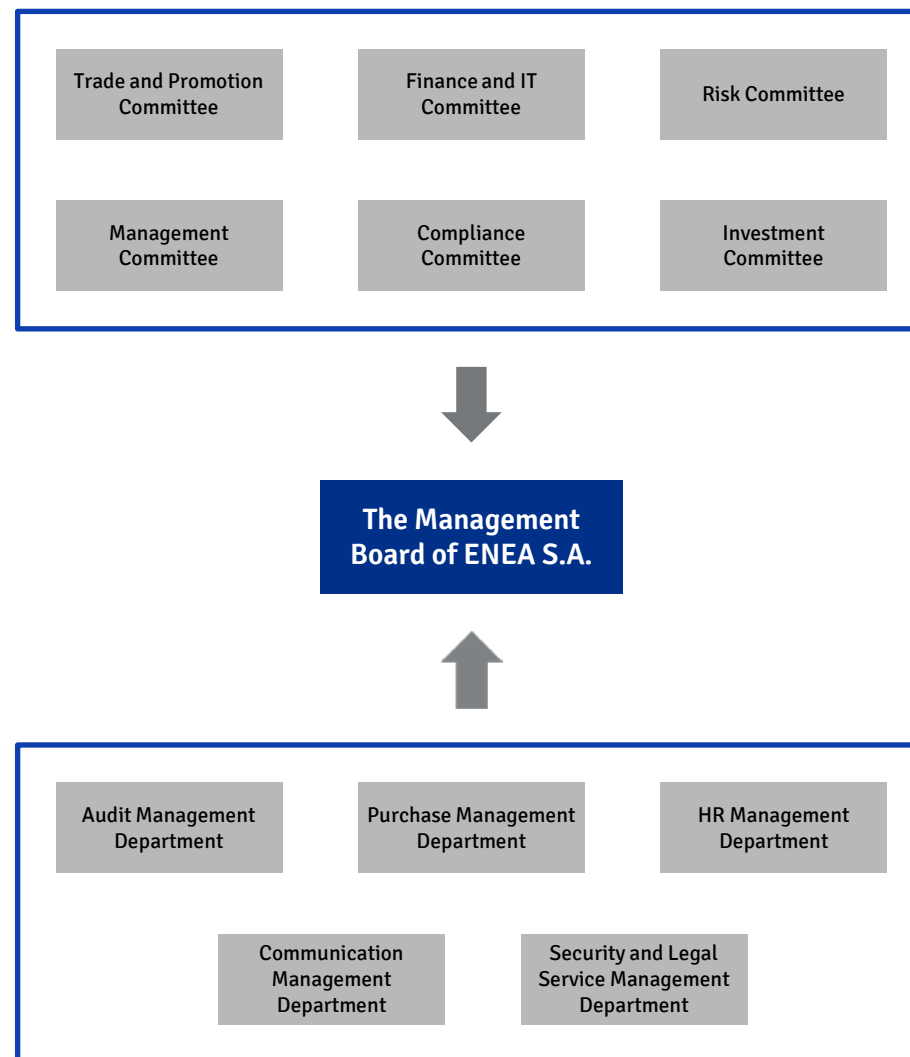
Three ENEA Group Committees: Compliance, Management and Investment Committees (established in December 2013) commenced full operations within the competences vested in them on 1 May 2014.

Compliant with the work schedule within the implementation of the new corporate governance, an analysis was performed in 2014 of the justness of appointing new Committees of ENEA Group and Management Departments and their regulations were prepared.

The final list of Management Departments and Committees of ENEA Group was approved by ENEA S.A.'s Management Board on 22 July 2014. New Committees and Management Departments commenced their operations on 1 October 2014. It means that at the end of the reporting year, the process of designing and implementing the new management model of ENEA Group was completed.



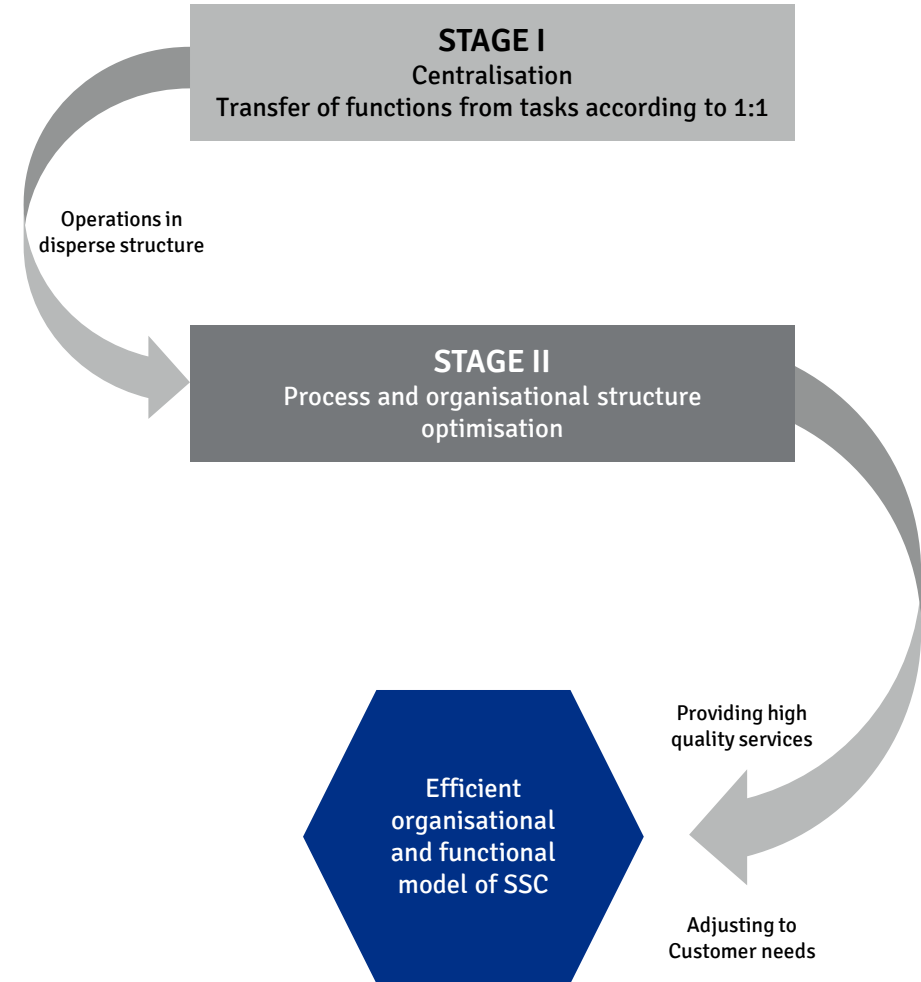
**Committees and Management Departments in ENEA Group - as at 31 December 2014**



Shared Service Centre - new efficient organisational structure

The new structure raises the efficiency, simplifies management and complies with the needs of internal Customers of ENEA Centrum

Competences and experience as the basis for adjusting human resources to the new structure of ENEA Centrum	Efficient management	Development of competences	Standardisation of activities
<ul style="list-style-type: none"> <li>Reviewing the personnel using: Development Center and competency matrix</li> <li>Matching Employees to the final structure</li> </ul>	<ul style="list-style-type: none"> <li>Management process improvement</li> <li>Shortening of the decision-making path</li> <li>Increasing the autonomy of activities</li> <li>Higher flexibility of human resource management</li> </ul>	<ul style="list-style-type: none"> <li>Clear division of competences and responsibility</li> <li>Creation of competence centres and higher specialisation</li> <li>Better use of Employees' knowledge and potential</li> </ul>	<ul style="list-style-type: none"> <li>Gradual introduction of uniform standards of rendered services</li> <li>Release of the potential to reduce unit costs of services</li> <li>Increase in the competitiveness of ENEA Group</li> </ul>



Integrated information systems (ERP) - better process management

Enea Centrum is implementing integrated systems which will strengthen and improve management in Enea Group and will enhance the level of external Customer Service.

	SAP	IFS	WORKFLOW	CCSS
Companies in which the system was implemented	Enea Enea Operator Enea Centrum Enea Trading	Enea Wytwarzanie	Enea Enea Operator Enea Centrum Enea Trading Enea Wytwarzanie	Enea Enea Operator Enea Centrum
Objective	Integration of key information on the Company in one place	Management support with the area of Generation	Organisation of the purchase documents circulation	Starting of the central billing system and CRM - Comprehensive Customer Service System (CCSS)



**More comprehensively, quickly and efficiently**

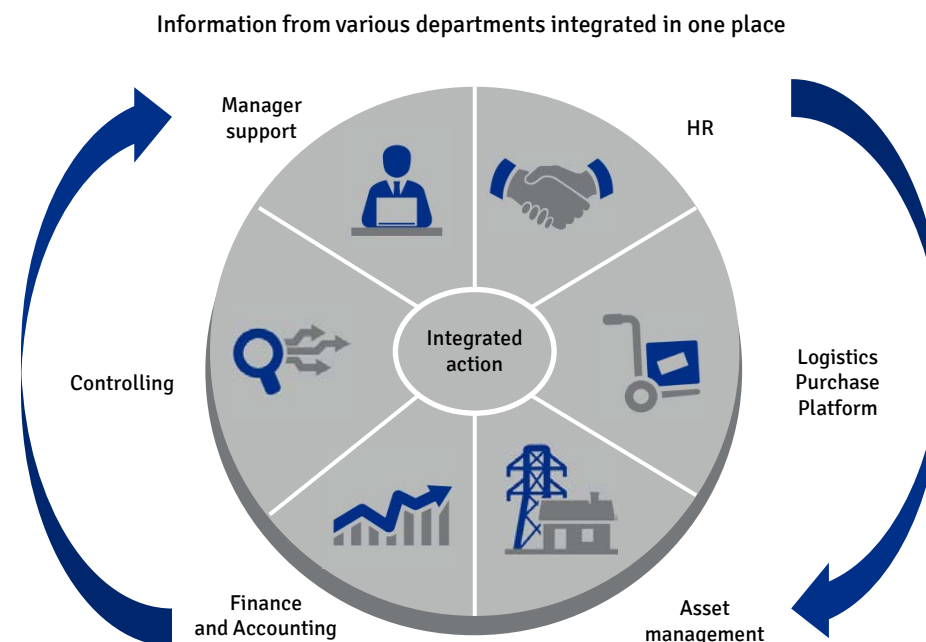
SAP information system has been used in ENEA Capital Group since 2004. After 10 years of operation it is time it was replaced with a more modern, improved version which covers the whole processes in the enterprise. It is a solution suiting the current business needs of Companies and modern trends on the market.

**Goal of implementation**

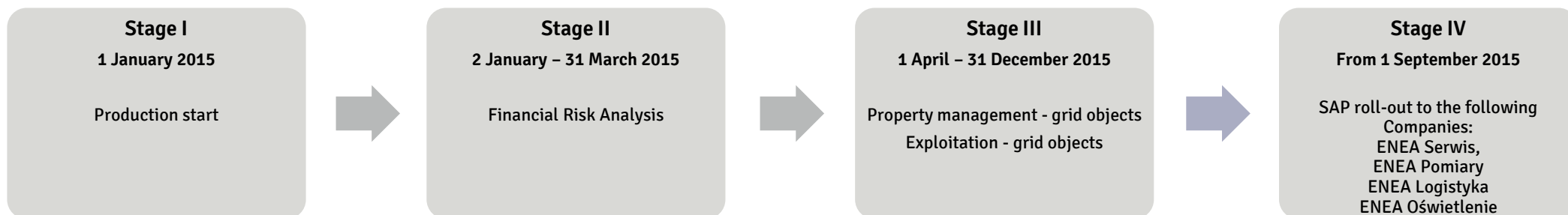
- Obtaining a uniform and integrated management supporting tool in ENEA Group
- Rational standardisation, automation and raising the level of specialisation, and as a result - better flexibility of business processes
- Obtaining expected, reliable and standardised reporting data within the core business processes, compliant with executive needs
- Reduction of costs related to the maintenance of separate systems supporting the Companies in the following areas: controlling, material management, investment, renovation and exploitation, real property management, reporting, and as a consequence also lower costs of integration

Introduced solutions enhance the efficiency within the following areas:

- Finance and Accounting
- Controlling
- Logistics (Purchases)
- HR
- Asset management (non-grid properties, fixed asset management, exploitation of non-grid objects and investment processes)



We are facing the implementation of improvements within subsequent technical areas



### Integrated management of the area of Generation

IFS Applications is a modern ERP class information system common for all the generating units in ENEA CG which supports the realisation of business processes in core areas of the Generation segment. The earlier version of the system functioning for 10 years was replaced with a technologically modern and functional tool corresponding to the requirements defined in the new business and organisational environment of the Company.

#### Goal of implementation

- Better efficiency of the Company through business process optimisation
- Implementation of a uniform solution in units being part of the integrated entity, ENEA Wytwarzanie
- Maximisation of the use of the new version's standard possibilities and elimination of the existing non-system solutions
- Optimal use of the system licences and dedicated database held by the Company
- Building the competence centre supporting the maintenance, administration and development of IFS system

#### Locations of ENEA Wytwarzanie's units subject to implementation:



#### Implemented modules:

From 1 January 2015 IFS Applications support the business process servicing in the following areas:

- Finance and Accounting
- Asset management
- Investments
- Controlling and Budgeting
- Cash flows
- Renovation Management
- Logistics (Purchases)
- Sales
- Fuels

The system integrates data from various areas:





### Electronic circulation of documents - SAP and IFS supporting tool

The tool supporting the new SAP and IFS is the electronic circulation of documents, IPS (WORKFLOW) operated by, jointly for the five companies, Document Management Centre in Zielona Góra.

#### Companies subject to WORKFLOW implementation



#### Integration with SAP and IFS

Electronic circulation of documents is a tool which improves working with SAP/IFS systems delivering data for recording in the form of an electronically filled in document specification. Workflow also collects information on orders from SAP/IFS systems due to which it can search for relevant people to perform technical acceptance and even fully pair the document with the order and thus eliminate the need for acceptance. Then the document will be submitted directly for recording.

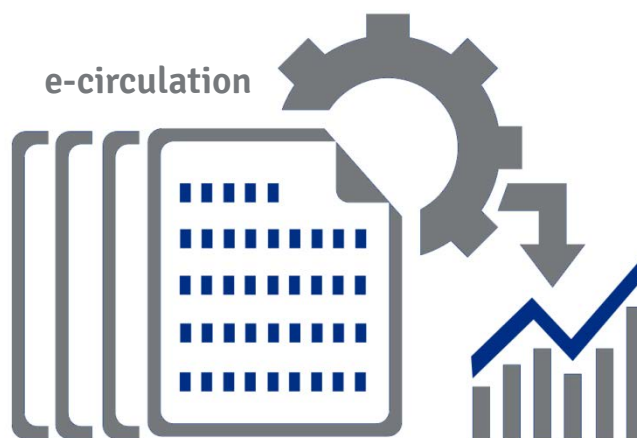
#### WORKFLOW means benefits

WORKFLOW is also the following advantages:

- cost optimisation related to distribution, storing, management, printing and copying paper documents
- development of a central document repository and reducing the work intensity of the document circulation process
- decreasing logistics costs of traditional documents
- elimination of the access by unauthorised parties to physical documents
- immediate access to historical documents in an electronic form

#### Stages of implementation of an electronic system of document circulation

From 1 January 2015 e-circulation relates to legal obligation documents (VAT invoices, correction VAT invoices, bills, adjustment notes, etc.). In next stages it will be extended to the whole incoming communication.



Due to an electronic document circulation we are working in an integrated way, more efficiently and modernly.

### Improving the efficiency of Customer Service

Improved management of Customer relations and quality of their service is of key importance for ENEA Capital Group. It is possible due to the implementation of CCSS (Comprehensive Customer Service System) in subsequent structures of the Capital Group. Benefits from the implementation of a modern central billing system and CRM (Customer Relations Management) is mainly: reduction in the financial outlays for Customer Service, better efficiency and improvement of the service processes - and thus it positively affects the competitiveness of ENEA Operator and ENEA S.A.

#### Goal of implementation

- Starting a central, scaled solution enabling the service of General Distribution Agreements for the comprehensive service (GDA-C) and TPA Customers
- Starting a solution enabling transferring invoices to the end customer in an electronic form (e-invoice)
- Starting electronic channels of Customer service: e-CSC, e-Payments
- Migration of data from currently used billing systems

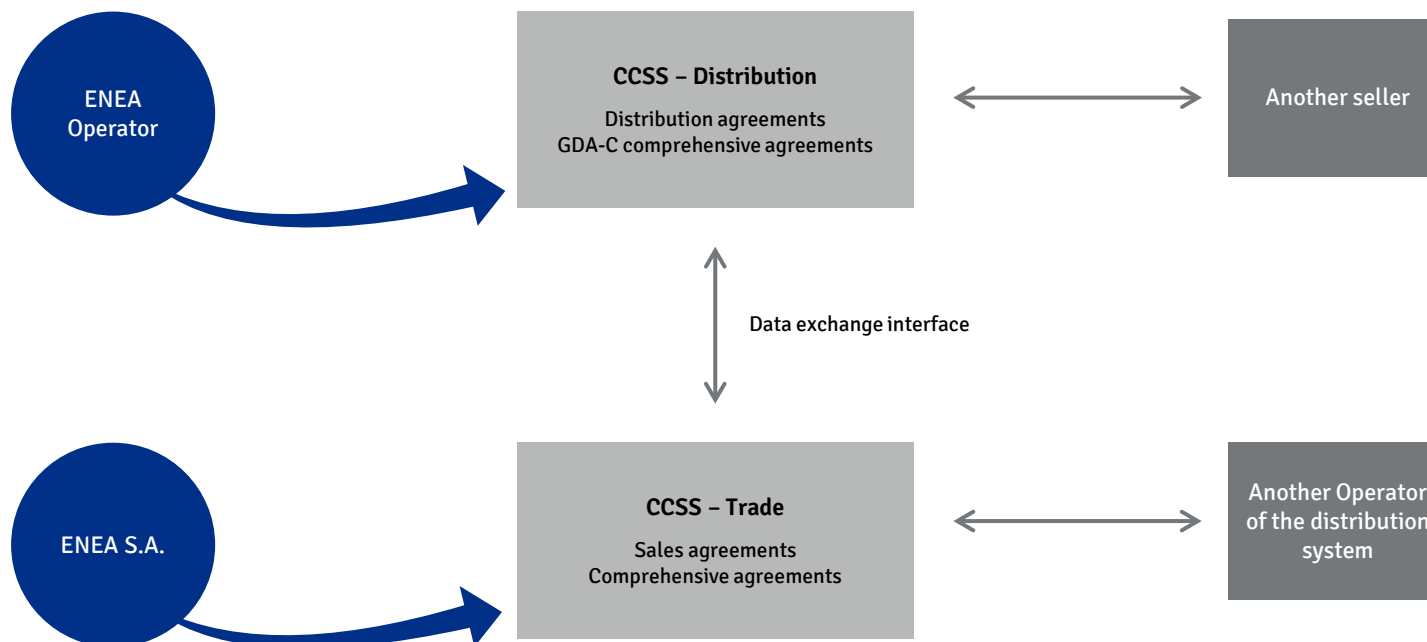
Additionally, the project is an indispensable basis for the realisation of the following activities in the future:

- standardisation and improvement of the Customer Service quality
- optimisation of the information infrastructure supporting Customer Service processes
- better efficiency of process realisation of post-sales servicing

#### CCSS – stages of implementation



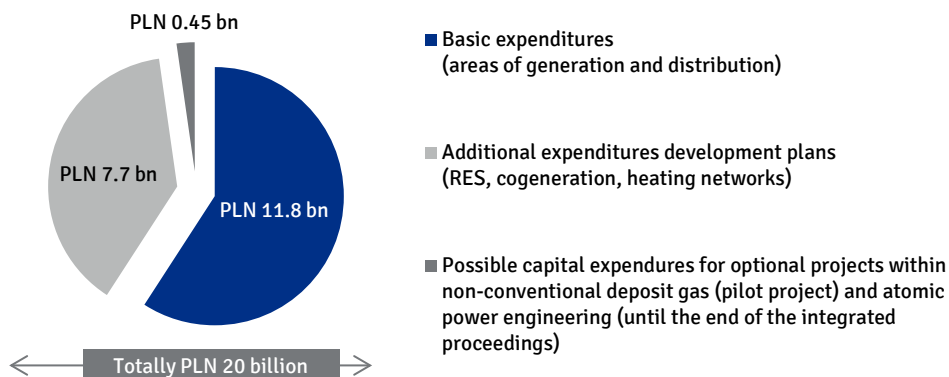
#### Final solution in ENEA Group



### Investment strategy

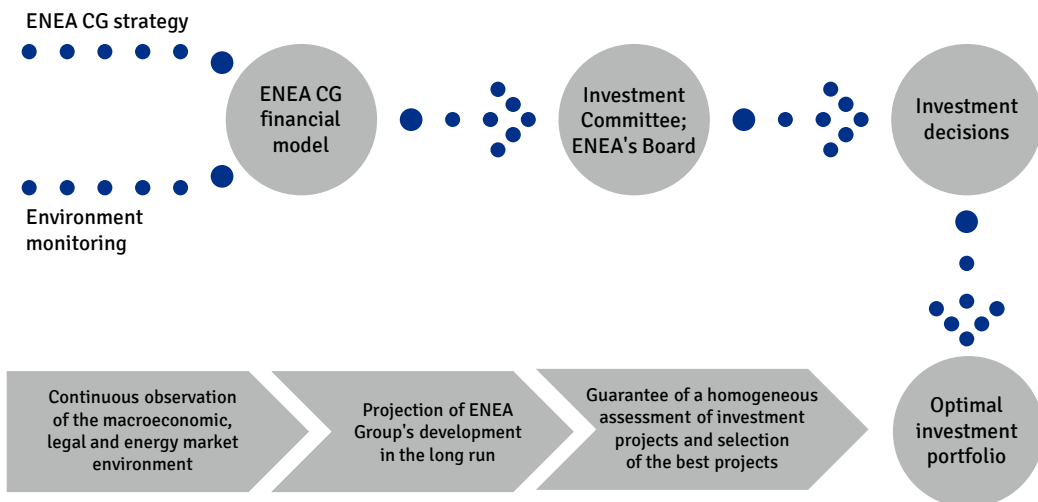
2014 was the first year of implementation of the strategy adopted for 2014-2020. In relation to 2013 the capital expenditures planned in 2014 were higher by over PLN 700 mln. Also in the subsequent years the expenditures will grow in order to realise the goals adopted in ENEA Group's strategy.

Capital expenditures of ENEA CG for 2014-2020



In reply to the growing capital expenditures and volatility of the market environment, taking into account the necessity to have a possibility of a flexible reacting to occurring acquisition businesses, and also in order to standardise the attitude towards the investment processes in companies belonging to ENEA Group, organisational solutions and relevant methods and procedures were implemented.

The diagram below reflects the organisational solutions which were implemented:



Within basic expenditures in 2014 most of the planned investments were realised.

The expenditures for additional development plans in the area of cogeneration for 2014 include the takeover of 86.36% of shares in Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Białystok.

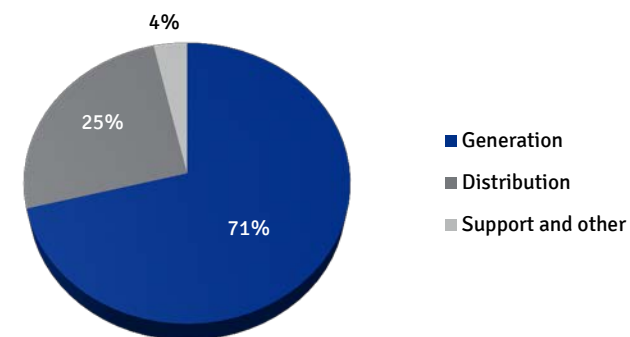
Within RES, as part of the assessment of the analysed projects and markets, no acquisition decisions were made.

In 2015, we are planning to increase the capital expenditures in all the areas of operations:

- In the Area of Generation mainly in relation to the investment in unit No. 11 and acquisitions within wind farms
- In the Area of Distribution, mainly in relation to the improvement of reliability ratios through the modernisation of the existing infrastructure and connection of new recipients and producers of electricity.

Investment outlays [PLN mln]	2013	2014	Change	Change %	2015 plan
Generation	1 265	1 832	567	45%	2 509
Unit 11	969	1 096	127	13%	1 587
RES	16	13	-3	-19%	418
Distribution	900	826	-74	-8%	899
Support and other	29	91	62	214%	125
<b>TOTAL</b>	<b>2 195</b>	<b>2 749</b>	<b>554</b>	<b>25%</b>	<b>3 558</b>

Capital expenditures planned for 2015



### Activities realised in 2014

#### Trade

##### Area of Retail Sale

- Reorganisation of the Sales Department and building Poland's wide sale structures
- Implementation of "Fixed Price" new product building loyalty of Customers of G tariff group sets in an historical area of operations of ENEA S.A.
- Conduct of a campaign building relations with business Customers based on the dedicated offer (Always cheaper+, Strike the raise)
- Completion of the project titled "Preparation of ENEA S.A.'s organisation to trade in natural gas" and obtaining 20 business Customers as part of dual-fuel offer
- Launching product sales by Contact Centre and intensification of product sales realised via Customer Service Centre (CSC)
- Launching new products: "Fixed Price+" and "Energy with an account" (the offer prepared together with Getin Bank)

##### Area of Customer Service

- Centralisation of Customer Service within Shared Service Centre
- Development and implementation of a new operating model from Customer Service
- Implementation of a central billing system for TPA Customer Service
- Extension of Contact Centre
- Centralisation of the mass printing and delivery of communication



### Activities planned for 2015

#### Trade

##### Area of Retail Sale

- Dynamic development of gaseous fuel sales
- Launching new bundle products
- Commencement of sales within GDA-C
- Launching the e-commerce platform

##### Area of Customer Service

- Completion of the implementation of the central billing system
- Launching new, electronic channels of Customer Service - e-CSC, e-invoice
- Launching the new on-line service for ENEA Group
- CSC network optimisation
- Selected CSC visualisation
- Further development of Contact Centre

## Financing sources of the investment programme

ENE A S.A. finances the investment programme using financial surpluses from the conducted business operations and external debt. ENE A Capital Group realises the investment financing model in which ENE A S.A. obtains external funding and distributes it to subsidiaries.

Currently, ENE A S.A. holds the following agreements on external financing:

**Programme Agreement on the bond issue programme up to the amount of PLN 3,000,000 thou.**

ENE A S.A. holds the programme agreement relating to the bond issue programme up to the amount of PLN 3,000,000 thou. with banks operating as Underwriters, i.e.: PKO BP S.A., Bank Pekao S.A., BZ WBK S.A. and Bank Handlowy w Warszawie S.A. Financing is not hedged.

The funds obtained from the programme are designated for the realisation of investment projects in ENE A Group, including e.g. for the construction of the 1,075 MWe gross supercritical bituminous coal fired power unit, which is being constructed as part of ENE A Wytwarzanie's operations.

As at 31 December 2014 ENE A S.A. issued bonds in the said Programme of the total value of PLN 860,000 thou. The bond redemption period is 6 years after the date of their issue. The interest rate is based on variable WIBOR rate increased with the margin.

**Investment loan up to the amount of PLN 1,425,000 thou.**

On 18 October 2012 ENE A S.A. concluded a financial agreement with the European Investment Bank (EIB) providing for granting a loan in the amount of PLN 950,000 thou. or its equivalent in EUR to ENE A S.A. On 18 June 2013 another loan agreement (tranche "B") was concluded with EIB for the amount of PLN 475,000 thou. The funds in the total amount of PLN 1,425,000 thou. obtained from the loan are designated for the funding of a multiannual investment plan regarding the modernisation and extension of the power grids of ENE A Operator. The loan repayment period is up to 15 years from the planned disbursement of the facility.

Within "A" tranche ENE A S.A. drew the funds from the loan in the total amount of PLN 950,000 thou. The currency of the released loan is Polish Zloty, floating rate, based on WIBOR rate for 6-month deposits increased with the Bank margin.

As part of "B" tranche ENE A S.A. drew the funds in the amount of PLN 100,000 thou. based on a flat rate.

**Programme Agreement on the bond issue programme up to the amount of PLN 1,000,000 thou.**

On 15 May 2014 ENE A S.A. concluded a programme agreement relating to the bond issue programme up to the amount of PLN 1,000,000 guaranteed by Bank Gospodarstwa Krajowego. Financing is not hedged. The funds from that programme are allocated e.g. to the realisation of the investment by ENE A S.A. and subsidiaries.

As at 31 December 2014 ENE A S.A. issued bonds in the said Programme of the total value of PLN 260,000 thou. The bond redemption period is 12.5 years from the date of their issue. The interest rate is based on variable WIBOR rate increased with the margin.

**Programme Agreement on the bond issue programme up to the amount of PLN 5,000,000 thou.**

On 30 June 2014 ENE A S.A. concluded a programme agreement relating to the bond issue programme up to the amount of PLN 5,000,000 with five banks acting as dealers: ING Bank Śląski S.A., PKO BP S.A., Bank Pekao S.A. and mBank S.A. As part of the Programme ENE A may issue bonds with the maturity of up to 10 years, and Bank dealers have the duty of care when offering the sale of bonds to market investors. At at 31 December 2014 ENE A S.A. did not issue any bonds within Programme. However, it made corporate decisions relating to the commencement of the bond issue process. The date of the debut issue of bonds within the aforementioned Programme is 10 February 2015.

ENE A S.A.'s further actions will concentrate on guaranteeing the appropriate level of diversification of external financing sources for investments planned in ENE A Capital Group Strategy in order to optimise the amount of costs and dates of debt repayment.

## Issue of ENE A S.A.'s securities in 2014

Date of issue	Entity subscribing for bonds	Value of issue [PLN '000]
18 April 2014	Consortium of banks: PKO BP S.A., PEKAO S.A., BZ WBK S.A., BHW S.A.	150 000
13 June 2014	Consortium of banks: PKO BP S.A., PEKAO S.A., BZ WBK S.A., BHW S.A.	200 000
22 July 2014	Consortium of banks: PKO BP S.A., PEKAO S.A., BZ WBK S.A., BHW S.A.	310 000
16 September 2014	Bank Gospodarstwa Krajowego	260 000
9 October 2014	Consortium of banks: PKO BP S.A., PEKAO S.A., BZ WBK S.A., BHW S.A.	200 000

## Use of proceeds from the issue of securities

Cash obtained from bond issue by ENE A S.A. is transferred as part of the intergroup bond issue programme to ENE A S.A.'s subsidiaries. Subsidiaries use the funds to implement real and capital investments.

ENE A Operator has been conducting a multiannual plan of the distribution network modernisation and development in the Western Poland.

ENE A Wytwarzanie has been constructing the most modern power unit in Poland in Świerże Górne. All the issues conducted by ENE A Wytwarzanie in 2014 were designated for financing expenditures relating to the unit, excluding the issue of bonds in September 2014 the funds from which were allocated to financing the purchase of shares in MPEC Białystok.

## Assessment of the feasibility of implementing investment plans

The financial standing 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 cash provide a solid base for capital expenditures financing, 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.

## Rating

Maintaining, as in 2012-2013, for ENE A S.A. on 30 April 2014 by Fitch Ratings agency of a long-term rating of an entity in national and foreign currency on the level of "BBB" and a long-term national rating on the level of "A(pol)" is of a key importance as to the investment intentions of the Group. The outlook of the ratings is stable.

## Factors connected with pursuing business activity in Poland

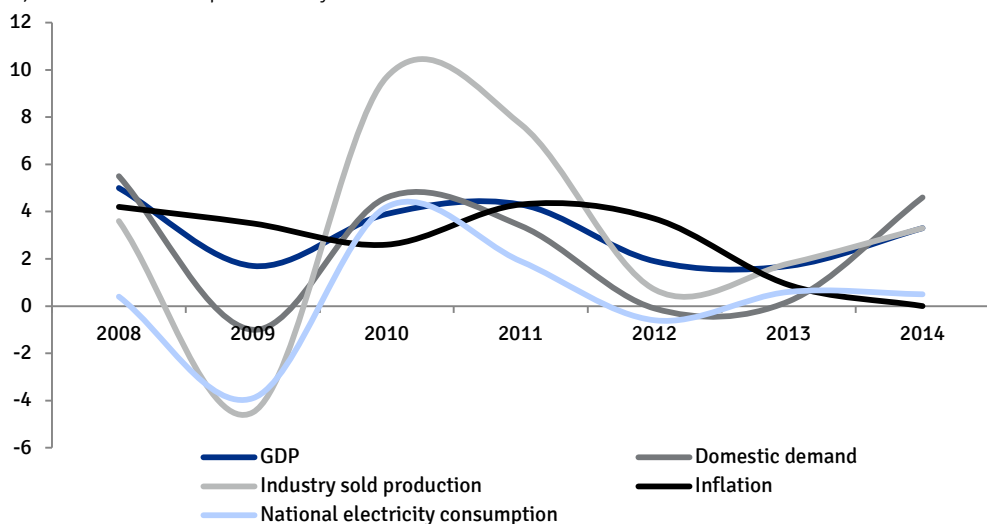
### Key macroeconomic ratios

The financial condition and performing operations by ENEA S.A. are affected by factors which relate both to the general condition of the Polish economy and also to the regional economic situation.

The change of the key macroeconomic ratios in 2013-2014 is presented in the table below:

Item	unit	2013	2014 <sup>1)</sup>
GDP	growth in %	1.7	3.3
Value added in industry	growth in %	4.9	3.6
Domestic demand	growth in %	0.2	4.6
Gross outlays on fixed assets	growth in %	0.9	9.4
Industrial production sold	growth in %	1.8	3.3
Average monthly gross nominal remuneration in the enterprise sector	growth in %	2.9	3.7
Unemployment rate	%	13.4	11.5
Inflation	%	0.9	0.0
Export [EUR]	growth in %	5.8 <sup>2)</sup>	4.8 <sup>2)</sup>
Import [EUR]	growth in %	0.3 <sup>2)</sup>	5.0 <sup>2)</sup>
Domestic consumption of electricity	growth in %	0.6	0.5

- 1) Some figures are only estimates published by the Central Statistical Office.  
 2) The data relates to the period of January-November 2014.



### Political factors

Energy sector is a strategic sector for Poland. Therefore, the Company's operations may affect political decisions, both in Poland and in the European Union. They may relate to both the directions of the energy policy and detailed legal regulations and be reflected e.g. in prices of electricity.

### Legal and regulatory environment

ENEA Capital Group's and including ENEA S.A.'s operations are conducted in the environment subject to detailed legal regulations, both in Poland and in the European Union.

Legal regulations relating to the energy sector often derive from political decisions, therefore there is a risk of frequent changes within this scope, which the Company cannot foresee. Additionally, environmental requirements of a legal nature become more and more rigorous, which, as a consequence, may be translated into the necessity of incurring additional expenditures to meet them.

Operations in the power sector are subject to the regulations by the President of the Energy Regulatory Office who issues decisions, approves tariffs and supervises their application. Supervision and regulatory competences of the President of the Energy Regulatory Office enable a significant impact on operations of ENEA S.A.

In 2014 works were continued relating to the draft Act on Renewable Energy Sources. Provisions of the new Act include e.g. the new support mechanism, i.e. introduction of an auction system, amending rules for allocating certificates of origin, and also amendments to the level of obligation to redeem "green" certificates. In the assessment of the Minister of Economy the Act may enter into force in Q1 2015 and the new RES support system would be effective as of January 2016.



### Demand for energy

Net production of electricity will increase until 2030 to 193.3 TWh against 141.9 TWh in 2010, which means a growth by 36.3% (annual average change on the level of 1.6%) results from forecasts by the Ministry of Economy included in "Update of the projection of demand for fuels and energy until 2030". According to the Ministry of Economy the demand for electricity will grow in all the sectors of economy.

The highest percentage growth in the demand for energy is anticipated in the sector of services (by 60% in 2010-2030) and also in households (by 50%). Higher demand for energy in these sectors is related to the anticipated improvement in the economic situation in Poland.



The demand for final electricity in the industry will grow by ca. 22% in 2030, in comparison with the reference year, i.e. 2008, as follows from the Minister's of Economy document. The authors emphasised that it was a slight increase resulting from a moderate growth forecast in this sector and decreasing importance of the energy consuming industry for the economy. Despite that, the industry as one of the largest users of electricity in 2008, will still remain a significant consumer.

#### Electricity prices

Prices of electricity are affected by many elements - including market and regulatory factors. It is anticipated that the key factors affecting prices of electricity in Poland will include:

- fuel costs, including mainly prices of coal and, to a smaller extent, gas in Poland
- investments in modernisation of generating plants imposed by the regulations relating to the environment protection and investments in new generating capacities, and in particular replacement of used generating units
- investments in the transmission system which currently demonstrates deficits of strong intersystemic connections with other countries, which results in the fact that import of electricity is not a significant element of additional supply of electricity and reliability of supplies to end users
- European Emissions Trading System

#### Tariffs

Another factor that may significantly affect the level of generated revenue are decisions of the President of ERO on tariff approval. The tariff calculation method is to guarantee that an energy company has sufficient funds to cover the costs planned for the tariff period in question, provided that the President of the ERO deems them justified; and generates a particular margin (in trading) or return on capital (in distribution) while ensuring that customers' interests are protected against unreasonably high prices and rates of charges.

Tariffs are usually approved for a period of one year. The President of ERO also determines the length of regulatory periods (from three to five years) for which he lays down a model level of costs deemed to be justified.

On 16 December 2014 the President of ERO approved the tariffs for operators of distribution systems. Tariffs for main distributors increased by 3.9% on average for all the groups of consumers.

The regulator also approved tariffs for sale of electricity. The tariffs approved for 2015 foresee a small, slightly above 0.5%, raise in electricity prices for G tariff group sets, i.e. households.

#### Allowances for emissions of CO<sub>2</sub>

Electricity production operations depend considerably on the quantity of allowances allocated to the Company to emit CO<sub>2</sub> and other gases and substances for a particular settlement period. Allocation of allowances for emissions of CO<sub>2</sub> may be performed as free of charge allocation within the National Allocation Plan or on the free market within the trade in allowances for emission of gases. The key condition to receive nil-paid allowances is performance of investment tasks included in the National Investment Plan and use of outlays for their realisation in order to settle the allocated allowances.

#### Competition on the energy market

Electricity market liberalisation and growing competition in this sector also affect the operations conducted by ENEA S.A. The risk therefore exists that other companies offer our customers more favourable terms, which can lead to a decrease in our revenue.

#### Environmental protection

Existing and changing conditions in the area of environmental protection may force the Company to incur additional capital expenditures and may also lead to incurring liabilities (including financial fines) or suspension of the exploitation of certain facilities.

Legal conditions within this area are subject to frequent changes, however a trend exists to gradually raise the requirements in that scope. These growing requirements may in the future create a need for the Company to incur additional investment expenditures. Failure to comply with new legal provisions in the area of environmental protection may lead to imposing significant financial penalties.



## Legal frames of energy market functioning

Rules of functioning of the energy market in Poland are regulated by the Energy Law of 10 April 1997 and related regulations. Polish legal regulations relating to the energy market were adjusted to the European law, including in particular EU Directives regarding the principles of the common electricity market.

The central body of government administration which realises the tasks from within regulation of the fuel and energy management is the President of the Energy Regulatory Office (ERO). His duties include: regulating the operations of producers, distributors and companies trading in energy in accordance with the Energy Law and the strategy of the state energy policy. At the same time, the President of ERO is to promote the principles of free market and pursue the balance of interests of its particular participants.

## Areas of operations

In 1997 the process of demonopolisation of the Polish electricity market was commenced. It led to its division into particular areas: generation, transmission and distribution and trade in electricity.

The electricity market is generation, transmission and distribution and trade in electricity.

Most of electricity on the Polish market is still generated based on conventional fuels, i.e. bituminous coal and brown coal. Exhausting of fossil fuel resources and the problem of an excessive emission of carbon dioxide result in the fact that the role of renewable energy sources (RES) is growing in energy generation. During the recent years the awareness grew in Poland in relation to the environment damage caused by conventional energy, and membership in the European Union was an additional impulse to restructure the Polish energy sector.

Renewable energy is obtained due to natural and repeated processes. Pursuant to the Energy Law in the generation process a renewable source of energy uses wind energy, sun light, aero thermal energy, geothermal energy, hydrothermal energy, energy of waves, currents and tides, lower levels of rivers and energy obtained from biomass, biogas derived from waste depots, and also biogas generated in the processes of disposal or treatment of waste water or decomposition of plant and animal remains.

Development of electricity generation from renewable sources results from the need to protect the environment and enhance the energy security. The goal of these activities is increasing the volume of energy generated from renewable sources, technology development and innovation support, creating possibilities of regional growth and greater reliability of energy supplies, especially on a local scale.

The obligations resulting from e.g. 3 x 20 climate package include Poland's duty to obtain 15% share of RES in energy consumption until 2020. Pursuing the growth of this share in the electricity production balance in Poland, due to high investment costs, requires using relevant support systems, being the guarantee of their regular development.

Transmission of electricity means its transportation via transmission networks (to distribution networks or end users connected to the grid). Energy distribution is its transportation to end users using distribution networks.

Pursuant to the Energy Law, performing business activities within transmission or distribution of electricity requires obtaining a licence from the President of ERO. Key distributors of electricity in Poland are: ENEA Operator Sp. z o.o., TAURON Dystrybucja S.A., PGE Dystrybucja S.A. and ENERGA-OPERATOR S.A.

Trade in electricity is business activity within wholesale or retail sale of electricity requiring obtaining a licence from the President of ERO. Trade in electricity in Poland is performed in three substantial segments of the energy market: contract market, exchange market and balancing market.

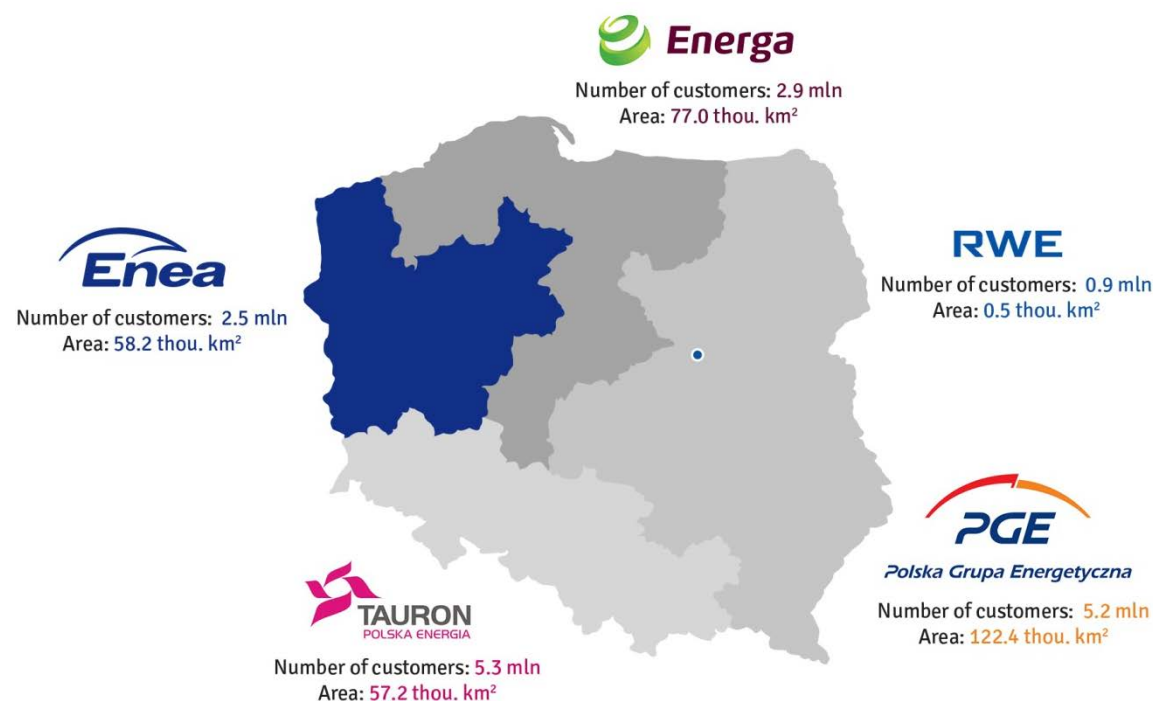
Trade in electricity on the contract market is performed based on bilateral contracts (agreements) concluded between energy producers and companies trading in energy and end customers.

The exchange market includes trade on the energy exchange (Polish Power Exchange). Trade in energy on PPE is performed mainly on the so called Day Ahead Market (DAM). DAM is conducted as at the date preceding the day on which the physical delivery takes place.

The Balancing Market is a specific area of the energy market, on which the balancing takes place of differences between the transactions concluded between particular market participants and the actual demand for electricity.

## Key energy groups

The energy market in Poland is composed mainly by four energy groups: ENEA, PGE, TAURON, ENERGA.



A detailed description of the energy sector and the market situation, including all the segments of operations of ENEA Capital Group, is presented in the Report of the Management Board on the operations of ENEA Capital Group in 2014.

### Risk management

ENEA Group Companies, including ENEA S.A., are exposed to risks. Their materialisation may significantly and adversely affect the continuity of operations of particular Group Companies, their financial standing and ability to realise the set strategic goals.

The awareness of these risks requires maintenance, use and continuous improvement of the formalised and integrated risk management system (ERM). Its frames are specified by the uniform Corporate Risk Management Policy in force in ENEA Group. ERM system in ENEA Group is based on the comprehensive coverage of the risk management objective, specification of detailed rules of identification and risk assessment. On this basis the key corporate risks are selected and monitoring takes place of the exposure to these risks and preparation and monitoring of the mitigation plans. In the case of some corporate risks, such as credit, loss of liquidity and interest rate risks, a formalised approach to risk management takes the form of dedicated Policies and Procedures.

Adopted rules of risk management are set based on the highest management standards and are compliant with best market practices within this area.

In 2014 the risk management system was subject to further development and prices optimisation.

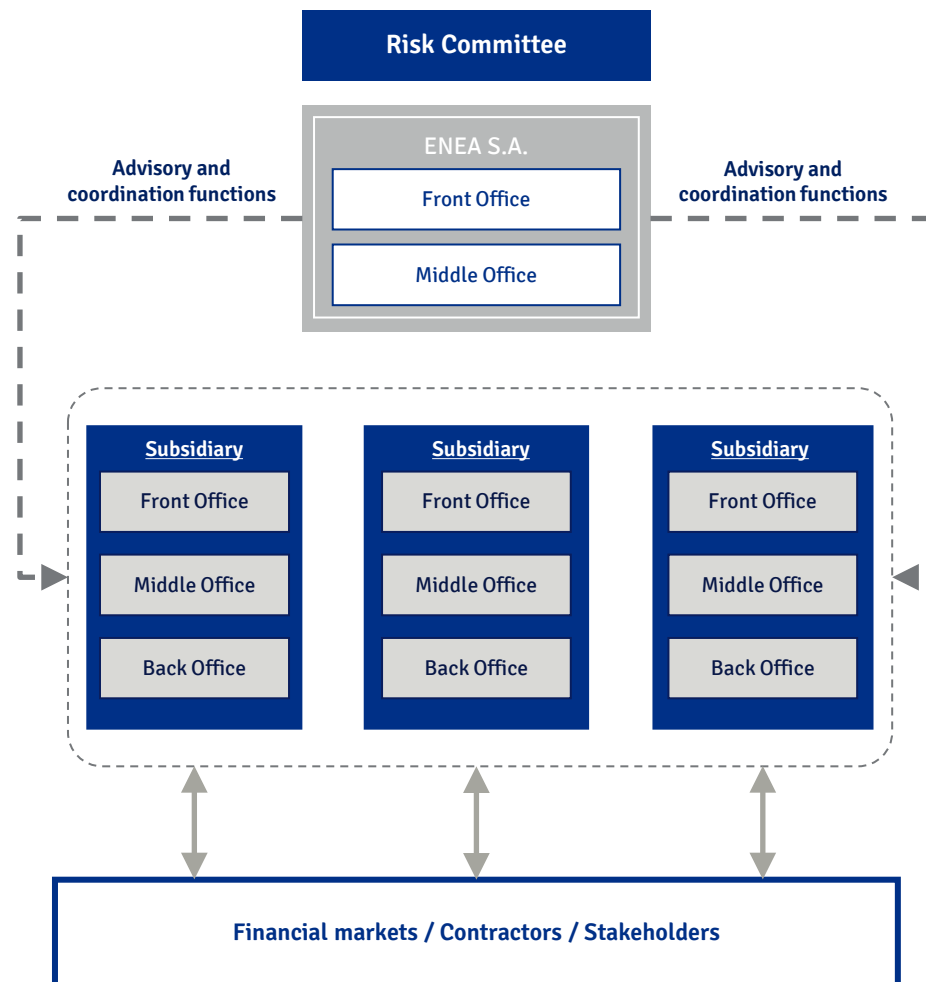
### Management model

The concept of the risk management organisation in ENEA Group was based on the coordinated model. The key strategy of its functioning is coordination of the risk management processes in the Group by ENEA S.A.

#### Key features of the coordinated model:

- The Group Companies manage risks based in homogeneous standards specified in Policies and Procedures
- The Companies manage risks operationally within allocated limits and subject to the rules approved by ENEA Group's Risk Committee
- Particular companies report to the Parent Company within realised activities as regards risk management
- ENEA S.A. is the process coordinator in the Group
- Front-, Middle- and Back Office organisational division is in force in the Companies

A detailed description of the risk management in ENEA Capital Group is presented in the Report of the Management Board on the operations of ENEA Capital Group in 2014.



ENEA Group's risk models, including risks relating to ENEA S.A.

RISK MODEL	ENEA Group identifies and locates risks within specified area categories.	Key risks to which ENEA Group is exposed in area categories	Examples of risk mitigating actions in area categories
<p><b>STRATEGIC</b></p>	<ul style="list-style-type: none"> <li>Shareholders/ Stakeholders</li> <li>Environment</li> <li>Corporate governance</li> <li>Strategy and its implementation</li> </ul>	<ul style="list-style-type: none"> <li>Risk of unfavourable legal changes in Poland and EU and legislative environment uncertainty</li> <li>Risk of unfavourable changes in the macroeconomic situation in Poland</li> <li>Risk of operations performed contrary to regulators' requirements, in particular of Energy Regulatory Office, Office of Competition and Consumer Protection</li> <li>Risk of ineffective process of implementation of strategic investments and initiatives</li> <li>Risk of loss of core generating and distribution infrastructure as a result of natural disasters and other fortuitous events</li> <li>Risk of loss of income due to unfavourable volatility of atmospheric factors</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring of probable directions of legislative changes in Poland and EU</li> <li>Performing compliance related activities</li> <li>Analysis and verification of efficiency of implemented strategic investments and initiatives</li> <li>Implementation and supervision over ENEA Group's insurance policy</li> </ul>
<p><b>MARKET</b></p>	<ul style="list-style-type: none"> <li>Market</li> <li>Market structure</li> </ul>	<ul style="list-style-type: none"> <li>Risk of volatile prices of electricity and derivative products (price risk)</li> <li>Risk of volatile demand reported by consumers for electricity and gas volumes (volumetric risk)</li> <li>Risk of volatile currency exchange rates</li> <li>Risk of volatile percentage rates</li> <li>Risk of increased operations of the competition and insufficiently flexible adjustment to changes in sectoral trends</li> </ul>	<ul style="list-style-type: none"> <li>Dedicated market risk management corporate systems (price, currency, interest rate risks)</li> <li>Risk transferring to third parties</li> <li>Undertaking pre-emptive activities as regards market directions</li> </ul>
<p><b>FINANCIAL</b></p>	<ul style="list-style-type: none"> <li>Liquidity</li> <li>Credit</li> <li>Controlling</li> </ul>	<ul style="list-style-type: none"> <li>Risk of deterioration or loss of financial liquidity</li> <li>Risk of breaches of financing agreements</li> <li>Risk of failure to obtain receivables for electricity sales (credit risk)</li> </ul>	<ul style="list-style-type: none"> <li>Performance of a strict monitoring of keeping the core provisions of financing agreements</li> <li>Adjusting the schedule of key investments to the Group's predicted "balance sheet volume"</li> <li>Implementation of systematised methods of credit assessment of key customers of ENEA Group</li> </ul>
<p><b>OPERATING</b></p>	<ul style="list-style-type: none"> <li>People and organisational culture</li> <li>Processes</li> <li>Support</li> </ul>	<ul style="list-style-type: none"> <li>Risk of failures to the core generating and distribution infrastructure</li> <li>Risk of discontinuation of fuel supplies</li> <li>Risk of no access to key IT systems</li> <li>Risk of inefficient process of sales agreement proceeding within notifications, readings and invoicing</li> <li>Risk related to human errors in key business processes</li> <li>Risk of no access to, improper allocation and non-optimal development of human resources</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance and modernisation of assets</li> <li>Optimisation of asset management</li> <li>Internal supervision and control</li> <li>Succession and competence planning</li> </ul>

### Environmental issues

Existing and changing conditions within the environment protection may force ENEA Group, and thus also ENEA S.A., to incur additional capital expenditures. Our activities have a significant effect on the natural environment and require possession of a series of permits to make use of the environment.

The notions relating to the natural environment in the context of the whole ENEA Capital Group are described in detail in the Report of the Management Board on the operations of ENEA Capital Group in 2014.

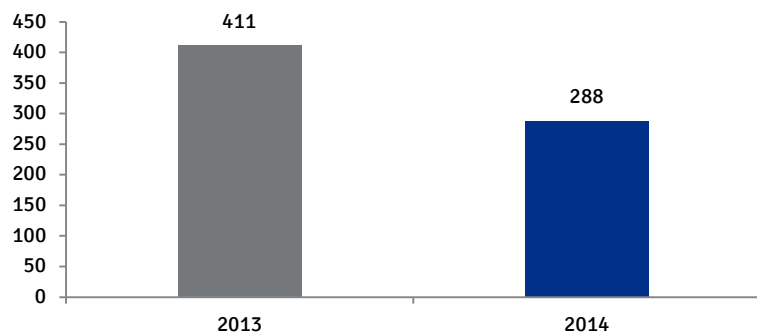
### Information on employment

As at the end of 2014, 288 people were employed in ENEA S.A. The dominant group was people aged between 26 and 45 years old, constituting 82% of all the employees. 95.9% of the Company's employees are people with secondary qualification.

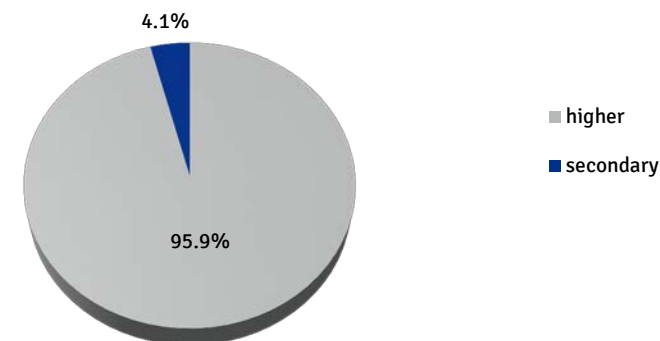
Detailed information on employment is presented on the diagrams below.



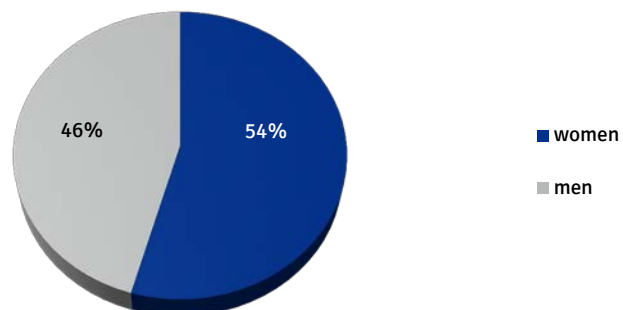
Employment in ENEA S.A. - employees



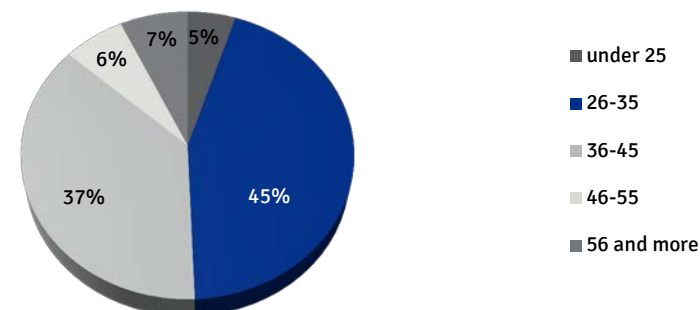
Employment in ENEA S.A. as at 31 December 2014 – education



Employment in ENEA S.A. as at 31 December 2014 – sex



Employment in ENEA S.A. as at 31 December 2014 – age



## Agreements of significance to ENEA S.A.

Continuation of activities with the implementation of the corporate strategy for 2014 - 2020 and investment financing

Date of agreements		Parties to the agreement	Description
31 January 2014	ENE A S.A.	PKO BP S.A., Bank Pekao S.A., Bank Zachodni WBK S.A., Bank Handlowy w Warszawie S.A.	Annex to the Programme Agreement of 21 June 2012 amending the terms of financing in the amount up to PLN 4,000,000 thou.
15 May 2014	ENE A S.A.	Bank Gospodarstwa Krajowego	Programme Agreement in the amount of up to PLN 1,000,000 thou. with allocation to investment needs financing
30 June 2014	ENE A S.A.	ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A., Bank Handlowy w Warszawie S.A.	Bond Issue Programme Agreement up to the maximum amount of PLN 5,000,000 for the realisation of e.g. investments foreseen in the strategy
12 August 2014	ENE A S.A.	European Investment Bank	An amendment letter to the financial agreement extending the availability term of the loan in the amount of PLN 475,000,000 until 31 December 2015

## Agreements between shareholders of the parent company

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

## Insurance agreements

Insurance agreements in ENEA S.A. are concluded in accordance with the corporate Insurance Policy. Due to the common Policy insurance standards were standardised in the Group and insurance protection acquisitions were consolidated obtaining indicative benefits a regards the premium and insurance coverage.

ENE A S.A transfers the risk of incurring losses as a result of property damage and third party claims through conclusion of insurance agreements with largest insurance agencies such as PZU S.A., TUIR WARTA S.A., STU Ergo Hestia S.A., TU Allianz Polska S.A.

Because of a great exposure of ENEA S.A. to damage and potential claims it may not be ruled out that the concluded insurances are insufficient. The insurance coverage level does not diverge from the standards applied in the Polish electrical power industry and is adjusted to the specifics of operations of particular Companies.

## Significant transactions with related parties

Information on significant transactions concluded by ENEA S.A. or its subsidiary with related entities is to be found in note 43 to the financial statements for 2014 financial year published as part of the annual report.



## Collaboration or cooperation agreements

### The letter of intent regarding cooperation in the research and development projects

The Letter signed on 26 June 2014 between ENEA S.A., PGE Polska Grupa Energetyczna S.A., ENERGA S.A. and TAURON Polska Energia S.A.

Key objective of the cooperation	Anticipated result of the cooperation
<p>Intensive search for technological solutions corresponding to the key challenges faced by the Polish energy sector - focusing e.g. on:</p> <ul style="list-style-type: none"> <li>reduction of the emission rate in the process of electricity generation</li> <li>higher distribution efficiency</li> <li>higher efficiency of energy use</li> <li>development of intelligent distribution and transmission networks</li> </ul>	<ul style="list-style-type: none"> <li>economies of scale and technological synergy</li> <li>fuller use of the Polish scientific and research potential - development impulse for regional academic centres, business partners and the whole economy</li> <li>more efficient use of innovativeness funds from the European Union for 2014-2020</li> <li>easier and more flexible obtaining of an additional external capital</li> </ul>

Tasks realised in 2014 as part of the cooperation:

- undertaking actions through the Polish Electricity Association (PEA) in order to establish a sectoral programme (SP) for the power engineering industry - a programme for financing research and development works by the National Centre for Research and Development (NCRD).

### Continuation of the cooperation in the project of preparation for the construction of the first atomic power plant in Poland

In 2014 ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and KGHM Polska Miedź S.A. continued the works in the project of preparation for the construction of an atomic power plant in Poland through the development of updated provisions in the draft Shareholder Agreement including attachments. The parties decided on the final draft of the Shareholder Agreement.



As part of the cooperation in the atomic project:

On 3 September 2014 ENEA, PGE, TAURON and KGHM concluded the Shareholder Agreement ("Agreement").

ENEA, TAURON and KGHM as Business Partners will purchase a total of 30% of shares (each Business Partner will acquire 10% of shares) in the special purpose vehicle - PGE EJ1 from PGE, based on a separate agreement ("Share Purchase Agreement").



The President of the Office of Competition and Consumer Protection issued an unconditional permission for the concentration consisting in the establishment by the Applicants of the common enterprise - PGE EJ1 Sp. z o.o. (current report No. 31/2014).



The Parties undertook, pursuant to the Agreement and proportionally to the number of shares held, to jointly finance the activities being part of the preliminary stage of the Project ("Preliminary Stage").

The Preliminary stage is to specify such elements as:

- potential partners, including the strategic partner
- technology providers, EPC contractors (Engineering, Procurement, Construction)
- atomic fuel supplier
- obtaining financing for the Project
- organisational and competence-related preparation of PGE EJ1 Sp. z o.o. for the role of the future operator of the atomic power plant, responsible for its safe and efficient exploitation ("Integrated Proceedings")

Pursuant to the Shareholder Agreement, the financial commitment of ENEA S.A. during the Preliminary Stage will not exceed the amount of ca. PLN 107 mln and is to be based on making contributions, up to this amount, for the raised share capital of PGE EJ1 Sp. z o.o.

The Parties continue the cooperation preparing for the conclusion of the Share Purchase Agreement.

PGE EJ 1 Sp. z o.o. is responsible for the preparation and realisation of the investment being the construction and exploitation of the first atomic power plant in Poland with the capacity of around 3,000 MWe. PGE Group is the Project leader and PGE EJ1 is to be the power plant's operator in the future.



## Credit and loan agreements concluded and completed

Loans drawn by ENEA S.A. in 2014

Start date	End date	Creditor	Amount of credit granted [PLN '000]	Interest rate	Debt on loans as at 31 December 2014 [PLN '000]	Repayment period
28 January 2014	27 January 2017	PKO BP S.A.	300 000	WIBOR 1M + margin	0	overdraft
28 January 2014	27 January 2017	PEKAO S.A.	300 000	WIBOR 1M + margin	0	overdraft

In 2014, two loan agreements expired in a timely fashion whose party was ENEA S.A., i.e. respectively, a loan with Bank Pekao S.A. relating to the loan in the amount of PLN 10,000 thou. and agreement with Bank Zachodni WBK S.A. relating to the loan in the amount of PLN 90,000 thou. The interest rate of the aforementioned loans was set as WIBOR 1M + margin.



## Loans granted

In 2014 ENEA S.A. granted loans exclusively to the entities comprising ENEA Capital Group. Loans granted in 2014 by ENEA S.A. are presented in the table below:

Date of granting	Date of complete repayment	Company	Amount of loan granted [PLN '000]	Interest	Debt on loans as at 31 December 2014 [PLN '000]
21 May 2014	31 December 2022	ENEA Centrum Sp. z o.o.	80 000	No	17 000.0
10 December 2014	30 June 2015	Hotel Edison Sp. z o.o.	230	WIBOR 1M + margin	230.0
5 December 2014	30 November 2015	Szpital Uzdrowskiowy Energetyk Sp. z o.o.	180	WIBOR 1M + margin	180.0
<b>TOTAL</b>					<b>17 410.0</b>

## Granted and received sureties and guarantees

The status of granted guarantees and suretyships in 2014 is 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	Value of surety/guarantee	Designation of amounts covered with surety/guarantee
18 July 2014	1 August 2017	ENE A Trading Sp. z. o.o.	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House)	PLN 50 000 thou.	as the collateral for the liabilities drawn by ENE A Trading in relation to the membership in GIR (Exchange Clearing House) and purchasing electricity and proprietary interests
1 January 2014	term of Purchase Offers	ENE A Wytwarzanie S.A.	Białystok municipality	PLN 50 000 thou.	corporate guarantee as the collateral for the payment of the selling price of the other minority shares by ENE A Wytwarzanie S.A.
25 February 2014	31 January 2015	ENE A Trading Sp. z. o.o.	Zespół Elektrowni Pątnów-Adamów-Konin S.A.	PLN 12 000 thou.	as the collateral for liabilities incurred by ENE A Trading as regards transactions relating to the wholesale of electricity
9 September 2014	30 June 2020	Miejska Energetyka Ciepłna Piła Sp. z o.o.	National Fund for Environmental Protection and Water Management	PLN 11 806 thou.	as the collateral for liabilities incurred by MEC Piła Sp. z o.o. resulting from the concluded Agreement for investment co-financing
16 October 2014 <sup>1)</sup>	31 August 2017	EP PUE Energobud Leszno Sp. z o.o.	Poznań Department of Communal Services and Housing	EUR 49 thou./ PLN 209 thou.	for the purpose of meeting the statutory condition for obtaining a licence to carry on for-profit transport operations
30 October 2014	30 October 2017	ENE A Trading Sp. z. o.o.	EDF Trading Limited	PLN 10 000 thou.	as the collateral for liabilities incurred by ENE A Trading towards EDF Trading Limited, resulting from Individual Agreements relating to electricity sales and purchases concluded by ENE A Trading as part of the Agreement or related to them
<b>TOTAL</b>				<b>PLN 134 015 thou.</b>	

The total off-balance sheet value of sureties and guarantees granted as at 31 December 2014 was PLN 134.015 thou.

The status of guarantees issued to the order of ENE A S.A. as at 31 December 2014 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	Amount of security granted [PLN '000]
14 April 2014	31 December 2015	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House)	guarantee granted by the bank for the liabilities of of ENE A Wytwarzanie S.A.	bank guarantee granted within the guarantee line in the amount of PLN 100,000 thou.	25 000.0
19 November 2013	30 November 2015	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House) <sup>2)</sup>	as the collateral for 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 350 000 thou.	15 000.0
21 December 2014	21 December 2016	Ardagh Glass S.A.	guarantee granted by the bank for the liabilities of EP PUE Energobud Leszno Sp. z o.o.	bank guarantee granted within the guarantee line in the amount of PLN 100,000 thou.	100.7

1) Annex to the agreement of 26 August 2003

2) annexed on 16 October 2014

### Collective labour disputes

Collective disputes with employees may cause disruptions to ENEA S.A.'s business. In 2014 two events occurred:

- On 18 March the Boards of the following companies: ENEA S.A., ENEA Operator Sp. z o.o. and ENEA Centrum Sp. z o.o. submitted notifications on emergence of a collective dispute with trade unions operating in the above entities to the District Labour Inspectorate in Poznań. The reason for the collective disputes was failure to perform the demands of the trade unions relating to remuneration (Current report No. 14/2014)
- On 14 April 2014 meetings were held of Management Boards of ENEA S.A., ENEA Operator Sp. z o.o. and ENEA Centrum Sp. z o.o. with trade unions operating in these entities, during which agreements were signed terminating the collective disputes in these companies regarding remunerations in 2014 (Current report No. 19/2014)

### Court and administrative proceedings

As at the date of publication of this report, no proceedings are underway regarding liabilities or claims, the party to which would be ENEA S.A. or its subsidiary, whose single or total value would amount to 10% or more of ENEA S.A.'s equity.

The detailed description of the proceedings is to be found in note No. 49 of the Consolidated financial statements.

### Long-term contracts

Pursuant to the rules of incurring costs of generators in relation to pre-term termination of long-term agreements on sale of power and electricity (LTA) ENEA Wytwarzanie Sp. z o.o. is authorised to receive compensation by this title starting from 1 April 2008. 2014 was the last year of the Company remaining in the support scheme. In 2014 revenue was recognised for compensation in the amount of PLN 257.5 mln.

The amount includes the forecast annual adjustment for 2014 and forecast final adjustment of stranded costs in full amount. The final level of compensation will depend on the court decisions.

Detailed description of Long-term Agreements is to be found in note 45 of the Consolidated financial statements.

### Licences

ENEA S.A. holds licences on:

- trade in electricity valid till the end of 2025
- trade in gaseous fuels valid till the end of 2030

### The entity authorised to audit financial statements

KPMG Audyt Sp. z o.o. was selected to perform the financial audit mentioned in the table below. The contract with the above mentioned entity was concluded on 27 March 2012. The information on the net remuneration due to KPMG Audyt Sp. z o.o. for rendering services for ENEA S.A. in 2012-2014 is presented in the table below:

Data in PLN '000	2012	2013	2014
KPMG Audyt Sp. z o.o.'s remuneration for auditing and reviewing the non-consolidated and consolidated financial statements of ENEA S.A.	136	174	183
KPMG Audyt Sp. z o.o.'s remuneration for other services	178	96	-
<b>TOTAL</b>	<b>314</b>	<b>270</b>	<b>183</b>

Detailed information on the selection of the above mentioned entity and description of rendered services was published in the current report No. 36/2011 of 22 December 2011.





### 3. Financial position

**Non-consolidated Profit and Loss Statement - 2014**

[PLN '000]	2013	2014	Change	Change %
Sales of electricity to end users	3 533 733	3 699 878	166 145	4.7%
Sales of distribution services to users holding comprehensive agreements	1 514 422	1 431 743	-82 679	-5.5%
Sales of electricity to other entities	37 328	143 607	106 279	284.7%
Sales of services	66 265	9 613	-56 652	-85.5%
Other revenue	4 243	1 639	-2 604	-61.4%
Excise tax	204 217	202 209	-2 008	-1.0%
<b>Net sales revenue</b>	<b>4 951 774</b>	<b>5 084 271</b>	<b>132 497</b>	<b>2.7%</b>
Amortisation/depreciation	17 873	7 891	-9 982	-55.8%
Employee benefit costs	52 215	44 814	-7 401	-14.2%
Consumption of materials and energy and value of sold materials	3 702	3 321	-381	-10.3%
Costs of purchases for resale	2 995 827	3 382 438	386 611	12.9%
Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	1 518 682	1 424 056	-94 626	-6.2%
Other outsourced services	166 478	147 840	-18 638	-11.2%
Taxes and charges	9 333	3 435	-5 898	-63.2%
<b>Cost of sales</b>	<b>4 764 110</b>	<b>5 013 795</b>	<b>249 685</b>	<b>5.2%</b>
Other operating revenue	59 331	25 025	-34 306	-57.8%
Other operating expenses	15 947	33 502	17 555	110.1%
Profit / loss on sales of fixed assets	-495	-1 112	-617	-124.6%
Tangible and intangible impairment write-off	-11 363	0	11 363	-
<b>Operating profit</b>	<b>219 190</b>	<b>60 886</b>	<b>-158 304</b>	<b>-72.2%</b>
Financial revenue	92 720	158 824	66 104	71.3%
Dividend revenue	605 676	569 022	-36 654	-6.1%
Financial expenses	21 293	59 751	38 458	180.6%
<b>Gross profit</b>	<b>896 293</b>	<b>728 981</b>	<b>-167 312</b>	<b>-18.7%</b>
Income tax	55 672	32 373	-23 299	-41.9%
<b>Net profit</b>	<b>840 621</b>	<b>696 608</b>	<b>-144 013</b>	<b>-17.1%</b>
<b>EBITDA</b>	<b>237 063</b>	<b>68 778</b>	<b>-168 285</b>	<b>-71.0%</b>

**2014:**
**Change factors of EBITDA of ENEA S.A. (drop by PLN 168 mln):**

- (-) lower first contribution margin by PLN 102 mln
  - (-) lower average selling price by 15.6%
  - (-) higher costs of ecological obligations by PLN 52 mln
  - (+) lower average purchase price of energy by 12.4%
  - (+) higher volumes of sales by 3,123 GWh
- (-) since 2014 ENEA S.A. has not conducted any activity connected with street lighting (activity transferred as a contribution in kind to ENEOS as at the end of 2013), which affects lower EBITDA by PLN 20 mln
- (+) lower costs of employee benefits (by PLN 7 mln) stemming from:
  - (-) release of the provision for equivalent relating to employee shares in the comparative period (in 2013 - lowering of costs by PLN 15 mln)
  - (+) lower costs of employee benefits with provisions (by PLN 20 mln) stemming mainly from the transfer of part of employees to ENEA Centrum in 2014
- (-) lower result on the other operating activity (by PLN 41.1 mln) stemming from:
  - (-) settlement in 2013 relating to the contribution in kind of the street lighting management to ENEOS subsidiary (one-off recognition of revenue by title of nil-paid fixed assets transferred to ENEOS in the amount of PLN 30 mln and making a tangible assets impairment write-down in the amount of PLN - 9.7 mln)
  - (-) higher impairment of receivables by PLN 12 mln

**Non-consolidated Profit and Loss Statement - Q4 2014**

[PLN '000]	Q4 2013	Q4 2014	Change	Change %
Sales of electricity to end users	895 363	998 185	102 822	11.5%
Sales of distribution services to users holding comprehensive agreements	371 107	361 186	-9 921	-2.7%
Sales of electricity to other entities	14 561	51 287	36 726	252.2%
Sales of services	18 119	1 908	-16 211	-89.5%
Other revenue	6 258	10 126	3 868	61.8%
Excise tax	53 620	47 435	-6 185	-11.5%
<b>Net sales revenue</b>	<b>1 251 788</b>	<b>1 375 257</b>	<b>123 469</b>	<b>9.9%</b>
Amortisation/depreciation	4 405	1 824	-2 581	-58.6%
Employee benefit costs	23 926	11 887	-12 039	-50.3%
Consumption of materials and energy and value of sold materials	776	1 068	292	37.6%
Costs of purchases for resale	800 916	937 701	136 785	17.1%
Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	377 332	368 137	-9 195	-2.4%
Other outsourced services	44 977	35 318	-9 659	-21.5%
Taxes and charges	1 837	620	-1 217	-66.2%
<b>Cost of sales</b>	<b>1 254 169</b>	<b>1 356 555</b>	<b>102 386</b>	<b>8.2%</b>
Other operating revenue	23 188	5 326	-17 862	-77.0%
Other operating expenses	-20 075	9 275	29 350	146.2%
Profit / loss on sales of fixed assets	-459	-1 108	-649	-141.4%
Tangible and intangible impairment write-off	-11 363	0	11 363	-
<b>Operating profit</b>	<b>29 060</b>	<b>13 645</b>	<b>-15 415</b>	<b>-53.0%</b>
Financial revenue	34 719	45 343	10 624	30.6%
Dividend revenue	0	0	0	0.0%
Financial expenses	16 781	21 466	4 685	27.9%
<b>Gross profit</b>	<b>46 998</b>	<b>37 521</b>	<b>-9 477</b>	<b>-20.2%</b>
Income tax	5 241	2 165	-3 076	-58.7%
<b>Net profit</b>	<b>41 757</b>	<b>35 356</b>	<b>-6 401</b>	<b>-15.3%</b>
<b>EBITDA</b>	<b>33 465</b>	<b>15 469</b>	<b>-17 996</b>	<b>-53.8%</b>

**Q4 2014:**
**Change factors of EBITDA of ENEA S.A. (drop by PLN 18 mln):**

- (+) higher first contribution margin by PLN 15 mln
- (-) lower average selling price by 11.1%
- (-) higher costs of ecological obligations by PLN 9 mln
- (+) lower average purchase price of energy by 10.4%
- (+) higher volumes of sales by 889 GWh
- (-) since 2014 ENEA S.A. has not conducted any activity connected with street lighting (activity transferred as a contribution in kind to ENEOS as at the end of 2013), which affects lower EBITDA by PLN 5 mln
- (+) lower costs of employee benefits (by PLN 12 mln) stemming mainly from the transfer of part of employees to ENEA Centrum in 2014
- (-) lower result on the other operating activity (by PLN 35.8 mln) stemming from:
  - (+) settlement relating to the contribution in kind to a subsidiary of the street lighting management (one-off recognition of revenue by title of nil-paid fixed assets transferred to ENEOS in the amount of PLN 30 mln and making a tangible assets impairment write-down in the amount of PLN - 9.7 mln)
  - (-) higher costs of impairment of receivables by PLN 11 mln

**Assets - structure of assets and liabilities of ENEA S.A.**

Assets [PLN '000]	As at:		Change	Change %
	31 December 2013	31 December 2014		
Fixed assets	10 732 799	11 661 445	928 646	8.7%
Tangible fixed assets	36 533	31 087	-5 446	-14.9%
Perpetual usufruct right	1 562	1 645	83	5.3%
Intangible assets	2 459	2 932	473	19.2%
Investment properties	16 910	16 367	-543	-3.2%
Investments in affiliated companies	8 951 213	8 951 265	52	0.0%
Deferred income tax assets	43 866	25 726	-18 140	-41.4%
Financial assets held to maturity	1 674 223	2 620 528	946 305	56.5%
Financial assets evaluated at fair value by the profit and loss account	1 860	0	-1 860	-100.0%
Trade and other receivables	4 173	11 895	7 722	185.0%
Current assets	2 256 340	3 197 719	941 379	41.7%
Inventories	117 449	116 117	-1 332	-1.1%
Trade and other receivables	983 190	1 077 592	94 402	9.6%
Current income tax assets	1 341	0	-1 341	-100.0%
Financial assets held to maturity	38 109	1 158 418	1 120 309	2939.7%
Financial assets evaluated at fair value by the profit and loss account	296 339	391 901	95 562	32.2%
Cash and cash equivalents	807 036	440 815	-366 221	-45.4%
Fixed assets for sale	12 876	12 876	-	-
Total assets	12 989 139	14 859 164	1 870 025	14.4%

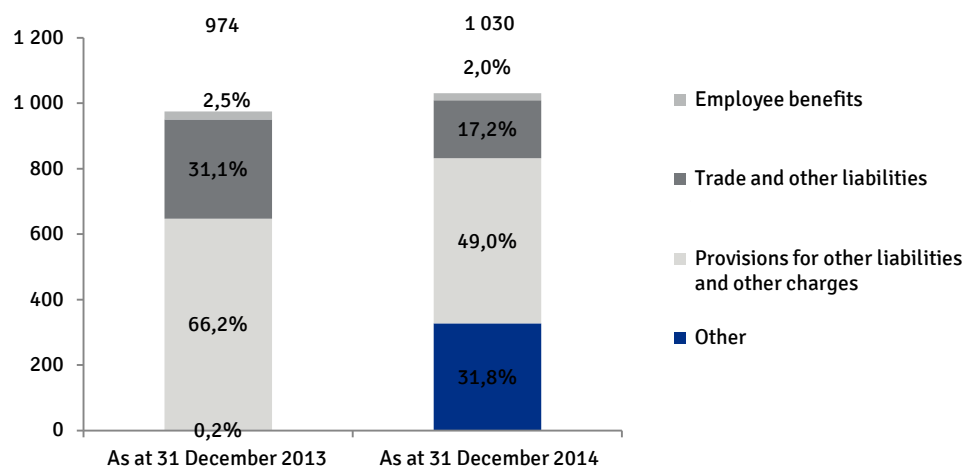
**Change factors of fixed assets (growth by PLN 929 mln) and current assets (growth by PLN 941 mln)**

- purchase of bonds from subsidiaries within the Bond Issue Programme in the amount of PLN 3,655 mln (growth by PLN 1.942 mln)
  - non-current segment PLN 2,681 mln (growth by PLN 968 mln)
  - current segment PLN 978.5 mln
- decreased cash by PLN 366 mln, e.g. financing of the investment being the construction of the power unit No. 11 from own funds
- higher receivables from energy sales related deliveries and services by PLN 81 mln



**Assets - structure of assets and liabilities of ENEA S.A.**

Liabilities [PLN '000]	As at:		Change	Change %
	31 December 2013	31 December 2014		
Total equity	11 162 574	11 602 526	439 952	3.9%
Share capital	588 018	588 018	-	-
Share premium	4 627 673	4 627 673	-	-
Share based payments reserve	1 144 336	0	-1 144 336	-100.0%
Reserve capital	1 569 385	2 151 228	581 843	37.1%
Retained earnings	3 233 162	4 235 607	1 002 445	31.0%
<b>Total liabilities</b>	<b>1 826 565</b>	<b>3 256 638</b>	<b>1 430 073</b>	<b>78.3%</b>
Non-current liabilities	852 248	2 226 207	1 373 959	161.2%
Current liabilities	974 317	1 030 431	56 114	5.8%
<b>Total equity and liabilities</b>	<b>12 989 139</b>	<b>14 859 164</b>	<b>1 870 025</b>	<b>14.4%</b>

**Structure of Current liabilities**


**Change factors of non-current liabilities:**

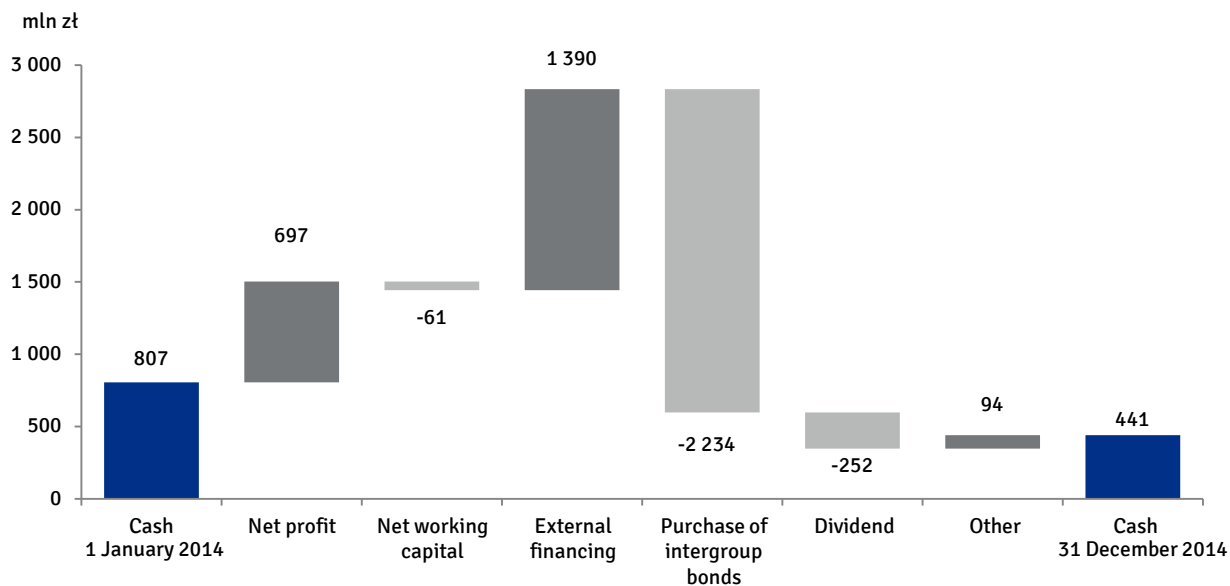
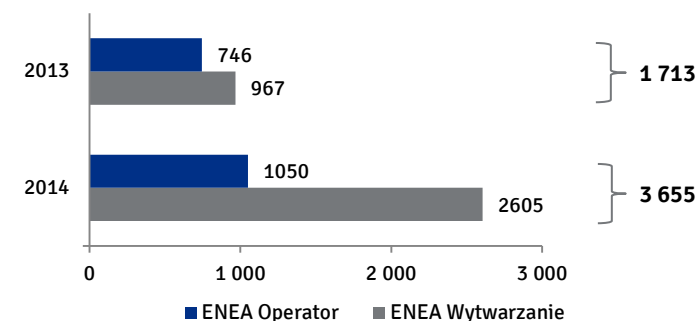
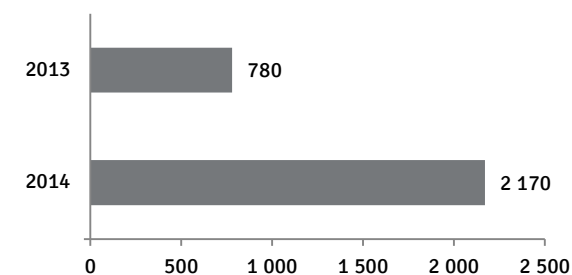
- Drawing of a special-purpose loan from EIB relating to the modernisation and development of the grid assets in the amount of PLN 1,050 mln (PLN 780 mln in 2013, PLN 270 mln in 2014)
- The national Bond Issue Programme - funds in the amount of PLN 860 mln designated for the construction of the Unit in EWSA
- BGK Bond Issue Programme and Market Programme designated for general current and investment needs in the amount of PLN 260 mln

**Change factors of current liabilities:**

- Cash pooling liabilities PLN 269 mln
- Lower liabilities by title of purchase of electricity and distribution services by PLN 69 mln
- Lower provisions for energy certificates of origin by PLN 109 mln

**Cash position of ENEA S.A.**

Cash flow statement [PLN '000]	2013	2014	Change	Change %
Net cash flows from operating activities	115 964	51 803	-64 161	-55.3%
Net cash flows from investing activities	-281 610	-1 483 404	-1 201 794	-426.8%
Net cash flows from financing activities	611 281	1 065 380	454 099	74.3%
Net increase / (decrease) in cash and cash equivalents	445 635	-366 221	-811 856	-182.2%
Cash and cash equivalents at the beginning of the reporting period	361 401	807 036	445 635	123.3%
Cash and cash equivalents at the end of the reporting period	807 036	440 815	-366 221	-45.4%

**Cash flows for 2014**

**Held intergroup bonds**

**External debt**


Ratio analysis <sup>1)</sup>

	2013	2014	Q4 2013	Q4 2014
<b>Profitability ratios</b>				
ROE - return on equity	7.5%	6.0%	1.5%	1.2%
ROA - return on assets	6.5%	4.7%	1.3%	1.0%
Net profitability	17.0%	13.7%	3.3%	2.6%
Operating profitability	4.4%	1.2%	2.3%	1.0%
EBITDA	4.8%	1.4%	2.7%	1.1%
<b>Liquidity and financial structure ratios</b>				
Current liquidity ratio	2.3	3.1	2.3	3.1
Equity-to-fixed assets ratio	104.0%	99.5%	104.0%	99.5%
Total debt ratio	14.1%	21.9%	14.1%	21.9%
<b>Economic activity ratios</b>				
Current receivables turnover in days	70	73	73	71
Turnover of trade and other payables in days	50	40	42	32
Inventory turnover in days	9	8	8	8

## Financial results forecasts

The Management Board of ENEA S.A. did not publish any financial forecasts for 2014.

1) Ratio definitions are to be found on page 64.

## Anticipated financial position

A large share of the regulated segment of Distribution in ENEA CG's EBITDA (in 2014 Distribution accounted for 61% of ENEA CG's EBITDA) affects the predictability of cash flows and stabilises them over time.

Segment of Generation remains under the influence of the demanding situation on the energy market. The production concentrated on bituminous coal involves the exposure to risk related to carbon dioxide emission costs, which may affect the results of the segment of conventional generation over next years.

We are increasing energy sales in the area of Trade - thanks to the new product range we obtain customers not only within our operational area and we are increasing the volume of sold energy. The financial results are negatively affected by reduced selling prices as a result of the growing competition on the retail market and reduced energy prices in the G tariff group sets, and also higher costs related to the entry into force of cogeneration obligations on 30 April 2014.

Despite difficult market and legal conditions, due to the realised cost restructuring and reducing operating costs (in 2014 OPEX lower by PLN 252 mln) ENEA CG realises financial results on a satisfactory level.

The Group's financial standing is safe, supported with a significant volume of cash, which as at the end of 2014, including current financial assets kept to maturity and financial assets evaluated at fair value through result, amounted to PLN 1.3 billion. Due to the consistently maintained cost discipline and optimum allocation of held resources the Group is guaranteed a favourable financing of the investments described in the corporate strategy thanks to:

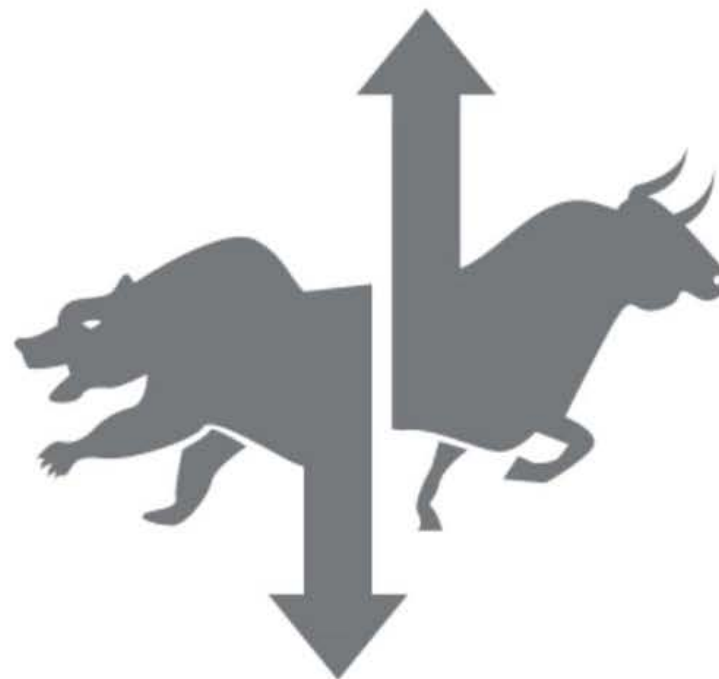
- Agreement concluded with PKO BP S.A., Pekao S.A., BZ WBK S.A., Bank Handlowy w Warszawie S.A. and Nordea Bank Polska S.A. relating to the bond issue programme up to the amount of PLN 3 billion,
- Agreement relating to the bond issue programme up to the maximum amount of PLN 5 billion concluded with PKO BP, ING Bank Śląski, Pekao S.A. and mBank S.A.
- Programme Agreement relating to the issue of long-term bonds totalling to PLN 1 billion concluded with Bank Gospodarstwa Krajowego,
- Two loan agreements with the European Investment Bank for the total amount of PLN 1,425 billion

It is expected that in the coming year the ratio defined as net debt/EBITDA will not exceed the level of 2.5. The growth in the ratio stems from a vast CAPEX programme (capital expenditures) covering e.g. the segment of generation and distribution network. CAPEX programme of ENEA CG for 2014-2020 relates mainly to the construction of the new coal-fired 1 GW unit in the power plant in Koźienice.

Own cash of ENEA CG, available credit facilities and bond issue programmes will allow to finance the investment programme until 2020.

The implementation of the investment programme and efficiency improvement programme will positively affect the financial results of ENEA CG.





#### 4. Shares and shareholding

### Share capital structure

The amount of ENEA S.A.'s share capital as at the publication date of this Board's Report is PLN 441,442,578 and is divided into 441,442,578 ordinary bearer shares of the nominal value of PLN 1 each.

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

All the Company's shares are dematerialised bearer shares registered with the National Depository for Securities.

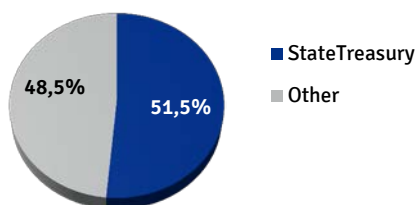
### Shareholding structure

The table below presents the structure of ENEA S.A.'s shareholding as at 31 December 2014 and as at the date of approval of this report, i.e. 3 March 2015.

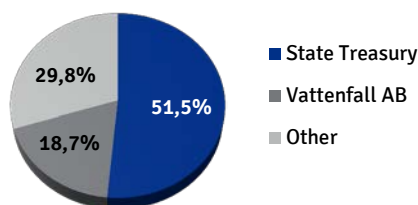
Shareholder	Number of shares/number of votes during GM	Share in the share capital/share in the total number of votes
State Treasury	227 364 428	51.5%
Others	214 078 150	48.5%
<b>TOTAL</b>	<b>441 442 578</b>	<b>100.0%</b>

The tables below present ENEA S.A.'s shareholder structure as at 31 December 2014 and as at the publication date of this report, i.e. 20 March 2015 compared to the state as at 31 December 2013.

ENEA S.A.'s shareholding as at 31 December 2014 and 20 March 2015



ENEA S.A.'s shareholding as at 31 December 2013



### Treasury shares

ENEA S.A. did not purchase any treasury share sin 2014.

### Changes in the shareholding structure until the date of the statement

On 15 January 2015 Vattenfall AB sold 82,395,573 shares in ENEA S.A., i.e. all the Issuer's shares it held. As a result of block transactions, performed based on the procedure of an accelerated book-building, the share of Vattenfall AB in the share capital of ENEA S.A. and in the total number of votes at the General Meeting of the Company decreased from 18.67% to 0%.

Additionally, on 20 January 2014 as a result of transactions concluded on the Stock Exchange the share of ING Otworthy Fundusz Emerytalny grew above the threshold of 5% of the total number of votes in the Company. Before the acquisition of shares the Fund held 11,296,751 shares of the Company, which constituted 2.56% of the share capital of the Company and was entitled to 11,296,751 votes at a general meeting of the Company. A at 23 January 2014 the Institution held 23,296,751 shares in the Company entitling to the same number of votes at a General Meeting, constituting 5.28% of the total number of votes at a General Meeting.

On 12 March, ING Otworthy Fundusz Emerytalny informed the Company on a reduction in its interest below 5% share in the total number of votes at a General Meeting. Pursuant to the information, as at 11 March ING OFE held 19,885,362 shares in ENEA S.A. constituting 4.50% of the Company's share capital and entitling to the same number of votes the a General Meeting.

### Potential changes in the shareholding 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. However, the nature of the process of acquiring nil-paid employee shares from the State Treasury by entitled employees and their heirs may result in some changes in the number of shares held by the State Treasury.

### Employee share control system

ENEA S.A.'s Statute foresees the so called block of employee shares. All the ordinary registered shares of B series in ENEA S.A. in the number of 41,638,955 were designated for transferring employee shares.

Pursuant to the act on commercialisation and privatisation on 16 May 2010 ENEA Capital Group's employees obtained the right to acquire the Company's shares from the State Treasury free of charge. 8,818 people were authorised to the nil-paid acquisition of ENEA's shares for whom 33,239,235 shares were designated.

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 aforementioned act.

Pursuant to § 6 item 3 of the Statute of ENEA S.A. registered shares of B series belonging to the State Treasury are designated for the purposes specified in the act on commercialisation and privatisation and act on the principles of purchasing from the State Treasury of shares in the process of consolidation of energy sector companies, became bearer shares with the moment of expiry of the prohibition to sell or expiry of the right to acquire the shares free of charge.

To the Company's knowledge, the number of ENEA S.A.'s shares left for nil-paid acquisition amounted to 1,969,793 as at 31 December 2014.

In 2014 ENEA S.A. did not launch any standard employee share programme control systems.

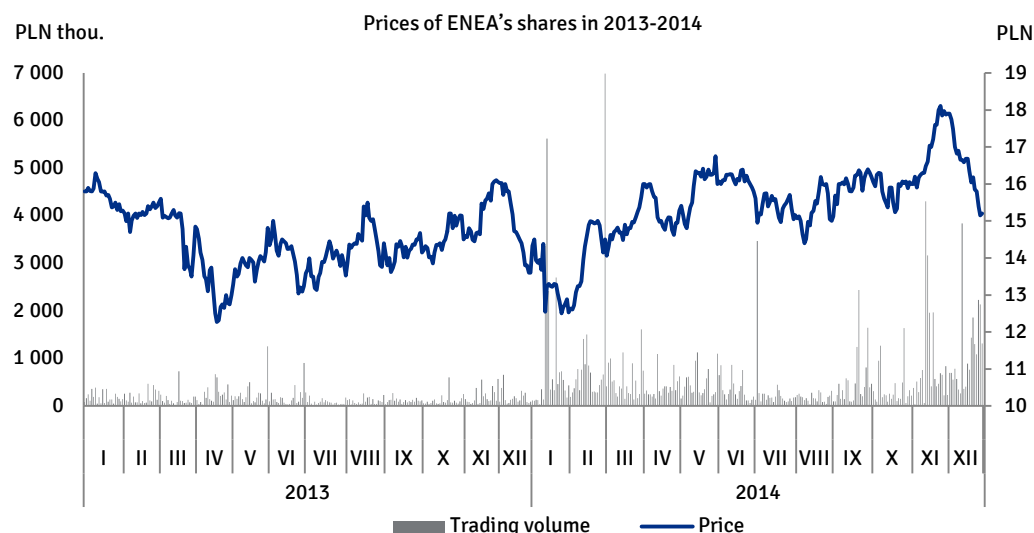
## Listing of ENEA S.A.'s shares on the Warsaw Stock Exchange

Shares of ENEA S.A. have been listed on the Warsaw Stock Exchange (WSE) since 17 November 2008.

On 31 December 2014 the Company belonged to the following exchange indices:

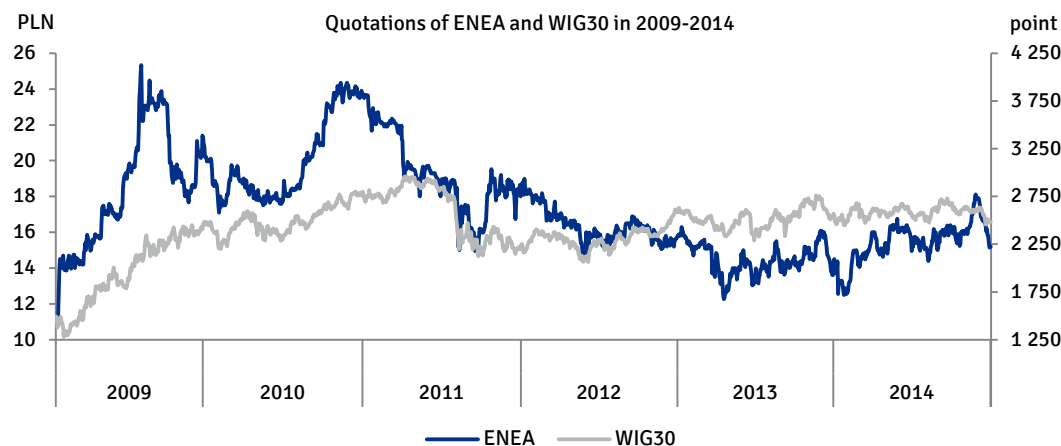
•WIG - covers all the companies listed on the Main Market of WSE which fulfil base criteria for the participation in indices

- WIG30 - covers 30 largest enterprises listed on the Main Market of WSE
- 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 base criteria for the participation in indices
- WIGdiv – includes up to 30 companies in its portfolio, which in the index rating (prepared based on the Resolution No. 871/2013 of the Board of the Stock Exchange, as amended) were located on the position not lower than 150 and characterise with the highest rate of dividend as at the end of November each year and which distributed dividends at least three times during the recent 5 financial 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
- FTSE All-World – includes around 2,800 large and mid cap companies from the whole world



As a result of the annual review of indices performed on 12 February 2015 ENEA S.A.'s shares, after the session on 20 March 2015, will be listed on WIG20 and WIG20TR. At the same time, the Company's shares will be removed from mWIG40.

Key data concerning shares:	2013	2014
Maximum price [PLN]	16.30	18.11
Minimum price [PLN]	12.00	12.42
Last price [PLN]	13.60	15.20
Capitalisation at the end of period [PLN mln]	6 004	6 710
Capitalisation of ENEA S.A. on the background of domestic companies listed on WSE at the end of period [%]	1.01	1.14
Book value [PLN mln]	11 427.71	12 013.84
C/Z [exchange capitalisation/net profit]	8.10	7.5
C/WK [exchange capitalisation/book value]	0.53	0.56
Return rate at end of period	-11.36	16.02
Dividend rate [%]	2.6	3.8
Value of turnover [PLN mln]	573.50	2 209.55
Share in turnover [%]	0.26	1.08
Turnover indicator [%]	9.10	32.70
Average volume per session	160 256	577 709
Average number of transactions per session	287	585
Average spread [bp]	31	24
Volume [pcs]	39 583 206	143 849 603



Index	WIG30	mWIG40	WIG Energia	WIG – Poland	WIGdiv	MSCI Poland
Percentage of ENEA S.A.'s shares in the index as at 30 December 2014 [%] 1)	1.60	4.99	10.41	1.19	2.98	1.43

1) 30 December 2014 was the last quotation day on WSE



### Investor relations

Investor relations are a very important element of the common and integrated corporate communication for ENEA S.A. Communication and channels and tools it uses are adjusted to the needs of particular groups of users, maintaining at the same time the principle of an equal access to information.

**Every investor is equally important for ENEA**



**In 2014, 57% of analysts recommended "Buy", and 38% - "Hold" for ENEA's shares**



In 2014, as part of realised investor relations programme:

- We participated in:
  - WallStreet conference organised by the Association of Individual Investors
  - Investor Relations congress organised by the Stock Exchange Issuers Association
  - EuroPOWER energy conference ("With energy to shares")
  - "Utilities, Mining & Industrials" conference organised by ING Securities
- We were at investors' disposal from early morning hours until late evening hours - phone conversations, e-mail messages, one-to-one meetings
- We met capital market participants each quarter as part of conferences devoted to results
- We took care so that the "Investor Relations" tab on ENEA's corporate website and in the "ENE A.S.A. for investors" mobile application include the latest information
- For each important event, we published a dedicated investor presentation and the key financial and operating data on the website in formats easy to analyse
- We systematically sent the investor newsletter including the most important information from ENEA Group
- We organised seminars - "ENE A Shares knowledge with the market" cycle
- We participated in "Investor Action" organised by Puls Biznesu
- We met representatives of TFI (investment fund companies) and OFE (open-end retirement funds) through brokerage houses

We received a honorary mention for the **best presentation of financial data** in the report on operations in "The Best Annual Report" competition

We were qualified to **2nd stage of the Issuer's Golden Site competition**

We replied to over **350 e-mail messages** and answered **200 phones** from investors

**Recommendations issued for ENEA in 2014:**

Date of issue	Institution	Recommendation	Target price	Issue date price
5 December	DM mBanku	"Hold"	17.20	17.00
24 November	Societe Generale	"Hold"	17.20	17.60
19 November	Deutsche Bank	"Hold"	17.00	17.60
18 November	UniCredit Poland	"Buy"	20.40	17.21
5 November	BESI	"Buy"	18.25	16.00
31 October	DM mBanku	"Accumulate"	17.20	16.00
30 October	DM PKO BP	"Buy"	17.50	16.10
28 October	ING Securities	"Buy"	17.00	15.89
18 September	DM BZ WBK	"Buy"	19.30	16.24
16 July	DM Banku Handlowego	"Neutral"	16.90	15.56
26 June	DM Trigon	"Buy"	20.00	16.20
16 June	WOOD & Company	"Sell"	15.20	16.00
3 June	DM mBanku	"Accumulate"	17.33	16.07
14 April	Deutsche Bank	"Hold"	15.70	14.98
7 April	DM mBanku	"Accumulate"	17.22	16.00
28 March	DM Banku Handlowego	"Neutral"	14.20	15.37
13 March	Raiffeisen Centrobank	"Hold"	15.30	14.68
28 February	DM PKO BP	"Buy"	16.20	14.15
30 January	DM BZ WBK	"Buy"	16.50	13.20
15 January	DM mBanku	"Buy"	17.22	12.55
7 January	Ipopema Securities	"Hold"	14.30	13.94



## 5. Authorities

## Personal composition of ENEA S.A.'s Management Board



### Krzysztof Zamasz

President of the Board

Krzysztof Zamasz has been managing the Company and ENEA Capital Group since January 2013. During 2008-2012 he was the Vice-President of the Board for Commercial Affairs of TAURON Polska Energia S.A. Previously, he managed Elektrociepłownia Tychy S.A. (TAURON Group), and during 2001-2007 he was the President of the Board of Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. He is a member of the Advisory Team for systemic solutions in the energy sector, appointed by the Minister of Economy, and he is also the Chairman of the Executive Board of the Association of Energy Trading in Warsaw.

He is the author of numerous scientific publications. He is a PhD in economic sciences with the diploma of the University of Economics in Katowice. He graduated from post-graduation studies in e.g. atomic power and energy, heat and gas markets, controlling and IT. The author of numerous scientific publications.

**Scope of competence:** Coordination of tasks related to the overall operations of the Company and ENEA Capital Group.

### Dalida Gepfert

Vice-President of the Management Board for Financial Affairs

Dalida Gepfert holds ten-odd years of experience within finance, accounting and controlling in the power industry. She started her professional career in Górnośląski Zakład Elektroenergetyczny S.A. She was connected with Vattenfall Group for 10 years where she held e.g. the position of the Vice-President of the Board in Vattenfall IT Poland Sp. z o.o. and the Head of Finance and Controlling, Member of the Executive Team and Steering Committee for the project of Vattenfall IT Infrastruktura Service – a structure realising tasks in Poland, Germany, Sweden, Denmark, Finland. Previously, she worked as the Unit Director of Own Management Centre of PZU Group.

Dalida Gepfert is a graduate of the accounting faculty at the University of Economics in Katowice and MBA studies organised by Stockholm University Business School. She also holds a diploma of Ernst & Young Academy of Business, International Financial Reporting Standards (IFRSs).

**Scope of competence:** Supervision and coordination of economic, financial and accounting affairs related to risk management in the Company and ENEA Capital Group, teleinformation and controlling.



### Paweł Orłof

Vice-President of the Management Board for Corporate Affairs

Paweł Orłof holds long experience in the energy sector. For many years, he was e.g. the President and Chief Executive Officer of Elektrociepłownia Będzin (to 2014 RWE AG Group). During that period (2004-2013) he prepared and conducted a vast restructuring programme. He was also responsible for the implementation of new organisational structures and internal regulations relating to the company's operations. Previously, he was the President of enviaM Polska being part of RWE Group. He also worked in the Ministry of Industry and Trade in the Republic of Poland and Ministry of Economy in the Republic of Poland.

Paweł Orłof graduated from the Faculty of Natural Sciences of the University of Wrocław and from the National School of Public Administration.

**Scope of competence:** Supervision and coordination of all the notions related to the Corporate Governance, ownership supervision, services in ENEA Capital Group.

### Grzegorz Kinelski

Vice-President of the Management Board for Commercial Affairs

Grzegorz Kinelski has been related to the energy sector since 1994. He was employed in Górnośląski Zakład Elektroenergetyczny in Gliwice for many years. During 2000-2010 connected with Vattenfall where he was responsible for e.g. implementation of Vattenfall's customer service model in Poland and implementation of service and sales support systems. For three years, as the Vice-President of the Board in TAURON Group companies, he developed the customer service, implementing modern servicing channels and a homogeneous sales support organisation.

Grzegorz Kinelski is a graduate of the Silesian University of Technology in Gliwice and holds an MBA diploma of the Dominican University in Chicago. He also graduated from managerial post-graduation studies within financial, marketing and project management.

**Scope of competence:** Supervision and coordination of the overall tasks related to the trade in electricity and customer service.



## Personal composition of ENEA S.A.'s Supervisory Board

### Wojciech Chmielewski, Chairman of the Supervisory Board

Date of appointment: 1 July 2012

Wojciech Chmielewski has been an employee of the Ministry of Treasury since 2000 where he is the director of the Ownership Change and Privatisation Department. He holds vast experience related to the performance of the functions of a Member of the Supervisory Board of companies with the participation of the State Treasury. Currently, he is also the Chairman of the Supervisory Board of PGNiG S.A. Wojciech Chmielewski holds a higher qualification. He holds an MA's degree of the Polish philology and political sciences at the University of Wrocław. He graduated from post-graduate studies in "Political Sciences in Europe" at Strasbourg III University, National School of Public Administration in Warsaw and European Integration Study (organised by the National School of Public Administration and Ecole Nationale d'Administration in Paris).

### Jeremi Mordasewicz, Vice-Chairman of the Supervisory Board

Date of appointment: 1 July 2012

Jeremi Mordasewicz is an advisor of Lewiatan Confederation's Board and its representative in Trilateral Social and Economic Committee, member of the Supervisory Board of Social Insurance Company and Dr Irena Eris S.A.

Jeremi Mordasewicz is a graduate of the Faculty of Civil Engineering of the Warsaw University of Technology. He worked in Polish and foreign constructions, and was an academic teacher. He is also a chevalier of the Knight's Cross awarded for disseminating the economic education and business environment integration.

### Michał Kowalewski, Secretary of the Supervisory Board

Date of appointment: 1 July 2012

Michał Kowalewski holds 15 years of professional experience on executive and project related positions gained in commercial companies or other economic organisations, where he was e.g. the Operational Director and held various managerial positions. He has been employed in the Ministry of Treasury since 2008. In the Capital Market Department he participated in the works of project teams preparing the exchange transactions of companies with the participation of the State Treasury, and as part of the Restructuring Department he was responsible for e.g. owner's supervision over the Industrial Development Agency.

Michał Kowalewski holds a higher qualification, he graduated from the Department of Law and Administration of the University of Warsaw (WPiA UW) and completed the legal counsel's training by the Regional Chamber of Legal Counsels in Warsaw. He is a graduate of the Post-graduate Company Law Study at WPiA UW, he also completed PhD studies in the Collegium of Business Administration at the Warsaw School of Economics. He holds the receiver license.

### Stawomir Brzeziński, Member of the Supervisory Board

Date of appointment: 1 July 2012

Stawomir Brzeziński has been connected with ENEA S.A. since 2008. Currently, he is holding the position of the Safety and Organisation Office's Manager. Previously he was related to the International Fair of Poznań.

Stawomir Brzeziński holds the Master of Science, Engineer's degree after the studies at the Faculty of Mechanical Engineering and Management of the Poznań University of Technology. He also graduated from the post-graduate studies at Poznań University of Technology within: Logistics and Supply Chain Management and Quality Management in Theory and Practice.

### Przemysław Łyczyński, Member of the Supervisory Board

Date of appointment: 1 July 2012

Przemysław Łyczyński has been related to ENEA Group since 2000. Currently, he is the Financial Department Director of ENEA Trading Sp. z o.o. During 2007-2008 he was the President of the Board of EnergoPartner Sp. z o.o. He worked as the Ownership Supervision Office Manager in ENEA S.A. for many years.

Przemysław Łyczyński is a graduate of the Poznań University of Economics, where he graduated from full time MSc studies. He also graduated from Post-graduation Study in "Property Management" at Poznań University of Economics and Post-graduate Controlling Study at Poznań School of Banking. Currently, he attends the ACCA programme.

### Sandra Malinowska, Member of the Supervisory Board

Date of appointment: 1 July 2012

Sandra Malinowska has been working in the Ministry of Treasury since 1998 and she is a legal counsel there in the Ownership Change and Privatisation Department. She was previously connected with e.g. the Civic Educational Association, Smoktunowicz & Partners and Hunton&Williams law firms. She was a member of numerous Supervisory Boards of companies with participation of the State Treasury:

Sandra Malinowska is a graduate of the Faculty of Law and Administration of the University of Warsaw.

### Tadeusz Mikłosz, Member of the Supervisory Board

Date of appointment: 1 July 2012

Tadeusz Mikłosz holds long professional experience in the area of power engineering and ownership supervision. Since 1983 he has been connected with ENEA S.A. and its predecessor entity, and currently he is the Safety Section's Manager of ENEA S.A. He has sat in various Supervisory Boards since 1997.

Tadeusz Mikłosz holds a higher qualification in team leadership and political science. He also graduated from Post-graduate Studies in commercial law at Poznań University of Economics.

### Małgorzata Niezgoda, Member of the Supervisory Board

Date of appointment: 24 April 2013

Małgorzata Niezgoda currently works as the Deputy Director of the Department of Restructuring and State Aid in the Ministry of Treasury.

Previously, she was the Head of the Department of Key Companies of the Ministry of Treasury. Her duties included e.g. supervision of the whole of economic and legal issues connected with the operations of State Treasury companies and an analysis, participation and execution of the ownership supervision of State Treasury companies and also developing ownership decisions in relation to supervised companies.

Małgorzata Niezgoda holds a higher qualification, graduated from the Warsaw University of Life Sciences – SGGW on the Faculty of Environmental Engineering (individual course of studies in cooperation with the Warsaw University of Technology and Gdańsk University of Technology).

## Principles of appointment and description of powers delegated to authorities of the parent company

Detailed information in Section 6. Corporate Governance on pages 57-59.

## Principles of remuneration

Principles of remunerating present Members of the Board of ENEA S.A. were introduced pursuant to the resolutions of the Supervisory Board of ENEA S.A. of 15 April 2013. All the Members of the Board concluded agreements for provision of services - managerial contracts with the Company (further on: Service agreements), 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). Service agreements concluded by the Company and non-competition agreements enclosed to them provide as follows:

- a) during the term of the Service agreement Members of the Board are authorised to receive a fixed monthly remuneration and a performance-related annual bonus in the amount of 40% of the total annual remuneration, calculated based on the principles specified in detail in the Service agreement
- b) in return for complying by Members of the Board with the obligations resulting from the non-competition clause during its validity, Members of the Board may receive a compensation in the total amount equal to the product of: 1/12 of the total remuneration and number of months of validity of non-competition clause

- c) if the Service agreement expires as a result of the expiry of the Member of the Board's term, the Company reserves the right to, for a period of one month of the agreement expiry, demand that Members of the Board render services relating to the transfer of issues connected with the business operations to a person indicated by the Chairman of the Supervisory Board. By this title Members of the Board are authorised to receive remuneration in the amount equal to the fixed remuneration
- d) Members of the Board are entitled to receive a severance payment in the amount equal to the triple 1/12s of the total remunerations except for the following situations:
- termination of the Service agreement by the Company or its expiry as a result of recalling from the position of a Member of the Board for a culpable material breach of the provisions of the Statute or the above mentioned Agreement to a detriment to the Company
  - termination of the Service agreement by the Company or its expiry as a result of loss of the right to be a Member of the Board in the case specified in Article 18 of the Commercial Companies Code
  - termination of the Service agreement by the Member of the Board or its expiry as a result of resignation from that position, if the termination of the said Agreement or resignation was not a result of reasons attributable to the Company

The severance payment mentioned above is subject to an increase - if the Service agreement expires as a result of the Member of the Board's term expiry and is not prolonged as a result of a renomination of the same person to be a Member of the Board - by the value of the triple 1/12s of the total remunerations as no notice equivalent.

In the event of default by Members of the Board of the prohibition to conduct competitive operations Members of the Board will lose their right to receive further instalments of the damages and shall pay a contractual penalty for the account of the Company. The Company has the right to terminate the no-competition agreement if the non-competition clause grounds cease to be valid.

Members of the Board at own expense got 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 Q4 of the previous year as published by the President of the Central Statistical Office. In 2014 the remuneration of Members of the Supervisory Board did not change.

### Level of remuneration

The remuneration of persons composing the Management Board of ENEA S.A. collected in the period from 1 January 2014 to 31 December 2014 with whom the Company concluded the agreement on provision of services within management is presented in the table below:

Name	Position	Net remuneration in PLN (excluding VAT) <sup>1)</sup>	Additional consideration <sup>2)</sup>
Krzysztof Zamasz	President of the Board	1 900 000,00	-
Dalida Gepfert	Member of the Board	1 600 000,00	-
Paweł Orłof	Member of the Board	1 600 000,00	-
Grzegorz Kinelski	Member of the Board	1 600 000,00	-

1) The remuneration includes any titles resulting from concluded contracts and it is included in the Company's costs, including also remuneration for non-competition clause.

2) Additional consideration – understood as reimbursement of partial costs of the use of the available residential apartment and for a language course.

In 2014 Members of the Board of ENEA S.A. did not collect any remuneration for holding their positions in ENEA S.A.'s subsidiaries.

Remuneration for members of the Supervisory Board of ENEA. in the financial year 2014 is presented in the following table:

No.	Name	Net remuneration [PLN]
1	Wojciech Chmielewski	41 454.96
2	Jeremi Mordasewicz	41 454.96
3	MichałKowalewski	41 454.96
4	Torbjörn Wahlborg <sup>1)</sup>	2 451.68
5	Sławomir Brzeziński	41 454.96
6	Przemysław Łyczyński	41 454.96
7	Sandra Malinowska	41 454.96
8	Tadeusz Mikłosz	41 454.96
9	Małgorzata Niezgoda	41 454.96

Members of the Supervisory Board of ENEA S.A during the financial year of 2014 collected remuneration for holding offices in the Supervisory Board in the amount compliant with the legal regulations being in force.

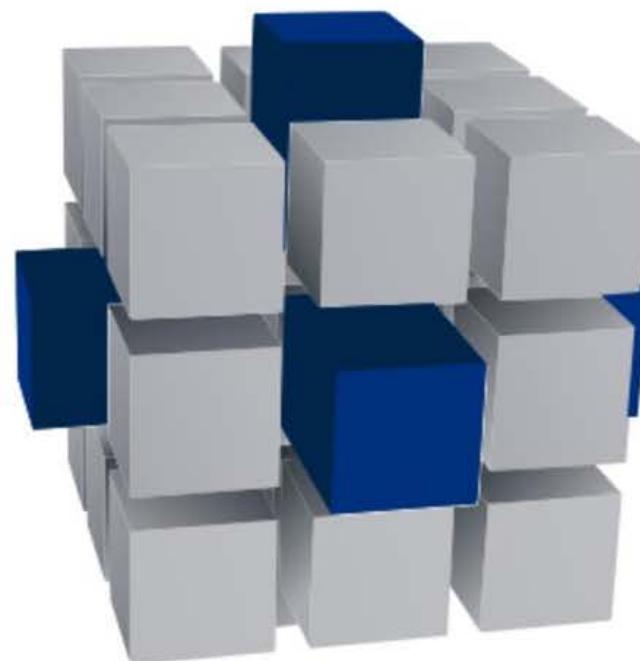
### List of shares in ENEA Capital Group entities that are held by Members of the Management and Supervisory Boards

Name	Position	Number of shares in ENEA S.A. held as at 31 December 2014	Number of shares in ENEA S.A. held as at 3 March 2015
Tadeusz Mikłosz	Member of the Supervisory Board	4 140	4 140

1) Wahlborg Torbjörn was a Member of the Supervisory Board of ENEA S.A. until 22 January 2014

As at the day of publication of this periodic report the other persons from the Management and Supervisory Board do not hold ENEA S.A.'s shares.

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



## 6. Corporate governance



## The set of principles applied

Creating values for shareholders, also through the Company's transparency, is one of ENEA Capital Group's priorities. Having that in mind, the Board of ENEA S.A. represents that in 2014 the Company applied the corporate governance rules constituting an Addendum to the Resolution of the WSE Supervisory Board No. 19/1307/2012 of 21 November 2012 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>. Corporate governance principles include also the section titled "Recommendations relating to best practices of listed companies" describing good practices which the Company chooses to apply voluntarily.

## Principles of corporate governance the application of which was waived

ENEA S.A.'s Board's intention is to apply all the principles of the corporate governance. Due to the fact however, that some principles may pose the necessity to incur excessive burdens by the Company which could exceed potential benefits resulting from market needs, in 2014 the Company waived the application of some principles and recommendations of the corporate governance indicated below.

### Participation of men and women in ENEA S.A.'s authorities

#### 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 Management Board and Supervisory Board of the Company is composed of both women and men. However, an equal participation of women and men in the managing and supervisory bodies in ENEA S.A. is not kept at the moment.

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.

The basic criteria used by the Company when employing managing and supervising people include an exact analysis of candidates' experience, their competences, skills and technical preparation of each of them. In the Company's assessment, the criteria indicated above which are in place in order to evaluate candidates for offices in management and supervisory authorities permit the selection of relevant candidates who guarantee creativity and innovativeness, as well as the development of ENEA S.A.'s operations.

### Questions asked by shareholders in relation 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 mentioned above is not applied by the Company at the moment and in line with the Company's intention it will not be applied also in the foreseeable future. To some extent the information concerning proceedings of General Meetings are included in notarised minutes of GM, but they do not include all pronouncements, questions or answers occurring during the proceedings of General Meetings. The Company clarifies that 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 (...)

### Organisation of e-general meeting of the Company

#### 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:

The Company clarifies that in 2014 it did not transmit General Meetings in the Internet, and therefore bilateral communication providing shareholders with a possibility to speak at the General Meeting using means of electronic communication.

Currently, the Company's Statute does not foresee attending the General Meeting using means of electronic communication in line with the Commercial Companies Code.

### Independence of Members of the Supervisory Board

#### Part III. Best practices realised by members of supervisory boards item 6

*"At least two members of the supervisory board should fulfil the criteria of independence from the company and from entities that have significant affiliations with the company. With regard to the independence criteria for members of the supervisory board, Annex II to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should be applied. Irrespective of the provisions of Item b) of that Annex, a person who is an employee of the company or its subsidiary or affiliate cannot be deemed to fulfil the independence criteria referred to in that Annex. Furthermore, an affiliation with a shareholder excluding the independent status of a member of the supervisory board in the meaning of this principle is understood to mean an actual and significant affiliation with a shareholder that has the right to exercise 5% or more of the total number of votes at the general meeting of shareholders."*

##### Comment:

ENEA S.A.'s Board's intention is to apply the above principle of the corporate governance. The Company clarifies that the Supervisory Board of ENEA S.A. of the 8th term appointed by the Ordinary General Meeting of Shareholders with the resolution of 29 June 2012 was composed of two independent members, namely Mr. Jeremi Mordasewicz and Graham Wood.

In relation to the resignation of Mr. Graham Wood from the position of the Member of the Supervisory Board, currently the Supervisory Board is composed on one member fulfilling the independence criterion. The Company informs that the three year term of the present Supervisory Board expires in 2015. The decisions on a potential complementation of the Supervisory Board may be made during the next General Meeting of Shareholders of the Company.



## Description of the key features of the issuer's internal control and risk management in relation to the process of preparing non-consolidated financial statements

Principles and procedure of preparing financial statements are in particular regulated by the International Financial Reporting Standards, act on accounting and internal procedures functioning in ENEA S.A.

Establishment of systems of internal control and risk management as regards the process of preparation of consolidated financial statements aims particularly at guaranteeing the completeness and correctness of financial information included in financial statements and interim reports.

The Management Board of ENEA S.A. is responsible for the internal control system in ENEA Capital Group 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 complete and correct.

Financial statements and periodic reports and monthly management and operating reporting applied by ENEA S.A. are based on data derived from the financial and bookkeeping system of the Company. 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 Controlling Department, with the participation of middle and senior managers from individual organisational units. In relation to the completed reporting periods, not only financial results of the Company are subject to a detailed analysis, but also particular business areas.

The Company also carries out annual reviews of business and financial strategies and plans. Middle and senior management personnel are particularly engaged in the process of detailed planning and budgeting, which covers all the areas of ENEA Capital Group's operations. The Company's Board adopts the material and financial plan prepared by the Controlling Department, and the Supervisory Board approves that plan. During the year, the Company's Board supervises the realisation of goals specified in the approved material and financial plan. The management cockpit developed by the Controlling Department constitutes a valuable source of information for the Supervisory Board on the current financial situation, environment and the level of realisation of goals in the critical areas.

The Company applies coherent accounting principles and presents financial data in financial statements, periodic financial reports and other reports disclosed to the shareholders.

ENEA S.A. 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 2014 there were no irregularities that could significantly affect the effectiveness of internal control as it relates to financial reporting.

One of the basic elements of control in the process of drawing up financial statements of ENEA S.A. and the ENEA Capital Group is 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.

The internal audit function, performed by the Control and Audit Office is an important element of the internal control system. The internal audit in ENEA S.A. is independent, and accountable to the Audit Committee acting as part of the Supervisory Board. The basic tasks of an internal audit include e.g. a review and evaluation of processes and the control mechanisms in ENEA Capital Group, and monitoring of and recommendations for improvements in the risk management system and corporate governance.

## Information on shares and shareholding

The detailed description of the structure of the share capital, shareholding structure, changes in its structure in 2014 and potential changes within its structure is to be found in Chapter 4. Shares and shareholding on page 46.

### Securities with special control authorisation

Until 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.

### Restrictions on exercising voting rights

As at 31 December 2014 there are no restrictions on exercising voting rights in the Company, other than those provided for in generally applicable provisions of law.

### Restrictions on transferability of 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.



## The procedure and basic powers of the General Meeting of Shareholders and a description of shareholders' rights and the procedure for exercising them

General Meetings of ENEA S.A. are held based on the Commercial Companies Code and ENEA S.A.'s Statute and the Rules of the General Meeting, including the principles resulting from "Best Practices of WSE Listed Companies" adopted by the Company for application.

Pursuant to the Statute of ENEA S.A. The Company's Board convenes General Meetings in cases specified in the legal regulations and the Statute, and also if it is request in writing by the key shareholder, i.e. the State Treasury which, 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 is obliged to submit such a request in writing no later than a month before the proposed date of such 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.

As provided for in § 29 item 3 of the Company's Statute, 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.

The duties of the General Meeting, in addition to matters stipulated in mandatory provisions of the law and other provisions of this Statutes, include in particular:

- 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
- adopting the Regulations of the General Meeting laying down the detailed principles for conducting meetings and adopting resolutions
- issuing convertible or exchangeable bonds and other instruments enabling the purchase or subscription of the Company's shares

The purchase and disposal of real property, perpetual usufruct or real property interest, i.e. activities as set out in Article 393 item 4 of the Commercial Companies Code, do not require the approval of the General Meeting.

### Right to participate in GM

Pursuant to Article 406<sup>1</sup> §1 of the Commercial Companies Code, persons who are shareholders of the Company sixteen days before the date of the General Meeting (the day of registration of participation in the General Meeting), have the right to participate in the General Meeting of the Company. Additionally, members of the Board and members of the Supervisory Board in the number enabling giving a factual answer to questions asked during GM, have the right to participate in General Meeting of ENEA S.A. with the right to vote.

### Right to participate in GM by a proxy

A shareholder may participate in the General Meeting of Shareholders of ENEA S.A. and exercise voting rights in person or by proxy.

### Shareholders' entitlements

A shareholder or shareholders of the Company who represent at least one twentieth of the share capital are entitled to request that specific items be placed on the agenda of the General Meeting of Shareholders of ENEA S.A. Such a request, containing a justification or draft resolution concerning a proposed item of the agenda, should be submitted to the Management Board of ENEA S.A. not later than 21 days before the date of the Meeting.

Before the date of the General Meeting of Shareholders of ENEA S.A., a shareholder or shareholders of the Company representing not less than one-twentieth of the share capital may submit draft resolutions regarding matters placed on the agenda of the General Meeting of Shareholders or matters to be placed on the agenda.

During the General Meeting of Shareholders, each shareholder may submit draft resolutions regarding matters placed on the agenda. These drafts should be submitted in Polish.

## Rules on amendments to the Company's Statute

Pursuant to the provisions of the Commercial Companies Code, amendment to the Company's Statute requires a resolution passed with the majority of votes and an entry in the register.

The Company's Statute contains no provisions that differ from the provisions of the Commercial Companies Code regulating the Statute amendment.

On 3 April 2014 the Company received a decision of the District Court for Poznań-Nowe Miasto and Wilda in Poznań, 8th Commercial Division of the National Court Register (Court) of 24 March 2014 regarding the registration of amendments to the Company's Statute made pursuant to the resolution of the Extraordinary General Meeting of Shareholders of the Company of 19 December 2013.

Amendment to the Statute mentioned above related to the registration of amendments to § 5, § 11 item 5(1), § 20 item 2(2), removal of § 20 item 2(8), removal of § 20 item 5, change of numbering in relation to the removal of § 20 item 5 – numbering of § 20 item 6 replaced with numbering of item 5, amending § 26 item 2, amending § 27 item 4(1), amending § 40 item 4 and adding item 7 to § 40 of the Company's Statute.

Information on the above mentioned amendments to the Company's Statute and their registration with the Court was published by the Issuer in current reports No. 37/2013 and 18/2014, respectively.

Additionally, the Company attached the uniform text of the Statute including the above mentioned amendments to the current report No. 18/2014.



## The Management Board of ENEA S.A.

### Personal composition

Pursuant to the Company's Statute, the Company's Management Board is composed of 3 to 8 persons, including the President of the Management Board. The number of Management Board members is determined by the Supervisory Board.

Currently, the Management Board of ENEA S.A. is composed of four people. The present Board operates in the 8th term. The present composition of the Management Board, as at the publication date of this report, i.e. 20 March 2015, is presented in Chapter 5. The Capital Group's authorities are described on page 52.

### Changes in the Management Board's composition

During the last financial year there were no changes in the composition of the Company's Management Board.

### Principles relating to appointing and recalling management personnel

Pursuant to the Company's Statute members of the Board or the whole Board are nominated and dismissed by the Supervisory Board, subject to a possibility of electing one member by the Company's employees complaint with the provisions of § 14 of the Company's Statute.

§ 14 of the Company's Statute provides that when 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.

On 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).

### Competences and powers of the Management Board

The Management Board transacts business of the Company and represents it. Entitlements, organisation and principles of operations of the Management Board are specified by the Commercial Companies Code, Company's Statute and the Rules of the Management Board. Any matters that exceed the scope of the Company's normal business require a resolution of the Management Board, in particular:

- adopting the Company's organisational regulations, subject to approval by the Supervisory Board
- creating and liquidating branches
- 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
- taking out loans or credit facilities
- adopting annual material and financial plans, including investment plans, and long-term strategic plans, subject to approval by the Supervisory Board
- contracting contingent obligations, including the Company granting guarantees and sureties and issuing promissory notes

- 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;
- giving over the Company's real property under a leasing, tenancy, lease, lending or usufruct agreement or for any other use
- 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
- 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
- any instance of offering fixed assets, except for real property, for leasing, lease, rent, borrowing, usufruct or any other use
- taking over a fixed asset, except for real property, under a leasing, tenancy, lease or 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
- matters that the Management Board requests that the Supervisory Board or General Meeting of Shareholders consider
- 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



### Management Board's principles of operation

The Management Board represents the Company in any court and out-of-court actions, transacts business of the Company and represents it.

The Management Board operates based on the provisions of the Commercial Companies Code, Company's Statute and Rules of

the Management Board of ENEA S.A. The Rules of the Management Board are adopted with a resolution of the Management Board and approved by the Supervisory Board. The Rules of the Management Board of ENEA S.A. in force in the Company were adopted with the resolution of the Board of 22 June 2010, as amended.

Two Management Board members acting jointly or one Management Board member and an authorised signatory acting jointly are authorised to make declarations of will on behalf of the Company.

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. Participation in meetings of the Management Board is compulsory. A Member of the Board substantiates their absence during the Board's meeting in writing or using means of remote communication. Absence during the Board meeting is substantiated by the meeting Chairman. Employees of the Company, experts and external advisers may be invited to attend Management Board meetings. The agenda and the necessary documents for a Management Board meeting are provided by the Company's Governing Bodies Office at least two business days before the meeting. 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.

Decisions of the Management Board associated with transaction the Company's business, as referred to in § 11 item 2 of the Statute, require a resolution of Management Board. The Management Board can adopt resolutions if at least half of its members are present at the meeting and all of the members have been correctly notified of the meeting. In the event of an equal number of votes in adopting a Management Board resolution, the casting vote is held by the President of the Management Board.

The Management Board can adopt resolutions in writing or remotely using means of direct remote 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 means of direct remote communication are presented at the next meeting of the Management Board with the outcome of the vote.

Full text of the Statute and the Rules of the Management Board of ENEA S.A. with the description of the operations of the Management Board is published on [www.enea.pl/en/](http://www.enea.pl/en/) under "Investor relations, -> "Corporate governance".



## The Supervisory Board of ENEA S.A.

### Personal composition

Pursuant to the Company's Statute, the Supervisory Board is composed of 6 to 15 members appointed by: (i) General Meeting, (ii) Company's employees and (iii) the State Treasury. 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 WSE.

Presently, the Supervisory Board of ENEA S.A. is composed of eight people and operates in the 8th term. The present composition of the Supervisory Board, as at the publication date of this report, i.e. 20 March 2015, is presented in Chapter 5. The authorities are described on page 52.

### Changes in the composition of the Supervisory Board

On 22 January 2014 a resignation from the position of a Member of the Supervisory Board of ENEA S.A. with immediate effect was submitted by Mr. Torbjörn Wahlborg.

### Operations

The Supervisory Board operates based on the provisions of the Commercial Companies Code, Company's Statute and Rules of the Supervisory Board of ENEA S.A. adopted with the resolution of the Supervisory Board of 15 December 2009, as amended.

The Supervisory Board supervises all the operations of the Company on an ongoing basis. Special duties of the Supervisory Board include the assessment of the Management Board's report on the Company's operations and financial statements for the previous financial year as regards their compliance with the accounts and documents, and with the current situation.

Additionally, the Supervisory Board's competences include the assessment of the Management Board's motions relating to the distribution of profit or coverage of a loss, and also presenting an annual written statement of such an assessment to the General Meeting.

The Supervisory Board convenes at least once every two months. Meetings of the Supervisory Board are convened by the Chairman or Vice-Chairman 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.

Participation in Supervisory Board meetings is obligatory for Board members. Supervisory Board members are required to justify their absence from a Meeting in writing. The Supervisory Board Member absence reconciliation requires a resolution of the Supervisory Board.

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 the Rules of the Supervisory Board meetings of the Supervisory Board may also be held with no formal convening.

Supervisory Board meetings are chaired by its Chairman, or, in his/her absence, by the Vice-Chairman or other Supervisory Board member appointed at the meeting. 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:

- open, proceed and close meetings of the Supervisory Board
- give and take back the floor to members of the Supervisory Board
- issue standing orders
- order a voting, supervise its proper progress and announce results
- settle order issues
- order breaks in meetings of the Supervisory Board
- issue instructions to a keeper of the minutes of the meeting of the Supervisory Board
- distribute written resolutions of the Supervisory Board
- undertake other actions necessary for an efficient operation 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 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

• on considering each business from the agenda, depending on its nature, the Chairman may set a time limit for its discussion by each speaker

- the Chairman shall have the right to instruct the speaker who diverges from the topic, exceeds permitted time limits, or makes prohibited utterances
- 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
- the Chairman shall decide on termination of the discussion

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 matters that are not included on the agenda will be included on the agenda of the next meeting.

The Supervisory Board can adopt resolutions if at least half of its members are present at the meeting and all of the members have been correctly notified of the meeting. The Supervisory Board shall adopt resolutions by an absolute majority of votes cast. In the event of an equal number of votes in adopting a Supervisory Board resolution, the casting vote is held by the Chairman of the Supervisory Board.

Subject to the cases described in the Commercial Companies Code 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. Resolutions adopted in writing or remotely using means of direct communication are presented at the next meeting of the Supervisory Board with the outcome of the voting. Supervisory Board members may participate in adopting resolutions by casting votes in writing through another Supervisory Board Member, subject to Article 388 § 2 and 4 of the Commercial Companies Code.

Full text of the Statute and the Rules of the Supervisory Board of ENEA S.A. with the description of the operations of the Supervisory Board is published on [www.enea.pl/en/](http://www.enea.pl/en/) under "Investor relations" -> "Corporate governance".

### Supervisory Board's Committees

Pursuant to the provisions of the Rules of the Supervisory Board, the following permanent committees operate within the Supervisory Board:

- The Audit Committee
- Nominations and Remuneration Committee

The 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. The Chairman of the Supervisory Board may be a member of the Board's Committees but may not act as the Chairman of the Audit Committee.

### Committees' personal composition

As at the date of preparation of this Report, i.e. 20 March 2015, the Audit Committee and Nominations and Remuneration Committee operate in the following composition:

Audit Committee	
Name	Position
Małgorzata Niezgoda	Chairman
Sławomir Brzeziński	Member
Wojciech Chmielewski	Member
Przemysław Łyczyński	Member
Jeremi Mordasewicz	Member

Nominations and Remuneration Committee	
Name	Position
Michał Kowalewski	Chairman
Sandra Malinowska	Member
Tadeusz Mikłosz	Member
Jeremi Mordasewicz	Member

### Audit Committee operations

The detailed description of the Audit Committee's competences is contained in the Act of 7 May 2009 on certified auditors and their self-governing body, entities authorised to audit financial statements and on the public supervision, and the Rules of the Supervisory Board of ENEA S.A.

Particular aspects of operations of the Audit Committee:

- the Chairman of the committee directs and supervises the committee's work, particularly the organisation and procedure of committee meetings. Committee resolutions are adopted at meetings or remotely using means of direct remote communication
- the chairman of the committee submits resolutions, motions and reports on matters on the Board's agenda to the Supervisory 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
- advising the Board regarding the internal policy and budget procedures adopted by the Company and inspecting them and advising on the Company's contacts with the certified auditor

### Nominations and Remuneration Committee operations

The Nominations and Remuneration Committee should be composed of at least one independent member in the meaning of the European Commission's recommendation, but in the case of nomination to the Board of more than one person fulfilling the above independence criteria, the committee should be composed of possibly the largest number of independent members.

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 description of the Nominations and Remuneration Committee's tasks was specified in the Rules of the Supervisory Board of ENEA S.A.

Particular aspects of operations of the Nominations and Remuneration Committee include:

- analysing Management Board's policy concerning the nomination, election and appointment of senior managerial personnel
- 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

- 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

### Operations of Committees in 2014

Audit Committee
The Audit Committee held 7 meetings and adopted 13 Resolutions regarding:
<ul style="list-style-type: none"> <li>• positive assessment of the Annual Audit Plan for 2015 for ENEA Group and Budget of the Audit Management Department for 2015</li> <li>• positive assessment of methods for auditing financial statements of the Company for the financial year 2013</li> <li>• acceptance and presentation to the Supervisory Board of <i>Report of the Audit Committee of the Supervisory Board of ENEA S.A. on operations in 2013 and Report of the Audit Committee of the Supervisory Board of ENEA S.A. on operations in H1 2014</i></li> <li>• approval of the recommendation for the Supervisory Board of ENEA S.A. regarding the selection of KPMG Audyt Sp. z o.o. as a certified auditor for ENEA S.A. for 2015-2017</li> <li>• positive assessment of the audit methods of the Condensed semi-annual non-consolidated financial statement for the period from 1 January to 31 March 2014 and Condensed semi-annual consolidated financial statements for the period from 1 January to 31 March 2014.</li> <li>• acceptance and submission of reports to the Supervisory Board of ENEA S.A. from performed audits.</li> </ul>

Nominations and Remuneration Committee
The Nominations and Remuneration Committee held 3 meetings and adopted 6 Resolutions. The subject matter of the meetings of the Committee was e.g. development of a recommendation for the Supervisory Board regarding:
<ul style="list-style-type: none"> <li>• approval of <i>ENEA S.A.'s Members of the Board KPI ratios for 2014</i> and conclusion of annexes to the Service Agreements - managerial contracts with Members of the Board of ENEA S.A.</li> <li>• confirmation of the realisation of <i>ENEA S.A.'s Members of the Board KPI ratios for 2013 financial year</i></li> </ul>

**Corporate social responsibility in 2014 was concentrated on the implementation of the below actions:**

**Implementation of "ENEA Capital Group's Code of Conduct"**

The pillar of "ENEA Capital Group's Code of Conduct" are corporate values determined in 2013. It is a set of principles whose observance the Group deems core in its operations. They specify e.g. which values should be followed by the Group in relation to customers, stakeholders and employees.

"ENEA Capital Group's Code of Conduct" was presented in October 2013. Representatives of all the Group companies participated in the works over the determination of corporate values and the final content of the Code.

In January 2014 all the Group's employees received the Code in a paper version. A communication campaign accompanied its introduction.

Each new employee is trained on the knowledge and practical use of ethical principles included in the Code.

At the same time, a tab was opened in the corporate Intranet and on the corporate website enea.pl devoted to the Code, offering e.g. an electronic version of the document for downloading.

**Energy knowledge competition "1 of 10 thousand" for ENEA Capital Group employees**

In June 2014 an Energy Knowledge Competition was conducted for ENEA Capital Group's employees "1 of 10 thousand". The questions covered the notions from within the labour law, occupational safety and hygiene, first aid, energy sector and the Group itself.

The competition contributes to the development of the safety culture, and also growth in the interest in technical and economic environment of the company. It constitutes a perfect educational tool both for regular employees, and for the managerial staff of each level. It is also a perfect supplementation of the mandatory trainings on occupational safety and hygiene and first aid.



**E-learning training cycle promoting attitudes compliant with "ENEA Capital Group's Code of Conduct"**

In June 2014 a cycle of e-learning trainings commenced available for all the Group's employees, promoting the conduct compliant with "ENEA Capital Group's Code of Conduct".

In the Intranet, under the Code-dedicated tab and on the Group's e-learning platform, five trainings were made available until the end of October 2014

In total, until December 2014, employees will be offered 7-training cycle. Each part will relate to another ethical rule included in the Code.

**Common election for two members of the Commission for ENEA Capital Group's Code of Conduct**

Pursuant to ENEA Capital Group's Code of Conduct, employees may report their doubts and questions to e.g. the three-person Commission for ENEA Capital Group's Code of Conduct, common for the whole Group, for clarification or verification.

To this end, in September 2014, a two-stage common election was organised for two members of the Commission in ENEA Capital Group. An electronic voting platform was used for the process to be transparent. In the main election, every employee could cast one vote, choosing from candidates selected on the pre-election stage.

The third member of the Commission and its chairman is the Director of the Control and Audit Office of ENEA S.A.





On-line publication of the third "2013 ENEA Capital Group Corporate Social Responsibility Report" according to the latest reporting guidelines - GRI - G4

At the end of October 2014 ENEA Capital Group published its third comprehensive sustainable development report (CSR report) covering the period of 1 January 2013 to 31 December 2013. It covered the achievements of 21 Group companies.

The CSR report for 2013 was prepared based on the latest GRI G4 guidelines of reporting - the fourth generation guidelines announced in May 2013 in Amsterdam.

Representatives of 19 ENEA Capital Group companies and external stakeholders participated in works over the report. This year's report is exceptional since our Stakeholders who assess ENEA speak in it. This speeches in a video format of both the Group's Employees and one of the key Customers of ENEA S.A. may be found on the dedicated, interactive website containing the report.

CSR report was for the second year in row published as an interactive website <http://raportcsr.enea.pl/en/en> - it is the only and very ecological form of the CSR report for 2013 which ENEA Group chose consciously.

The goal of reporting corporate social responsibility is increasing the transparency of communicating non-financial data (ESG) and their economic, social and environmental results. Our customers, business partners, social environment, employees and media more and more often expect that. It is also required by Global Compact international organisation, whose member is ENEA S.A.

Participation in the project - "ESG analysis of companies in Poland" within publication of non-financial data (ESG) by listed companies

"ESG analysis of companies in Poland" project organised by the Stock Exchange Issuers Association, GES and Crido Business Consulting, allows Polish issuers to check how they are assessed in the context of disclosing non-financial data (ESG). They relate to the environment protection, social responsibility and corporate governance. The analysis enables making comparisons to their industries.

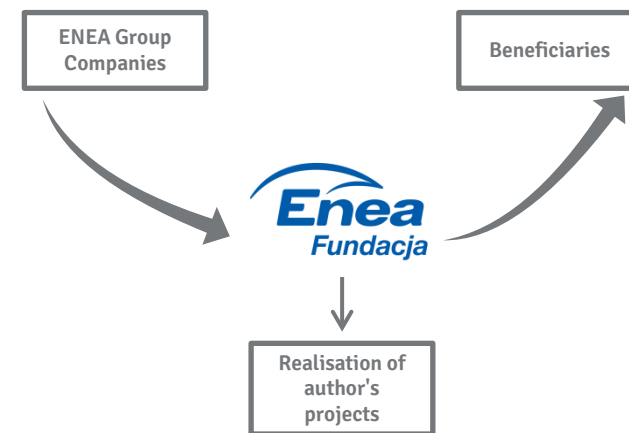
In 2014 ENEA S.A. took part in the project for the third time. Again, it received a honorary mention in the ranking for the high level and transparency of communicated non-financial data. ENEA was found among 3 best companies in its sector, in the category of a public utility company and among 30 listed companies with the highest transparency and clearness of communicating non-financial data within ESG reporting.

"ESG analysis of companies in Poland" covered all the companies listed on the Warsaw Stock Exchange (including NewConnect market).

**ENEA Foundation operations**

Development of children and youth, activation of the sports area and promotion of a healthy lifestyle are the key areas of ENEA Foundation's operations. Since 2014 the corporate foundation has been realising the policy of corporate social responsibility of ENEA Group, e.g. through:

- "Summer with energy", thanks to which children from disadvantaged families were offered summer vacations, and cooperation with partners ensured support for rehabilitation camps for disabled children
- project of promoting prophylactic medical examinations realised on the distribution area of ENEA, thanks to which several thousand people may use a free of charge access to cancer diagnostics
- support of entities conducting social utility operations is given as financial help, in-kind help, and assistance consisting in the commitment of volunteers of the Foundation in the realisation of beneficiaries' projects
- support of ENEA Group employees who found themselves in a life or health threatening situation



- ENEA Foundation is the only entity in the Group providing support for social purposes
- The Foundation operates based on funds obtained from the Group Companies
- Support is provided transparently - potential beneficiaries apply for support using an on-line form, and applications are considered by ENEA Foundation's Board



**Corporate volunteering - we teach, entertain, collect, order...**

From the very beginning of the programme functioning, i.e. from June 2011, ENEA Group's volunteers worked 5,800 hours socially for the account of over 9,400 beneficiaries.

They mainly realised competence volunteering, based on two educational programmes:

- "Power-not so scary"
- "First aid – pre-medical rescue"

As part of action volunteering the volunteers acted for various organisations and institutions. They were engaged in the promotion and popularisation of the corporate volunteering idea, e.g. through acting under "Volunteering President 2011" Coalition. This is the initiative concentrating business leaders around valuable values.

**As part of action volunteering ENEA Group volunteers took part in various types of undertakings, e.g.:**

**We are rebuilding the house**

Volunteers helped a family with a seriously ill child to reconstruct the house which was damaged by the Xavery hurricane. Along with the charges of the Detention Centre in Poznań they cleaned up the site and prepared the building for further repair works e.g. for the performance of the electrical installation by ENEA Operator employees.

**Sensitivity day**

Actions of volunteers and non-government organisations supported the fund raising for the completion of the extension of Palium Hospice in Poznań. ENEA Capital Group's volunteers performed demonstrations from within the pre-medical rescue.

**Presidents play truant**

The Presidents of the four largest ENEA Group Companies proved within the action that notwithstanding the title or performed work, it is always worth sharing not only own time, but also experience and knowledge. They e.g. conducted untypical classes for children connected with electricity. They taught how to use electrical devices safely and how to save energy.

**Collection of clothes for the Single Mother House**

Within the programme titled "Small Volunteering" young volunteers collected tonnes of clothes, toys, foodstuff and beauty supplies. The products were segregated, packed and delivered by ENEA's volunteers to the Single Mother House in Poznań. Additionally, some gifts were sent to victims of an act of God in the Balkans.



**In 2014 ENEA Group volunteers worked socially 1,850 hours for the account of almost 20,000 beneficiaries**



**Scientific Picnic**

During the Picnic volunteers of ENEA Capital Group explained, on simple examples, to children and adults the rules of generating power and safe dealing with electricity. The education was through playing.

**Child's Day in the gardens of the Chancellery of the Prime Minister of the Council of Ministers**

ENEA's volunteers were animators of play games for children, explained the principles of power generation and safe dealing with energy. The education was through workshops, competitions and quizzes.

**Reconstruction of Palium Hospice**

Just before the ceremony of opening the new part of Palium Hospice in Poznań, volunteers of ENEA Group cleaned the garden which was damaged during the object reconstruction.

**They ran, so that other people could stand**

ENEA Group volunteers appeared at a start line of the 2nd Charity Business Run 2014. The goal was to collect money for the acquisition of prostheses for two disabled citizens of Poznań.



### Great Integration Gala

Already for the fourth time, ENEA volunteers helped during the Great Integration Gala which in 2014 was the summing up of the recent 20 years of activities for the account of disabled people in Poland. The event gathered almost 2.5 thou. viewers. The honorary guest was Bronisław Komorowski, the President of the Republic of Poland.

### Pillow for a baby

The action took place within the 13th Fair Meetings - Books for children and youth. It consisted in embroidering of pillows for small patients of hospitals and hospices. The action was joined by pupils of primary schools, and also the Vice-Governor of Wielkopolska Province and Anna Komorowska, the First Lady of the Republic of Poland, who visited the work station of ENEA's volunteers.

Before Christmas, the action was repeated. Palium Hospice's volunteers in Poznań, and seniors, helped here. All that to deliver pillows for babies staying in hospices and bring a smile to their faces before Christmas.

### Santa Clause's helpers

Before Christmas, Santa Clause's helpers from ENEA Group fulfilled many dreams.

They joined "Noble Box" project for another time, gathering gifts for families from Poznań and Gorzów Wielkopolski. They also prepared gifts for children from poor families, children in care of many foundations and associations.

Additionally, during the Christmas meeting they decorated gingerbread for Palium Hospice children in care in Poznań to "sweeten" the Christmas time for them.



## Honorary mentions for ENEA Group in 2014

### We adjust to the needs of our Customers

ENEA received a badge of "Customer-friendly Company" for the highest quality of Customer relations. The certification programme organised by Obserwatorium Zarządzania Foundation, efficiently verifies Customer satisfaction and the level and quality of Customer service. The badge is awarded based on independent research performed among the Customers of the company. The research covered 4 areas: Customer satisfaction, satisfaction from cooperation, service quality and probability of recommendation.

### ENEA among 30 listed companies best reporting non-financial data

ENEA was among the top three best companies of its sector from the category of a public utility company in "ESG data analysis in Poland" project organised by the Stock Exchange Issuers Association. The Company was also mentioned among 30 listed companies with the highest level of transparency and clearness of communicating non-financial data: environment, social and corporate governance information.

### Report on operations of ENEA Group awarded for the best presentation of financial results in "The Best Annual Report 2013" competition

The award is given each year for the best reporting companies listed on the Warsaw Stock Exchange. The competition is organised by the Accounting and Tax Institute, and the Warsaw Stock Exchange is a strategic partner.

### ENEA Group took 26th place in the ranking of 100 largest companies in Poland of Forbes magazine

The ranking is developed each year based on the category of income.

### Krzysztof Zamasz "Man of the Year" 2013

The President of the Board of ENEA S.A. was the winner of the prestigious competition of "Leaders of the World of Energy", in the "Man of the Year" category. Krzysztof Zamasz gained the recognition of the Jury for his contribution in the development of the Polish energy sector, transformation of ENEA Capital Group and generating its new DNA (giving new organisational and functional shape, which is market and customer-oriented).

## Financial ratios

Below please find a glossary of terms and a list of acronyms used in this Report of the Management Board on the Operations of ENEA S.A.

Ratio		Item
EBITDA	=	Operating profit (loss) + amortisation and depreciation
Return on equity (ROE)	=	$\frac{\text{Net profit (loss) for the reporting period}}{\text{Equity}}$
Return on assets (ROA)	=	$\frac{\text{Net profit (loss) for the reporting period}}{\text{Total assets}}$
Net profitability	=	$\frac{\text{Net profit (loss) for the reporting period}}{\text{Net sales revenue}}$
Operating profitability	=	$\frac{\text{Operating profit (loss)}}{\text{Net sales revenue}}$
EBITDA	=	$\frac{\text{EBITDA}}{\text{Net sales revenue}}$
Current liquidity ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Equity-to-fixed assets ratio	=	$\frac{\text{Equity}}{\text{Fixed assets}}$
Total debt ratio	=	$\frac{\text{Total liabilities}}{\text{Total assets}}$
Net debt / EBITDA	=	$\frac{\text{interest-bearing liabilities - cash and cash equivalents}}{\text{EBITDA}}$
Current receivables turnover in days	=	$\frac{\text{Average trade and other receivables} \times \text{number of days}}{\text{Net sales revenue}}$
Turnover of trade and other payables in days	=	$\frac{\text{Average trade and other liabilities} \times \text{number of days}}{\text{Cost of products, goods and materials sold}}$
Inventory turnover in days	=	$\frac{\text{Average inventory} \times \text{number of days}}{\text{Cost of products, goods and materials sold}}$
Cost of products, goods and materials sold	=	Use of materials and value of goods sold; Purchases of energy for resale; Transmission services; other outsourced services; taxes and charges; excise tax

## Sectoral terms/abbreviations

Abbreviation/term	Full name/explanation
CAPEX	Capital expenditures
CO <sub>2</sub>	Carbon dioxide
CER	Certified Emission Reduction
EUA	EU Emission Allowance - allowances for emissions within the European Emissions Trading System
GUD-K (GDA-C)	General Distribution Agreement for the comprehensive service (comprehensive service for household consumers rendered by various sellers)
ICE	Trading platform enabling trade in allowances for emissions of CO <sub>2</sub> (EUA) and units of certified reduction of emissions (CER) on futures market
Cogeneration	A technological process of a combined generation of electricity and usable heat energy in combined heat and power plants
MWe	Megawatt of electrical power
MWh	Megawatthour (1 GWh = 1,000 MWh)
MWt	Megawatt of heating power
NO <sub>x</sub>	Nitric oxides
OSD (ODN)	Operator of Distribution Network
RES	Energy renewable sources
Forward market	Electricity market on which forward products are listed

Abbreviation/term	Full name/explanation
SPOT market	Cash market (spot)
Balancing market	Technical market by an Operator of the transmission system Its objective is balancing, in real time, the demand for electricity with its production in the public power system (PPS, Polish "KSE")
TGE (PPE)	Towarowa Giełda Energii (Polish Power Exchange)
TPA	Third-party access - a rule stating that an owner or operator makes the grid infrastructure available to third parties in order to deliver the goods/services to third party's customers (it may relate to the transmission or sale of electricity, telecom services, or railway services)
Energy Law	The Act of 10 April 1997 - Energy Law (Journal of Laws 1997 No. 54 item 348, as amended)
WIBOR	Warsaw Interbank Offered Rate - interest rate for loans on the Polish interbank market
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

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