

ENEA CG builds its position through the implementation of area strategies

Q1 2014

Krzysztof Zamasz

President of the Board

Grzegorz Kinelski

Vice-President of the Board for Commercial Affairs

Dalida Gepfert

Vice-President of the Board for Financial Affairs

Paweł Orłof

Vice-President of the Board for Corporate Affairs



Agenda

Energy market and key operating data

ENEA CG's results in Q1 2014

Area strategies

New power unit in Kozenice

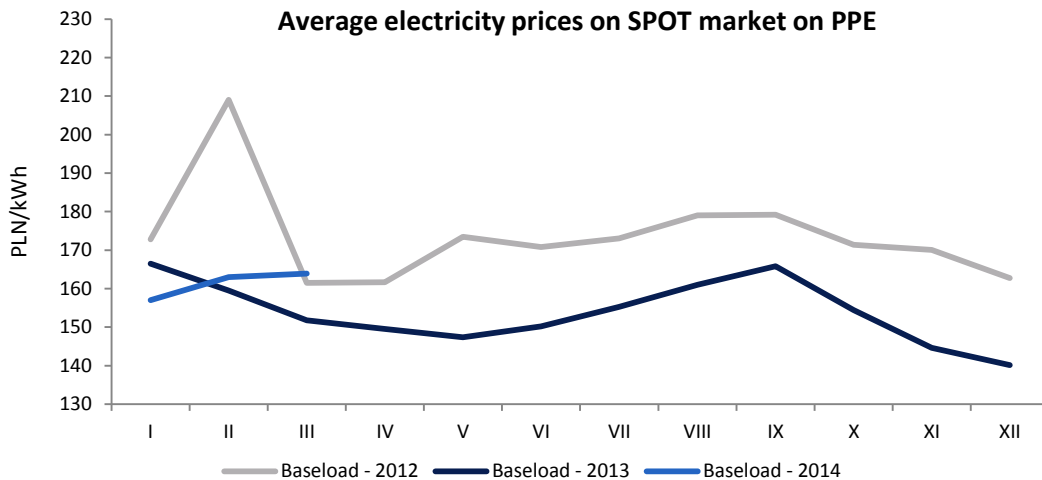
Grzegorz Kinelski

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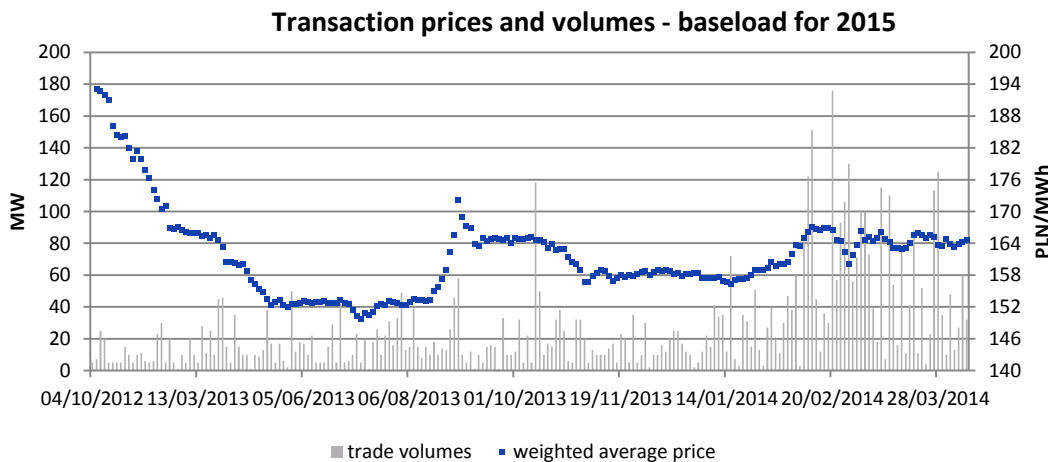
**Volatile market and regulatory environment
affected the situation on the energy market**



Energy prices were affected by power deficiency and growths on the CO₂ market



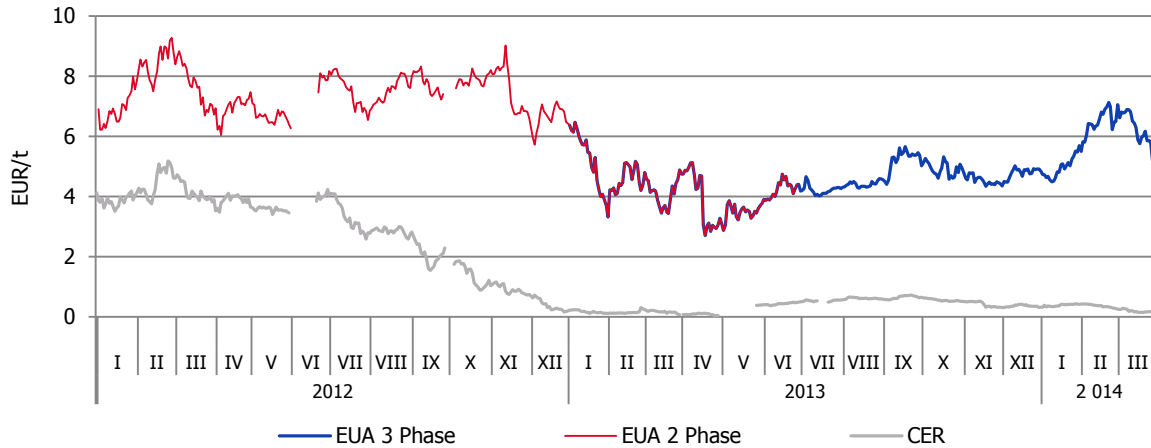
- Higher average price of baseload yoy by 1.3%
- SPOT market was under the influence of higher prices of allowances for emissions of CO₂ and a high, taking into account the weather conditions, demand in the Public Power System.
- A greater number of failures was noted and unplanned deficiencies in the generating capacity, which strengthened higher price levels on SPOT market



- From the beginning of the year energy prices on the futures market increased slightly (impact of allowances for emissions of CO₂)
- The prices strengthened almost till the end of February 2014

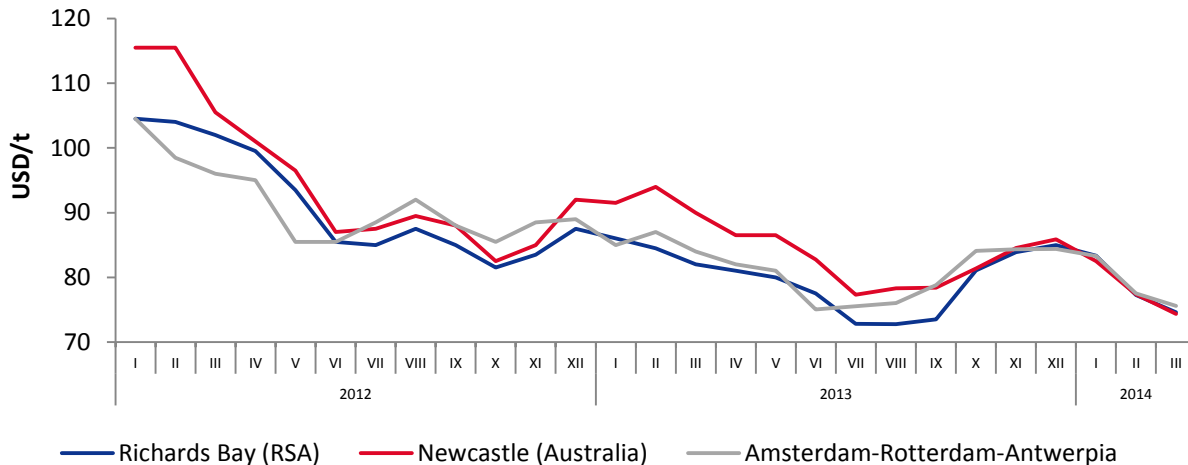
From the beginning of 2014 coal prices are in the downward trend

EUA and CER quotations - closing prices on SPOT market



- The market of allowances for emissions of CO₂ was strongly dependant on political decision made in the European Union
- Despite backloading still a great surplus of EUA in EU ETS
- Price drops in March resulted mainly from the allocation of free allowances

Monthly indices of coal prices (globalCOAL)



- Low prices of coal on external markets
- Decrease in coal prices in Q1 2014 to almost the lowest values in the presented time slot (comparable to prices from June to August 2013)

Higher energy production in ENEA CG

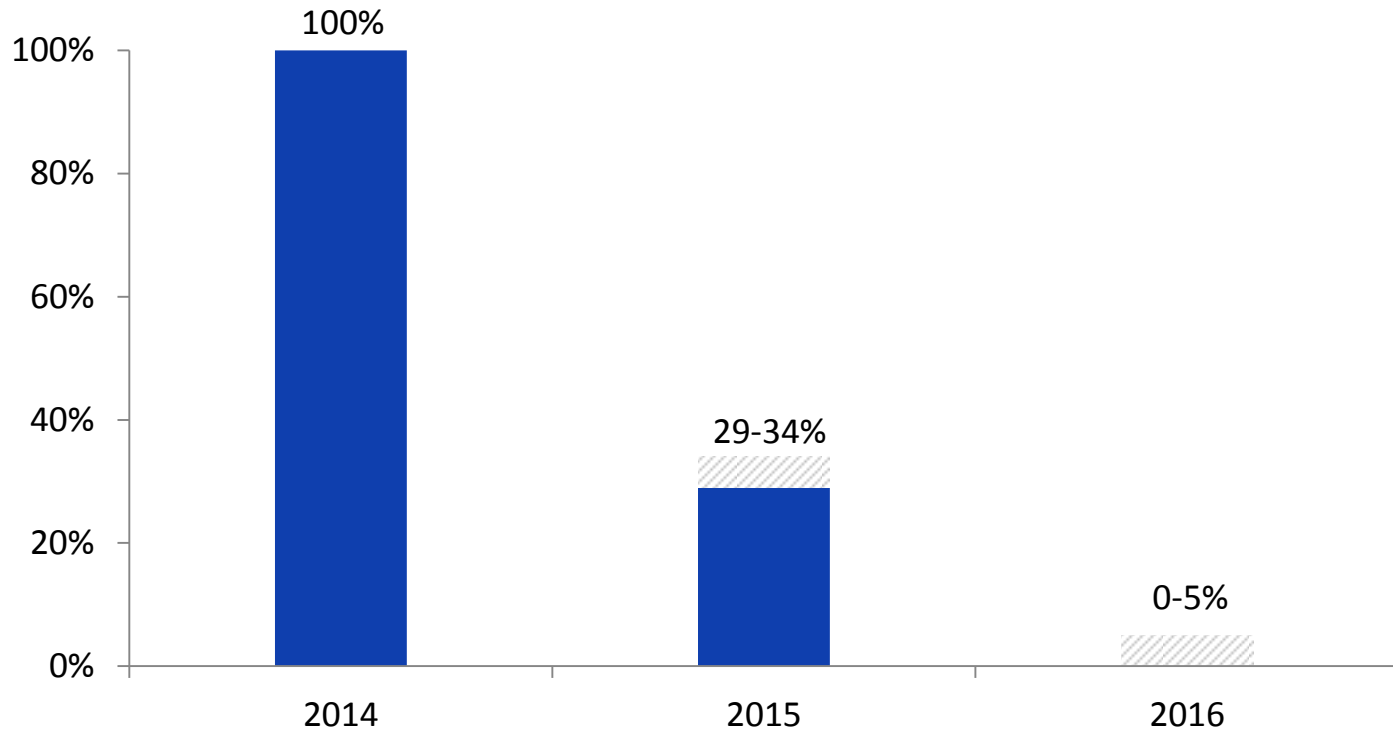
[GWh]	Q1 2013	Q1 2014	Change	
Total generation of energy, including:	3 039.2	3 141.7	3.4%	✓
Conventional generation	2 802.5	2 866.0	2.3%	✓
Generation from RES	236.7	275.7	16.5%	✓



ENEA CG in Q1 2014 increased energy production both from conventional sources and RES

Ca. 1/3 volumes on generation for 2015 is contracted

% of hedged electricity



	2014	2015	2016
Hedging prices	155 - 165 PLN/MWh	160 - 170 PLN/MWh	165-175 PLN/MWh

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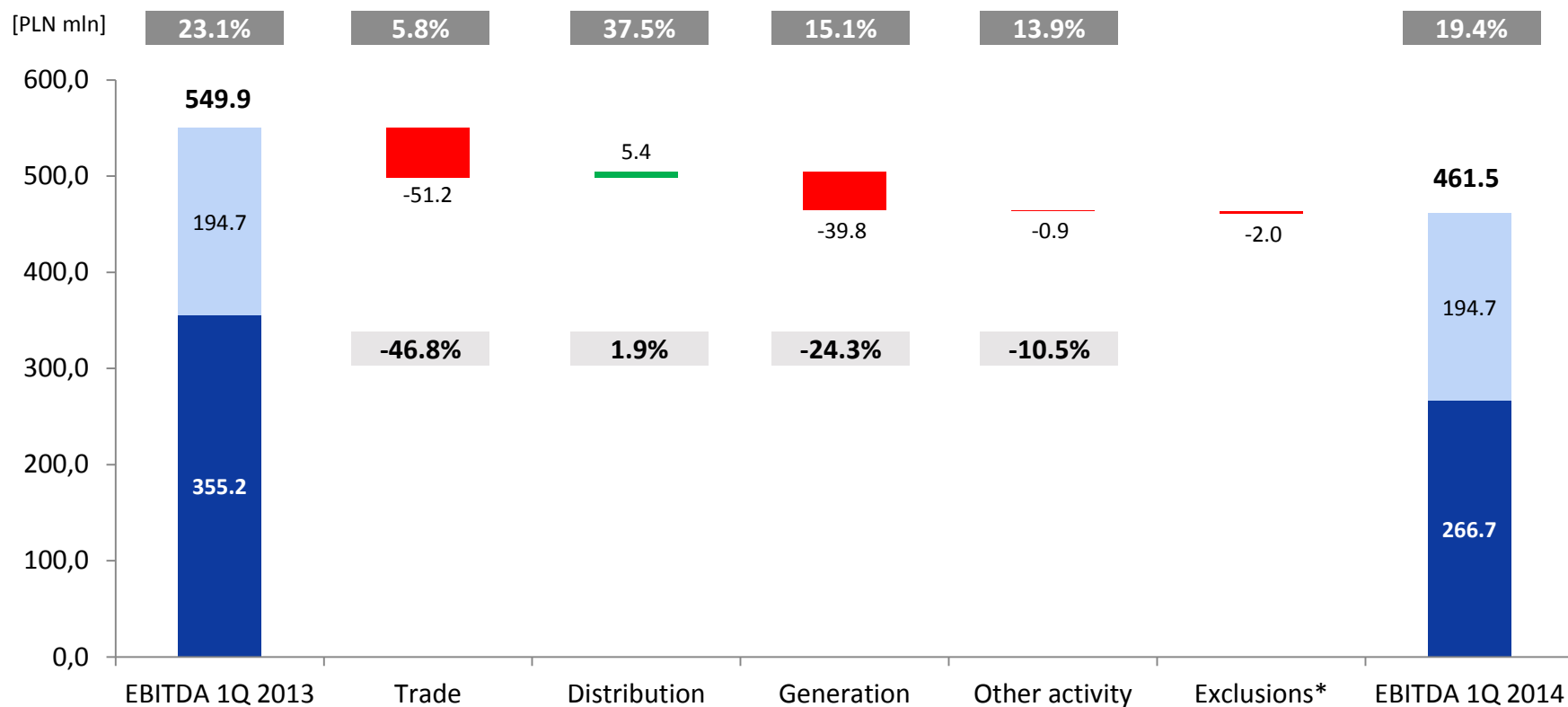
**ENEA CG's results are compliant
with market expectations**



The results were negatively affected by: a drop in the average selling price to end users and lower prices of energy on the wholesale market

[PLN mln]	Q1 2013	Q1 2014	Change
Net sales revenues	2 380.3	2 373.7	-0.3%
EBITDA	549.9	461.5	-16.1%
Net profit	296.8	209.3	-29.5%
Net debt/EBITDA	-0.8	-0.4	-

EBITDA in Q1 2014 was under the pressure of lower energy prices and a high base of application of Q1 2013 to the segment of trade



- EBIT
- Growth in segment
- Change in segment yoy [%]
- Amortisation/ depreciation
- Drop in segment
- EBITDA margin [%]

* Includes undistributed expenses of the whole Group and exclusions

EBITDA in Q1 2014 was under the pressure of lower energy prices and a high base of application of Q1 2013 to the segment of trade

[PLN mln]	Q1 2013	Q1 2014	Change
Trade	109.6	58.3	-46.8%

Segment of trade

Lower EBITDA by PLN 51.2 mln (-46.8%)

- lower average purchase price of energy by 12% ✓
- higher sale volumes by 544 GWh ✓
- lower average selling price by 16.8%

[PLN mln]	Q1 2013	Q1 2014	Change
Distribution	287.2	292.6	1.9%

Segment of distribution

Higher EBITDA by PLN 5.4 mln (1.9%) ✓

- lower average purchase price of electricity for covering book-tax difference by 27% and lower purchase volumes by 24.7 GWh ✓

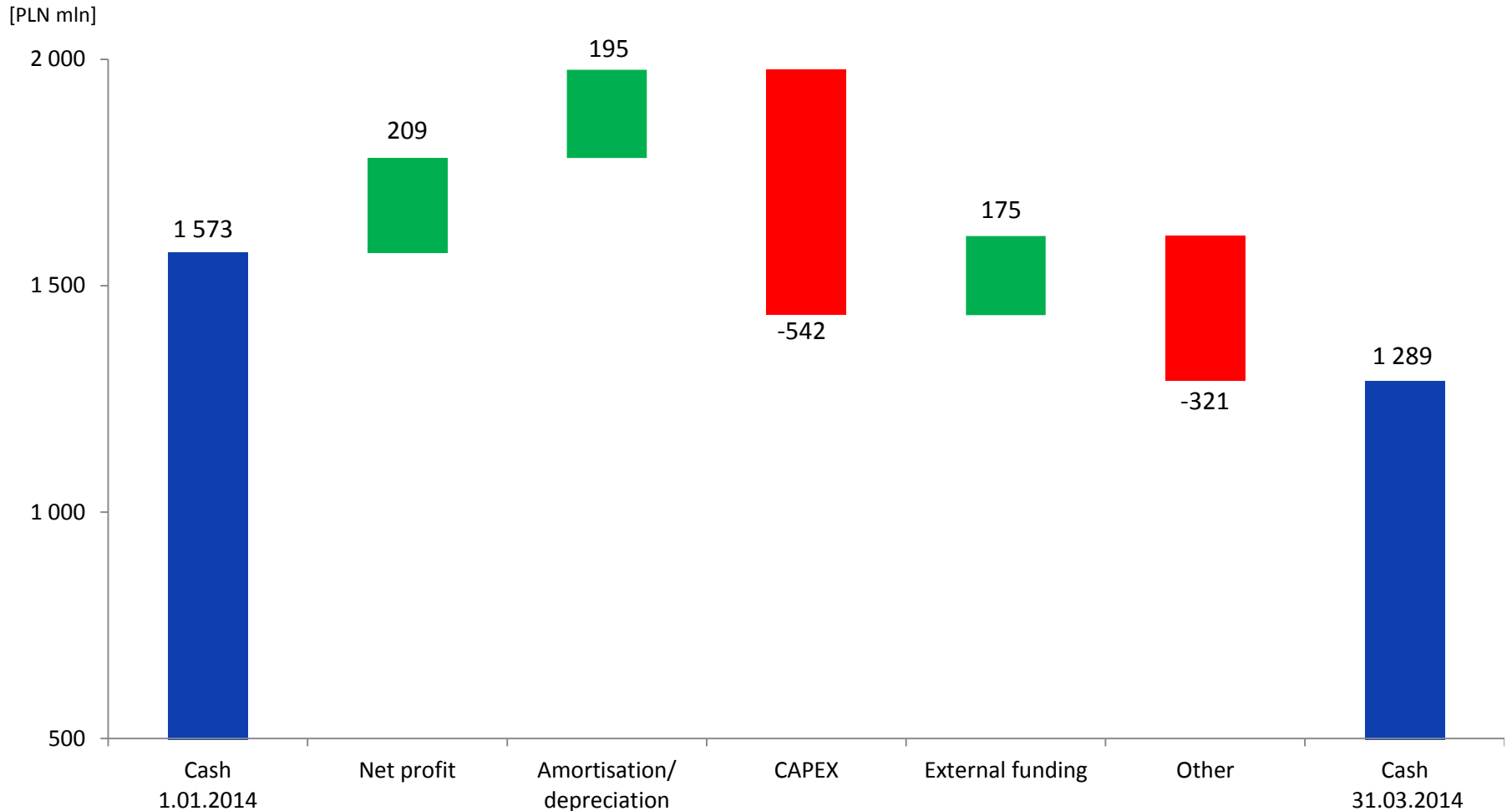
[PLN mln]	Q1 2013	Q1 2014	Change
Generation	163.4	123.7	-24.3%

Segment of generation

Lower EBITDA by PLN 39.8 mln (-24.3%)

- lower margin on generation of conventional electricity - Segment of System Power Plants

The Group's financial standing is stable, supported with a significant amount of cash



ENEA CG adjusts to the demanding situation on the energy market



The generated financial results are compliant with market expectations



Consistently implemented CAPEX programme:
PLN 542 mln capital expenditures with a favourable value
of net debt/EBITDA ratio -0.4



Higher strength of the Group as a result of widening
of the Corporate Strategy with area strategies

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President of the Board

**The implementation of area strategies
has a direct impact on the growth
in the value of ENEA CG**



The Group's organisation DNA is the key to an efficient management

New
organisational
and functional
shape
of ENEA CG
oriented on
market and
Customer

The approval of the new corporate governance and ENEA Capital Group management plan will allow for:

development of a homogeneous economic body in which the key role is played by ENEA S.A.

introduction of a statutory management mechanism of the Group Companies

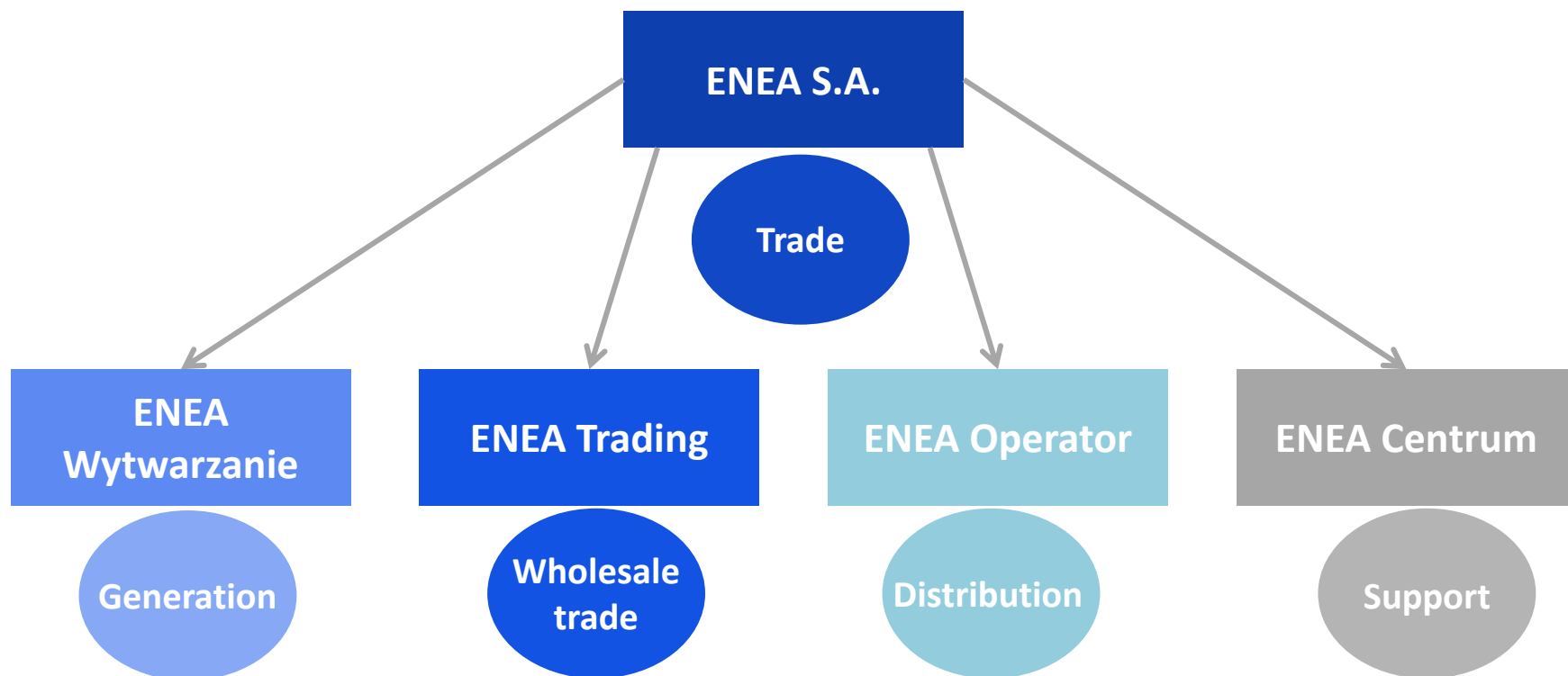
shortening of the decision-making process

shortening of the paths of communication between the parent company and daughter companies

shortening of times of preparation of financial statements and executive information



Compliant with the Corporate Strategy for 2014-2020, ENEA CG is five basic areas of operations



Distribution: The area strategy will ensure safety, quality, reliability and cost efficiency



Implementation of a programme for better reliability and reduction in the failure rates of the network



Intelligent network development programme



Book-tax difference reduction programme



Better efficiency of the process of connecting Customers to the network



Development and implementation of the fixed cost programme



Effective operation within operation and development of the network



Development and unification of IT tools supporting the network management



**CAPEX 2014-2020
PLN 5.9 bn**

Generation: Efficient generating portfolio will guarantee energy supply reliability



▶ CAPEX 2014-2020

PLN 13.6 bn:

Conventional sources: PLN 5.9 bn

RES: PLN 4.5 bn

Cogeneration sources: PLN 3.2 bn



Construction of the power unit No. 11



Development of renewable energy sources (RES)



Development of cogeneration sources



Higher sales of network heat



Realisation of environmental investments

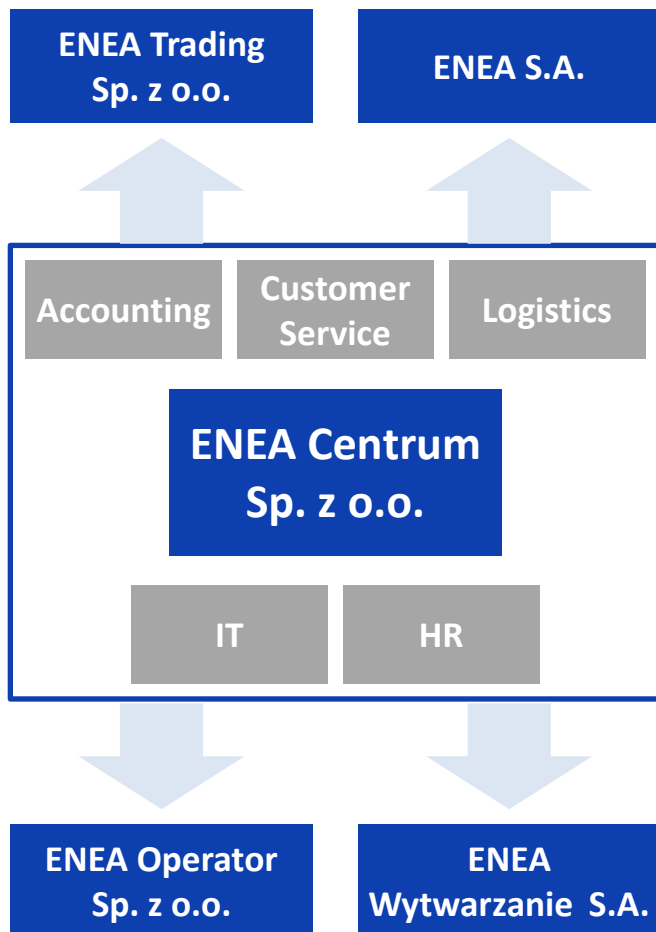


Realisation of modernisation projects



Implementation of initiatives relating to better efficiency

SSC: ENEA Centrum is a Shared Service Centre rendering support services for ENEA CG Companies



SSC projects: SSC IT, SSC Accounting and Remuneration, SSC Common Customer Service, SSC HR, SSC Logistics, SSC Legal



Reimplementation and development of SAP, upgrade IFS



Development of the billing and CRM



Decentralised IT infrastructure



Development of the Call Center platform



Mass Correspondence Centre for ENEA CG



Common Internet service for the Group

Wholesale trade: In ENEA CG we concentrate the competences and commercial authorisations in one place

The superior goal of ENEA Trading is the first contribution margin management in the whole value chain of ENEA CG



Development of operations within trade in gas



Development of operations within origination type products



Development of trade operations on conterminous markets



Strengthening of the leader position on the trading market



Commencement of trading operations within ICE



Fuel area integration



Optimisation of fixed costs



Integration and development of trading systems

Sales: Our goal is a growth in the share in the electricity market



Growth in margin



Sales on the area of the whole Poland



Attractive offer of products and services



Integrated sponsoring and marketing activities



Activity within origination type products



New operating model of Customer service

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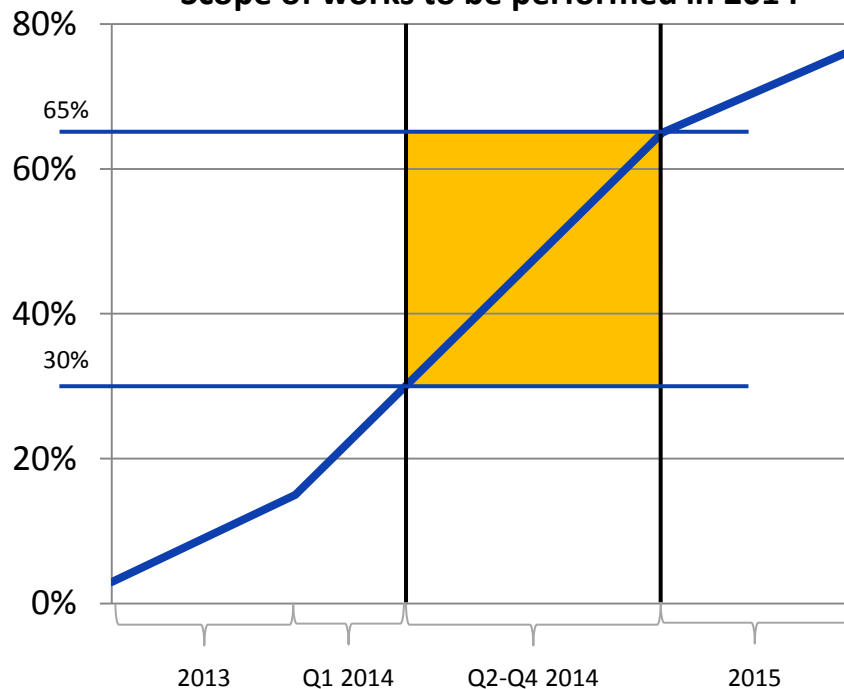
Vice-President of the Board for Corporate Affairs

2014 is a key year as regards the implementation of the project of the construction of a new unit



All the tasks planned for realisation for Q1 2014 were precisely performed

Scope of works to be performed in 2014



Construction of the unit No. 11 is on the schedule,



The main concreting and foundation works were realised,



Construction of the cooling tower is on the schedule, all the concrete structures are already ready



The progress at the end of Q1 2014 is ca. 30%.



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the implementation of area strategies

Q1 2014

gielada@enea.pl



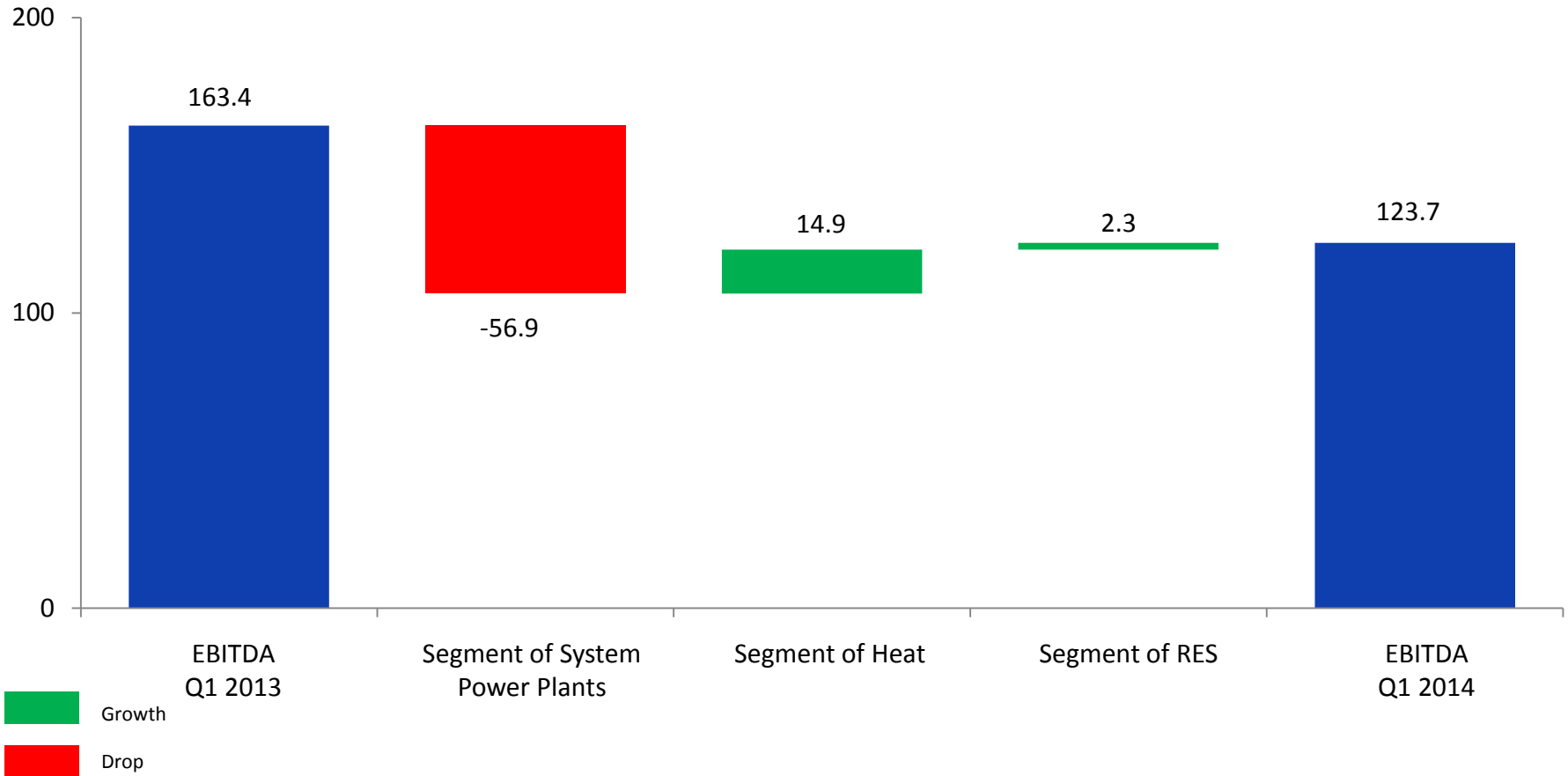
Additional information



Attachment No. 1 – A drop in the segment of generation results from a lower margin on energy generation in the segment of System Power Plants

[PLN mln]

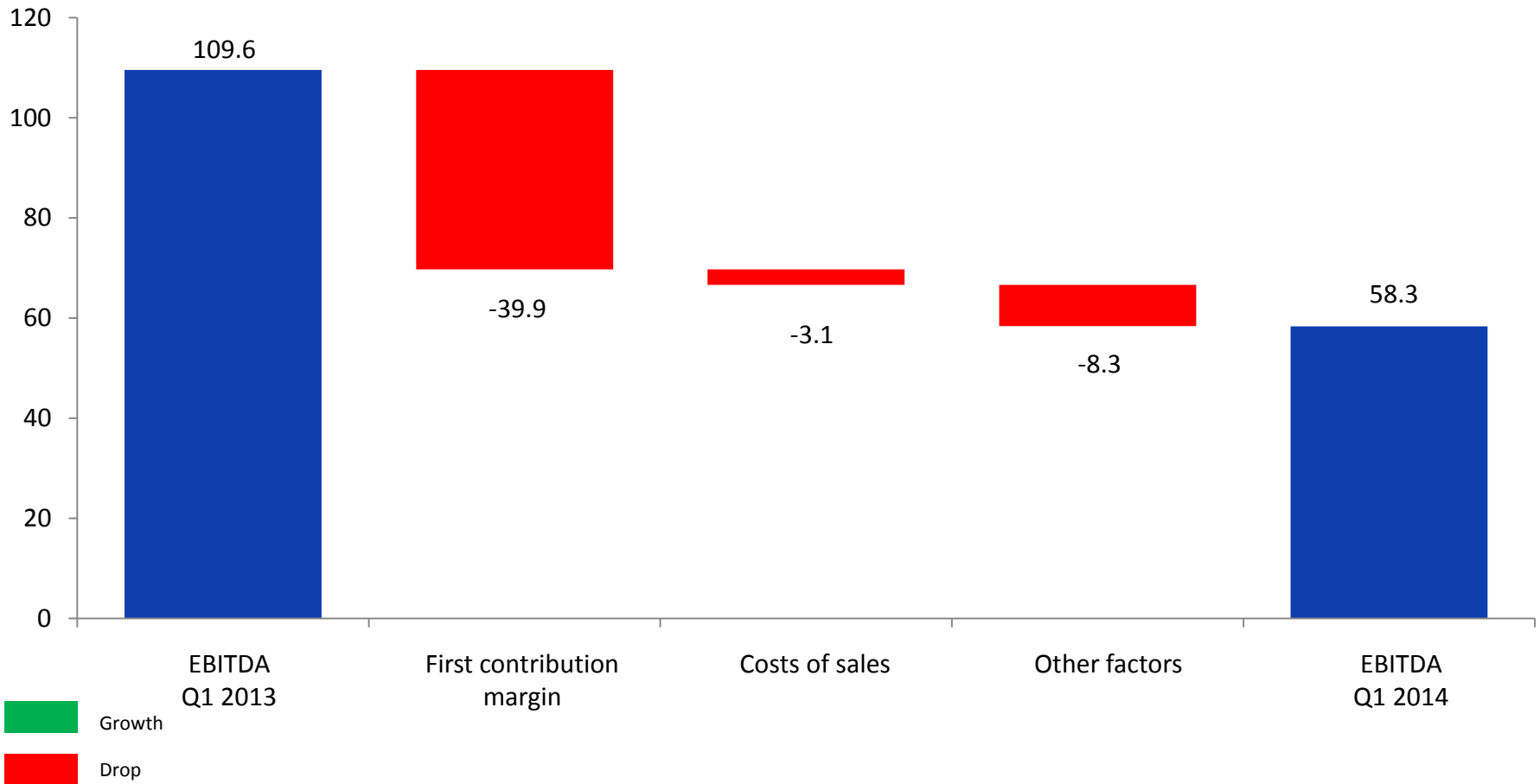
Generation – EBITDA Q1 2014 bridge



Attachment No. 2 – Lower first contribution margin charged the result of the segment of trade in Q1 2014

[PLN mln]

Trade – EBITDA Q1 2014 bridge



Attachment No. 3 – In the segment of distribution a lower average price and lower volumes of energy purchases for the coverage of the book-tax difference covered the increase in provisions for employee benefits

[PLN mln]

Distribution – EBITDA Q1 2014 bridge

