



12,5% share
in the sales of
electricity in Poland



2,45 mln Customers



Report of the Management Board on the operations of the ENEA Capital Group for H1 2014

Date of approval: 5 August 2014



20% coverage
of Poland - ENEA
Operator's
distribution network



199 MW power
installed in RES



Ca. **8%** energy
generated in Poland
comes from our
power plants



3,2 GW installed
capacity



Enea

Poznań, 27 August 2014

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Operating Summary

In H1 2014 ENEA Capital Group generated:

- PLN 4,840 mln net sales revenues (growth by 5.3% yoy),
- PLN 1,103 mln EBITDA (growth by 17.7% yoy),
- PLN 625 mln net profit (growth by 37.4% yoy).

The Group's results in H1 2014 were positively affected by the recognition of the revenue from compensation for recovery of stranded costs, which added to the EBITDA with the amount of PLN 258 mln. A lower price of coal with transport contributed to a reduction in costs of materials and value of goods sold. Results were also supported with a higher volume of purchased energy with a lower average purchase price by 12.5%.

Analysing only Q2 2014 the Group generated:

- PLN 2,466 mln net sales revenues (growth by 11.3% yoy),
- PLN 642 mln EBITDA (growth by 65.6% yoy),
- PLN 416 mln net profit (growth by 163.1% yoy).

In H1 2014 the highest EBITDA was reported in the segment of distribution and amounted to PLN 606 mln (growth by 13.7% yoy). The highest growth in EBITDA was noticed in the segment of generation, whose EBITDA result in the reporting period after a growth by 57.6% amounted to PLN 440 mln. The segment of trade realised EBITDA result on the level of PLN 82 mln.



Results in H1 2014 were supported with e.g.:

recognition of revenues from the compensation for recovery of stranded costs

lower costs of consumption and value of sold goods

lower average purchase price of electricity

higher volumes of sales of electricity by 1,200 GWh

The results were negatively affected by:

lower margin on generation of electricity in ENEA Wytwarzanie - Segment of SystemPower Plants

lower average selling price of electricity

lower tariffs for households

introduction of yellow and red obligations

Despite the implementation in H1 2014 of an intensive investment programme (higher CAPEX by 23.4% yoy), the net debt/EBITDA ratio was on a favourable level of -0.2.

In January-June 2014 ENEA CG generated 6,114 GWh electricity, i.e. by 2.3% more than in the same period in the previous year. Generation of energy from RES grew at that time by 20.2%. The sales of conventional electricity grew by 920 GWh, and sales of electricity from RES increased by 89 GWh yoy. In H1 2014 the Group sold 7.8 TWh electricity to end users, i.e. by 1,174 GWh more than in the previous year.

Comment of the Management Board

Dear Sirs and Madams,

In recent times several significant events have occurred in ENEA CG which I would like to emphasise to you.

In April an annual General Meeting of Shareholders of ENEA S.A. was held, during which the Shareholders adopted a resolution on the amount of dividend from the profit generated in 2013. Pursuant to it, on 12 August the Company distributed PLN 0.57 dividend per share to investors.

Again, also the strong financial position of ENEA CG was confirmed. On 30 April Fitch Ratings agency upheld our long-term ratings in national and foreign currency on the level of "BBB" and a long-term national rating on the level of "A(pol)". In the opinion of analysts the outlook of the ratings is stable.

In Q2 we obtained financing for the implementation of key, as for the Group's development, projects.

On 15 May a programme agreement was signed with Bank Gospodarstwa Krajowego relating to the long-term bond issue valued PLN 1 bln, and on 30 June we and four banks: PKO BP, ING Bank Śląski, Pekao S.A. and mBank concluded an agreement relating to a bond issue programme up to the maximum amount of PLN 5 bln. The obtained funds will be designated for the implementation of the investment programme described in the strategy for 2014-2020 and for the financing of the current operations of ENEA CG. The realisation of our key investment is on the schedule - namely, a modern unit with the capacity of 1,075 MW gross, which is being developed on the area of the power plant in Kozienice.

At the end of Q2 the progress of works was ca. 35%. In June the first of four boiler columns was mounted. Presently, we are finalising the works connected with the assembly of the whole core load bearing structure of the boiler.

At the end of May ENEA Wytwarzanie concluded an agreement of subscription for 85% shares in Miejskie Przedsiębiorstwo Energetyki Ciepłej w Białymstoku. The transaction finalisation is to be still approved by the Office of Competition and Consumer Protection. The purchase of shares of MPEC Sp. z o.o. will allow for the optimisation of heat production and will strengthen the position of ENEA CG on the local market. We estimate that due to the effects of synergy we will produce in the Białystok power plant by 20-25% more energy and heat, and we will also achieve by ca. one fourth more red certificates. We participate as well in other acquisition processes within RES and cogeneration.

In the analysed period in ENEA CG we adopted strategies relating to five most important areas: generation, distribution, sales, trading and shared services. They constitute the details of the corporate strategy adopted in October 2013 for 2014-2020. They were developed by internal teams of ENEA CG, which know the energy business from scratch. The most important tasks of the segment of sales include e.g. maintaining existing Customers, gaining new and guaranteeing an appropriate level of margin. We are finalising the process of introduction to the market of the offer of the so called dual fuel, which is joined sales of electricity and gas. ENEA Trading took over the competences connected with the portfolio risk management, purchase of fuels and internal purchases. The area of generation on the other hand focuses on the cost optimisation of electricity production and securing generating capacities. The segment of distribution's challenges include preparation of the Group to introduce the quality tariff. The operations will be directed at improving SAIDI and SAIFI indices and "smart grid" development. However, the Shared Service Centre focuses on the supporting activity for the whole Group within the customer service, accounting and payroll, teleinformation, and finally also logistics and HR services.

In June we and ENERGA, PGE Polska Grupa Energetyczna and TAURON Polska Energia signed the letter of intent relating to the cooperation in research and development projects. The key goal of the cooperation is to be searching for technological solutions corresponding to the challenges faced by the Polish energy sector.

For the whole time we are working on enhancing ENEA Group's efficiency so that it could optimally use its potential and flexibly adjust to the demanding situation on the energy market.

Sincerely,



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

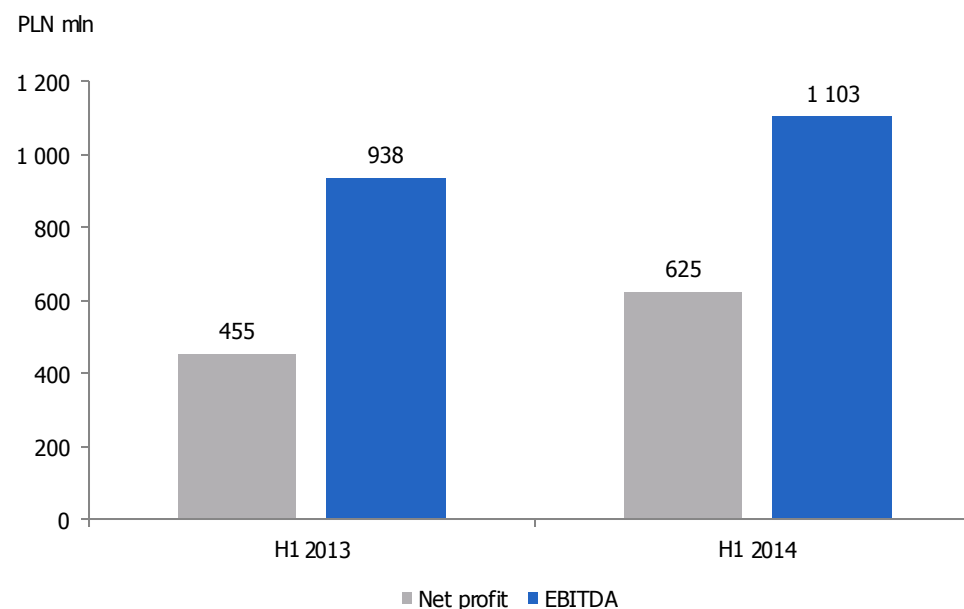


Selected consolidated financial data of ENEA Capital Group

[PLN '000]	H1 2013	H1 2014	Change	Change %
Net sales revenues	4 595 625	4 840 195	244 570	5.3%
Profit / (loss) from operations	551 673	758 918	207 245	37.6%
Profit / (loss) before tax	573 376	767 859	194 483	33.9%
Net profit / (loss) for the reporting period	454 809	624 935	170 126	37.4%
EBITDA	937 593	1 103 498	165 905	17.7%
Net cash flows from:				
operating activities	880 225	330 191	-550 034	-62.5%
investing activities	-771 707	-1 141 116	-369 409	-47.9%
financing activities	-12 247	510 872	523 119	4271.4%
Balance of cash	1 193 280	1 273 613	80 333	6.7%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	1.03	1.41	0.38	36.9%
Diluted profit per share [PLN]	1.03	1.41	0.38	36.9%

[PLN '000]	Q2 2013	Q2 2014	Change	Change %
Net sales revenues	2 215 291	2 466 452	251 161	11.3%
Profit / (loss) from operations	196 445	492 179	295 734	150.5%
Profit / (loss) before tax	202 439	498 937	296 498	146.5%
Net profit / (loss) for the reporting period	157 965	415 605	257 640	163.1%
EBITDA	387 698	642 025	254 327	65.6%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	0.36	0.94	0.58	161.1%
Diluted profit per share [PLN]	0.36	0.94	0.58	161.1%

[PLN '000]	31 December 2013	30 June 2014	Change	Change %
Total assets	16 322 024	16 997 305	675 281	4.1%
Total liabilities	4 834 076	5 125 507	291 431	6.0%
Non-current liabilities	2 556 816	3 148 621	591 805	23.1%
Current liabilities	2 277 260	1 976 886	-300 374	-13.2%
Equity	11 487 948	11 871 798	383 850	3.3%
Share capital	588 018	588 018	-	-
Book value per share [PLN]	26.02	26.89	0.87	3.3%
Diluted book value per share [PLN]	26.02	26.89	0.87	3.3%



List of key information on ENEA Capital Group

	unit	H1 2013	H1 2014	Change	Change %	Q2 2013	Q2 2014	Change	Change %
Net sales revenues	PLN '000	4 595 625	4 840 195	244 570	5.3%	2 215 291	2 466 452	251 161	11.3%
EBITDA	PLN '000	937 593	1 103 498	165 905	17.7%	387 698	642 025	254 327	65.6%
EBIT	PLN '000	551 673	758 918	207 245	37.6%	196 445	492 179	295 734	150.5%
Net profit	PLN '000	454 809	624 935	170 126	37.4%	157 965	415 605	257 640	163.1%
Net cash flows from operating activities	PLN '000	880 225	330 191	-550 034	-62.5%	614 879	237 893	-376 986	-61.3%
CAPEX	PLN '000	794 947	980 932	185 985	23.4%	444 148	670 857	226 709	51.0%
Net debt / EBITDA *	-	-0.9	-0.2	0.7	-	-0.9	-0.2	0.7	-
Return on assets (ROA) *	%	6.1	7.4	1.3	-	4.2	9.8	5.6	-
Return on equity (ROE) *	%	8.1	10.5	2.4	-	5.6	14.0	8.4	-
Trade									
Sales of electricity to end users	GWh	6 576	7 750	1 174	17.9%	3 159	3 789	630	19.9%
Number of recipients (Power Delivery Points)	'000	2 361	2 365	4	0.2%	2 361	2 365	4	0.2%
Distribution									
Sales of distribution services to end users	GWh	8 675	8 803	128	1.5%	4 178	4 251	73	1.7%
Number of customers	'000	2 428	2 450	22	0.9%	2 428	2 450	22	0.9%
Generation									
Total generation of electricity, including e.g.:	GWh	5 978	6 114	136	2.3%	2 939	2 972	33	1.1%
<i>from conventional sources</i>	GWh	5 537	5 584	47	0.8%	2 735	2 718	-17	-0.6%
<i>from renewable sources of energy</i>	GWh	441	530	89	20.2%	204	254	50	24.5%
Heat generation	TJ	2 893	2 479	-414	-14.3%	798	676	-122	-15.3%
Sales of conventional electricity	GWh	6 823	7 743	920	13.5%	3 369	3 778	409	12.1%
Sales of electricity from RES	GWh	441	530	89	20.2%	204	254	50	24.5%
Sales of heat	TJ	2 656	2 264	-392	-14.8%	731	610	-121	-16.6%

H1 2013 / H1 2014

**Growth in EBITDA
by PLN 166 mln**

**Higher
production
from conventional
sources and RES by
136 GWh**

**Higher sales
of conventional
electricity
920 GWh**

H1 2014:

- higher EBITDA by PLN 166 mln - recognition of the revenues from compensation for recovery of stranded costs amounting to PLN 258 mln
- consistent development of ENEA CG - CAPEX higher by PLN 186 mln with a favourable value of net debt/EBITDA ratio -0.2
- higher sales of electricity to end users by 1,174 GWh
- higher generation from conventional sources and RES by 2.3%
- higher sales of conventional electricity by 920 GWh

Q2 2014:

- higher EBITDA by PLN 254 mln - recognition of the revenues from compensation for recovery of stranded costs amounting to PLN 258 mln
- CAPEX higher by PLN 227 mln with a favourable value of net debt/EBITDA ratio -0.2
- higher sales of electricity to end users by 630 GWh
- higher generation from conventional sources and RES by 1.1%
- higher sales of conventional electricity by 409 GWh

* Ratio definitions are to be found on page 62

Key events in H1 2014

Q1

Shared Service Centre of ENEA CG

On Q1 works connected with the establishment of the Shared Service Centre for ENEA CG companies were continued. On 1 January 2014 the financial and accounting services of ENEA S.A. were transferred to SSC. The final division was also made of tasks within customer service between ENEA Operator and ENEA Centrum.

Comprehensive bank service of the Tax Capital Group

On 28 January 2014 the Companies comprising ENEA Tax Capital Group signed an agreement with PKO BP and Pekao S.A. banks. They guarantee a possibility of intergroup financing and a comprehensive bank service. Thanks to the agreements ENEA will save PLN 3 mln and will have an access to an additional financing amounting to up to PLN 700 mln. In the future 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.

Agreement with Orlen for gas purchases

On 27 January 2014 ENEA Trading signed a framework agreement for the wholesale purchases of gaseous fuel from PKN Orlen. The goal of the cooperation is to optimise the costs of obtaining gas for end Customers, and as a consequence a possibility of proposing a competitive offer in the formula of joined sales of electricity and gas.

The last tranche of employee shares listed on WSE

On 11 February 2014 2,000,033 mln shares of ENEA S.A. were listed on the stock exchange. These are nil-paid shares from the State Treasury gained by heirs of former employees of the Company and shares not taken up by the authorised people.

Changes in the Management Boards of key Group Companies

On 5 March 2014 2 new Members of the Boards of ENEA Operator and ENEA Wytwarzanie were appointed. Marek Lełątko was appointed the Vice-President of ENEA Operator for Economic and Financial Affairs, and Michał Prażyński became the new Vice-President of ENEA Wytwarzanie for Renewable Energy.

Changes in the shareholding of ENEA

On 22 January 2014 in the process of an accelerated book-building Vattenfall AB sold a block of shares amounting to 18.67% in the share capital. One of the purchasers was ING OFE which as a result of the transaction held shares representing 5.26% in the share capital. On 12 March 2014 the fund sold some of the held shares, reducing its interest in the share capital of ENEA to 4.50% (acc. to the state demonstrated in the notice).

Q2

General Meeting's decision on the dividend distribution

On 24 April an Ordinary General Meeting of Shareholders of ENEA S.A. was held which adopted a resolution on the payment of dividend to shareholders from the net profit for 2013 in the amount of PLN 0.57 per share. The record date was set on 23 July 2014 and the payment date on 12 August 2014.

Upholding of the rating by Fitch Ratings agency

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.

Shared Service Centre of ENEA CG

On 1 May 2014 the process was completed of transferring to ENEA Centrum employees from the following areas: finance, accounting and IT from the other core Group Companies – ENEA Wytwarzanie, ENEA Operator, ENEA Trading.

Area strategies

Based on the corporate strategy five area strategies were established. They relate to generation, distribution, sales, trading and shared services. The strategy is the foundation of each of the key segments and describes its share in the realisation of the goals of the Group till 2020.

Agreement with Bank Gospodarstwa Krajowego

On 15 May ENEA and Bank Gospodarstwa Krajowego concluded a programme agreement relating to the long-term bond issue valued PLN 1 bln. The objective will be financing the current operations and investment needs of ENEA Group, including in particular adjusting the operating units in the Koźienice power plant to the environmental requirements and acquisition projects in the segment of cogeneration and RES.





Merger of Białystok Heat and Power Plant with MPEC Białystok

Pursuant to the agreement concluded on 26 May, ENEA Wytwarzanie will take up 85% shares in Miejskie Przedsiębiorstwo Energetyki Ciepłej in Białystok. The company which owns the key producer of heat for the city, Białystok Heat and Power Plant, will thus take over the responsibility for its delivery to the citizens. The transaction finalisation is to be approved by the Office of Competition and Consumer Protection.

Mergers in the Capital Group

Another stage commenced of ITSERWIS and ENTUR reorganisation consisting in their merger with ENEA Centrum. Undertaken activities are connected with the assumptions of the Capital Group, according to which the Capital Group focuses on its core operations. As a result of the merger of three Companies in Q3 2014 ENEA Centrum will assume all the rights and obligations of ITSERWIS and ENTUR.

At the same time, works are in progress connected with the merger of EP PUE ENERGOBUD Leszno and EP Zakład Transportu. On 30 May 2014 the companies filed the Merger Plan in the Register Court. The merging entity is ENERGOBUD Leszno. The process will be completed in Q3 2014.

On 30 June 2014 Windfarm Polska was incorporated under ENEA Wytwarzanie.



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

Presidents of the Boards of ENEA, ENERGA, PGE Polska Grupa Energetyczna and TAURON Polska Energia signed the letter of intent relating to the cooperation in research and development projects. The key goal of the cooperation is intensive searching for technological solutions corresponding to the key challenges faced by the Polish energy sector. Selected research projects will concentrate e.g. on the reduction of the emission performance in the process of generating electricity and increasing efficiency in the distribution and use of energy. It is also significant to develop intelligent distribution and transmission networks which will help realise projects such as "intelligent home" or storing electricity.

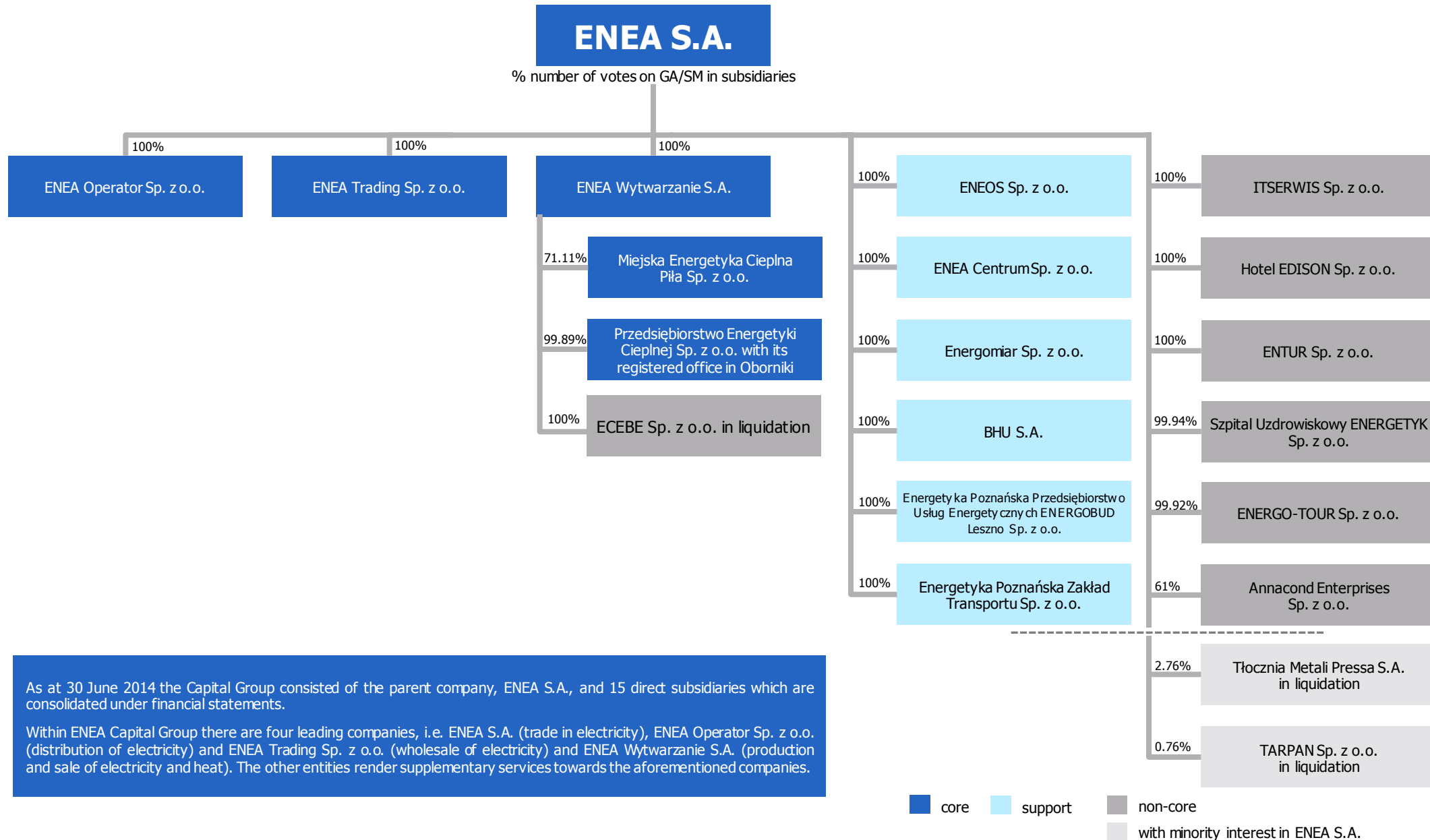


New Bond Issue Programme

On 30 June ENEA S.A. and four banks: PKO BP, ING Bank Śląski, Pekao S.A. and mBank concluded an agreement relating to a bond issue programme up to the maximum amount of PLN 5 bln. 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 current operations of the Group entities. The bonds issued within the programme will be dematerialised, discount or coupon and straight. The nominal and issue value of one bond will be set subject to the conditions of a particular series issue. The interest or discount rate will be set individually for each tranche during the process of offering bonds to investors. The maturity date may be from 1 month to 10 years. The bonds may be dematerialised in the National Depository for Securities and then may be traded in an alternative system within markets conducted by BondSpot or Warsaw Stock Exchange.

Organisation of ENEA Capital Group

Description of ENEA Capital Group



As at 30 June 2014 the Capital Group consisted of the parent company, ENEA S.A., and 15 direct subsidiaries which are consolidated under 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) and ENEA Trading Sp. z o.o. (wholesale of electricity) and ENEA Wytwarzanie S.A. (production and sale of electricity and heat). The other entities render supplementary services towards the aforementioned companies.

Changes in the structure of ENEA Capital Group

Restructuring

In H1 2014, besides activities connected with the planned changes there were no significant operations within the asset restructuring. What is worth mentioning is activities described in the Report connected with the process of simplifying the structure of ENEA CG, including the SSC project under realisation, aiming at the concentration on core business areas.

Merger of the companies

Within the process of Integration of the Generation Area of ENEA Capital Group on 30 June 2014 ENEA Wytwarzanie S.A. merged with a subsidiary, Windfarm Polska Sp. z o.o. The above merger is compliant with the Corporate Strategy of ENEA Capital Group for 2014-2020 and aims at the guaranteeing the operation of appropriate organisational structures and processes enabling an efficient planning and further development of the generating portfolio. As a result of the merger of the companies, ENEA Wytwarzanie S.A. as of the merger date assumed all the rights and obligations of Windfarm Polska Sp. z o.o.

Liquidations

On 16 April 2014 the Extraordinary General Meeting of Shareholders of ENTUR Sp. z o.o. in liquidation seated in Szczecin decided on the revocation of the Company liquidation and its further existence. A significant justification of the revoking of the process of liquidation is the approval by the only Shareholders of the Company (ENE A S.A.) of the planned process of merging ENTUR Sp. z o.o. and ENEA Centrum Sp. z o.o. indicating the latter as the merging company. The process of incorporating ENTUR will allow to use the material resources constituting its property in the structures of ENEA CG.

With the decision of 23 June 2014 the District Court in Białystok registered the opening of the liquidation proceedings of ECEBE. The decision on the liquidation of ECEBE was taken for economic reasons and is compliant with the Corporate Strategy of ENEA for 2014-2020, which in particular provides for the concentration on the core operations.

Transformation

On 30 May 2014 the Extraordinary General Meeting of Shareholders of BHU S.A. decided to transform BHU from a joint stock company (Polish: spółka akcyjna) to a limited liability company (Polish: spółka z ograniczoną odpowiedzialnością). A considerable justification for the requested change is standardisation of the legal form of the companies comprising ENEA Capital Group.

Change of name - Szpital Uzdrowiskowy ENERGETYK Sp. z o.o.

On 27 June 2014 the name of the Company, Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. was changed to Szpital Uzdrowiskowy ENERGETYK Sp. z o.o. Only the name of the Company was changed, and the other data, including: NIP (tax identification No.), KRS (number in the National Court Register), Regon (Business Registry No.), bank account numbers, phone numbers, postal address and electronic mail addresses remain unchanged.

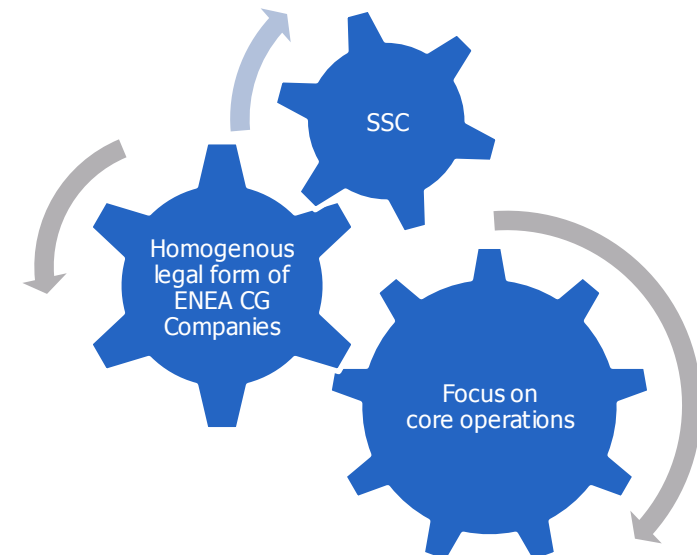
Investments

Realising the strategy within the development and restructuring of ENEA Capital Group, besides the activities connected with the planned changes within the Capital Group, the Company in H1 2014 did not conduct any capital investments.

Planned changes

The strategy adopted on 18 October 2013 with the resolution of the Supervisory Board of ENEA S.A. - "Corporate Strategy of ENEA Capital Group for 2014-2020" - points out to the necessity of focusing on the core operations. In relation to the above in 2014 within ENEA Capital Group the following activities are realised:

Company	Action
Hotel EDISON Sp. z o.o. with its registered office in Baranów near Poznań	Sale of shares in the mode of negotiations commenced based on the public invitation.
ITSERWIS Sp. z o.o. with its registered office in Zielona Góra	Incorporation of the Company into ENEA Centrum Sp. z o.o. (merging company).
ENTUR Sp. z o.o. with its registered office in Szczecin	Incorporation of the Company into ENEA Centrum Sp. z o.o. (merging company).
Energetyka Poznańska Zakład Transportu Sp. z o.o. with its registered office in Poznań	Incorporation of the Company into Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o. (merging company).
ENE A Wytwarzanie S.A. with its registered office in Świerze Górne	Transformation of the Company into Spółka z ograniczoną odpowiedzialnością (limited liability company).



Description of ENEA Capital Group's operations

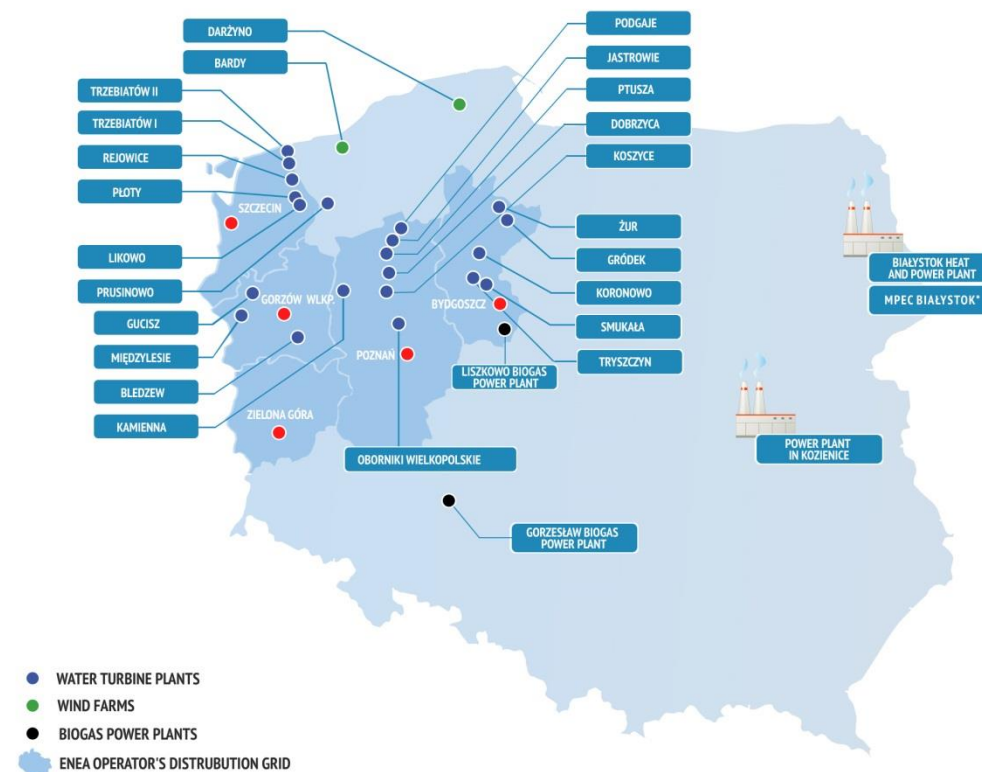
Operational segments of ENEA Capital Group

Generation

Item	H1 2013	H1 2014	Change	Q2 2013	Q2 2014	Change
Total generation of electricity (net) [GWh], including:	5 977.7	6 114.2	2.3%	2 938.6	2 972.6	1.2%
Net production from conventional sources, including:	5 537.1	5 584.5	0.9%	2 734.6	2 718.5	-0.6%
ENEA Wytwarzanie – Segment of System Power Plants (excluding biomass co-combustion)	5 444.6	5 480.3	0.7%	2 716.7	2 697.2	-0.7%
ENEA Wytwarzanie - Segment of Heat (Białystok Heat and Power Plant) (excluding biomass co-combustion)	91.9	104.2	13.4%	17.8	21.3	19.7%
MEC Piła	0.6	0.0	-100.0%	0.1	0.0	-100.0%
Production from renewable energy sources, including:	440.6	529.7	20.2%	204.0	254.1	24.6%
Co-combustion of biomass	180.3	262.3	45.5%	90.1	134.8	49.6%
Combustion of biomass	105.6	120.7	14.3%	44.0	57.8	31.4%
ENEA Wytwarzanie – Segment of RES (hydroelectric plants)	86.1	67.0	-22.2%	39.2	30.3	-22.7%
ENEA Wytwarzanie - Segment of RES (wind farms)	63.6	75.6	18.9%	28.0	29.0	3.6%
ENEA Wytwarzanie – Segment of RES (biogas plants)	5.0	4.1	-18.0%	2.7	2.2	-18.5%

The largest generator of electricity from conventional sources is ENEA Wytwarzanie - Segment of System Power Plants, which under the name of Elektrownia Kozienice S.A. was consolidated under ENEA Capital Group in October 2007. This is the largest Polish professional bituminous coal fired power plant in Poland. It comprises 10 high-performance, updated power blocks with a total generating capacity of 2,913 MW.

Electricity from conventional sources is generated by: ENEA Wytwarzanie - Segment of System Power Plants by co-firing biomass with conventional fuel (bituminous coal), ENEA Wytwarzanie - Segment of Heat by production in cogeneration of electricity using biomass, ENEA Wytwarzanie - Segment of RES (21 hydroelectric plants, Darżyno Wind Farm, Bardy Wind Farm, Liszkowo biogas plant and Gorzesław biogas plant - the investment is not yet commissioned).



* finalisation is to be approved by the Office of Competition and Consumer Protection

Fuel supplies

The basic fuel used to produce electricity in ENEA Wytwarzanie - Segment of System Power Plants, is bituminous coal. In H1 2014 the cost of coal comprised about 43% of operating costs of ENEA Wytwarzanie - Segment of System Power Plants. Coal supplies are realised from two basic sources (from two suppliers): Lubelski Węgiel "Bogdanka" S.A. which in H1 2014 delivered ca. 66% of the material and Katowicki Holding Węglowy S.A. Additionally, ENEA Wytwarzanie - Segment of System Power Plants in Q4 2013 made supplementary purchases from Petrokol Sp. z o.o. Sp. k, and in Q1 2014 supplementary purchases from Jastrzębska Spółka Węglowa S.A.

The only supplier of the light-up fuel to the Segment of System Power Plants in 2014 was PKN ORLEN S.A. The delivered fuel is heavy heating oil with the sulphur content of up to 3%.

Co-firing of biomass in the Segment of System Power Plants is carried out in eight 215-228 MW power units. Pellets from wood straw, pellets and briquettes from sunflower husk and straw pellets are used as biomass. ENEA Wytwarzanie - Segment of System Power Plants in H1 2014 held agreements with a total of 10 suppliers of biomass.

In H1 2014 the consumption of biomass in the Segment of System Power Plants amounted to 150,721.384 tonnes and in the Segment of Heat to 211,522.300 tonnes.

Energy from RES in the Segment of Heat (Białystok Heat and Power Plant) is produced in the dedicated unit with the installed capacity of 78.503 MWe. Wood chips, energetic willow chips and sunflower husk pellets are used as biomass in particular. The Segment of Heat in H1 2014 held agreements with a total of 10 suppliers of biomass. Biomass supplies are carried out both by rail and road transport. In H1 2014 the cost of coal and biomass comprised about 56% of operating costs of the Segment of Heat. The key supplier of coal in H1 2014 to Białystok Heat and Power Plant was KREX Sp. z o.o. selected in an unlimited tender.

The volume and cost of the fuel purchases from external suppliers in the Area of Generation are presented in the table below.

Fuel type	H1 2013		H1 2014		Change	
	Volume ['000 tonnes]	Cost * [PLN mln]	Volume ['000 tonnes]	Costs * [PLN mln]	Volume	Cost *
Bituminous coal	2 557	632	2 877	676	12.5%	7.0%
Biomass	312	100	361	120	15.7%	20.0%
Fuel oil (heavy)	3	7	5	9	66.7%	28.6%
Gas ['000 m ³]	1 263	2	800	1	-36.7%	-50.0%
TOTAL	4 135	741	4 043	806	-2.2%	8.8%

* including transport

Coal Transport

Segment of System Power Plants

The basic means of transport used to deliver bituminous coal to ENEA Wytwarzanie - Segment of System Power Plants in H1 2014 was rail transport: 24% supplies of this material was realised by PKP Cargo S.A., 10% by DB Schenker Rail Polska S.A. and ca. 66% was realised by Freightliner PL Sp. z o.o. forwarder.

Segment of Heat

The basic means of transport used to deliver bituminous coal to ENEA Wytwarzanie - Segment of Heat in H1 2014 was rail transport. The key supplier of coal was KREX Sp. z o.o. selected in an unlimited tender. Costs of coal transport and costs of biomass transport were included in the price of the purchased fuel.



Trade

Within ENEA Capital Group sales of electricity to end users belong to ENEA S.A. for which they constitute the core business. Wholesale is realised mainly by ENEA Trading Sp. z o.o. The company is responsible towards ENEA for e.g. managing the portfolio of electricity and proprietary interests of ENEA S.A., purchase of electricity and proprietary interests for ENEA S.A. and is a commercial coordinator on behalf of and for the account of ENEA S.A.

Sales by value and type

Item	Revenues from sales of energy to end users [PLN '000]		
	H1 2013	H1 2014	Change
Tariff group set A	167 957	334 281	99%
Tariff group set B	582 124	491 019	-16%
Tariff group set C	412 227	374 976	-9%
Tariff group set G	643 186	562 294	-13%
TOTAL	1 805 494	1 762 570	-2%

Item	Sales of electricity [GWh]		
	H1 2013	H1 2014	Change
Tariff group set A	753	2 069	175%
Tariff group set B	2 275	2 188	-4%
Tariff group set C	1 282	1 271	-1%
Tariff group set G	2 266	2 222	-2%
TOTAL	6 576	7 750	18%

As for 2014 a larger number of contracts was concluded of sales to customers from A tariff group sets, which translated into greater sales in H1 2014.

Lower energy sales revenues result from decreasing sale prices, as result of a growing competition on the retail market and lower costs of energy purchases. Additionally, in G tariff group sets the energy prices in the tariff were reduced pursuant to the decision of the President of ERO.

Costs of electricity for resale

Item	Energy purchases [GWh]		
	H1 2013	H1 2014	Change
Energy purchases, including:	6 748	8 064	20%
Purchases on the national wholesale market - exchange	152	0	-100%
Purchases on the national wholesale market - other	6 456	8 061	25%
<i>including within ENEA CG</i>	5 675	7 028	24%
Purchases on the balancing market	140	3	-98%

Sales of electricity

Item	Sales of electricity [GWh]		
	H1 2013	H1 2014	Change
Energy sales, including:	6 748	8 064	20%
Sale to end users	6 576	7 750	18%
Sales on the national wholesale market (within ENEA CG)	71	67	-6%
Sale on the balancing market	101	247	144%

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

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

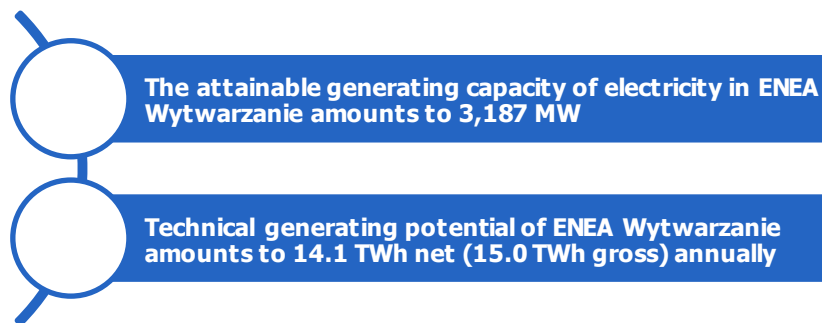
A major part of energy sold by ENEA S.A. was energy purchased within bilateral transactions, including mainly those with: ENEA Trading Sp. z o.o. (86%), local sources (over 13%). The other purchase contracts were realised in the process of balancing on the balancing market (transactions on the balancing market of the Transmission System Operator resulting from the variations between estimated and actual trading positions) and in bilateral contracts.

In order to provide sales of comprehensive services (sale of electricity and electricity distribution services) to end users connected to the network of ENEA Operator Sp. z o.o., the Company purchases the electricity distribution services from ENEA Operator Sp. z o.o.

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

In relation to the entry into force of amendments in the Energy Law from 9 August 2010 ENEA Wytwarzanie S.A. is obliged to sell at least 15% of the generated energy through the Power Exchange. Such a direction of sales is a consequence of higher turnover on the exchange market. It is a result of changes imposing an obligation resulting from Art. 49a of the Energy Law on enterprises dealing with generation.

Within the realisation of this obligation sales of generated electricity on PPE during H1 2014 constituted around 90.8% of sold and generated electricity.

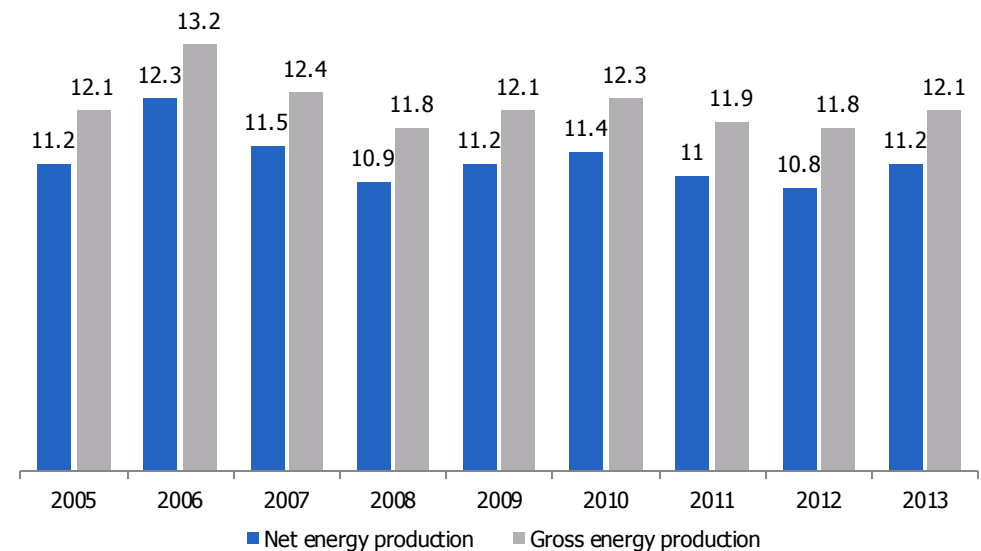


The other part of electricity is sold to PSE S.A. on the balancing market - 1.5%, and to Operators of the Distribution Network to cover grid losses - 7.7%.

On 1 August 2011 in ENEA Capital Group there was a reorganisation performed as a result of which the competences within the wholesale trade were transferred to the special purpose vehicle - ENEA Trading Sp. z o.o. The company is responsible towards ENEA S.A. among others for conducting a portfolio of electricity and proprietary interests for account of the customers of ENEA S.A., for purchase of energy on a wholesale market and settlements. Additionally, it operates as a Commercial Coordinator. For ENEA Wytwarzanie S.A., since November 2011, it has been rendering analytical support of trading processes within electricity, is currently conducting settlements within a full scope (electricity, proprietary interests) and is a Scheduling Co-ordinator for the Power Plants. Since 1 January 2014 it has been also supplying ENEA Wytwarzanie S.A. with production fuels.

In H1 2014 ENEA Wytwarzanie within the wholesale market purchased electricity based on bilateral agreements in the amount of 665.5 GWh - the total within ENEA CG.

Kozienice Power Plant [TWh]



Distribution

Within our Group, the distribution of electricity is the responsibility of ENEA Operator Sp. z o.o., which acts as the operator of the power distribution system. ENEA Operator acts as a monopolist playing a role of a public utility company, in the conditions strictly regulated by the law.

ENEA Operator supplies electricity to 2.45 mln users in the western and north-western Poland. To this end it uses the distribution network covering an area of over 20% of the country, including over 113.5 thou. km of power lines (over 132 thou. km including connections) and over 36 thou. power stations.

The basic task of ENEA Operator is a continuous and reliable supply of energy maintaining appropriate quality parameters. The so-called reliability ratios testify the way in which the Operator of the Distribution Network realises them: system average interruption duration index (SAIDI, expressed in minutes/customer) and system average interruption frequency index (SAIFI, expressed in number of interruptions/customer). Each of them is calculated for unplanned interruptions (failure) and planned interruptions.

Item	H1 2013	H1 2014
SAIDI planned interruptions	51.75	50.71
SAIDI unplanned interruptions	99.19	97.77
SAIFI planned interruptions	0.23	0.23
SAIFI unplanned interruptions	1.63	1.44

We pursue a constant improvement of the quality of the services and reliability of operation of our network

We are obliged to fully manage the network (operation, maintenance, extension, repairing failures)

We operate based on the principle of equal treatment

We take care for the development and modernisation of the infrastructure in order to enhance the quality of our services



Other activity

Group companies render support activities towards the core operations.

The other activity is mostly:

- construction, extension, modernisation and renovations of grids and electrical devices,
- designing, constructing, production and sales of electrical and power devices and apparatus.

Additionally, the companies deal with rendering services connected with the maintenance of street lighting and low voltage grids, transport services and social activity.

Information on concluded agreements

Agreements of significance to ENEA Capital Group operations

The key agreements concluded and realised by ENEA Capital Group Companies include e.g. agreements connected with coal supplies. These are, as a rule, concluded as multiannual agreements, however in each year, within a given multiannual agreement the so called annual agreements are concluded. In annual agreements parties specify in detail e.g. such notions as basic volume of coal supply, prices for particular classes, limit parameters, means of transport, method of financial settlements, detailed settlement conditions, notice periods and mode of calculating contractual penalties. Additionally, depending on the demand additional agreements are concluded - for supplementary supplies of coal.

Another category of agreements related to coal supply agreements are agreements relating to transport. Such agreements specify e.g. the volume of coal anticipated for transport, price per transport of one tone of coal, template of monthly transport schedules, principles of collecting dispatches with coal, method of settlements of due payments for transport, including complaint procedures.

Below, there is a description of agreements of significance to ENEA Capital Group concluded and realised in H1 2014 which relate to supplies and transport of coal.

Annex of 15 January 2014 to the Agreement of 2010 concluded between ENEA Wytwarzanie and Lubelski Węgiel "Bogdanka" S.A.

The subject of the Annex No. 4 is prolongation of the term of the Annual Agreement for 2013 to 31 March 2014, enabling the realisation of coal supplies subject to the terms of the Annual Agreement for 2013 during Q1 2014. The Annual Agreement for 2013 expired on 31 March 2014.

Agreement of 7 January 2014 for supplies of fuel coal in 2014, concluded between ENEA Wytwarzanie and Katowicki Holding Węglowy S.A.

The subject of the Annual Agreement is supplies of fuel coal by the Seller to ENEA Wytwarzanie in 2014. Prices and detailed conditions and volumes of supplies were negotiated before the agreement execution.

Annual Agreement of 15 January 2014 for supplies of fuel coal in 2014, concluded between ENEA Wytwarzanie and Lubelski Węgiel "Bogdanka" S.A.

The annual agreement was concluded within the realisation of the Multiannual Agreement concluded between the parties in 2010. The subject of the Annual Agreement is supplies of fuel coal during 1 January 2014 - 31 December 2014.

Agreement of 21 March 2014 for supplies of fuel coal between ENEA Wytwarzanie S.A. and Jastrzębska Spółka Węglowa S.A.

The subject of the agreement is coal supplies by JSW S.A. for ENEA Wytwarzanie. The prices and detailed terms and volumes of supplies were negotiated before the agreement execution. The agreement is in force from 21 March 2014 to 31 December 2014.

Storage Agreement of 21 May 2014 concluded between ENEA Wytwarzanie and Lubelski Węgiel "Bogdanka" S.A.

The Storage Agreement relates to part of the coal contracted within the Annual Agreement for 2014. The subject of the Agreement is storage of fuel coal placed in the deposit on the depot of Lubelski Węgiel "Bogdanka" S.A. The collection of the deposit will be performed till 31 March 2015 the latest.

Significant agreements based on which fuel coal supplies were realised in H1 2014 include in particular those listed below:

Annex of 5 November 2013 to the Agreement for fuel coal supplies concluded between ENEA Wytwarzanie S.A. and PETROKOL Sp. z o.o. Sp. k.

The subject of the Annex is termination of the agreement of 13 December 2013 for supplies of fuel coal concluded between PETROKOL Sp. z o.o. Sp. k. and ENEA Wytwarzanie, with a concurrent assignment of the obligation to supply the volumes to be delivered under the agreement to the agreement concluded in 2014.

Multiannual Agreement of 4 March 2010 between ENEA Wytwarzanie and Lubelski Węgiel "Bogdanka" S.A.

In relation to the above agreement it is worth mentioning that on 18 December 2013 the Board of ENEA Wytwarzanie and Lubelski Węgiel "Bogdanka" S.A. concluded an annex to the said multiannual agreement. The Annex provides for an amendment of the hitherto method of determining prices for annual agreements for 2014 and 2015 suspending - for supplies during that period - the previous model of price setting.

Detailed information on the above mentioned agreements is described in the Report of the Management Board on the operations of ENEA Capital Group in 2013.

Annual Agreement of 15 January 2013 between ENEA Wytwarzanie and Lubelski Węgiel "Bogdanka" S.A.

The annual agreement was concluded within the realisation of the multiannual agreement concluded between the parties in 2010. The subject of the Annual Agreement is supplies of fuel coal during 1 January 2013 - 31 March 2014.

Agreement of 13 December 2013 for carrying out fuel coal transport for ENEA Wytwarzanie S.A. concluded between ENEA Wytwarzanie and Freightliner PL Sp. z o.o.

The agreement specifies performance by Freightliner PL of fuel coal transport services for ENEA Wytwarzanie from Lubelski Węgiel "Bogdanka" S.A. The agreement is in force till 30 June 2014.

Agreement of 23 December 2013 for carrying out fuel coal transport for ENEA Wytwarzanie S.A. concluded between ENEA Wytwarzanie and DB Schenker Rail Polska S.A.

The Agreement specifies performance by DB Schenker of fuel coal transport services to ENEA Wytwarzanie from mines and processing plants of KHW S.A., KW S.A., PKW S.A., Śląskie Centrum Logistyki, ZWW "Julian" and JSW S.A. The agreement is in force till 31 March 2015.

Agreement of 20 February 2012 for carrying out fuel coal transport for Elektrownia Kozienice S.A. concluded between Elektrownia Kozienice S.A. and PKP Cargo S.A.

The Agreement specifies performance by PKP Cargo of fuel coal transport services to ENEA Wytwarzanie from mines and processing plants of KHW S.A., KW S.A. and JSW S.A. The agreement was in force till 30 June 2014.

Below, agreements entered into in H1 2014 are described under which fuel coal supplies will be carried out in future years:

Annual Agreement of 15 January 2014 for supplies of fuel coal in 2015 concluded between ENEA Wytwarzanie and Lubelski Węgiel "Bogdanka" S.A. within the realisation of the framework agreement of 2010

The annual agreement was concluded within the realisation of the Multiannual Agreement concluded between the parties in 2010. The subject of the Annual Agreement is supplies of fuel coal during 1 January 2015 - 31 December 2015.

Agreement of 30 June 2014 for carrying out fuel coal transport for ENEA Wytwarzanie concluded between ENEA Wytwarzanie and PKP Cargo S.A.

The Agreement specifies performance by PKP Cargo of fuel coal transport services to ENEA Wytwarzanie from mines and processing plants of KHW S.A., KW S.A., mines belonging to PKW S.A., Śląskie Centrum Logistyki, JSW S.A., ZWW "Julian", HALDEX S.A., PG Silesia Sp. z o.o. and Dąbrowa Górnicza Żabkowice station. The agreement is in force till 30 June 2015.

Significant agreements concluded with ENEA Wytwarzanie - Segment of Heat for supplies of fuels to Białystok Heat and Power Plant source include:

Within coal supplies:

- Annual agreement of 29 November 2013 concluded with KREX Sp. z o.o. for supplies of coal in 2014,

Within biomass supplies:

- Multiannual agreement of 21 September 2012 concluded with AM&HP Sp. z o.o. for supplies of biomass in the form of wood chips deriving from Belarus,
- Multiannual agreement of 25 October 2012 concluded with QUERCUS Sp. z o.o. for supplies of biomass, M2E assortment, in the form of commercial wood chips and bales,
- Multiannual agreement of 29 December 2006 concluded with KREX Sp. z o.o. for supplies of fuel biomass as wood chips,
- Multiannual agreement of 23 September 2010 for supplies of biomass as energetic willow or poplar wood chips, a party to which is ARBOR Sp. z o.o.

The above agreements for supplies of biomass provide for annual price negotiations. If no agreement is reached on the price the agreements will be terminated. The price mentioned in the agreement covers also the costs of biomass transport to the generating source in the Białystok Heat and Power Plant.

Agreements of significance as to the strategy implementation, investment financing and current operations

The Company emphasises that significant agreements concluded in previous years are still in force and under fulfilment, which were concluded both within regular operations of ENEA Capital Group entities, and within guaranteeing financing or strategy implementation. The most important ones include:

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

On 21 September 2012, a subsidiary of the Issuer - ENEA Wytwarzanie signed an agreement with the consortium of Hitachi Power Europe GmbH and Polimex-Mostostal S.A. (Contractor) regarding

the construction of a supercritical bituminous coal fired power unit with the electric capacity of 1,075 MWe gross and the efficiency of 45.6% net. The net value of the Agreement is around PLN 5.1 bln. The Parties decided that the Agreement would be realised within 58 months of the date of its execution. The key information on the contract fulfilment is that because of the transformations occurring within Hitachi Power Europe GmbH qualifying as a general succession, presently the party to the Contract in lieu of Hitachi is: Mitsubishi Hitachi Power Systems Europe GmbH.

Financial agreements concluded with the European Investment Bank

ENEA S.A. holds Financial Agreements with the European Investment Bank (Bank), in the total amount of PLN 1,425,000 thou. or its equivalence in another currency. The funds gained from the Bank are designated for the funding of a multiannual investment plan in order to modernise and extend the power grids of ENEA Operator Sp. z o.o. (Programme) located in the north-western Poland. The debt repayment period is up to 15 years from the planned disbursement of the facility. The Loan availability period expires on 18 October 2014. As at 30 June 2014 ENEA S.A. used up PLN 950,000 thou. of the available limit.

In relation to the execution of the aforementioned loan agreements on 18 October 2012 a Programme Realisation Agreement was concluded between ENEA S.A., Bank and ENEA Operator Sp. z o.o. regulating the issues connected with the rules of the Programme realisation in the part based on the funds offered by the Bank.

In order to use the financial funds from the Bank in accordance with the financing objective on 20 June 2013 the Programme Agreement was concluded between ENEA S.A., as Guarantor, ENEA Operator Sp. z o.o., as Issuer, and mBank S.A. as Agent, relating to the bond issue programme up to the amount of PLN 1,425,000 thou. On the same day the Bond Subscription Guarantee Agreement was concluded between the Issuer and Guarantor. As at 30 June 2014 ENEA Operator Sp. z o.o. issued two series of bonds of the total value of PLN 950,000 thou.

Programme Agreement of 21 June 2012 concluded between ENEA S.A., as Issuer, and PKO BP S.A., Bank PEKAO S.A., Bank Zachodni WBK S.A., Bank Handlowy w Warszawie S.A. and Nordea Bank Polska S.A., as Guarantors, relating to the bond issue programme totalling to up to PLN 4,000,000 thou.

On 31 January 2014 ENEA S.A. signed an Annex to the Programme Agreement of 21 June 2012 which amended the conditions of financing, adjusting them to the current market situation.

As at 30 June 2014 within the aforementioned programme agreement ENEA S.A. conducted issues of two series of bonds in the total amount of PLN 350,000 thou. The issue was taken up fully by the Guarantors in the aforementioned programme, i.e. Bank PKO BP S.A., PEKAO S.A., BZ WBK S.A., Bank Handlowy w Warszawie S.A. and Nordea Bank Polska S.A.

In order to use the financial resources from this agreement the following were concluded: The Programme Agreement of 8 September 2012 between ENEA Wytwarzanie, as Issuer, ENEA S.A., as Guarantor, and BRE Bank S.A., as Issue Agent, Payment Agent, Depository, relating to the bond issue programme up to the amount of PLN 4,000,000 thou., and Bond Subscription Guarantee Agreement of 8 September 2012 between ENEA Wytwarzanie, as Issuer, and ENEA S.A., as Guarantor, relating to the bond issue programme up to the amount of PLN 4,000,000 thou.

As at 30 June 2014 ENEA S.A. took up two series of bonds of the total nominal value of PLN 350,000 thou. issued by ENEA Wytwarzanie S.A. within the aforementioned agreement of 8 September 2012.

The Bond Issue Programme Agreement for the amount of PLN 936,000 thou. of 16 July 2013, amended on 17 January 2014, concluded between ENEA Wytwarzanie S.A., as Issuer, ENEA S.A., as Guarantor, and BRE Bank S.A., as Organiser, Issue Agent, Payment Agent and Depositary.

On 17 January 2014 the parties to the Agreement signed an Annex pursuant to which the value of the Programme was increased to PLN 936,000 thou. and the number of possible issues within the Programme was increased to 5 series. On 22 January 2014 ENEA Wytwarzanie S.A. issued, and ENEA S.A. took up the 5th series of the total amount of PLN 190,000 thou. As at 31 March 2014, within the Bond Issue Programme Agreement for the amount of PLN 936,000 thou. of 16 July 2013, ENEA Wytwarzanie S.A. issued the 5th series of 2-year bonds for the full value of the Programme.

Cooperation Agreement of 28 January 2014 concluded with PKO Bank Polski S.A. and Cooperation Agreement of 28 January 2014 concluded with Pekao S.A.

On 28 January 2014 the Companies of ENEA Tax Capital Group concluded with Pekao S.A. and Bank PKO BP S.A. cooperation agreements for a comprehensive bank service based on which Banks guarantee a wide range of bank services, e.g. within the aforementioned agreements ENEA S.A. and Bank Pekao S.A. concluded an agreement for a loan in the current account for the amount of PLN 300,000 thou. and with Bank PKO S.A. it concluded an agreement for a loan in the current account also for the amount of PLN 300,000 thou. At the same time, with Bank Pekao S.A. within the Cooperation Agreement an Agreement was concluded for the guarantee facility for the amount of PLN 100,000 thou. Agreements mentioned above were concluded for the period of 3 years of their execution.

Programme Agreement concluded with Bank Gospodarstwa Krajowego relating to the bond issue of 15 May 2014

On 15 May 2014 ENEA and Bank Gospodarstwa Krajowego concluded a programme agreement relating to the long-term bond issue programme of the amount of PLN 1,000 mln within which the terms of the bond issue programme were determined. The objective of the bond issue will be financing the current operations and investment needs of ENEA Capital Group companies. The bond issue programme was concluded for the period of 12 years and 7 months.

The Agreement relating to the bond issue programme up to the maximum amount of PLN 5 bln ("Programme"), concluded on 30 June 2014 between the Company and Bank Polska Kasa Opieki S.A., ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and mBank S.A. (collectively: "Banks").

Pursuant to the above mentioned agreement Banks were appointed bond dealers ("Agreement"). The function of the calculation agent, payment agent and depositary will be held by ING Bank Śląski S.A. The other banks, besides the role of dealers, will be also sub-agents for payment and sub-depositaries. Additionally, Powszechna Kasa Oszczędności Bank Polski S.A. will be a technical agent in the programme.

The bonds issued within the programme will be dematerialised, discount or coupon, straight bonds. The nominal value and issue value of one bond will be determined subject to the issue conditions of particular series, the interest or discount rate will be specified individually for each tranche during the process of offering the bonds to investors. The maturity date of the bonds may be from 1 month to 10 years. Pursuant to the provisions of the Agreement the bonds may be dematerialised in the National Depository for Securities and then may be traded in the alternative trading system within markets conducted by BondSpot or Warsaw Stock Exchange.

Information on transactions with affiliated entities

During H1 2014 ENEA S.A. or its subsidiaries did not conclude any significant transactions with related entities on non-market conditions.

Information on other significant transactions concluded by ENEA S.A. or its subsidiary with related entities is to be found in note 20 to the semi-annual condensed consolidated financial statement published as part of the extended consolidated report for H1 2014.

Granted sureties and guarantees

During H1 2014 ENEA Capital Group companies did not issue any guarantees or sureties, the total value of which would constitute at least 10% of the Issuer's equity.

On 25 February 2014 ENEA S.A., as a Guarantor, concluded a Guarantee Agreement with Zespół Elektrowni Pątnów – Adamów – Konin Spółka Akcyjna. The subject of the agreement is guaranteeing for the liabilities of the subsidiary, ENEA Trading Sp. z o.o., by title of transactions relating to the wholesale trade in electricity, up to the maximum amount of PLN 12,000 thou. The Agreement was concluded based on the Guarantee Framework Agreement regulating the principles of granting guarantees by ENEA S.A. for the account of third parties for obligations of ENEA Trading Sp. z o.o.

Additionally, on 14 April 2014, on request of ENEA S.A., a bank guarantee was issued by Bank Pekao S.A. up to the total amount of PLN 50,000 thou. for Izba Rozliczeniowa Giełd Towarowych S.A. securing the transaction and margin deposit by ENEA Wytwarzanie S.A.



Collaboration or cooperation agreements

Shareholder Agreement regulating the terms of cooperation on the construction of the first in Poland atomic power plant

In H1 2014 the parties to the draft Shareholder Agreement of PGE EJ1 Sp. z o.o. initialled on 23 September 2013 by 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 Shareholder Agreement.

Additionally, on 28 January 2014 the Council of Ministers adopted as a resolution the Polish Nuclear Energy Programme, referred to in the initialled draft Shareholder Agreement as one of the two conditions precedent for the conclusion of the Agreement on Purchase of Shares of PGE EJ1 Sp. z o.o. Currently, the only condition precedent for the conclusion of the Agreement on Purchase of Shares of PGE EJ1 Sp. z o.o. is obtaining a decision on the unconditional approval of the President of the Office of Competition and Consumer Protection to perform the concentration.

As at the date of issue of the Report the Parties hold corporate approvals to conclude the Shareholder Agreement.

The letter of intent regarding cooperation in research and development projects

On 26 June 2014 ENEA S.A., PGE Polska Grupa Energetyczna S.A., ENERGA S.A. and TAURON Polska Energia S.A. signed the letter of intent relating to the cooperation in research and development projects.

The key goal of the cooperation is intensive searching for technological solutions corresponding to the key challenges faced by the Polish energy sector. Selected research projects will concentrate e.g. on the reduction of the emission performance in the process of generating electricity and increasing efficiency in the distribution and use of energy. It is also significant to develop intelligent distribution and transmission networks which will help realise projects such as "intelligent home" or storing electricity.

The coordinated process of research works will provide not only the value added as a scale effect and technological synergy. It will also contribute to a fuller use of the Polish scientific and research potential, which will constitute a significant development impulse for regional academic centres, business partners and for the whole economy.

Joining efforts of the partners to the memorandum of understanding on the level of research and development projects will also allow for a more efficient use of funds for innovativeness from the European Union which are available during 2014-2020 and for a simpler and more flexible obtaining of an additional external capital.

On a subsequent stage of cooperation the signatories of the letter plan to develop optimum mechanisms of realisation of research and development undertakings, adequate to the regulatory, formal and legal and business requirements.

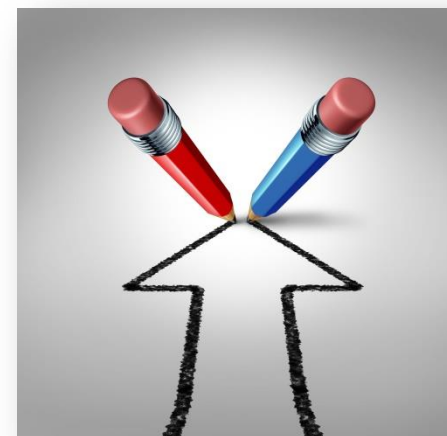
Significant agreements concluded after the end of the reporting period

On 1 July 2014 a corporate guarantee agreement was concluded between ENEA S.A. and Białystok Municipality up to the amount of PLN 50,000 thou. Within the agreement ENEA S.A. undertakes to, in case of non-performance by ENEA Wytwarzanie S.A. of the obligation, pay to Białystok Municipality the selling price for shares to which Białystok Municipality accepted the purchase offer.

On 10 July 2014 PKO BP S.A. issued, on request of ENEA S.A., an annex to the bank guarantee of 19 November 2013 reducing the level of security from PLN 230,000 thou. to PLN 50,000 thou. for the account of Warsaw Commodity Clearing House securing making the margin deposit and transaction deposit by ENEA Trading Sp. z o.o.

Additionally, on 21 July 2014 ENEA S.A. and Warsaw Commodity Clearing House signed an annex No. 3 to the guarantee agreement of 21 July 2011 for the amount of PLN 50,000 thou. prolonging the term of the guarantee to 1 August 2017. Within the said agreement ENEA S.A. guarantees for all the liabilities drawn by ENEA Trading Sp. z o.o. towards Warsaw Commodity Clearing House in relation to its membership in the Exchange Clearing House.

At the same time, ENEA S.A. informs that the conclusion of the guarantee agreement is in progress between ENEA S.A. and the National Fund of Environmental Protection and Water Management up to the amount of PLN 11,806 thou., within which ENEA S.A. undertakes to pay the liabilities of Miejska Energetyka Ciepła Piła Sp. z o.o. relating to the subsidy by the National Fund of Environmental Protection and Water Management for the project realised by Miejska Energetyka Ciepła Piła Sp. z o.o.



Subsidiaries' bond issue programme

One of the significant sources of financing capital expenditures within the Capital Group are bond issues. Below there is information on the bonds issued by the Group companies in 2014 till the end of the reporting period.

On 17 January 2014 ENEA Wytwarzanie S.A. as Issuer, ENEA S.A. as Guarantor and mBank S.A. as Issue Agent, Payment Agent and Depositary, signed an Annex No. 1 to the Bond Issue Programme Agreement for the amount of PLN 746,000 thou. of 16 July 2013 pursuant to which the Programme Value was increased to PLN 936,000 thou. and the number of possible issues within the Programme was increased to 5 series. On 22 January 2014 ENEA Wytwarzanie S.A. issued, and ENEA S.A. took up the fifth series of the total amount of PLN 190,000 thou. As at 30 June 2014, within the Bond Issue Programme Agreement for the amount of PLN 936,000 of 16 July 2013, ENEA Wytwarzanie S.A. issued 5 series of 2-year bonds for the full amount of the Programme.

On 22 January 2014 ENEA Operator Sp. z o.o. issued the 2nd series of bonds totalling to PLN 170,000 thou. within the Programme Agreement relating to the bond issue programme up to the amount of PLN 1,425,000 thou. of 20 June 2013 concluded between ENEA Operator Sp. z o.o. as Issuer, ENEA S.A. as Guarantor and NORDEA Bank Polska S.A. as Issue Agent, Payment Agent and Depositary.

Within the Programme Agreement of 8 September 2012 relating to the bond issue programme up to the amount of PLN 4,000,000 thou. concluded between ENEA Wytwarzanie S.A. as Issuer, ENEA S.A. as Guarantor and mBank S.A. as Issue Agent, Payment Agent and Depositary, ENEA Wytwarzanie S.A. issued two series of bonds. The first series of bonds of the nominal value of PLN 150,000 thou. was issued on 18 April 2014 and the second series of bonds totalling to PLN 200,000 thou. was issued on 13 June 2014.

The table below presents the status of intergroup bonds held as at 30 June 2014 [PLN '000]:

Bond Issuer	Date of agreements	Deadline for buy-out	Currency	Granted amount	Used amount	Current debt (capital)
Elektrownie Wodne Sp. z o.o.	10 March 2011	31 March 2023	PLN	26 000	26 000	26 000
Dobitt Energia Sp. z o.o.	29 September 2011	29 September 2019	PLN	14 500	14 500	14 500
Elektrociepłownia Białystok S.A.	23 July 2012	22 July 2019	PLN	158 500	158 500	129 714
ENEA Wytwarzanie S.A.	8 September 2012	depending on dates of issue of series of bonds, however not later than 15 June 2022	PLN	4 000 000	350 000	350 000
ENEA Operator Sp. z o.o.	20 June 2013	Depending on dates of issue of series of bonds, however not later than 18 October 2029	PLN	1 425 000	950 000	950 000
ENEA Wytwarzanie S.A.	16 July 2013	15 July 2015	PLN	936 000	936 000	936 000

Presentation of the financial position of ENEA Capital Group

Financial results of ENEA Capital Group in H1 2014

Consolidated profit and loss statement*

[PLN '000]	H1 2013	H1 2014	Change	Change %	Q2 2013	Q2 2014	Change	Change %
Revenues from the sale of electricity	2 929 253	2 926 474	-2 779	-0.1%	1 416 161	1 433 089	16 928	1.2%
Revenues from the sale of distribution services	1 424 663	1 440 690	16 027	1.1%	687 930	687 469	-461	-0.1%
Revenues from the sale of goods and materials	37 537	37 083	-454	-1.2%	22 448	23 748	1 300	5.8%
Revenues from the sale of other services	74 863	52 504	-22 359	-29.9%	42 157	22 047	-20 110	-47.7%
Revenues from certificates of origin	18 636	22 686	4 050	21.7%	8 465	6 032	-2 433	-28.7%
Revenues from sales of CO ₂ emission allowances	4 586	4 920	334	7.3%	3 578	4 920	1 342	37.5%
Recovery of stranded costs	964	257 508	256 544	26 612.4%	964	257 508	256 544	26 612.4%
Revenues from the sale of heat energy	105 123	98 330	-6 793	-6.5%	33 588	31 639	-1 949	-5.8%
Net sales revenues	4 595 625	4 840 195	244 570	5.3%	2 215 291	2 466 452	251 161	11.3%
Amortisation/depreciation	385 920	344 580	-41 340	-10.7%	191 253	149 846	-41 407	-21.7%
Employee benefit costs	514 229	480 704	-33 525	-6.5%	262 442	216 829	-45 613	-17.4%
Consumption of materials and raw materials and value of goods sold	928 673	851 651	-77 022	-8.3%	468 289	404 865	-63 424	-13.5%
Costs of purchases for resale	1 617 582	1 777 871	160 289	9.9%	791 258	908 333	117 075	14.8%
Transmission services	299 197	352 195	52 998	17.7%	146 179	173 508	27 329	18.7%
Other outsourced services	165 918	172 179	6 261	3.8%	87 845	91 117	3 272	3.7%
Taxes and charges	127 492	135 904	8 412	6.6%	58 449	60 387	1 938	3.3%
Cost of sales	4 039 011	4 115 084	76 073	1.9%	2 005 715	2 004 885	-830	0,0%
Other operating revenue	79 334	83 716	4 382	5.5%	22 136	55 954	33 818	152.8%
Other operating expenses	81 048	49 908	-31 140	-38.4%	34 216	24 955	-9 261	-27.1%
Profit / (loss) on sales and liquidation of tangible fixed assets	-3 227	-1	3 226	100.0%	-1 051	-387	664	63.2%
Operating profit (loss)	551 673	758 918	207 245	37.6%	196 445	492 179	295 734	150.5%
Financial expenses	19 607	36 108	16 501	84.2%	12 266	18 690	6 424	52.4%
Financial revenue	36 465	40 974	4 509	12.4%	14 220	21 972	7 752	54.5%
Dividend revenue	4 552	3 355	-1 197	-26.3%	4 552	3 355	-1 197	-26.3%
Share in (losses)/profits of affiliated entities accounted for using the equity method	293	720	427	145.7%	-512	121	633	123.6%
Profit (loss) before tax	573 376	767 859	194 483	33.9%	202 439	498 937	296 498	146.5%
Income tax	118 567	142 924	24 357	20.5%	44 474	83 332	38 858	87.4%
Net profit (loss) for the reporting period	454 809	624 935	170 126	37.4%	157 965	415 605	257 640	163.1%
EBITDA	937 593	1 103 498	165 905	17.7%	387 698	642 025	254 327	65.6%

* Comment to significant changes is attached below

Comment:

H1 2014:

Change factors of EBITDA of ENEA CG (growth by PLN 166 mln):

- (+) recognition of revenues from compensation for recovery of stranded costs (in the amount of PLN 258 mln)
- (+) lower costs of materials and value of goods sold (by PLN 77 mln) resulting mainly from a lower average price of coal with transport by 7.9%
- (+) higher result on the other operating activity (by PLN 36 mln) resulting from adjustment of the level of provisions for claims for damages (provisions connected with legal regulation of lands under the grid assets) and higher revenues from compensation and penalties
- (+) lower employee benefits (by PLN 34 mln) resulting from a lower level of employee provisions (including actuarial reserves, provisions for the Programme of Voluntary Redundancy and for the incentive fund)
- (+) higher revenues from sales of distribution services (by PLN 16 mln) is a result of higher volumes of sales to end users and higher revenues from the transitory charge and quality charge
- (+) higher volumes of purchased energy (by 2,385 GWh) with a lower average purchase price by 12.5%
- (-) higher costs of transmission services (by PLN 53 mln) is a result of higher costs of transitory charge and quality charge
- (-) lower revenues from sales of other services (by PLN 22 mln) including e.g. revenues from lighting maintenance
- (-) higher costs of taxes and charges (by PLN 8 mln)

Q2 2014:

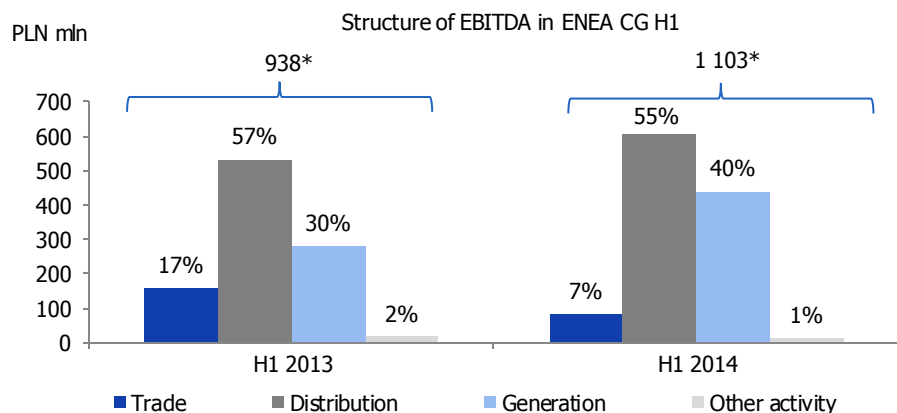
Change factors of EBITDA of ENEA CG (growth by PLN 254 mln):

- (+) recognition of revenues from compensation for recovery of stranded costs (in the amount of PLN 258 mln)
- (+) lower costs of materials and value of sold goods (by PLN 63 mln) as a result of:
 - lower average price of coal with transport by 5.8% and lower volumes of coal consumption by 25 thou. tonnes
 - lower costs of CO₂ emission by PLN 26 mln which results from adjustments of settlements for the comparative period
- (+) lower employee benefits (by PLN 46 mln) resulting from a lower level of employee provisions (including actuarial reserves, provisions for the Programme of Voluntary Redundancy and for the incentive fund)
- (+) higher result on the other operating activity (by PLN 43 mln) resulting from adjustment of the level of provisions for claims for damages (provisions connected with legal regulation of lands under the grid assets)
- (+) higher revenues from sales of electricity (by PLN 17 mln) is a result of a higher volume of sales of electricity on the wholesale market by 701 GWh adjusted with lower average selling price by 15.3%
- (+) higher volumes of purchased energy (by 1,316 GWh) with a lower average purchase price by 11.0%
- (-) higher costs of transmission services (by PLN 27 mln) is a result of higher costs of transitory charge and quality charge
- (-) lower revenues from sales of other services (by PLN 20 mln) including e.g. revenues from lighting maintenance*

* activity transferred as a contribution in kind to ENEOS at the end of 2013.

Results on particular segments of operations of ENEA Capital Group

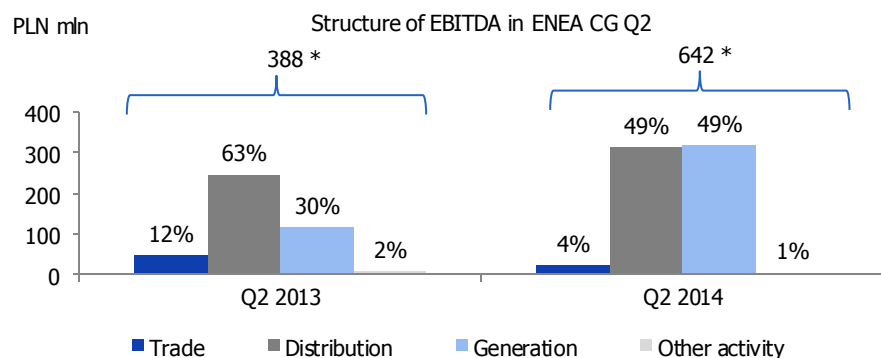
EBITDA [PLN '000]	H1 2013	H1 2014	Change	Change %	Q2 2013	Q2 2014	Change	Change %
Trade	157 390	82 271	-75 119	-47.7%	47 803	23 925	-23 878	-50.0%
Distribution	532 861	605 667	72 806	13.7%	245 694	313 056	67 362	27.4%
Generation	279 448	440 327	160 879	57.6%	115 999	316 640	200 641	173.0%
Other activity	17 192	12 632	-4 560	-26.5%	8 863	5 174	-3 689	-41.6%
Undistributed items and exclusions	-49 298	-37 399	11 899	24.1%	-30 661	-16 770	13 891	45.3%
Total EBITDA	937 593	1 103 498	165 905	17.7%	387 698	642 025	254 327	65.6%



ENEA CG H1 2014:

The highest EBITDA in the segment of distribution

The highest growth in EBITDA in the segment of generation



ENEA CG Q2 2014:

EBITDA in the segment of generation and distribution on the comparable level

The highest growth in EBITDA in the segment of generation

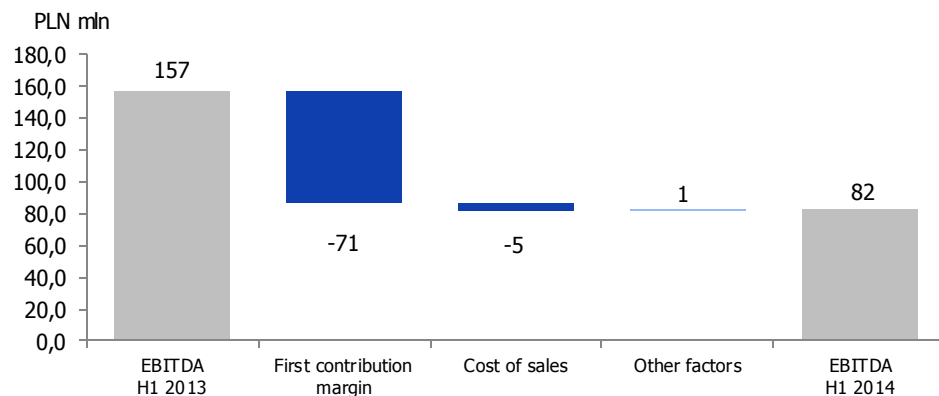
* including undistributed items and exclusions

Segment of Trade

[PLN '000]	H1 2013	H1 2014	Change	Change %	Q2 2013	Q2 2014	Change	Change %
Revenues on sales	1 823 911	1 989 421	165 510	9.1%	868 296	988 107	119 811	13.8%
EBIT	157 135	81 828	-75 307	-47.9%	47 668	23 714	-23 954	-50.3%
Amortisation/depreciation	255	443	188	73.7%	135	211	76	56.3%
EBITDA	157 390	82 271	-75 119	-47.7%	47 803	23 925	-23 878	-50.0%
CAPEX	1 178	819	-359	-30.5%	295	304	9	3.1%
Share of sales revenues of the segment in the Group's sales revenues	39.7%	41.1%	-	-	39.2%	40.1%	-	-

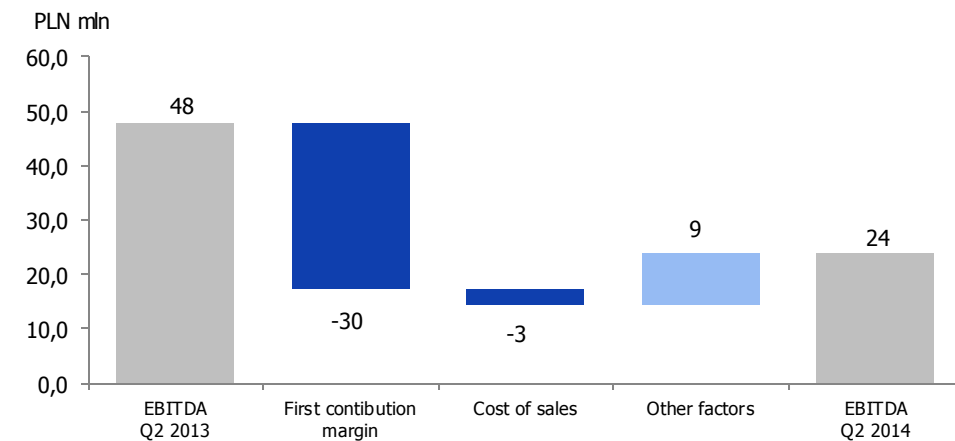
Retail sales of electricity are realised by ENEA S.A.

Wholesale is realised by ENEA Trading Sp. z o.o.



H1 2014 Change factors of EBITDA:

- (-) lower average selling price by 17.1%
- (+) lower average purchase price of energy by 11.4%
- (+) higher volumes of sales by 1,174 GWh



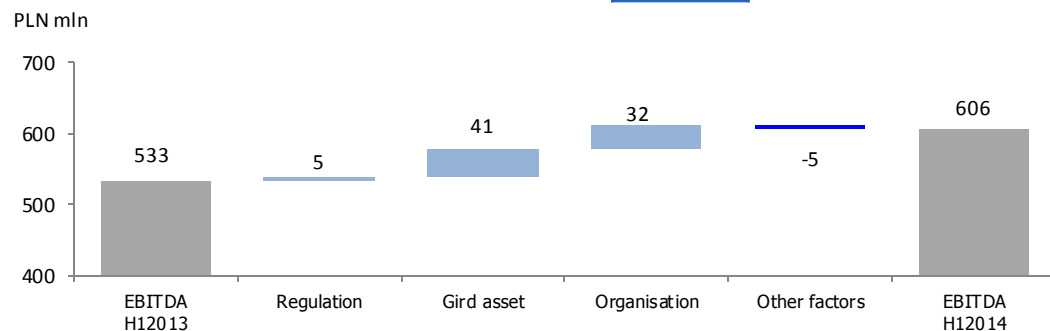
Q2 2014 Change factors of EBITDA:

- (-) lower average selling price by 17.3%
- (+) lower average purchase price of energy by 12.4%
- (+) higher volumes of sales by 630 GWh
- (+) lower costs connected with maintaining office space by PLN 4 mln

Segment of Distribution

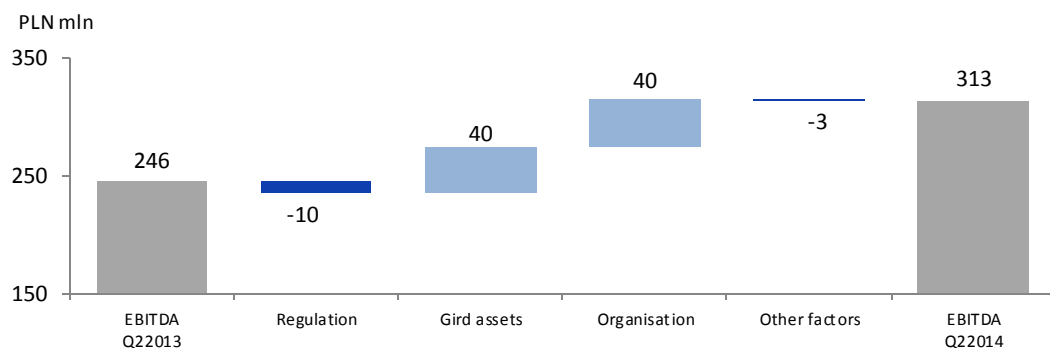
[PLN '000]	H1 2013	H1 2014	Change	Change %	Q2 2013	Q2 2014	Change	Change %
Revenues on sales	1 495 266	1 501 149	5 883	0.4%	727 965	719 829	-8 136	-1.1%
distribution services to end users	1 338 730	1 355 161	16 431	1.2%	650 300	655 746	5 446	0.8%
fees for grid connection	50 043	51 306	1 263	2.5%	29 719	33 350	3 631	12.2%
other	106 493	94 682	-11 811	-11.1%	47 946	30 733	-17 213	-35.9%
EBIT	343 260	403 006	59 746	17.4%	150 691	214 715	64 024	42.5%
Amortisation/depreciation	189 601	202 661	13 060	6.9%	95 003	98 341	3 338	3.5%
EBITDA	532 861	605 667	72 806	13.7%	245 694	313 056	67 362	27.4%
CAPEX	284 152	240 314	-43 838	-15.4%	162 277	155 372	-6 905	-4.3%
Share of sales revenues of the segment in the Group's sales revenues	32.5%	31.0%	-	-	32.9%	29.2%	-	-

ENE Operator Sp. z o.o. is responsible for electricity distribution to 2.45 mln customers in the western and north-western Poland on the area of 58,213 km². The basic task of ENEA Operator is a continuous and reliable supply of energy maintaining appropriate quality parameters.



H1 2014 Change factors of EBITDA:

- **Regulation**
 - (+) lower average price and lower volumes of electricity purchases for covering book-tax difference
- **Grid assets**
 - (+) lower provisions relating to grid assets
- **Organisation**
 - (+) lower provisions for employee benefits
- **Other companies**
 - (-) lower sales



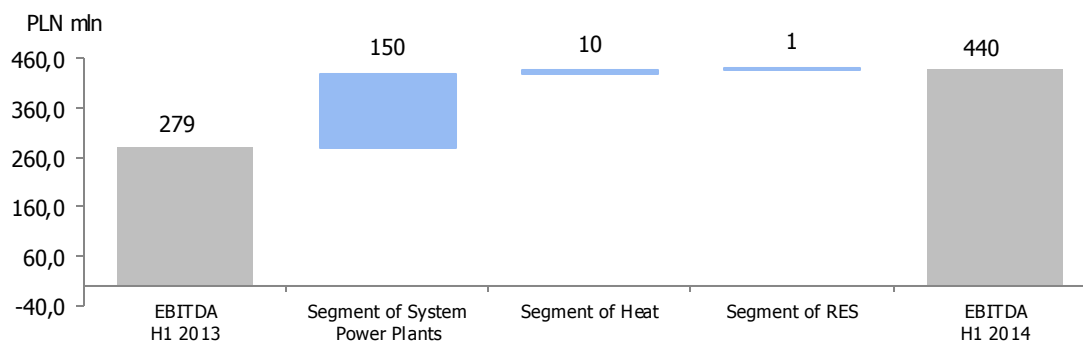
Q2 2014 Change factors of EBITDA:

- **Regulation**
 - (-) lower volumes of supplies in the group of small volume collections
- **Grid assets**
 - (+) lower provisions relating to grid assets
- **Organisation**
 - (+) lower provisions for employee benefits
- **Other companies**
 - (-) lower sales

Segment of Generation

[PLN '000]	H1 2013	H1 2014	Change	Change %	Q2 2013	Q2 2014	Change	Change %
Revenues on sales	1 540 606	1 800 032	259 426	16.8%	743 215	983 215	240 000	32.3%
electricity	1 351 610	1 334 041	-17 569	-1,3%	663 871	645 189	-18 682	-2,8%
certificates of origin	69 292	95 912	26 620	38,4%	35 537	38 462	2 925	8,2%
sales of allowances for emissions of CO ₂	4 586	4 925	339	7.4%	3 577	4 925	1 348	37.7%
heat	105 123	98 330	-6 793	-6.5%	33 588	31 639	-1 949	-5.8%
recovery of stranded costs	964	257 508	256 544	26612.4%	964	257 508	256 544	26612.4%
other	9 031	9 316	285	3,2%	5 678	5 492	-186	-3,3%
EBIT	93 092	305 195	212 103	227.8%	24 264	268 160	243 896	1005.2%
Amortisation/depreciation	186 356	135 132	-51 224	-27.5%	91 735	48 480	-43 255	-47.2%
EBITDA	279 448	440 327	160 879	57.6%	115 999	316 640	200 641	173.0%
CAPEX	511 520	735 869	224 349	43.9%	283 111	513 216	230 105	81.3%
Share of sales revenues of the segment in the Group's sales revenues	33.5%	37.2%	-	-	33.5%	39.9%	-	-

The segment of generation presents financial data of ENEA Wytwarzanie S.A. and its subsidiaries. ENEA Wytwarzanie possess 10 high-performance and modernised power units. Annual generation capacity amount to ca. 15 TWh electricity



H1 2014 Change factors of EBITDA:

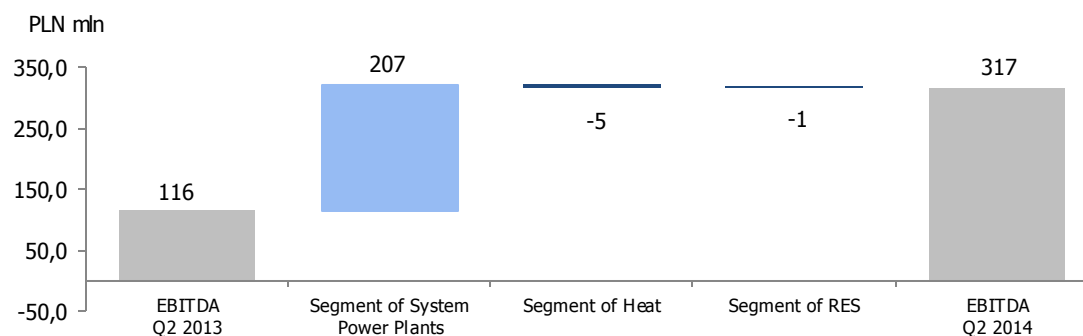
- Segment of System Power Plants:**

- (+) higher revenues from compensation for recovery of stranded costs by PLN 258 mln
- (+) higher margin on co-combustion of biomass by PLN 13 mln
- (-) lower margin on generation of electricity by PLN 83 mln
- (-) loss of EBITDA due to failure of unit No. 9 by PLN 23 mln

- Segment of Heat:**

- (+) higher revenues from sales of electricity by PLN 6 mln
- (+) higher revenues from certificates of origin by PLN 4 mln
- (+) lower costs of materials by PLN 10 mln
- (-) lower revenues from sales of heat by PLN 7 mln
- (-) higher costs of outsourced services by PLN 3 mln

Segment of Generation



Q2 2014 Change factors of EBITDA:

- **Segment of System Power Plants:**
 - (+) higher revenues from compensation for recovery of stranded costs by PLN 258 mln
 - (-) lower margin on generation of electricity by PLN 18 mln
 - (-) lower result on the other operating activity by PLN 10 mln
 - (-) loss of EBITDA due to failure of unit No. 9 by PLN 18 mln
- **Segment of Heat:**
 - (-) lower revenues from sales of heat by PLN 2 mln
 - (-) higher costs of outsourced services by PLN 2 mln
 - (-) lower result on the other operating activity by PLN 2 mln
 - (-) lower revenues from certificates of origin by PLN 2 mln
 - (+) higher revenues from sales of electricity by PLN 4 mln

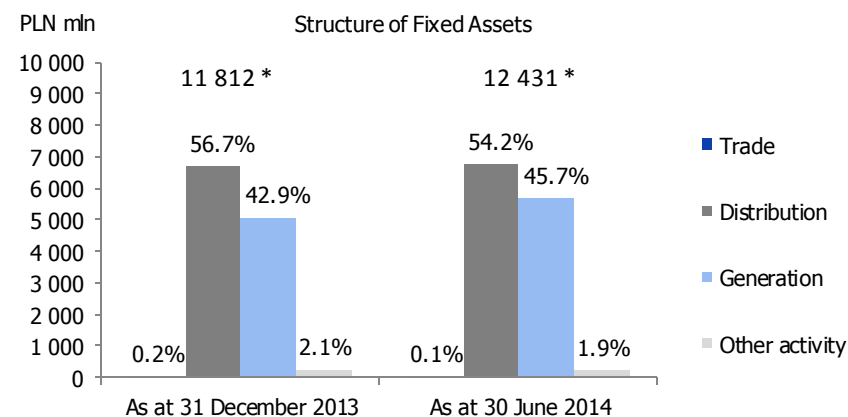
Segment of Other activity

[PLN '000]	H1 2013	H1 2014	Change	Change %	Q2 2013	Q2 2014	Change	Change %
Revenues on sales	135 551	114 114	-21 437	-15.8%	72 361	60 552	-11 809	-16.3%
EBIT	8 519	5 632	-2 887	-33.9%	4 992	2 084	-2 908	-58.3%
Amortisation/depreciation	8 673	7 000	-1 673	-19.3%	3 871	3 090	-781	-20.2%
EBITDA	17 192	12 632	-4 560	-26.5%	8 863	5 174	-3 689	-41.6%
CAPEX	19 285	3 036	-16 249	-84.3%	9 460	1 999	-7 461	-78.9%
Share of sales revenues of the segment in the Group's sales revenues	2.9%	2.4%	-	-	3.3%	2.5%	-	-

The Segment of Other activity presents companies which render supplementary services towards the energy company's operations. The Group will perform restructuring activities within functioning of entities whose scope of operations is not connected with the operations of a power engineering company. The objective is keeping in the structure only those companies from the basic value chain and companies supporting them.

Assets - structure of assets and liabilities of ENEA Capital Group

Assets [PLN'000]	As at:		Change	Change %
	31 December 2013	30 June 2014		
Fixed assets	12 369 473	13 152 680	783 207	6.3%
Tangible fixed assets	11 811 566	12 430 565	618 999	5.2%
Perpetual usufruct right	68 431	67 519	-912	-1.3%
Intangible assets	206 580	226 952	20 372	9.9%
Investment properties	30 641	29 920	-721	-2.4%
Investments in affiliated companies	3 298	4 021	723	21.9%
Deferred income tax assets	181 403	157 438	-23 965	-13.2%
Financial assets held for sale	61 761	58 695	-3 066	-5.0%
Financial assets held-to-maturity investments	0	0	0	0.0%
Financial assets valued at fair value by the profit and loss account	1 860	8 520	6 660	358.1%
Trade and other receivables	3 933	169 050	165 117	4198.2%
Current assets	3 952 551	3 844 625	-107 926	-2.7%
CO ₂ emission allowances	190 566	98 671	-91 895	-48.2%
Inventories	521 498	562 540	41 042	7.9%
Trade and other receivables	1 345 966	1 460 539	114 573	8.5%
Current income tax assets	11 455	28 835	17 380	151.7%
Financial assets held-to-maturity investments	45	15 023	14 978	33284.4%
Financial assets valued at fair value by the profit and loss account	296 339	391 709	95 370	32.2%
Cash and cash equivalents	1 573 195	1 273 613	-299 582	-19.0%
Fixed assets for sale	13 487	13 695	208	1.5%
Total assets	16 322 024	16 997 305	675 281	4.1%



* including exclusions

Change factors of fixed assets (growth by PLN 783 mln):

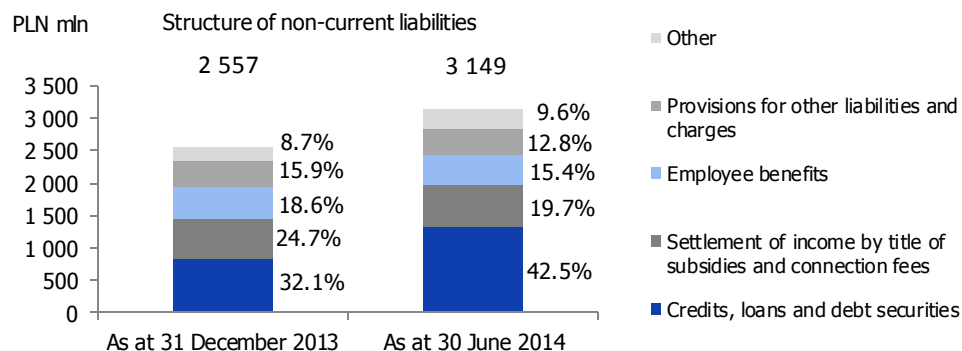
- higher assets connected with generation by PLN 599 mln, e.g. realisation of capital expenditures for the construction of the power unit No. 11 in Kozenice
- higher revenues from calculation of compensation for recovery of stranded costs by PLN 166 mln

Change factors of current assets (drop by PLN 108 mln):

- decreased cash by PLN 300 mln, e.g. financing of the investment being the construction of the power unit No. 11 from own funds
- redemption of allowances for emissions of CO₂ totalling to PLN 105 mln
- higher receivables from VAT by PLN 61 mln resulting from the realisation of the investment in unit No. 11
- higher inventories of coal by PLN 61 mln with lower stock of certificates of origin for energy by PLN 28 mln

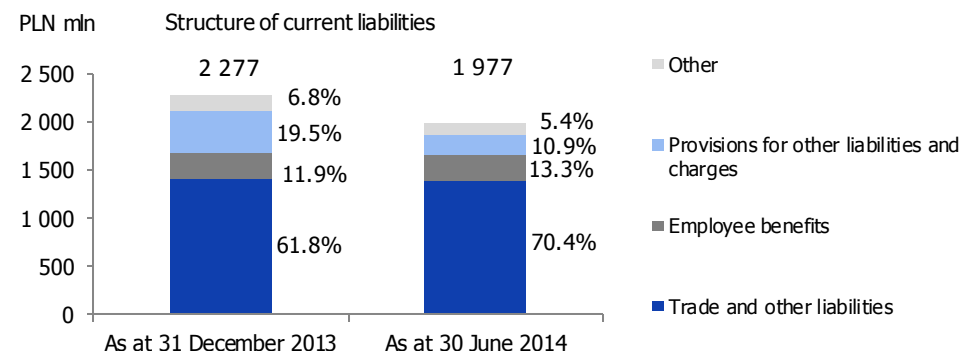
Assets - structure of assets and liabilities of ENEA Capital Group

Liabilities [PLN '000]	As at:		Change	Change %
	31 December 2013	30 June 2014		
Total equity	11 487 948	11 871 798	383 850	3.3%
Share capital	588 018	588 018	0	0.0%
Share premium	3 632 464	3 632 464	0	0.0%
Share based payments reserve	1 144 336	0	-1 144 336	-100.0%
Financial instruments revaluation reserve	45 185	42 800	-2 385	-5.3%
Other reserves	-20 664	0	20 664	100.0%
Retained earnings	6 079 288	7 588 550	1 509 262	24.8%
Non-controlling interests	19 321	19 966	645	3.3%
Total liabilities	4 834 076	5 125 507	291 431	6.0%
Non-current liabilities	2 556 816	3 148 621	591 805	23.1%
Current liabilities	2 277 260	1 976 886	-300 374	-13.2%
Total equity and liabilities	16 322 024	16 997 305	675 281	4.1%



Change factors of non-current liabilities (growth by PLN592 mln):

- special-purpose credit from EIB relating to the modernisation and extension of the distribution assets (PLN 170 mln)
- Issue of bonds for the investment implementation within generation (PLN 350 mln)
- Higher provisions for deferred income tax mainly as a result of higher revenues from compensation for recovery of stranded costs (PLN 49 mln)



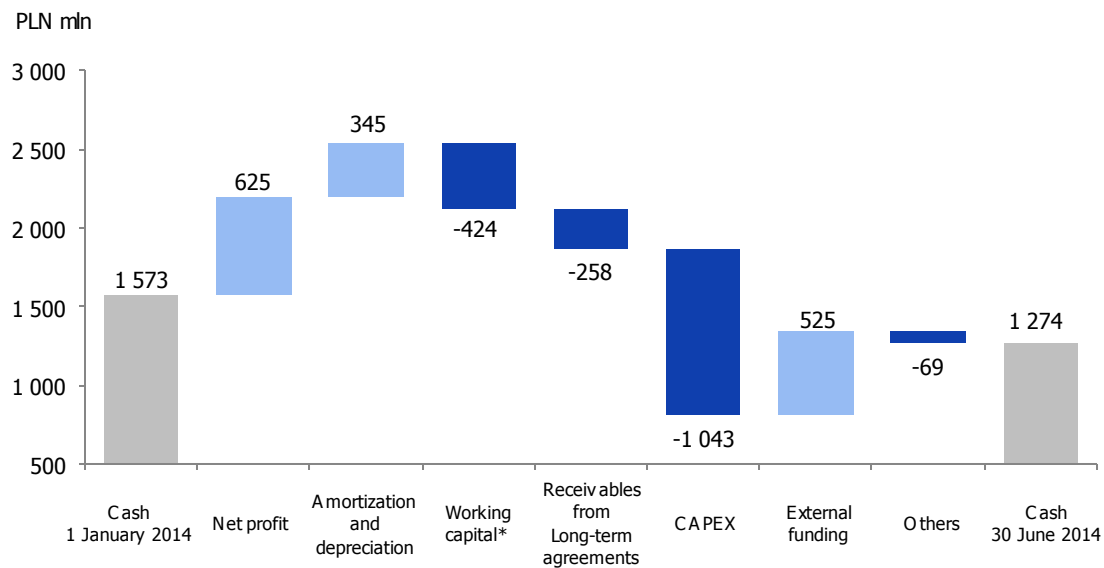
Change factors of current liabilities (drop by PLN 300 mln):

- lower provisions for energy certificates of origin (by PLN 153 mln) (settlement of the obligation)
- lower reserves for purchase of CO₂ emission allowances (by PLN 54 mln)

Cash situation of ENEA Capital Group

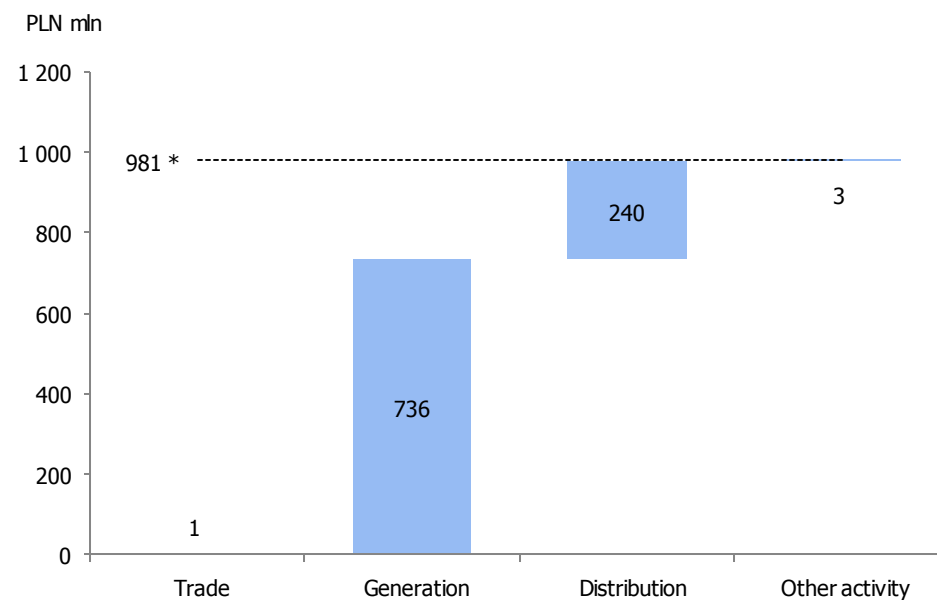
Cash flow statement [PLN'000]	H1 2013	H1 2014	Change	Change %
Net cash flows from operating activities	880 225	330 191	-550 034	-62.5%
Net cash flows from investing activities	-771 707	-1 141 116	-369 409	-47.9%
Net cash flows from financing activities	-12 247	510 872	523 119	4271.4%
Net increase / (decrease) in cash and cash equivalents	96 271	-300 053	-396 324	-411.7%
Cash and cash equivalents at the beginning of the reporting period	1 095 495	1 573 195	477 700	43.6%
Cash and cash equivalents at the end of the reporting period	1 193 280	1 273 613	80 333	6.7%

Cash flows for H1 2014



* excluding receivables from compensation for recovery of stranded costs

Capital expenditures of ENEA CG in H1 2014



* including exclusions

Ratio analysis*

	H1 2013	H1 2014	Q2 2013	Q2 2014
Profitability ratios				
ROE - return on equity	8.1%	10.5%	5.6%	14.0%
ROA - return on assets	6.1%	7.4%	4.2%	9.8%
Net profitability	9.9%	12.9%	7.1%	16.9%
Operating profitability	12.0%	15.7%	8.9%	20.0%
EBITDA	20.4%	22.8%	17.5%	26.0%
Liquidity and financial structure ratios				
Current liquidity ratio	1.8	1.9	1.8	1.9
Equity-to-fixed assets ratio	98.4%	90.3%	98.4%	90.3%
Total debt ratio	25.0%	30.2%	25.0%	30.2%
Net debt / EBITDA	-0.9	-0.2	-0.9	-0.2
Economic activity ratios				
Current receivables turnover in days	55	52	60	53
Turnover of trade and other payables in days	74	74	71	67
Inventory turnover in days	24	29	20	28

Financial results forecasts

The Management Board of ENEA S.A. did not publish any forecasts as to its financial results for H1 2014 or for the whole 2014 financial year.

* Ratio definitions are to be found on page 62

Anticipated financial position

A large share of the regulated segment of distribution in the EBITDA result of ENEA CG (in H1 2014 distribution accounted for 55% EBITDA) affects the foreseeability of cash flows and stabilises them over time, while another key segment - generation - is under pressure. The estimate of the financial position of the Group is however still limited with a small diversification of production fuels and high asset concentration. ENEA CG is also strongly exposed to the costs of CO₂ emissions, which may have a negative impact on the results of the segment of conventional generation during 2014-2020.

The Group's financial position is safe, supported with a large amount of cash the balance of which at the end of H1 2014 totalled to PLN 1.3 bln. 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 4 bln,
- Agreement relating to the bond issue programme up to the maximum amount of PLN 5 bln 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 bln concluded with Bank Gospodarstwa Krajowego,
- Two loan agreements with the European Investment Bank for the total amount of PLN 1.425 bln.

It is expected that in the coming year the ratio defined as net debt/EBITDA will grow from the level of -0.2 to ca. 3. It stems from an extensive CAPEX programme designated for 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 till 2020.

The realisation of the investment programme will allow to develop a more diversified structure of assets with no risk to the financial position. The future results may be positively affected also by cost reduction which will be performed thanks to the programme of enhanced efficiency realised in the Group.

Factors affecting ENEA Capital Group's results

Situation on the electricity market

Wholesale electricity prices

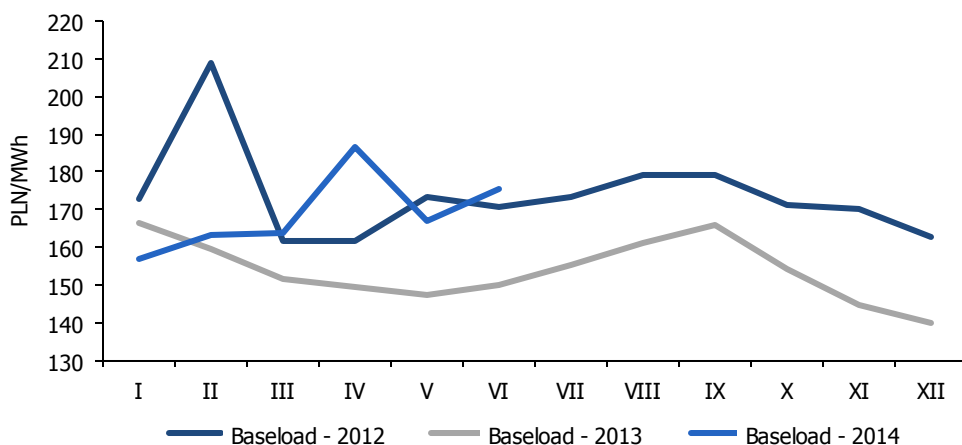
H1 2014 characterised with a higher average price of electricity on the Day Ahead Market (Table 1). Mostly, the following factors had an impact on such the state of affairs: generation of energy from wind farms, level of demand for energy, situation on the European carbon market, introduction of changes in the method of settlements for an operating power reserve and lower available capacity for Operators of the transmission system. The impact of these factors was mostly noticeable in April, which usually is one of the cheapest months in the year. This time, the average monthly price was the highest in the whole H1, and that is due to the concurrent occurrence of the following conditions: high level of demand for energy in the Public Power System, low level of wind generation, exceptionally high decreases in capacity in PPS and increasing prices of allowances for emissions of CO₂.

Information on the average level of prices in the base load in subsequent months of the year is presented in the diagram below.

Table 1. Average prices on SPOT market (PPE)

Period	Average price [PLN/MWh]	Change [%]
H1 2012	174.61	-
H1 2013	154.10	↓11.7
H1 2014	168.81	↑9.5

Source: Own paper based on data from PPE.



Source: Own paper based on data from PPE.

The futures market for electricity in H1 characterised with a sideways trend, however in the second half of June prices of electricity started growing suddenly.

From among all the futures contracts listed on PPE, one of the most popular ones was BASE Y-15 annual contract.

- From the beginning of the year the contract's price rose from 157.41 PLN/MWh to 173.76 PLN/MWh during the last session of June.
- During the analysed 6 months BASE Y-15 had the highest price on 30 June, reaching the level of 176.00 PLN/MWh.
- The total volume on this product reached 5,175 MW. For comparison, in the same period of the previous year, when BASE Y-14 raised interests of participants, the trade volumes were similar and amounted to 4,748 MW.

Activity was also reported on the related product, euro-peak for 2015.

- The total turnover amounted to as much as 746 MW, for comparison in the same period of the previous year it was 714 MW on PEAK Y-14.
- The contract's price rose from the beginning of January from 191.75 PLN/MWh to 226.38 PLN/MWh as at the end of June.

Information on price levels for annual base load contracts is presented in the table below.

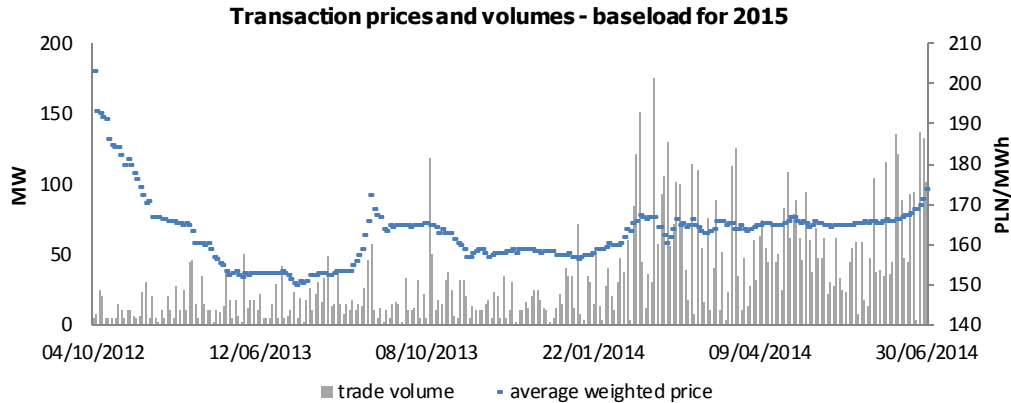
Table 2. Prices on the forward market

Product	Price at the end of quotations [PLN/MWh]	Change yoy [%]	Average price from quotations [PLN/MWh]	Change yoy [%]
BASE Y-12	201.65	-	202.62	-
BASE Y-13	169.50	↓15.9	191.23	↓5.6
BASE Y-14	151.00	↓10.9	160.27	↓16.2
BASE Y-15	173.76*	-	164.99	-

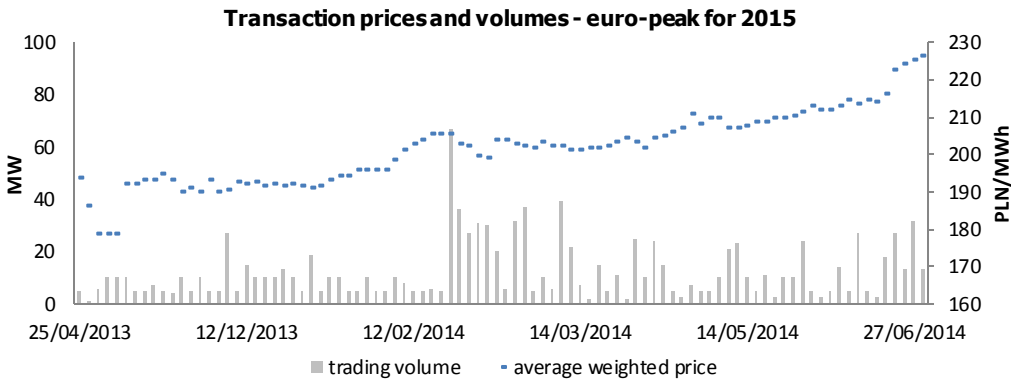
Source: Own development based on data from PPE and TFS and WSI InfoEngine.

* Price as at the end of June 2014.

Detailed information on prices and trade volumes is presented in the diagram below.



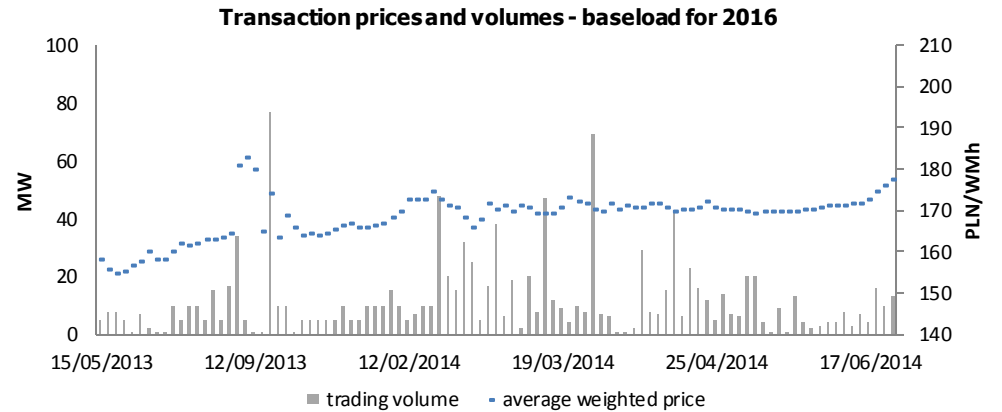
Source: Own development based on data from PPE and TFS and WSI InfoEngine.



Source: Own development based on data from PPE and TFS and WSI InfoEngine.

The interest in base load product for 2016 also increased.

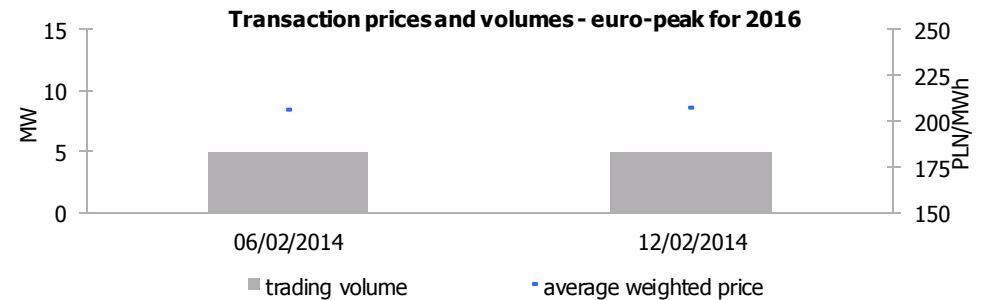
- The product price during the first January transaction amounted to 166.00 PLN/MWh, and during the last (on the last day of June) to 178.00 PLN/MWh.
- The volume on this product amounted to 602 MW.



Source: Own development based on data from PPE and TFS and WSI InfoEngine.

Among the other annual contracts

- Only two transactions were concluded on euro-peak product with delivery in 2016.
- At the end of January the first transaction was concluded on BASE Y-17 at the price of 175.00 PLN/MWh. Other two transactions were concluded at the beginning and end of June on TFS, at prices of ca. 182.00 PLN/MWh. Due to the distant time horizon the product is not popular with the market participants.
- No transactions for euro-peak 2017.



Source: Own development based on data from PPE and TFS and WSI InfoEngine.

Presently observed price levels of energy on the wholesale market in the current situation on the market of allowances should not be revoked. It is demonstrated by macroeconomic ratios which are optimistic as for the future economic situation, and were additionally strengthened with the "fast coming spring". Any shaking of the paths of the economic growth may result from a still tense situation between the European Union, Ukraine and Russia. For Poland it has already translated into lower turnovers in trade exchange with the East and higher risk of shaking the energy security, mainly for gas and oil. Additionally, the planned withdrawal of some obsolete generating units and introduction of mechanisms stabilising the capacity market may further raise an additional pressure on the growth in energy prices.

Obligations with respect to obtaining energy certificates of origin

In accordance with the regulations being in force energy companies selling electricity to end users in 2014 were obliged to obtain and redeem the following types of certificates of origin:

- for energy generated in renewable sources, the so called "green" certificates - the obligation on the level of 13.0% sales to end users,
- for energy generated in cogeneration fired with methane released and captured by underground mining works in operating, liquidated or closed mines of hard coal or with gas obtained from biomass processing, mentioned in Art. 91 item 1(1) of the Act of 10 April 1997 - Energy Law, the so called "purple" certificates - the obligation on the level of 1.1% sales to end users,
- energy efficiency certificates, the so-called "white" certificates.

- for the period from 30 April 2014 also for energy generated in gas cogeneration units of the total installed capacity up to 1 MW, the so-called "yellow" certificates - the obligation on the level of 4.9% and for energy generated in other cogeneration sources, the so-called "red" certificates - the obligation on the level of 23.2%.

On 30 April 2014 the so-called "cogeneration" Act entered into force (Act amending the Energy Law and others) restoring the system of support for cogeneration certificates, the so-called "yellow" and "red" certificates, till the end of 2018. Additionally, the obligation may be realised exclusively with the allowances obtained for energy produced in a given year (the obligation for 2014 only with "red" and "yellow" PI issued for energy generated from 30 April 2014 to 31 December 2014, for "purple" PI for the whole 2014), and the period of its realisation was prolonged till the end of June of the subsequent year. Therefore, on 30 May 2014 the following instruments were withdrawn from the market: PMMET, PMEC, PMGM and they were replaced with: PMMET-2013 (for the realisation of the obligation for 2013 listed till 30 June 2014), PMMET-2014, PMEC-2014, PMGM-2014.

Below, the structure of contractation is presented for particular proprietary interests in 2014.

Table 3. Prices on the market of certificates of origin

	Average price in H1 2014	Change towards H2 2013		Maximum price	Minimum price
	PLN/MWh	%	PLN/MWh	PLN/MWh	PLN/MWh
OZEX_A ("green" proprietary interests)	202.86	↑ 8.5	↑ 15.91	249.69	177.81
KGMX ("yellow" proprietary interests)	no transactions	-	-	-	-
KECX ("red" proprietary interests)	no transactions	-	-	-	-
KMETX ("purple" proprietary interests)	58.15	↑ 2.3	↑ 1.36	60.00	30.00
KMETX ("purple" proprietary interests - 2013)	29.92	-	-	38.37	19.36
KMETX ("purple" proprietary interests - 2014)	58.03	-	-	59.40	54.00
EFX ("white" proprietary interests)	959.65	-	-	975.00	900.00

Source: own paper based on data from PPE.

In the first half of February 2014 a threat for the realisation of the obligation within "green" certificates hoisted their price to the level of 250.00 PLN/MWh. Higher supply on the market due to the commencement of issuing by the President of ERO of "outstanding" certificates resulted in regular drops in prices from the second half of February.

Another growth in prices resulted from the publication of the new version (6.3) of the RES Act. The tendency was however broken in relation to over 5 TWh surplus of allowances outstanding after the realisation of the obligation for 2013. From April ERO has issued around 1.6 TWh allowances monthly. As a result, at the end of June 2014 on the market there are already 9.2 TWh not redeemed "green" certificates. Despite that, the prices of "green" proprietary interests in June remained in the sideways trend, as result of which prices of PI ranged within 177.97 PLN/MWh-179.00 PLN/MWh.

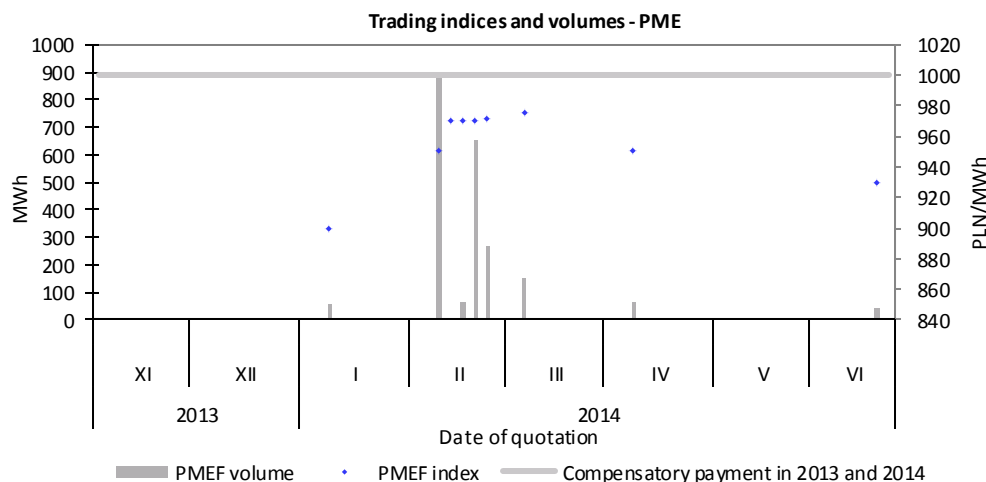
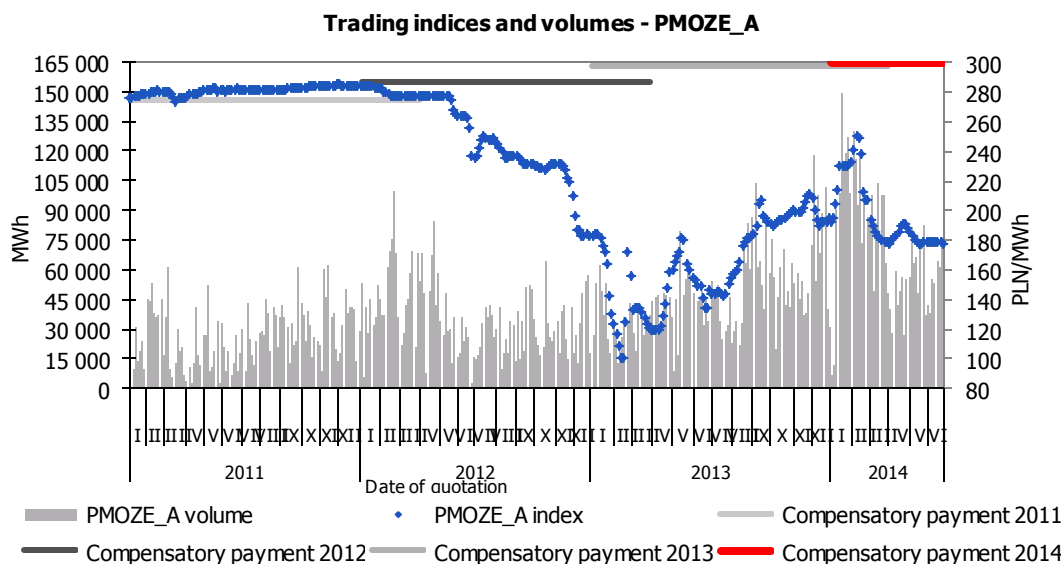
At the beginning of April 2014 another version of the draft RES Act was published (version 6.3), which on 8 July was submitted by the Government Legislation Centre to the Sejm, after the Office of Competition and Consumer Protection informed on no necessity to approve the regulations by the European Commission. In the opinion of the Ministry of Economy the Act may enter into force the next year, and the new system of support would be valid from January 2016. Legislative changes within the new act are mainly a new support mechanism, i.e. introduction of an auction system, changes in the principles of allocating certificates of origin for energy produced in the co-called co-firing and no certificates for hydroelectric plants with the capacity above 5 MW, and also changes in the level of obligation to redeem "green" certificates (increase of the obligation to redeem "green" PI to the level of 20%, yet with the possibility of its decreasing by way of a regulation).

The situation on the market within "purple" certificates was quite stable. Demand for the certificates exceeded the supply, therefore the price was not subject to abrupt fluctuations and was on a level slightly lower than the unit compensatory payment. Collapse in prices on the turn of April and May stemmed from the entry into force of new regulations amending the significant principles of the obligation fulfilment.

Analysing the price levels for PMMET-2014 index they also range below the compensatory payment and a price trend may be anticipated which reflects the value of money over time in relation to a very likely shortage of these PI on the market.

For PMEC-014 and PMGM-2014 there were no transactions noted, in relation to ERO issuing no certificates of origin for such interests till the end of H1.

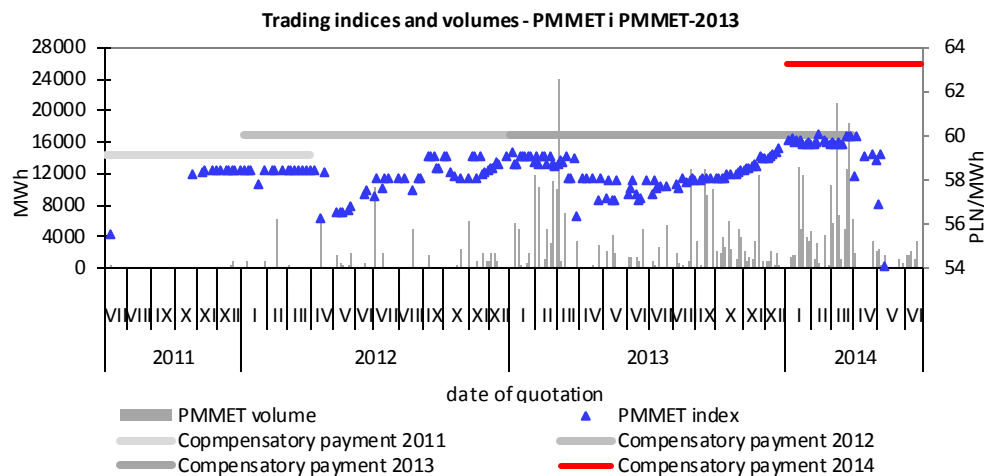
In January 2014 the first transaction was concluded on new instruments, aiming at the support of the energy efficiency, the so-called "white" certificates. The winner of the first tender, announced by the Energy Regulatory Office already in December 2012, was selected in September 2013. As a result the undertakings totalling to 20.698 thou. toe were selected, out of the total of 550 thou. (ca. 4%) of those possible to obtain within the tender. In the analysed period transactions were realised for these PI of the total volume of 2,178.80 toe, against 27,242.36 toe issued by ERO till 6 June 2014. The second tender, within which applications were submitted till 27 January 2014, till the date of this report has not been completed.



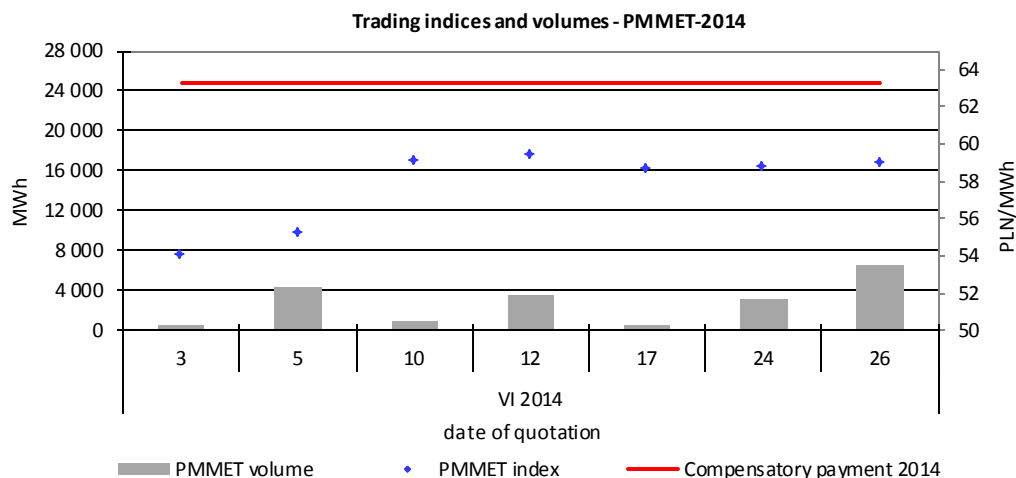
Source: own development based on the data from PPE, the levels of unit compensatory payment acc. to the information from the President of ERO.

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

1. <http://bip.ure.gov.pl/bip/efektywnosc-energetyczn/swiactwa-efektywnosci/1144.Zagregowane-dane-na-koniec-lutego-2014-r-dotyzajace-wydanych-swiatectw-efektywnos.html>



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



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

Limits of CO₂ emission allowances and their market prices

The market of allowances for emissions of CO₂ during H1 2014 was still strongly dependant on political decisions made in the European Union.

- The most important of the events of the previous 6 months was the final acceptance of the plan of the so-called "backloading", i.e. periodic withdrawal of some allowances from auctions during the first years of the 3rd settlement period to the last years of that period (decision of the European Parliament of 6 February 2014). Pursuant to the decision on 26 February 2014 in the Official Journal of the European Union, as a regulation of the European Commission of 25 February 2014, No. 176/2014, an amendment was published to the auction regulation providing for the withdrawal from the auctions in 2014, 2015 and 2016 of 400, 300 and 200 mln EUA allowances, respectively, and their return to the market during 2019-2020 in the amount of 300 and 600 mln².
- At the end of February ICE ECX exchange conducting the British auctions and EEX exchange organising Community, German and Polish auctions, published updated schedules of primary auctions for 2014 taking into account the reduced volumes resulting from "backloading".
- Another important event was the publication of the climatic and energy package assumptions till 2030. It constitutes the foundations under the development of another period of functioning of ETS, being in force during 2021-2030. One of the three pillars of the new policy is to be the introduction of a legally binding goal of reducing the emission of greenhouse gases by 40% in relation to the level from 1990 and also increasing the share of energy from renewable sources (RES) at least to 27%³.
- Occurrence of information on the introduction of the structural reform of ETS before the expiry of the present settlement period, may have a great appreciation pressure on the price of EUS allowances. Any information relating to subsequent steps connected with the mechanism of the stabilisation reserve should be translated into the growth in the value of European units⁴.
- The price of EUA allowances on the closing of the last day of H1 2014 (based on DEC-14 contract on ICE exchange) amounted to 5.86 EUR/t. At the beginning of the year the units of the same contract amounted to 4.83 EUR/t, which constitutes a 21.3% growth in the value over H1 2014.
- The value of CER units in DEC-14 futures contracts at the beginning of the year amounted to 0.34 EUR/t, which in relation to the price from the end of H1 2014, 0.16 EUR/t, corresponds to a 53% loss.

Product	Price [EUR/t]		Change %
	Beginning of January 2014	End of June 2014	
EUA Spot	4.73	5.81	↑ 22.8
CER SPOT	0.32	0.16	↓ 50.0
EUA Dec-14	4.83	5.86	↑ 21.3
CER Dec-14	0.34	0.16	↓ 52.9

2. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2014:056:0011:0013:PL:PDF>

3. <http://www.consus.eu/n.15866.ke-opublikowala-zalozenia-pakietu-klimatyczno-energetycznego-do-2030-r.html>

4. <http://www.handel-emisjami-co2.cire.pl/st.34.283,item.96.119.5.0.0.0.0.analiza-rynku-handlu-uprawnieniami-do-emisji-co2-w-czerwcu-2014-roku.html>

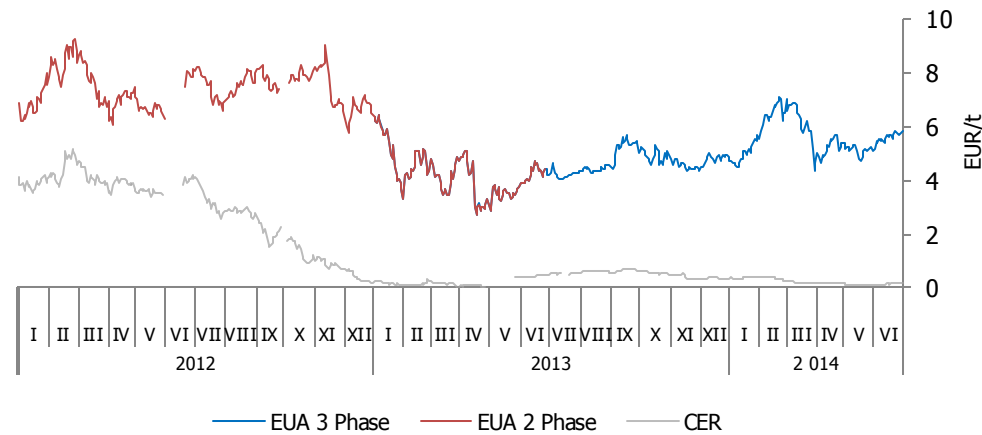
Detailed information on the prices of allowances for emissions of CO₂ and trading volumes is presented in the table below and on the diagrams below.

Table 4. EUA and CER price change

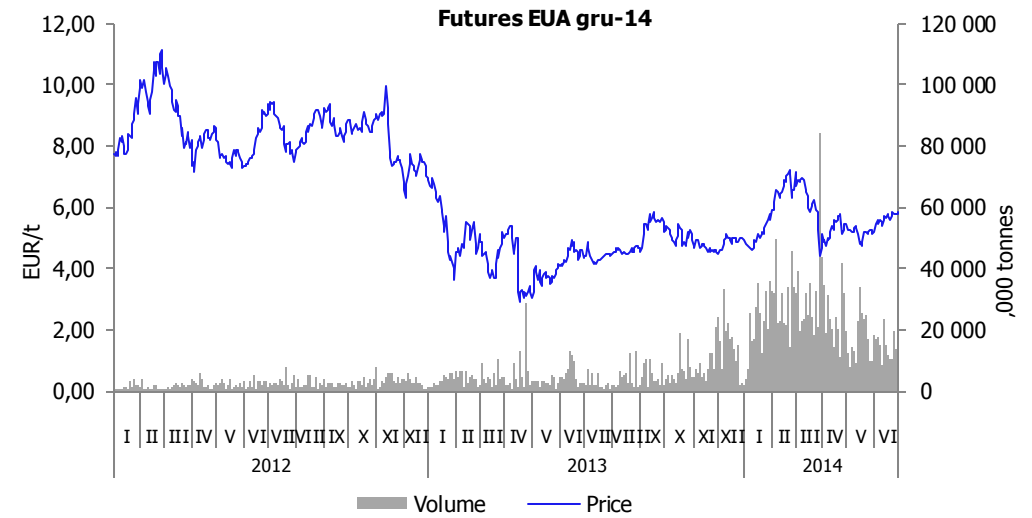
Product	Price [EUR/t]		Change %	
	Beginning of January 2014	End of June 2014		
EUA Spot	4.73	5.81	↑	22.8
CER SPOT	0.32	0.16	↓	50.0
EUA Dec-14	4.83	5.86	↑	21.3
CER Dec-14	0.34	0.16	↓	52.9

Source: Own development based on data from ICE.

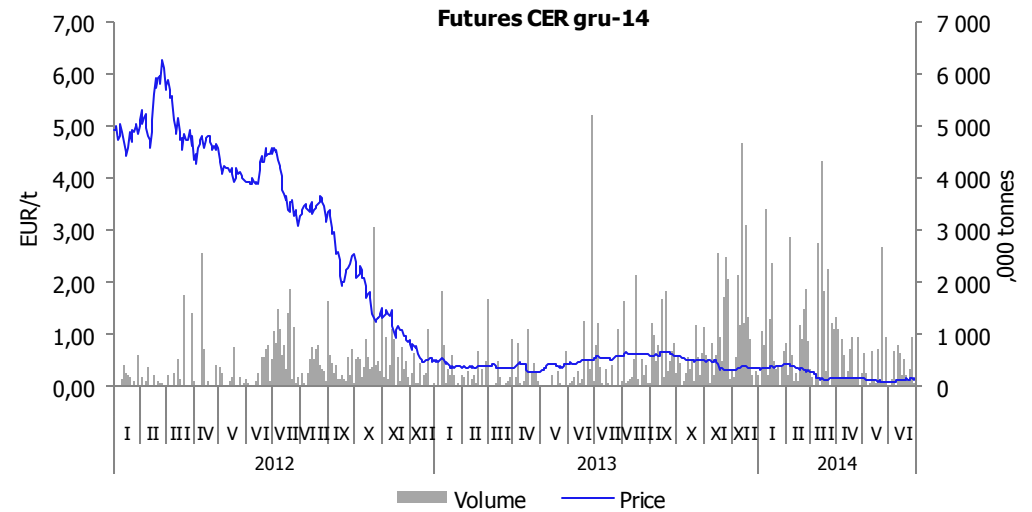
EUA and CER quotations - closing prices on SPOT market



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



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

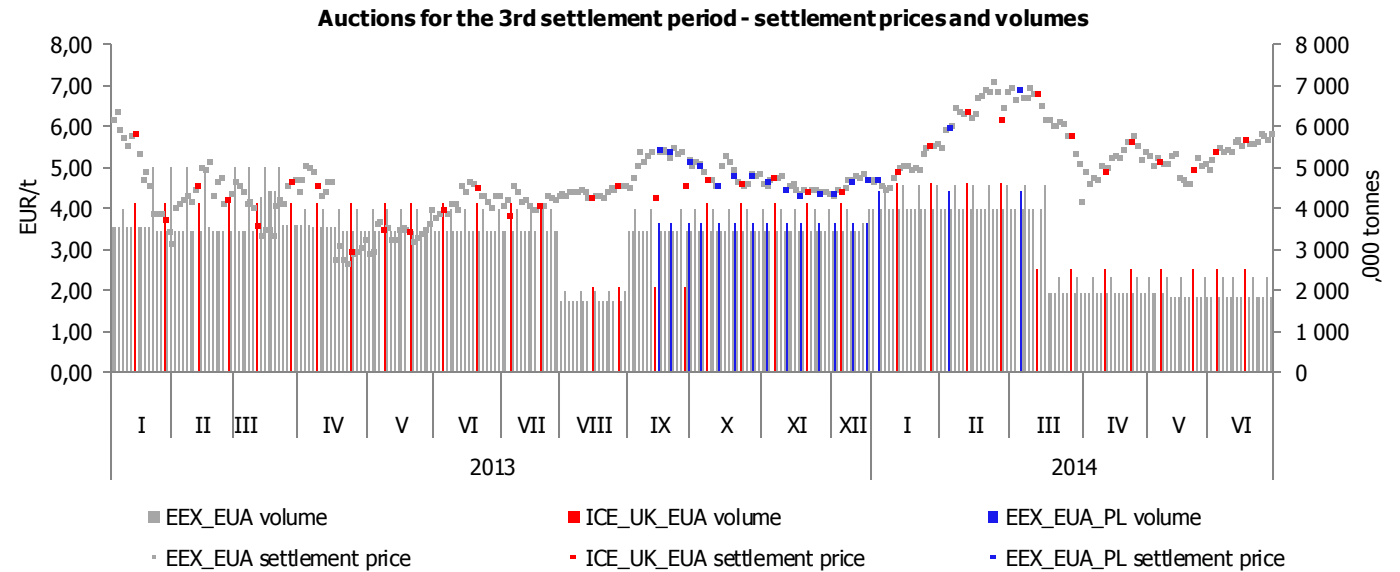


Source: Own development based on data from BlueNext and ICE.

Apart from quotations of EUA on the spot and futures market a significant role was played by the primary auction market:

- totally, auctions on EEX and ICE provided the market with allowances to over 323 mln units of CO₂ emissions.
- the average price on EEX and ICE auctions amounted at that time to 5.59 EUR/t (fluctuating between the minimum of 4.17 EUR/t and the maximum of 7.10 EUR/t).

Detailed information on the volumes and price levels of EUA sold by the primary auctions is presented in the diagram on the right.



Source: Own development based on data from EEX and ICE.

Implementation of the strategy of development of the Capital Group

Mission

Higher Group's value through building Customer confidence

Vision

Fully integrated energy group building its competitive advantage through a flexible responding to the market needs and efficient resource management

Strategic goals

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.

Pursuant to the approved Corporate Strategy of ENEA Capital Group for 2014-2020 the key goals of operations during the subsequent years will be:

- higher value for shareholders,
- building long-lasting relations with customers,
- growth in profitable areas,
- better efficiency,
- optimum use of the organisation's potential.

Within the superlative goal, i.e. higher value for shareholders, the Group will pursue to improve the core financial ratios. We anticipate that in the perspective of the Strategy ROE and ROA will reach 10% and 5%, respectively.

The growth path in profitable areas will be realised through building a complete generating portfolio. The Group will pursue to develop generating capacities to the level of additional 1,075 MWe in the segment of system power plants in 2017. In 2020 we plan to additionally achieve ca. 500 MWe power from RES and ca. 300 MWe and 1,500 MWt in cogeneration sources and heating networks.

A growth in profitable areas will also take place through allocation of funds to distribution. The objective will be an optimum use of the resources. An element of the development in profitable areas is also the realisation of the goal within a growth of the margin on product sales. The goal will be realised by initiatives undertaken both by the sales area and wholesale area. Enhanced efficiency of the Group will be realised through concentration on the core operations. We will pursue facilitation of the process of internal and external customer service. As a consequence it will lead to an annual reduction in the costs of customer service. Additionally, the Group will try to optimise fixed costs.

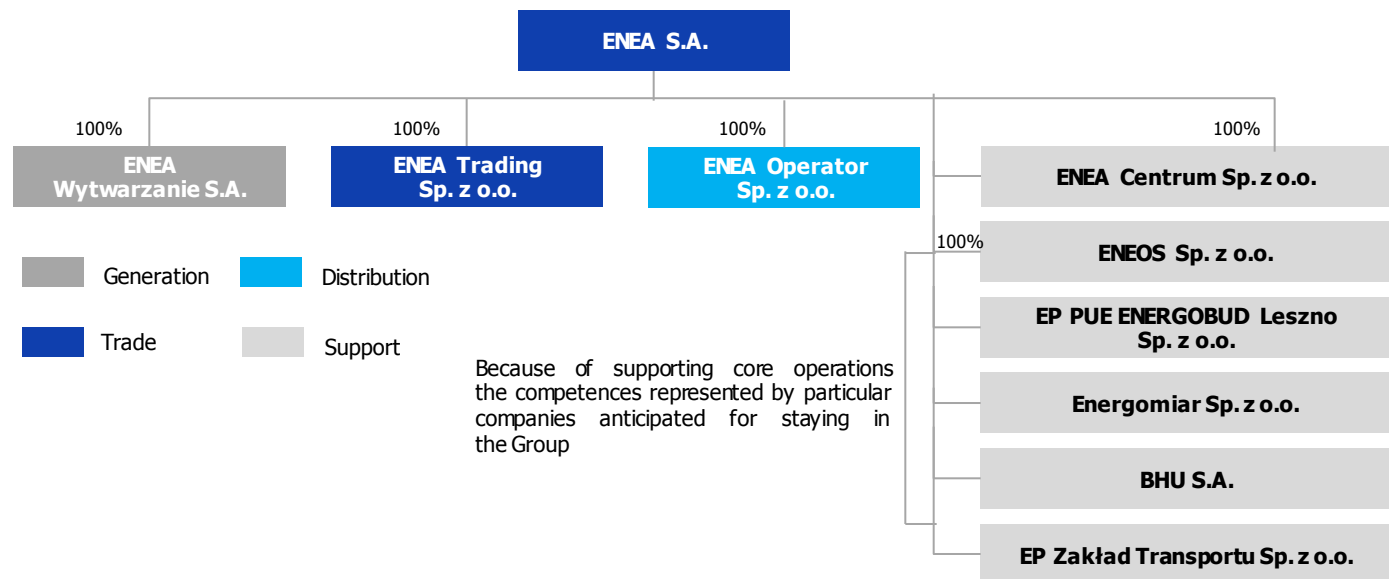
Capital expenditures

Realisation of the investments planned by ENEA Capital Group during 2014-2020 requires incurring total capital expenditures in the amount of PLN 20 bln. Within the analysed value of the capital expenditures (prices of 2013, with no costs of financing) an amount should be separated for the development of the area of generation and distribution in the so-called basic value, i.e. PLN 11.8 bln and additional outlays covering the development of RES, cogeneration and heating networks, i.e. PLN 7.7 bln.

Within the areas of our operations we assume that expenditures in the segment of generation will be dominating.

Final organisation of ENEA Capital Group

The realisation of the indicated paths will not be possible without an optimum use of the organisation's potential. The improvement of the management model will take place through a further integration of the Group. Additionally, the Group will build the organisational culture focused on the needs of internal and external customers. The target capital structure of ENEA CG reflects the adopted direction of concentration on the core operations. The Group will perform restructuring activities within functioning of entities whose scope of operations is not connected with the operations of a power engineering company.



Activities and investments implemented in ENEA CG

Generation

ENEA Wytwarzanie – Segment of System Power Plants:

- 3rd stage of the construction of the installation of the catalytic denitrogenation of flue gases for OP-650 boilers No. 4 to 8 (SCR installation on the unit No. 7),
- construction of IOS IV flue gas desulphurisation plant with flue gas channels, auxiliary ventilators and modernisation of chimney No. 3,
- modernisation of the reserve stator of the generator for unit No. 4,
- modernisation of unit No. 10.

In H1 2014 on the construction of the new 1,075 MW gross supercritical power unit:

- performance of the lower slab with poles of the load bearing structure of the turbine set,
- performance of a reinforced concrete structure of the cooling tower to the level of 40 m,
- concreting the upper foundation slab of the boiler house,
- performance of a steel structure of the boiler to the level of 44 m,
- completion of reinforced concrete works of communication pylons with the assembly of prefabricates,



- concreting the roof of the electrical devices building,
- completion of concreting the cooling water piping along the engine room building,
- completion of reinforced concrete works to the level of 0 m of the cooling water pumping station and rotary sieve chamber,
- completion of the assembly of the steel structure of the blowdown tank,
- completion of the absorber bed structure assembly,
- performance of gypsum storehouse foundations,
- concreting the roof of the electrical IOS building,
- concreting the foundation slab of the suspension preparation building and limestone powder silos.



ENEA Wytwarzanie - Segment of Heat:

- construction of the heat recovery installation from K6 boiler flue gas,
- construction of deNOx installation on K7 and K8 boilers,
- modernisation of the boiler house,
- purchase of 85% of shares of MPEC Białystok.

ENEA Wytwarzanie - Segment of RES:

- commencement of the tender proceedings for supply and assembly of turbines for the project of a wind farm with the capacity of 15 MW,
- obtaining the conditions for connection to the network of the project of a wind farm with the capacity of 27.5 MW and positive agreement of the Regional Directorate for Environmental Protection for issuing an environmental decision,
- launching the planning procedure for the 50 MW wind farm project,
- continuation of works connected with obtaining a building permit for the pilot project of a 1 MW photovoltaic wind farm,
- within the acquisition activities the Company is presently engaged in the process of purchasing wind farms with the capacity of around 200 MW.

MEC Piła:

- cogeneration investment: "Development of the heating system in Piła through the installation of gas cogeneration aggregates in the regional boiler house Kr-Koszyce in Piła."

Integration of the wholesale in ENEA CG

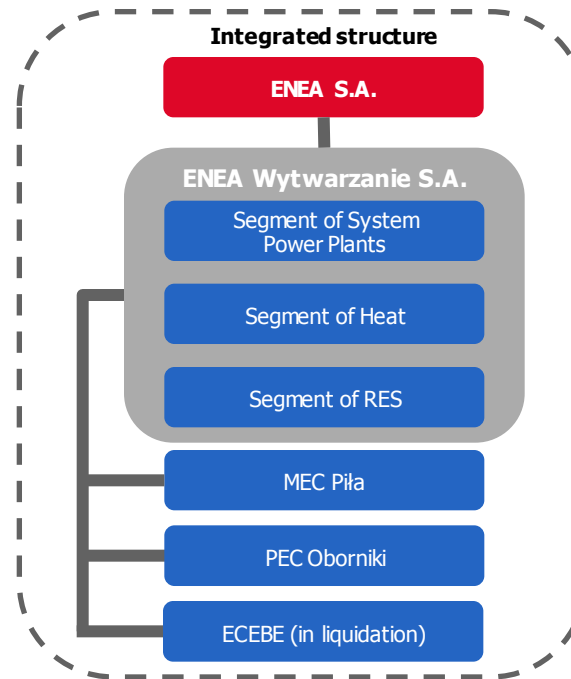
- The project aiming at the consolidation of the wholesale in ENEA Capital Group - the operations of ENEA Wytwarzanie, Białystok Heat and Power Plant were transferred to ENEA Trading within the supply in production fuels.
- The takeover of parts of work places by the new employer was realised through the transfer, based on relevant agreements of 27 December 2013, of fixed assets and other assets needed to perform operations within supplies in production fuels belonging to ENEA Wytwarzanie and Białystok Heat and Power Plant to ENEA Trading and conclusion of agreements being in force from 27 December 2013 regarding rendering services within provision of production fuels by ENEA Trading for the account of ENEA Wytwarzanie and Białystok Heat and Power Plant.
- The undertaking resulted in the transfer on 27 December 2013 of the organised part of the work place of ENEA Wytwarzanie and organised part of the work place of Białystok Heat and Power Plant to ENEA Trading in the meaning of Article 231 of the Labour Code.

Integration of the Area of Generation in ENEA CG

- Consolidating of the area of generation of ENEA Capital Group, i.e. merger of Białystok Heat and Power Plant, Elektrownie Wodne, Dobitt Energia, Windfarm Polska and ENEA Wytwarzanie.
- On 28 December 2012 in relation to the agreement signed by ENEA and ENEA Wytwarzanie a holding structure managed by ENEA Wytwarzanie was established in ENEA Capital Group.
- The process of Integration of the Generation Area was connected e.g. with takeover by ENEA Wytwarzanie of employees of Białystok Heat and Power Plant, Elektrownie Wodne and Dobitt Energia based on Article 231 of the Labour Code. On 31 December 2013 the companies were consolidated under the capital structure of ENEA Wytwarzanie and their employees taken over based on Article 231 of the Labour Code. On the takeover, ENEA Wytwarzanie assumed by law the employment relationships with all the employees of the merged companies as the new employer.
- On 30 June 2014 ENEA Wytwarzanie (Merging Company) merged with Windfarm Polska Sp. z o.o. (Merged Company) through the transfer of the whole assets of the Merged Company on the Merging Company with no raising of the share capital of the Merging Company. ENEA Wytwarzanie S.A. assumed all the rights and obligations of the Merged Company.
- The area of generation currently functions within the integrated structure, according to the schema on the right.

Shared Service Centre of ENEA CG

The Board of ENEA Wytwarzanie on 25 March 2014 adopted a Resolution regarding the transfer as of 1 May 2014 to ENEA Centrum of the whole functions and tasks realised so far within finance and accounting and IT of ENEA Wytwarzanie including employees performing the said functions and tasks, within the establishment of the Shared Service Centre in ENEA CG.



Liquidation of ECEBE Sp. z o.o.

- With the decision of 23 June 2014 the District Court in Białystok registered the opening of the liquidation proceedings of ECEBE.
- The decision on the liquidation of ECEBE was taken for economic reasons and is compliant with the Corporate Strategy of ENEA for 2014-2020, which in particular anticipates the concentration on the core operations.

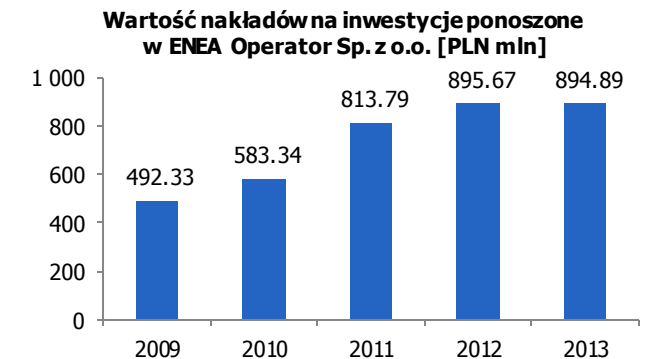
Conclusion of the agreement on sale of shares of Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. with its registered office in Białystok

The Board of ENEA Wytwarzanie on 19 May 2014 adopted a Resolution regarding the conclusion of the agreement on sale of shares of Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. with its registered office in Białystok. The agreement was signed in Białystok on 26 May 2014. The parties to the agreement are pending an approval from the Office of Competition and Consumer Protection.

Distribution

In the area of distribution what is being implemented is investment and modernisation works of the grid infrastructure and necessary equipment in relation to the increase in demand for electric energy and necessity of connecting renewable sources of energy. Such investment and modernisation activities should result in increasing the functionality of our grid and reducing grid losses. They will also involve replacing those sections of power distribution lines that have been the longest in service. Such activities should to a large extent affect the growth in the reliability of supplies of electricity to customers and realise the goals allocated to the area of distribution within the superlative objective "growth in profitable areas".

Below we present the amounts of capital expenditures incurred by ENEA Operator from 2009 to 2013.



The Company designated the expenditures to:

- Connecting new users and new sources and related construction of new networks,
- Modernisation and reinstatement of the existing assets connected with improving the quality of services and/or power demand increase,
- Other capital expenditures (in particular: connectivity, measurements, IT, buildings, constructions, means of transport),
- Since 2009 capital expenditures of ENEA Operator has seen an explicit trend consisting in decreasing the share of expenditures on connecting new customers (including new sources), with a concurrent growth in the share of expenditures designated to modernisation and reinstatement of the existing assets.

Trade

In H1 2014 the works within the adopted "Strategy of sales of ENEA S.A. in the area of retail sales for 2013 - 2016" were continued.

The Portfolio and Product Management Departments of ENEA S.A. implemented the following initiatives:

- The second stage of the reorganisation of the Sales Department was conducted, Polish-wide sales structures were constructed,
- Works were continued within the project launched in 2013 on the development of the Indirect Sales Channel with a goal of commencing active sales to customers,
- A new product was implemented - "Fixed Price" - building the loyalty of customers of G tariff group sets on an historical area of operations of ENEA S.A.,
- Works were continued within the project launched in 2013 on the preparation of the organisation of ENEA S.A. to trade in natural gas,
- The incentive scheme for the area of sales was developed and implemented,
- An action was conducted building relations with business customers based on the dedicated offer (Always cheaper+, Strike to the raise). Within the action a pilot sale was conducted of products through modern channels of communication (Internet, Contact Centre).



Programme of
Customer
Service Model Change

ENEA
Centrum

Customer
Orientation
Programme

Area of Customer Service

In H1 2014 the process was continued of development of the Shared Service Centre (SSC) in the area of customer service based on ENEA Centrum. The most important of the actions realised in this period included:

- Development of the recommendation on the final division of tasks within customer service between ENEA Operator and ENEA Centrum,
- Signing of an annex to the service card within the customer service standards and procedures in ENEA S.A.,
- Takeover from ENEA S.A. of the whole post-sale service of business, strategic and key customer with employees,
- Preparation of the list of employees for allocation within SSC Customer Service taking into account the accepted recommendation of the division of processes and actions between ENEA Operator and ENEA Centrum, designating people performing particular processes in given localities,
- Increasing, by additional 20, number of service positions of the Contact Centre,
- Establishment of the procedure enabling conclusion of agreements by phone,
- Signing of the Service Card of ENEA Operator,
- Agreeing with ENEA Operator and signing standards of servicing a distribution Customer,
- Continuation of works within the project relating to a new visualisation of the network of Customer Service Centres,
- Continuation of works within the project of Contact Centre development.



Area of Wholesale Trade

Works performed in H1 2014:

- New area strategies were prepared for derivative products,
- A process of legal analysis was commenced along with the analysis, jointly with ENEA's Sales Department, of possibilities of functioning on the conterminous markets (Czech Republic, Slovakia, Germany),
- A legal opinion was obtained relating to the extension of the cooperation model within purchases of electricity for coverage of grid losses of ENEA Operator. A process was commenced of detailed arrangements relating to the business activities and terms of agreement between ENEA Operator and ENEA Trading.
- Implementation process was completed of an advanced IT tool aiding the fundamental model based on scenario based market price forecasting,
- Analyses were prepared of the possibilities of contracting natural gas on the wholesale market for the needs of the Sales Department of ENEA,
- Negotiations with the Board of the Polish Power Exchange were formally notified and commenced in order to achieve by ENEA Trading the status of the market maker,
- The proceeding was completed for the transport of coal during 1 July 2014 - 30 June 2015 from:
 - LW Bogdanka S.A. mine,
 - KHW S.A., KW S.A. and JSW S.A. mines,
- The Programme of Voluntary Redundancy was conducted and completed,
- Non-standard, structured products of the origination type were developed for customers from the area of trade in electricity and fuels.



Planned capital expenditures

Planned capital expenditures for 2014 financial year	[PLN '000]
Capital expenditures on distribution assets*, including:	795 109
Modernisation and reconstruction of the existing assets connected with improving the quality of services and/or power demand increase*	441 529
Connecting new users and new sources and related construction of new grids*	286 888
Other capital expenditures*	66 692
Capital expenditures on generation assets, including:	2 333 585
Enea Wytwarzanie - Segment of System Power Plants, including	1 816 213
Construction of a power unit with the capacity of approx. 1,000 MW	1 391 188
Joint investments** in 200 MW units	239 218
Investments in individual 200 MW units	92 130
Joint investments** in 200 MW and 500 MW units	45 415
Investments in individual 500 MW units	34 050
Joint investments** in 500 MW units	10 010
Purchase of ready investment goods and used fixed assets	4 202
Enea Wytwarzanie - Segment of Heat	316 506
Enea Wytwarzanie - Segment of RES	166 557
Other capital expenditures on generating assets of subsidiaries of Enea Wytwarzanie	34 309
Other capital expenditures	24 790
TOTAL	3 153 484

* Given values result from the development plan agreed with the President of ERO for 2014-2019. The agreed level of capital expenditures does not provide for any limitation of a possible investment activity in the distribution assets of Enea Operator.

** Joint investments cover investments in technological systems common to the operation of individual groups of units (i.e. joint investments for 200 MW units, joint investments for 500 MW units and joint investments for 200 MW and 500 MW units).



Financing sources of the investment programme

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

Within the realised project "Obtaining financing for the implementation of investment projects in ENEA CG", ENEA S.A. holds a concluded programme agreement of 21 June 2012 relating to the bond issue programme up to the amount of PLN 4,000,000 thou. with five banks being issue Guarantors, i.e.: PKO BP S.A., Bank Pekao S.A., BZ WBK S.A., Bank Handlowy w Warszawie S.A. and Nordea Bank Polska S.A. The funding is unsecured and free from limitations for shareholders within the so called ownership clause and dividends. Within the aforementioned programme agreement ENEA S.A. issued 2 series of bonds in the total amount of PLN 350,000 thou. The entire issue was taken up by 5 aforementioned banks. The interest rate of the bonds is floating based on WIBOR rate for 6-month deposits increased with a margin. The above amount was in full distributed as purchase by ENEA S.A. of intergroup bonds issued by ENEA Wytwarzanie S.A.

The funds gained from commercial banks are designated for the construction of the 1,075 MWe gross supercritical bituminous coal fired power unit, which is constructed within the operations of ENEA Wytwarzanie.

Investment loan from the European Investment Bank

On 18 October 2012 ENEA S.A. concluded a Financial Agreement with the European Investment Bank (EIB) providing for granting to ENEA S.A. of a loan in the amount of PLN 950,000 thou. or its equivalent in EUR. On 18 June 2013 another loan agreement was concluded with EIB for the amount of PLN 475,000 thou. The funds in the total amount of PLN 1,425,000 thou. gained from the loan are designated for the funding of a multiannual investment plan regarding the modernisation and extension of the power grids of ENEA Operator Sp. z o.o. The loan repayment period is up to 15 years from the planned disbursement of the facility. Till 30 June 2014 ENEA 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.

Additionally, ENEA S.A. continues talks with the European Investment Bank (EIB) within increasing the financing of the investment programme of ENEA Operator in a longer time horizon than presently.

Programme Agreement concluded with Bank Gospodarstwa Krajowego relating to the bond issue of 15 May 2014

On 15 May 2014 ENEA and Bank Gospodarstwa Krajowego concluded a programme agreement relating to the long-term bond issue programme of the amount of PLN 1,000 mln within which the terms of the bond issue programme were determined. The objective of the bond issue will be financing the current operations and investment needs of ENEA Capital Group companies. The bond issue programme was concluded for the period of 12 years and 7 months.

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

Within obtaining the financing for the implementation of investments described in the above mentioned Company's strategy and financing of current operations of the entities of ENEA Capital Group on 30 June 2014 the Company and ING Bank Śląskim S.A., Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and mBank S.A. (collectively: "Banks") an agreement was signed relating to the bond issue programme of ENEA S.A. up to the maximum amount of PLN 5 bln ("Programme"), pursuant to which the Banks were appointed the dealers of the bonds ("Agreement").

The bonds issued within the above programme will be dematerialised, discount or coupon, straight bonds. The nominal value and issue value of one bond will be determined subject to the issue conditions of particular series, the interest or discount rate will be specified individually for each tranche during the process of offering the bonds to investors. The maturity date of the bonds may be from 1 month to 10 years. Pursuant to the provisions of the Agreement the bonds may be dematerialised in the National Depository for Securities and then may be traded in the alternative trading system within markets conducted by BondSpot or Warsaw Stock Exchange. The bonds will be issued in accordance with the Act of 29 June 1995 on bonds, the offering will be performed in the mode of Article 9 item 3 of the Act. The bonds will not be issued in a public offer in the meaning of the Act of 29 July 2005 on Public Offerings. The Agreement has been executed for an indefinite period of time.

ENEA S.A. has sufficient financial funds for the realisation of current investment plans, including capital investments. In further activities ENEA S.A. will focus on the optimisation of held sources of financing. The Board plans also to maintain the financing model in which ENEA S.A. obtains external sources of investment financing and distributes them later to ENEA CG Companies within intergroup financing.

A stable position of the Group on the Polish power market and a reasonable financial policy confirmed with the rating have a significant meaning for obtaining funding for the investment programme.



ENEA S.A. notices the advantages of market bond issue programmes as a complementary source of capital. Therefore, it plans to undertake activities aiming at the issue of bonds directed to institutional investors. Because of the investment plan realised within the Strategy of ENEA CG, during the coming years ENEA S.A. plans to take an active part on the market of debt securities.

Other key events that may considerably affect future results

Building generating portfolio

Within the realisation of the superlative goal of ENEA CG, i.e. higher value for shareholders, the Group will pursue to improve the core financial ratios. Building a competitive generating portfolio is one of the basic elements of realisation of the above strategic goal. The Group will pursue to develop generating capacities to the level of additional 1,075 MWe in the segment of system power plants in 2017. In 2020 it is planned to additionally achieve ca. 500 MWe power from RES and ca. 300 MWe and 1,500 MWt in cogeneration sources and heating networks.

Limits of allowances for emissions of CO₂

A material element within costs, determining the generation of electricity is the allocation of free allowances for emissions of CO₂ and other gases and substances in a given settlement period. Obtaining a free allocation of CO₂ emission is conditional on the implementation of dedicated investments in ENEA CG notified in the National Investment Plan (NIP). The value of actual outlays is the base for obtaining allowances.

Continuation of the construction of the power unit

In 2012 ENEA Wytwarzanie S.A. and Hitachi Power Europe GmbH (presently Mitsubishi Hitachi Power Systems Europe GmbH) and Polimex-Mostostal S.A. consortium signed an agreement on the construction of 1,075 MWe gross supercritical bituminous coal fired power unit of the efficiency of 45.6% net. The investment in the construction of the new power unit is one of the key undertakings in order to increase generating capacities of ENEA Group for a long-term satisfaction of the demand for electricity of all ENEA Group's customers. The new power unit in Kozienice will be the most modern unit fired with coal in Poland and Europe. A successful completion of the investment will allow for increasing generating capacities of the power plant in Kozienice by ca. 30%.

Continuation of the cooperation on the construction of the first atomic power plant in Poland

On 23 September 2013 ENEA S.A., PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and TAURON Polska Energia S.A. initialled the Shareholder Agreement as a result of works connected with the development of a draft agreement on purchase of shares in the special purpose vehicle for the construction and operation of the atomic power plant (memorandum of understanding of 25 June 2013). As at the date of issue of the Report the Parties hold corporate approvals to conclude the Shareholder Agreement.

Development of the energy engineering besides other numerous aspects, may have a considerable impact on the limitation of emissions of CO₂ to the atmosphere and atomic power in the structure of electricity generation in the future may constitute an important position in the national energy system. In relation to the above the steps undertaken by the Capital Group within this field may in the future facilitate the adaptation of the Group to new conditions within energy gaining.



Risks and key factors of the operations

Factors connected with pursuing business activity in Poland

The results of ENEA S.A.'s activity, like our financial situation and development prospects, depend on many factors, which are influenced both by the condition of the Polish economy, regional economic situation and also atmospheric conditions.

The above factors include, e.g.: changes in the gross national product, industrial production, inflation, unemployment, average remuneration, demographic volume and characteristics of the population, development of the sector of services and industry and they also condition wholesale prices of electricity. All and any future unfavourable changes in one or several of the above factors, and in particular worsening in the condition of the Polish economy, may have a negative effect on the results and the financial situation of ENEA CG.

Additionally, the operations of ENEA CG, in the power sector, which is considered a strategic sector, may be affected by political decisions. This relates principally to the definition of the country's power policy and to structural and ownership decisions relating to power enterprises controlled by the State Treasury. These factors may have a significant and negative effect on revenues from the sale of electricity and the provision of distribution services, particularly in relation to individual consumers.

Legal and regulatory environment

ENEA CG is exposed to a risk of changes in the legal and regulatory environment, and in particular of the law relating to the power sector, which is subject to changes. As a consequence, legal regulations are not interpreted in a uniform manner by courts or institutions of public administration. Additionally, there is no uniform law interpretation within functioning of the energy sector. There is, therefore, a considerable uncertainty as to how issues relating to the Group's operations will be resolved if they become the subject of court proceedings. Therefore, there is a risk of unexpected and unfavourable decisions that could have a negative effect on the Group's activity, financial results, financial situation or development prospects.

The Group's operations are also strongly affected by changes in taxation law. The taxation system in Poland is subject to dynamic changes that result from the need to reconcile these regulations to the requirements arising from European Union legal regulations. The nature and extent of such changes, together with difficulties of interpretation related to the application of tax law, hamper both day-to-day activity and proper tax planning. The practice of tax authorities, and court jurisdiction in this area, are not uniform, which in the consequence may have a negative impact on our operations, financial situation, financial results or growth perspectives.

Decisions of the President of the Energy Regulatory Office and tariffs

The results generated by us from operations depend on numerous legal regulations and decisions of regulatory authorities. It in particular relates to shaping of energy prices for recipients from households.

Our situation is affected mainly by the provisions of the Energy Law and regulations of the European Union (particularly from within the environment protection). Legal regulations are subject to frequent changes which we are not able to predict. A result may be no coherence of provisions based on which we are performing our operations.

The authority responsible for regulating the energy sector in Poland is the President of the Energy Regulatory Office.

The key competences of the President of ERO include approval of tariffs and controlling their application. Other authorities can also exercise substantial influence over our operations by exercising their inspection and regulatory powers. They in particular include the President of the Office for Competition and Consumer Protection and the European Commission. The inspection and regulatory powers enable to significantly influence our operations, particularly the amount of revenues that we generate. The scope of these competences may change in the future.

Tariffs for household recipients connected to ENEA Operator's grid are approved by the President of ERO. They are calculated based on elements whose height characterises with a large level of discretionary nature on the side of the President of ERO. Some elements of tariff calculation are determined based on the economic models adopted by the President of ERO and based on other assumptions. They may not include actual costs of operations and as a result may negatively affect the level of margin we obtain.

On entry into force of the Tariff for households for 2014, recipients covered with the tariff approved by the President of ERO gained rights to choose the market offer of ENEA.



New legal regulations within RES

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

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

Long-term contracts

For 2014 ENEA Wytwarzanie S.A. applied for the advance towards stranded costs in the amount of PLN 17,000 thou. Till 7 July 2014 Zarządca Rozliczeń S.A. paid advances for two quarters of 2014 in the total amount of PLN 8,500 thou. (PLN 4,250 thou. per quarter).

In H1 2014 revenues from compensations were recognised in the amount of PLN 257,508 thou. (the amount includes forecast revenues by title of annual adjustment for 2013 and 2014, and also forecast final adjustment of stranded costs in full amount).

In January 2014 the President of ERO submitted a cassation appeal against the decision of the Court of Appeal of 10 July 2013 regarding Long-term Agreements 2008 (decision of the President of ERO for 2008 was set in the amount of PLN (-) 4,192 thou. instead of the original PLN (-) 89,537 thou.). On 17 March 2014 the Company filed a reply to the cassation appeal to the Court of Appeal in Warsaw. On 13 January 2014 the Court for Competition and Consumer Protection, Regional Court in Warsaw, having heard the case, issued a decision pursuant to which the annual adjustment of stranded costs for 2010 was set in the amount of PLN (+) 78,640, i.e. by PLN 76,168 more than in the issued decision. The Court recognised in its entirety the appeal in its original wording. However, it is not a final decision and it was challenged in the Court of Appeal in Warsaw with the appeal of ENEA Wytwarzanie S.A. of 18 February 2014 and appeal of the President of ERO.

On 19 March 2014 a hearing took place in the case relating to the annual adjustment for 2011, however it was deferred till 13 June 2014, and then till 22 August 2014.

The date of the hearing concerning the annual adjustment for 2012 has not been set yet.

On 5 August 2014 ENEA Wytwarzanie S.A. received a decision of the President of ERO from which it follows that the amount of the annual adjustment of stranded costs for 2013 which ENEA Wytwarzanie should return to Zarządca Rozliczeń S.A. within the term specified in the Act of 29 June 2007 on principles of incurring costs by generators in relation to a pre-mature termination of long-term agreements for sales of power and electricity, i.e. till 30 September 2014, amount to PLN (-) 22,570 thou. The decision may be appealed against in the Regional Court in Warsaw - Court for Competition and Consumer Protection, through the President of ERO, within 14 days of its delivery.

Regulatory value of assets

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

Market liberalisation

In connection with electricity market liberalisation and increasing competition in this area, ENEA S.A. is exposed to the risk of losing customers within sales of electricity. As of 1 July 2007, all electricity customers are entitled to choose an electricity seller. The risk therefore exists that other energy companies will offer our customers more favourable terms. The effect may be takeover of our customers, which could lead to a decline in our revenues. If our present customers choose another electricity seller, the Group will continue to obtain revenues from energy distribution to recipients connected to our distribution network.

H1 2014 demonstrated on the energy market that the awareness of a possibility of changing the seller is growing dynamically. It relates to both business customers and households. The activities of the President of ERO aiming at activation of energy recipients bring more and more effects. For full market liberalisation what is lacking is only deregulation of prices of electricity for households.

Data relating to the number of customers who decided to change the energy seller is presented in the table below.

	Number of customers 31 May 2013	Number of customers 31 May 2014	Change yoy
Commercial	82 303	111 733	35%
Households	99 338	201 626	103%

Source: ERO, state as at 31 May 2014.

ENEA S.A. is an active participant on the competitive market and engages in activities aimed at selling energy to customers connected to the grids of operators other than ENEA Operator. In H1 2014, we sold about 2.6 TWh electricity to such customers.

Licences

	Licence for:
ENE S.A.	<ul style="list-style-type: none"> trade in electricity valid till the end of 2025, trade in gaseous fuels valid till the end of 2030.
ENE Operator Sp. z o.o.	<ul style="list-style-type: none"> distribution of electricity valid till mid-2017.
ENE Wytwarzanie S.A.	<ul style="list-style-type: none"> generation of electricity valid till the end of 2030, trade in electricity valid till the end of 2030, generation of heat valid till the end of 2025 and licence for transmissions and distribution of heat valid till the end of 2025.
ENE Trading Sp. z o.o.	<ul style="list-style-type: none"> trade in electricity valid till the end of 2030, trade in gaseous fuels valid till the end of 2030, trade in natural gas with abroad valid till the end of 2030.



Risks connected with the possibility of strategy realisation

The implementation of our strategy is affected by a number of factors, the majority of which is beyond our control, in particular:

- decisions of our majority Shareholder, i.e. the State Treasury,
- activities undertaken by our competitors,
- changes in the law being in force, in particular within Energy Law and environment protection,
- regulations of the European Union,
- legal provisions imposing an obligation on us to obtain and present certificates of origin to the President of ERO for redemption, confirming: (i) that electricity is being generated in renewable sources; and (ii) that electrical energy is being generated in combination with heat generation (cogeneration) or, if certificates of origin are not obtained or presented for redemption in the required quantity, the payment of compensatory charges.
- level of allocated allowances for emissions of CO₂ and other gases and substances for the specified settlement period,
- dependence of modernisation of the generating capacity and making new investments in generating assets on weather conditions, the course of construction, repair and modernisation works, increases in the planned costs of investments, market conditions and the need to obtain necessary permits,
- necessity of ensuring relevant financing under terms favourable for us, which are affected by numerous factors, in particular: general market conditions and situation on capital markets, availability of bank loans, investor confidence, financial position of the Company and tax regulations,
- the condition of the Polish economy and the regional economic situation, and in particular: growth or decline in the gross national product and industrial production, inflation, unemployment and in average wages and salaries, the size and demographic structure of the population, and also the development of the services sector and industry.

As a consequence we may be forced to delay the realisation of some strategic goals, and also to limit or resign from planned capital expenditures. As a result, it may have a significant effect on our operations, financial standing, financial results or development prospects.

Environmental protection

Existing and changing conditions within the environment protection may force us to incur additional capital expenditures. It may result in bearing liability by us, imposing penalties on us or withholding operation of some installations.

Our activities have a significant effect on the natural environment and require possession of a series of permits to make use of the environment. ENEA Wytwarzanie holds an integrated permit obtained with the decision of the Voivode of the Mazowieckie Province of 20 December 2005, along with further amended decisions and amending provisions. The permit is in force till 20 December 2015.

Failure to comply with the provisions of permits, or rescission of those permits, can lead to our incurring liabilities, to penalties being imposed on us, or to suspension of the operation of certain facilities.

Also, activities of ENEA Operator require regular measurements of electromagnetic field emissions when commissioning investments as well as certain permits to generate waste.



Events of force majeure and malfunctions

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

Maintaining the power system and our distribution infrastructure in a proper working order is of a key significance for our business activities. The law also imposes certain obligations on us to maintain and repair key elements of our power infrastructure. A malfunction of the electricity system (including transmission or distribution grids and production assets belonging to third parties) or our electricity infrastructure could prevent or reduce the purchase or sale of electricity or system services and the provision of electricity distribution services. Our distribution infrastructure is getting older, although it is modernised periodically, which caused that we are additionally exposed to a risk of a failure. In the case of any failure of the distribution infrastructure there may be a necessity of incurring unpredicted significant costs.

It is of key significance for our production activities to ensure continuous supplies of electricity and regulatory system services (RSS), in accordance with the terms and conditions of agreements we have concluded and market demand. This means that we need to ensure that the tendency of production equipment to malfunction is kept at a low level. Because of the likelihood of occurring malfunctions of generating equipment, in particular those that are partly exploited, there is a risk of failure to comply with energy supply conditions. It may result in a significant costs of repairs, contractual penalties and costs of emergency purchase on the Balancing Market.

Malfunctions of our distribution infrastructure or production assets could give rise to liability with respect to third parties, which could result in an obligation to pay substantial damages.

Failure rate of ENEA Wytwarzanie in H1 2014 amounted to:

- for 8x200 MW units: 0.64%,
- for 2x500 MW units: 33.92%,
- for all the units: 5.93%.

Main reasons or failure-related suspensions of units in H1 2014 were in particular leaks of pressure parts of boilers and for Unit. No. 9 a fire in the cable tunnel. In order to reduce the failure rate partial replacement of sub-assemblies are successively conducted. In H1 2014 in Białystok Heat and Power Plant there were no serious failures of the generating equipment.

Risk associated with connecting renewable energy sources (RES)

Pursuant to the Energy Law ENEA Operator, as an energy enterprise conducting operations within distribution of electricity, is obliged to conclude grid connection agreements with entities applying for such a connection. However, technical and economical conditions of connections must be complied with and the entity applying for the connection must fulfil the terms of connection and energy collection. If ENEA Operator refuses to conclude such a connection agreement, it is obliged to notify the President of ERO and the entity seeking connection, specifying the reasons for such refusal. At present, ENEA Operator is party to several dozens of proceedings brought by the President of ERO concerning connections to its own distribution network.

Financial risk

In ENEA Group Companies the following risks may be identified within finances:

Liquidity risk - is the risk of loss of ability to settle due liabilities. The Company manages the liquidity risk adapting the level of availability of the liquidity reserve, i.e. the volume and terms of available cash, e.g. through the analysis of the receivables, monitoring of balances and concentration of cash and cash equivalents in bank accounts and also analysis of receivables inflow. Financial surpluses are located in the financial portfolio (non-current surpluses) and on fixed time deposits concluded on the group level within Cash Pooling and Cash Management services.

Currency risk is connected with a possibility of changes in the levels of cash flows generated by ENEA S.A. as a result of changes in the foreign exchange rates.

ENEA Capital Group Companies in H1 2014 concluded forward transactions the goal of which is securing the currency risk. These are however positions which do not have a significant impact on the financial position of ENEA Capital Group.

Interest rate risk – is connected with the concluded loan and credit agreements, with financial assets in the form of a portfolio of debt securities and bank deposits. The Company tries to conclude transactions based on a floating rate, calculated in correlation with the market rates (inter-banking). ENEA S.A. manages the risk analogically to the risk within currencies - including the differences specific for this type of risk.

Credit risk - is the risk of financial loss by the Company resulting from the customer's or the counterparty's failure to perform their payment obligations. In order to mitigate this risk ENEA S.A. performs a regular credit score analysis of customers to which offers are addressed characterising with the greatest volumes of sales. As a result of the performed credit analysis sales contracts are structured appropriately and potential forms of their securing are proposed relevantly.

Commodity risk - is connected with a possible occurring of changes in the revenues/cash flows generated by ENEA Group Companies, mainly as a result of changes in commodity prices, and fluctuations within the demand for the products/services offered by the Companies. The objective of managing commodity risk is maintaining exposure to that risk within the acceptable frames with a simultaneous optimisation of the level of return on risk.

For all the indicated areas of risks ENEA developed a formal documentation in the form of relevant policies and procedures, regulating comprehensively the management process of a given risk.

Information on shares and shareholding

Share capital structure

As at the date of preparation of this report the amount of the Issuer's share capital is PLN 441,442,578. A general 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.

As at the date of publication of this report the structure of the share capital consists of 441,442,578 ordinary bearer shares. 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 them free of charge.

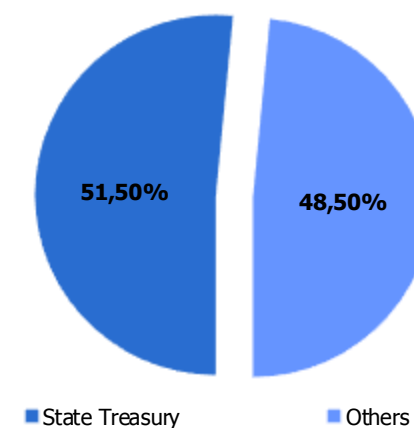
Changes in the shareholding structure from the date of publication of the previous quarterly report

The Company holds no information on any changes in the structure of the Company's significant shareholders occurring from the date of publication of the previous quarterly report, i.e. an extended consolidated report for Q1 2014.

Shareholding structure

The table below and diagram on the right present the structure of shareholders holding more than 5% of the total number of votes at a general meeting of ENEA S.A. as at the publication date of the previous quarterly report, i.e. 13 May 2014 and as at the publication date of the periodic report for H1 2014, i.e. 27 August 2014.

**Significant shareholders of ENEA S.A.
as at 13 May and 27 August 2014**



Shareholder	as at 13 May 2014		as at 27 August 2014	
	Number of shares/number of votes at GM	Share in the share capital/share in the total number of votes	Number of shares/number of votes at GM	Share in the share capital/share in the total number of votes
State Treasury	227 364 428	51.50%	227 364 428	51.50%
Others	214 078 150	48.50%	214 078 150	48.50%
TOTAL	441 442 578	100.00%	441 442 578	100.00%

Authorities of the Capital Group

Management Board of ENEA S.A.

Composition of the Company's Management Board

As at the date of this report, i.e. 27 August 2014, the Company's Management Board operates in the following composition:

Name and title	Scope of competence*
President of the Management Board Krzysztof Zamasz	Coordinates tasks in connection with the overall operations of the Company and ENEA Capital Group.
Member of the Management Board for Commercial Affairs Grzegorz Kinelski	Supervises and coordinates the overall tasks in connection with the trade of electricity and customers service.
Member of the Management Board for Financial Affairs Dalida Gepfert	Controls and coordinates economic, financial and accounting affairs connected with risk management in the Company and ENEA Capital Group, teleinformation and controlling.
Member of the Management Board for Corporate Affairs Paweł Orłof	Controls and coordinates the issues connected with the ownership supervision in ENEA Capital Group and affairs connected with service and purchases.

* Pursuant to § 4 item 3 of the Rules of the Management Board being in force, normal business of the Company not reserved for a resolution of the Management Board is conducted by the President of the Management Board acting alone and by particular Members of the Board according to the division of competencies presented in the table. It does not however change a rule concerning making declarations of will on behalf of the Company mentioned in § 10 item 2 of the Company's Statute.

Changes in the composition

From 1 January 2014 to the date of publication of this report, i.e. till 27 August 2014 no changes occurred in the composition of the Management Board.

The Supervisory Board of ENEA S.A.

Composition of the Supervisory Board

As at the date of publication of this report, i.e. 27 August 2014, the Supervisory Board of the Company of the 8th term is composed of eight members and operates in the following composition:

Name and title	Scope of competence
Wojciech Chmielewski	Chairman of the Supervisory Board
Jeremi Mordasewicz*	Vice-Chairman of the Supervisory Board
Michał Kowalewski	Secretary of the Supervisory Board
Ms. Małgorzata Niezgoda	Member of the Supervisory Board
Sandra Malinowska	Member of the Supervisory Board
Sławomir Brzeziński	Member of the Supervisory Board
Przemysław Łyczyński	Member of the Supervisory Board
Tadeusz Mikłosz	Member of the Supervisory Board

* Member of the Supervisory Board fulfilling the independence criterion mentioned in § 22 item 7 of the Company's Statute.

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.

List of shares and entitlements to shares of ENEA S.A. held by members of the Management and Supervisory Boards

Name	Position	Number of shares of ENEA S.A. held as at 13 May 2014	Number of shares of ENEA S.A. held as at 27 August 2014
Tadeusz Mikłosz	Member of the Supervisory Board	4 140	4 140

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 the other persons from the Management and Supervisory Board do not hold any entitlement to ENEA S.A.'s shares.

During the period from the publication of the interim report for Q1 2014 there were no changes in the shareholding of managing and supervising people.

Other information significant for the assessment of the Issuer's situation

Rating

Maintaining, as in 2012-2013, for ENEA 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.

The rating is an independent and reliable estimate of the creditworthiness of a company. It illustrates the strong position of ENEA on the domestic energy market and simultaneously confirms its very good economic standing, locating the Group among the entities of key importance for the sector in Central and Eastern Europe.

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

Collective labour disputes

On 18 March 2014 the Management 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 non-performance of the claims of the trade unions relating to remunerations - the Company published information on the issue in CR 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. The Company published information on the issue in CR 19/2014.

Currently, there are no collective labour disputes in any of the key companies comprising ENEA CG. In order to eliminate the risk of a collective dispute the boards of the companies have a regular dialogue with the social party.

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.

Detailed description of proceedings is to be found in note 24 to the consolidated financial statement being part of an extended consolidated quarterly report.

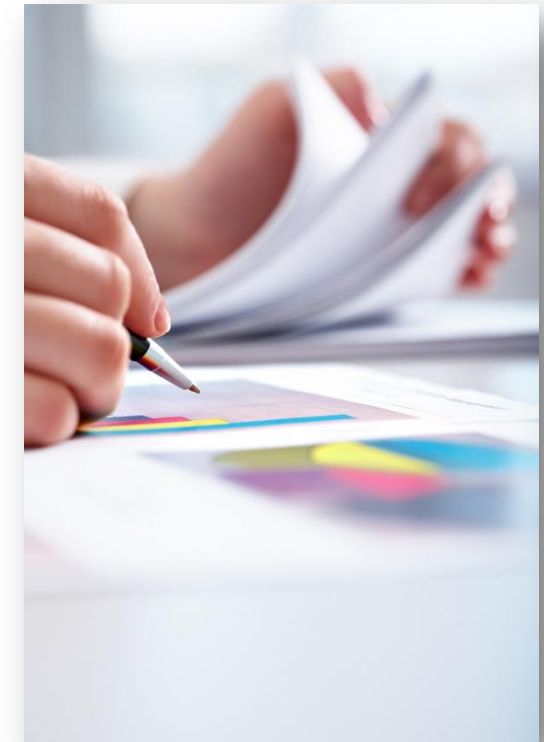
Principles of preparing financial statements for H1 2014

This Report of the Management Board on the operations of ENEA Capital Group for H1 2014 was prepared in accordance with § 90 item 1(3) and § 87 item 7(2-11) in connection with § 83 item 3 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and conditions of recognising as equivalent information required by legal regulations of a state not being a member state (Journal of Laws U. No. 33, item 259 as amended).

Financial statements included in the extended consolidated report of ENEA S.A. for H1 2014 were prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IASs/IFRS) approved by the European Union.

Financial statements for H1 2014 were prepared assuming continuation of the business operations in the foreseeable future. The Company's Board states, as at the date of execution of the report, there are no facts or circumstances that could indicate any threats to the possibility of continuing the activity during the period of 12 months after the balance sheet date as a result of a wilful or mandatory negligence or substantial limitation of the so far activities.

Financial data presented in the statements, if not stated otherwise, were presented in thousands of PLN.



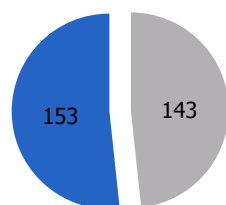
Information on employment

The table below presents the state of employment in ENEA S.A. as at 30 June 2014 and average annual employment in the Company, in H1 2014 split into the turnover and the other activity.

	State as at the end of H1 2014 (FTEs)	Annual average employment in H1 2014 (FTEs)
Trade	143	136
Other activity	153	169
TOTAL	296	305

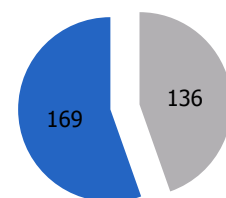
Employment as at 30 June 2014 was on the level of 296 full time equivalents, i.e. 305 people.

Employment as at end of H1 2014



■ Trade ■ Other activity

Average employment in H1 2014



■ Trade ■ Other activity

Item	Employment as at 30 June 2013 (FTEs)	Annual average employment in H1 2014 cumulatively (FTEs)
BHU S.A.	147	148
ENEA WYTWARZANIE S.A.	2 435	2 530
Miejska Energetyka Ciepła Pila Sp. z o.o. with its registered office in Pila	149	152
Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. with its registered office in Oborniki	35	36
Windfarm Polska Sp. z o.o.	0	1
ECEBE Sp. z o.o.	18	18
ENEA Operator Sp. z o.o.	4 886	5 066
ENEOS Sp. z o.o.	118	120
ENEA Centrum S.A.	689	451
Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o.	583	592
Energetyka Poznańska Zakład Transportu Sp. z o.o.	56	56
Energomiar Sp. z o.o.	186	186
Energo-Tour Sp. z o.o.	23	23
Hotel EDISON Sp. z o.o.	20	19
ITSERWIS Sp. z o.o.	18	55
Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrawiskowe ENERGETYK Sp. z o.o.	75	75
Annacond Enterprises Sp. z o.o.	2	2
ENEA TRADING Sp. z o.o.	76	79
TOTAL	9 516	9 609

Management personnel

More and more dynamics and comprehensiveness of changes which occur in the energy sector force the selection and shaping of competences of the managerial staff so that it could be optimally prepared for a swift realisation of tasks and goals of the Company with a concurrent self-fulfilment and satisfaction from the performed work. The Company takes care so that the managerial staff represented the highest level of professionalism in performing the entrusted tasks.

In H1 2014 in ENEA S.A. numerous training initiatives were realised for the above mentioned groups, e.g. a programme of improving personal and selling skills was initiated within the area of sales. The managerial staff took an active part in specialist trainings.

Information on employees associated in trade unions

ENEA S.A.

Approximately 46% of ENEA S.A.'s employees belong to trade unions.

ENEA Wytwarzanie S.A.

Approximately 60% of total employees of ENEA Wytwarzanie belong to trade unions operating within the Company.

ENEA Operator Sp. z o.o.

Approximately 76% of total employees of ENEA Operator belong to trade unions.

ENEA Centrum Sp. z o.o.

Approximately 50% of total employees of ENEA Centrum belong to trade unions.

Corporate social responsibility

In H1 2014 CSR operations in ENEA S.A. focused mainly on the implementation of the below actions:

Best practices of ENEA S.A. were qualified to "Responsible business in Poland 2013" Report

Communication of the developed "ENEA Capital Group's Code of Conduct"

A cycle of e-learning courses promoting attitudes compliant with "ENEA Capital Group's Code of Conduct"

In January 2014 ENEA S.A. submitted its projects to the "Responsible business in Poland 2013" Report.

In February 2014 three new practices of ENEA S.A. were qualified for publication in the Responsible Business Forum Report:

- "ENEA Capital Group's Code of Conduct"
- "ENEA Capital Group's CSR Report 2012" published on-line according to the latest GRI G4 standard,

"In contact with nature KIDS" educational project, and 2 long-term internships:

- Energy Knowledge Competition "1 of 10 thousand".
- "Power-not so scary" educational classes.

The Report was announced on 1 April 2014 during the 5th CSR Fair.



In 2013 ENEA Capital Group developed "ENEA Capital Group's Code of Conduct". In January 2014 all the Group's employees received it in a paper version.

The communication was accompanied by posters promoting the Code itself, and corporate values, on which the document was based.

Concurrently, a tab was made available in the corporate Intranet devoted to the Code along with the ready document to download.



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, in the tab dedicated to the Code, and on the e-learning platform of the Group the first of the trainings was made available. Totally, the employees will receive a 7-series cycle, of which each will relate to a different ethical principle included in the Code.

With the end of each subsequent month, till December 2014 new trainings will appear.



In H1 2014 CSR operations in ENEA S.A. focused mainly on the implementation of the below actions:

ENEA Foundation



In Q1 2014 ENEA S.A. established a corporate foundation, ENEA Foundation, which was registered on 10 April 2014 in the National Court Register under the number of KRS 0000505487.

In Q2 2014 ENEA Foundation prepared for the commencement of operations consisting in the realisation of the author's projects connected with its statutory objectives, e.g. development of children and youth, activation of the area of sports and promotion of a healthy lifestyle.

ENEA Foundation will realise its statutory goals, supporting entities conducting socially useful operations, e.g. within education, science, health protection, economic growth, culture and arts, care and social help. The support will be given as financial help, in-kind help, and assistance consisting in the commitment of volunteers of the Foundation in the realisation of beneficiaries' projects.

Through its operations the Foundation realises the policy of corporate social responsibility of ENEA Capital Group, engaging in the CSR strategy implementation. The Foundation supports also the idea of corporate volunteering, engaging the Group's employees in common activities.

Energy Knowledge Competition for ENEA Capital Group's employees "1 of 10 thousand"

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 shaping the culture of safety, and a growth in the interest with the company's environment, both the technical and economical one. It constitutes a perfect educational tool both for normal employees, and for the managerial staff of each level. It is a perfect supplementation of the mandatory trainings on occupational safety and hygiene and first aid.



Corporate volunteering – we teach, entertain, collect, order ...

From the beginning of operations of the Corporate Volunteering of ENEA Capital Group, i.e. from June 2011, volunteers worked socially 5,500 hours for the account of over 90,000 beneficiaries.

In H1 2014 Volunteers of ENEA Capital Group realised mostly competence volunteering based on two educational programmes:

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

Within the action volunteering volunteers took part in various types of actions. For example:

"We are rebuilding the house"

Volunteers helped a family with a small and 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.

"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 Przemysław Pacia, Vice-Governor of Wielkopolska Province, children writer - Joanna Krzyżanek and Anna Komorowska, the First Lady of the Republic of Poland, who visited the work station of ENEA's volunteers.

"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.

"Small volunteering"

The meeting summarising the annual activity of volunteers of ENEA social programme titled "Small volunteering". Participants were teachers and pupils volunteering at schools. Their initiatives and engagement into the social activity was awarded.

"Show me your history and I will remember and understand"

ENEA's volunteers were care assistants and guides during a trip for children from the 2nd Special School in Gniezno. The 3-day action was realised jointly with the pupils of the Reform School in Poznań, which whom ENEA's volunteers work. Children saw Gdańsk and visited objects most important for the city's history.

Collection of clothes for the Single Mother House

Within the programme titled "Small Volunteering" young volunteers from "Small Volunteering" 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.

Scientific Picnic in Warsaw

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 in Warsaw

ENEA's volunteers were animators of plays for children, explained the principles of power generation, 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 Capital Group cleaned the garden which was damaged during the object reconstruction.

**In H1 2014 volunteers
of ENEA Group worked
1,500 hours for the account of almost
16,000 beneficiaries.**

Attachment No. 1 - Financial results of ENEA S.A. in H1 2014 and Q2 2014

Profit and Loss Statement

[PLN '000]	H1 2013	H1 2014	Change	Change %	Q2 2013	Q2 2014	Change	Change %
Sales of electricity to end users	1 805 507	1 762 576	-42 931	-2.4%	849 179	840 128	-9 051	-1.1%
Sales of distribution services to users holding comprehensive agreements	787 214	728 504	-58 710	-7.5%	374 158	346 752	-27 406	-7.3%
Sales of electricity to other entities	18 115	48 547	30 432	168.0%	16 586	26 446	9 860	59.4%
Sales of services	31 631	5 879	-25 752	-81.4%	15 538	2 099	-13 439	-86.5%
Other revenue	-2 866	-7 812	-4 946	-172.6%	-5 207	-7 832	-2 625	-50.4%
Excise tax	102 724	103 145	421	0.4%	47 581	49 111	1 530	3.2%
Net sales revenues	2 536 877	2 434 549	-102 328	-4.0%	1 202 673	1 158 482	-44 191	-3.7%
Amortisation/depreciation	8 714	4 133	-4 581	-52.6%	4 405	2 038	-2 367	-53.7%
Employee benefit costs	29 495	21 818	-7 677	-26.0%	14 751	9 011	-5 740	-38.9%
Consumption of materials and energy and value of sold materials	1 875	1 433	-442	-23.6%	975	803	-172	-17.6%
Costs of purchases for resale	1 483 319	1 543 197	59 878	4.0%	730 218	762 072	31 854	4.4%
Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	784 360	720 907	-63 453	-8.1%	368 929	334 191	-34 738	-9.4%
Other outsourced services	86 116	87 578	1 462	1.7%	41 047	46 085	5 038	12.3%
Taxes and charges	5 324	2 423	-2 901	-54.5%	2 050	417	-1 633	-79.7%
Cost of sales	2 399 203	2 381 489	-17 714	-0.7%	1 162 375	1 154 617	-7 758	-0.7%
Other operating revenue	31 252	15 070	-16 182	-51.8%	3 760	10 366	6 606	175.7%
Other operating expenses	30 812	19 203	-11 609	-37.7%	6 373	9 228	2 855	44.8%
Profit / loss on sales of fixed assets	-35	-4	31	88.6%	-25	0	25	100.0%
Tangible and intangible impairment write-off	0	0	0	0.0%	0	0	0	0.0%
Operating profit	138 079	48 923	-89 156	-64.6%	37 660	5 003	-32 657	-86.7%
Financial revenue	34 921	72 187	37 266	106.7%	13 245	39 378	26 133	197.3%
Dividend revenue	361 820	569 022	207 202	57.3%	361 820	569 022	207 202	57.3%
Financial expenses	2 415	20 648	18 233	755.0%	1 398	10 116	8 718	623.6%
Gross profit	532 405	669 484	137 079	25.7%	411 327	603 287	191 960	46.7%
Income tax	33 208	361	-32 847	-98.9%	10 073	-16 691	-26 764	-265.7%
Net profit	499 197	669 123	169 926	34.0%	401 254	619 978	218 724	54.5%
EBITDA	146 793	53 056	-93 737	-63.9%	42 065	7 041	-35 024	-83.3%

Comment:

H1 2014:

Change factors of EBITDA of ENEA S.A. (drop by PLN 94 mln):

- (-) lower average selling price by 17.1%
- (+) lower average purchase price by 11.4%
- (+) higher volumes by 1,174 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 11 mln
- (+) higher revenues from sales of energy on the wholesale market by PLN 30 mln as a result of higher volumes by 142 GWh and higher price by 46.6%
- (+) lower costs of employee benefits by PLN 8 mln resulting from the transfer of some employees to ENEA Centrum

Q2 2014

Change factors of EBITDA of ENEA S.A. (drop by PLN 35 mln):

- (-) lower average selling price by 17.3%
- (+) lower average purchase price by 12.4%
- (+) higher volumes by 630 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
- (+) higher revenues from sales of energy on the wholesale market by PLN 10 mln as a result of higher volumes by 35 GWh and higher price by 25.1%
- (+) lower costs of employee benefits by PLN 6 mln resulting from the transfer of some employees to ENEA Centrum

Attachment No. 2 - Financial results of ENEA Operator in H1 2014 and Q2 2014

Profit and Loss Statement

[PLN '000]	H1 2013	H1 2014	Change	Change %	Q2 2013	Q2 2014	Change	Change %
Revenues from sales of distribution services to end users	1 338 730	1 355 161	16 431	1.2%	650 301	655 746	5 445	0.8%
Revenues from additional fees	1 817	3 292	1 475	81.2%	969	1 639	670	69.1%
Revenues from non-invoiced sales of distribution services	-2 665	-12 143	-9 478	-355.7%	-6 595	-12 796	-6 201	-94.0%
Clearing of the Balancing Market	20 005	29 726	9 721	48.6%	4 668	2 296	-2 372	-50.8%
Fees for customer grid connection	50 043	51 306	1 263	2.5%	29 720	33 351	3 631	12.2%
Revenues from the illegal collection of electricity	4 171	3 769	-402	-9.6%	2 082	1 438	-644	-30.9%
Revenues from services	49 712	45 708	-4 004	-8.1%	25 561	22 992	-2 569	-10.1%
Sales of distribution services to other entities	12 831	9 397	-3 434	-26.8%	6 961	5 683	-1 278	-18.4%
Sales of goods and services and other revenues	1 937	1 648	-289	-14.9%	1 168	815	-353	-30.2%
Revenues on sales	1 476 581	1 487 864	11 283	0.8%	714 835	711 164	-3 671	-0.5%
Depreciation and amortisation of fixed and intangible assets	187 269	200 177	12 908	6.9%	93 829	97 095	3 266	3.5%
Employee benefit costs	281 542	238 881	-42 661	-15.2%	147 402	97 370	-50 032	-33.9%
Consumption of materials and raw materials and value of goods sold	21 138	22 941	1 803	8.5%	8 912	11 033	2 121	23.8%
Purchase of energy for own needs and grid losses	160 925	119 763	-41 162	-25.6%	72 824	57 409	-15 415	-21.2%
Costs of transmission services	301 979	351 708	49 729	16.5%	149 197	172 374	23 177	15.5%
Other outsourced services	88 181	94 362	6 181	7.0%	47 582	52 281	4 699	9.9%
Taxes and charges	72 341	79 494	7 153	9.9%	32 577	35 022	2 445	7.5%
Cost of sales	1 113 375	1 107 326	-6 049	-0.5%	552 323	522 584	-29 739	-5.4%
Other operating revenue	23 137	38 958	15 821	68.4%	13 688	28 166	14 478	105.8%
Other operating expenses	42 856	12 710	-30 146	-70.3%	27 979	1 352	-26 627	-95.2%
Profit / loss on sales and liquidation of tangible fixed assets	-1 851	-134	1 717	92.8%	-473	-431	42	8.9%
Operating profit/loss	341 636	406 652	65 016	19.0%	147 748	214 963	67 215	45.5%
Financial revenue	2 866	2 758	-108	-3.8%	1 238	936	-302	-24.4%
Financial expenses	10 942	15 825	4 883	44.6%	5 367	8 245	2 878	53.6%
Gross profit/loss	333 560	393 585	60 025	18.0%	143 619	207 654	64 035	44.6%
Income tax	65 323	74 359	9 036	13.8%	28 847	38 548	9 701	33.6%
Net profit/loss	268 237	319 226	50 989	19.0%	114 772	169 106	54 334	47.3%
EBITDA	528 905	606 829	77 924	14.7%	241 577	312 058	70 481	29.2%

Comment:

H1 2014:

Change factors of EBITDA of ENEA Operator Sp. z o.o. (growth by PLN 78 mln):

- (+) lower volumes of purchases and lower average purchase price of energy for covering book-tax difference (PLN 49 mln)
- (+) lower costs connected with legal regulation of lands under grid assets (PLN 48 mln)
- (+) lower costs of employee benefits resulting from lower employee provisions and transfer of some employees to ENEA Centrum (PLN 43 mln)
- (+) higher volume of sales of distribution services and higher revenues from the transitory charge and quality charge (PLN 7 mln)
- (-) higher costs of transitory charge and quality charge (PLN 56 mln)
- (-) higher tax on immovable property (PLN 7 mln)

Q2 2014

Change factors of EBITDA of ENEA Operator Sp. z o.o. (growth by PLN 70 mln):

- (+) lower costs of employee benefits resulting from lower employee provisions and transfer of some employees to ENEA Centrum (PLN 50 mln)
- (+) lower costs connected with legal regulation of lands under grid assets (PLN 41 mln)
- (+) lower average price and lower volumes of electricity purchases for covering book-tax difference (PLN 13 mln)
- (-) higher costs of transitory charge and quality charge (PLN 28 mln)

Attachment No. 3 - Financial results of ENEA Wytwarzanie in H1 2014 and Q2 2014

Profit and Loss Statement

[PLN '000]	H1 2013	H1 2014	Change	Change %	Q2 2013	Q2 2014	Change	Change %
Revenues from the sale of electricity	1 340 031	1 321 262	-18 769	-1.4%	658 835	640 450	-18 385	-2.8%
<i>generating licence</i>	1 174 760	1 074 306	-100 454	-8.6%	574 597	496 459	-78 138	-13.6%
<i>trade licence</i>	165 271	246 956	81 685	49.4%	84 238	143 991	59 753	70.9%
Revenues from certificates of origin	51 315	79 040	27 725	54.0%	27 637	33 437	5 800	21.0%
Revenues from sales of CO ₂ emission allowances	4 586	4 925	339	7.4%	3 577	4 925	1 348	37.7%
Revenues from the sale of heat	77 653	73 532	-4 121	-5.3%	26 164	24 562	-1 602	-6.1%
Recovery of stranded costs	964	257 508	256 544	26612.4%	964	257 508	256 544	26612.4%
Revenues from services	5 032	5 511	479	9.5%	2 481	2 728	247	10.0%
Sales of goods and services and other revenues	4 010	3 764	-246	-6.1%	3 303	2 808	-495	-15.0%
Excise tax	135	252	117	86.7%	62	91	29	46.8%
Net sales revenues	1 483 456	1 745 290	261 834	17.7%	722 899	966 327	243 428	33.7%
Depreciation and amortisation of fixed and intangible assets	175 729	126 088	-49 641	-28.2%	86 360	43 949	-42 411	-49.1%
Employee benefit costs	148 614	144 532	-4 082	-2.7%	73 927	69 649	-4 278	-5.8%
Consumption of materials and raw materials and value of goods sold	838 950	794 422	-44 528	-5.3%	418 148	378 475	-39 673	-9.5%
Costs of purchases for resale	165 103	304 376	139 273	84.4%	80 025	157 839	77 814	97.2%
Transmission services	893	961	68	7.6%	372	406	34	9.1%
Other outsourced services	51 048	51 033	-15	0.0%	27 098	29 157	2 059	7.6%
Taxes and charges	43 236	44 421	1 185	2.7%	20 526	20 376	-150	-0.7%
Cost of sales	1 423 573	1 465 833	42 260	3.0%	706 456	699 851	-6 605	-0.9%
Other operating revenue	22 877	14 558	-8 319	-36.4%	3 241	5 081	1 840	56.8%
Other operating expenses	6 363	15 361	8 998	141.4%	-378	13 269	13 647	3610.3%
Profit / loss on sales and liquidation of tangible fixed assets	-1 740	72	1 812	104.1%	-915	68	983	107.4%
Operating profit/loss	74 657	278 726	204 069	273.3%	19 147	258 356	239 209	1249.3%
Financial revenue	31 506	15 175	-16 331	-51.8%	18 136	9 787	-8 349	-46.0%
Financial expenses	9 894	11 590	1 696	17.1%	6 349	8 857	2 508	39.5%
Dividend revenue	26 404	3 355	-23 049	-87.3%	26 404	3 355	-23 049	-87.3%
Gross profit/loss	122 673	285 666	162 993	132.9%	57 338	262 641	205 303	358.1%
Income tax	18 917	65 435	46 518	245.9%	5 912	52 051	46 139	780.4%
Net profit/loss	103 756	220 231	116 475	112.3%	51 426	210 590	159 164	309.5%
EBITDA	250 386	404 814	154 428	61.7%	105 507	302 305	196 798	186.5%

Comment:

H1 2014

Change factors of EBITDA of ENEA Wytwarzanie (growth by PLN 154 mln):

- **Segment of System Power Plants - growth in EBITDA by PLN 150 mln:**

- (+) higher revenues from compensation for recovery of stranded costs (PLN 258 mln)
- (+) higher margin on co-firing (PLN 13 mln) as a result of higher price of certificates and higher recognition of certificates
- (+) lower costs of repairs
- (-) lower margin on generation (PLN 83 mln), resulting mainly from lower market energy prices
- (-) lower margin on trade (PLN 26 mln), which mainly results from lower average selling price and also higher average purchase price
- (-) lower result on other operating activity (PLN 17 mln)
- (-) loss of EBITDA due to failure of unit No. 9 (PLN 23 mln)

- **Segment of Heat - growth in EBITDA by PLN 10 mln:**

- (+) lower costs of materials (PLN 7 mln)
- (+) higher revenues from sales of electricity (PLN 6 mln) as a result of higher volumes and higher price
- (+) higher revenues from certificates of origin (PLN 4 mln) as a result of higher recognition and higher price
- (-) lower revenues from sales of heat (PLN 4 mln), as a result of lower sale volumes

- **Segment of RES - lower EBITDA by PLN 6 mln:**

- (-) lower revenues from sales of electricity (PLN 4 mln), as a result of lower production in hydroelectric plants and lower energy prices
- (-) lower revenues from certificates of origin (PLN 2 mln), as a result of lower recognition of certificates of origin

Q2 2014

Change factors of EBITDA of ENEA Wytwarzanie (growth by PLN 197 mln):

- **Segment of System Power Plants - growth in EBITDA by PLN 207 mln:**

- (+) higher revenues from recovery of stranded costs (PLN 258 mln)
- (+) lower costs of repairs
- (+) higher margin on co-firing (PLN 2 mln) as a result of higher price of certificates and higher recognition of certificates
- (-) lower margin on generation (PLN 18 mln), resulting mainly from lower market energy prices
- (-) lower margin on trade (PLN 19 mln), which results from lower average selling price and also higher average purchase price
- (-) lower result on the other operating activity (PLN 10 mln)
- (-) loss of EBITDA due to failure of unit No. 9 (PLN 18 mln)

- **Segment of RES - lower EBITDA by PLN 6 mln:**

- (-) lower revenues from sales of electricity (PLN 3 mln) as a result of lower production in hydroelectric plants and lower energy prices
- (-) lower revenues from certificates of origin (PLN 4 mln) as a result of lower recognition of certificates of origin

- **Segment of Heat - lower EBITDA by PLN 4 mln:**

- (-) higher costs of other outsourced services (PLN 2 mln) - higher costs of repair services and occurring of service costs within wholesale trade
- (-) lower result on the other operating activity (PLN 2 mln)

Glossary of terms

Financial ratios

Below please find a glossary of terms and a list of acronyms used in this periodic report.

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	= $\frac{\text{Net profit (loss) for the reporting period}}{\text{Net sales revenues}}$
Operating profitability	= $\frac{\text{Operating profit (loss)}}{\text{Net sales revenues}}$
EBITDA	= $\frac{\text{EBITDA}}{\text{Net sales revenues}}$
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	= $\frac{\text{interest-bearing liabilities} - \text{cash and cash equivalents}}{\text{EBITDA}}$
Current receivables turnover in days	= $\frac{\text{Average trade and other receivables} \times \text{number of days}}{\text{Net sales revenues}}$
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
BueNext	Trading platform enabling trade in allowances for emissions of CO ₂ (EUA) and units of certified reduction of emissions (CER) on spot and futures market
CAPEX	Capital expenditures
CO₂	Carbon dioxide
Price of baseload (BASE)	Price of contract with delivery of the same volume of energy on each day hour
Price of euro-peak (PEAK)	Price of contract with delivery of the same volume of energy in euro-peak (i.e. from 7:00 to 22:00 on business days)
CER	Certified Emission Reduction
EUA	EU Emission Allowance - allowances for emissions within the European Emissions Trading System
European Emissions Trading System EU ETS	European system supporting reduction of greenhouse gases emissions
ICE	Trading platform enabling trade in allowances for emissions of CO ₂ (EUA) and units of certified reduction of emissions (CER) on futures market
IOS installation	Fue gas desulphurisation plant
deNOx installation	Denitrifying installation (including SCR technology - selective catalytic reduction)
Cogeneration	A technological process of a combined generation of electricity and usable heat energy in combined heat and power plants
PPS	Public Power System
MWe	Megawatt of electrical power
MWh	Megawatthour (1 GWh = 1,000 MWh)
MWt	Megawatt of heating power
OH	Commercial Coordinator
OHT	Scheduling Co-ordinator

Abbreviation/term	Full name/explanation
Operating capacity reserve	Maintaining by generators surpluses of generating capacity available for Operators of the transmission system for a relevant fee. Its settlement is performed exclusively for peak hours of demand understood as the time from 7:00 to 22:00 hours on business days.
OSD	Operator of Distribution Network
Compensatory payment	Payment which is an alternative of the obligation fulfilment to redemption of the proprietary interest
RES	Energy renewable sources
PMOZE	Proprietary interests from certificates of origin for energy from renewable sources of energy
"Green" proprietary interests	Same as PMOZE
OZEX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for energy generated in energy renewable sources whose production period (indicated in the certificate of origin) was till 28 February 2009 inclusive
OZEX_A	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for energy generated in energy renewable sources whose production period (indicated in the certificate of origin) commenced on 1 March 2009 inclusive.
"Yellow" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation in a gas cogeneration unit or in a unit of the total installed capacity of up to 1 MW
KGMX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in a gas cogeneration unit or in a unit of the total installed capacity of up to 1 MW
"Red" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation in other cogeneration sources
KECX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in other cogeneration sources

Abbreviation/term	Full name/explanation
"Purple" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation in a cogeneration unit fired with methane released and abstracted on pit mining works or with gas obtained from biomass processing in the meaning of Article 2 item 1(2) of the Act on biocomponents and liquid biofuels
KMETX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in a cogeneration unit fired with methane released and abstracted on pit mining works or with gas obtained from biomass processing in the meaning of Article 2 item 1(2) of the Act on biocomponents and liquid biofuels
"White" proprietary interests	Proprietary interests in certificates of origin resulting from energy efficiency certificates, the so called "white" certificates
EFX	Index for session transactions the subject of which are contracts for proprietary interests resulting from energy efficiency certificates, the so called "white" certificates
PMMET	Proprietary Interests in certificates of origin being the confirmation of electricity generation in a cogeneration unit fired with methane released and abstracted on pit mining works or with gas obtained from biomass processing in the meaning of Article 2 item 1(2) of the Act on biocomponents and liquid biofuels
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")
Day Ahead Market (DAM)	Divided within the Day Ahead and Spot Market of electricity (DASM) the Day Ahead Market is conducted by the Polish Power Exchange (PPE). The trade on DAM is conducted on two days preceding the date of product delivery.
Wholesale market	Electricity market on which forward products are listed
SPOT market	Cash market (spot)
SAIDI	System average interruption duration index (expressed in minutes/customer)
SAIFI	System average interruption frequency index (expressed in number of interruptions/customer)

Abbreviation/term	Full name/explanation
Smart grid (Intelligent grid)	A power grid and IT and telecom technologies related to it interfering intelligently with the activities of participants of the process of generation, storing, transmission, distribution and use of electricity in order to improve the reliability and efficiency of supplies and actively engage users in raising the energy efficiency
TFS	Tradition Financial Services, electricity trading platform designated for concluding various types of transactions, purchase and sale of conventional energy, proprietary interests, renewable energy and allowances for emissions of CO ₂
TJ	Terajoule
TGE (PPE)	Towarowa Giełda Energii (Polish Power Exchange)
Bilateral transactions	Purchase/sale agreements for energy concluded directly between producers and other entities acting on the market
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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