



Report of the Management Board on the operations of the ENEA Capital Group in 2014

Date of approval: 3 March 2015

Poznań, 20 March 2015

11 years
of ENEA brand
on the Polish power market

PLN 20 bn
capital expenditures
in 2014-2020

PLN 4,5 bn
for investments in
green energy until 2020

1,9 GW
additional generating
capacity until 2020



Corporate governance
unique, precise and efficient
management model

GENERATION



3.3 GW
installed electrical capacity



199 MW
capacity installed
in renewable energy sources



925 MW_t
installed heating capacity



9%
of energy generated in Poland
comes from our power plants



16 TWh
generating potential annually
in ENEA Wytwarzanie

THE MOST MODERN POWER UNIT IN POLAND AND IN EUROPE



1.075 MW
gross capacity



250 thou.
hours of the planned
working time



40 years
a minimum by which the period
of Koziernice Power Plant's
operation will be prolonged



in 2018 energy from Koziernice Power Plant will reach every **9th Polish citizen**

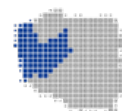
DISTRIBUTION



132 thou. km
of power lines
with connections



36 thou.
switching stations



20%
coverage of Poland

TRADE



2.5 mln
Customers



13%
of electricity sold to
end users in Poland



We have changed ENEA Group's "genetic code"

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

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

We have been regularly reporting good results

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

Corporate Governance is of key importance

Due to the change of the "genetic code" and adopting a new "constitution", namely ENEA Code, the Group became an efficient, modern and homogeneous economic body. Decisions are taken efficiently, and the goal of all the companies, their management boards and Employees, is the interest of the whole Group.

We have implemented a new, integrated risk management system

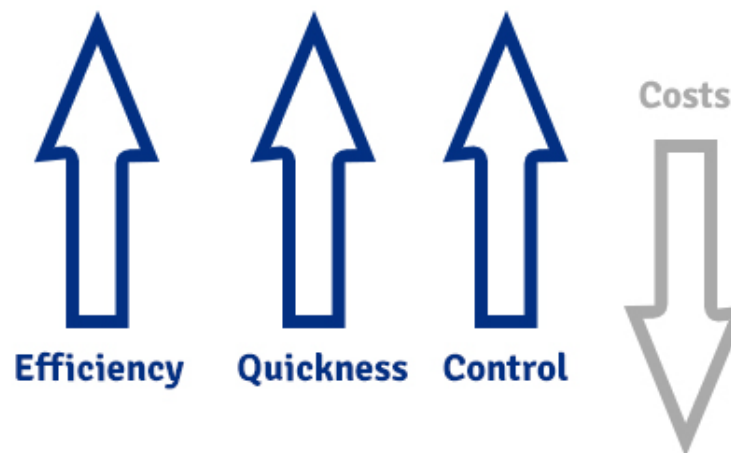
Due to its operations ENEA Group is exposed to various types of risks. What I mean here is mainly operating, financial and market risks. The awareness of these risks resulted in the establishment of a formalised, integrated risk management system. The system comprises in particular the areas of corporate,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

Integrated information systems, i.e. comprehensively, more quickly and more efficiently

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

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

The Group focuses on its core operations, which is generation, distribution and trade in energy, and each of the companies has its own specific functions in the value chain. Therefore, we centralised the support services and optimised the financial structure. We can already see specific organisational benefits, and due to well thought changes we are able to improve what is the most important - our Customer service quality.



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

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

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

We have been developing very intensely. We offer numerous and professional solutions to our Customers, including origination type products. We were listed on ICE Futures Europe exchange which is one of the largest energy exchanges in Europe.

We have been consistently realising the investment plan

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

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

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

As regards end Customers energy distribution is an extremely important area

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

Cost optimisation is of key importance on the demanding market

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



ENEA Group will face the most important challenges in 2015

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

Sincerely,

Krzysztof Zamasz

President of the Board of ENEA S.A.



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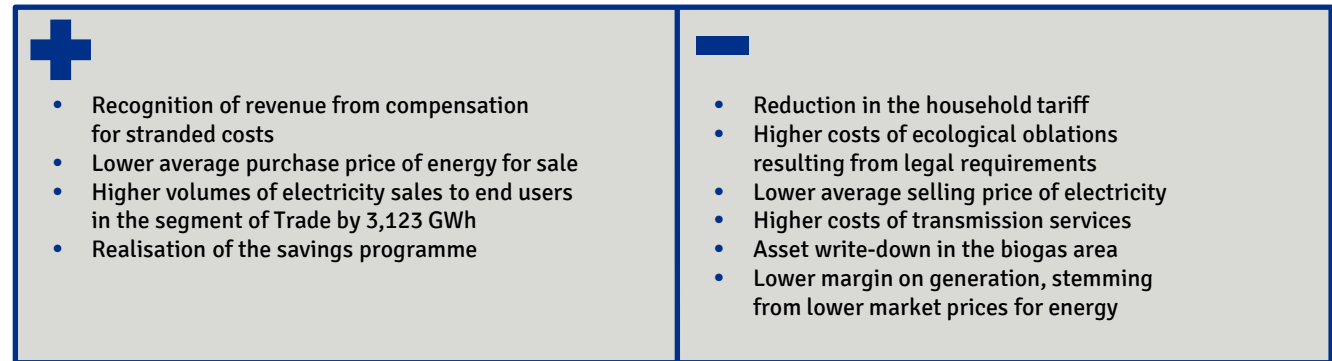
Generated financial results reflect the optimal use of ENEA CG's resources

In 2014 ENEA Capital Group generated:

- **PLN 9,855 mln** net sales revenue - **growth** by **7.7%** yoy
- **PLN 1,915 mln** EBITDA - **growth** by **14.8%** yoy
- **PLN 909 mln** net profit - **growth** by **25.8%** yoy

In the reporting period the highest EBITDA was generated in the segment of distribution and amounted to PLN 1,159 mln - growth by 24.2% yoy. The Segment of Generation reported EBITDA in the amount of PLN 708 mln which is by 26.6% more than in the previous year. A strong competition on the market resulted in EBITDA amounting to PLN 106 mln in the Segment of Trade.

Factors which affected the financial results generated by ENEA CG are presented in the diagram below:



Consistently realised savings programme allowed the Group to reduce costs by **PLN 252 mln** in 2014.

In Q4 2014 alone the Group generated:

- **PLN 2,628 mln** net sales revenue - growth by **11.2%** yoy
- **PLN 399 mln** EBITDA - growth by **45.9%** yoy
- **PLN 73 mln net profit** - growth by **19.6%** yoy

In 2014 ENEA CG spent over PLN 2,7 billion on investments, which is by 25.3% more than in the previous year. Despite the intensive development and realisation of an ambitious CAPEX programme the Group maintained the net debt/EBITDA ratio on a low level, namely 0.5.

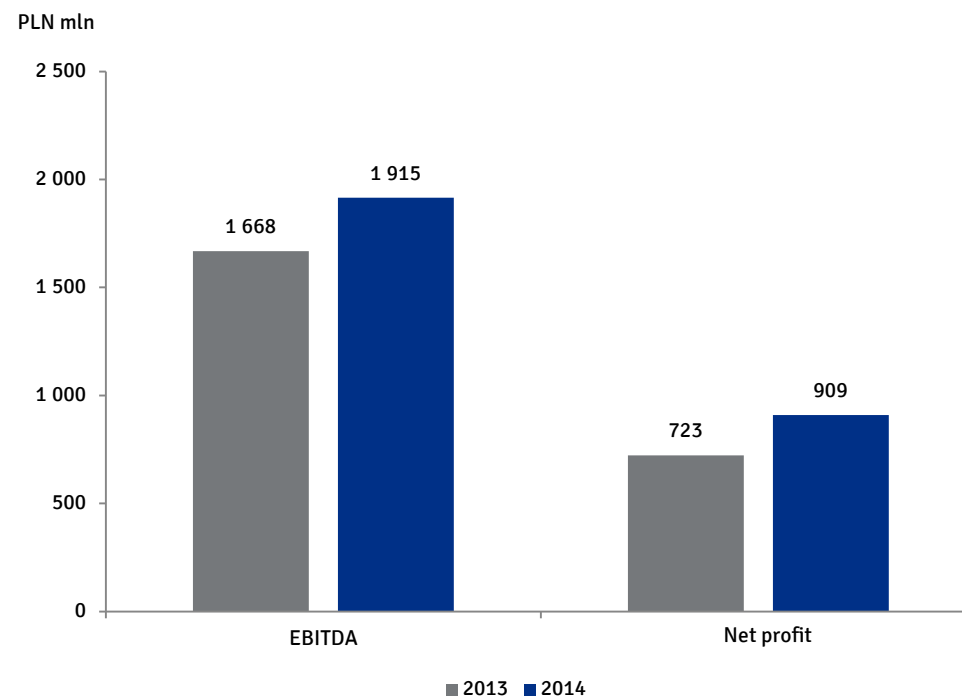
In 2014 the Group increased energy generation both from conventional sources (growth by 8.2% yoy) and RES (growth by 7.2% yoy) producing a total of 12.8 TWh electricity (growth by 8.1% yoy).

Sales of conventional electricity grew by 2,242 GWh, and sales of electricity from RES increased to 1,033 GWh from 964 GWh in the previous year. In the above mentioned period the Group sold 16 TWh electricity to end users, i.e. by 23.6% more than in the previous year.

[PLN '000]	2013	2014	Change	Change %
Net sales revenue	9 150 520	9 855 395	704 875	7.7%
Operating profit / (loss)	905 859	1 186 475	280 616	31.0%
Profit / (loss) before tax	954 065	1 143 102	189 037	19.8%
Net profit / (loss) for the reporting period	722 520	909 122	186 602	25.8%
EBITDA	1 667 618	1 914 883	247 265	14.8%
Net cash flows from:				
operating activities	1 644 210	1 115 676	-528 534	-32.1%
investing activities	-1 770 859	-3 048 793	1 277 934	72.2%
financing activities	604 956	1 045 785	440 829	72.9%
Balance of cash	1 573 195	687 316	-885 879	-56.3%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	1.64	2.06	0.42	25.6%
Diluted profit per share [PLN]	1.64	2.06	0.42	25.6%

[PLN '000]	Q4 2013	Q4 2014	Change	Change %
Net sales revenue	2 363 277	2 628 223	264 946	11.2%
Operating profit / (loss)	86 182	194 925	108 743	126.2%
Profit / (loss) before tax	97 702	123 780	26 078	26.7%
Net profit / (loss) for the reporting period	60 863	72 807	11 944	19.6%
EBITDA	273 519	399 136	125 617	45.9%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	0.14	0.16	0.02	14.3%
Diluted profit per share [PLN]	0.14	0.16	0.02	14.3%

[PLN '000]	31 December 2013	31 December 2014	Change	Change %
Total assets	16 329 180	18 108 040	1 778 860	10.9%
Total liabilities	4 840 333	6 044 027	1 203 694	24.9%
Non-current liabilities	2 563 073	4 190 197	1 627 124	63.5%
Current liabilities	2 277 260	1 853 830	-423 430	-18.6%
Equity	11 488 847	12 064 013	575 166	5.0%
Share capital	588 018	588 018	-	-
Book value per share [PLN]	26.03	27.33	1.30	5.0%
Diluted book value per share [PLN]	26.03	27.33	1.30	5.0%



	unit	2013	2014	Change	Change %	Q4 2013	Q4 2014	Change	Change %
Net sales revenue	PLN '000	9 150 520	9 855 395	704 875	7.7%	2 363 277	2 628 223	264 946	11.2%
EBITDA	PLN '000	1 667 618	1 914 883	247 265	14.8%	273 519	399 136	125 617	45.9%
EBIT	PLN '000	905 859	1 186 475	280 616	31.0%	86 182	194 925	108 743	126.2%
Net profit	PLN '000	722 520	909 122	186 602	25.8%	60 863	72 807	11 944	19.6%
Net cash flows from operating activities	PLN '000	1 644 210	1 115 676	-528 534	-32.1%	379 774	462 064	82 290	21.7%
CAPEX	PLN '000	2 194 454	2 748 972	554 518	25.3%	871 816	1 149 942	278 126	31.9%
Net debt / EBITDA ¹⁾	-	-0.6	0.5	1.1	-	-0.6	0.5	1.1	-
Return on assets (ROA) ¹⁾	%	4.4	5.0	0.6	-	1.5	1.6	0.1	-
Return on equity (ROE) ¹⁾	%	6.3	7.5	1.2	-	2.1	2.4	0.3	-
Trade									
Sales of electricity to end users	GWh	13 216	16 339	3 123	23.6%	3 476	4 365	889	25.6%
Number of recipients (Power Delivery Points)	thou.	2 368	2 364	-4	-0.2%	2 368	2 364	-4	-0.2%
Distribution									
Sales of distribution services to end users	GWh	17 273	17 621	348	2.0%	4 393	4 492	99	2.3%
Number of customers	thou.	2 438	2 461	23	0.9%	2 438	2 461	23	0.9%
Generation									
Total generation of electricity, including e.g.:	GWh	11 854	12 812	958	8.1%	2 866	3 357	491	17.1%
<i>from conventional sources</i>	GWh	10 890	11 779	889	8.2%	2 569	3 099	530	20.6%
<i>from renewable sources of energy</i>	GWh	964	1 033	69	7.2%	297	258	-39	-13.1%
Heat generation	TJ	4 922	4 916	-6	-0.1%	1 448	1 911	463	32.0%
Sales of conventional electricity	GWh	13 619	15 861	2 242	16.5%	3 428	4 104	676	19.7%
Sales of electricity from RES	GWh	964	1 033	69	7.2%	297	258	-39	-13.1%
Sales of heat	TJ	4 519	4 310	-209	-4.6%	1 331	1 567	236	17.7%

2014 / 2013:
**EBITDA higher
by PLN 247 mln**
**Higher sales of
electricity**

- to end users by **3,123 GWh**
- conventional and RES by **2,311 GWh**

**Savings programme
realised in ENEA CG
- OPEX reduction by
PLN 252 mln**
2014:

- EBITDA higher by 14.8% (by PLN 247 mln): recognition of revenue from compensation for coverage of stranded costs totalling to PLN 258 mln and realisation of the savings programme
- consistent development of ENEA CG: CAPEX totalling to PLN 2,749 mln with a low value of net debt/EBITDA ratio (on the level of 0.5)
- higher sales of electricity to end users by 23.6% (by 3,123 GWh)
- higher generation from conventional sources and RES by 8.1% (by 958 GWh)
- higher sales of conventional and RES electricity by 15.8% (by 2,311 GWh)

Q4 2014:

- EBITDA higher by 45.9% (by PLN 126 mln): realisation of the savings programme and lower costs of establishment of provisions for legal regulations under grid assets
- consistent development of ENEA CG: CAPEX totalling to PLN 1,150 mln with a low value of net debt/EBITDA ratio (on the level of 0.5)
- higher sales of electricity to end users by 25.6% (by 889 GWh)
- higher production from conventional sources by 20.6% (by 530 GWh)
- higher sales of conventional electricity by 19.7% (by 676 GWh)

1) Ratio definitions are to be found on page 98

I quarter

Cost optimisation due to a comprehensive bank service agreement

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

Cooperation with PKN Orlen increased ENEA's product range competitiveness

Thanks to the agreement with PKN Orlen ENEA Trading offers its customers combined sales of electricity and gas.

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

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

Financial institutions replaced Vattenfall in the shareholding structure

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

II quarter

Fitch Ratings affirms the Company's high and stable ratings

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

Area strategies allow for a better goal management

Based on the corporate strategy adopted earlier 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 until 2020.

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

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

The funds from the new bond programme will finance strategic investments

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

III quarter

New investment will help protect the environment better

Mitsubishi Hitachi Power Systems, LTD. will construct the installation of flue gases denitrification for units No. 1 and 2 fired with bituminous coal and biomass in the power plant in Koźienice. The investment will allow to reduce the nitric oxides emission by 80%. The investment is to be completed in May 2016 and over PLN 92 mln were devoted for its realisation.

ENEA distributed dividend to shareholders

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

The Group has been successfully simplifying the organisational structure

During three quarters of 2014 ENEA Group realised a range of activities which aimed at the simplification of its structure and focusing on the core operations. It will translate into a higher business efficiency.

ENEA will take part in the nuclear power plant construction project

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



III quarter continued

Takeover of MPEC Białystok will allow for production optimisation

On 16 September ENEA Wytwarzanie finalised the transaction with Białystok city and took up 85% of shares in Miejskie Przedsiębiorstwo Energetyki Ciepłej in Białystok. The entry into force of the agreement means that the Company which is the owner of the chief producer of heat for the city, Białystok Heat and Power Plant, became also its supplier for the citizens. The cooperation of Białystok Heat and Power Plant with MPEC district network will allow for the heat production optimisation in the city.

New corporate governance enables an optimal use of the organisational possibilities

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

IV quarter

Access to the most liquid CO₂ allowance market as a result of joining ICE Futures Europe

ENEA Group obtained access to the most liquid market in Europe for allowances for emissions of CO₂. The membership results in significant savings within the Group which are one of the key goals in the area of wholesale trading.

Establishment of the Shared Service Centre supports savings and organisation

The stage of the Shared Service Centre organisation was completed within finance and accounting, IT, Customer service and on 1 January 2015 a new, more efficient operating model was implemented. In the consequence of the above mentioned activities the Shared Service Centre was built in ENEA CG within support functions, such as: Customer service, IT, finance and accounting, HR, logistics and coordination of legal services.

More energy generated ecologically due to the cogeneration combined heat and power plant in Piła

The cogeneration combined heat and power plant commissioned by Miejska Energetyka Ciepła Piła from ENEA Group is one of the most modern plants of this type in Poland. It may produce around 10 MWh heat energy and around 10 MWe electricity at the same time and is fired with natural gas. Its launching results in the reduction in demand for energy from conventional sources, contributing therefore to the reduction of combusted coal and emission of harmful substances, in particular dusts, sulphur oxides and CO₂ to the atmosphere.

Commencement of gas supplies to business customers

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

New tariffs approved by the President of ERO

The President of ERO approved new tariffs for electricity and distribution services. The increase in the average price for energy distribution to consumers classified under G tariff group sets following from the approved fee rates is 3.07% yoy. The approved electricity tariff includes the increase in energy selling prices for G tariff group sets by 0.68% yoy on average and results from higher costs of realisation of statutory duties to redeem colour certificates.

New integrated information systems support management

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

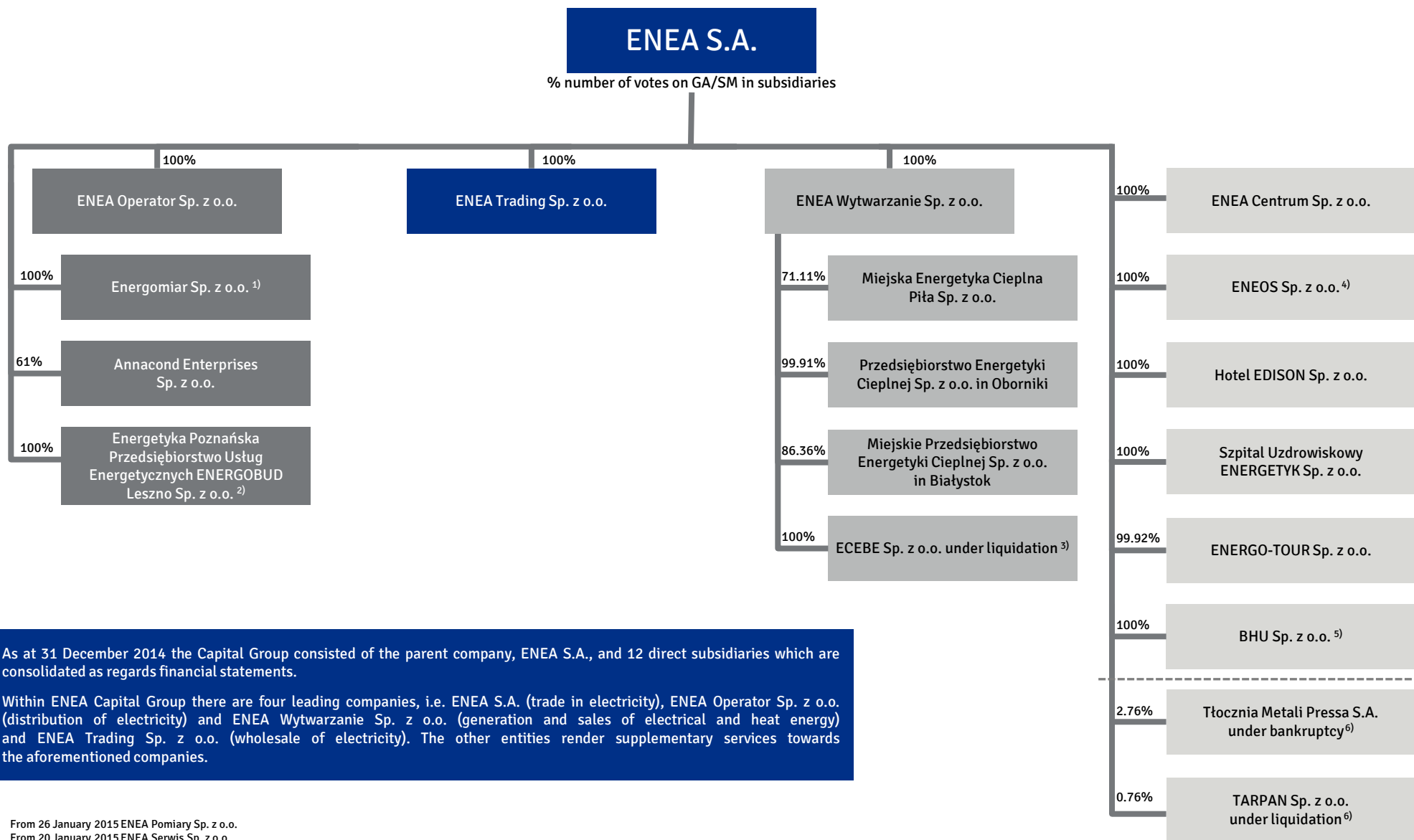
In 2014 ENEA Group saved PLN 252 mln

Due to undertaken initiatives cost savings amounted to PLN 252 mln for the Group. The greatest savings were realised in the area of Generation (PLN 133 mln) and Distribution (PLN 102 mln).





2. ENEA Group's organisation and operations



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

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

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

■ Trade ■ Distribution ■ Generation ■ Other activity

Asset restructuring

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

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

Key equity investments

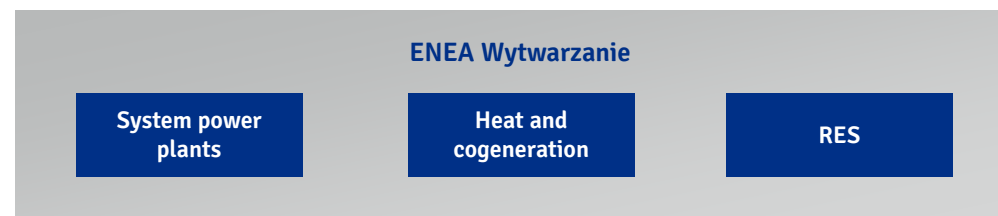
Segment	Date	Company	Event
Generation	16 September 2014	Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. with its registered office in Białystok	Purchase of 85% of shares by ENEA Wytwarzanie as part of the strategy within the development and restructuring of ENEA Capital Group Implementing the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

Key equity divestments

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

Changes in the Group's organisation

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



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

Legal and corporate solutions implemented within the project aim in particular at raising the management efficiency within the Group and directing the operations of the Subsidiaries towards the realisation of strategic goals of the whole Capital Group. Information on the new corporate governance is described in more detail in Chapter 2. Organisation and operations of ENEA Group / Capital Group management on page 25.



GENERATION

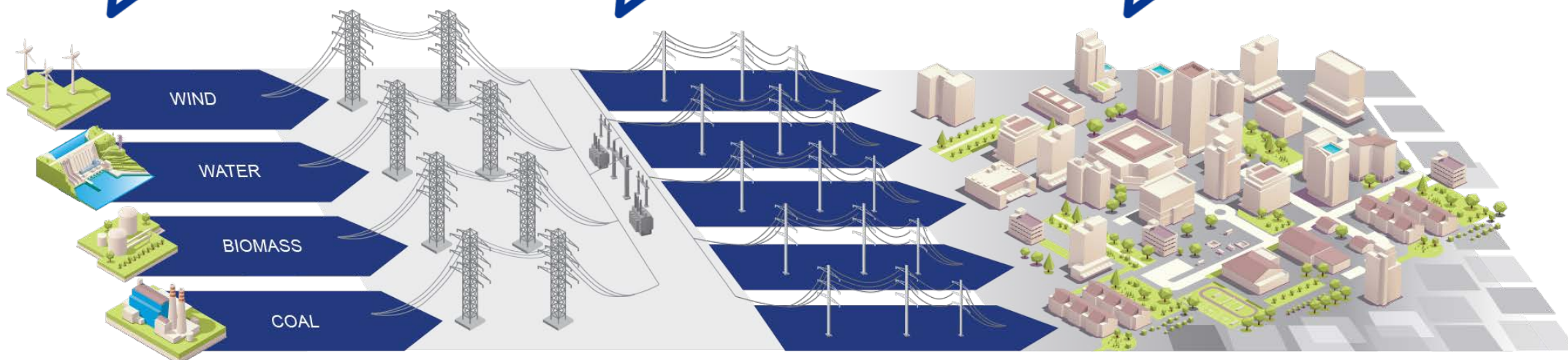
- Generation of electricity based on bituminous coal, biomass, wind, water and biogas
- Heat generation in cogeneration
- Heat transmission and distribution
- Trade in electricity

DISTRIBUTION

- Guaranteeing the extension of the distribution network and planned network development
- Exploitation, maintenance and renovations of the distribution network
- Measurement data management

TRADE

- Wholesale trading:
- Wholesale contract portfolio optimisation
 - Operations on product markets
 - Guaranteeing the access to wholesale markets for electricity
- Retail sales:
- Trade in electricity on the retail market
 - Creation and offering of products and services to Customers
 - Comprehensive Customer Service



GENERATION

TRANSMISSION

DISTRIBUTION

TRADE

- **ENEA Wytwarzanie Sp. z o.o.**
- Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki
- Miejska Energetyka Ciepła Piła Sp. z o.o.
- Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Białystok
- Ecebe Sp. z o.o. under liquidation ¹⁾

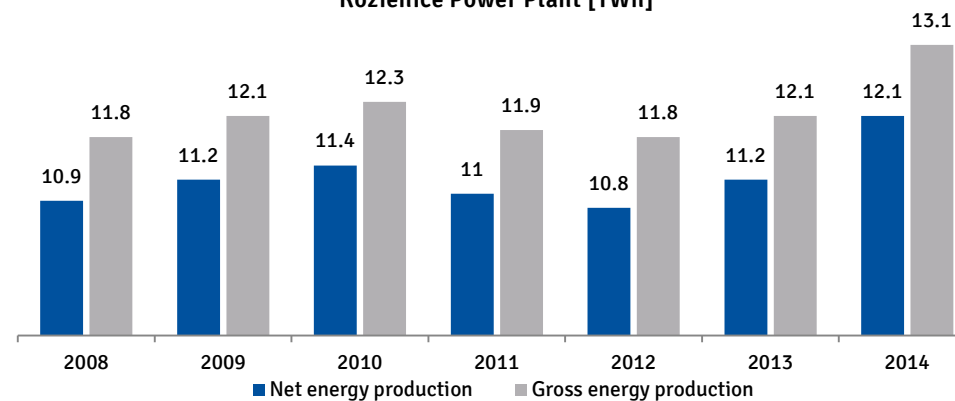
- **ENEA Operator Sp. z o.o.**
- Energomiar Sp. z o.o. (currently ENEA Pomiary Sp. z o.o.²⁾)
- Annacond Enterprises Sp. z o.o.
- Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o. (currently ENEA Serwis Sp. z o.o.³⁾)

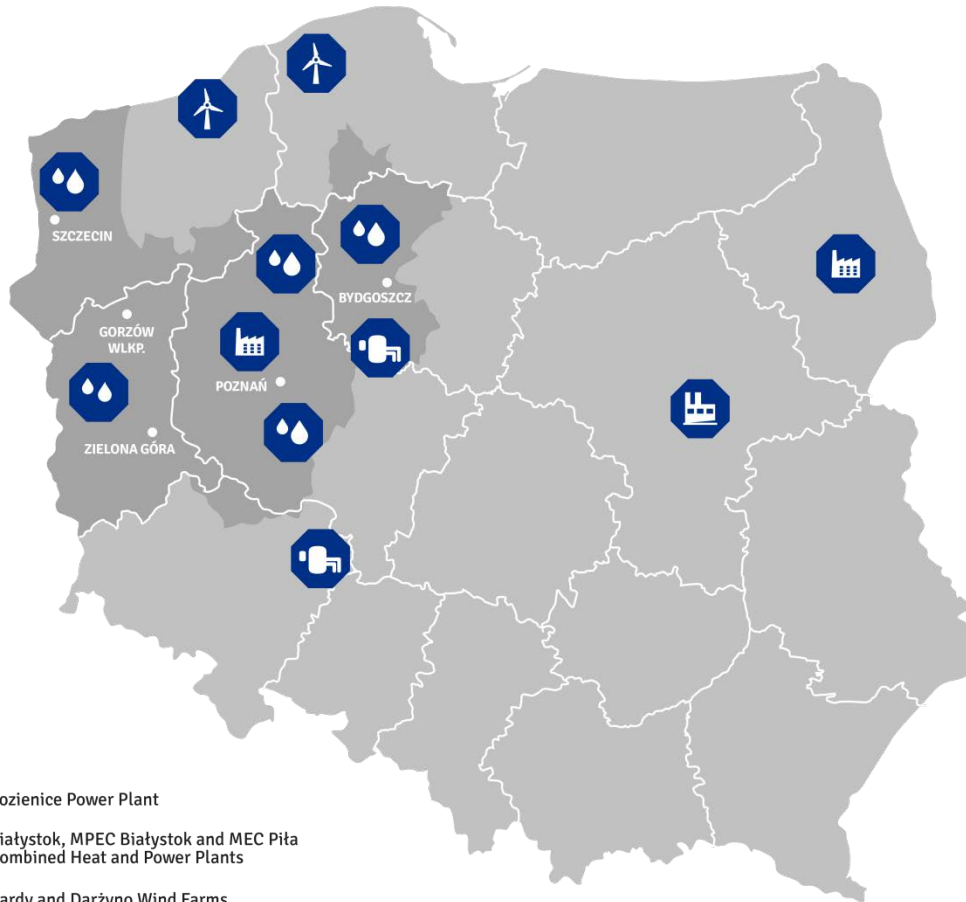
- **ENEA S.A.**
- **ENEA Trading Sp. z o.o.**







1) On 30 January 2015 ECEBE Sp. z o.o. under liquidation was removed from the National Court Register.
 2) From 26 January 2015
 3) From 20 January 2015

Generation

Item	2013	2014	Change	Q4 2013	Q4 2014	Change
Total generation of electricity (net) [GWh], including:	11 854	12 812	8.1%	2 866	3 357	17.1%
Net production from conventional sources [GWh], including:	10 890	11 779	8.2%	2 569	3 099	20.6%
Enea Wytwarzanie (excluding biomass co-combustion)	10 758	11 596	7.8%	2 536	3 020	19.1%
Enea Wytwarzanie - Segment of Heat (Biatystok Heat and Power Plant - excluding biomass co-combustion)	131	181	38.2%	33	77	133.3%
MEC Piła	1	2	100.0%	0	2	200.0%
Production from renewable energy sources [GWh], including:	964	1 033	7.2%	297	258	-13.1%
Co-combustion of biomass	418	476	13.9%	128	105	-18.0%
Combustion of biomass	253	294	16.2%	84	86	2.4%
Enea Wytwarzanie - RES segment (hydroelectric plants)	145	113	-22.1%	33	27	-18.2%
Enea Wytwarzanie - RES segment (wind farms)	138	141	2.2%	49	37	-24.5%
Enea Wytwarzanie - RES segment (biogas plants)	10	9	-10.0%	3	3	-
Heat production [TJ]	5 961	5 551	-6.9%	1 814	1 911	5.3%


Kozienice Power Plant [TWh]


Generation


-  Kozienice Power Plant
-  Białystok, MPEC Białystok and MEC Piła Combined Heat and Power Plants
-  Bardy and Darżyno Wind Farms
-  21 Hydropower Plants
-  Gorzestaw and Liszkowo Biogas Power Plants
-  ENEA Operator distribution network

Item	Installed electrical capacity [MW _e]	Attainable electrical capacity [MW _e]	Installed heating capacity [MW _e]
Kozienice Power Plant	2 960.0	2 919.0	105.0
Białystok Heat and Power Plant	203.5	156.6	446.5
Bardy and Darżyno Wind Farms	56.0	56.0	-
Liszkowo and Gorzestaw Biogas Plants	3.8	3.8	3.1
Elektrownie Wodne	60.3	57.6	-
MEC Piła	10.4	10.2	154.4
PEC Oborniki	-	-	30.5
MPEC Białystok	-	-	185.0
TOTAL	3 294.0	3 203.2	924.5

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

In 2014 the volume-related electricity purchases in the Segment of System Power Plants amounted to 4,069 GWh. Purchases were made for the needs of operations within energy trading and within the operation of the Balancing Market. In the Segment of Heat the purchase volumes in 2014 amounted to 17.8 GWh, of which 21.8% within trade and 78.2% within the Balancing Market.

Energy trading (sales = purchases) is performed within market possibilities guaranteeing achievement of the anticipated financial result and in order to limit the failure consequences. Purchase of electricity as part of 2014 trade related to the Segment of System Power Plants - 66.9% of the whole energy purchases. Purchase of electricity as part of the Balancing Market constituted 33.1%.

Sales volumes of electricity in ENEA Wytwarzanie in 2014 amounted to 16,817 GWh. Sales were performed by particular Segments depending on the statutory obligations (exchange obligation) and concluded agreements.

Sales of electricity within the Segment of System Power Plants in 2014 amounted to 16,142 GWh and were performed on the Polish Power Exchange (PPE) and to Operators of the Transmission System (OTS) and Operators of the Distribution System (ODS) within the Balancing Market and conducted electricity distribution activities. In 2014 ENEA Wytwarzanie was obliged to sell energy, in accordance with Article 49a item 1 and 2 of the Energy Law. In 2014 sales of electricity on PPE amounted to 90.2% of the whole sales, and to OTS and ODS - 9.8%.

In the Segment of Heat sales of electricity in 2014 amounted to 513 GWh and were performed mainly to Nominated Vendor - 58.9%, on PPE - 13.8% within the realisation of the obligation following from Article 49a item 1 of the Energy Law and within ENEA CG 17.3%, and as part of the Balancing Market - 7.5%. Additionally, sales of electricity to end users constituted 2.5%.

In the Segment of RES sales of electricity in 2014 amounted to 264 GWh and were performed to Nominated Vendor - within ENEA CG - 46.4% and beyond ENEA CG - 53.6%.

Generation
Fuel supplies
ENEA WYTWARZANIE – SEGMENT OF SYSTEM POWER PLANTS:

The basic fuel used to produce electricity is bituminous coal. The main coal suppliers for ENEA Wytwarzanie in 2014 were Lubelski Węgiel "Bogdanka" S.A. (ca. 71% of coal supplies) and Katowicki Holding Węglowy S.A. (ca. 22% of supplies).

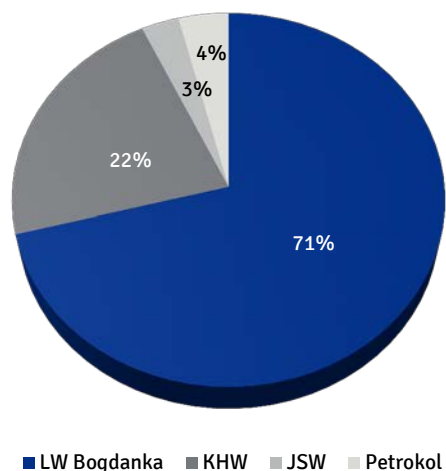
In 2014 ENEA Wytwarzanie held agreements with a total of 10 suppliers of biomass. In 2014 the Kozienice Power Plant purchased 271,873.91 tonnes of biomass for the purpose of production of renewable energy. The 3 key suppliers delivered 71.5% of biomass. Biomass was mainly briquettes and pellets from sunflower husk and straw and wood straw pellets.

ENEA WYTWARZANIE - SEGMENT OF HEAT:

The only coal supplier to Białystok Heat and Power Plant in 2014 was KREX Sp. z o.o. The supplied coal had a very low content of sulphur, i.e. 0.3-0.4%.

In 2014 ENEA Wytwarzanie - Segment of Heat acquired 487.5 thou. tonnes of biomass, mainly as wood chips. Biomass was delivered by 12 companies, however the greatest volume came from 3 key suppliers who delivered 64.0% of biomass. Approximately 36% of biomass was delivered to the area of ENEA Wytwarzanie - Segment of Heat, using a rail transport. Wood chips, energetic willow chips and sunflower husk pellets are used as biomass in particular.

The share of coal suppliers in the total volumes delivered in 2014 - ENEA Wytwarzanie Segment of System Power Plants



Fuel type	2013		2014		Change	
	Volume ['000 t]	Costs ¹⁾ [PLN mln]	Volume ['000 t]	Costs ¹⁾ [PLN mln]	Volume	Costs ¹⁾
Bituminous coal	5 098	1 257	5 540	1 286	8.7%	2.3%
Biomass	714	228	759	248	6.3%	8.8%
Fuel oil (heavy)	6	12	8	14	33.3%	16.7%
Gas ['000 m ³]	2 127	4	1 926	3	-9.4%	-25.0%
TOTAL	7 945	1 501	8 233	1 551	3.6%	3.3%

¹⁾ Including transport

Coal Transport
ENEA WYTWARZANIE – SEGMENT OF SYSTEM POWER PLANTS:

The only means of transport used to deliver bituminous coal to the Segment of System Power Plants in 2014 was a rail transport. PKP CARGO S.A. forwarder performed 55% supplies in 2014, Freightliner PL Sp. z o.o. - 33%, and DB Schenker Rail Polska S.A. - 12%.

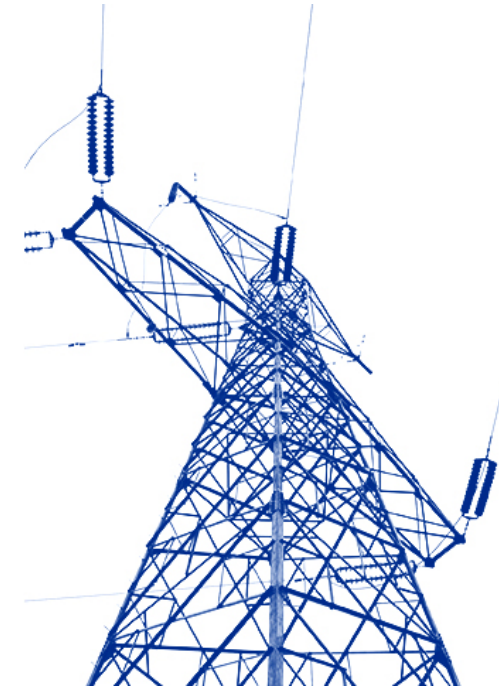
ENEA WYTWARZANIE – SEGMENT OF HEAT:

The basic means of transport used to deliver bituminous coal to Białystok Heat and Power Plant in 2014 was a rail transport. Costs of coal transport were included in the price of the purchased coal.

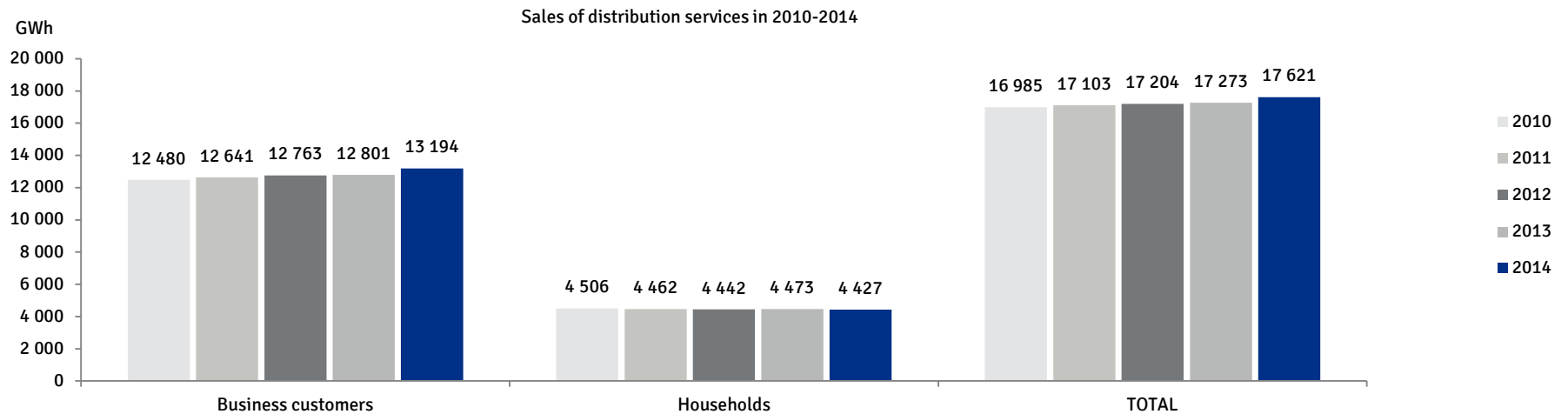
Distribution

Key parameters relating to the segment of Distribution

Item	2013	2014	Change	Growth
SAIDI planned interruptions	127.4	106.1	-21.3	83%
SAIDI unplanned interruptions	353.5	219.5	-134	62%
SAIFI planned interruptions	0.5	0.5	-0.04	92%
SAIFI unplanned interruptions	4.2	3.2	-1	76%
RAB [PLN '000]	6 184 609	6 635 665	451 056	107%
Grid losses index	7.5	7.2	-0.3	96%
Number of power stations [thou. of pieces]	36.4	36.8	0.4	101%
Station's capacity [MVA]	14 929	15 288.0	359	102%
Length of lines, including: [thou. km]	113.5	114.6	1.1	101%
HV lines [thou. km]	4.9	5.0	0.1	102%
MV lines [thou. km]	47.9	48.4	0.5	101%
LV lines [thou. km]	60.6	61.2	0.6	101%
Number of connections [thou. of pieces]	819.8	837.2	17.4	102%
Length of connections [thou. km]	18.7	18.9	0.2	101%



Distribution by quantity

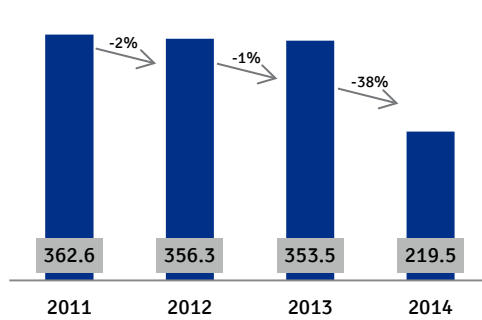
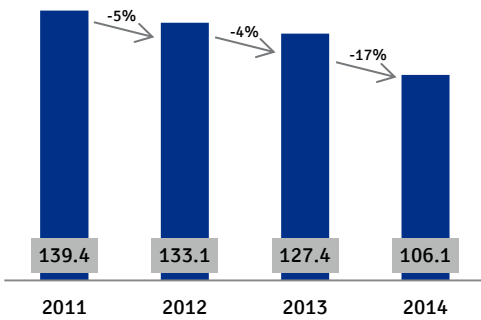


Distribution

Significant improvement in network reliability ratios

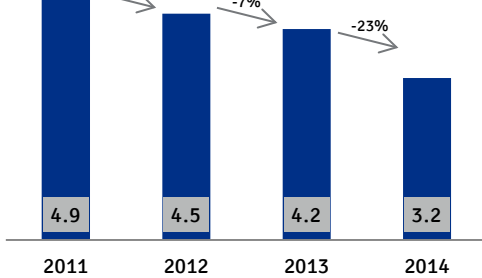
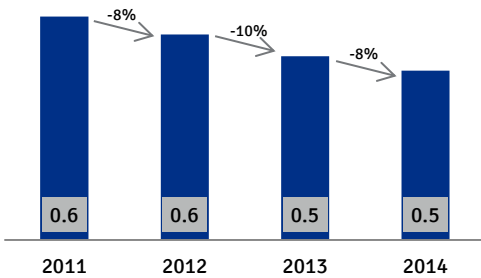
SAIDI planned interruptions

SAIDI unplanned interruptions



SAIFI planned interruptions

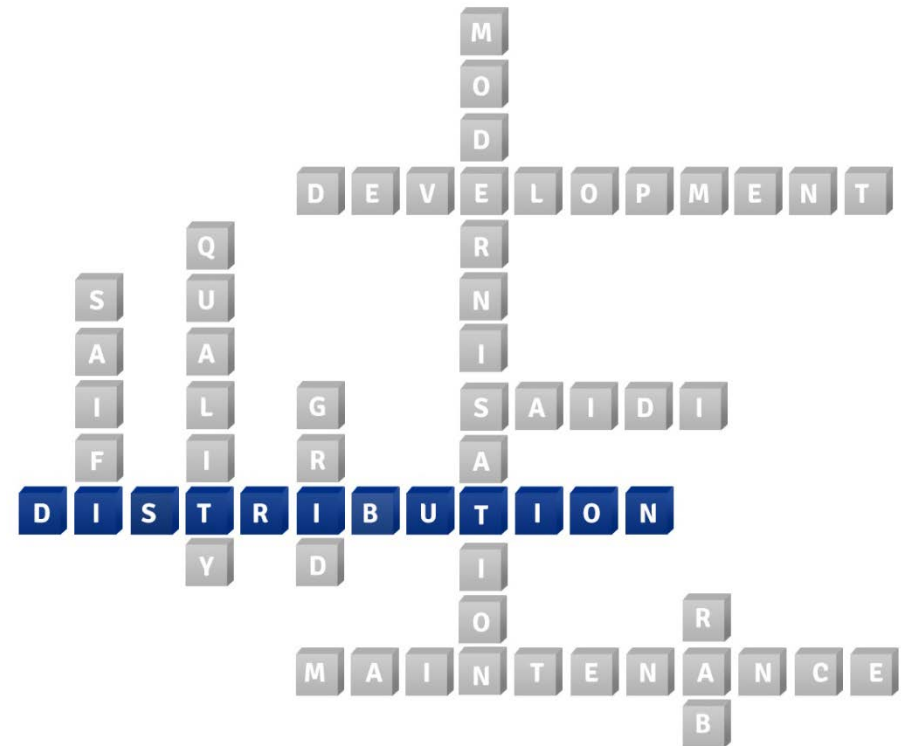
SAIFI unplanned interruptions



A significant growth in SAIDI and SAIFI ratios is related in particular with the concentration of ENEA Operator on wide, coordinated and centrally managed activities which include elements relating to investments, exploitation and work organisation.

- In the area of investments optimal allocation of funds for modernisation investments (mainly on the level of SN network) and SN network automation is deemed essential.
 - in 2011 ENEA Operator invested almost PLN 350 mln in network modernisation (in 2012 - over PLN 450 mln, in 2013 - over PLN 470 mln, in 2014 - over PLN 450 mln)
- In the area of cost optimisation and exploitation activities the priority is to:
 - change the way the work is organised and resources managed
 - widen the scope of live work technology application
 - standardise the management of tree and bush felling under power lines
- ENEA Operator increases also its requirements towards external contractors, obliged to apply live work technologies

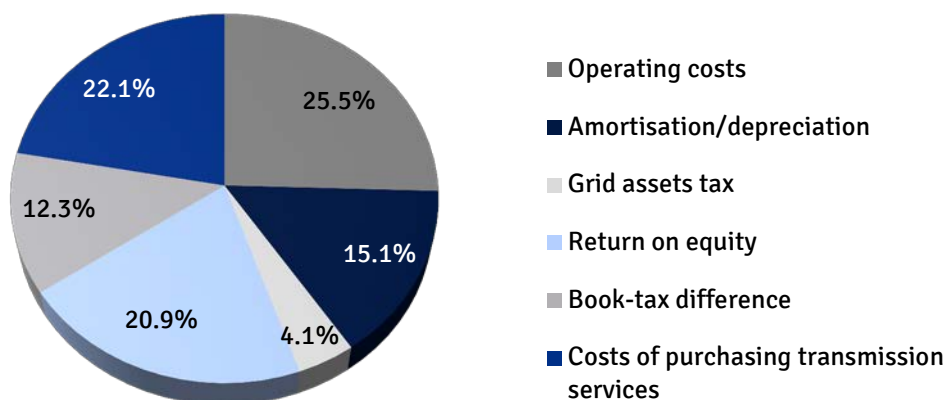
The activities performed by the Company will result not only in an improvement in the reliability ratios, but also prolongation of the economic useful life of assets, reducing costs of exploitation/renovations and more efficient management of specialist equipment.



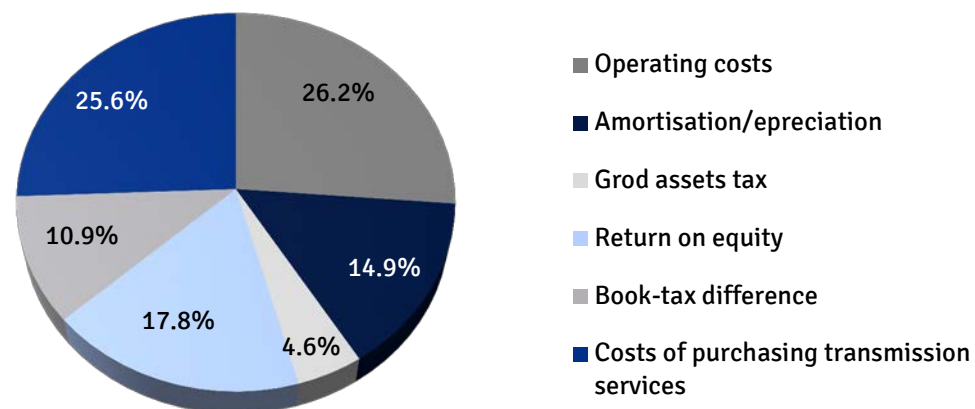
Distribution

Regulated Income in 2013 and 2014

Percentage of particular items in the regulated income in 2013



Percentage of particular items in the regulated income in 2014



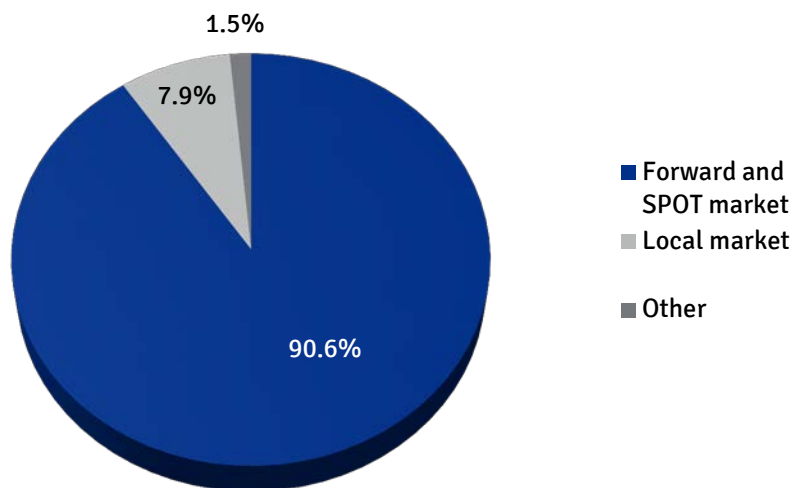
- RAB for 2013 tariff year (as at the beginning of a given tariff year) amounted to PLN 6,184,609 thou., WACC - 8.949%
- RAB for 2014 tariff year (as at the beginning of a given tariff year) amounted to PLN 6,635,665 thou., WACC - 7.283%
- 2014 was the first year when full remuneration of capital employed was obtained
- "Costs of purchasing transmission services" include also transferred fees (transitory charge and quality charge) which constitute, respectively, for 2013: 7.8% of the whole regulated income, for 2014: 11.9%

Trade

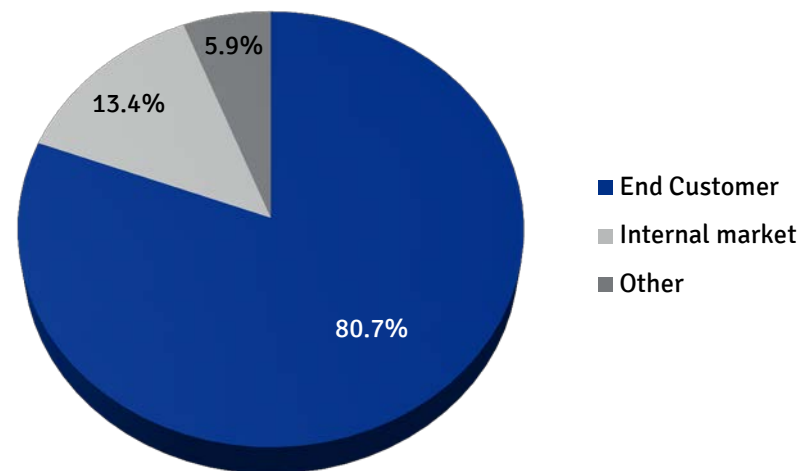
Forward and SPOT markets constitute the key source of electricity purchased by the segment of Trade (ENEA S.A. and ENEA Trading). 18.3 TWh electricity was purchased on these markets in 2014, which constituted 90.6% of total purchases. The purchased energy was sold mainly to end Customers in 2014, whose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

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

Purchase of electricity



Sales of electricity



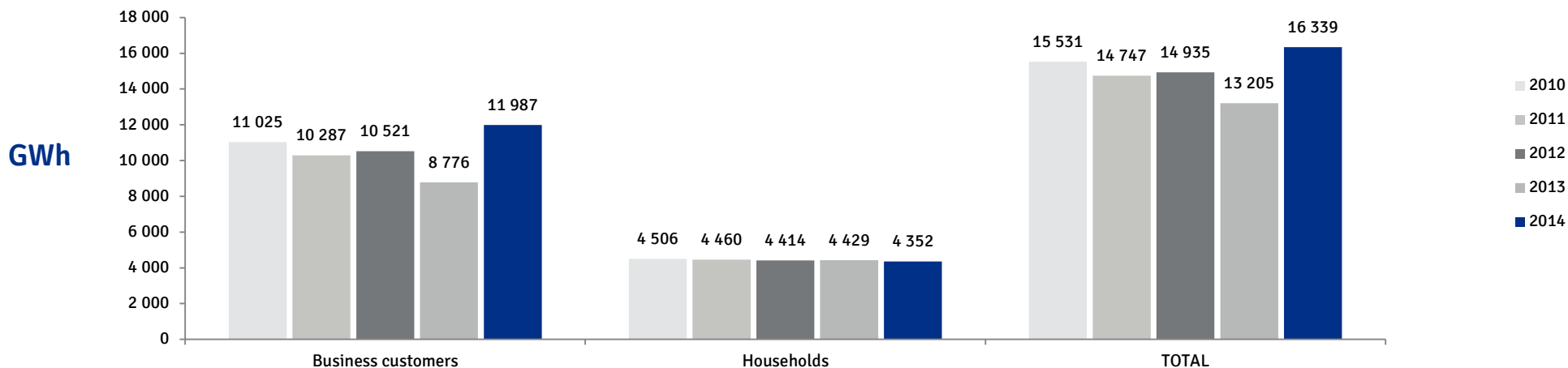
	Volume [TWh]
Forward and SPOT market	18.3
Local market	1.6
Other	0.3
TOTAL	20.2

	Volume [TWh]
End Customer	16.3
Internal market	2.7
Other	1.2
TOTAL	20.2

Trade

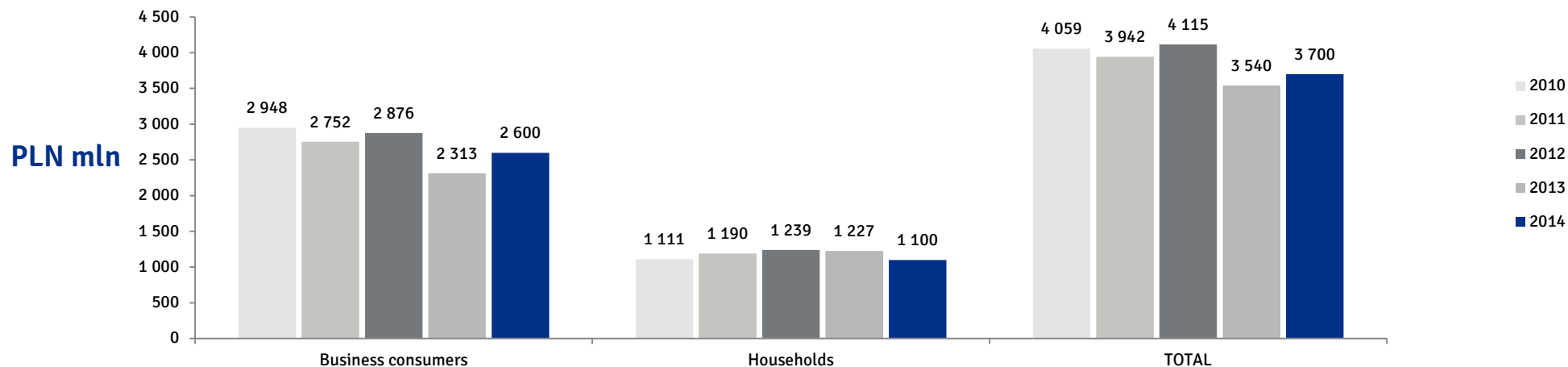
Sales of electricity to retail users are performed mainly by ENEA S.A. In 2014 the Company regenerated the portfolio of electricity sales to business customers, maintaining the sales levels to household customers. It was possible due to introduction of new products into the offer and the reorganisation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

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



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

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

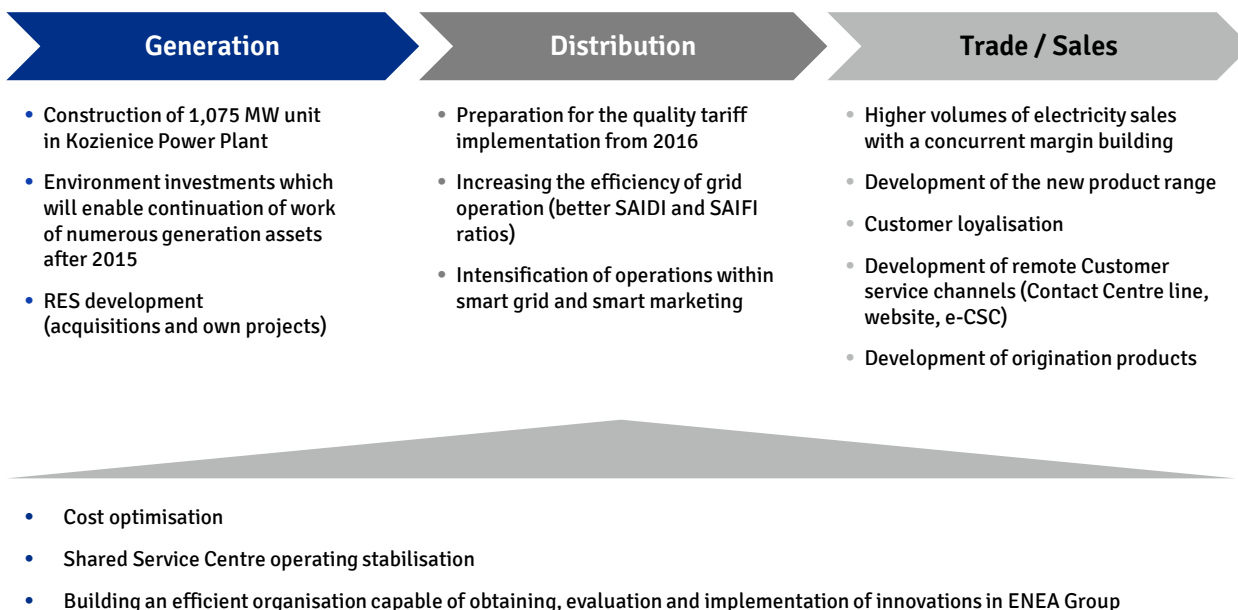


Development strategy of the Capital Group

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



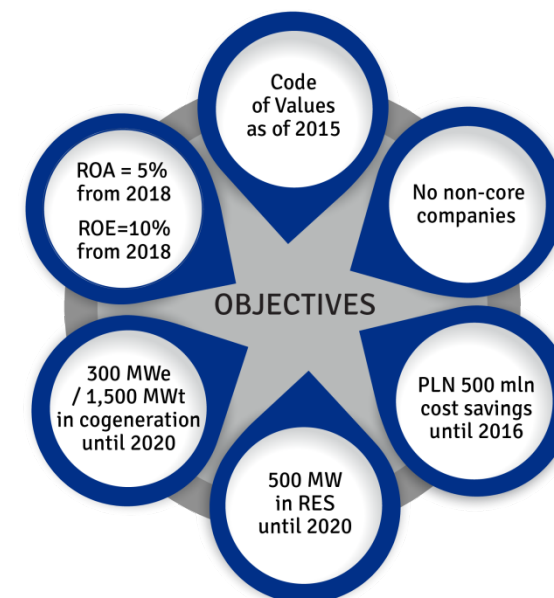
Implementation of challenges faced by ENEA Group will enhance its competitive advantage:



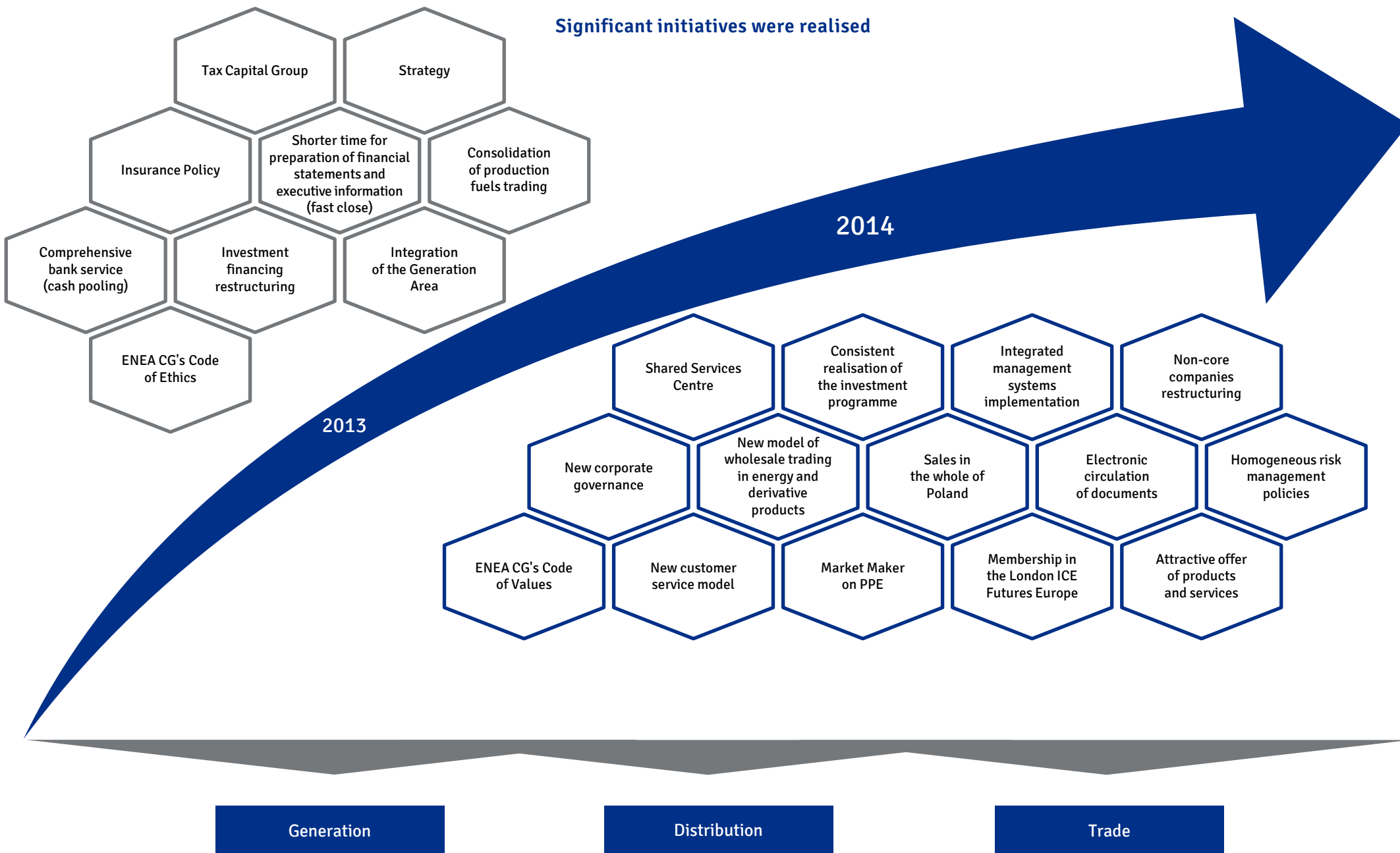
ENEA Group pursues generation of target values being the determinant of strategic goal realisation

ENEA Group's strategic goals:

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



Significant initiatives were realised



Corporate governance

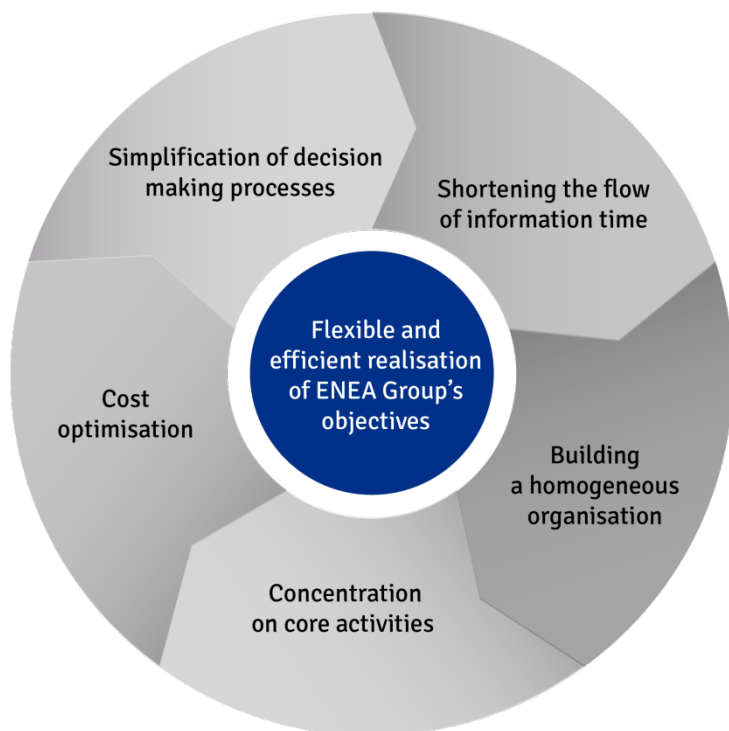
In 2014 ENEA Capital Group completed the construction process of the new corporate governance model which was initiated in 2013. The analysis was performed of the method of realisation of key functions on ENEA S.A. and Subsidiaries. As a consequence, a decision was made to remodel the method of managing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

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

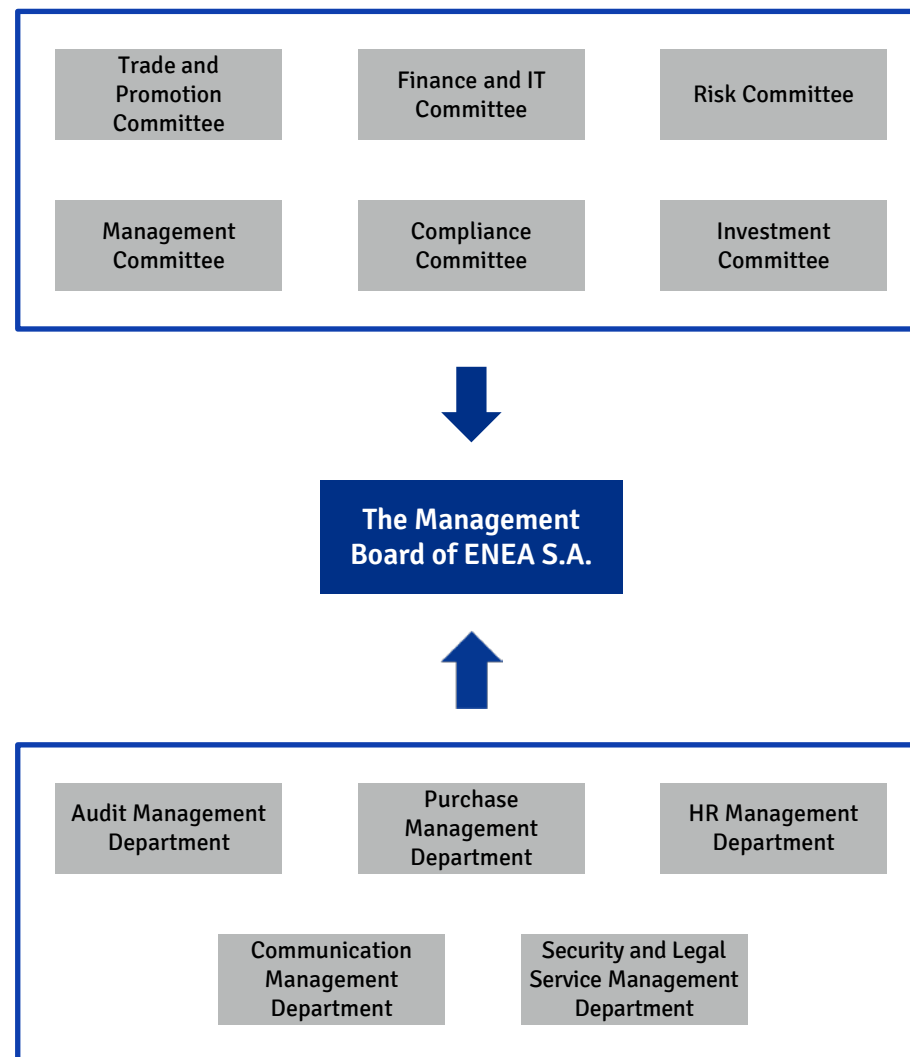
Three ENEA Group Committees: Compliance, Management and Investment Committees (established in December 2013) commenced full operations within the competences vested in them on 1 May 2014.

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

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



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



Shared Service Centre - new efficient organisational structure

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

Competences and experience as the basis for adjusting human resources to the new structure of ENEA Centrum

- Reviewing the personnel using: Development Center and competency matrix
- Matching Employees to the final structure

Efficient management

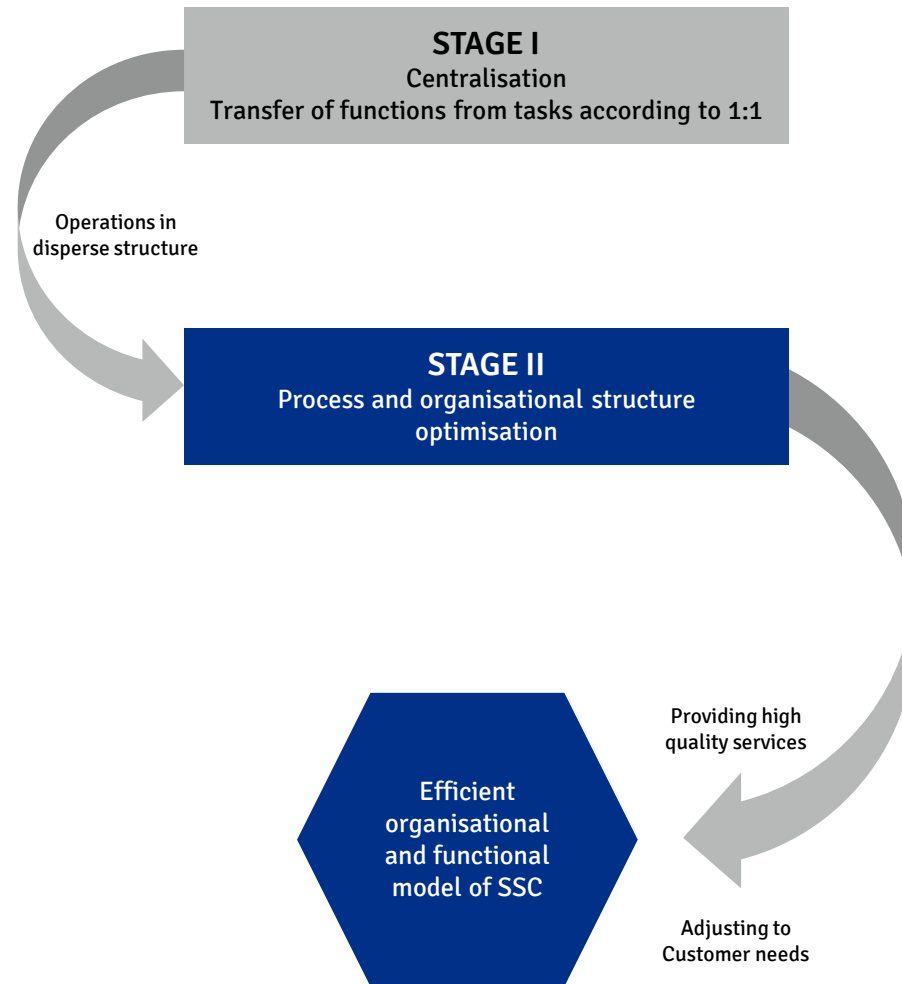
- Management process improvement
- Shortening of the decision-making path
- Increasing the autonomy of activities
- Higher flexibility of human resource management

Development of competences

- Clear division of competences and responsibility
- Creation of competence centres and higher specialisation
- Better use of Employees' knowledge and potential

Standardisation of activities

- Gradual introduction of uniform standards of rendered services
- Release of the potential to reduce unit costs of services
- Increase in the competitiveness of ENEA Group



Integrated information systems (ERP) - better process management

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

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



More comprehensively, quickly and efficiently

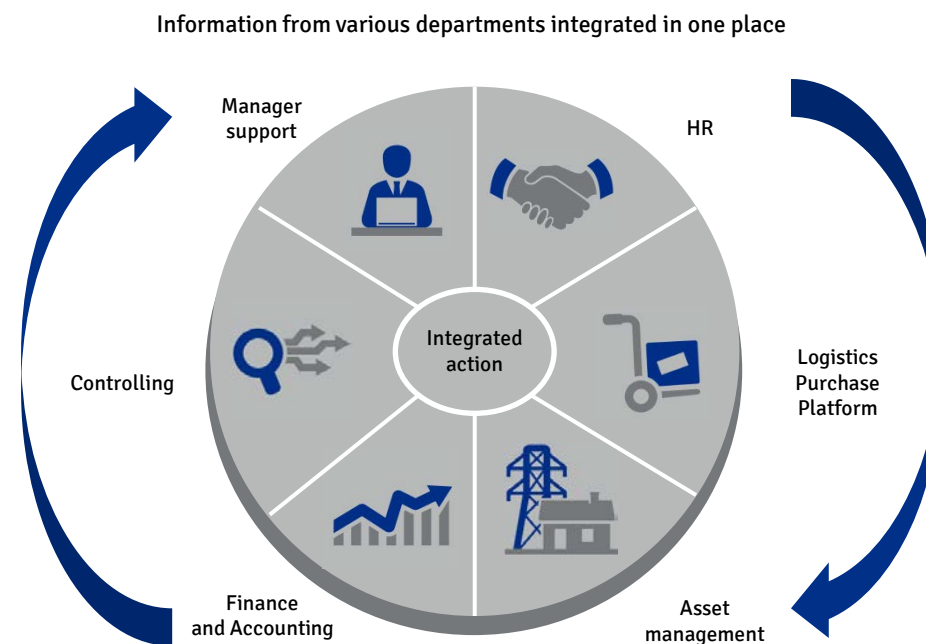
SAP information system has been used in ENEA Capital Group since 2004. After 10 years of operation it is time it was replaced with a more modern, improved version which covers the whole processes in the enterprise. It is a solution suiting the current business needs of Companies and modern trends on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

Goal of implementation

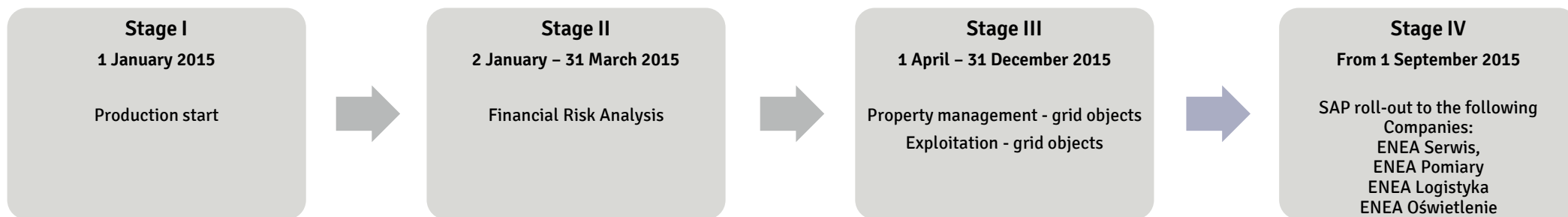
- Obtaining a uniform and integrated management supporting tool in ENEA Group
- Rational standardisation, automation and raising the level of specialisation, and as a result - better flexibility of business processes
- Obtaining expected, reliable and standardised reporting data within the core business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

Introduced solutions enhance the efficiency within the following areas:

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



We are facing the implementation of improvements within subsequent technical areas



Integrated management of the area of Generation

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

Goal of implementation

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

Locations of ENEA Wytwarzanie's units subject to implementation:



Implemented modules:

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

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

The system integrates data from various areas:



Electronic circulation of documents - SAP and IFS supporting tool

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

Companies subject to WORKFLOW implementation



Integration with SAP and IFS

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

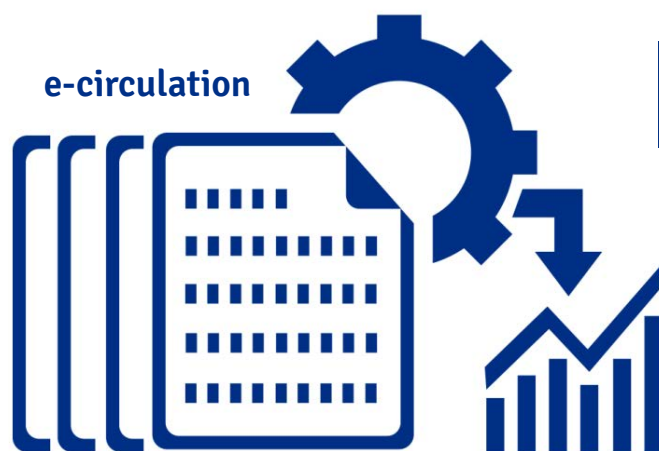
WORKFLOW means benefits

WORKFLOW is also the following advantages:

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

Stages of implementation of an electronic system of document circulation

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



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

Improving the efficiency of Customer Service

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

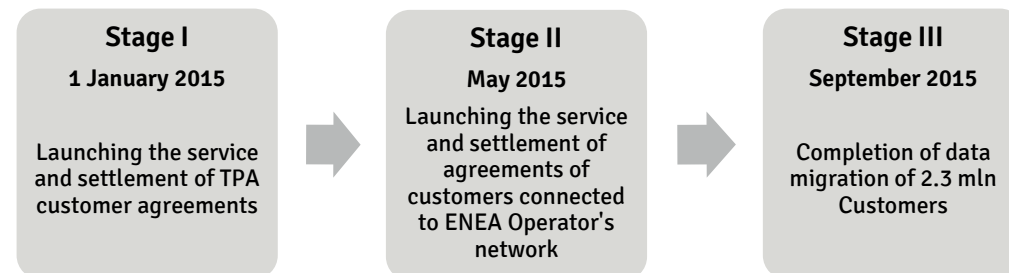
Goal of implementation

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

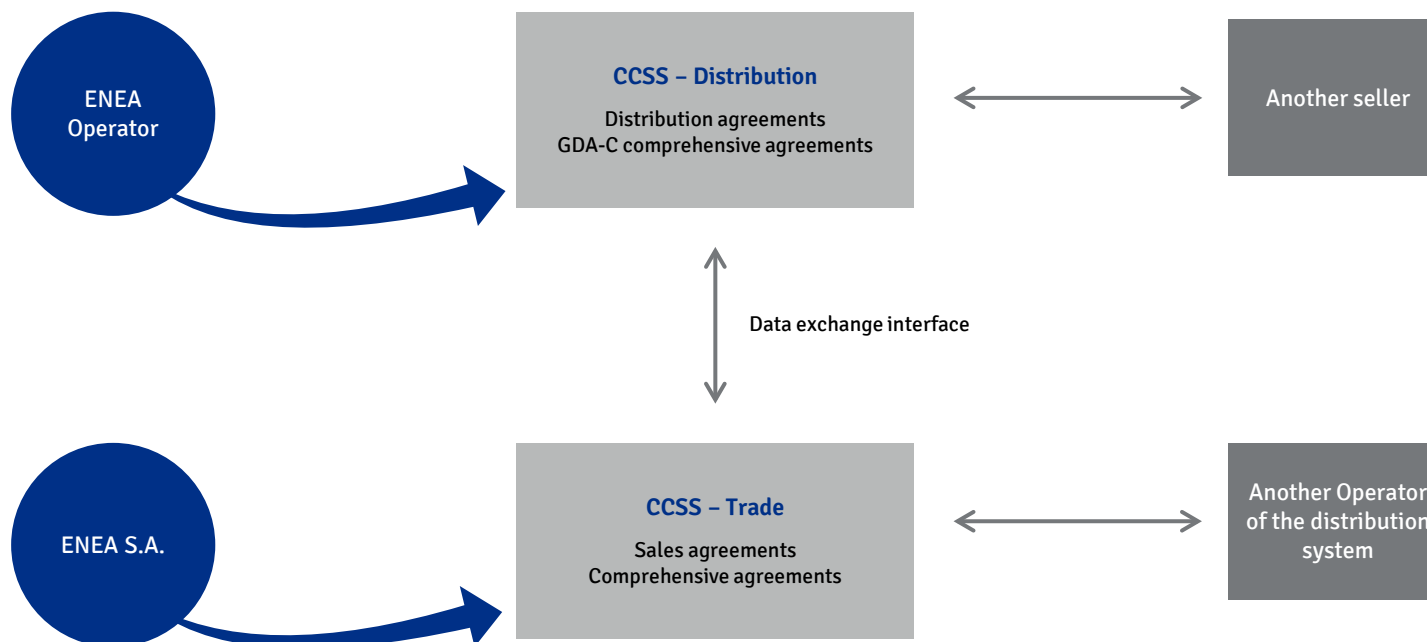
Additionally, the project is an indispensable basis for the realisation of the following activities in the future:

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

CCSS – stages of implementation



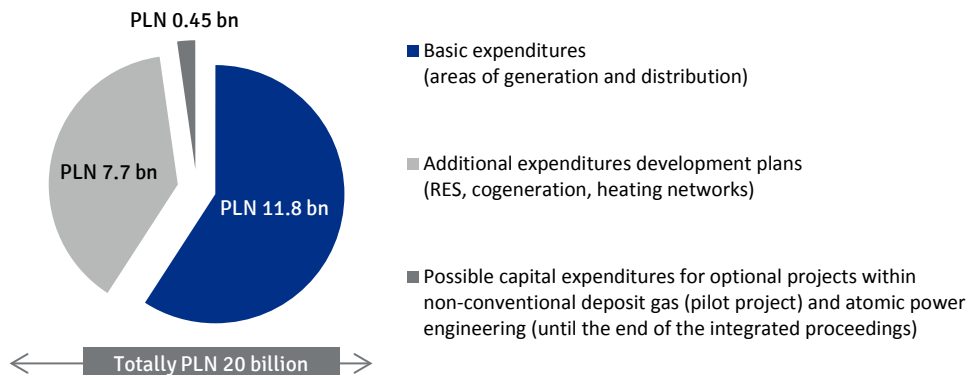
Final solution in ENEA Group



Investment strategy

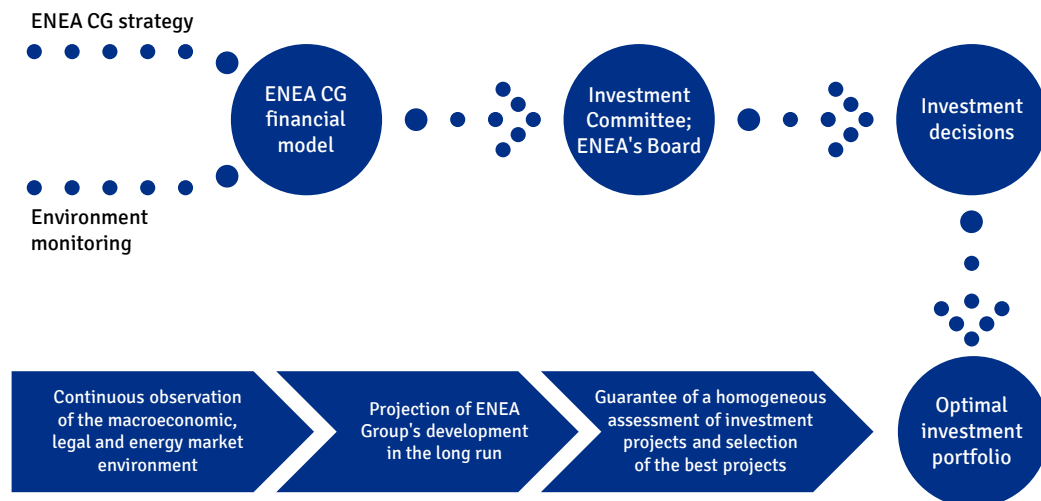
2014 was the first year of implementation of the strategy adopted for 2014-2020. In relation to 2013 the capital expenditures planned in 2014 were higher by over PLN 700 mln. Also in the subsequent years the expenditures will grow in order to realise the goals adopted in ENEA Group's strategy.

Capital expenditures of ENEA CG for 2014-2020



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

The diagram below reflects the organisational solutions which were implemented:



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

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

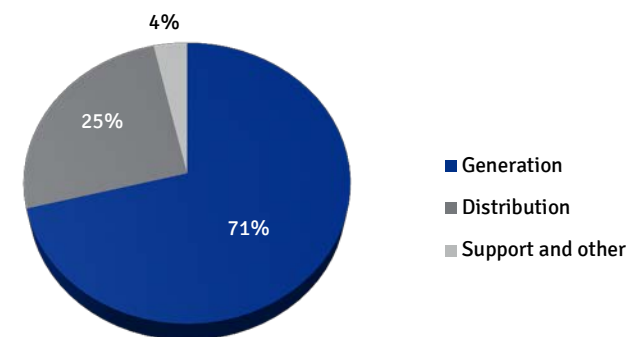
Within RES, as part of the assessment of the analysed projects and markets, no acquisition decisions were made.

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

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

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

Capital expenditures planned for 2015



Investments realised in 2014

Generation

- Modernisation of units No. 4 and 10
- Modernisation of the slag and ash depot - modernisation of field 4b
- Acceptance of Gorześlav biogas plant with the installed capacity of 1.6 MW
- Takeover of 86.36% of shares in Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Białystok

Distribution

- Reconstruction of 110 kV overhead line in Lubiechnia Wielka - Sulęcín relation
- Reconstruction of 110 kV overhead line in Niechorze – Skrobotowo and Pomorska – Załom relations
- Construction of Ujście switching station, Redlica switching station and Babimost switching station
- Reconstruction of Warlubie switching station, Braniborska switching station, Wawrów switching station and Osowa Góra switching station

Investments planned for 2015

Generation

- Continuation of the construction of supercritical highly efficient power unit No. 11
- Adjusting generation units to achieve permissible standards of SO₂, NO_x and dust emissions that stem from EU directives and the provisions of the Accession Treaty
- Acquisitions of new wind farm projects

Segment of System Power Plants	New	<ul style="list-style-type: none"> • Modernisation of units No. 1 and 2 • Modernisation of the slag and ash depot - modernisation of field 5
	Continuation	<ul style="list-style-type: none"> • Construction of power unit No. 11 • Modernisation of unit No. 7 • IOS IV flue gas desulphurisation plant • Installation of flue gases denitrification - SCR for units No. 4-8 and 1-2 • Construction of industrial waste and rainwater treatment • Modernisation of cooling water intake - stabilising checkdam on the Vistula River • Installation of railway traffic control equipment RTC
Segment of Heat		<ul style="list-style-type: none"> • Construction of a gaseous construction unit in MEC Piła - start-up and final acceptance stage are in progress • Installation of the Heat Recovery system from flue gases from boiler No. K6 in Białystok Heat and Power Plant - technological start-up is in progress • Construction of the catalytic installation for reduction of nitric oxides for boilers No. K7 and K8 in Białystok Heat and Power Plant - Stage I acceptance procedure is in progress (K7 boiler) Investment planned completion date - June 2015
Segment of RES		<ul style="list-style-type: none"> • Construction of 15 MW Baczyna and 9-10 MW Bardy II wind farms • Acquisitions of new wind farm projects with the capacity of around 450 MW



Distribution

- Construction of 110/110 Chocicza switching station
- Construction of Krzywiń switching station
- Reconstruction of Kostrzyn switching station, Śrem HCP, Rąbinek switching station, Strzelce Krajeńskie switching station and Sępólno switching station
- Reconstruction of 110 kV overhead line in Sieraków – Międzychód and Międzychód – Zielonyś relations

In 2015 ENEA Operator intends to construct and modernise around 2,200 km overhead and cable lines

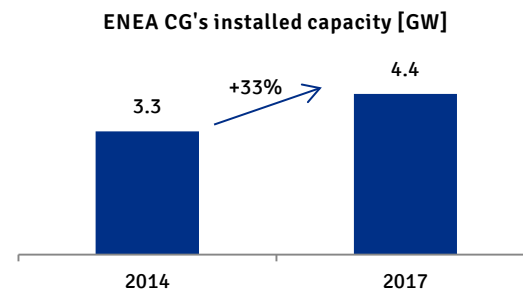
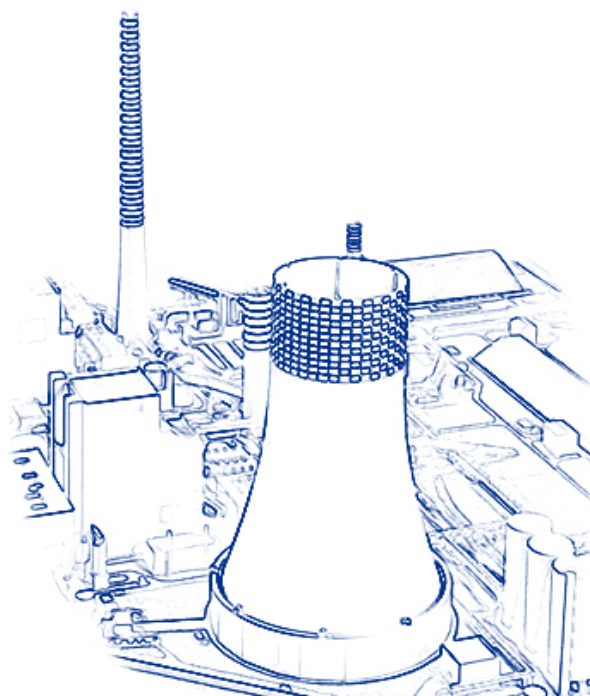
Reliability improvement programme	<ul style="list-style-type: none"> • Better reliability ratios and longer economic usable life of assets, reduction in exploitation and renovation costs • Optimal allocation of means for modernisation investments, mainly relating to MV networks and grid automation • Cost and operating activities optimisation
Automation of the process of seller change	<ul style="list-style-type: none"> • Electronic and automated service of all the tasks resulting from the process of electricity seller change within the general agreement on provision of distribution services for the comprehensive service • Electronic access for sellers to metering, metering and billing data and information relating to mutual settlements
Support for middle technical education	<ul style="list-style-type: none"> • Preparation of young, innovative personnel from the area of electrics and energy for ENEA Group
Integration of Distribution Service Management	<ul style="list-style-type: none"> • Optimisation and better efficiency of using ENEA Group's resources realising executive and exploitation tasks in the segment of Distribution
Vast investment activities	<ul style="list-style-type: none"> • Connection of new recipients and generators of electricity • Modernisation and recreation of the existing power infrastructure (better quality and reliability of electricity supplies) • Auxiliary processes, i.e. automation of steering processes, development of information and telecommunication systems • Operating costs optimisation

In 2017 ENEA Capital Group will commission the most modern power unit in Poland and Europe

Construction of 1,075 MW unit - works realised in 2014

- Performance of a reinforced concrete structure of the cooling tower jacket to the level of 163 m
- Performance of the lower foundation slab with poles of the load bearing structure of the turbine set
- Performance of the foundation and steel structure for the engine room to the level of 17 m
- Completion of the assembly of the boiler's load bearing structure with grate
- Completion of the boiler slab assembly
- Completion of the assembly of absorber's and IOS blowdown tank's structure

- The largest in Europe power unit fired with bituminous coal
- Completely independent unit, possessing its own infrastructure
- New unit means a 1/3 increase in the Koźienice Power Plant's capacity
- Unit No. 11 will allow to eliminate deficits of energy on the market
- Low exploitation costs and costs of fuel consumption, low failure rate
- Works are precisely planned and realised on the schedule
- The unit complies with strict emission requirements



Unit No. 11 is designed in the innovative and highly efficient technology

Parameter	Market	Unit 11
Net efficiency	34.1%	45.59%
Availability	86.7%	> 92%
Annual exploitation time	~5 948 h	8 000 h
NO _x emission	500 mg/Nm ³	≤ 100 mg/Nm ³
SO ₂ emissions	400 - 800 mg/Nm ³	≤ 100 mg/Nm ³
CO ₂ emissions	900 kg/MWh	<730 kg/MWh



Activities realised in 2014

Trade

Area of Wholesale Trade

- Commencement of Market Maker activities on the Polish Power Exchange in order to optimise variable costs of the concluded transactions
- Obtaining membership in the London ICE Futures Europe
- Extension of the trading system and implementation of advanced IT tools supporting the realisation of the trading function
- Commencement of securing operations on the wholesale market of gas sales to ENEA's end customers and commencement of trade on own account
- Development of non-standard, structured origination products for Customers from the area of trade in electricity and fuels
- Extension of the cooperation model within purchases of electricity for coverage of grid losses of ENEA Operator
- Implementation of the Due Diligence System within certification of biomass origin for Białystok location - enabling issuance of overdue certificates of origin for energy for 2013 and elimination of delays in filing applications to the Energy Regulatory Office for 2014

Area of Retail Sale

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

Area of Customer Service

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

Activities planned for 2015

Trade

Area of Wholesale Trade

- Developing prop-trading operations
- Developing origination product operations
- Developing gas trade operations
- Integration of the sales and hedging portfolio management
- Entry into foreign energy markets - EEX and EPEX SPOT

Area of Retail Sale

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

Area of Customer Service

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



Financing sources of the investment programme

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

Currently the Capital Group holds the following agreements on external financing:

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

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

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

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

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

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

Within "A" tranche 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.

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

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

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

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

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

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

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



Issue of ENEA S.A.'s securities in 2014

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

Use of proceeds from the issue of securities

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

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

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

Issue of securities by subsidiaries in 2014

Date of issue	Issuer	Value of issue [PLN '000]
22 January 2014	ENEA Operator Sp. z o.o.	170 000
22 January 2014	ENEA Wytwarzanie Sp. z o.o.	190 000
18 April 2014	ENEA Wytwarzanie Sp. z o.o.	150 000
13 June 2014	ENEA Wytwarzanie Sp. z o.o.	200 000
22 July 2014	ENEA Wytwarzanie Sp. z o.o.	310 000
23 September 2014	ENEA Operator Sp. z o.o.	100 000
16 September 2014	ENEA Wytwarzanie Sp. z o.o.	260 000
9 October 2014	ENEA Wytwarzanie Sp. z o.o.	200 000
28 November 2014	ENEA Wytwarzanie Sp. z o.o.	350 000

Total issue of securities by subsidiaries

Date of agreements	Bond Issuer	Deadline for buy-out	Currency	Granted amount [PLN '000]	Used amount [PLN '000]	Current debt (capital) [PLN '000]
10 March 2011	ENEA Wytwarzanie Sp. z o.o.	31 March 2023	PLN	26 000	26 000	26 000
29 September 2011	ENEA Wytwarzanie Sp. z o.o.	29 September 2019	PLN	14 500	14 500	9 500
23 July 2012	ENEA Wytwarzanie Sp. z o.o.	22 July 2019	PLN	158 500	158 500	113 159.10
8 September 2012	ENEA Wytwarzanie Sp. z o.o.	15 June 2020 or 15 December 2020 depending on the dates of issue of series of bonds; the remaining amounts on 15 June 2022 the latest	PLN	4 000 000	860 000	860 000
20 June 2013	ENEA Operator Sp. z o.o.	Depending on dates of issue of series of bonds, however not later than 18 October 2029	PLN, EUR	1 425 000	1 050 000	1 050 000
16 July 2013	ENEA Wytwarzanie Sp. z o.o.	15 July 2015	PLN	936 000	936 000	936 000
12 August 2014	ENEA Wytwarzanie Sp. z o.o.	Redemption in instalments - final redemption date on 15 December 2016	PLN	260 000	260 000	260 000
17 November 2014	ENEA Wytwarzanie Sp. z o.o.	31 March 2020	PLN	740 000	350 000	350 000

Assessment of the feasibility of implementing investment plans

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

Rating

Maintaining, as in 2012-2013, for 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.

Factors connected with pursuing business activity in Poland

Key macroeconomic ratios

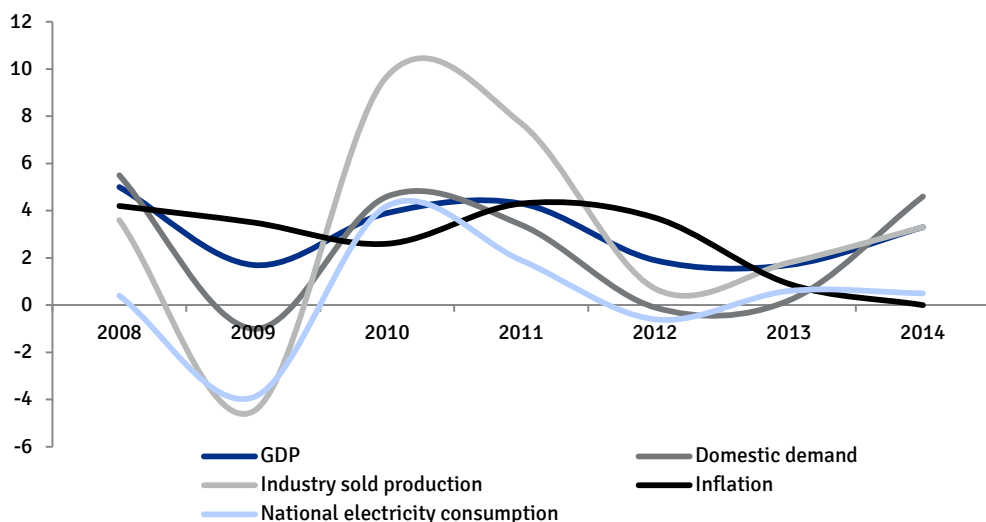
The financial condition and performing operations by ENEA CG are affected by factors which relate both to the general condition of the Polish economy and also to the regional economic situation.

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

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

1) Some figures are only estimates published by the Central Statistical Office.

2) The data relates to the period of January-November 2014.



Political factors

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

Legal and regulatory environment

ENEA CG's operations are conducted in the environment subject to detailed legal regulations, both in Poland and in the European Union.

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

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

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



Demand for energy

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

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

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

Electricity prices

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

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

Tariffs

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

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

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

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

Allowances for emissions of CO₂

Electricity production operations depend considerably on the quantity of allowances allocated to the Company to emit CO₂ and other gases and substances for a particular settlement period. Allocation of allowances for emissions of CO₂ may be performed as free of charge allocation within the National Allocation Plan or on the free market within the trade in allowances for emission of gases. The key condition to receive nil-paid allowances is performance of investment tasks included in the National Investment Plan and use of outlays for their realisation in order to settle the allocated allowances.

Competition on the energy market

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

Environmental protection

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

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



Legal frames of energy market functioning

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

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

Areas of operations

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

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

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

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

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

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

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

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

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

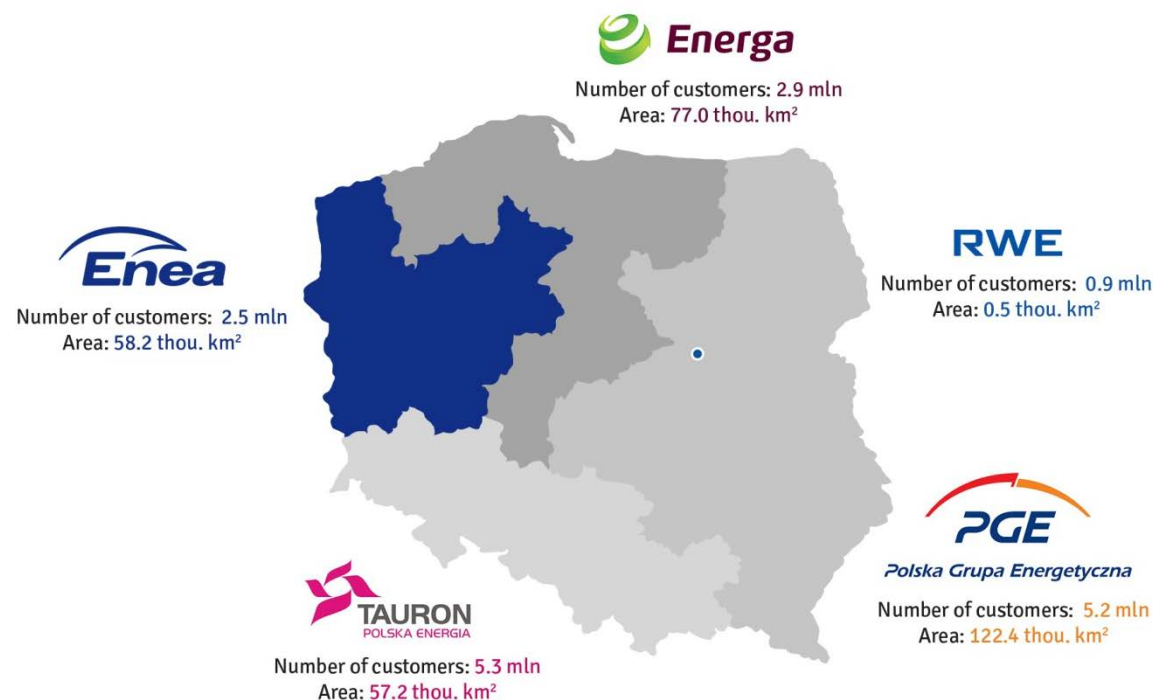
Trade in electricity on the contract market is performed based on bilateral contracts (agreements) concluded between energy producers and companies trading in energy and end customers.

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

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

Key energy groups

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



Situation on the electricity market

Wholesale electricity prices

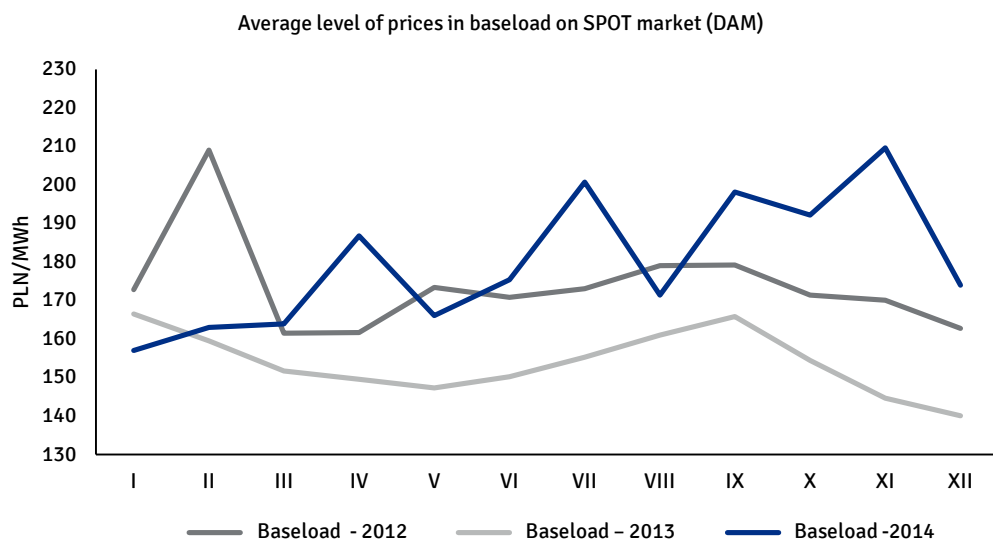
In 2014, after years of drops in electricity prices, the spot market recorded their increase (Table 1). SPOT market's high price levels were affected e.g. by:

- growth in prices of allowances for emissions of CO₂ by over 50% during a year
- higher national consumption of electricity (by 0.5% yoy)
- introduced mechanism of remunerating for the operating power reserve
- decreases in capacity available to OTSs reaching even 9,000 MW per day
- limitations in the intersystemic exchange

Table 1. Average prices on SPOT market (PPE)

Period	Average price [PLN/MWh]	Change [%]
2011	198.99	-
2012	173.58	↓ 12.8
2013	153.82	↓ 11.4
2014	179.86	↑ 16.9

Source: Own development based on data from PPE.



Source: Own development based on data from PPE.

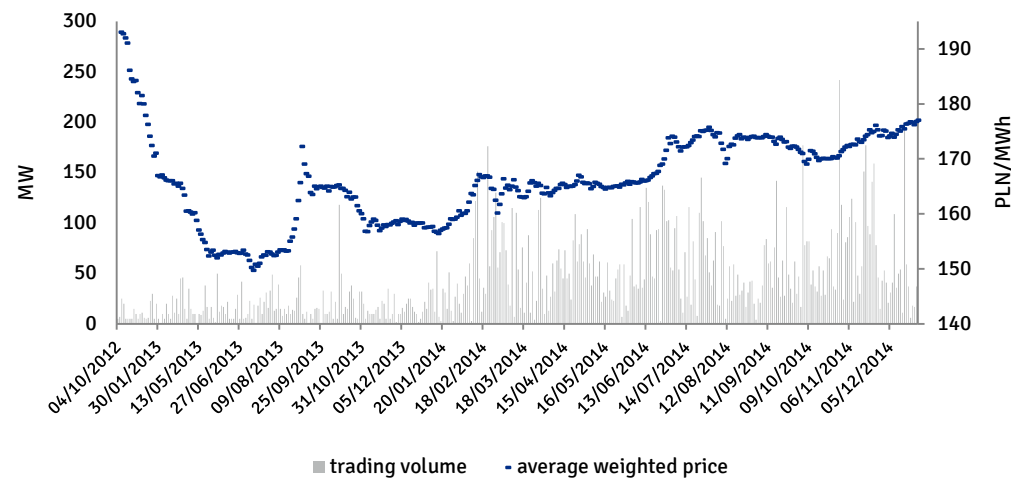
higher electricity prices were also noted on the forward market. From the beginning until the end of 2014 the price of the most liquid product, BASE Y-15 grew from slightly above 157.00 PLN/MWh to 177.00 PLN/MWh at the end of the year. Finally, BASE Y-15 closed with the price by 26.00 PLN/MWh higher than for BASE Y-14.

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	177.00	↑ 17.2	168.13	↑ 4.9

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

Transaction prices and volumes - BASE Y-15

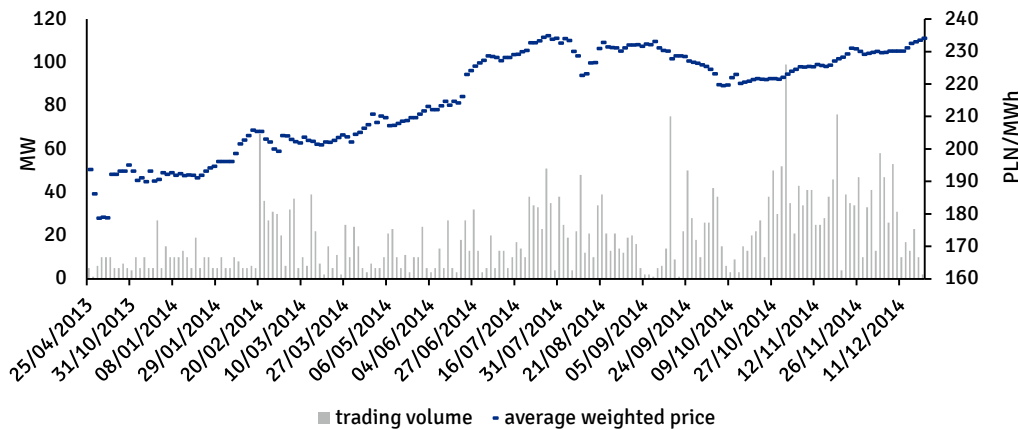


Source: Own development based on data from PPE, TFS and WSI InfoEngine.

In 2014 a growth was reported in the activity of market participants and volumes of concluded transactions, which testifies of the further development of the wholesale market in Poland. Comparing the total volume of trading in annual contracts in the whole period of their quotation the volume grew by over 5.0% (the total turnover on BASE Y-15 amounted to 16,507 MWh, and on BASE Y-14 15,711 MWh).

PEAK Y-15 behaved like BASE Y-15 and its price grew regularly for the whole 2014. The last transaction was concluded at 233.95 PLN/MWh, by 46.70 PLN/MWh more than the last transaction for PEAK Y-14.

Transaction prices and volumes - PEAK Y-15



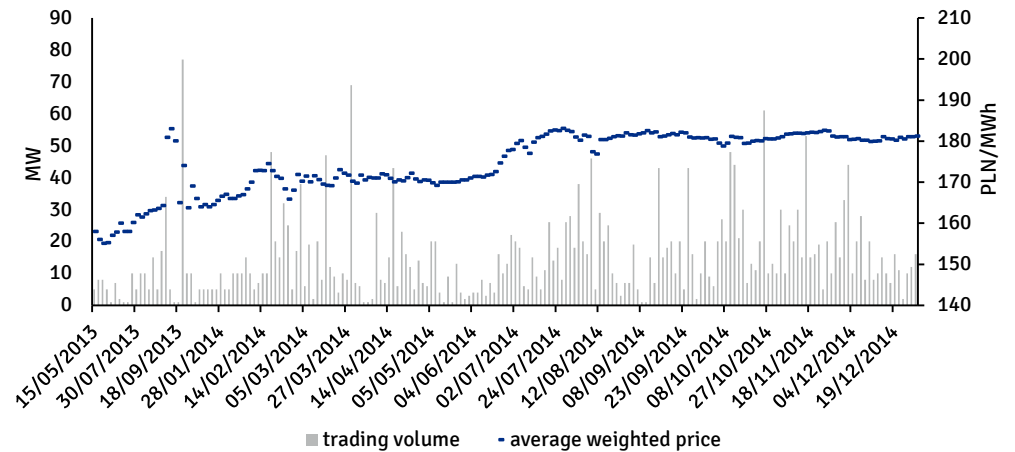
Source: Own development based on data from PPE, TFS and WSI InfoEngine.

The prices of BASE Y-16 were slightly different than BASE Y-15 prices. After the stage of growth in H1 2014, in the middle of the year, the contract price stabilised at around 180.00 PLN/MWh. At the end of the analysed year BASE Y-15 was on the level of 181.25 PLN/MWh. The spread between BASE Y-16 and BASE Y-15 products amounted to 4.25 PLN/MWh (calculated for the last transactions).

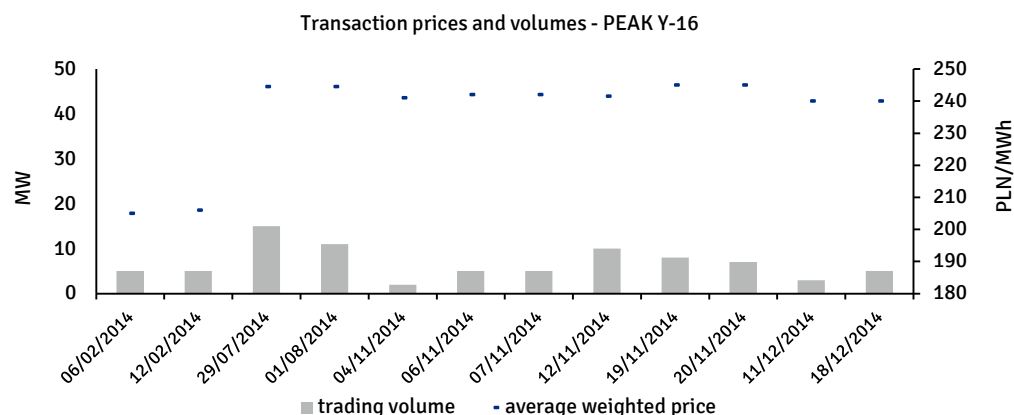
In 2014 transactions were also concluded for PEAK-16 and BASE Y-17 products, however because of a remote delivery horizon the trade volume was low.

After years of drops in 2014 the previous downward trend was reversed and prices of electricity on the wholesale market grew. The growth tendency may continue due to good forecasts of macroeconomic ratios. Economic growth should translate into a greater demand for electricity in Poland. Additionally, it seems that the difficult situation of the fuel market may limit the possibility of price reductions. At the same time, growing prices of allowances for emissions of CO₂ will be a factor which supports electricity on the wholesale market. A factor conducive for price decreases will be a growth in the installed capacity in wind power plants in Poland.

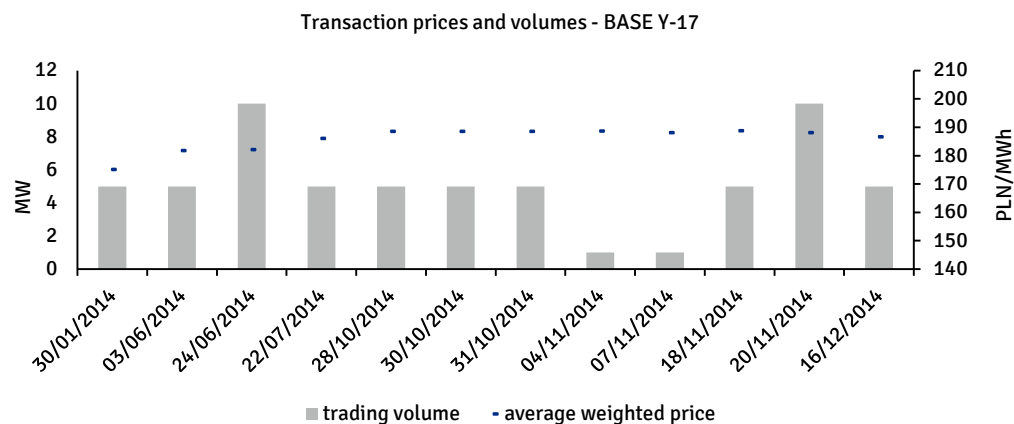
Transaction prices and volumes - BASE Y-16



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



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



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

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% of sales to end users
- for energy generated in cogeneration fired with methane released and captured by underground mining works in operating, liquidated or closed mines of hard coal or with gas obtained from biomass processing, mentioned in Art. 9l item 1(1) of the Act of 10 April 1997 - Energy Law, the so called "violet" 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-based 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%

The price structure of purchase orders on PPE's session market is presented below for particular proprietary interests in 2014. For certificates of origin from cogeneration there is no period to period comparison, due to a different character of those PI (as regards term of validity limited to one year and resulting from the Cogeneration Act). "Green" PMOZE PI were also omitted due to lack of trading and their complete replacement with PMOZE_A

Table 3. Prices on the certificates of origin market (PPE's session market)

	Average price in Q1-Q4 2014	Change relating to Q4 2013		Maximum price	Minimum price
	PLN/MWh	%	PLN/MWh	PLN/MWh	PLN/MWh
OZEX_A ("green" proprietary interests)	186.52	↓ -5.5%	↓ -10.88	256.00	153.50
KGMX ("yellow" proprietary interests)	105.69	-	-	111.58	101.14
KECX ("red" proprietary interests)	10.48	-	-	10.61	10.30
KMETX ("violet" proprietary interests)	60.31	-	-	62.69	54.00
EFX ("white" proprietary interests)	960.60	-	-	975.00	900.00

Source: Own development based on data from PPE.

Limits of CO₂ emission allowances and their market prices

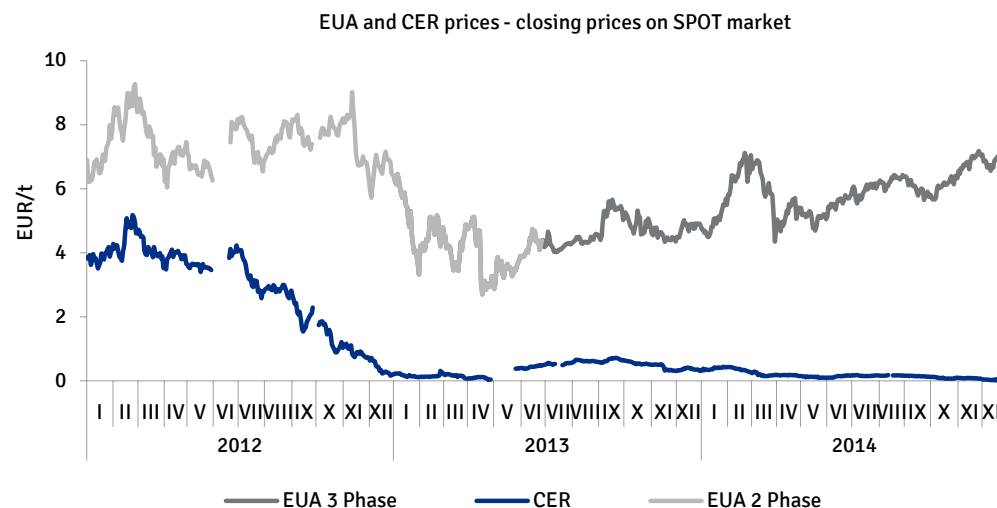
In 2014 prices of allowances for emissions of CO₂ (EUA) were growing, gaining at the end of the year 50% as compared to the beginning of January. The price levels of emission allowances were significantly affected by the activities realised on the political stage of the European Union:

- Backloading – as a rule, considered to be a growth promoting factor. On 26 February 2014, an amendment was published in the Official Journal of the European Union, as a regulation of the European Commission of 25 February 2014 No. 176/2014, to the auction regulation foreseeing a withdrawal from auctions in 2014, 2015 and 2016, of 400, 300 and 200 mln EUA allowances, respectively, and their restoration to the market during 2019-2020 in the volume of 300 and 600 mln.
- The assumptions of the climate and energy package until 2030 - on 22 October 2014 on an informal meeting of the heads of the member states, the foundations were agreed for the development of another period of ETS valid in 2021-2030. It covers the introduction of a legally binding goal of reducing greenhouse gases emission by 40% in relation to the levels from 1990, increase in the share of energy from renewable sources (RES) from at least 27% (valid in EU), and also better energy efficiency by 27% (the goal not valid for EU or particular member states). It is estimated that in relation to the package plans, in 2021-2030 Poland may obtain even 280 mln allowances
- Free allowances for emissions of CO₂ - due to the European Parliament's Environment Commission's decision, energy consuming companies will continue receiving free CO₂ units in order to reduce the effect of the so called carbon leakage, although it often results in a lower value of EUA
- Stabilisation Reserve (MSR) - a mechanism of an artificial affecting the level of EUA allowance prices, aiming at the increase in the value of allowances, in order to motivate the industry to invest in renewable energy sources and technologies limiting emission performance. The date of the mechanism's entry into force is not known - preliminary it was anticipated for 2021, however currently it is more probable to happen on 31 December 2018, in accordance with the voting of ENVI commission of 24 February 2015. In line with the original version of the draft regulations 12% of the total number of allowances traded in n-2 year would be transferred to the stabilisation reserve, and the units would return to the market when the total number of allowance in n year would be lower than 400 mln. It is also highly probable that the allowances withdrawn from the market as part of backloading will be shifted to the reserve as the first, which was also passed during ENVI meeting in February this year.

Table 4. EUA and CER price change

Product	Price [EUR/t]		Change %
	Beginning of January 2014	End of December 2014	
EUA Spot	4.73	7.24	↑ 53
CER SPOT	0.32	0.02	↓ 94
EUA Dec-14	4.83	6.89	↑ 43
CER Dec-14	0.34	0.04	↓ 88

Source: Own development based on data from ICE.



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

Risk management

ENEA Group in each segment of the conducted operations is exposed to risks. Their materialisation may significantly and adversely affect the continuity of operations of particular Group Companies, their financial standing and ability to realise the set strategic goals.

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

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

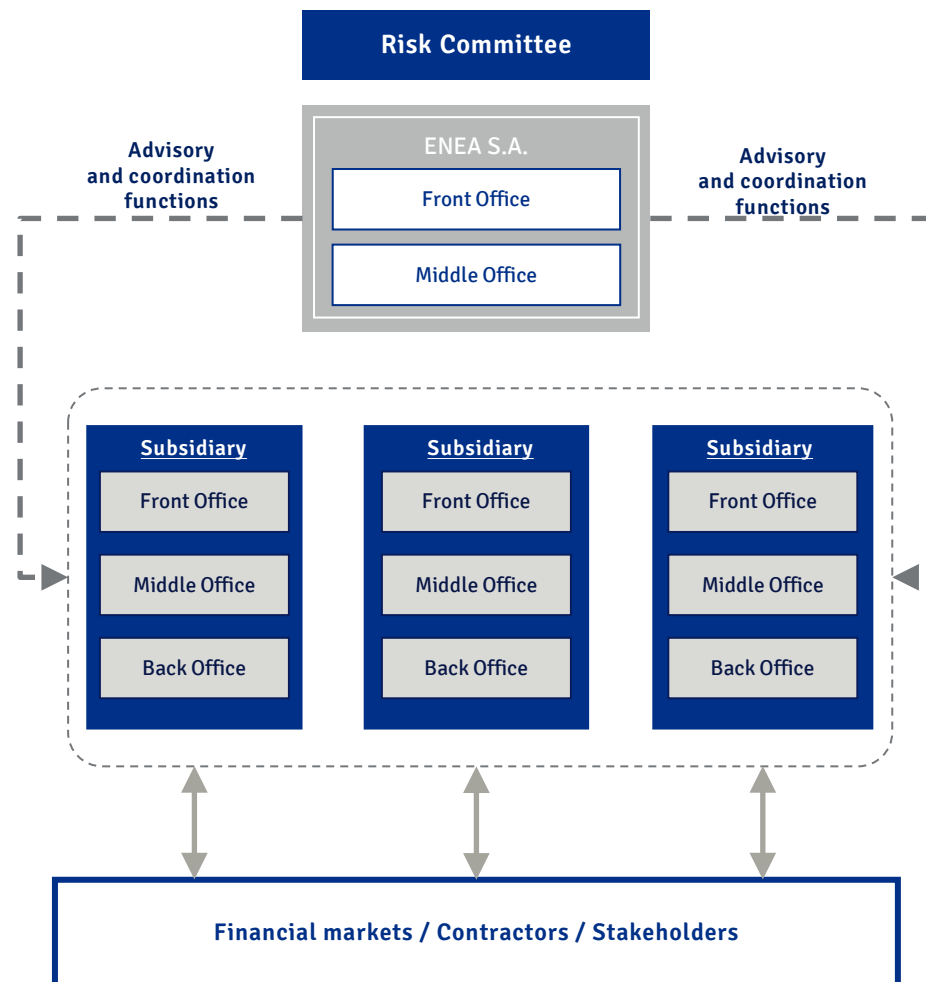
In 2014 the risk management system was subject to further development and prices optimisation.

Management model

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

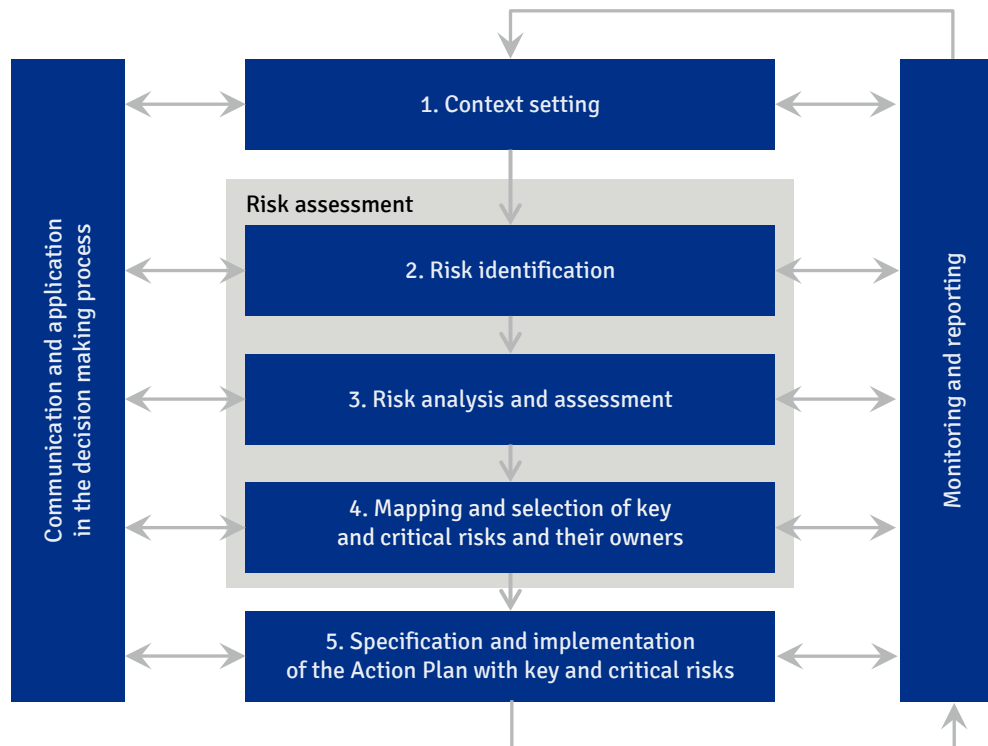
Key features of the coordinated model:

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



Risk management process

The risk management process in ENEA Group is a multi-stage process, engaging all the significant organisational units of the Group Companies. The process model is compliant with the best market practice, and also standards being in force within this scope.



Context setting	Risk identification	Risk analysis and assessment	Mapping and selection of key and critical risks and their owners	Specification and implementation of the Action Plan with key and critical risks
Setting strategic goals of ENEA Group, identification of the internal and external environment of the Group, Policy updating, operating tools and schedule of risk management	Gathering knowledge on all (possible to identify according to the specified state of the art) risks existing in ENEA Group, notwithstanding the importance level	Analysis of particular risks in the probability distribution (taking into account the risk vicinity context in this dimension) and result (understood as the result of risk materialisation affecting the set strategic and operating goals)	Marking results of the risk analysis on the so called Risk Map being the graphic representation of assessed risks and appointing business relevant managers for a given area to fulfil functions of the so called risk owner	Development, in respect of key and critical risks, of the so called <ul style="list-style-type: none"> • Response Plans (way of changing the risk level to the level corresponding to the hunger for risk, i.e. the method of bringing the probability and results of risk materialisation to the acceptable values) • Reaction Plans (activities, which must be undertaken in case of risk materialisation)

Documentation regulating the risk management process in ENEA Group

The whole principles of the risk management system operation in ENEA Group is described in the concise set of documents constituting the by-laws comprising relevant Policies and Procedures.

Policies are constitutive documents setting the frames of performed actions, indicating the scopes of participants' liability, and containing fundamental guidelines for the management model. Procedures describe the process of these actions and methods applied within performed tests, measurements, etc.

ENEA Group's Risk Committee

The core body in the risk management process in ENEA Group is the Risk Committee. The Committee is an interdisciplinary body, grouping representatives of key business areas of ENEA Group, representing all its core Companies in the committee.

The Risk Committee's composition and its key prerogatives are presented below.

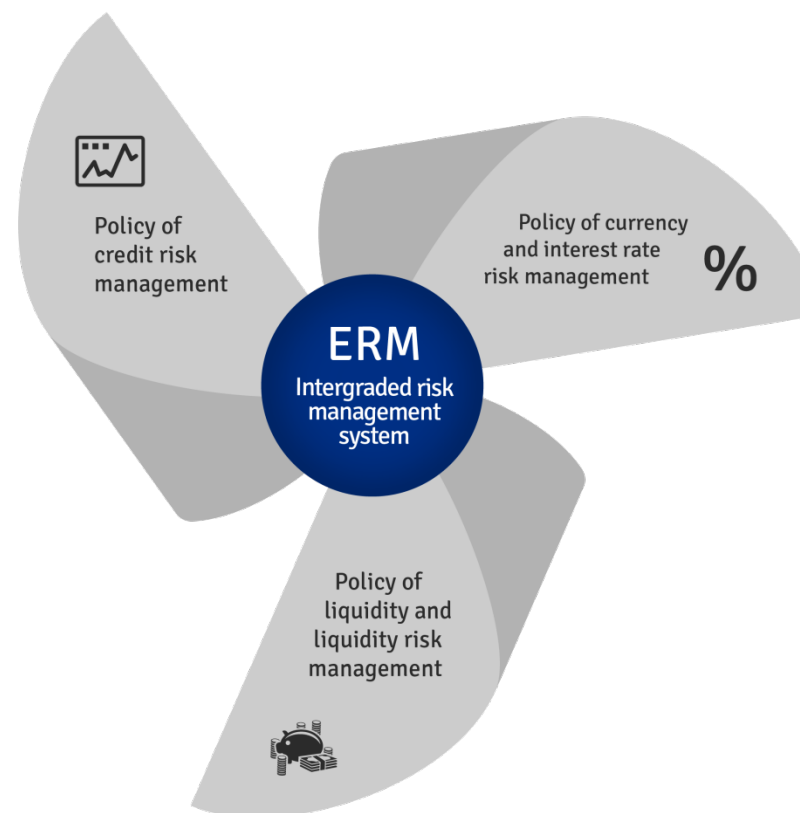
Risk Committee's composition:

- President of the Board of ENEA - Chairman
- Vice-President of the Board for Financial Affairs of ENEA - Vice-Chairman
- Vice-President of the Board for Financial and Economic Affairs of ENEA Wytwarzanie
- Member of the Board for Financial and Economic Affairs of ENEA Operator
- Member of the Board for Portfolio Management of ENEA Trading
- ENEA's Risk Management Department Director

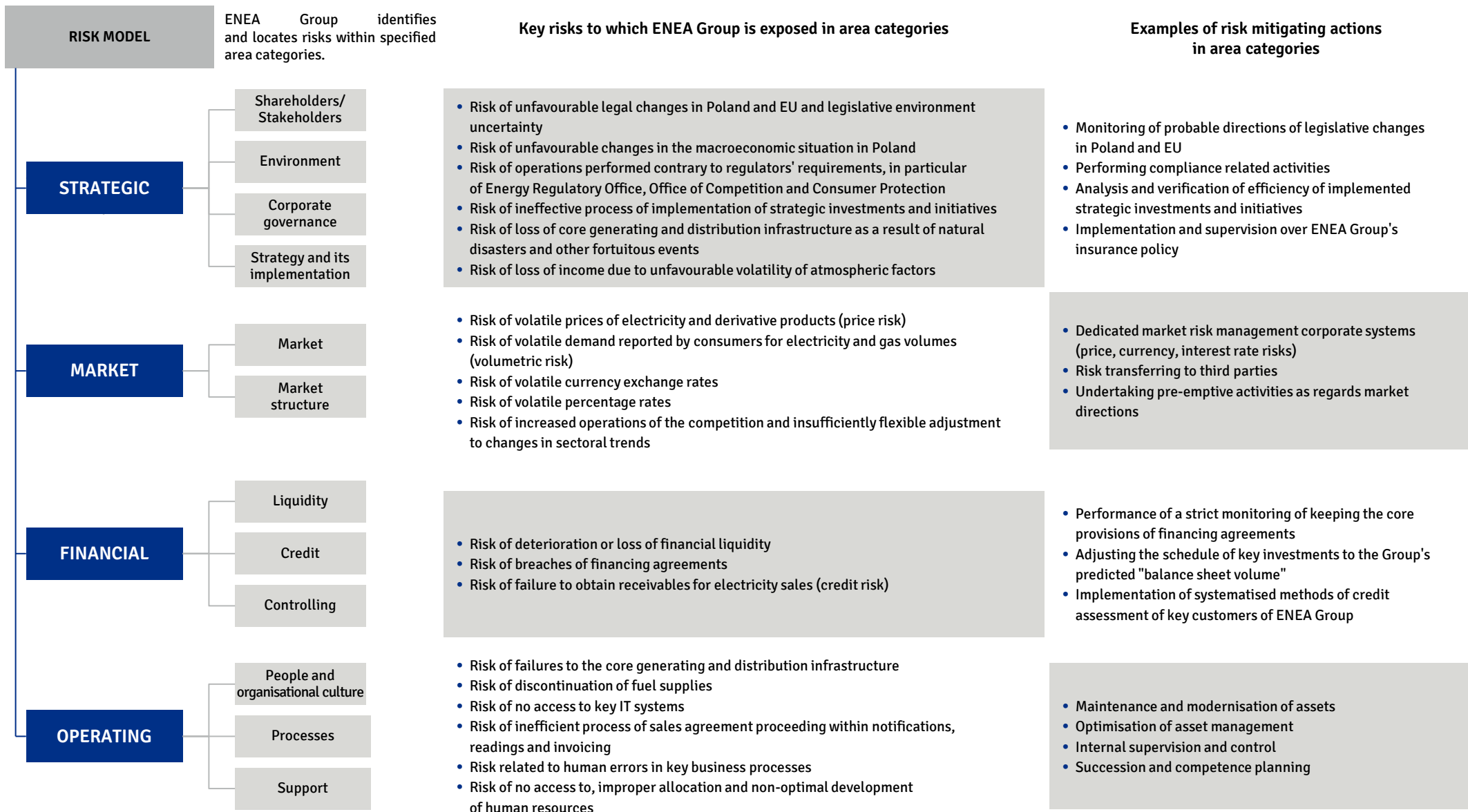
Risk Committee's competences:

The Committee's tasks include in particular:

1. Accepting and recommending policies, strategies, risk management operating model and update amendments within this scope for ENEA's Board's approval
2. Accepting and analysis of information on the exposure and level of risk in ENEA and Key Companies
3. Making decisions on the following, in particular:
 - a) approving operating documentation regulating the risk management process with acceptance of update changes (procedures, methods, tools, instructions, guidelines, etc.)
 - b) resulting from the operating documentation regulating the risk management process and granting permissions to divergences from the rules described in the operating documentation regulating the risk management process
 - c) approving the map of corporate risks, list of core and critical risks of Core Companies with owners of these risks
 - d) approving the methods of risk mitigation, including in particular limit levels for risk



ENEA Group's risk model

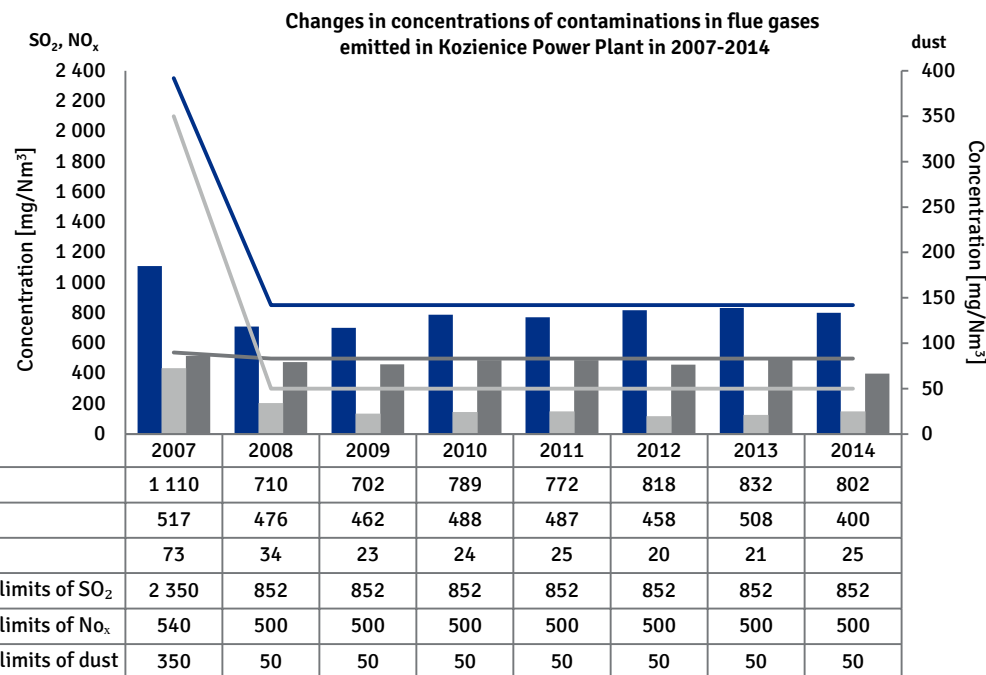
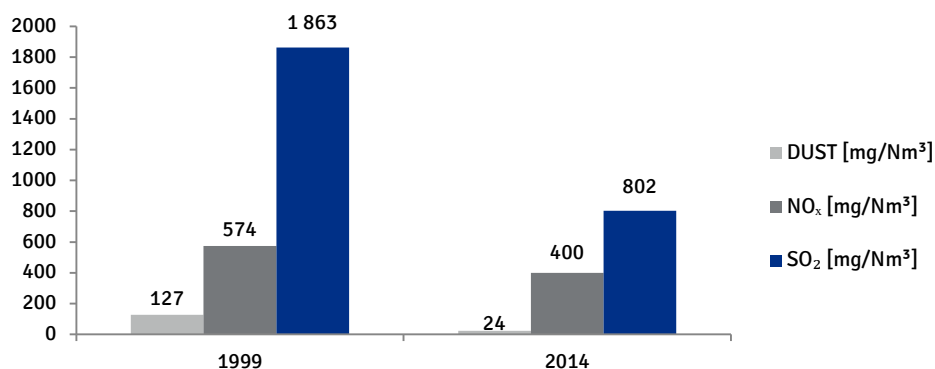


Environmental issues

Modernised electrostatic precipitators operate on all the units in Koziencice Power Plant. An installation of the catalytic denitrogenation of flue gases is currently in progress. The modernisations performed until now significantly reduced the emission of pollutants to the environment.

IOS IV flue gas desulphurisation plant is being realised for 8 x 200 MW units for the capacity of 800 MWe - start-up in 2015. Thanks to the investment from Q3 2015 100% of flue gases will be desulphurised in respect of the installed capacity.

Change in concentration of pollutants in exhausts



Implemented investment activities in order to reconcile with the requirements of the Industrial Emissions Directive (IED)

Unit	Current generating capacity (MW)	Denitrification installation (compliant with IED < 200 mg/Nm³)					Desulphurisation installation (compliant with IED < 200 mg/Nm³)		Dust (compliant with IED < 20 mg/Nm³)			
		2014	2015	2016	2017	2018	2014	2015	2014	2015	2016	2017
B1	215		✓									
B2	225		✓									
B3	225				✓							
B4	228			✓								
B5	225			✓								
B6	225	✓										
B7	225	✓										
B8	225				✓							
B9	560				✓							✓
B10	560					✓						

50% of attainable capacity covered with IOS operation 100% of attainable capacity covered with IOS operation

Environmental issues

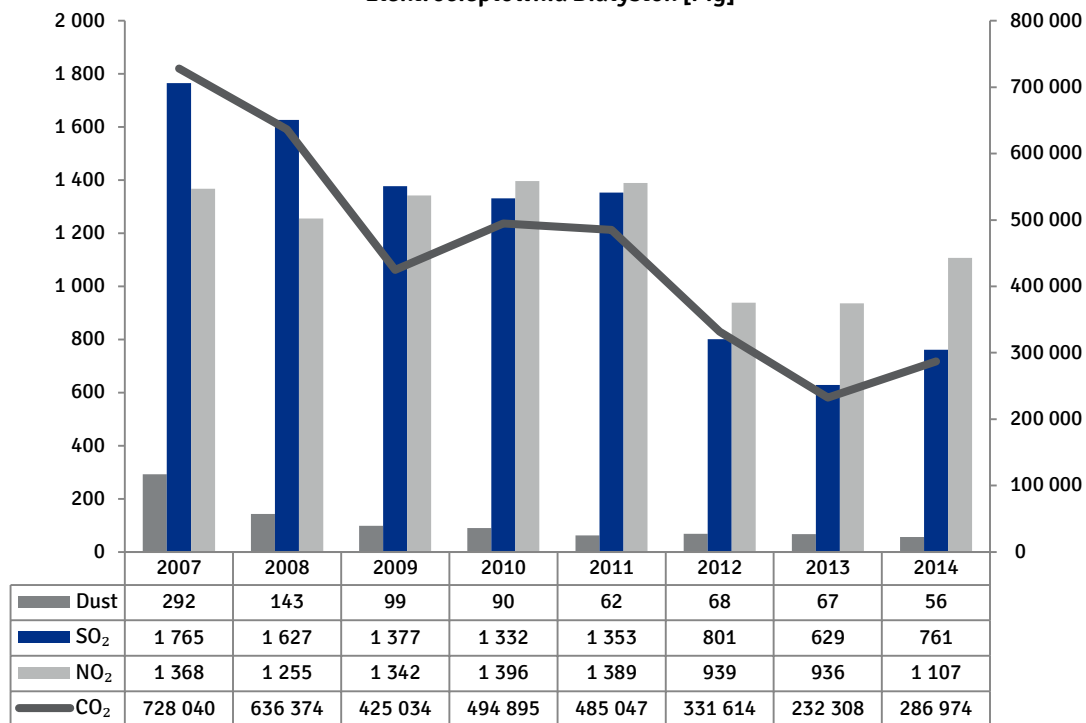
ENEA Wytwarzanie Sp. z o.o., Białystok location, has realised the following investment until now which affect the volume of emissions:

- Conversion of coal-fired OP-140 boiler No. 5 to biomass fluidised bed OFB-105
- Conversion of coal-fired OP-140 boiler No. 6 to biomass fluidised bed OFB-105
- SNCR installations of flue gases denitrification on OFB-105 boilers No. 5 and 6

Currently, the installation of NO_x catalytic reduction is in progress for OP-230 boilers No. 7 and 8 - date of completion 2015



Pollutant emission in ENEA Wytwarzanie Sp. z o.o. Elektrociepłownia Białystok [Mg]



Implemented investment activities in order to reconcile with the requirements of the Industrial Emissions Directive (IED) - Białystok Heat and Power Plant

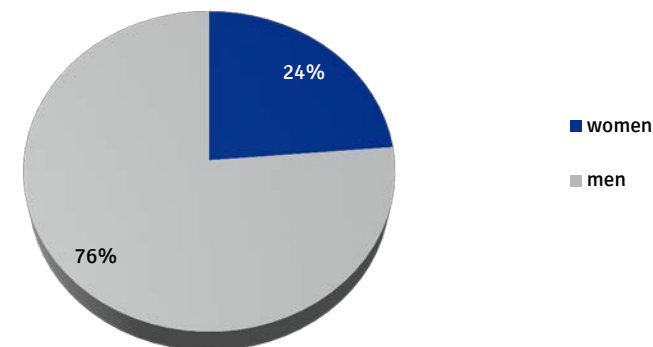
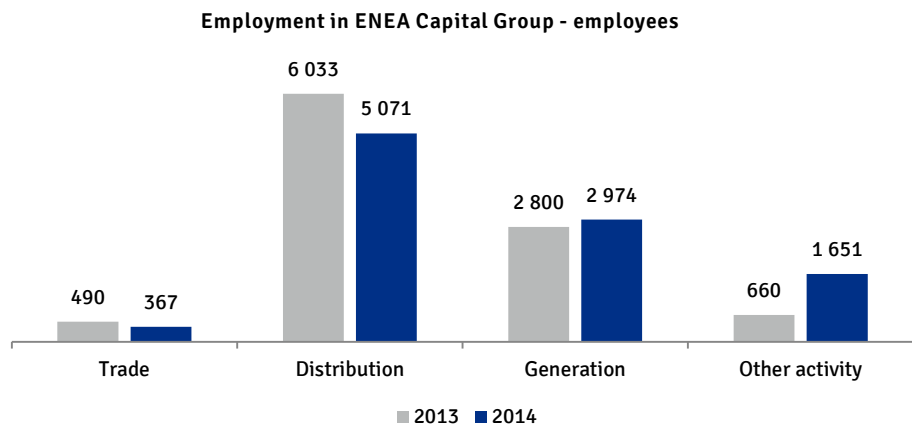
Boiler	Current heat output [MW]	Denitrification installation (as of 2016 compliant with IED < 200 mg/Nm ³)				Desulphurisation installation (compliant with IED < 200 mg/Nm ³)				Dust (compliant with IED < 20 mg/Nm ³)			
		2013	2014	2015	2016	2016	2017	2018	2019	2016	2017	2018	2019
K5	75	✓						✓					
K6	75	✓											
K7	165			✓			✓						
K8	165			✓			✓					✓	

Information on employment

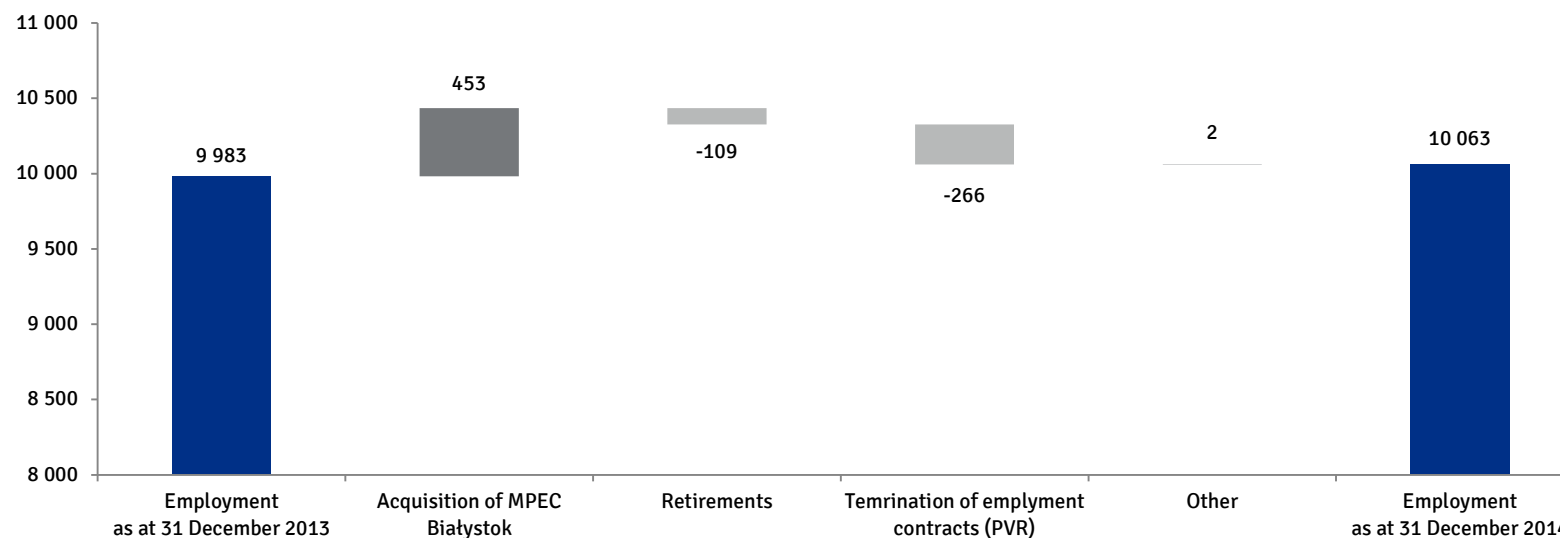
As at the end of 2014, 10,063 people were employed in ENEA Capital Group. The dominant group was people aged between 26 and 55 years old, constituting 77% of all the employees. 75% of the Group's employees are people with secondary and higher qualification.

Detailed information on employment is presented on the diagrams below.

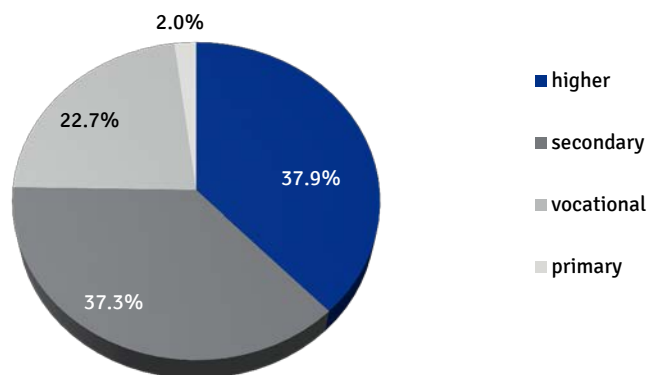
Employment in ENEA Capital Group as at 31 December 2014 - sex



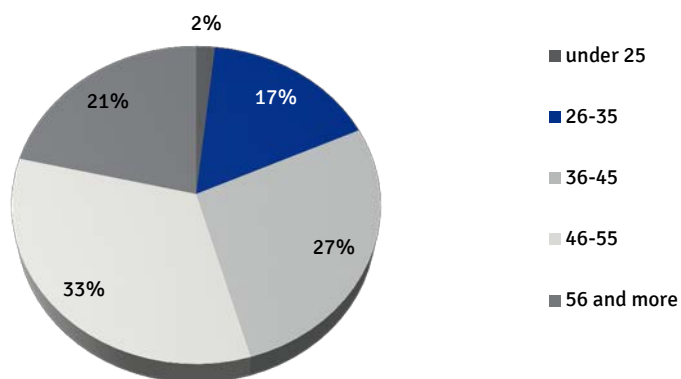
Changes in employment in ENEA Capital Group - employees



Employment in ENEA Capital Group as at 31 December 2014 - education



Employment in ENEA Capital Group as at 31 December 2014 - age



Realisation of the HR Policy in ENEA Capital Group in 2014

Due to education the Capital Group decreases the risk of a generation gap:

- We cooperate with educational institutions and organise internships and trainings
- We are consistently building the image of a demanded employer and win the best candidates

Trainings allow to fully use ENEA Group's employee potential:

- Competence development programmes for the managerial staff support its growth
- We have implemented the internal monitoring and coaching programme for employees on positions related to the core business
- Personal and managerial skills development programme for sales employees was a consequence of assessing competences in the Group
- We continue the training policy providing employees with an access to specialist trainings improving professional knowledge, required authorisations and qualifications

Efficient management of competences and resources within HR improves the Group's operations:

- We implemented a new HR organisation model in selected Group Companies. It is based on the Shared Service Centre concept. The result of these actions is standardisation of HR processes, which translates into the efficiency of functioning of the whole Group
- The training policy of ENEA Group enables the growth in specialisation of services processes
- The goal of the human resources management policy is a better quality of customer service in the Group Companies

The Capital Group's attractiveness as an employer is built on the corporate values:

- aware development of the organisational culture and positive attitudes among employees
- promoting the culture of sharing knowledge in the organisation
- supporting behaviours which build satisfaction of external and internal customer

The Group realises Programmes of Voluntary Redundancy (PVR) which are treated as a tool protecting against the uncontrolled departure of required competences:

- PVR allows for a skilful and rational planning of employee departures and also ensures a stepless replacement of lost competences and continuity of operations
- In 2015 Programmes of Voluntary Redundancy will be continued



Agreements of significance to ENEA Capital Group operations

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

Date of agreements	Parties to the agreement	Description
21 September 2012	ENEA Wytwarzanie S.A., Hitachi Power Europe GmbH and Polimex-Mostostal S.A.	Agreement for the construction of a new power unit in Kozienice - planned completion of the investment: July 2017
31 January 2014	ENEA S.A., PKO BP S.A., Bank Pekao S.A., Bank Zachodni WBK S.A., Bank Handlowy w Warszawie S.A.	Annex to the Programme Agreement of 21 June 2012 amending the terms of financing in the amount up to PLN 4,000,000 thou.
15 May 2014	ENEA S.A., Bank Gospodarstwa Krajowego	Programme Agreement in the amount of up to PLN 1,000,000 thou. with allocation to investment needs financing
30 June 2014	ENEA S.A., ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A., Bank Handlowy w Warszawie S.A.	Bond Issue Programme Agreement up to the maximum amount of PLN 5,000,000 for the realisation of e.g. investments foreseen in the strategy
22 July 2014	ENEA Wytwarzanie S.A., Mitsubishi Hitachi Power Systems	Agreement for the installation of flue gases denitrification plant for 2 units in Kozienice power plant. The investment will allow to reduce the nitric oxides emission by 80%. The investment completion is planned for May 2016
12 August 2014	ENEA S.A., European Investment Bank	An amendment letter to the financial agreement extending the availability term of the loan in the amount of PLN 475,000,000 until 31 December 2015

Agreements on coal supplies and transportation

Agreements concluded by ENEA Wytwarzanie Sp. z o.o.

Date of conclusion	Party to the agreement	Description
4 March 2010	LW Bogdanka S.A.	Multiannual agreement - specifies the general terms of coal supplies in 2010-2015
15 January 2014	LW Bogdanka S.A.	Annual agreement on fuel coal supply in 2014 and Annual agreement on fuel coal supply in 2015
27 October 2010	Wigry Projekt Sp. z o.o.	The agreement specifies the conditions of biomass supply in 2014 within the multiannual agreement
7 January 2014	Katowicki Holding Węglowy S.A.	Agreement for 2014 - specifies terms of coal supply in 2014. Agreement is performed
21 March 2014	Jastrzębska Spółka Węglowa S.A.	Coal supplies until the end of 2014
31 March 2014	Jastrzębska Spółka Węglowa S.A.	Coal supply agreement - specifies the detailed terms of coal supplies in 2014-2015
30 June 2014	PKP Cargo S.A.	Performance of fuel coal transportation services for ENEA Wytwarzanie until 30 June 2015
21 July 2014	PKP Cargo S.A.	Performance of fuel coal transportation services for ENEA Wytwarzanie from LW Bogdanka until 20 July 2015

Agreements between shareholders of the parent company

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

Insurance agreements

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

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

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

Collaboration or cooperation agreements

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

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

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

Tasks realised in 2014 as part of the cooperation:

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

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

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

Significant transactions with related parties

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

As part of the cooperation in the atomic project:

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

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



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



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

The Preliminary stage is to specify such elements as:

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

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

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

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

Credit and loan agreements concluded and completed

Loans drawn by ENEA S.A. in 2014

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

The loans drawn by the ENEA Group Companies in 2014 included e.g. overdraft in the amount of PLN 6,000 thou. granted by BNP Paribas BP S.A. for the account of MPEC Białystok Sp. z o.o. maturing on 31 March 2015. The total amount of loans and credits drawn by ENEA Capital Group Companies amounted to PLN 274,133 thou. in 2014.

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

Loans granted

As regards the granted loans ENEA CG's total indebtedness as at 31 December 2014 amounted to PLN 18,988.7 thou.

Loans granted in 2014 by ENEA S.A. are presented in the table below:

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

Granted and received sureties and guarantees

The status of granted guarantees and suretyships in 2014 is presented in the table below:

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

The total off-balance sheet value of sureties and guarantees granted as at 31 December 2014 was PLN 134,015 thou.

The status of guarantees issued to the order of ENE A S.A. as at 31 December 2014 is shown in the table below:

Date security was granted	Date of security validity	Entity for which security was granted	Purpose of the agreement	Form of security	Amount of security granted [PLN '000]
14 April 2014	31 December 2015	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House)	guarantee granted by the bank for the liabilities of of ENE A Wytwarzanie S.A.	bank guarantee granted within the guarantee line in the amount of PLN 100,000 thou.	25 000.0
19 November 2013	30 November 2015	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House) ²⁾	as the collateral for the transaction and securing deposit for the account of IRGIT S.A. in connection with settlements of transactions connected with trade in electricity and property rights on the commodity exchange	bank guarantee granted within the guarantee line in the amount of PLN 350,000 thou.	15 000.0
21 December 2014	21 December 2016	Ardagh Glass S.A.	guarantee granted by the bank for the liabilities of EP PUE Energobud Leszno Sp. z o.o.	bank guarantee granted within the guarantee line in the amount of PLN 100,000 thou.	100.7

1) Annex to the agreement of 26 August 2003

2) Annexed on 16 October 2014

Collective labour disputes

Collective disputes with employees may cause disruptions to our business. In 2014 two events occurred:

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

8 inter-enterprise and enterprise organisations operate in the Group bringing together around 65% of employees. The position of trades unions in the power sector is particularly strong because of the volume of employment in the sector and its strategic influence on the functioning of the economy. Furthermore, the expectations of trade unions are based on conditions won by the employees of other power companies or power generators in agreements concluded in relation to the earlier privatisation of these companies. Although we are endeavouring to maintain good relations with our employees and to resolve all problems that arise on an ongoing basis, we cannot exclude the possibility of collective disputes taking place in the future. Collective disputes with employees may lead to disruption of our ongoing activities, and in particular to stoppages, and may also cause an increase in labour costs, which may have a negative effect on our business, financial situation, financial results and development prospects. Our ability to improve productivity and reduce costs by restructuring employment is limited by collective agreements. Currently, there are no collective labour disputes in any company comprising ENEA CG. In order to eliminate the risk and occurrence of a potential 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.

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

Long-term contracts

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

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

Licences

Company	Licence for:
ENEA S.A.	<ul style="list-style-type: none"> • trade in electricity - valid until the end of 2025 • trade in gaseous fuels - valid until the end of 2030
ENEA Operator Sp. z o.o.	<ul style="list-style-type: none"> • distribution of electricity - valid until mid-2017
ENEA Wytwarzanie Sp. z o.o.	<ul style="list-style-type: none"> • generation of electricity - valid until the end of 2030 • trade in electricity - valid until the end of 2030 • generation of heat - valid until the end of 2025 • transmission and distribution of heat - valid until the end of 2025
ENEA Trading Sp. z o.o.	<ul style="list-style-type: none"> • trade in electricity - valid until the end of 2030 • trade in gaseous fuels - valid until the end of 2030 • trade in natural gas with abroad - valid until the end of 2030
MPEC Białystok Sp. z o.o.	<ul style="list-style-type: none"> • generation of heat - valid until 30 September 2018 • transmission and distribution of heat energy in water and steam - valid until 30 September 2018 • trade in heat - valid until 30 September 2018
MEC Piła Sp. z o.o.	<ul style="list-style-type: none"> • generation of heat - valid until the end of 2025 • transmission and distribution of heat - valid until the end of 2025 • generation of electricity - valid until 25 September 2017
PEC Oborniki Sp. z o.o.	<ul style="list-style-type: none"> • generation of heat - valid until 31 December 2025 • transmission and distribution of heat - valid until 31 December 2025

The entity authorised to audit financial statements

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

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

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



3. Financial position

Consolidated Profit and Loss Statement - 2014

[PLN '000]	2013	2014	Change	Change %
Revenue from sale of electricity	5 832 788	6 220 527	387 739	6.6%
Revenue from sale of distribution services	2 833 784	2 860 165	26 381	0.9%
Revenue from sale of goods and materials	84 333	107 626	23 293	27.6%
Revenue from sale of other services	142 240	116 596	-25 644	-18.0%
Revenue from certificates of origin	52 844	47 076	-5 768	-10.9%
Revenue from sales of CO ₂ emission allowances	14 236	32 936	18 700	131.4%
Recovery of stranded costs	964	257 508	256 544	26 612.4%
Revenue from sale of heat energy	189 331	212 961	23 630	12.5%
Net sales revenue	9 150 520	9 855 395	704 875	7.7%
Amortisation/depreciation	761 759	728 408	-33 351	-4.4%
Employee benefit costs	1 036 215	948 872	-87 343	-8.4%
Consumption of materials and raw materials and value of goods sold	1 822 994	1 821 196	-1 798	-0.1%
Costs of purchases for resale	3 303 371	3 835 730	532 359	16.1%
Transmission services	599 170	710 577	111 407	18.6%
Other outsourced services	341 791	336 339	-5 452	-1.6%
Taxes and charges	244 240	268 934	24 694	10.1%
Cost of sales	8 109 540	8 650 056	540 516	6.7%
Other operating revenue	125 087	115 066	-10 021	-8.0%
Other operating expenses	248 954	97 754	-151 200	-60.7%
Profit / (loss) on sales and liquidation of tangible fixed assets	109	-5 620	-5 729	-5 256.0%
Tangible and intangible impairment write-off	11 363	30 556	19 193	168.9%
Operating profit (loss)	905 859	1 186 475	280 616	31.0%
Financial expenses	44 821	125 483	80 662	180.0%
Financial revenue	88 144	81 178	-6 966	-7.9%
Write off of goodwill	0	3 131	3 131	100.0%
Dividend revenue	4 552	3 355	-1 197	-26.3%
Share in (losses)/profits of affiliated entities accounted for using the equity method	331	708	377	113.9%
Profit (loss) before tax	954 065	1 143 102	189 037	19.8%
Income tax	231 545	233 980	2 435	1.1%
Net profit (loss) for the reporting period	722 520	909 122	186 602	25.8%
EBITDA	1 667 618	1 914 883	247 265	14.8%

2014:
Change factors of EBITDA of ENEA CG (growth by PLN 247 mln):

- (+) higher revenue from sales of electricity by PLN 388 mln
 - (+) higher volumes of sales of electricity to end users in the segment of Trade by 3,123 GWh adjusted with average selling price lower by 15.6%
 - (+) higher volumes of sales of electricity realised in the segment of Generation by 2,311 GWh adjusted with average selling price lower by 12.2%
- (+) higher revenue from compensation for recovery of stranded costs by PLN 257 mln
- (+) lower costs of employee benefits by PLN 87 mln stem from lower costs of establishment of provisions for the Programme of Voluntary Redundancy and lower costs of remuneration and derivatives resulting from the departure in 2014 of 284 people as part of PVR with the concurrent growth in costs of employee benefits within changes of actuarial provisions
- (+) higher results on the other operating activity by PLN 116 mln stemming from e.g.:
 - (+) lower costs of provisions for potential liabilities as regards grid assets
 - (-) establishment of the write-down of assets from the biogas area in the amount of PLN 31 mln
- (+) higher revenue from sales of distribution services by PLN 26 mln stems from higher volumes of sales of distribution services to end users by 348 GWh and higher revenue from the transitory charge and quality charge
- (+) higher purchases of energy for sales by PLN 532 mln:
 - (+) higher volumes of purchased energy (by 4,735 GWh) with a lower average purchase price by 10.1%
 - (-) higher costs of ecological obligations by PLN 52 mln - entry into force of cogeneration obligations on 30 April 2014
- (-) higher costs of transmission services by PLN 111 mln stem from costs of the transitory charge and quality charge higher by 59.0%
- (-) lower revenue from sales of the other services by PLN 26 mln stemming from e.g. change in the method of registering revenue resulting from the lighting maintenance ¹⁾
- (-) higher costs of taxes and charges by PLN 25 mln

1) Operations transferred as a contribution in kind to ENEOS at the end of 2013.

Consolidated Profit and Loss Statement - Q4 2014

[PLN '000]	Q4 2013	Q4 2014	Change	Change %
Revenue from sale of electricity	1 493 538	1 693 022	199 484	13.4%
Revenue from sale of distribution services	724 789	735 157	10 368	1.4%
Revenue from sale of goods and materials	27 352	39 557	12 205	44.6%
Revenue from sale of other services	36 438	27 888	-8 550	-23.5%
Revenue from certificates of origin	20 877	16 911	-3 966	-19.0%
Revenue from sales of CO ₂ emission allowances	4 005	28 016	24 011	599.5%
Recovery of stranded costs	0	0	-	-
Revenue from sale of heat energy	56 278	87 672	31 394	55.8%
Net sales revenue	2 363 277	2 628 223	264 946	11.2%
Amortisation/depreciation	187 337	204 211	16 874	9.0%
Employee benefit costs	305 600	273 730	-31 870	-10.4%
Consumption of materials and raw materials and value of goods sold	447 451	521 498	74 047	16.5%
Costs of purchases for resale	902 586	1 037 968	135 382	15.0%
Transmission services	149 869	179 666	29 797	19.9%
Other outsourced services	95 824	95 360	-464	-0.5%
Taxes and charges	59 141	70 115	10 974	18.6%
Cost of sales	2 147 808	2 382 548	234 740	10.9%
Other operating revenue	27 194	14 314	-12 880	-47.4%
Other operating expenses	150 127	29 466	-120 661	-80.4%
Profit / (loss) on sales and liquidation of tangible fixed assets	5 009	-5 042	-10 051	-200.7%
Tangible and intangible impairment write-off	11 363	30 556	19 193	168.9%
Operating profit (loss)	86 182	194 925	108 743	126.2%
Financial expenses	22 275	78 634	56 359	253.0%
Financial revenue	33 797	10 802	-22 995	-68.0%
Write off of goodwill	0	3 131	3 131	100.0%
Dividend revenue	0	0	-	-
Share in (losses)/profits of affiliated entities accounted for using the equity method	-2	-182	-180	9 000.0%
Profit (loss) before tax	97 702	123 780	26 078	26.7%
Income tax	36 839	50 973	14 134	38.4%
Net profit (loss) for the reporting period	60 863	72 807	11 944	19.6%
EBITDA	273 519	399 136	125 617	45.9%

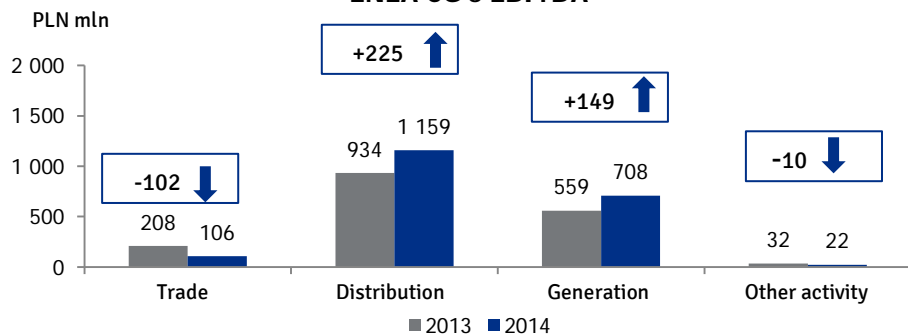
Q4 2014:
Change factors of EBITDA of ENEA CG (growth by PLN 126 mln):

- (+) higher revenue from sales of electricity by PLN 199 mln
 - (+) higher volumes of sales of electricity to end users in the segment of Trade by 889 GWh adjusted with average selling price lower by 11.1%
 - (+) higher volumes of sales of electricity realised in the segment of Generation by 637 GWh adjusted with average selling price lower by 10.3%
- (+) higher results on the other operating activity by PLN 79 mln stemming from e.g.:
 - (+) lower costs of provisions for potential liabilities as regards grid assets
 - (-) establishment of the write-down of assets from the biogas area in the amount of PLN 31 mln
- (+) lower costs of employee benefits by PLN 32 mln stem from lower costs of establishment of provisions for the Programme of Voluntary Redundancy and lower costs of remuneration and derivatives resulting from the departure in 2014 of 284 people as part of PVR with the concurrent growth in costs of employee benefits within changes of actuarial provisions
- (+) higher revenue from sales of heat energy by PLN 31 mln resulting from a growth in average selling prices and higher production as a result of the acquisition of MPEC Białystok
- (+) revenue from sales of allowances for emissions of CO₂ higher by PLN 24 mln resulting from greater sales volumes
- (+) higher purchases of energy for sales by PLN 135 mln:
 - (+) higher volumes of purchased energy (by 1,096 GWh) with a lower average purchase price by 7.3%
 - (-) higher costs of ecological obligations by PLN 9 mln - entry into force of cogeneration obligations on 30 April 2014
- (-) higher use of materials and value of goods sold by PLN 74 mln as a result of a higher consumption of coal for energy production by 20.7% (higher production of energy from conventional sources) and higher value of goods sold
- (-) higher costs of transmission services by PLN 30 mln stem from costs of the transitory charge and quality charge higher by 57.8%
- (-) higher costs of taxes and charges by PLN 11 mln

Results on particular segments of operations of ENEA Capital Group

EBITDA [PLN '000]	2013	2014	Change	Change %	Q4 2013	Q4 2014	Change	Change %
Trade	208 238	106 482	-101 756	-48.9%	8 675	18 109	9 434	108.7%
Distribution	933 581	1 159 401	225 820	24.2%	126 905	264 200	137 295	108.2%
Generation	559 370	707 991	148 621	26.6%	140 887	155 491	14 604	10.4%
Other activities	32 563	22 260	-10 303	-31.6%	5 086	1 692	-3 394	-66.7%
Undistributed items and exclusions	-66 134	-81 251	-15 117	-22.9%	-8 034	-40 356	-32 322	-402.3%
Total EBITDA	1 667 618	1 914 883	247 265	14.8%	273 519	399 136	125 617	45.9%

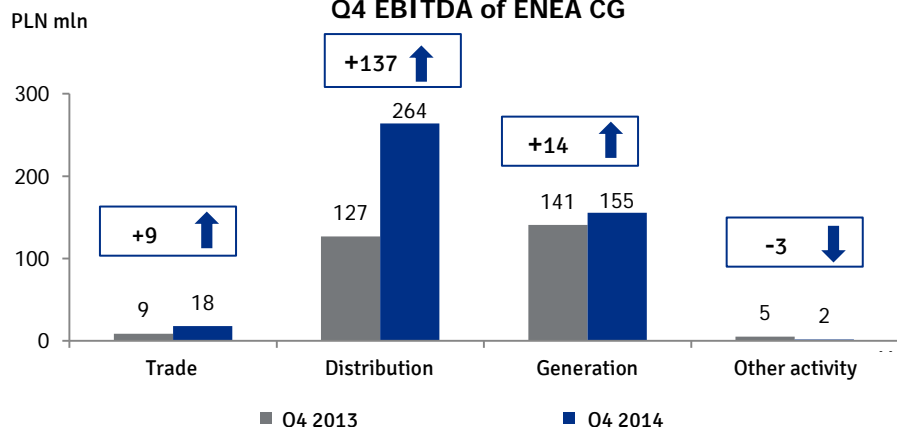
ENEA CG's EBITDA



ENEA CG 2014:

The highest EBITDA and greatest growth in EBITDA in the segment of Distribution

Q4 EBITDA of ENEA CG



ENEA CG Q4 2014:

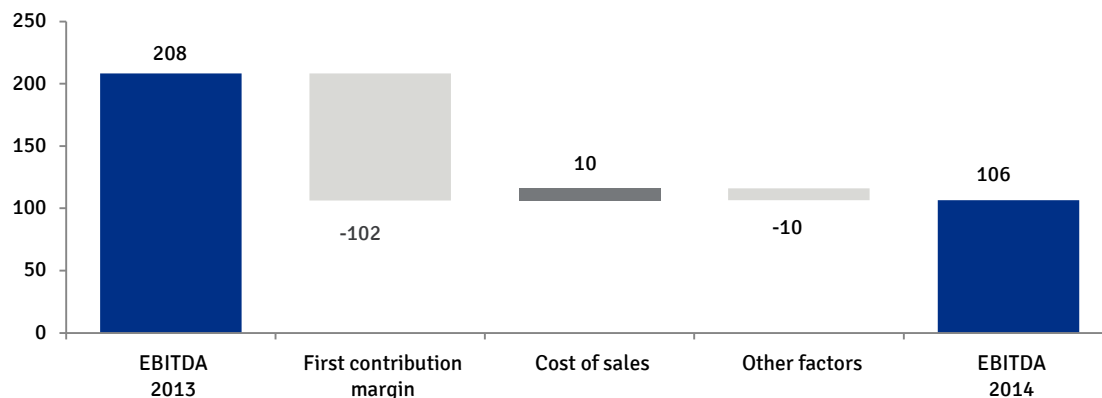
The highest EBITDA and greatest growth in EBITDA in the segment of Distribution

Segment of Trade

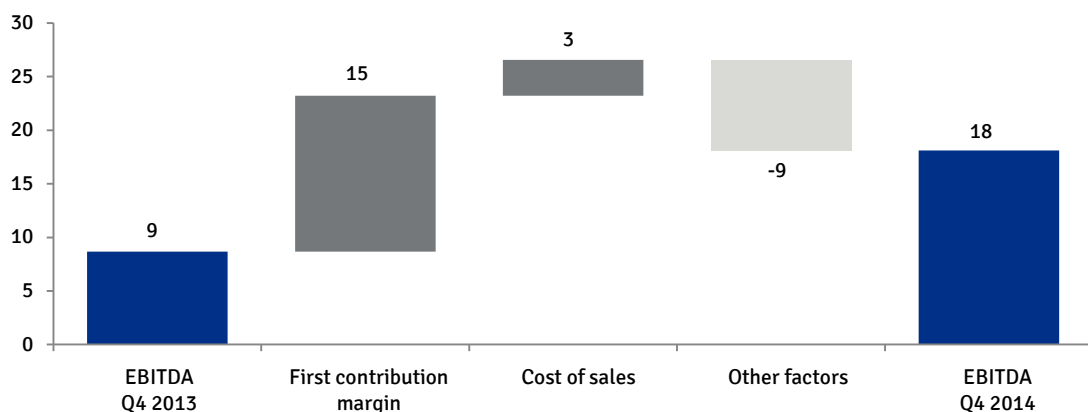
[PLN '000]	2013	2014	Change	Change %	Q4 2013	Q4 2014	Change	Change %
Sales revenue	3 616 656	4 181 390	564 734	15.6%	947 835	1 169 903	222 068	23.4%
EBIT	207 613	105 725	-101 888	-49.1%	8 438	18 803	10 365	122.8%
Amortisation and depreciation ¹⁾	625	757	132	21.1%	237	-694	-931	-392.8%
EBITDA	208 238	106 482	-101 756	-48.9%	8 675	18 109	9 434	108.7%
CAPEX	6 204	4 057	-2 147	-34.6%	4 665	975	-3 690	-79.1%
Share of sales revenue of the segment in the Group's sales revenue	39.5%	42.4%	-	-	40.1%	44.5%	-	-

ENEA S.A. deals with retail sales of electricity
Wholesale is realised by ENEA Trading Sp. z o.o.

PLN mln



PLN mln


2014 Change factors of EBITDA:
First contribution margin

- (-) lower average selling price by 15.6%
- (-) higher costs of ecological obligations by PLN 52 mln
- (+) lower average purchase price of energy by 12.4%
- (+) higher volumes of sales by 3,123 GWh

Internal costs

- (+) lower costs related to the customer service by PLN 10 mln
- (+) lower costs of consulting services by PLN 5 mln
- (-) higher costs of commissions for business partners by PLN 5 mln

Other factors

- (-) higher impairment of receivables by PLN 12 mln

Q4 2014 Change factors of EBITDA:
First contribution margin

- (-) lower average selling price by 11.1%
- (-) higher costs of ecological obligations by PLN 8.8 mln
- (+) lower average purchase price of energy by 10.4%
- (+) higher volumes of sales by 889 GWh

Internal costs

- (+) lower costs related to the customer service by PLN 7 mln
- (+) lower costs of consulting services by PLN 2 mln
- (-) higher costs of commissions for business partners by PLN 5 mln

Other factors

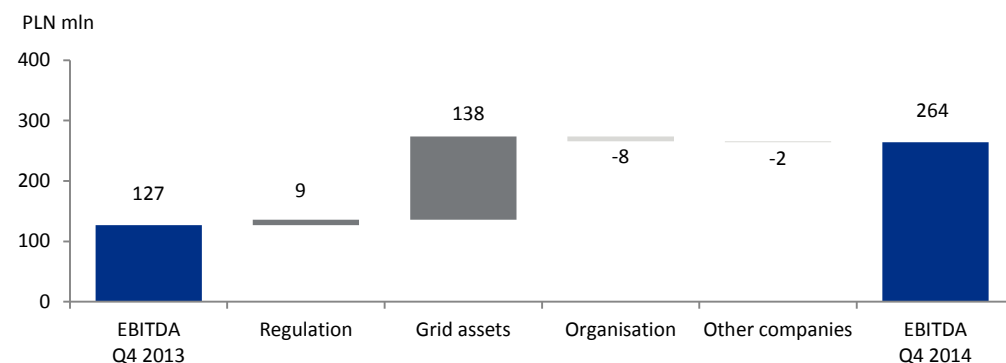
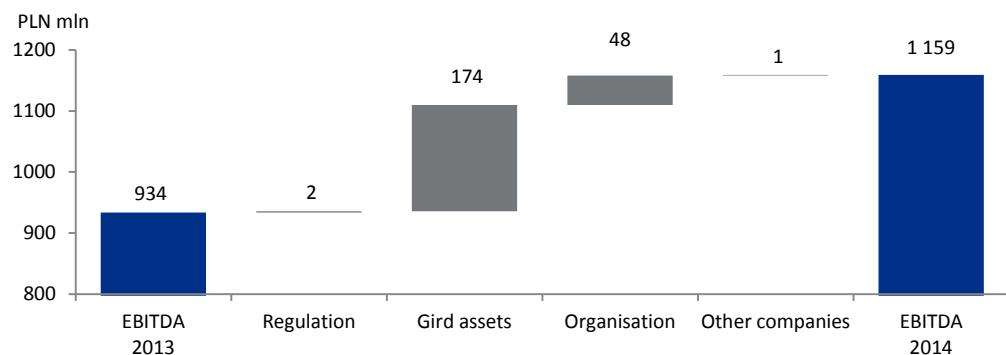
- (-) higher written-off debts by PLN 11 mln

1) A negative amortisation is a result of the inclusion in Q4 of ENEA Centrum in the segment of Other activity, which does not affect the consolidated report of ENEA CG

Segment of Distribution

[PLN '000]	2013	2014	Change	Change %	Q4 2013	Q4 2014	Change	Change %
Sales revenue	2 979 285	2 987 548	8 263	0.3%	764 711	771 664	6 953	0.9%
<i>distribution services to end users</i>	<i>2 658 862</i>	<i>2 703 633</i>	<i>44 771</i>	<i>1.7%</i>	<i>673 629</i>	<i>690 656</i>	<i>17 027</i>	<i>2.5%</i>
<i>fees for grid connection</i>	<i>110 371</i>	<i>93 694</i>	<i>-16 677</i>	<i>-15.1%</i>	<i>32 676</i>	<i>24 899</i>	<i>-7 777</i>	<i>-23.8%</i>
<i>other</i>	<i>210 052</i>	<i>190 221</i>	<i>-19 831</i>	<i>-9.4%</i>	<i>58 406</i>	<i>56 109</i>	<i>-2 297</i>	<i>-3.9%</i>
EBIT	549 253	730 257	181 004	33.0%	28 525	146 599	118 074	413.9%
Amortisation/depreciation	384 328	429 144	44 816	11.7%	98 380	117 601	19 221	19.5%
EBITDA	933 581	1 159 401	225 820	24.2%	126 905	264 200	137 295	108.2%
CAPEX	900 173	825 677	-74 496	-8.3%	420 611	393 908	-26 703	-6.3%
Share of sales revenue of the segment in the Group's net sales revenue	32.6%	30.3%	-	-	32.4%	29.4%	-	-

ENEA Operator Sp. z o.o. distributes electricity to 2.46 mln Customers in the western and north-western Poland on the area of 58,213 km². The core duty of ENEA Operator is a continuous and reliable supply of energy maintaining appropriate quality parameters.



2014 Change factors of EBITDA:

Regulation

- (+) lower average purchase price for coverage of the book-tax difference by 17%
- (+) lower volume for coverage of the book-tax difference and own needs by 247 GWh
- (-) higher costs of transmission services (stemming from higher quality charge and transitory charge) by PLN 110 mln

Grid assets

- (+) lower costs of legal regulations under grid assets (property tax, transmission corridors and State Forests) by PLN 166 mln
- (+) exploitation process optimisation (PLN 18 mln)

Organisation

- (+) lower costs of employee benefits as a result of the performed employment and labour costs optimisation

Q4 2014 Change factors of EBITDA:

Regulation

- (+) lower average purchase price for coverage of the book-tax difference by 19%
- (+) lower volume for coverage of the book-tax difference and own needs by 143 GWh
- (-) higher costs of transmission services (stemming from higher quality charge and transitory charge) by PLN 33 mln

Grid assets

- (+) lower costs of legal regulations under grid assets (property tax, transmission corridors and State Forests) by PLN 134 mln
- (+) exploitation process optimisation (PLN 15 mln)

Organisation

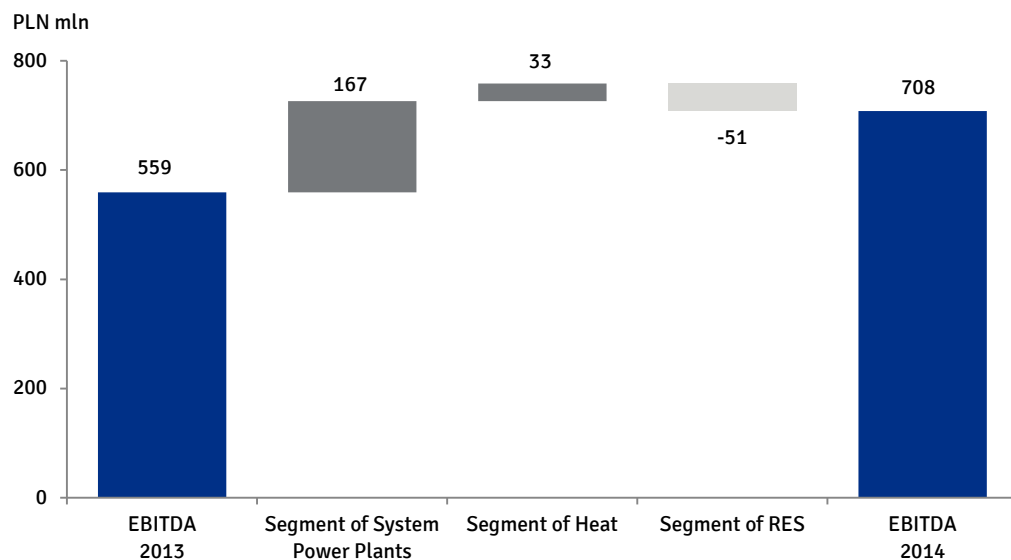
- (+) higher employee provisions with a concurrent decrease in costs of employee benefits as a result of the performed employment and labour costs optimisation

Segment of Generation

[PLN '000]	2013	2014	Change	Change %	Q4 2013	Q4 2014	Change	Change %
Sales revenue	3 118 462	3 489 761	371 299	11.9%	823 613	903 286	79 673	9.7%
<i>electricity</i>	2 713 659	2 774 910	61 251	2.3%	693 678	732 728	39 050	5.6%
<i>certificates of origin</i>	179 701	188 035	8 334	4.6%	65 588	47 237	-18 351	-28.0%
<i>sale of allowance for emissions of CO₂</i>	14 236	32 942	18 706	131.4%	4 005	28 017	24 012	599.6%
<i>heat</i>	189 331	212 961	23 630	12.5%	56 278	87 671	31 393	55.8%
<i>recovery of stranded costs</i>	964	257 508	256 544	26 612.4%	0	0	-	-
<i>other</i>	20 571	23 405	2 834	13.8%	4 064	7 633	3 569	87.8%
EBIT	199 404	421 325	221 921	111.3%	56 345	71 837	15 492	27.5%
Amortisation/depreciation	359 966	286 666	-73 300	-20.4%	84 542	83 654	-888	-1.1%
EBITDA	559 370	707 991	148 621	26.6%	140 887	155 491	14 604	10.4%
CAPEX	1 264 503	1 831 700	567 197	44.9%	405 736	701 849	296 113	73.0%
Share of sales revenue of the segment in the Group's net sales revenue	34.1%	35.4%	-	-	34.9%	34.4%	-	-

The segment of Generation presents financial data of ENEA Wytwarzanie Sp. z o.o. and its subsidiaries.

ENEA Wytwarzanie holds e.g. 10 highly-efficient and modernised power units in the Segment of System Power Plants. Annual generation capacity amount to ca. 16 TWh electricity in this segment


2014 Change factors of EBITDA:
Segment of System Power Plants:

- (+) higher revenue from compensation for recovery of stranded costs by PLN 257 mln
- (+) lower fixed costs by PLN 62 mln
- (+) higher revenue from Regulatory System Services by PLN 14 mln
- (-) lower margin on generation by PLN 95 mln
- (-) lower result on trade and the Balancing Market by PLN 50 mln
- (-) loss of EBITDA due to failure of unit No. 9 by PLN 23 mln

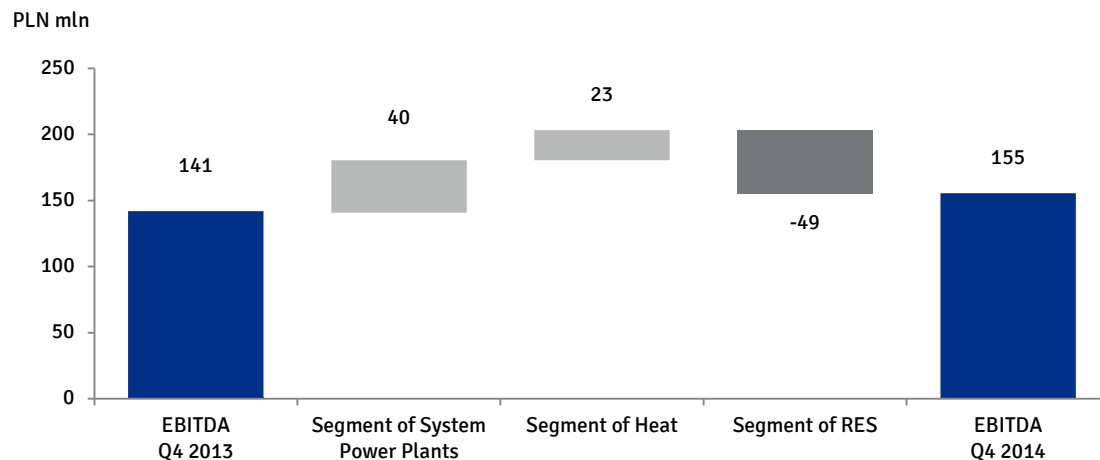
Segment of Heat:

- (+) higher revenue from sales of heat by PLN 24 mln
- (+) higher revenue from sales of electricity by PLN 20 mln
- (+) higher revenue from certificates of origin by PLN 6 mln
- (-) higher costs of outsourced services by PLN 8 mln and higher costs of taxes and fees by PLN 7 mln

Segment of RES:

- (-) Biogas area: asset write-down in the amount of PLN 30 mln
- (-) Water area: electricity sale revenue lower by PLN 8 mln and revenue from certificates of origin lower by PLN 7 mln
- (-) Wind area: FW Darżyno – lower result on the other operating activity by PLN 2 mln; FW Bardy: higher costs of outsourced services by PLN 2 mln, lower revenue from electricity by PLN 1 mln, lower revenue from certificates of origin by PLN 1 mln and higher result on the other operating activity by PLN 2 mln

Segment of Generation



Q4 2014 Change factors of EBITDA:

Segment of System Power Plants:

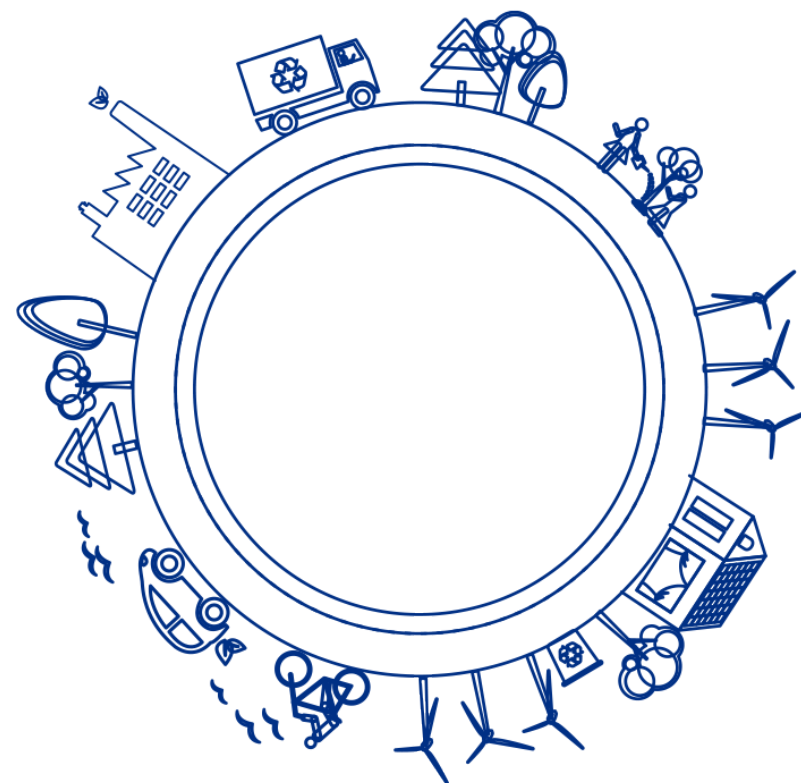
- (+) lower fixed costs by PLN 39 mln
- (+) higher margin on the Balancing Market by PLN 10 mln
- (+) higher margin on generation by PLN 8 mln
- (-) lower margin on co-firing by PLN 9 mln
- (-) lower margin on trade by PLN 9 mln

Segment of Heat:

- (+) higher revenue from sales of heat by PLN 31 mln
- (+) higher revenue from sales of electricity by PLN 9 mln
- (-) higher costs of materials by PLN 12 mln
- (-) higher costs of taxes and charges by PLN 4 mln

Segment of RES:

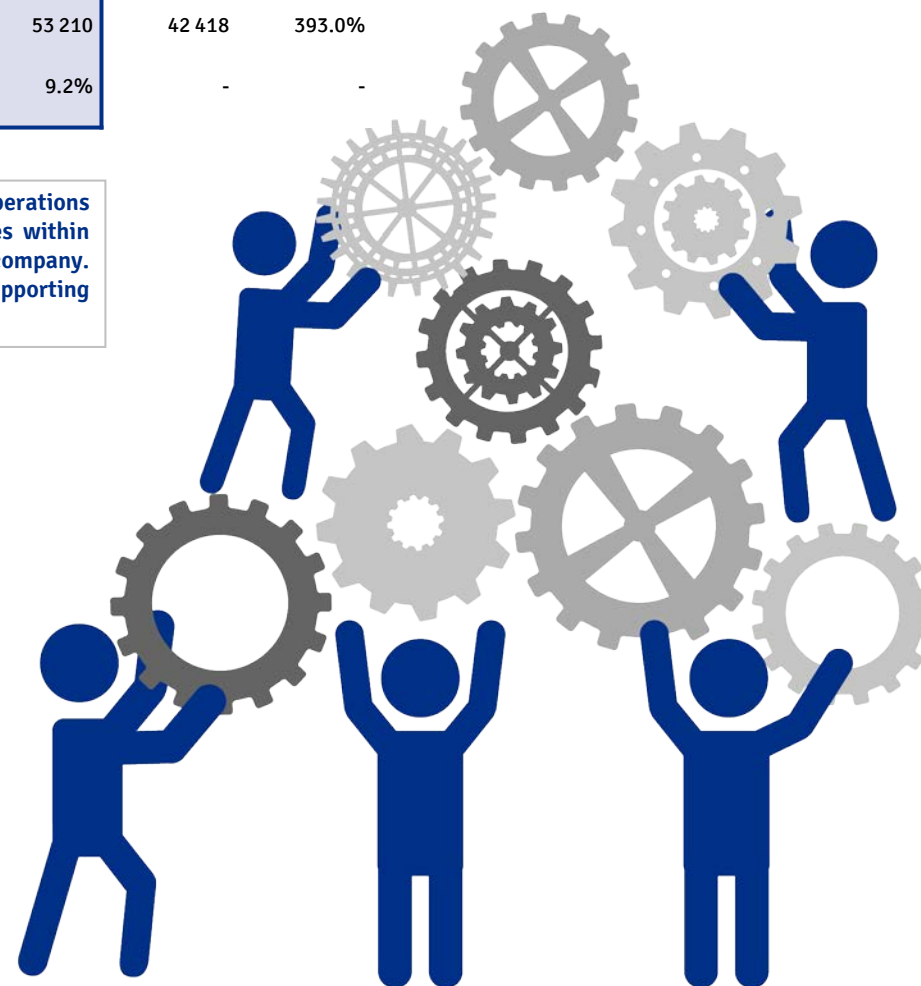
- (-) Biogas area: establishment of asset write-down PLN 30 mln
- (-) Wind area: lower result on the other operating activity PLN 10 mln
- (-) Water area: sales revenue lower by PLN 4 mln (lower production of electricity, lower recognition of certificates of origin and lower prices)



Segment of Other activity

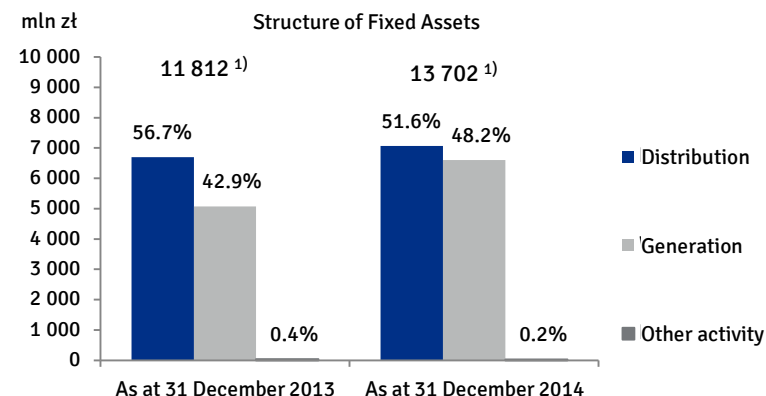
[PLN '000]	PLN 2013	2014	Change	Change %	Q4 2013	Q4 2014	Change	Change %
Sales revenue	311 478	418 419	106 941	34.3%	113 513	241 091	127 578	112.4%
EBIT	15 065	7 803	-7 262	-48.2%	-269	-3 367	-3 098	-1 151.7%
Amortisation/depreciation	17 498	14 457	-3 041	-17.4%	5 355	5,059	-296	-5.5%
EBITDA	32 563	22 260	-10 303	-31.6%	5 086	1 692	-3 394	-66.7%
CAPEX	22 796	87 539	64 743	284.0%	10 792	53 210	42 418	393.0%
Share of sales revenue of the segment in the Group's sales revenue	3.4%	4.2%	-		4.8%	9.2%	-	-

Segment of Other activity demonstrates companies which provide support activities or conduct operations not related to the core business of ENEA Capital Group. The Group will perform restructuring activities within functioning of entities whose scope of operations is not related to 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	31 December 2014		
Fixed assets	12 371 968	14 344 139	1 972 171	15.9%
Tangible fixed assets	11 811 566	13 701 956	1 890 390	16.0%
Perpetual usufruct right	68 431	77 281	8 850	12.9%
Intangible assets	206 580	305 947	99 367	48.1%
Investment properties	30 641	23 431	-7 210	-23.5%
Investments in affiliated companies	3 298	0	-3 298	-100.0%
Deferred income tax assets	179 725	167 207	-12 518	-7.0%
Financial assets held for sale	61 761	47 479	-14 282	-23.1%
Financial assets evaluated at fair value by the profit and loss account	1 860	99	-1 761	-94.7%
Trade and other receivables	8 106	20 739	12 633	155.8%
Current assets	3 957 212	3 763 901	-193 311	-4.9%
Allowances for emissions of CO ₂	190 566	208 720	18 154	9.5%
Inventories	521 498	508 163	-13 335	-2.6%
Trade and other receivables	1 350 627	1 764 128	413 501	30.6%
Current income tax assets	11 455	20	-11 435	-99.8%
Financial assets held to maturity	45	189 789	189 744	421 653.3%
Financial assets evaluated at fair value by the profit and loss account	296 339	392 251	95 912	32.4%
Cash and cash equivalents	1 573 195	687 316	-885 879	-56.3%
Fixed assets for sale	13 487	13 514	27	0.2%
Total assets	16 329 180	18 108 040	1 778 860	10.9%



1) including exclusions

Change factors of fixed assets (growth by PLN 1,972 mln):

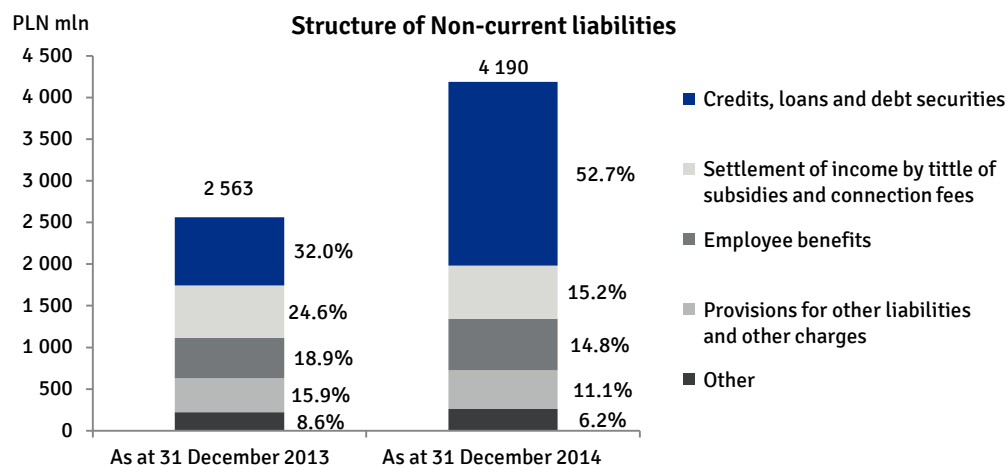
- growth in tangible assets mainly as a result of expenditures in the segment of generation in the amount of PLN 1,580 mln (e.g. realisation of capital expenditures for the construction of the power unit No. 11 in Kozienice), stemming from the acquisition of shares in Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Białystok, and also expenditures in the segment of distribution in the amount of PLN 822 thou.
- higher value of intangible assets resulting from the goodwill as a result of MPEC Białystok acquisition

Change factors of current assets (drop by PLN 193 mln):

- decreased cash by PLN 886 mln, e.g. financing of the investment being the construction of the power unit No. 11 from own funds
- higher trade and other receivables by PLN 414 mln (higher receivables from Long-term Agreements, sales of energy and advances for coal purchases)
- assets kept to maturity (deposits over 3 months) higher by PLN 190 mln and assets evaluated at fair value through result (investments in debt securities) higher by PLN 96 mln

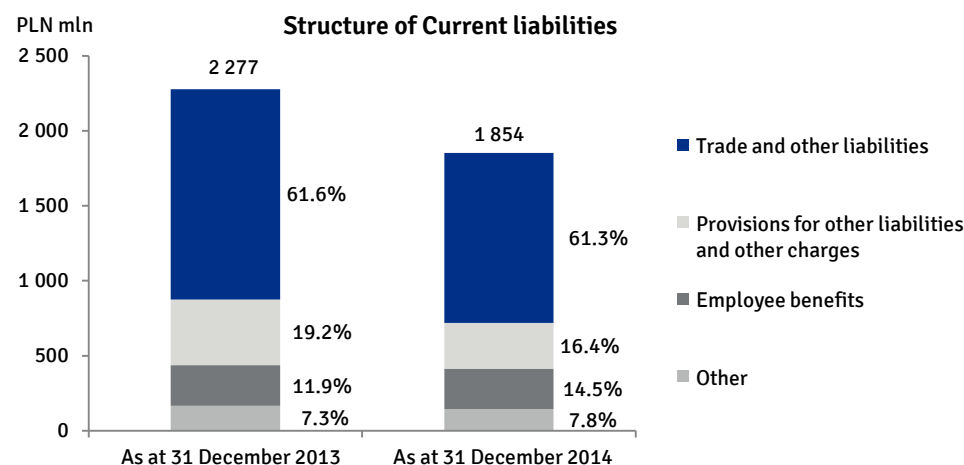
Assets - structure of assets and liabilities of ENEA Capital Group

Liabilities [PLN '000]	As at:		Change	Change %
	31 December 2013	31 December 2014		
Total equity	11 488 847	12 064 013	575 166	5.0%
Share capital	588 018	588 018	-	-
Share premium	3 632 464	3 632 464	-	-
Share based payments reserve	1 144 336	0	1 144 336	-100.0%
Financial instruments revaluation reserve	45 185	34,777	-10 408	-23.0%
Other reserves	-20 664	-45 883	-25 219	-122.0%
Retained earnings	6 080 187	7 804 989	1 724 802	28.4%
Non-controlling interests	19 321	49 648	30 327	157.0%
Total liabilities	4 840 333	6 044 027	1 203 694	24.9%
Non-current liabilities	2 563 073	4 190 197	1 627 124	63.5%
Current liabilities	2 277 260	1 853 830	-423 430	-18.6%
Total equity and liabilities	16 329 180	18 108 040	1 778 860	10.9%



Change factors of non-current liabilities (growth by PLN 1,627 mln):

- issue of bonds for the investment implementation within generation (a nominal growth in debt by PLN 1,120 mln)
- special-purpose credit from EIB relating to the modernisation and extension of the distribution assets (a nominal growth in debt by PLN 270 mln)
- higher long-term employee provisions by PLN 134 mln as a result of reduction in the discount rate to 2.5% (from the level of 4.26% in 2013)



Change factors of current liabilities (drop by PLN 423 mln):

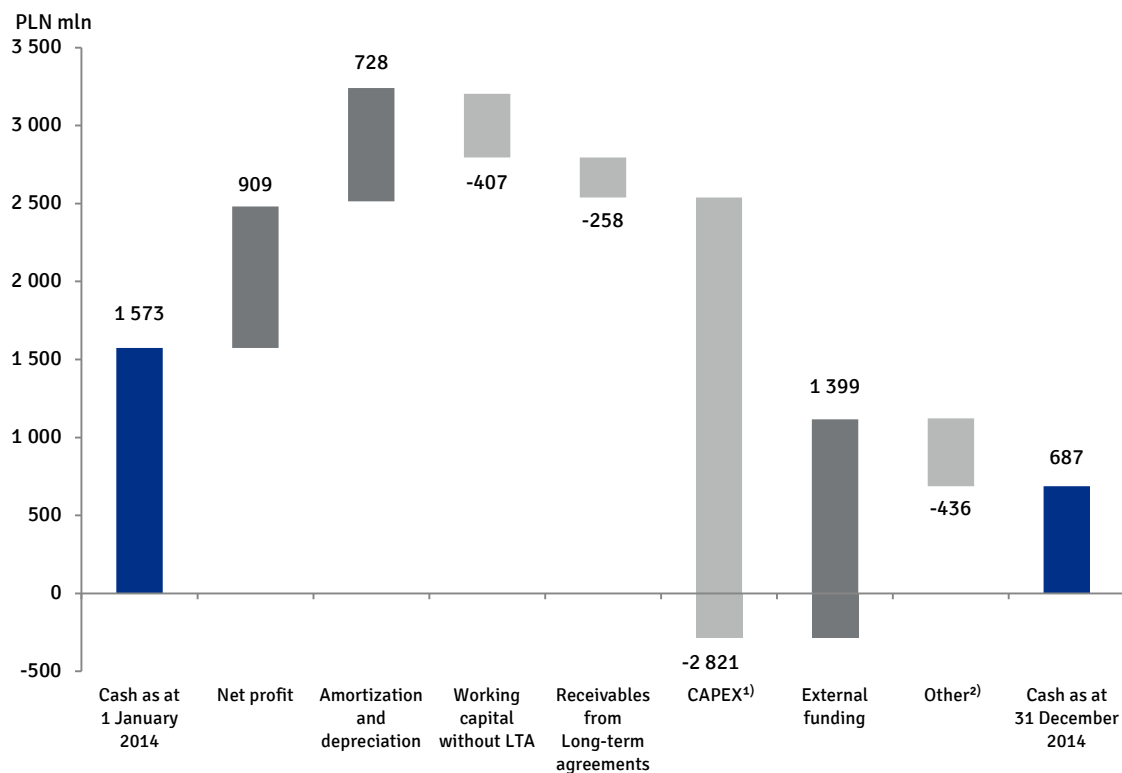
- lower trade and other liabilities (by PLN 266 mln) mainly as a result of lower investment liabilities and liabilities for purchase of energy
- lower balance of provisions for energy certificates of origin (by PLN 110 mln), which results from the volume of certificates of origin transferred to the Register of Certificates of Origin kept by PPE greater than in the previous year

Cash situation of ENEA Capital Group

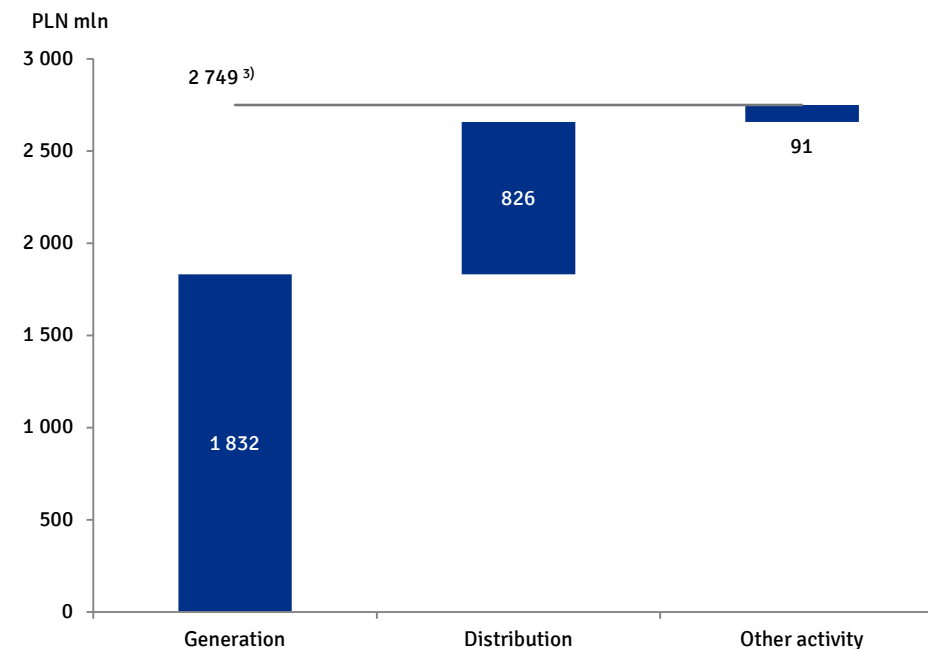
Cash flow statement [PLN '000]

	2013	2014	Change	Change %
Net cash flows from operating activities	1 644 210	1 115 676	-528 534	-32.1%
Net cash flows from investing activities	-1 770 859	-3 048 793	1 277 934	72.2%
Net cash flows from financing activities	604 956	1 045 785	440 829	72.9%
Net increase / (decrease) in cash and cash equivalents	478 307	-887 332	-1 365 639	-285.5%
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	1 573 195	687 316	-885 879	-56.3%

Cash flows for 2014



Capital expenditures of ENEA CG in 2014



1) Acquisition of tangible and intangible assets and acquisition of shares in MPEC Białystok for PLN 260 mln
 2) Including distribution of dividend (PLN 252 mln)
 3) Expenditures for tangible and intangible assets and acquisition of shares in MPEC Białystok

Ratio analysis ¹⁾

	PLN 2013	2014	Q4 2013	Q4 2014
Profitability ratios				
ROE - return on equity	6.3%	7.5%	2.1%	2.4%
ROA - return on assets	4.4%	5.0%	1.5%	1.6%
Net profitability	7.9%	9.2%	2.6%	2.8%
Operating profitability	9.9%	12.0%	3.6%	7.4%
EBITDA	18.2%	19.4%	11.6%	15.2%
Liquidity and financial structure ratios				
Current liquidity ratio	1.7	2.0	1.7	2.0
Equity-to-fixed assets ratio	92.9%	84.1%	92.9%	84.1%
Total debt ratio	29.6%	33.4%	29.6%	33.4%
Net debt / EBITDA	-0.6	0.5	-0.6	0.5
Economic activity ratios				
Current receivables turnover in days	54	57	51	56
Turnover of trade and other payables in days	74	64	63	53
Inventory turnover in days	28	26	25	25

Financial results forecasts

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

1) Ratio definitions are to be found on page 98.

Anticipated financial position

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

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

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

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

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

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

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

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

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

Key events that may considerably affect future results

Potential consolidation plans in the energy sector

As of the beginning of 2015 the Ministry of Treasury announced the preliminary consolidation plan of the Polish energy groups. Various variants are considered. As at the date of approval of these statements the final results are not known of the analysis by the Ministry of Treasury.

Demand for energy

Forecasts of the Ministry of Economy foresee that the demand for electricity will grow in all the sectors of economy, and therefore the growth in production of electricity is estimated on the level of 36.3%.

Passing of a new act on renewable energy sources (RES)

Adoption of a new act on energy renewable sources (RES) may affect the Group's results. In the currently proceeded draft act there are provisions relating to e.g. connecting sources to the power grid, in particular microinstallations, principles of purchasing energy generated in RES and disclosure requirements for generators and ODSs. Proposed solutions will result in the growth in the profitability of the realisation of the microinstallation with the capacity of up to 10 kV, which will lead to an increase in the number of such subjects connected to the distribution network. It may result in the growth of the grid loading, so that to ensure the possibility of realisation of so many connections, it will be necessary to undertake modernisation activities. However, on the current stage it is hard to predict the final shape of the act, and thus estimate the scale of its impact on ENEA Operator's operations and financial results.

Quality tariff

The so called quality tariff will be introduced by the President of ERO as of 2016. It means that the rates in the distribution tariff of ENEA Operator (and other ODSs) will depend on the quality of services provided by these entities. Service quality assessment will be performed by measuring numerous ratios, in particular ratios of uninterrupted power supply and those related to the process of connecting Customers to the power grid. The detailed model of tariffing has not been yet developed. A potential construing of tariffs so that higher remuneration will go to companies with better results or that companies with worse ratios will be "penalised", will constitute a real threat to ENEA Operator, in particular within generated revenue. On the current stage the Company is not able to estimate the impact of the quality tariff on its results. ENEA Operator implements a range of initiatives aiming at the preparation to the requirements of the President of ERO, and in particular realises a vast programme of improving the grid reliability and its uninterrupted power supply.

Long-term contracts

2014 was the last year of ENEA Wytwarzanie Sp. z o.o.'s remaining in the aid programme related to the earlier termination of long-term contracts for sale of energy and electric power.

In 2015 the President of ERO will issue the decision relating to the so called final adjustment summing up the whole aid programme. The Company estimated the level of expected compensation for Long-term Agreements in the amount of PLN 257.5 mln. The amount includes the forecast annual adjustment for 2014 and forecast final adjustment of stranded costs in full amount. The final level of compensation will depend on the court decisions.

Used financial instruments

In the reporting period ENEA Trading Sp. z o.o. concluded, for the account of ENEA Wytwarzanie Sp. z o.o., transactions hedging the currency risk (EUR purchase forward transactions) in order to hedge forward transactions for the purchase of allowances for emissions of CO₂ in 2013 and 2014. In December 2014 forward contracts hedging the currency risk of forward contracts for CO₂ with delivery in December 2014 were settled. The evaluation of active EUR purchase forward contracts as at 31 December 2014 amounted to PLN 48.12 thou.

Financial resources management

In January 2014 ENEA Capital Group Companies and PKO BP S.A. and Pekao S.A. concluded agreements for the comprehensive banking service, including Cash Pooling service. The objective of the aforementioned agreements was provision of an efficient cash management and improvement of the financial liquidity of Companies within the Group. A Cash Pooling agreement foresees the consolidation of bank accounts, as a result of which the account balances of one group companies are balanced by covering transitory financial deficits of some companies with surpluses in the other companies.

The current Companies' liquidity management is concentrated on a detailed analysis of the flow of receivables, ongoing monitoring of bank accounts and ongoing concentration of cash resources on accounts. ENEA S.A. as a Pool Leader locates the remaining financial surplus in current assets as fixed-term deposits. In order to ensure settlement of liabilities in a timely fashion key Group companies hold implemented liquidity procedures and policies. At the same time, in order to limit the risk resulting from lack of funds for the settlement of liabilities in a timely fashion ENEA Capital Group Companies have an access to intraday limits as part of Cash Pooling services.

Principles of preparation of annual consolidated financial statements and basis for publication

This Report of the Management Board on the operations of ENEA Capital Group for the financial year of 2014 was prepared in accordance with § 92 item 1(4) and § 92 item 3 in conjunction with § 91 item 5-6 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and conditions of recognising as equivalent information required by legal regulations of a state not being a member state (Journal of Laws No. 33, item 259 as amended).

Consolidated financial statements of the Capital Group included in the consolidated report of ENEA S.A. for the financial year of 2014 were prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) approved by the European Union.

The consolidated financial statements of the Capital Group were prepared with an assumption of continuing business operations by the Capital Group in the foreseeable future. The Company's Board states, as at the execution of the consolidated report, that 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, was presented in thousands of PLN.

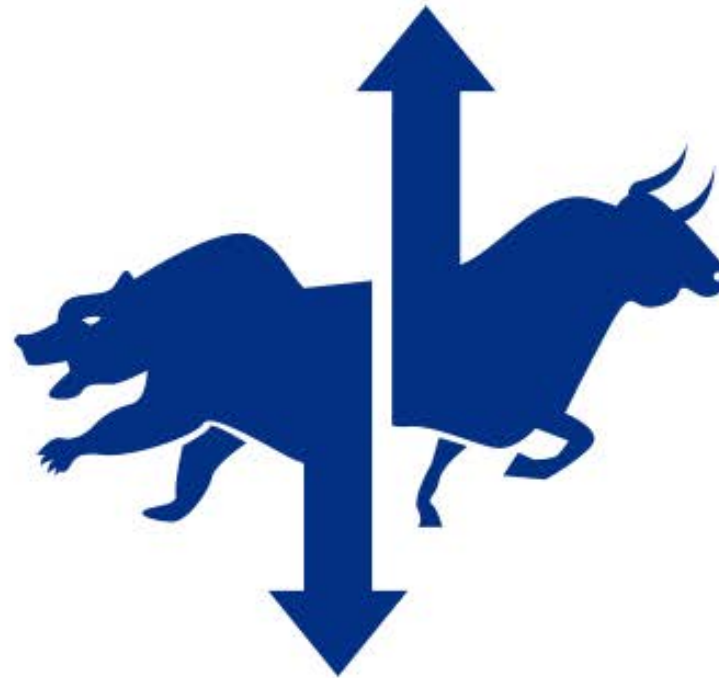
Significant events occurring after the balance sheet date

On 21 January 2015 an annex was concluded to the Programme Agreement of 8 September 2012 between ENEA S.A., ENEA Wytwarzanie Sp. z o.o. and mBank S.A. pursuant to which the Programme amount was reduced to the amount of PLN 3,000,000 thou.

On 29 January 2015 ENEA S.A. and ENEA Operator Sp. z o.o. signed an annex to the agreement for provision of energy distribution services. The Annex stipulates planned payments for the provision of distribution services in the period from 1 January 2015 to 31 December 2015 for the total amount of PLN 1,493,666.3 thou. net.

On 10 February 2015 the first issue of ENEA S.A.'s bonds was conducted as part of the bond issue programme up to the maximum amount of PLN 5,000,000 thou. The issue value amounted to PLN 1,000,000 thou. Interest paid on bonds will be calculated based on WIBOR rate for 6-month deposits increased with the margin of 0.85%. Interest will be paid semi-annually on 10 August and 10 February each year. The redemption date is on 10 February 2020. The proceeds from the issue will be designated for financing investment expenditures compliant with ENEA CG's strategy.

On 12-25 February 2015 ENEA S.A. concluded 5 transactions hedging the IRS (Interest Rate Swap) interest rate for the equivalence of the debt resulting from the issued bonds in the total amount of PLN 860,000 thou. Conclusion of transactions is related to the realisation of the interest rate risk management policy adopted for ENEA Group Companies.



4. Shares and shareholding

Share capital structure

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

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

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

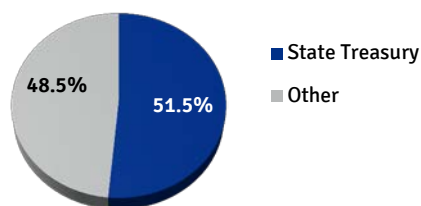
Shareholding structure

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

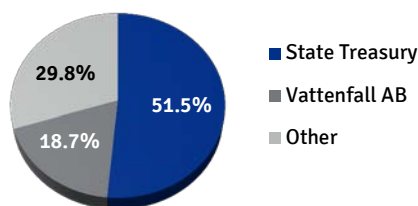
Shareholder	Number of shares/number of votes during GM	Share in the share capital/ share in the total number of votes
State Treasury	227 364 428	51.5%
Others	214 078 150	48.5%
TOTAL	441 442 578	100.0%

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

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



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



Treasury shares

ENEA S.A. or ENEA Capital Group Companies did not purchase the Company's own shares in 2014.

Changes in the shareholding structure until the date of the statement

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

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

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

Potential changes in the shareholding structure

The Company does not know of any agreements or events that could result in future changes in the proportions of shares held by the existing Shareholders. However, the nature of the process of acquiring nil-paid employee shares from the State Treasury by entitled employees and their heirs may result in some changes in the number of shares held by the State Treasury.

Employee share control system

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

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

The right to the nil-paid acquisition from the State Treasury of ENEA's shares by authorised people expired on 16 May 2012. After that date agreements may be concluded only by heirs of authorised people in specific cases provided for in the aforementioned act.

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

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

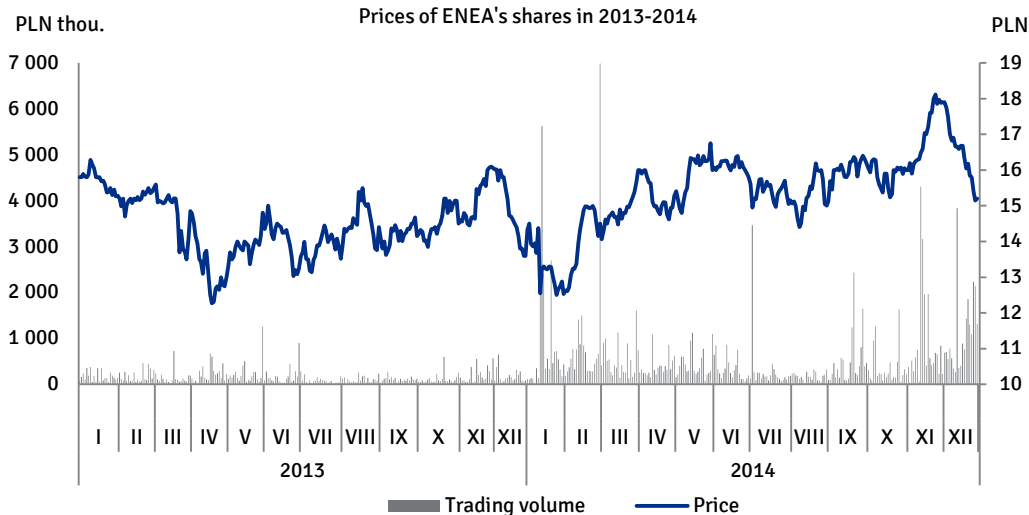
In 2014 ENEA S.A. did not launch any standard employee share programme control systems.

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

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

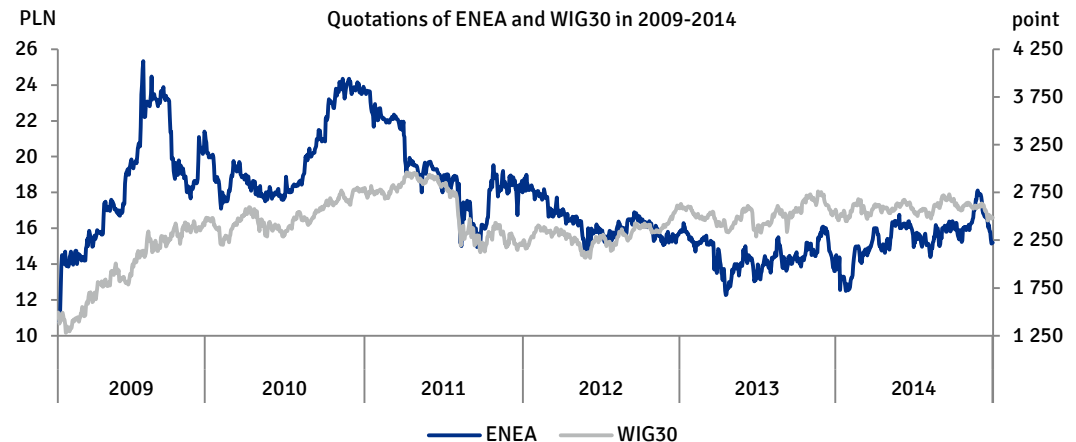
On 31 December 2014 the Company belonged to the following exchange indices:

- WIG - covers all the companies listed on the Main Market of WSE which fulfil base criteria for the participation in indices
- WIG30 - covers 30 largest enterprises listed on the Main Market of WSE
- mWIG40 - covers 40 medium enterprises listed on the Main Market of WSE
- WIG Energia – covers companies participating in the WIG index and simultaneously classified to the sector of "energy engineering"
- WIG-Poland - the index includes exclusively shares of domestic companies listed on the Main Market of WSE which fulfil base criteria for the participation in indices
- WIGdiv – includes up to 30 companies in its portfolio, which in the index rating (prepared based on the Resolution No. 871/2013 of the Board of the Stock Exchange, as amended) were located on the position not lower than 150 and characterise with the highest rate of dividend as at the end of November each year and which distributed dividends at least three times during the recent 5 financial years
- MSCI Poland Standard Index – selection criteria of companies to the portfolio of this index are compliant with the criteria concerning a company size, its liquidity and free float
- FTSE All-World – includes around 2,800 large and mid cap companies from the whole world



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

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



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

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

Investor relations

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

Every investor is equally important for ENEA Group



In 2014, as part of realised investor relations programme:

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

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

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

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

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



Recommendations issued for ENEA in 2014:

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



5. Authorities

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

Krzysztof Zamasz

President of the Board

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

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

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

Dalida Gepfert

Vice-President of the Management Board for Financial Affairs

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

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

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


Paweł Orłof

Vice-President of the Management Board for Corporate Affairs

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

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

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

Grzegorz Kinelski

Vice-President of the Management Board for Commercial Affairs

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

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

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



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

Wojciech Chmielewski, Chairman of the Supervisory Board

Date of appointment: 1 July 2012

Wojciech Chmielewski has been an employee of the Ministry of Treasury since 2000 where he is the director of the Ownership Change and Privatisation Department. He holds vast experience related to the performance of the functions of a Member of the Supervisory Board of companies with the participation of the State Treasury. Currently, he is also the Chairman of the Supervisory Board of PGNiG S.A.

Wojciech Chmielewski holds a higher qualification. He holds an MA's degree of the Polish philology and political sciences at the University of Wrocław. He graduated from post-graduate studies in "Political Sciences in Europe" at Strasbourg III University, National School of Public Administration in Warsaw and European Integration Study (organised by the National School of Public Administration and Ecole Nationale d'Administration in Paris).

Jeremi Mordasewicz, Vice-Chairman of the Supervisory Board

Date of appointment: 1 July 2012

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

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

Michał Kowalewski, Secretary of the Supervisory Board

Date of appointment: 1 July 2012

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

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

Stawomir Brzeziński, Member of the Supervisory Board

Date of appointment: 1 July 2012

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

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

Przemysław Łyczyński, Member of the Supervisory Board

Date of appointment: 1 July 2012

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

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

Sandra Malinowska, Member of the Supervisory Board

Date of appointment: 1 July 2012

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

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

Tadeusz Mikłosz, Member of the Supervisory Board

Date of appointment: 1 July 2012

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

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

Małgorzata Niezgoda, Member of the Supervisory Board

Date of appointment: 24 April 2013

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

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

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

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

Detailed information in Section 6. Corporate Governance on pages 84-86.

Principles of remuneration

Principles of remunerating present Members of the Board of ENEA S.A. were introduced pursuant to the resolutions of the Supervisory Board of ENEA S.A. of 15 April 2013. All the Members of the Board concluded agreements for provision of services - managerial contracts with the Company (further on: Service agreements), which are specified in Art. 3 item 2 of the Act of 3 March 2000 on remunerating persons managing some legal entities (Journal of Laws No. 26, item 306, as amended). Service agreements concluded by the Company and non-competition agreements enclosed to them provide as follows:

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

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

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

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

Members of the Board at own expense got insured against third party liability that may occur as a result of a failure to perform or improper performance of the management agreement.

The remuneration of Members of the Supervisory Board is set on the basis of the Minister of Treasury's declaration of 20 June 2000 on establishing the remuneration of members of Supervisory Boards in companies wholly owned by the State Treasury and is set at the level of the average monthly remuneration in the enterprise sector net of payments of bonuses from profits in Q4 of the previous year as published by the President of the Central Statistical Office. In 2014 the remuneration of Members of the Supervisory Board did not change.

Level of remuneration

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

Name	Position	Net remuneration in PLN (excluding VAT) ¹⁾	Additional consideration ²⁾
Krzysztof Zamasz	President of the Board	1 900 000.00	-
Dalida Gepfert	Member of the Board	1 600 000.00	-
Paweł Orłof	Member of the Board	1 600 000.00	-
Grzegorz Kinelski	Member of the Board	1 600 000.00	-

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

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

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

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

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

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

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

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

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

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

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



6. Corporate governance

The set of principles applied

Creating values for shareholders, also through the Company's transparency, is one of ENEA Capital Group's priorities. Having that in mind, the Board of ENEA S.A. represents that in 2014 the Company applied the corporate governance rules constituting an Addendum to the Resolution of the WSE Supervisory Board No. 19/1307/2012 of 21 November 2012 as amended, "Best Practices of WSE Listed Companies" (BPLC, Corporate Governance Rules), published on the Warsaw Stock Exchange website under <http://corp-gov.gpw.pl>. Corporate governance principles include also the section titled "Recommendations relating to best practices of listed companies" describing good practices which the Company chooses to apply voluntarily.

Principles of corporate governance the application of which was waived

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

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

Part I. Recommendations for Best Practice for Listed Companies – item 9

"WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business."

Comment:

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

The Issuer announces that the selection and appointment of members of management and supervisory authorities of the Company is conducted on the basis of applications obtained from candidates.

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

Questions asked by shareholders in relation to general meetings

Part II. Best Practice for Management Boards of Listed Companies – item 1(7)

"A company should operate a corporate website and publish on it, in addition to information required by legal regulations: (...) shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions."

Comment:

The principle mentioned above is not applied by the Company at the moment and in line with the Company's intention it will not be applied also in the foreseeable future. To some extent the information concerning proceedings of General Meetings are included in notarised minutes of GM, but they do not include all pronouncements, questions or answers occurring during the proceedings of General Meetings. The Company clarifies that with regard to answering Shareholders' questions outside of General Meetings the Company abides by, above all, the mode of publication of this type of information specified in § 38 item 1(12) of the regulation of the Minister of Finance of 19 February 2009 on current and periodic information (...)

Organisation of e-general meeting of the Company

Part IV. Best Practices of Shareholders – item 10

"A company should enable its shareholders to participate in a General Meeting using electronic communication means through real-life broadcast of General Meetings, real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting."

read together with: Part I. Recommendations for Best Practice for Listed Companies – item 1

"A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular: (...) ensure adequate communication with investors and analysts, and use to this purpose also modern methods of Internet communication."

Comment:

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

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

Independence of Members of the Supervisory Board

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

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

Comment:

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

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

Description of the key features of the issuer’s internal control and risk management systems in relation to the process of preparing consolidated financial statements

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

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

The Management Board of ENEA S.A. is responsible for the internal control system in ENEA Capital Group and its effectiveness in the process of drawing up financial statements and periodic reports. The task of an effective internal control system in financial reporting is to ensure that the financial information set out in financial statements and periodic reports is complete and correct.

Financial statements and periodic reports and monthly management and operating reporting applied by ENEA S.A. are based on data derived from the financial and bookkeeping system of the Company. After all the predetermined processes of closing the books of account at the end of each month have been carried out, detailed management reports on financial and operational matters are drawn up. Those reports are drawn up by the Controlling Department, with the participation of middle and senior managers from individual organisational units. In relation to the completed reporting periods, not only financial results of the Company are subject to a detailed analysis, but also particular business areas.

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

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

ENEA Capital Group regularly assesses the quality of its internal control and risk management systems with regard to the process of drawing up financial statements. On the basis of an assessment, the Management Board of ENEA S.A. confirms that as at 31 December 2014 there were no irregularities that could significantly affect the effectiveness of internal control as it relates to financial reporting.

One of the basic elements of control in the process of drawing up financial statements of ENEA S.A. and the ENEA Capital Group is the verification of the financial statements by an independent auditor. The tasks of the auditor include in particular: a review of the mid-year financial statements and an audit of the non-consolidated and consolidated annual financial statements. The independent auditor is selected by the Supervisory Board. Once the auditor has completed auditing the financial statements, they are sent to the members of the Company’s Supervisory Board, which assesses the non-consolidated and consolidated financial statements with regard to their compliance with the books of account, documents and the factual status. Under the provisions of the Accountancy Act, the members of the Management Board and the Supervisory Board are obliged to ensure that the financial statements and the report on operations fulfil the requirements set out in that act.

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

Information on shares and shareholding

The detailed description of the structure of the share capital, shareholding structure, changes in its structure in 2014 and potential changes within its structure is to be found in Chapter 4. Shares and shareholding on page 73.

Securities with special control authorisation

Until the date of preparation of this report ENEA S.A. has not issued any securities that could give special inspection rights with respect to the Issuer.

Restrictions on exercising voting rights

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

Restrictions on transferability of securities

As at the date of preparation of this report the Company has no limitations concerning transfer of the title to securities of the Issuer.



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

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

Pursuant to the Statute of ENEA S.A. The Company's Board convenes General Meetings in cases specified in the legal regulations and the Statute, and also if it is request in writing by the key shareholder, i.e. the State Treasury which, as long as it is the Company's shareholder and irrespective of its share in the Company's share capital, may, pursuant to Article § 400 item 1 of the Commercial Companies Code, request that an Extraordinary General Meeting of Shareholders be convened or that certain matters be included in the agenda of the next General Meeting.

The State Treasury is obliged to submit such a request in writing no later than a month before the proposed date of such General Meeting. If the request is submitted after a General Meeting is convened, it will be deemed a request for convening a subsequent Extraordinary General Meeting of Shareholders.

As provided for in § 29 item 3 of the Company's Statute, if the General Meeting is not convened within two weeks of the request, the State Treasury shareholder is entitled to convene the General Meeting pursuant to Article 354 item 1 of the Commercial Companies Code.

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

- appointing and recalling members of the Supervisory Board, subject to the provisions of the Company's Statute authorising the shareholder being the State Treasury to appoint and recall one member of the Supervisory Board (under Article 354 item 1 of the Commercial Companies Code) in a situation when the State Treasury ceases to be the only shareholder of the Company
- adopting the Regulations of the General Meeting laying down the detailed principles for conducting meetings and adopting resolutions
- issuing convertible or exchangeable bonds and other instruments enabling the purchase or subscription of the Company's shares

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

Right to participate in GM

Pursuant to Article 406¹ §1 of the Commercial Companies Code, persons who are shareholders of the Company sixteen days before the date of the General Meeting (the day of registration of participation in the General Meeting), have the right to participate in the General Meeting of the Company. Additionally, members of the Board and members of the Supervisory Board in the number enabling giving a factual answer to questions asked during GM, have the right to participate in General Meeting of ENEA S.A. with the right to vote.

Right to participate in GM by a proxy

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

Shareholders' entitlements

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

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

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

Rules on amendments to the Company's Statute

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

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

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

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

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

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



The Management Board of ENEA S.A.

Personal composition

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

Currently, the Management Board of ENEA S.A. is composed of four people. The present Board operates in the 8th term. The present composition of the Management Board, as at the publication date of this report, i.e. 20 March 2015, is presented in Chapter 5. The Capital Group's authorities are described on page 77.

Changes in the Management Board's composition

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

Principles relating to appointing and recalling management personnel

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

§ 14 of the Company's Statute provides that when the annual average employee count in the Company exceeds 500 employees, the Supervisory Board will appoint one person elected by the employees to the Management Board for the term of the Management Board.

On appointing management and supervisory board members application is made of the principles contained in the regulation of the Council of Ministers of 18 March 2003 concerning qualification proceedings for management board members of certain commercial companies (Journal of Laws No. 55, item 476 as amended).

Competences and powers of the Management Board

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

- adopting the Company's organisational regulations, subject to approval by the Supervisory Board
- creating and liquidating branches
- appointing an authorised signatory or an authorised representative, except for an attorney ad litem; appointing an authorised signatory requires the consent of all the members of the Management Board
- taking out loans or credit facilities
- adopting annual material and financial plans, including investment plans, and long-term strategic plans, subject to approval by the Supervisory Board
- contracting contingent obligations, including the Company granting guarantees and sureties and issuing promissory notes

- acquiring, disposing of or encumbering real property, rights of perpetual usufruct or shares in real property, on the basis of one or more legal acts in a period of 12 consecutive months, with a value greater than or equal to the equivalent of EUR 50,000
- giving over the Company's real property under a leasing, tenancy, lease, lending or usufruct agreement or for any other use
- taking over real property under a leasing, tenancy, lease or usufruct agreement or for any other use, on the basis of one or more legal acts in a period of 12 consecutive months, where the value of the rent for 12 consecutive months is greater than or equal to the equivalent of EUR 50,000
- acquiring, disposing of or encumbering a fixed asset, except for real property, rights of perpetual usufruct or shares in real property, on the basis of one or more legal acts in a period of 12 consecutive months, with a value greater than or equal to the equivalent of EUR 50,000
- any instance of offering fixed assets, except for real property, for leasing, lease, rent, borrowing, usufruct or any other use
- taking over a fixed asset, except for real property, under a leasing, tenancy, lease or any other use, on the basis of one or more legal acts in a period of 12 months, where the value of the rent for 12 consecutive months is greater than or equal to the equivalent of EUR 50,000
- matters that the Management Board requests that the Supervisory Board or General Meeting of Shareholders consider
- determining the manner in which the Company exercises its voting rights at the General Meeting of Shareholders or at shareholders meetings of Significant Subsidiaries, subject to § 20 item 6(5) of the Statute



Management Board's principles of operation

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

The Management Board operates based on the provisions of the Commercial Companies Code, Company's Statute and Rules of the Management Board of ENEA S.A. The Rules of the Management Board are adopted with a resolution of the Management Board and approved by the Supervisory Board. The Rules of the Management Board of ENEA S.A. in force in the Company were adopted with the resolution of the Board of 22 June 2010, as amended.

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

Pursuant to the Rules of the Management Board, meetings of the Management Board take place at the registered office of the Company on Tuesdays, unless the President of the Board or a Member of the Board assigned by him decides otherwise.

Meetings of the Management Board of the Company are convened by the President of the Board or a Member of the Board designated by him, at the President's own initiative or upon a motion by two Members of the Board. Participation in meetings of the Management Board is compulsory. A Member of the Board substantiates their absence during the Board's meeting in writing or using means of remote communication. Absence during the Board meeting is substantiated by the meeting Chairman. Employees of the Company, experts and external advisers may be invited to attend Management Board meetings. The agenda and the necessary documents for a Management Board meeting are provided by the Company's Governing Bodies Office at least two business days before the meeting. For valid reasons, a meeting can be convened immediately and without materials being provided. For a meeting to be held, all the members of the Management Board must be effectively notified of the meeting.

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

The Management Board can adopt resolutions in writing or remotely using means of direct remote communication. Adopting resolutions in this manner requires a justification and that the draft resolution be presented in advance to all the members of the Management Board. Resolutions adopted in writing or remotely using means of direct remote communication are presented at the next meeting of the Management Board with the outcome of the vote.

Full text of the Statute and the Rules of the Management Board of ENEA S.A. with the description of the operations of the Management Board is published on www.enea.pl under "Investor relations" -> "Corporate governance".

The Supervisory Board of ENEA S.A.

Personal composition

Pursuant to the Company's Statute, the Supervisory Board is composed of 6 to 15 members appointed by: (i) General Meeting, (ii) Company's employees and (iii) the State Treasury. The Supervisory Board should be as a minimum composed of one person nominated by the General Meeting from among the persons satisfying the independence criterion specified in the corporate governance rules adopted by the Supervisory Board of WSE.

Presently, the Supervisory Board of ENEA S.A. is composed of eight people and operates in the 8th term. The present composition of the Supervisory Board, as at the publication date of this report, i.e. 20 March 2015, is presented in Chapter 5. The Capital Group's authorities are described on page 78.

Changes in the composition of the Supervisory Board

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

Operations

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

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

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

The Supervisory Board convenes at least once every two months. Meetings of the Supervisory Board are convened by the Chairman or Vice-Chairman of the Board, who will also present a detailed agenda. A Supervisory Board's meeting should be convened at the request of any Supervisory Board member or at the request of the Management Board.

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

A meeting of the Board will be convened within two weeks from the date when a request is received. For a meeting of the Supervisory Board to be convened, all the members of the Board must be invited in writing at least seven days before the meeting. For valid reasons, the Chairman of the Supervisory Board can reduce that period to two days, specifying the manner of delivering the invitations. In an invitation to a meeting of the Supervisory Board, the Chairman will specify the time and venue of the meeting and include a detailed draft agenda. He/she will also enclose materials with the invitation relating to the matters included on the agenda. In cases indicated in the Rules of the Supervisory Board meetings of the Supervisory Board may also be held with no formal convening.

Supervisory Board meetings are chaired by its Chairman, or, in his/her absence, by the Vice-Chairman or other Supervisory Board member appointed at the meeting. The Chairman of the Supervisory Board, and in his/her absence, a Vice-Chairman or another Supervisory Board member chairing the meeting, ensures an efficient and proper course of the Supervisory Board's meetings, in accordance with the adopted agenda, legal regulations, the Statute and the Rules of the Supervisory Board of ENEA S.A., and in particular he/she has an exclusive right to:

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

On recognition of each submitted matter members of the Supervisory Board are entitled to assess draft resolutions in a discussion and submit amendments to them, however the discussion should proceed in accordance with the following principles (§ 4 item 7a of the Rules of the Supervisory Board):

- a member of the Supervisory Board may speak exclusively on matters included in the agenda within the scope of the item of the agenda under discussion
- on considering each business from the agenda, depending on its nature, the Chairman may set a time limit for its discussion by each speaker

- the Chairman shall have the right to instruct the speaker who diverges from the topic, exceeds permitted time limits, or makes prohibited utterances
- the Chairman shall have the right to take the floor back from speakers who do not adhere to the Chairman's remarks or to the provisions of the Regulations
- the Chairman shall decide on termination of the discussion

The proposed agenda can be changed if all the members of the Supervisory Board are present at the meeting and no one objects to the agenda. Any matters that are not included on the agenda will be included on the agenda of the next meeting.

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

Subject to the cases described in the Commercial Companies Code the Supervisory Board can also adopt resolutions in writing, by signing the same copy (or copies) or the draft resolution or separate documents with the same content, or by telephone or by other means of remote communication, in a manner that allows all the Members participating in the meeting to directly communicate with each other.

Adopting a resolution by this procedure requires that a justification for the resolution be drawn up in advance and that a draft resolution be presented to all the members of the Supervisory Board together with the justification. Resolutions adopted in writing or remotely using means of direct communication are presented at the next meeting of the Supervisory Board with the outcome of the voting. Supervisory Board members may participate in adopting resolutions by casting votes in writing through another Supervisory Board Member, subject to Article 388 § 2 and 4 of the Commercial Companies Code.

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

Supervisory Board's Committees

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

- The Audit Committee
- Nominations and Remuneration Committee

The committee consists of at least three members appointed by the Supervisory Board from among its members for a period corresponding to the length of the Board's term. The members of the committee elect a chairman of the committee from among their number. The chairman of the committee directs and supervises the committee's work, particularly the organisation and procedure of committee meetings. The Chairman of the Supervisory Board may be a member of the Board's Committees but may not act as the Chairman of the Audit Committee.

Committees' personal composition

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

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

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

Audit Committee operations

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

Particular aspects of operations of the Audit Committee:

- the Chairman of the committee directs and supervises the committee's work, particularly the organisation and procedure of committee meetings. Committee resolutions are adopted at meetings or remotely using means of direct remote communication
- the chairman of the committee submits resolutions, motions and reports on matters on the Board's agenda to the Supervisory Board, as well as other motions, including motions regarding the need to draw up an expert opinion or an opinion concerning the scope of the committee's tasks for the needs of the committee or employ an adviser
- advising the Board regarding the internal policy and budget procedures adopted by the Company and inspecting them and advising on the Company's contacts with the certified auditor

Nominations and Remuneration Committee operations

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

The task of the Nominations and Remuneration Committee is to promote the achievement of the Company's strategic objectives by presenting opinions and motions to the Board regarding the structure of employment and the remuneration paid to the Company's personnel, particularly management personnel.

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

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

- analysing Management Board's policy concerning the nomination, election and appointment of senior managerial personnel
- presenting proposals to the Board relating to the remuneration and forms of employment of members of the Management Board, taking into account their previous achievements

- presenting opinions to the Supervisory Board on the justification for awarding performance-based remuneration and on incentives based on realisation of tasks and goals of the Company and proposals in that respect

Operations of Committees in 2014

Audit Committee

The Audit Committee held 7 meetings and adopted 13 Resolutions regarding:

- positive assessment of the Annual Audit Plan for 2015 for ENEA Group and Budget of the Audit Management Department for 2015
- positive assessment of methods for auditing financial statements of the Company for the financial year 2013
- acceptance and presentation to the Supervisory Board of *Report of the Audit Committee of the Supervisory Board of ENEA S.A. on operations in 2013 and Report of the Audit Committee of the Supervisory Board of ENEA S.A. on operations in H1 2014*
- approval of the recommendation for the Supervisory Board of ENEA S.A. regarding the selection of KPMG Audyt Sp. z o.o. as a certified auditor for ENEA S.A. for 2015-2017
- positive assessment of the audit methods of the Condensed semi-annual non-consolidated financial statement for the period from 1 January to 31 March 2014 and Condensed semi-annual consolidated financial statements for the period from 1 January to 31 March 2014
- acceptance and submission of reports to the Supervisory Board of ENEA S.A. from performed audits

Nominations and Remuneration Committee

The Nominations and Remuneration Committee held 3 meetings and adopted 6 Resolutions. The subject matter of the meetings of the Committee was e.g. development of a recommendation for the Supervisory Board regarding:

- approval of *ENEA S.A.'s Members of the Board KPI ratios for 2014* and conclusion of annexes to the Service Agreements - managerial contracts with Members of the Board of ENEA S.A.
- confirmation of the realisation of *ENEA S.A.'s Members of the Board KPI ratios for 2013 financial year*

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

Implementation of "Enea Capital Group's Code of Conduct"

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

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

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

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

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

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

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

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



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

In June 2014 a cycle of e-learning trainings commenced available for all the Group's employees, promoting the conduct compliant with "Enea Capital Group's Code of Conduct". In the Intranet, under the Code-dedicated tab and on the Group's e-learning platform, five trainings were made available until the end of October 2014

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

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

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

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

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



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

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

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

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

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

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

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

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

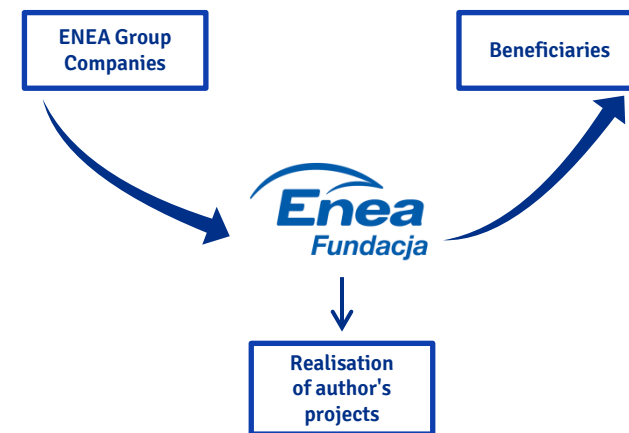
In 2014 ENEA S.A. took part in the project for the third time. Again, it received a honorary mention in the ranking for the high level and transparency of communicated non-financial data. ENEA was found among 3 best companies in its sector, in the category of a public utility company and among 30 listed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

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

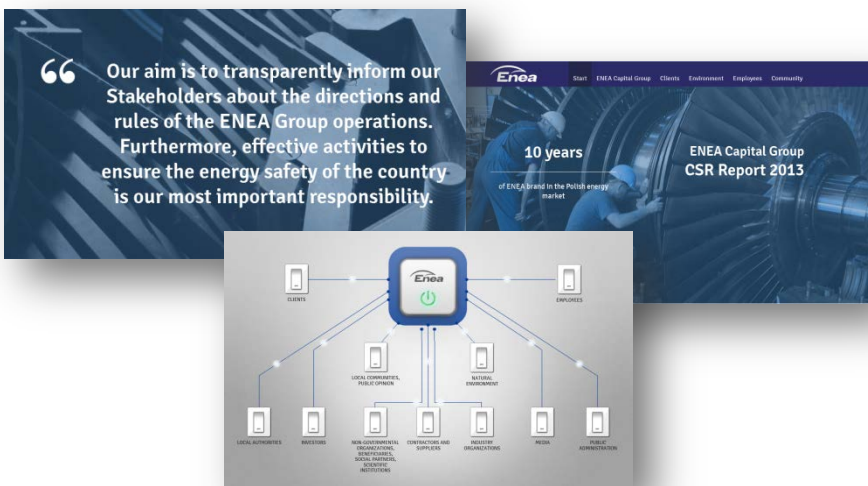
ENEA Foundation operations

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

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



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



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

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

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

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

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

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

We are rebuilding the house

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

Sensitivity day

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

Presidents play truant

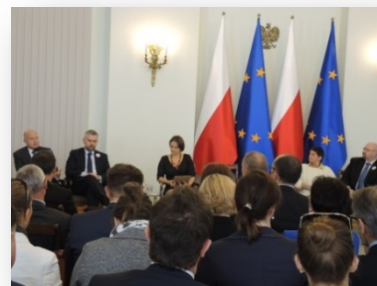
The Presidents of the four largest ENEA Group Companies proved within the action that notwithstanding the title or performed work, it is always worth sharing not only own time, but also experience and knowledge. They e.g. conducted untypical classes for children connected with electricity. They taught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

Collection of clothes for the Single Mother House

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



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



Scientific Picnic

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

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

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

Reconstruction of Palium Hospice

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

They ran, so that other people could stand

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



Great Integration Gala

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

Pillow for a baby

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

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

Santa Clause's helpers

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

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

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



Honorary mentions for ENEA Group in 2014

We adjust to the needs of our Customers

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

ENEA among 30 listed companies best reporting non-financial data

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

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

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

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

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

Krzysztof Zamasz "Man of the Year" 2013

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



Attachments

Profit and loss statement of ENEA S.A. – 2014

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

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

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

Profit and loss statement of ENEA S.A. – Q4 2014

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

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

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

Profit and loss statement of ENEA Operator - 2014

[PLN '000]	2013	2014	Change	Change %
Revenue from sales of distribution services to end users	2 658 862	2 703 633	44 772	1.7%
Revenue from additional fees	3 991	6 279	2 287	57.3%
Revenue from non-invoiced sales of distribution services	7 382	-5 906	-13 288	-180.0%
Clearing of the Balancing Market	20 520	36 635	16 115	78.5%
Fees for customer grid connection	110 371	93 694	-16 677	-15.1%
Revenue from the illegal collection of electricity	7,643	6 778	-865	-11.3%
Revenue from services	98 930	74 208	-24 722	-25.0%
Sales of distribution services to other entities	25 632	18 542	-7,089	-27.7%
Sales of goods and services and other revenue	4 477	4 000	-477	-10.7%
Sales revenue	2 937 807	2 937 863	55	0.0%
Depreciation and amortisation of fixed and intangible assets	379 011	423 416	44 405	11.7%
Employee benefit costs	554 484	413 504	-140 980	-25.4%
Consumption of materials and raw materials and value of goods sold	43 242	42 141	-1 101	-2.5%
Purchase of energy for own needs and grid losses	326 175	236 223	-89 952	-27.6%
Costs of transmission services	598 627	708 263	109 636	18.3%
Other outsourced services	198 107	225 429	27 322	13.8%
Taxes and charges	137 034	150 322	13 288	9.7%
Cost of sales	2 236 680	2 199 298	-37 382	-1.7%
Other operating revenue	47 686	48 841	1 155	2.4%
Other operating expenses	206 294	31 772	-174 522	-84.6%
Profit / loss on sales and liquidation of tangible fixed assets	-2 911	-5 842	-2 931	-100.7%
Operating profit/loss	539 608	749 792	210 183	39.0%
Financial revenue	7 809	3 838	-3 971	-50.9%
Financial expenses	24 926	41 589	16 663	66.8%
Gross profit/loss	522 491	712 041	189 549	36.3%
Income tax	101 135	136 196	35 061	34.7%
Net profit/loss	421 356	575 845	154 488	36.7%
EBITDA	918 619	1 173 208	254 588	27.7%

2014:
Change factors of EBITDA of ENEA Operator Sp. z o.o. (growth by PLN 255 mln):

- (+) higher result on the other operating activity stemming from lower costs of legal regulations under grid assets. In 2013 a provision was established relating to the liability of State Forests by title of property tax, and in 2014 the provisions relating to grid assets were only updated (PLN 173 mln)
- (+) lower costs of employee benefits resulting from the employment and labour cost optimisation and lower employee provisions and transfer of some employees to ENEA Centrum (PLN 141 mln) In 2013 a provision was established for PVR and in 2014 it was updated
- (+) lower volumes of energy purchases and lower average purchase price of energy for covering book-tax difference (PLN 106 mln)
- (+) higher sales of distribution services (PLN 31 mln)
- (-) higher costs of purchase of transmission services (PLN 110 mln)
- (-) higher costs of outsourced services as a result of settlements with ENEA Centrum with a concurrent drop in costs of the other outsourced services following from the performed optimisation (PLN 27 mln)
- (-) lower revenue from fees for grid connections as a result of lower rates in 2014 Tariff vs. 2013 Tariff (PLN 17 mln)
- (-) higher property tax resulting from higher value of grid assets as a result of performed investments (PLN 13 mln)

Profit and loss statement of ENEA Operator - Q4 2014

[PLN '000]	Q4 2013	Q4 2014	Change	Change %
Revenue from sales of distribution services to end users	673 629	690 656	17 027	2.5%
Revenue from additional fees	1 094	1 265	171	15.6%
Revenue from non-invoiced sales of distribution services	8 505	5 135	-3 370	-39.6%
Clearing of the Balancing Market	-27	7 116	7 143	26 733.1%
Fees for customer grid connection	32 676	24 899	-7 777	-23.8%
Revenue from the illegal collection of electricity	2 148	1 389	-759	-35.3%
Revenue from services	25 708	15 546	-10 162	-39.5%
Sales of distribution services to other entities	6 900	4 530	-2 369	-34.3%
Sales of goods and services and other revenue	1 576	1 236	-340	-21.6%
Sales revenue	752 208	751 771	-437	-0.1%
Depreciation and amortisation of fixed and intangible assets	97 069	116 132	19 063	19.6%
Employee benefit costs	150 609	97 415	-53 194	-35.3%
Consumption of materials and raw materials and value of goods sold	11 012	10 378	-634	-5.8%
Purchase of energy for own needs and grid losses	91 046	56 275	-34 771	-38.2%
Costs of transmission services	146 547	179 741	33 194	22.7%
Other outsourced services	64 752	74 142	9 390	14.5%
Taxes and charges	32 457	37 130	4 673	14.4%
Cost of sales	593 492	571 213	-22 279	-3.8%
Other operating revenue	16 031	4 203	-11 828	-73.8%
Other operating expenses	154 535	10 286	-144 249	-93.3%
Profit / loss on sales and liquidation of tangible fixed assets	-222	-4 770	-4 548	-2 048.6%
Operating profit/loss	19 990	169 705	149 715	748.9%
Financial revenue	3 602	543	-3 059	-84.9%
Financial expenses	8 386	17 583	9 197	109.7%
Gross profit/loss	15 206	152 665	137 459	904.0%
Income tax	2 586	29 613	27 027	1 045.1%
Net profit/loss	12 620	123 052	110 432	875.0%
EBITDA	117 059	285 837	168 778	144.2%

Q4 2014:
Change factors of EBITDA of ENEA Operator Sp. z o.o. (growth by PLN 169 mln):

- (+) higher result on the other operating activity stemming from lower costs of legal regulations under grid assets. In 2013 a provision was established relating to the liability of State Forests by title of property tax, and in 2014 the the provisions relating to grid assets were only updated (PLN 128 mln)
- (+) lower costs of employee benefits resulting from the employment and labour cost optimisation and lower employee provisions and transfer of some employees to ENEA Centrum. In 2013 a provision was established for PVR and in 2014 it was updated (PLN 53 mln)
- (+) lower volumes of energy purchases and lower average purchase price of energy for covering book-tax difference (PLN 42 mln)
- (+) higher volumes of sales of distribution services (PLN 14 mln)
- (-) higher costs of purchase of transmission services (PLN 33 mln)
- (-) higher costs of outsourced services as a result of settlements with ENEA Centrum with a concurrent drop in costs of the other outsourced services following from the performed optimisation (PLN 9 mln)
- (-) lower revenue from fees for grid connections as a result of lower rates in 2014 Tariff vs. 2013 Tariff (PLN 8 mln)
- (-) higher property tax resulting from higher value of grid assets as a result of performed investments (PLN 5 mln)

Profit and loss statement of ENEA Wytwarzanie - 2014

[PLN '000]	2013	2014	Change	Change %
Revenue from the sale of electricity	2 713 564	2 774 586	61 022	2.2%
<i>generating licence</i>	2 332 884	2 345 390	12 506	0.5%
<i>trade licence</i>	380 680	429 196	48 516	12.7%
Revenue from certificates of origin	179 658	188 035	8 377	4.7%
Revenue from sales of CO ₂ emission allowances	14 236	32 942	18 706	131.4%
Revenue from sale of heat	142 189	143 926	1 737	1.2%
Recovery of stranded costs	964	257 508	256 544	26 612.4%
Revenue from services	8 726	10 937	2 211	25.3%
Sales of goods and services and other revenue	10 224	9 447	-777	-7.6%
Excise tax	669	305	-364	-54.4%
Net sales revenue	3 068 892	3 417 076	348 184	11.3%
Depreciation and amortisation of fixed and intangible assets	356 175	278 439	-77 736	-21.8%
Employee benefit costs	314 269	260 003	-54 266	-17.3%
Consumption of materials and raw materials and value of goods sold	1 650 321	1 654 009	3 688	0.2%
Costs of purchases for resale	350 835	562 975	212 140	60.5%
Transmission services	1 694	1 674	-20	-1.2%
Other outsourced services	128 891	128 129	-762	-0.6%
Taxes and charges	87 954	94 979	7 025	8.0%
Cost of sales	2 890 139	2 980 208	90 069	3.1%
Other operating revenue	44 418	42 805	-1 613	-3.6%
Other operating expenses	21 027	29 569	8 542	40.6%
Profit / loss on sales and liquidation of tangible fixed assets	-3 503	929	4 432	126.5%
Tangible and intangible impairment write-off	1 466	30 556	29 090	1 984.3%
Operating profit/loss	197 175	420 477	223 302	113.3%
Financial revenue	21 537	14 880	-6 657	-30.9%
Financial expenses	21 961	71 602	49 641	226.0%
Dividend revenue	4 552	3 355	-1 197	-26.3%
Write off of goodwill	0	3 131	3 131	100.0%
Gross profit/loss	201 303	363 979	162 676	80.8%
Income tax	67 939	77 478	9 539	14.0%
Net profit/loss	133 364	286 501	153 137	114.8%
EBITDA	553 350	698 916	145 566	26.3%

2014:
Change factors of EBITDA in ENEA Wytwarzanie Sp. z o.o. (growth by PLN 145 mln):
Segment of System Power Plants - growth in EBITDA by PLN 171 mln:

- (+) higher revenue from compensation for coverage of stranded costs (PLN 257 mln) - forecast final and annual adjustment for 2013-14 in full amount in 2014
- (+) lower fixed costs (PLN 62 mln) - mainly lower costs of renovations and establishment of the provision for PVR in 2013
- (+) higher revenue from the Regulatory System Services (PLN 14 mln) - mainly higher revenue from operating power reserve
- (-) lower margin on generation (PLN 95 mln), resulting mainly from lower market energy prices
- (-) lower margin on trade and on the Balancing Market (PLN 50 mln), which mainly results from lower average selling price and also higher average purchase price
- (-) loss of EBITDA due to failure of unit No. 9 (PLN 23 mln)

Segment of Heat - growth in EBITDA by PLN 25 mln:

- (+) higher revenue from sales of electricity (PLN 20 mln) as a result of higher volumes and higher price
- (+) higher revenue from certificates of origin (PLN 6 mln) as a result of higher recognition and higher price
- (+) higher result on other operating activity (PLN 6 mln)
- (-) higher costs of materials (PLN 4 mln) - higher costs of biomass and coal consumption

Segment of RES - lower EBITDA by PLN 51 mln:

- (-) Biogas area: establishment of asset write-down (PLN 30 mln)
- (-) Water area: electricity sale revenue lower by PLN 8 mln (worse hydrological conditions and lower prices) and revenue from certificates of origin lower by PLN 7 mln (lower recognition and lower prices)
- (-) Wind area: Darżyno wind farm - lower result on the other operating activity (PLN 2 mln); Bardy wind farm: higher costs of outsourced services (PLN 2 mln) and lower revenue from energy by PLN 1 mln (lower prices), lower revenue from certificates of origin by PLN 1 mln (lower prices) and higher result on the other operating activity (PLN 2 mln)

Profit and loss statement of ENEA Wytwarzanie - Q4 2014

[PLN '000]	Q4 2013	Q4 2014	Change	Change %
Revenue from the sale of electricity	693 678	732 404	38 726	5.6%
<i>generating licence</i>	<i>556 024</i>	<i>629 023</i>	<i>72 999</i>	<i>13.1%</i>
<i>trade licence</i>	<i>137 654</i>	<i>103 381</i>	<i>-34 273</i>	<i>-24.9%</i>
Revenue from certificates of origin	65 588	47 237	-18 351	-28.0%
Revenue from sales of CO ₂ emission allowances	4 005	28 017	24 012	599.6%
Revenue from sale of heat	41 225	47 849	6 624	16.1%
Recovery of stranded costs	0	0	0	0.0%
Revenue from services	1 227	2 876	1 649	134.4%
Sales of goods and services and other revenue	1 576	2 449	873	55.4%
Excise tax	439	-37	-476	-108.4%
Net sales revenue	806 860	860 869	54 009	6.7%
Depreciation and amortisation of fixed and intangible assets	83 584	78 537	-5 047	-6.0%
Employee benefit costs	97 391	57 117	-40 274	-41.4%
Consumption of materials and raw materials and value of goods sold	399 865	429 771	29 906	7.5%
Costs of purchases for resale	107 337	131 728	24 391	22.7%
Transmission services	470	364	-106	-22.6%
Other outsourced services	42 596	39 640	-2 956	-6.9%
Taxes and charges	22 433	24 326	1 893	8.4%
Cost of sales	753 676	761 483	7 807	1.0%
Other operating revenue	17 268	10 474	-6 794	-39.3%
Other operating expenses	11 551	7 748	-3 803	-32.9%
Profit / loss on sales and liquidation of tangible fixed assets	-913	585	1 498	164.1%
Tangible and intangible impairment write-off	1 466	30 556	29 090	1 984.3%
Operating profit/loss	56 522	72 141	15 619	27.6%
Financial revenue	7 424	8 522	1 098	14.8%
Financial expenses	7 179	55 287	48 108	670.1%
Dividend revenue	0	0	0	0.0%
Write off of goodwill	0	3 131	3 131	100.0%
Gross profit/loss	56 767	22 245	-34 522	-60.8%
Income tax	24 763	6 124	-18 639	-75.3%
Net profit/loss	32 004	16 121	-15 883	-49.6%
EBITDA	140 106	150 678	10 572	7.5%

Q4 2014:
Change factors of EBITDA in ENEA Wytwarzanie Sp. z o.o. (growth by PLN 11 mln):
Segment of System Power Plants - growth in EBITDA by PLN 44 mln:

- (+) lower fixed costs (PLN 39 mln) – mainly lower costs of renovations and establishment in 2013 of provisions for PVR
- (+) higher margin on the Balancing Market (PLN 10 mln) - consequence of a greater volumes of sales
- (+) higher margin on generation (PLN 8 mln), stemming mainly from greater volumes and lower other variable costs
- (-) lower margin on co-firing (PLN 9 mln) as a result of lower unit margin and smaller volumes
- (-) lower margin on trade (PLN 9 mln), which mainly results from lower average selling price and smaller volumes

Segment of Heat - growth in EBITDA by PLN 14 mln:

- (+) higher revenue from sales of electricity by PLN 9 mln (greater volumes and higher price)
- (+) higher revenue from sales of heat by PLN 6 mln (as result of greater volumes)
- (+) lower costs of employee benefits by PLN 2 mln

Segment of RES - lower EBITDA by PLN 47 mln:

- (-) Biogas area: establishment of asset write-down (PLN 30 mln)
- (-) Wind area: Bardy wind farm: mainly lower result on the other operating activity by PLN 8 mln and lower revenue from electricity by PLN 3 mln (smaller volumes and lower prices); Darżyno wind farm: lower result on the other operating activity by PLN 2 mln (costs of abandoned investments)
- (-) Water area: lower revenue from certificates of origin by PLN 2 mln (lower recognition and lower prices) and lower revenue from sales of energy by PLN 2 mln (worse hydrological conditions and lower prices), concurrently lower prices of outsourced services by PLN 1 mln

Financial ratios

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

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

Sectoral terms/abbreviations

Abbreviation/term	Full name/explanation
BlueNext	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
CO (CH)	Carbon oxide
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
IED Directive	Directive of the European Parliament and of the Council 2010/75/EC of 24 November 2010 regarding industrial emissions (integrated pollution prevention and control)
ENVI	The Committee on the Environment, Public Health and Food Safety
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
GUD-K (GDA-C)	General Distribution Agreement for the comprehensive service (comprehensive service for household consumers rendered by various sellers)
ICE	Trading platform enabling trade in allowances for emissions of CO ₂ (EUA) and units of certified reduction of emissions (CER) on futures market
IOS installation	Fue gas desulphurisation plant
SCR installation	Installation of the catalytic denitrogenation of flue gases
Cogeneration	A technological process of a combined generation of electricity and usable heat energy in combined heat and power plants
KPRU III/ 3rd settlement period	National Allocation Plan of CO ₂ emission allowances for 2013-2020
MWe	Megawatt of electrical power
MWh	Megawatthour (1 GWh = 1,000 MWh)
MWt	Megawatt of heating power
NO_x	Nitric oxides

Abbreviation/term	Full name/explanation
OH	Commercial Coordinator
OHT	Scheduling Co-ordinator
OSD (ODN)	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
"Violet" 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

Abbreviation/term	Full name/explanation
KMTX	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
Forward market	Electricity market on which forward products are listed
SPOT market	Cash market (spot)
Balancing market	Technical market by an Operator of the transmission system Its objective is balancing, in real time, the demand for electricity with its production in the public power system (PPS, Polish "KSE")
SO ₂	Sulphur dioxide
SHE	The system for trading in CO ₂ emission allowances
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)
TPA	Third-party access - a rule stating that an owner or operator makes the grid infrastructure available to third parties in order to deliver the goods/services to third party's customers (it may relate to the transmission or sale of electricity, telecom services, or railway services)

Abbreviation/term	Full name/explanation
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
WRA (RAB)	The Regulatory Value of Assets
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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