



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



2,4 mln Customers



Report of the Management Board on the operations of the ENEA Capital Group in 2013

Date of approval: 10 March 2014



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



199 MW power
installed in RES



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



3,2 GW installed
capacity



Enea

Poznań, 21 March 2014

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Operating summary

ENEA Capital Group in 2013 generated:

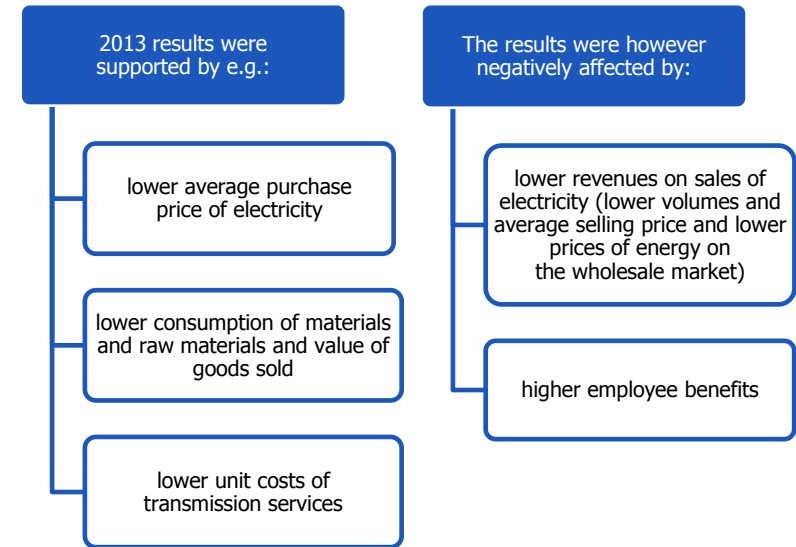
- PLN 9,151 mln net sales revenues,
- PLN 1,659 mln EBITDA (growth by 5.3% yoy),
- PLN 715 mln net profit (growth by 3.1% yoy).

Analysing Q4 2013 alone the impact of one-off events should be taken into account, including e.g. costs related to the launching of Programme of Voluntary Redundancy in the Group, which charged the consolidated results on the level of EBITDA with PLN 98 mln. Taking into account one-off factors, in Q4 2013 the Group realised:

- PLN 2.363 mln net sales revenues,
- PLN 258 mln EBITDA,
- PLN 49 mln net profit.

In 2013 the highest EBITDA was reported in the segment of distribution and amounted to PLN 881 mln after a growth by 11.6% in relation to the same period of the previous year. The segment of trade's result improved by 13.8%, which at the end of the analysed period was on the level of PLN 251 mln. Lower margin on the generation of electricity and co-firing of biomass caused that the segment of generation ended the previous year with a result of PLN 559 mln.

ENEA CG in 2013 improved the margin on the operating level by 1.6 p.p., and EBITDA margin by 2.5 p.p. During January-December 2013, the Group's investment programme was also consistently realised - growth in the capital expenditures yoy by PLN 0.4 bln to PLN 2.2 bln with an advantageous value of net debt/EBITDA -0.6.



In 2013 ENEA CG increased generation of electricity both from conventional sources (growth by 2.9% yoy) and RES (growth by 7.0% yoy) producing a total of 11.9 TWh electricity (growth by 3.2% yoy).



Letter of the President of the Management Board

Dear Sirs and Madams,

on behalf of the Management Board I have the pleasure to present the 2013 Annual Report in which we sum up the operations and achievements of ENEA Capital Group. The previous year was very important for our Group. It was a period of changes and new challenges. After thorough analyses and long discussions we completed works on the preparation of the Corporate Strategy of ENEA Capital Group for 2014-2020 which was approved by the Supervisory Board in October.

The adopted strategy makes our goals precise as well as tools with the use of which we will pursue them. Its provisions constitute a direction towards an increase in the strength and competitiveness of the Group. Our mission is enhancing the Group's value through building customer confidence. We wish to be a fully integrated energy group which flexibly responds to market needs and uses the resources at hand optimally. We treat these tasks seriously and they will lead all our activities during subsequent years. We will achieve these goals, e.g. through the implementation of the investment plan totalling to PLN 20 bln. It is indispensable both in the light of the rivalry with other players on the Polish power market, and also challenges which the whole country faces within this area. Operating in competitive market surroundings, we are continuously paying attention to building value for our Shareholders. We identified the Group's value generators and selected a range of activities which will allow us, in a planned and efficient way, to manage the value of our organisation. We are ready to respond to changes and market challenges, but we also wish to independently set trends and change directions.

What is a challenge for the whole Polish energy sector is a necessity to increase generating capacities. We undertake them through the realisation of projects in the segment of system power plants, cogeneration sources and heating networks, and as well as in the segment of renewable energy sources, which we treat as equally important. Expenses in the segment of generation constitute the largest item in the Group's planned investments.

ENEA Capital Group ended 2013 with the revenues on the level of PLN 9.151 mln and PLN 715 mln net profit. In the situation of great changes, market liberalisation and greater competition such a result must be deemed satisfactory. Financial results confirm the Capital Group's strong position on the electricity market in Poland.

I am convinced that the realisation of the Corporate Strategy will contribute to the fact that in the future the Group's results will be still satisfactory for its Shareholders.

In September the Warsaw Stock Exchange launched indices of companies listed on the regulated market. ENEA's shares became part of a prestigious index, WIG 30, which covers the largest and most important public companies listed on the Warsaw trading floor. This fact also emphasises the Group's importance for the Polish capital market and the whole economy.

The new strategy is also connected with the approval and introduction of a new Code of ENEA Group. It is a very important document which guarantees an efficient and transparent management of subsidiaries. Transparent and modern principles and corporate values are very important for the Group which thanks to them becomes not only a preferred business partner but also a perfect place for developing a professional career for present and future employee.

At this stage I wish to express my many thanks to all the Capital Group's employees and in particular to volunteers who during 2013 broke records of activity and social commitment. We believe that the implementation of the new corporate governance will allow us to transform the way in which the organisation is perceived. We want ENEA Group to speak one voice, to become a homogeneous economic body.

2014 is the first year wholly covered with the new strategy. We are facing numerous challenges. I am however convinced that thanks to the enthusiasm and determination of not only the Board and the key management personnel, but most of all of thousands of people forming ENEA Capital Group we will be able to realise set goals. Our priority is enhancement of the efficiency in which the Group operates. We established a Shared Service Centre, which will focus the Group's competences within the customer service, IT, finance and accounting, human resources and logistics. The first takeover of tasks, functions and employees within this initiative came into force on 1 January 2014. In December 2013 we also completed the process of Integration of the Generation Area, the culmination of which was the merger of ENEA Wytwarzanie S.A. with the following companies: Elektrociepłownia Białystok S.A., Elektrownie Wodne Sp. z o.o. and Dobitt Energia Sp. z o.o. The finalisation of the project will ensure an optimum use of the resources of the segment of generation and quickening of processes taking place in it.



Within ENEA Group a number of initiatives are undertaken which will allow to construe a modern and efficiently managed unit flexibly responding to the current market situation. We will make every effort to realise these intentions and use the Group's potential optimally.

Sincerely,

A handwritten signature in blue ink, appearing to be 'K. Zamasz', written over a light blue background.

Krzysztof Zamasz

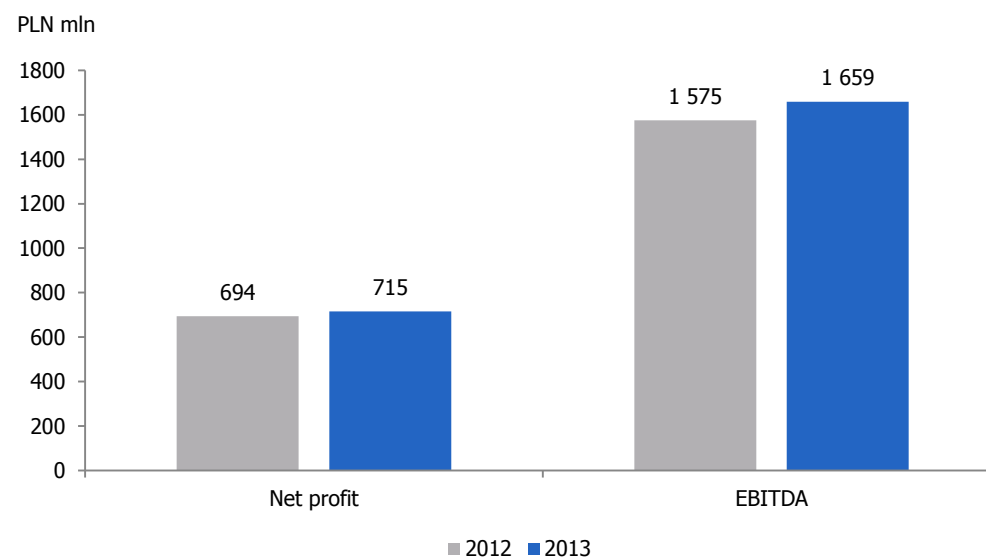
President of the Board of ENEA S.A.

Selected consolidated financial data of ENEA Capital Group

[PLN '000]	2012	2013	Change	Change %
Net sales revenues	10 091 350	9 150 520	-940 830	-9.3%
Profit / (loss) from operations	824 889	897 025	72 136	8.7%
Profit / (loss) before tax	886 509	945 231	58 722	6.6%
Net profit / (loss) for the reporting period	694 066	715 364	21 298	3.1%
EBITDA	1 574 626	1 658 784	84 158	5.3%
Net cash flows from:				
operating activities	1 242 077	1 693 455	451 378	36.3%
investing activities	-1 109 029	-1 817 028	-707 999	-63.8%
financing activities	-255 668	601 880	857 548	335.4%
Total net cash flows	1 095 495	1 573 195	477 700	43.6%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	1.58	1.62	0.04	2.5%
Diluted profit per share [PLN]	1.58	1.62	0.04	2.5%

[PLN '000]	Q4 2012	Q4 2013	Change	Change %
Net sales revenues	2 664 260	2 363 277	-300 983	-11.3%
Profit / (loss) from operations	116 043	70 949	-45 094	-38.9%
Profit / (loss) before tax	112 260	82 469	-29 791	-26.5%
Net profit / (loss) for the reporting period	84 351	48 524	-35 827	-42.5%
EBITDA	305 762	258 286	-47 476	-15.5%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	0.20	0.24	0.04	20.0%
Diluted profit per share [PLN]	0.20	0.24	0.04	20.0%

[PLN '000]	31.12.2012	31.12.2013	Change	Change %
Total assets	14 680 535	16 322 024	1 641 489	11.2%
Total liabilities	3 766 488	4 834 076	1 067 588	28.3%
Non-current liabilities	1 742 818	2 556 816	813 998	46.7%
Current liabilities	2 023 670	2 277 260	253 590	12.5%
Equity	10 914 047	11 487 948	573 901	5.3%
Share capital	588 018	588 018	-	-
Book value per share [PLN]	24.72	26.02	1.30	5.3%
Diluted book value per share [PLN]	24.72	26.02	1.30	5.3%



List of key information on ENEA Capital Group

	unit	2012	2013	Change	Change %	Q4 2012	Q4 2013	Change	Change %
Net sales revenues	PLN '000	10 091 350	9 150 520	-940 830	-9.3%	2 664 260	2 363 277	-300 983	-11.3%
EBITDA	PLN '000	1 574 626	1 658 784	84 158	5.3%	305 762	258 286	-47 476	-15.5%
EBIT	PLN '000	824 889	897 025	72 136	8.7%	116 043	70 949	-45 094	-38.9%
Net profit	PLN '000	694 066	715 364	21 298	3.1%	84 351	48 524	-35 827	-42.5%
Net cash flows from operating activities	PLN '000	1 242 077	1 693 455	451 378	36.3%	282 330	379 466	97 136	34.4%
CAPEX	PLN '000	1 803 119	2 170 252	367 133	20.4%	1 016 919	847 614	-169 305	-16.6%
Net debt / EBITDA *	-	-0.9	-0.6	0.3	-	-0.9	-0.6	0.3	-
Return on assets (ROA) *	%	4.7	4.4	-0.3	-	2.3	1.2	-1.1	-
Return on equity (ROE) *	%	6.4	6.2	-0.1	-	3.1	1.7	-1.4	-
Trade									
Sales of electricity to end users	GWh	14 935	13 205	-1 730	-11.6%	3 694	3 418	-277	-7.5%
Number of recipients (Power Delivery Points)	'000	2 355	2 368	12	0.5%	2 355	2 368	12	0.5%
Distribution									
Sales of distribution services to end users	GWh	17 204	17 273	69	0.4%	4 377	4 393	16	0.4%
Number of customers	'000	2 421	2 438	17	0.7%	2 421	2 438	17	0.7%
Generation									
Total generation of electricity, including e.g.:	GWh	11 482	11 854	372	3.2%	3 102	2 865	-237	-7.6%
from conventional sources	GWh	10 580	10 889	309	2.9%	2 853	2 568	-285	-10.0%
from renewable sources of energy	GWh	902	965	63	7.0%	249	297	48	19.3%
Heat generation	TJ	4 968	4 920	-48	-1.0%	1 674	1 446	-228	-13.6%
Sales of conventional electricity	GWh	12 764	13 617	853	6.7%	3 563	3 427	-136	-3.8%
Sales of electricity from RES	GWh	902	965	63	7.0%	249	297	48	19.3%
Sales of heat	TJ	4 569	4 519	-50	-1.1%	1 544	1 331	-213	-13.8%

**Higher EBITDA
by PLN 84 mln
in 2013**

**Higher
production
from conventional
sources and RES
by 372 GWh
in 2013**

**Higher sales
of conventional
electricity by
853 GWh
in 2013**

2013:

- Higher EBITDA by PLN 84 mln reflects a positive trend of the growth in the result of distribution and trade
- Stable level of cash flows from operating activities (PLN 1.7 bln)
- Consistent development of ENEA CG - CAPEX higher by PLN 0.4 bln with a favourable value of net debt/EBITDA -0.6%
- Lower net sale revenues by PLN 941 mln is a result of e.g. lowering market energy prices (by ca. 10%)
- Higher generation from conventional sources and RES by 3.2%
- Higher sales of conventional electricity by 0.9 TWh

Q4 2013:

- Stable level of cash flows from operating activities (PLN 0.4 bln)
- Favourable value of net debt/EBITDA -0.6
- Lower net sales revenues by PLN 301 mln is a result of a decrease in the market prices of energy (by ca. 10%)
- Lower production from conventional sources and RES by 0.2 TWh in response to a further decrease in the prices of energy on the wholesale market
- Lower sales of conventional electricity by 0.1 TWh

* Ratio definitions are presented on page 78

Key events in 2013

Q1

Construction of a flue gas desulphurisation plant

ENEA Wytwarzanie S.A. concluded a contract for the construction of the IOS IV ecological installation reducing sulphur dioxide emissions. The value of the contract concluded with Babcock - Hitachi K.K. is over PLN 182 mln gross. The date of the construction completion and commissioning of the installation planned by the contractor is June 2015. The operation of the installation will ensure a very high - over 93% efficiency of desulphurisation.

Nomination of the President of the Board of ENEA S.A. of the 8th term

On 11 March the Supervisory Board announced the results of the qualification procedure to the positions of the President and Members of the Board of ENEA S.A. Several dozen candidates joined the contest, and on 7 and 8 March qualification talks were conducted, as a result of which the Supervisory Board selected the Management Board of the new term, in the following composition: Krzysztof Zamasz - President of the Board, Paweł Orłof - Member of the Board for Corporate Affairs, Grzegorz Kinelnski - Member of the Board for Commercial Affairs.

Q2

Maintenance of the rating by Fitch Ratings

Fitch Ratings agency upheld long-term ratings for ENEA S.A. in national and foreign currency on the level of "BBB" and a long-term national rating on the level of "A(pol)". In the opinion of analysts the outlook of the ratings is stable. In the justification of the agency we read e.g. that the rating confirmation results from stable operating and financial results generated by ENEA S.A. and ENEA Group. Analysts also notice the leading position of the Group within distribution and sales of electricity and an important position in the segment of generation.

Election of a new Member of the Management Board for Financial Affairs in ENEA S.A.

The Supervisory Board of ENEA S.A. terminated the qualification procedure and on 9 April 2013 adopted a resolution regarding the election of Mrs. Dalida Gepfert to the position of the Member of the Management Board for Financial Affairs. Ms. Dalida Gepfert holds a ten-odd years of experience within finance, accounting and controlling in the power industry.

General Meeting's decision on the dividend distribution

Pursuant to the resolution No. 7 of the Ordinary General Meeting of Shareholders of ENEA S.A. the Company distributed PLN 158,919,328.08 dividend from net profit for 2012, which means PLN 0.36 dividend per share. The record date was set on 23 July 2013 and the payment date on 12 August 2013.

ENEA obtains funding for the modernisation and extension of the energy networks of ENEA Operator Sp. z o.o.

On 19 June 2013 ENEA S.A. signed a loan agreement with the European Investment Bank of the value of PLN 475 mln. The previous loan agreement with the European Investment Bank totalling to PLN 950 mln was concluded on 18 October 2012. Obtained funds in the amount of PLN 1,425 mln will be designated for the financing of the tasks of the multi-annual investment plan: modernisation and extension of the energy networks of ENEA Operator Sp. z o.o.



Q3

ENEA in WIG30 index

In September 2013 ENEA was included in the index listing the largest and the most liquid companies on the Warsaw Stock Exchange. WIG30 will be a successor of WIG20 index published since 1994.

Changes will be applied gradually. In accordance with decisions made by WSE, WIG20 index will be published till the end of December 2015. Until March 2014 mWIG40 index which presently includes the shares of the Company and sWIG80 index will be also published. It means that ENEA shares till the moment of entry into WIG30 are listed concurrently also within mWIG40 index till its termination.

The logo for WIG30, featuring the word "WIG" in a bold, black, sans-serif font, followed by the number "30" in a white, bold, sans-serif font inside a dark blue square.

Closer to an atomic power plant

The Management Boards of ENEA S.A., PGE S.A., KGHM Polska Miedź S.A. and TAURON Polska Energia S.A. initialled the Shareholder Agreement. The execution of the document took place on 23 September 2013 in Warsaw. The deed obliged its parties to conclude an agreement of purchasing shares in PGE EJ1 Sp. z o.o., a special purpose vehicle for the construction and operation of an atomic power plant. On 31 December 2013 the shareholders decided to continue the works in the project.

ENEA Group Code

On 9 September the Board of ENEA S.A. approved the Code of ENEA Group, the basic act defining the new corporate governance model in ENEA Group and established ENEA Group consisting of ENEA S.A. and nine subsidiaries of ENEA, i.e. ENEA Operator, ENEA Wytwarzanie, ENEA Centrum, ENEA Trading, ENERGOBUD Leszno, ENEOS, BHU, Zakład Transportu and Energomiar. The objective of adopting new regulations and establishment of ENEA Group was introduction of the so called statutory mechanism of ENEA Group Companies management enabling a more efficient and effective management of the Companies and limitation of their independence. In the long run it is to guarantee the concentration of the Companies' operations on the Group's strategic goals and increasing its efficiency.

Establishment of the Tax Capital Group

In relation to works over the new corporate governance, on 19 September 2013 ENEA Group Companies signed an agreement of the Tax Capital Group (TCG). The objective of its creation is gaining larger flexibility in shaping relations between related entities within TCG.

Q4

Licence to sell gas

With the decision of the President of the Energy Regulatory Office ENEA SA obtained a licence to trade in gaseous fuels. ENEA plans to commence retail sales of natural gas in 2014. It will be performed in "dual-fuel" formula - i.e. combined sales of electricity and blue fuel. The place of obtaining the gaseous fuel will be the Polish Power Exchange. In so far as the trade in gaseous fuels is of a secondary importance to the results of the Capital Group, it will contribute to higher attractiveness and comprehensiveness of the offer directed to regular business consumers as a supplementation of the agreement relating to electricity.

Moving production fuel purchases functions to ENEA Trading

The Company will be able to manage the margin, calculated as a difference between revenues from sales of electricity and costs connected with the purchase of production fuels. Contract award procedures for sales of electricity and purchase of fuels will be performed by the same entity, which will enable minimisation of the risk of no coordination between these two processes and thus limitation of the risk of financial losses.

ENEA Capital Group's Code of Conduct

The Board of ENEA S.A. on 29 October approved ENEA Capital Group's Code of Conduct. It promotes behaviours based on the responsibility, kindness and cooperation, which contribute to the creation of a friendly work place.

Approval of ENEA Capital Group Management Plan

Within implantation works connected with the new corporate governance model, first permanent internal teams were appointed of ENEA Group - Committees: Investment, Management and Compliance Committees. The Board of ENEA S.A. has also approved regulations of the first Management Departments, i.e. Financial, Audit and Legal Service. At the same time, General Meetings of Shareholders and General Assemblies of ENEA Group Companies approved amendments in articles of association/statutes enabling joining ENEA Group by particular Companies.

Corporate Strategy of ENEA Group

The Supervisory Board of ENEA S.A. approved a new "Corporate Strategy of ENEA Capital Group for 2014-2020". Pursuant to its provisions ENEA will become a fully integrated energy group. A new mission is enhancing the Group's value through building customer confidence. For 2014-2020 investment is planned in the amount of PLN 20 bln.

Shared Service Centre in ENEA Centrum [SSC]

SSC is developed in the areas of customer service, IT, finance and accounting, Human Resources and logistics. The greatest advantage of its development will be "relieving" particular Companies of tasks not directly connected with the performed operations and focusing exclusively on the core operations (generation, distribution and sale of energy). The first takeover of tasks, functions and employees entered into force on 1 January 2014.

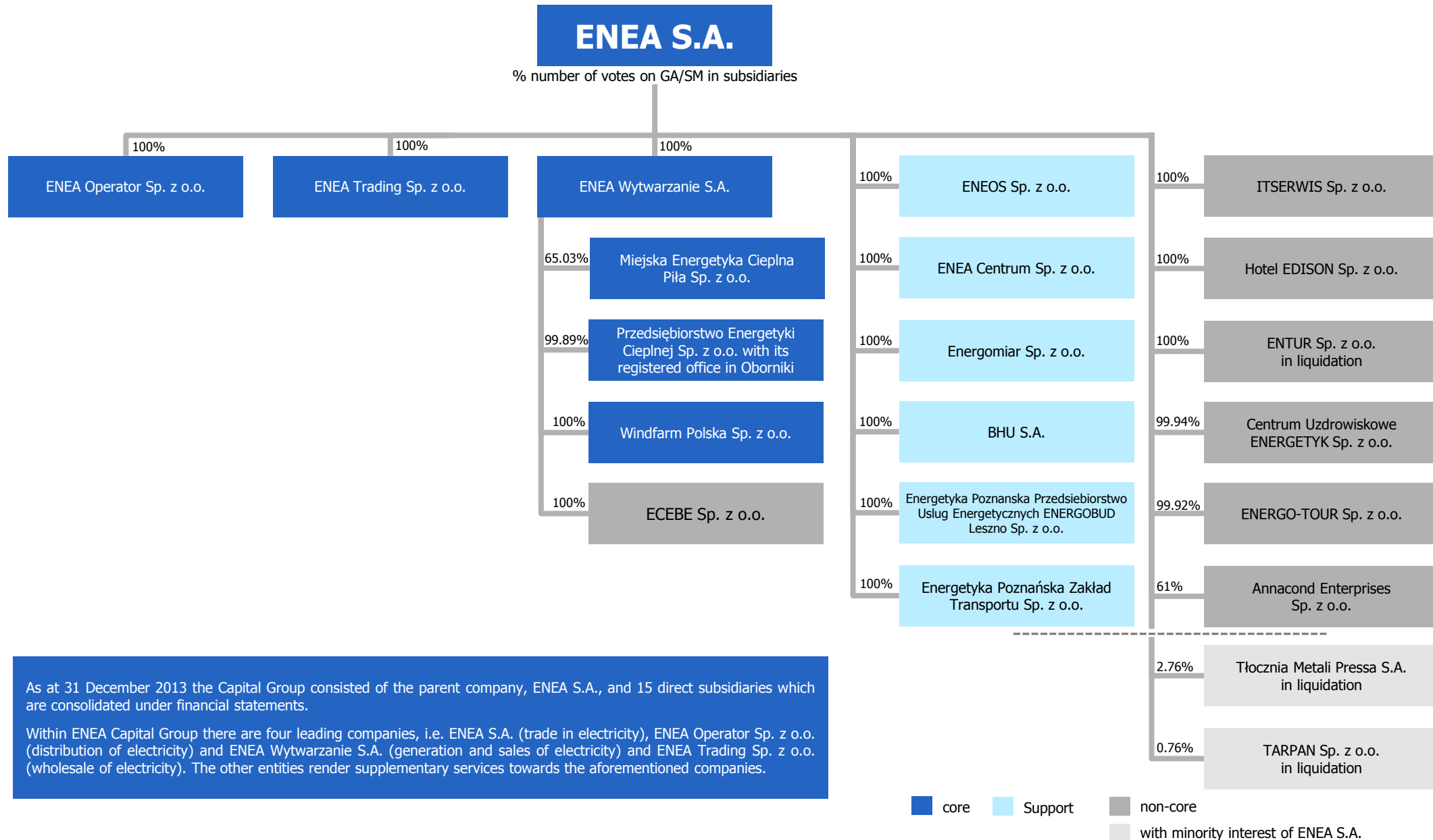


Programme of Voluntary Redundancy

In ENEA Capital Group a Programme of Voluntary Redundancy was launched. It will commence in 2014. The superior goal of the launched programme is ensuring a maximum security and comfort while making decisions to the employees. The programme is completely voluntary. Each entitled Employee will be able to make a self-reliant decision: whether further employment or using a possibility of leaving with an attractive severance payment is a greater comfort for them.

Organisation of ENEA Capital Group

Description of ENEA Capital Group



As at 31 December 2013 the Capital Group consisted of the parent company, ENEA S.A., and 15 direct subsidiaries which are consolidated under financial statements.

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

Policy on directions of development of the Capital Group

Asset restructuring

After execution during the previous years of key organisational changes within the Group in 2013 further asset restructuring occurred:

Date	Company	Event
27 February 2013	ENTUR	Adoption of a Resolution regarding dissolution of the Company after a liquidation procedure (Resolution entered into force on 1 March 2013)
18 September 2013	ENEA Centrum	Transformation into Spółka z ograniczoną odpowiedzialnością (limited liability company). The share capital of the Company amounts to PLN 1,973,700 and is divided into 19,737 shares of the nominal value of PLN 100 each.
3 October 2013	ENEA	Sale of 4,610 shares of MONNARI TRADE S.A. through Dom Maklerski BZ WBK S.A., and thus it ceased to be a shareholder of MONNARI TRADE S.A.
23 January 2014	Hotel Edison	Publication of an announcement regarding the purchase of the whole shareholding in Hotel EDISON Sp. z o.o. Selection of the investor and conclusion of the sales agreement is planned for the end of Q1 2014.

Key capital investment structure

Implementing the strategy within the development and restructuring of ENEA Capital Group, the following capital investments were made in 2013 by the Company:

Date	Company	Event
9 August 2013	ENEA	Purchase from ENERGA S.A. of 12,200 shares of BHU S.A. (the shares were transferred on 21 September 2013). ENEA S.A. presently holds 100% share in the share capital of BHU S.A.
31 December 2013	ENEOS	Raising of the share capital of the Company by PLN 134,037,500. All the newly created shares in the share capital of the Company were taken up by ENEA S.A. and covered in full with a contribution in kind in the form of an Organised Part of the Enterprise of ENEA S.A. namely "Gospodarka Oświetleniowa" in the meaning of Art. 55 ¹ of the Civil Code. The raised share capital of ENEOS Sp. z o.o. was registered in the National Court Register on 10 February 2014.

Changes to the organisation and management rules of the Capital Group

On 16 July 2013 the name of the Company, Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrawiskowe ENERGETYK Sp. z o.o. was changed in the National Court Register to Centrum Uzdrawiskowe ENERGETYK Sp. z o.o.

On 18 September 2013 the transformation of ENEA Centrum S.A. into ENEA Centrum Sp. z o.o. was registered.

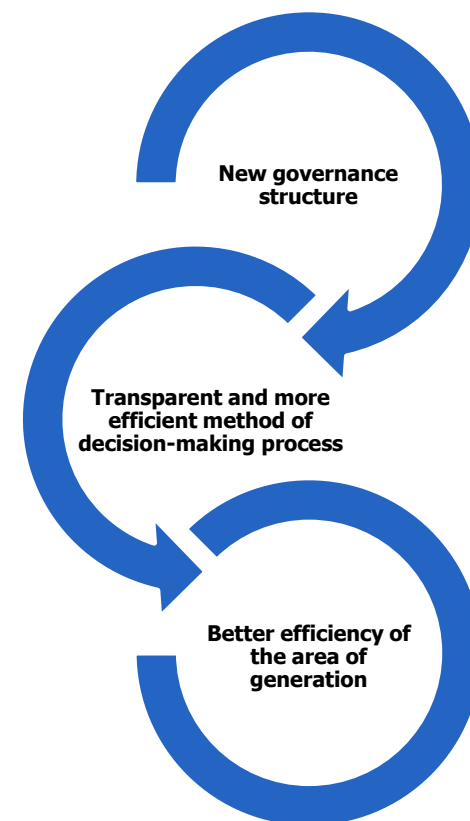
Integration of the Generation Area

Management of the Area of Trade will be concentrated in one centre.

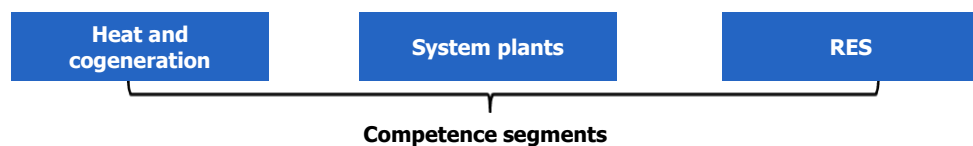
On 27 August 2013 ENEA Wytwarzanie S.A. purchased, as a forced buyout, 75 shares in Elektrociepłownia Białystok S.A. becoming its sole shareholder.

Based on purchase agreements of employee shares in Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in 2013 a total of 612 shares were purchased.

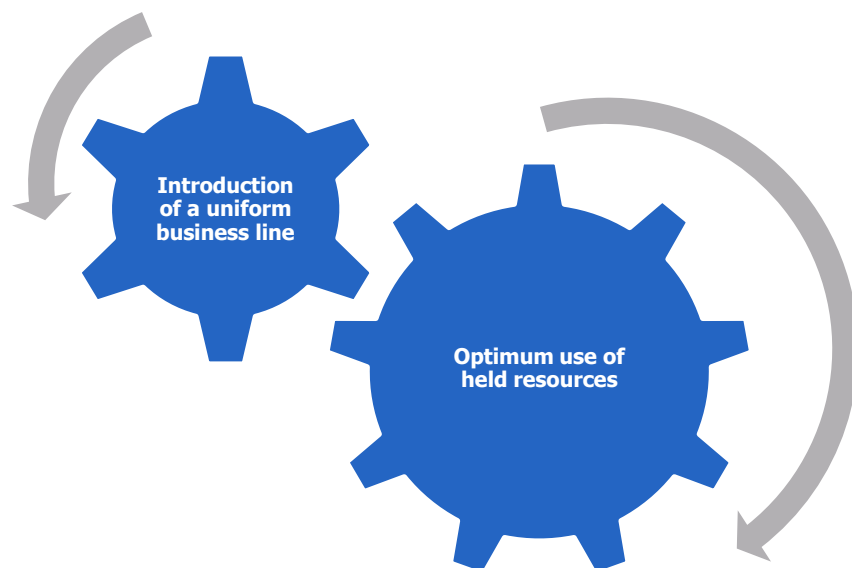
On 19 December 2013 the Extraordinary General Meeting of Shareholders of Miejska Energetyka Ciepła Piła Sp. z o.o. a Resolution was adopted regarding raising the share capital of the Company by the amount of PLN 6,038,000, and on 20 December 2013 ENEA Wytwarzanie S.A. subscribed for all the shares in the raised share capital which were paid up in full with cash contribution.



On 31 December 2013 ENEA Wytwarzanie S.A. merged with Elektrociepłownia Białystok S.A., Elektrownie Wodne Sp. z o.o. and Dobitt Energia Sp. z o.o. The merger of the Companies was performed through the transfer of the whole assets of the Merged Companies to ENEA Wytwarzanie S.A. At the same time, on 31 December 2013, ENEA Wytwarzanie S.A. assumed all the rights and obligations of the Merged Companies.. The merger of the Companies is a result of the implementation in ENEA Capital Group of the Integration of the Generation Area project. The process aims at the consolidation of generating assets of ENEA CG with a concurrent establishment of three competence segments: System Power Plants, Heat and cogeneration, RES. As a consequence, all the incorporated Companies were directly included into the managerial structures of ENEA Wytwarzanie S.A., and the hitherto subsidiary, Elektrociepłownia Białystok S.A. – ECEBE Sp. z o.o. became a subsidiary of ENEA Wytwarzanie S.A.



ENEA Wytwarzanie will ultimately concentrate the assets of system power plants, combined heat and power plants and RES.



New Corporate Governance in ENEA Group

Implementation of the new Corporate Governance will contribute to the development of a competitive position of ENEA CG in the long run.

ENEA S.A. as a listed company, is perceived by the market along with its subsidiaries as one economic body, and the Management and Supervisory Boards of ENEA S.A. are responsible for the efficiency of the whole Capital Group management. The holding agreement of ENEA Capital Group legally authorised however the independence of subsidiaries of the parent company - ENEA S.A., strongly accented the separateness of companies, instead of emphasising the commonness and coherence of their goals.

Corporate Governance - ENEA Capital Group management plan

In July 2013 the Board of ENEA S.A. adopted a resolution on launching the new Corporate Governance project. On 15 November 2013 the Supervisory Board of the Company approved the document - "ENEA Capital Group Management Plan". The Plan anticipates the implementation, within the new corporate governance, legal and corporate solutions aiming in particular at raising the management efficiency within the Group and directing the operations of the Subsidiaries to the realisation of strategic goals of the whole Capital Group.

New legal tools to manage ENEA Capital Group were introduced in order to:

- development of a homogeneous economic body authorising the key role of ENEA S.A.,
- shortening of the decision making process within ENEA Capital Group,
- enabling introduction of modern methods of management,
- limitation of legal risks of management board and supervisory board of the parent company and subsidiaries,
- reducing a necessity of justifying the decisions affecting the operations of ENEA Capital Group performed by subsidiaries,
- shortening of the communication paths between the parent company and subsidiaries (including within the disclosure requirement),
- development of a communication channel to the leading shareholder, i.e. ENEA S.A.,
- excluding the decision arbitrariness of subsidiaries.

Description of ENEA Capital Group's operations

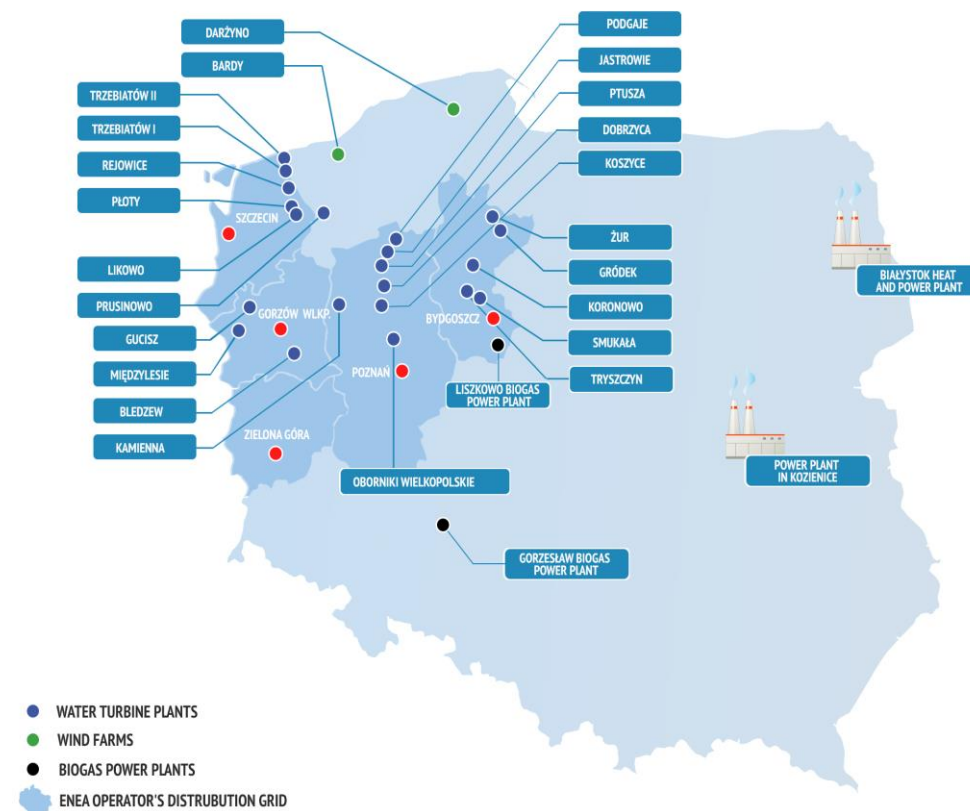
Operational segments of ENEA Capital Group

Generation

Item	2012	2013	Change	Q4 2012	Q4 2013	Change
Total generation of electricity (net) [GWh], including:	11 482.0	11 853.5	3.24%	3 101.9	2 865.1	-7.63%
Net production from conventional sources [GWh], including:	10 580.0	10 889.0	2.92%	2 853.2	2 568.2	-9.99%
ENEA Wytwarzanie (excluding biomass co-combustion)	10 383.4	10 757.4	3.60%	2 782.9	2 535.6	-8.89%
ENEA Wytwarzanie - Segment of Heat (Białystok Heat and Power Plant) (excluding biomass co-combustion)	195.4	131.1	-32.89%	70.0	32.6	-53.50%
MEC Piła	1.3	0.6	-56.59%	0.4	0.0	-100.00%
Production from renewable energy sources [GWh], including:	902.0	964.5	6.92%	248.7	297.0	19.42%
Co-combustion of biomass	518.6	418.2	-19.36%	138.5	128.4	-7.29%
Combustion of biomass	130.9	253.4	93.62%	29.4	83.9	185.09%
ENEA Wytwarzanie - RES segment (hydroelectric plants)	148.7	144.8	-2.64%	36.2	32.3	-10.89%
ENEA Wytwarzanie - RES segment (wind farms)	100.3	138.2	37.77%	42.5	49.5	16.46%
ENEA Wytwarzanie - RES segment (biogas plants)	3.6	10.0	179.27%	2.1	2.9	40.78%

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

Within the holding structure managed by ENEA Wytwarzanie the electricity from renewable sources is generated by ENEA Wytwarzanie by co-firing of biomass with conventional fuel (bituminous coal), by Elektrociepłownia Białystok S.A. by the production of electricity in cogeneration with the use of biomass, by Elektrownie Wodne Sp. z o.o. (21 hydroelectric plants, Darzyno Wind Farm), Dobitt Energia Sp. z o.o. (Liszkowo Biogas Plant with the capacity of 2.126 MWe), Biogas Plants in Gorzesław with the capacity of 1.6 MWe and Windfarm Polska Sp. z o.o. (Bardy Wind Farm).



Fuel supplies

The basic fuel used to produce electricity in ENEA Wytwarzanie is bituminous coal. In 2013 the cost of coal comprised about 45% of operating costs of ENEA Wytwarzanie. We depend on two suppliers for our coal supplies: Lubelski Węgiel "Bogdanka" S.A. which in 2013 delivered to us ca. 71% of the material and Katowicki Holding Węglowy S.A. Additionally, ENEA Wytwarzanie Segment of System Power Plants (power plant in Kozienice) in 2013 made supplementary purchases from two suppliers: Petrokol Sp. z o.o. Sp. k. and Jastrzębska Spółka Węglowa S.A.

The only supplier of the light-up fuel to the Segment of System Power Plants in 2013 was PKN ORLEN S.A. The delivered fuel is a heavy heating oil with the sulphur content of up to 3%.

Co-firing of biomass is carried out in eight 215-228 MW power units Segment of System Power Plants. Pellets from wood straw, pellets and briquettes from sunflower husk and straw pellets are used as biomass. ENEA Wytwarzanie in 2013 held agreements with a total of 13 suppliers of biomass.

In 2013 (according to belt conveyor scales), the consumption of biomass amounted to 243,009.78 tonnes.

Energy from RES in the Segment of Heat (Białystok Heat and Power Plant) is produced in the dedicated unit with the installed capacity of 78.503 MWe. Wood chips, energetic willow chips and sunflower husk pellets are used as biomass in particular. In 2013 Białystok Heat and Power Plant had agreements with a total of 10 biomass suppliers.

In 2013 the cost of coal and biomass comprised about 56% of operating costs of the Segment of Heat.

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

Fuel type	2012		2013		Change	
	Volume ['000 tonnes]	Cost * [PLN mln]	Volume ['000 tonnes]	Costs * [PLN mln]	Volume	Cost *
Bituminous coal	4 823	1 242	5 100	1 193	+6%	-4%
Biomass	568	225	710	228	+25%	+1%
Fuel oil (heavy)	7	14	6	12	-14%	-14%
Gas ['000 m ³]	2 148	4	2 127	4	-1%	0%
TOTAL	7 546	1 485	7 943	1 437	-5%	-3%

* including transport

Coal transport

The basic means of transport used to deliver bituminous coal to the Segment of System Power Plants in 2013 was a rail transport. 98% supplies of this material to ENEA Wytwarzanie was realised by PKP Cargo S.A., and ca. 2% was realised by Freightliner PL Sp. z o.o. forwarder.

Segment of Heat

The basic means of transport used to deliver bituminous coal to Białystok Heat and Power Plant (31 December 2013 there was a merger with ENEA S.A.) in 2013 was a rail transport. Costs of coal transport were included in the price of the purchased coal. The key supplier of coal in 2013 to Białystok Heat and Power Plant was KREX Sp. z o.o. selected in an unlimited tender.



Trade

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

Sales by value and type

Item	Revenues on sales of electricity to end users [PLN '000]		
	2012	2013	Change
Tariff group set A	731 728.4	338 421.1	-53.8%
Tariff group set B	1 302 112.0	1 174 050.8	-9.8%
Tariff group set C	842 229.7	801 167.2	-4.9%
Tariff group set G	1 238 845.6	1 226 798.1	-1.0%
TOTAL	4 114 915.7	3 540 437.2	-14.0%

Item	Sales of electricity [GWh]		
	2012	2013	Change
Tariff group set A	3 083	1 595	-48.3%
Tariff group set B	4 835	4 645	-3.9%
Tariff group set C	2 603	2 536	-2.6%
Tariff group set G	4 414	4 429	0.3%
TOTAL	14 935	13 205	-11.6%

In 2013 lower sales were realised to low-margin customers from A tariff group sets, which affected a drop in sale revenues. At the same time, lower costs of energy purchases in 2013 affected lower prices of selling energy on the retail market.

Costs of electricity for resale

Item	Energy purchases [GWh]		
	2012	2013	Change
Energy purchases, including:	15 980.1	13 550.4	-15.2%
Purchases on the national wholesale market - exchange	2 786.9	306.6	-89.0%
Purchases on the national wholesale market - other	12 985.1	13 025.2	+0.3%
<i>including within ENEA CG</i>	<i>8 655.2</i>	<i>11 087.7</i>	<i>+28.1%</i>
Purchases beyond Poland	0.1	-0.1	-200%
Purchases on the balancing market	208.0	218.7	+5.1%

Sales of electricity

Item	Sales of electricity [GWh]		
	2012	2013	Change
Energy sales, including:	15 980.1	13 550.4	-15.2%
Sale to end users	14 934.8	13 205.2	-11.6%
Sale on the wholesale market, including:	679.4	162.9	-76.0%
<i>Sale on the national wholesale market - exchange</i>	<i>175.7</i>	<i>0</i>	<i>-100%</i>
<i>Sale on the national wholesale market - exchange</i>	<i>503.7</i>	<i>162.9</i>	<i>-67.7%</i>
<i>including within ENEA CG</i>	<i>359.8</i>	<i>162.9</i>	<i>-54.7%</i>
Sale on the balancing market	365.9	182.3	-50.2%

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

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

A major part of energy sold by ENEA S.A. was energy purchased within bilateral transactions, including mainly those with ENEA Trading Sp. z o.o. (over 78%), PAK S.A. (6%), local sources (12%). The remaining purchase contracts were entered into through PPE (2%) and realised in the process of balancing of the balancing mechanism unit on the balancing market [transactions on the balancing market of the Transmission System Operator resulting from the difference between estimated and actual trading positions (1%)].

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

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

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

Within the realisation of this obligation sales of generated electricity on PPE during 2013 constituted around 90.5% of sold and generated electricity.

Attainable generating capacity of electricity of ENEA Wytwarzanie amounts to 3,187 MW.

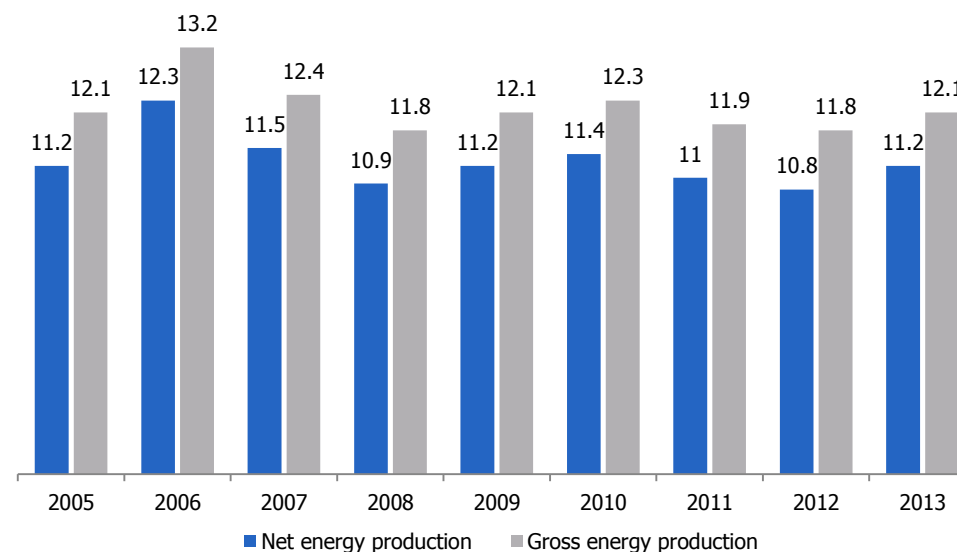
The technical generation potential of ENEA Wytwarzanie is 14.1 TWh net (15.0 TWh gross) annually.

The other part of electricity is sold to PSE S.A. on the balancing market - 3.6%, and to Operators of the Distribution Network to cover grid losses - 5.9%.

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

In 2013 ENEA Wytwarzanie within the wholesale market purchased electricity based on bilateral agreements in the amount of 2,056.4 GWh - the total within ENEA CG.

Kozienice Power Plant [TWh]



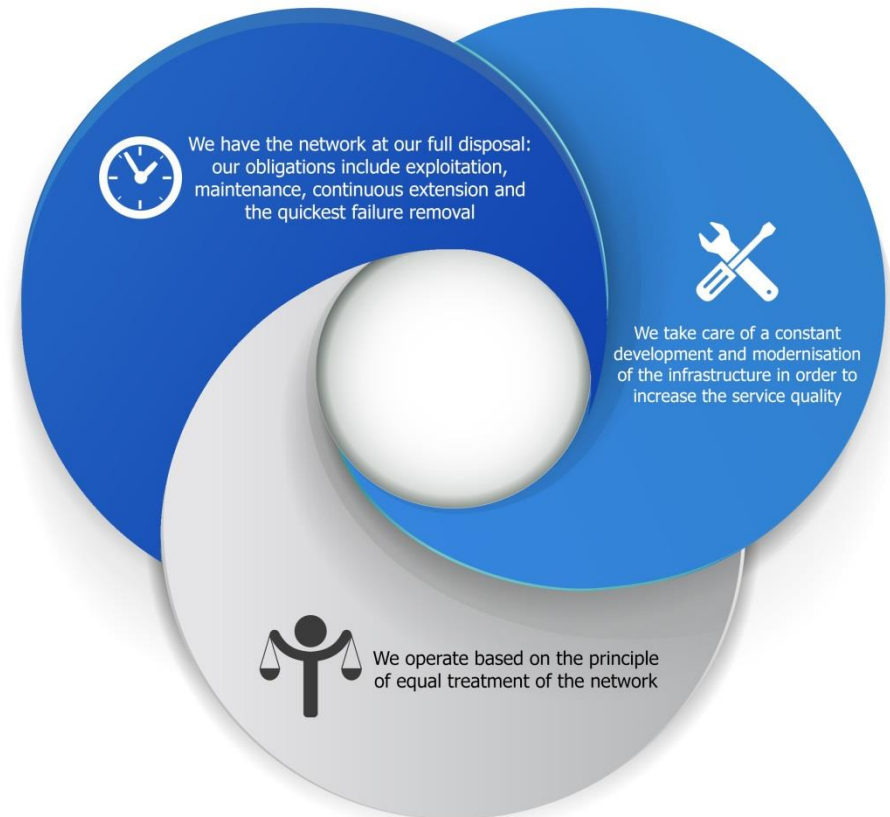
Distribution - we pursue a constant improvement of the quality of our services and reliability of operation of our network.

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

ENEA Operator supplies electricity to over 2.42 mln users in the western and north-western Poland. To this end it uses the distribution network covering an area of over 20% of the country, including over 112 thou. km of power lines (over 130 thou. including connections) and over 35 thou. power stations.

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

Item	2012	2013
SAIDI planned interruptions	133	127
SAIDI unplanned interruptions	356	354
SAIFI planned interruptions	0.57	0.51
SAIFI unplanned interruptions	4.49	4.18
RAB [PLN '000]	5 831 110	6 184 609



Other activity

Group Companies render supplementary services towards the core business mentioned above.

The other activity is mainly:

- construction, expansion, modernisation and repair of electric power equipment and networks,
- design, construction, production and sale of electrical and power equipment and apparatus,

Besides, the companies render services connected with the maintenance of street lighting and low-voltage networks, transport services, social activity and customer service.

Information on concluded agreements

Agreements of significance to ENEA Capital Group operations

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

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

Below, there is a description of agreements of significance to ENEA Capital Group concluded and realised in 2013 which relate to supplies and transport of coal.

Annual Agreement of 4 January 2013 between ENEA Wytwarzanie and Katowicki Holding Węglowy S.A.

The annual agreement was concluded within the realisation of multiannual agreement concluded between the parties in 2009. The subject of the Annual Agreement were supplies of fuel coal by the Seller for ENEA Wytwarzanie in 2013.

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

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

Additional Agreement of 29 March 2013 between ENEA Wytwarzanie and Lubelski Węgiel "Bogdanka" S.A.

The subject of the Agreement are supplies of fuel coal during 1 April 2013 - 31 December 2013.

Agreement of 13 December 2013 for fuel coal supplies between ENEA Wytwarzanie and PETROKOL Sp. z o.o. Sp. k.

The subject of the above agreement is sales and supplies of coal by PETROKOL Sp. z o.o. Sp. k. for ENEA Wytwarzanie. The prices and detailed terms and volume of supplies were negotiated before the agreement execution. Each of the parties may terminate the agreement with 1-month notice. The agreement is in force from 13 December 2013 to 28 February 2014.

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

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

Significant agreements based on which fuel coal supplies were realised in 2013 include in particular those listed below:

Agreement of 4 December 2012 for supplies of fuel coal for energetic purposes from 1 November 2012 to 28 February 2013 between ENEA Wytwarzanie S.A. and Jastrzębska Spółka Węglowa S.A.

Multiannual agreement of 8 January 2009 for fuel coal supplies between ENEA Wytwarzanie and Katowicki Holding Węglowy S.A.

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

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

Detailed information on the above mentioned agreements is described in the Report of the Management Board on the operations of ENEA Capital Group in 2012.

Below, agreements entered into in 2013 are described under which fuel coal supplies will be carried out in future years:

Agreement of 5 November 2013 for fuel coal supplies between ENEA Wytwarzanie and PETROKOL Sp. z o.o. Sp. k.

The subject of the above agreement is sales and supplies of coal by PETROKOL Sp. z o.o. Sp. k. for ENEA Wytwarzanie. The prices and detailed terms and volume of supplies were negotiated before the agreement execution. Each of the parties may terminate the agreement with 1-month notice. The agreement is in force from 1 January 2014 to 31 December 2014.

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

The agreement specifies the performance by DB Schenker Rail Polska S.A. of coal transport services for ENEA Wytwarzanie from mines and processing plants of Katowicki Holding Węglowy S.A., Kompania Węglowa S.A., mines belonging to PKW S.A., Śląskie Centrum Logistyki (PKP Port Gliwice), ZWW Julian and Jastrzębska Spółka Węglowa S.A. The agreement is in force till 31 March 2015.

Additionally, in 2013 the following agreements were in force regarding coal transport which were concluded between PKP Cargo S.A. and ENEA Wytwarzanie.

Agreement of 20 February 2012 for transport of fuel coal from Silesian mines.

Agreement of 20 February 2012 for transport of fuel coal from Lubelski Węgiel "Bogdanka" S.A.

The former agreement specifies the performance by PKP Cargo of transport services of fuel coal for ENEA Wytwarzanie from the Silesia mines of Katowicki Holding Węglowy S.A., Kompania Węglowa S.A. and Jastrzębska Spółka Węglowa. The agreement is in force till 30 June 2014.

Another Agreement specifies the performance by PKP Cargo of transport services of fuel coal for ENEA Wytwarzanie from Lubelski Węgiel "Bogdanka" S.A. The Agreements is in force till 20 December 2013. The agreements provide for a 5-month notice period by any party subject to the terms specified in the agreements.

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

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

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

On 21 September 2012, a subsidiary of the Issuer - ENEA Wytwarzanie signed an agreement with the consortium of Hitachi Power Europe GmbH and Polimex-Mostostal S.A. (Contractor) on the construction of a supercritical bituminous coal fired power unit with the electric capacity of 1,075 MWe gross and the efficiency of 45.6% net. The net value of the Agreement is around PLN 5.1 bln. The Parties decided that the Agreement would be realised within 58 months of the date of its execution. The key information on the contract fulfilment is that because of the transformations occurring within Hitachi Power Europe GmbH qualifying as a general succession, presently the party to the Contract in lieu of Hitachi is: MHPS Europe GmbH.

Financial agreements concluded with the European Investment Bank

On 19 June 2013 the Issuer and the European Investment Bank (Bank) concluded a B Financial Agreement (Agreement) providing for the granting of the loan to the Lessee in the amount of PLN 475,000,000 (say: four hundred seventy five million zloty) or its equivalence in EUR (Loan), in relation to which the total value of the debt financing obtained from the Bank obtained in 2012 - 2013 amounted to PLN 1,425,000,000. The funds gained from the Bank will be designated for the funding of a multiannual investment plan in order to modernise and extend the power grids of ENEA Operator Sp. z o.o. (Programme) located in the north-western Poland. The total cost of the Programme is estimated for the amount of around PLN 3,275.87 mln. The Loan repayment period is up to 15 years from the planned disbursement of the facility. The term of the Loan availability expires on 18 October 2014.

At the same time, on 19 June 2013, in relation to the execution of the above Agreement an annex was additionally concluded to the agreement for the realisation of the Programme of 18 October 2012 concluded between the Issuer, Bank and ENEA Operator Sp. z o.o., regulating the issues connected with the principles of realisation of the Programme in the part based on the funds granted by the Bank, pursuant to which the rules of the Programme realisation were updated in connection with the increasing of the level of engagement of the funds coming from the Bank.

Detailed information on that issue was published by the Company in the current report No. 24/2013 of 19 June 2013.

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

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

As at 31 December 2013 ENEA S.A. did not issue bonds within the aforementioned Programme.

ENEA S.A. in 2013 undertook activities towards renegotiation of financial conditions of the Programme Agreement of 21 June 2012 in order to adapt them to the current market situation.

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

The Bond Issue Programme for the amount of PLN 746,000,000 of 16 July 2013 between ENEA Wytwarzanie S.A., as Issuer, ENEA S.A., as Guarantor, and BRE Bank S.A., as Organiser, Issue Agent, Payment Agent and Depositary

As at 31 December 2013, within the Bond Issue Programme Agreement for the amount of PLN 746,000,000 of 16 July 2013, ENEA Wytwarzanie S.A. issued 4 series of 2-year bonds for the full amount of the Programme.

At the same time the Company emphasises that within regular operations intergroup electricity distribution transactions, energy trade transactions, and in the remaining part e.g. transactions on proprietary interests are concluded.

Agreement of 14 January 2010 on electricity distribution services concluded with PSE Operator

The agreement aims at guaranteeing the provision of distribution services in order to fulfil comprehensive agreements and sales agreements concluded by the Issuer with users connected to the grid of ENEA Operator Sp. z o.o. The Agreement has been executed for an indefinite period of time.

Transactions concluded between ENEA S.A. and ELKO Trading Sp. z o.o. (presently ENEA Trading Sp. z o.o.) on electricity trading and on proprietary interests

On 1 August 2011 in ENEA Capital Group there was a reorganisation performed as a result of which the competences within the wholesale were transferred to the special purpose vehicle – ENEA Trading Sp. z o.o. From that time on all the transactions connected with the wholesale market (also those concluded by ENEA S.A.) are serviced and administered by this company. Within this cooperation between ENEA S.A. and ELKO Trading Sp. z o.o. trading in electricity and proprietary interests in certificates of origin and provision of services relating to the service of the wholesale of electricity and related products is performed. More information on that issue is presented in the Annual Report of ENEA S.A. published on 27 April 2012. The most recent update of information on the value of trading performed within the above mentioned transactions was published by the Company in the current report No. 8/2014 on 27 January 2014.

Information on transactions with affiliated entities

Information on significant transactions concluded by ENEA S.A. or its subsidiary with related entities is presented in note No. 43 to the financial statement for 2013 financial year published as part of the annual report.

Agreements between shareholders of the parent company

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

Dependence on suppliers and recipients

With the exception of electricity transmission agreements concluded with PSE Operator, coal transport agreement concluded with PKP Cargo, and agreements concerning the bond issue programme, we are not dependent on other industrial, trade or financial agreements. If the agreements with this company is terminated, we will be forced to conclude electricity transmission agreements on new terms, and if the agreement with PKP Cargo is terminated, we might have difficulty with ensuring continuous deliveries of coal to ENEA Wytwarzanie. When it comes to the agreements relating to the bond issue programme - if they are terminated we may have difficulties in financing the new power unit No. 11. We depend on two suppliers for our coal supplies: Lubelski Węgiel "Bogdanka" S.A. that in 2013 supplied ca. 71% of coal by volumes and Katowicki Holding Węglowy S.A. Moreover, from other suppliers: Jastrzębska Spółka Węglowa S.A. and Petrol Sp. z o.o., Sp. k., ENEA Wytwarzanie performed supplementary purchases.

Insurance agreements

Insurance agreements in ENEA Group are concluded in accordance with the corporate Insurance Policy. The policy strengthens the position of ENEA Group towards the participants of the insurance market through the consolidation of purchases of insurance protection, equalling insurance coverage periods and standardisation of insurance norms concluded by the Companies. The companies of ENEA Capital Group 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 insurances concluded for our account will be sufficient. The insurance coverage level does not diverge from the standards applied in the Polish electrical power industry and is adapted to the specifics of operations of particular companies.

Collaboration or cooperation agreements

Agreement on the exploration and extraction of carbohydrates from shale

The Framework Agreement regarding exploration and extraction of shale carbohydrates concluded on 4 July 2013 between Polskie Górnictwo Naftowe i Gazownictwo S.A., KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and ENEA S.A. expired on 31 December 2013.

A Letter of Intent, Memorandum of Understanding and Shareholder Agreement on the elaboration of the terms of cooperation on the construction of the first in Poland atomic power plant

On 05 September 2012 ENEA S.A. purchased (ENEA), PGE Polska Grupa Energetyczna S.A. (PGE), TAURON Polska Energia S.A. (TAURON) and KGHM Polska Miedź S.A. (KGHM) signed the Letter of Intent (Letter) regarding purchase by ENEA, TAURON and KGHM of shares in the special purpose vehicle established for the construction and operation of the first Polish atomic power plant. Pursuant to the Letter, the companies undertook to develop a draft agreement of purchase of shares in PGE EJ1 Sp. z o.o. (PGE EJ1) - a special purpose vehicle which is responsible for the direct preparation of the investment process of the construction and operation of the first Polish atomic power plant (Atomic Project). Pursuant to the intention expressed in the Letter the agreement would regulate the rights and obligations of each party by the realisation of the project, assuming that PGE will act, directly or through a subsidiary, as a leader in the process of the project realisation. On 28 December 2012 the parties to the Letter prolonged its validity till 31 March 2013.

On 25 June 2013 ENEA, KGHM, PGE and TAURON concluded a Memorandum of Understanding regarding continuation of works connected with the development of a draft agreement of purchase of shares in the special purpose vehicle for the construction and operation of an atomic power plant ("Memorandum of Understanding"), of which the Company informed in the current report No. 28/2013 of 26 June 2013.

On 23 September 2013 ENEA, KGHM, PGE and TAURON, as a result of works connected with the development of a draft agreement of purchase of shares in the special purpose vehicle for the construction and operation of an atomic power plant initialled the Shareholder Agreement ("Shareholder Agreement"). After signing of the Shareholder Agreement ENEA, KGHM, PGE and TAURON the agreement will oblige its parties to conclude the Agreement of purchase of shares in PGE EJ1 ("Agreement on Purchase of Shares").

In accordance with the provisions of the draft Shareholder Agreement PGE will sell to the other parties to the Shareholder Agreement a block of 438,000 shares constituting a total of 30% in the share capital of PGE EJ1, as a result of which PGE will hold 70% in the share capital of PGE EJ1. The shares will be purchased as follows:

- ENEA S.A. will purchase 146,000 shares constituting 10% in the share capital of PGE EJ1,
- KGHM Polska Miedź S.A. will purchase 146,000 shares constituting 10% in the share capital of PGE EJ1,
- TAURON Polska Energia S.A. will purchase 146,000 shares constituting 10% in the share capital of PGE EJ1.

The draft Shareholder Agreement initialled on 23 September 2013 contained also the principles of participation of all the parties in the project of preparation and construction of an atomic power plant in Poland. PGE and each of the business partners was to be obliged to conclude the Agreement on Purchase of Shares after fulfilment of two conditions precedent:

- obtaining a decision regarding an unconditional agreement of the President of the Office of Competition and Consumer Protection for performing the concentration,
- adoption in 2013 by the Council of Ministers as a Resolution of the Polish Nuclear Energy Programme.

Despite failure to fulfil the conditions precedent anticipated in the draft Shareholder Agreement initialled on 23 September 2013, the parties decided to continue works in the project of preparation and construction of an atomic power plant in Poland and elaboration of revised provisions in the draft Shareholder Agreement.

Credit and loan agreements concluded and terminated

In the reporting period ENEA S.A. had access to working capital loans from BZ WBK S.A., Pekao S.A. and PKO BP S.A. The total limit of the working capital facilities as at 31 December 2013 was PLN 150,000 thou. As at 31 December 2013 the Company did not have any debts by this title.

In H1 2013 ENEA S.A. signed another loan agreement with the European Investment Bank of the value of PLN 475,000 thou. – a detailed description on this issue was published on page 35 of the Report concerning the sources of financing of the investment programme.

The status of the loans as at 31 December 2013 is shown in the table below:

Creditor	Amount of credit granted [PLN '000]	Interest rate	Credit costs in 2013 [PLN '000]	Debt on credit facilities as at 31.12.2013 ['000]	Start date	End date	Repayment period
PKO BP S.A.	50 000	WIBOR 1M + margin	0	0	25.04.2006	x	5 years of the first usage of the credit
Bank Pekao S.A.	10 000	WIBOR 1M + margin	0	0	17.11.2011	17.11.2014	17.11.2014
Bank Zachodni WBK S.A.	90 000	WIBOR 1M + margin	7.5	0	17.11.2011	17.11.2014	17.11.2014
EIB	1 425 000	floating or fixed	8 027.8*	780 000	18.10.2012	17.10.2029	15 years of the last usage of the credit
TOTAL			8 035.3	0.00			

* Credit costs are activated during the programme

ENEA S.A. during the reporting period only from time to time made a use of working capital facilities in order to finance current operations. The Company did not draw any loans on pawn, mortgage secured-loans, or any loans secured with transfer of ownership to fixed assets or transfer of ownership to an organised part of an undertaking. Securities for bank loans and credits referred to hereinabove are authorisation to use current accounts with the banks where ENEA S.A. holds current accounts as well as declarations on voluntary submission to enforcement. In 2013 ENEA S.A. did not draw any loans. The credits drawn by the subsidiaries in 2013 are presented in the table below.

Information on credits and loans in ENEA Capital Group can be found in the consolidated financial statement for 2013 in note No. 25.

Company	Creditor	Credit currency	Credit type	Amount of credit granted [PLN '000]	Credit costs [PLN '000]	Interest rate	Debt on credit facilities as at 31.12.2013 [in PLN '000]	Start date	End date	Repayment period
Credit agreements										
ENEA Operator Sp. z o.o.	BZ WBK	PLN	Bank loan in current accounts	150 000	246.5	WIBOR 1M + margin	0.0	18.07.2013	10.08.2014	1 year
ENEA Trading Sp. z o.o.	Bank Pekao S.A.	PLN	Bank loan in current accounts	40 000	104	WIBOR 1M + margin	0	27.08.2013	26.08.2014	1 year
Elektrociepłownia Białystok S.A.	NFOŚiGW*	PLN	Loan	9 818	110	WIBOR 3M + margin	9 928	28.10.2013	30.09.2018	3 years
PEC Oborniki Sp. z o.o.	WFOŚiGW** Poznań	PLN	Loan	2 200	8.5	3	2 200	16.11.2013	20.06.2023	10 years
TOTAL				202 018	469		12 128			

* NFOŚiGW - National Fund of Environmental Protection and Water Management

** WFOŚiGW - Provincial Fund for Environmental Protection and Water Management

Loans granted

Within loans granted in ENEA CG in 2013 loans were granted only by ENEA S.A. for Capital Group Companies for the total amount of PLN 11,046.9 thou.

The status of loans approved and granted by ENEA S.A. for the account of the Companies as at 31 December 2013 is presented in the table below:

Company	Loan currency	Amount of loan granted [PLN '000]	Interest	Debt on credit facilities as at 31.12.2013 [in PLN '000]	Date of granting	Date of complete repayment
Hotel Edison Sp. z o.o.	PLN	300	WIBOR1M + margin	258.5	17.08.2011	31.08.2018
CU Energetyk Sp. z o.o.	PLN	250	WIBOR1M + margin	83.3	17.08.2011	31.08.2014
CU Energetyk Sp. z o.o.	PLN	500	WIBOR6M + margin	500	15.02.2013	31.01.2016
Hotel Edison Sp. z o.o.	PLN	250	WIBOR 1M + margin	250	04.09.2013	31.08.2018
ITSERWIS Sp. z o.o.	PLN	1 500	WIBOR 1M + margin	1 500	16.10.2013	29.10.2014
BHU Sp. z o.o.	PLN	1 625	WIBOR1M + margin	1 421.9	26.11.2013	30.09.2015
BHU Sp. z o.o.	PLN	2 375	WIBOR1M + margin	2 375	26.11.2013	30.06.2014
BHU Sp. z o.o.	PLN	1 550	WIBOR1M + margin	0	12.12.2013	30.11.2016
ENERGOBUD Sp. z o.o.	PLN	5 000	WIBOR1M + margin	5 000	18.12.2013	31.03.2014

Granted and received sureties and guarantees

During the financial year ENEA S.A. concluded an annex to the guarantee agreement for obligations drawn by ENEA Trading Sp. z o.o. towards Izba Rozliczeniowa Gield Towarowych S.A. (IRGiT S.A.) up to the amount of PLN 50,000 thou. prolonging thus the term of the guaranty to 31 July 2014.

The status of granted guarantees and suretyships as at 31 December 2013 is shown 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	Agreement number	Value of surety/ guarantee	Designation of amounts covered with surety/ guarantee	Actual debt as at 31.12.2013
26.08.2003	31.08.2017	EP Zakład Transportu Sp. z o.o.	Poznań Department of Communal Services and Housing	Surety's statement of 02.09.2003	PLN 203.2 thou. EUR 49 thou.	for the purpose of meeting the statutory conditions for obtaining a licence to carry on for-profit transport operations	0.00
18.07.2013	31.07.2014	ENEA Trading Sp. z o.o.	Izba Rozliczeniowa Gield Towarowych S.A. (Warsaw Commodity Clearing House)	Agreement No. ZAM/DF/40/1072/2011; amended with Annex 2	PLN 50 000 thou.	for the purpose of securing the liabilities drawn by ENEA Trading in relation to the membership in GIR (Exchange Clearing House) and purchasing electricity and proprietary interests	0.00
TOTAL					PLN 50 203.2 thou.		0.00

The average EUR exchange rate as at 31 December 2013 was 4.1472 - NBP table No. 251/A/NBP/2013 from 31 December 2013

The total off-balance sheet value of sureties and guarantees granted as at 31 December 2013 was PLN 50,203.2 thou.

Additionally, on 29 August 2013 ENEA S.A. and ENEA Trading Sp. z o.o. signed the Guarantee Framework Agreement regulating the principles of granting guarantees by the Company for the account of third parties for the obligations of ENEA Trading Sp. z o.o. It relates to wholesale trading of electricity and proprietary interests in the energy certificates of origin on the non-exchange market up to the maximum amount of PLN 150,000 thou.

There are no 'endangered guarantees or suretyships' among the suretyships and guarantees granted. The sureties and guarantees granted by ENEA S.A. fall within the limits specified in Article 33 item 1 of the Act on sureties and guarantees granted by the State Treasury and other legal persons of 8 May 1997 (Journal of Laws of 2003 No. 174, item 1689 as amended).

On 7 October 2013 ENEA S.A. signed with PKO BP S.A. a frame contract for the period till 6 April 2015 for granting of bank guarantees up to the amount of PLN 350,000 thou. Guaranties issued within the guarantee facility constitute security of making deposits for the account of IRGIT S.A. by ENEA S.A. and ENEA Trading Sp. z o.o. and other obligations. Obligations towards the aforementioned entities to make deposits result among others from the concluded futures contracts for supply of electricity and transactions of purchase of proprietary interests to the certificates of origin for electricity.

The status of guarantees issued to the order of ENEA S.A. as at 31 December 2013 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	Granted security amount
19.11.2012	31.03.2014 18.11.2014	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House)	the purpose of securing 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 <u>guarantee granted by the bank for the obligations of ENEA Trading*</u>	bank guarantee granted within the guarantee line in the amount of PLN 350 000 thou.	PLN 4 000 thou. PLN 230 000 thou.
19.11.2013	31.12.2014	Górecka Projekt Sp. z o.o.	in order to secure the payments by title of the office space lease agreement	bank guarantee granted within the guarantee line in the amount of PLN 350 000 thou.	PLN 1 600 thou.
03.09.2013	31.08.2015	Atrium Tower Sp. z o.o.	in order to secure the payments by title of the office space lease agreement	bank guarantee granted within the guarantee line in the amount of PLN 350 000 thou.	PLN 1 861 thou.
29.10.2013	13.10.2014	International Chamber Of Commerce	in order to secure the arbitration costs relating to the agreement within case No. 19338 between ENEA S.A. and EQUIVENTUS CAPITAL S.A.R.L.	bank guarantee granted within the guarantee line in the amount of PLN 350 000 thou.	USD 210 PLN 632.5 thou.

* ENEA S.A. and ENEA Trading Sp. z o.o. on 11 July 2013 concluded an annex to the agreement for the guarantee facility up to the amount of PLN 230,000 thou. within which, on order of ENEA Trading, ENEA applies to the Bank for issuing a grantee for the account of IRGIT for the obligations of ENEA Trading connected with the performance of transactions on the Polish Power Exchange.
The average USD exchange rate as at 31 December 2013 was 3,012 - NBP table No. 365/A/NBP/2013 from 31 December 2013

Sureties and guarantees granted in ENEA Capital Group 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	Agreement number	Value of surety/guarantee [PLN '000]	Actual financed liability 31.12.2013 [PLN '000]
25.04.2013	27.04.2014	IT Serwis	KNF (Polish Financial Supervision Authority) Warsaw	KGWA0375/13	125	0
16.11.2013	20.06.2023	PEC Oborniki	Provincial Fund for Environmental Protection and Water Management in Poznań	191/U/400/209/2013	2 860	2 862

Bond issue programme by subsidiaries

On 20 June 2013 ENEA S.A. purchased (Company, Guarantor) concluded with ENEA Operator Sp. z o.o. (Subsidiary) and Nordea Bank Polska S.A. (Bank) the Programme Agreement relating to the bond issue programme up to the amount of PLN 1,425,000 thou. (Programme Agreement). Together with the Programme Agreement on 20 June 2013 between the Company and the Subsidiary an Agreement was concluded for guaranteeing the subscription for bonds issued within the Bond Issue Programme up to the amount of PLN 1,425,000 thou. (Guarantee Agreement).

On 13 September 2013 ENEA S.A. purchased the first series of bonds in the said Programme of the total value of PLN 780,000 thou.

On the conclusion of the above agreements the Company informed in the current report No. 25/2013 dated 20 June 2013.

On 16 July 2013 Bond Issue Programme Agreement was concluded for the amount of PLN 746,000 between ENEA Wytwarzanie S.A. (Issuer), ENEA S.A. (Guarantor) and mBank S.A. (formerly: BRE S.A.) as the Organiser, Issue Agent, Payment Agent and Depositary. The bonds are denominated in Polish zlotys and bear interest according to a floating rate. The deadline for bond redemption is 15 July 2015. Within the programme a maximum of 4 bond series may be issued, with the minimum value of PLN 100,000 thou. each.

The Bonds issued within the Bond Issue Programme are bonds in the meaning of the Act of bonds of 29 June 1995 (Journal of Laws of 2001, No. 120, item 1300, as amended). Within the above programme till 31 December 2013 ENEA S.A. purchased bonds of the total value of PLN 746,000 thou.

Additionally, on 9 September 2013 an annex No. 2 was signed to the Bond Issue Programme Agreement for the amount of PLN 128,500 thou. concluded between ENEA S.A. and Elektrociepłownia Białystok S.A. (Issuer) and mBank S.A. (formerly: BRE S.A.) as the Organiser, Issue Agent, Payment Agent and Depositary. On the same day ENEA S.A. (Guarantor) concluded with Elektrociepłownia Białystok S.A. (Issuer) the Guarantee Agreement for the Bond Issue Programme. The above annexes to the agreements increased the amount of the Bond Issue Programme to the amount of PLN 158,500 thou., i.e. by PLN 30,000 thou. ENEA S.A. on 10 September 2013 took up 5th series of bonds in the total amount of PLN 30,000 thou. issued within the said programme.

The table below presents the status of intergroup bonds held as at 31 December 2013 [PLN '000]:

Bond Issuer	Date of agreements	Deadline for buy-out	Currency	Granted amount	Used amount	Current debt (capital)
Elektrownie Wodne Sp. z o.o.	10.03.2011	31.03.2023	PLN	26 000	26 000	26 000.00
Dobitt Energia Sp. z o.o.	29.09.2011	29.09.2019	PLN	14 500	14 500	14 500.00
Elektrociepłownia Białystok S.A.	23.07.2012	22.07.2019	PLN	158 500	158 500	146 268.20
ENEA Wytwarzanie S.A.	08.09.2012	depending on dates of issue of series of bonds, however not later than 15.06.2022	PLN	4 000 000	0	0.00
ENEA Operator Sp. z o.o.	20.06.2013	Depending on dates of issue of series of bonds, however not later than 18.10.2029	PLN, EUR	1 425 000	780 000	780 000
ENEA Wytwarzanie S.A.	16.07.2013	15.07.2015	PLN	746 000	746 000	746 000

On 31 October 2013 ENEA Operator Sp. z o.o. bought out the bonds purchased by ENEA S.A. within the Bond Issue Programme Agreement for the amount of PLN 500,000 thou. of 9 August 2011 in the total amount of PLN 454,000 thou.

Development perspectives

Situation on the electricity market

Wholesale electricity prices

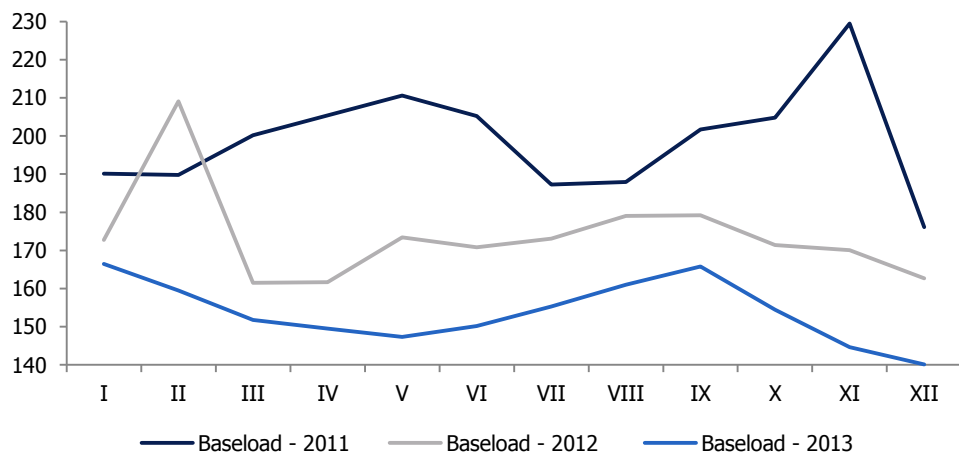
2013 was another year of decreasing prices on the spot market (Table 1). Low price levels on the spot market were affected by e.g. such factors as high generation of electricity from wind sources and the air temperature.

- In 2013, according to confirmed PSE data, production of electricity from wind farms amounted to 5,823 GWh and was by as much as 47.2% higher than in 2012, in relation to 2011 it was higher by 108.1%.
- Another factor which affected low levels on the spot market was a relatively high air temperature, in particular at the year's end.

Table 1. Average prices on SPOT market (PPE)

Year	Average price [PLN/MWh]	Change [%]
2011	198.99	-
2012	173.58	↓12.8
2013	153.82	↓11.4

Source: Own paper based on data from PPE.



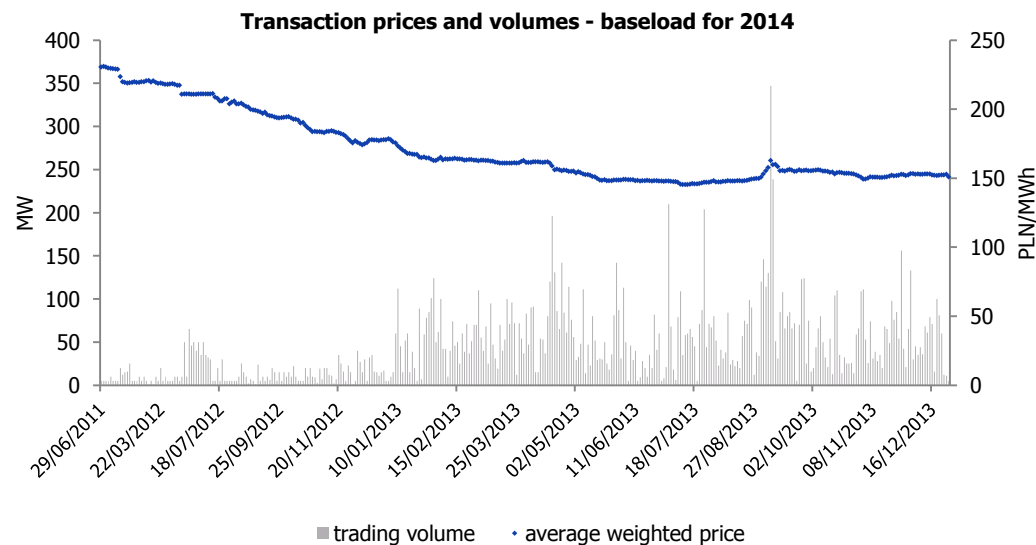
Source: Own paper based on data from PPE.

On the forward market in H1 2013 the downward trend continued. In September prices tried to soar but after an incremental growth prices suddenly collapsed coming back to the levels from before the growths. From that moment till the end of the year the most liquid product, BASE Y-14 was in the sideways trend between the price levels of 150.00 PLN/MWh and 155.00 PLN/MWh. Finally, BASE Y-14 ended quotations on the level of 151.00 PLN/MWh (transaction on TFS) i.e. by 18.50 PLN/MWh lower than BASE Y-13.

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

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

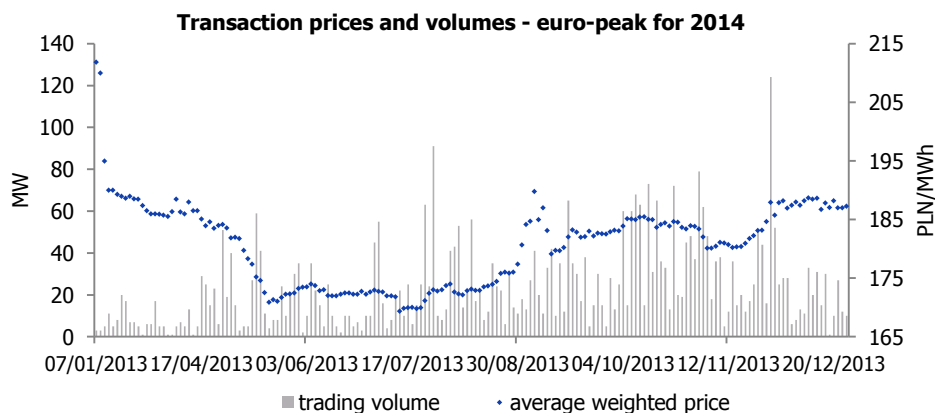


Source: Own development based on data from PPE and TFS.

A higher activity of market participants was noted and increasing of both the volume of speculative transactions and open positions on BASE Y-14 at the end of the year:

- at the end of BASE Y-14 instrument quotations on PPE open positions totalled to 7,993 MW (in comparison with BASE Y-13 there was a growth by 41.0% yoy),
- in the case of PEAK Y-14, contrary to BASE Y-14, there was a drop in open positions yoy by 11.3% (in comparison with PEAK Y-13) - at the end of 2013 open positions for PEAK Y-14 totalled to 2,008 MW,
- comparing the total volume of trading in annual contracts in the whole period of their quotation the volume grew by over 36.0% (the total turnover on BASE Y-14 amounted to 15,711 MW, and on BASE Y-13 11,532 MW).

The price of PEAK Y-14 was slightly different than for BASE Y-14. After a downturn phase which lasted till May 2013 there was a regular growth in the value till the end of the year. The last transaction was concluded at 187.25 PLN/MWh.

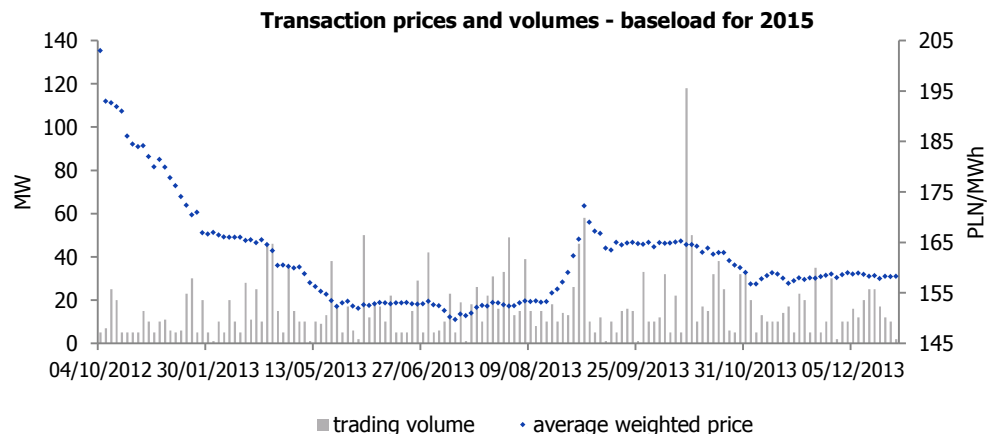


Source: Own development based on data from PPE and TFS.

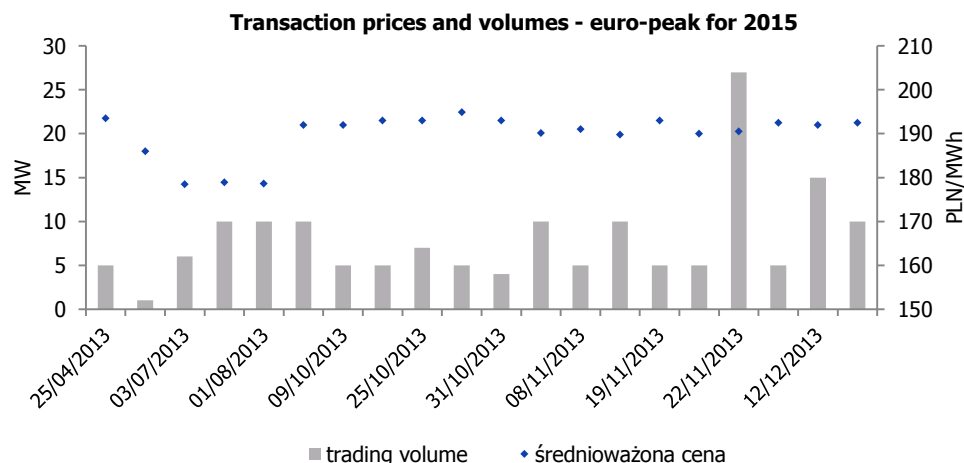
BASE Y-15 was similar to BASE Y-14 contract. After a downturn trend in H1 2013 in H2 the contract price was in the sideways trend. At the end of the analysed year BASE Y-15 as on the level of 158.30 PLN/MWh. The spread between BASE Y-15 and BASE Y-14 products amounted to 7.30 PLN/MWh (calculated to closing prices).

In 2013 transactions were also concluded for PEAK-15 product, however because of a remote delivery horizon the trade volume was relatively low.

Despite decreases in energy prices on the wholesale market the first signs may be noticed of a possible turning back of the trend on the energy market. It is indicated by better macroeconomic ratios and relatively good prognosis of the situation for subsequent years which may result in a greater demand for electricity in Poland. Additionally, a regularly increasing demand for electricity, with the generating capacity getting older and older and lack of new capacities in the system, may result in a situation that the price pressure will be greater an greater.



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



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

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 2013 were obliged to obtain and redeem the following types of certificates of origin:

- "green" certificates - obligation on the level of 12.0% of sales to end users,
- "violet" certificates - obligation on the level of 0.9% of sales to end users,
- energy efficiency certificates, the so-called "white" certificates.

In 2013, despite prior announcements, no legal regulations were adopted which would prolong the system of support for cogeneration certificates, so called "yellow" and "red" certificates. Below the structure of contract award procedure was presented for particular proprietary interests in 2013 (PPE listed "yellow" and "red" products despite no such obligation).

	Average price in 2013		Change towards 2012		Maximum price PLN/MWh	Minimum price PLN/MWh
	PLN/MWh	%	PLN/MWh	%		
OZEX ("green" proprietary interests)	151.05	↓16.8	↓30.4		170.00	85.00
OZEX_A ("green" proprietary interests)	171.18	↓33.1	↓84.6		211.58	100.48
KGMX ("yellow" proprietary interests)	118.27	↓4.8	↓5.97		125.85	43.73
KECX ("red" proprietary interests)	2.70	↓65.8	↓5.16		5.32	0.20
KMETX ("violet" proprietary interests)	58.24	↑1.0	↑0.58		59.40	56.32
EFX ("white" proprietary interests)	no transactions	-	-		-	-

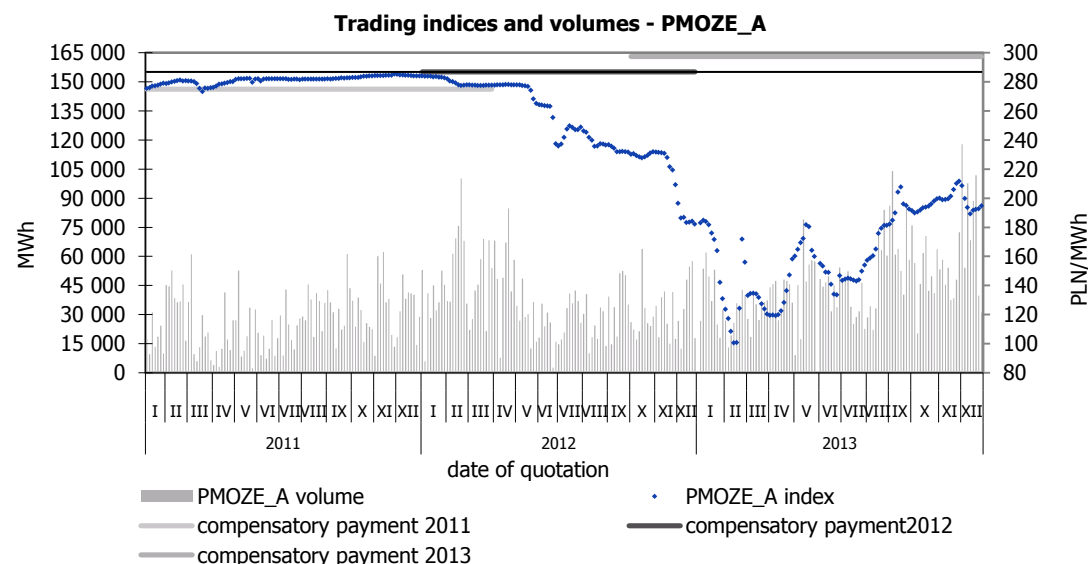
Source: Own paper based on data from PPE.

The key event on the market of certificates of origin in the previous year was a collapse of prices of "green" certificates. Prices of certificates had been decreasing since Q2 2012, yet only a year after they reached historically lowest levels. The cause for this collapse was information on a huge oversupply of green certificates. A factor affecting a growth in "green" certificate prices is suspension of issuing certificates by the President of ERO, which results in an artificial undersupply.

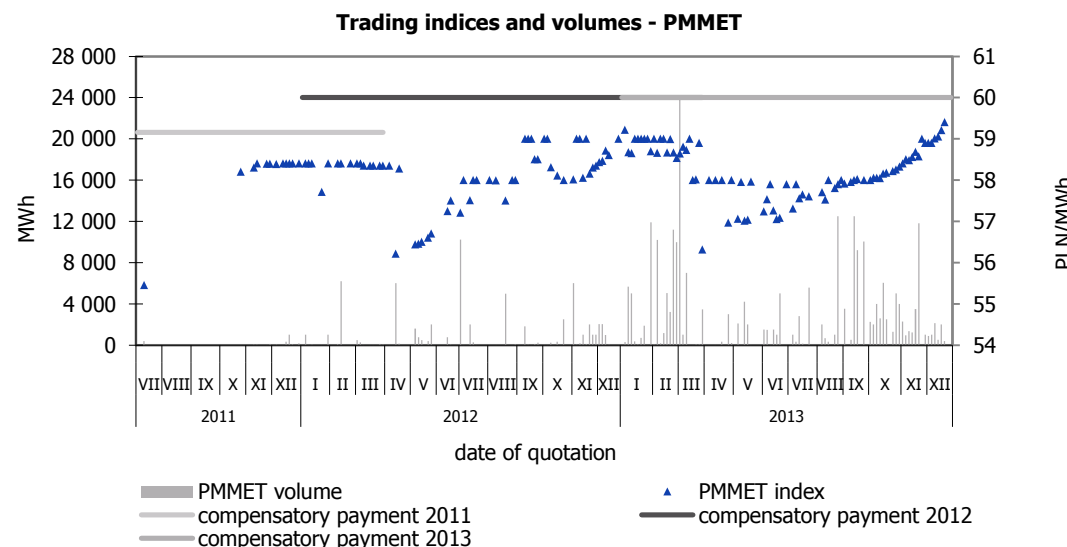
The RES market awaits new regulations. Legislative changes adopted within the act called a small "tri pack" introduced e.g. new categories of market participants: prosumers and industrial recipients.

The situation on the market within "violet" certificates may be deemed stable. Demand for the certificates exceeds the supply, therefore the price was not subject to abrupt price fluctuations and is on a level slightly lower than the alternate price.

For the first time in 2013 new instruments appeared which aim at the support of energy efficiency, the so called "white" certificates. Proprietary interests resulting from "white" certificates were traded on the Polish Power Exchange on 4 November 2013, however the first transaction on this instrument was concluded in the beginning of January 2014.



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



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

Limits of CO₂ emission allowances and their market prices

The market of allowances for emissions of CO₂ during the whole 2013 was strongly dependant on political decision made in the European Union.

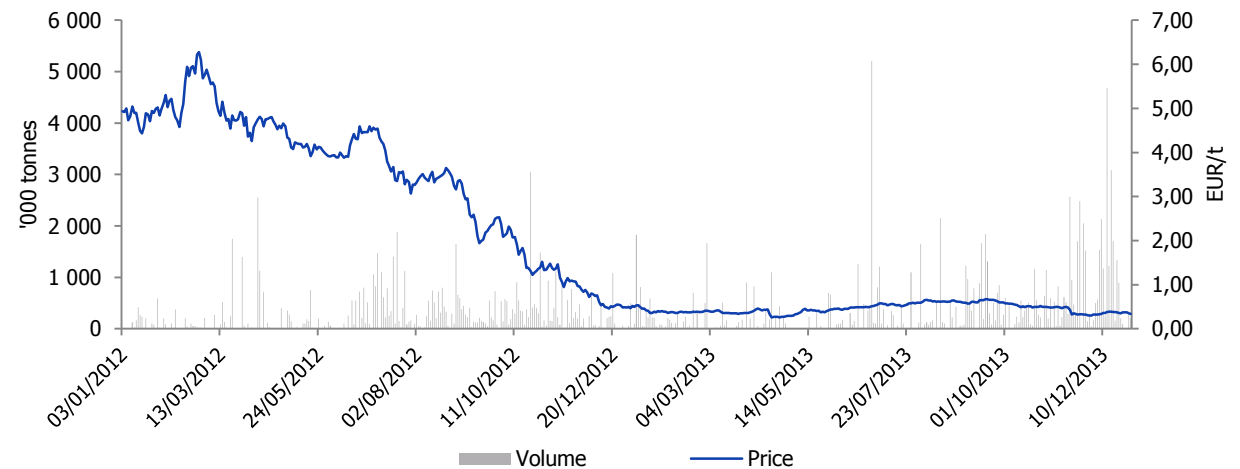
- A dominant cost factor of the previous year was market uncertainty closely related to the so called backloading. Backloading is a temporary withdrawal of some part of allowances from auctions during the first years of the 3rd settlement period for the last years of this period. The key problem of the European Commission was solving the problem of oversupply of allowances for emissions of CO₂ on the market.
- In December 2013 the European Parliament decided to shift 900 mln allowances for emissions of CO₂ from 2013-2015 to a later period of the 3rd settlement period (2013-2020) of the EU ETS European Emissions Trading System. Another step towards implementing the document adopted by the European Parliament was a December vote of the Council of the European Union where the proposal of backloading gained approval of the member states' ministers. As a result of delays in the implementation of backloading the preliminary proposal assuming postponing the first tranche of allowances already in 2013 became obsolete. Present projects assume postponing of allowances during 2014-2015 or 2014-2016 and their return to the market during 2019-2020.
- Works were also in progress over the determination of long-term objectives in the policy relating to the environment protection. Increasing the objective or works over increasing the objective of CO₂ emission reduction may contribute to a higher uncertainty on the market and growth in the price of allowances for emissions of CO₂.

During the previous year a great drop in the value of allowances was noticed.

- The price of EUA allowances on the closing of the last day of 2013 (based on Dec-14 contract on ICE exchange) amounted to 4.95 EUR/t. At the beginning of the year the units of the same contract amounted to 6.87 EUR/t, which constitutes as much as a 28% drop in the value over a year.
- The value of CER units in Dec-14 futures contracts during the last year amounted to 0.34 EUR/t, which in relation to the price from the beginning of 2013 0.48 EUR/t corresponds to a 29% loss.



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



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

Table 4. EUA and CER price change

Product	Price [EUR/t]		Change %
	Beginning of January 2013	End of Dec 2013	
EUA Spot	6.37	4.84	↓ 24.0
CER SPOT	0.19	0.32	↑ 68.4
EUA Dec-14	6.87	4.95	↓ 27.9
CER Dec-14	0.48	0.34	↓ 29.2

Source: Source: own development based on data from ICE

Because of planned changes in the EU ETS system the drafted changes in the climate and energy package of the European Union, the market of allowances for emissions of CO₂ will remain the factor significantly affecting prices of electricity.

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

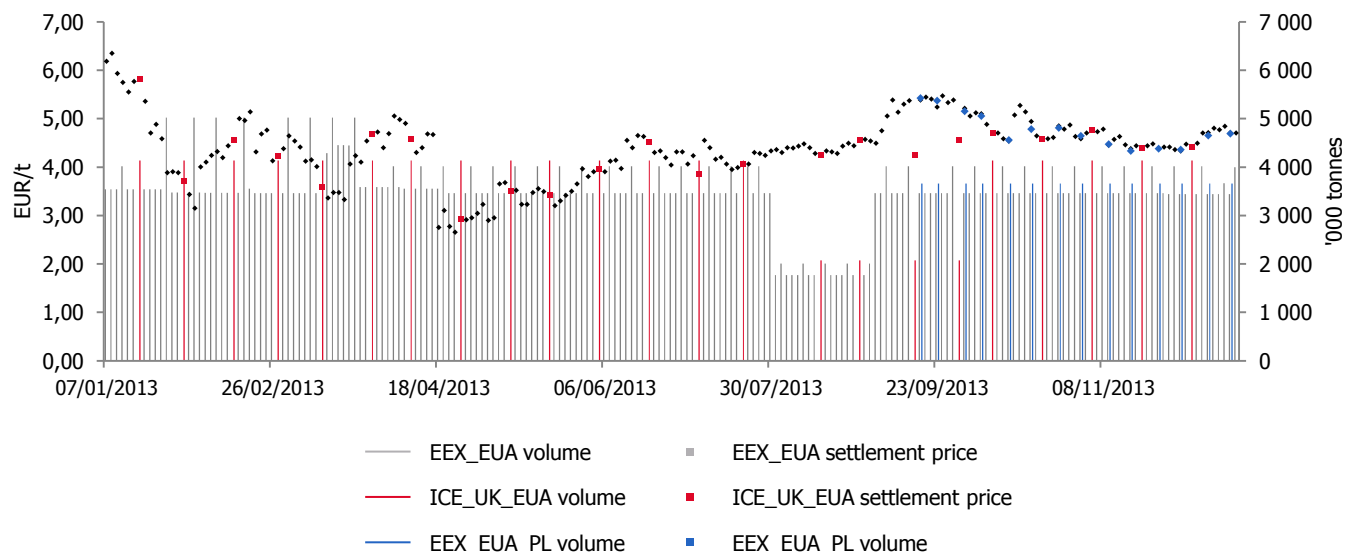
- Totally, auctions on EEX and ICE provided the market with allowances to over 779 mln units of CO₂ emissions.
- the average price on EEX auctions amounted at that time to 4.40 EUR/t (fluctuating between the minimum of 2.65 EUR/t and the maximum of 6.35 EUR/t).

EUA and CER quotations - closing prices on SPOT market



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

Auctions for the 3rd settlement period - settlement prices and volumes



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

Development strategy of the Capital Group

Mission Enhancing the Group's value through building Customer confidence

Vision Fully integrated energy group building its competitive advantage through flexible responding to market needs and efficient resources management

Strategic goals

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

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



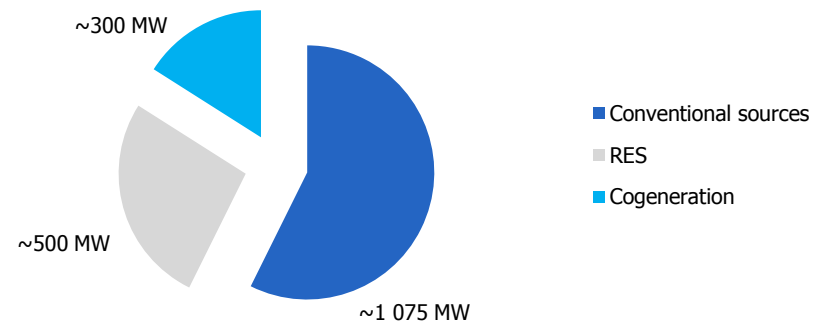
Within the superlative goal, i.e. higher value for shareholders, the Group will pursue to improve the core financial ratios. We anticipate that in the perspective of the Strategy ROE and ROA will reach 10% and 5%, respectively.

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

The map of strategic goals of ENEA CG was built based on the Balanced Scorecard (BSC) concept.



Additional generating capacities in ENEA CG till 2020



A growth in profitable areas will also take place through allocation of funds to distribution. The objective will be an optimum use of the resources through:

- implementation of a programme enhancing reliability and reducing network failure rate,
- implementation of a programme on the development of intelligent network network, reduction in the volume of electricity needed to cover losses.

The last element of the development in profitable areas is realisation of the goal within a growth of the margin on product sales. The goal will be realised by initiatives undertaken both by the sales area and wholesale area.

Enhanced efficiency of the Group will be realised through concentration on the core operations. We will pursue facilitation of the process of internal and external customer customer service. As a consequence it will lead to an annual reduction in the costs of customer service. Additionally, the Group will try to optimise fixed costs.

The realisation of the indicated paths will not be possible without an optimum use of the organisation's potential. improvement of the management model will take place through a further integration of the Group, e.g. by:

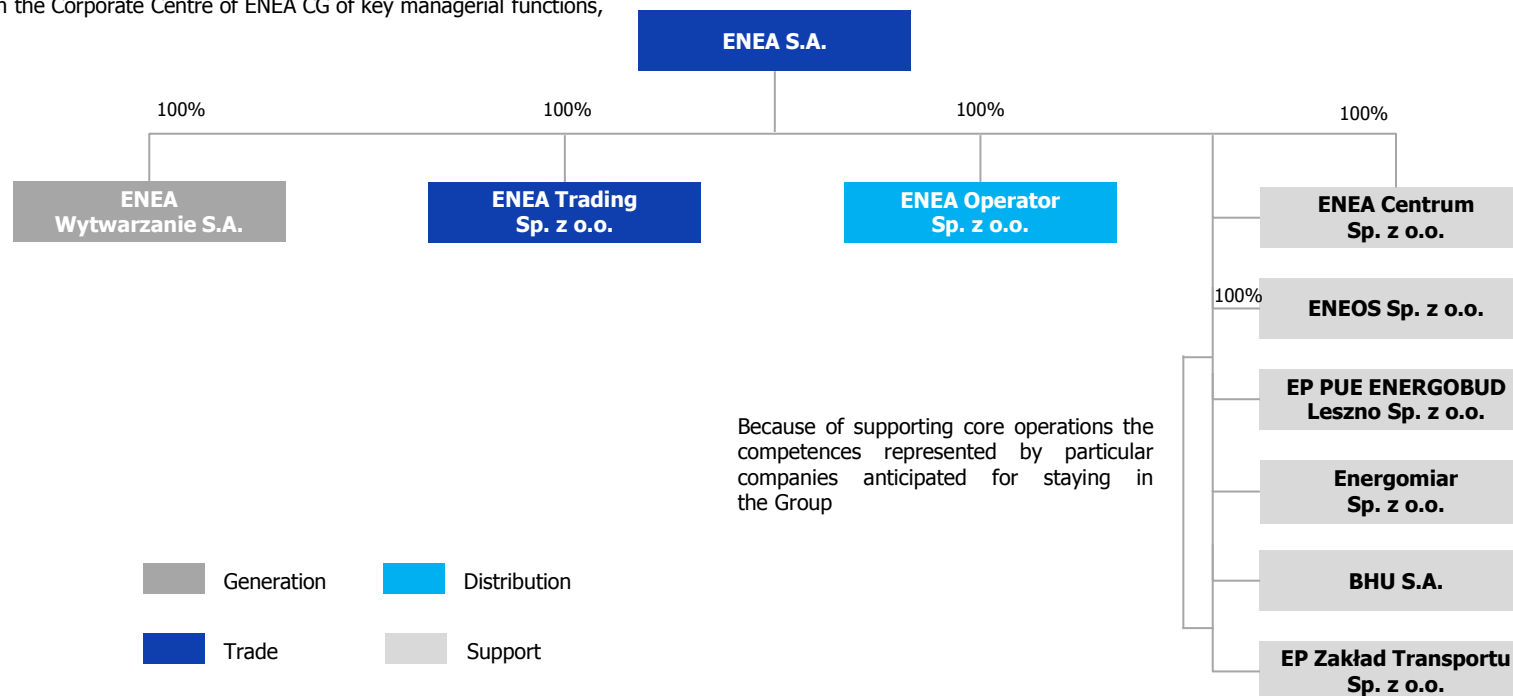
- implementation of the business model covering the integration of business areas,
- centralisation within the Corporate Centre of ENEA CG of key managerial functions,

- reorganisation of the areas of support, including through the implementation of the Shared Service Centre (SSC) for selected support and service functions, i.e.:
 - customer service,
 - IT,
 - finance and accounting,
 - human resources,
 - logistics (including purchases).

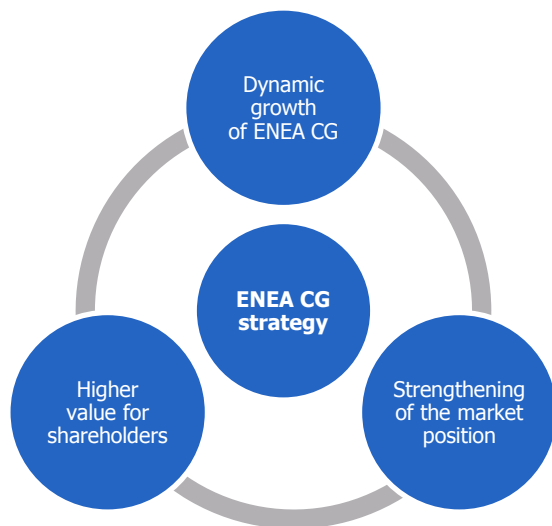
Additionally, the Group will build the organisational culture focused on the needs of internal and external customers.

Target organisation of ENEA Capital Group

The target capital structure of ENEA CG reflects the adopted direction of concentration on the core operations. The Group will perform restructuring activities within functioning of entities whose scope of operations is not connected with the operations of a power engineering company. The objective is keeping in the structure only those companies from the basic value chain and companies supporting them. In the target structure particular business areas within the core operations are represented by single companies.



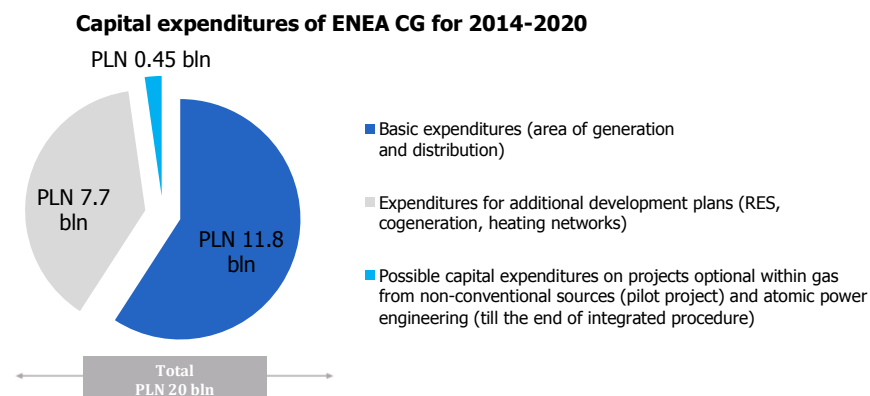
Generation	Wholesale trading
<ul style="list-style-type: none"> • Holding generating capacity at least on the current level. • Development (including acquisitions) of RES, cogeneration generation sources and heating networks. • Decision on subsequent investments in system sources. 	<ul style="list-style-type: none"> • Development of wholesale. • Raising efficiency. • New directions of operations (prop-trading).
Sales	Distribution
<ul style="list-style-type: none"> • Gaining new customers in the whole country. • Growth in margin through: <ul style="list-style-type: none"> • Widening of the product and service offer matched to customers, • Optimisation of customer service costs, • Building an optimum sales network. 	<ul style="list-style-type: none"> • Investments and actions directed at improving quality ratios of network operation - SAIDI and SAIFI. • Smart grid development.



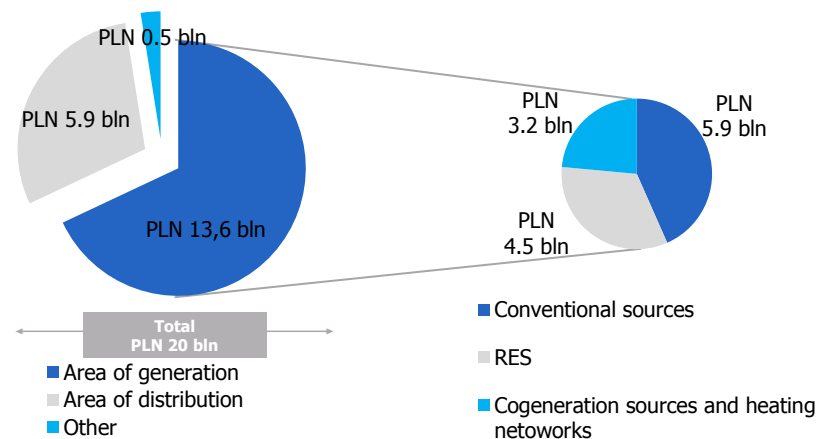
Capital expenditures

Realisation of the investments planned by ENEA Capital Group during 2014-2020 requires incurring total capital expenditures in the amount of PLN 20 bln. Within the analysed volume of capital expenditures (prices of 2013, with no costs of financing) two key positions may be separated:

- amount for the development of the area of generation and distribution in the so called base quantity, i.e. PLN 11.8 bln,
- additional expenditures covering the development of RES, cogeneration and heating networks, i.e. PLN 7.7 bln.



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



Planned capital expenditures will be covered from own sources and obtained debt financing.

Activities and investments implemented in ENEA CG

Generation

Kozienice Power Plant (presently ENEA Wytwarzanie – Segment of System Power Plants):

- modernisation of unit No. 9 – completed on 14 December 2013,
- 1st stage of the construction of the installation of the catalytic denitrogenation of flue gases for OP-650 boilers No. 4 to 8 (the common part for the units No. 4-8 and SCR installation on the unit No. 6),
- reconstruction of the flyover of hydraulic transport of ash and slag – completed on 30 October 2013,
- construction of IOS IV flue gas desulphurisation plant with flue gas channels, auxiliary ventilators and modernisation of chimney No. 3,
- modernisation of block No. 8, including e.g. modernisation of the pressure part of the boiler, modernisation of the turbo set and block automatics - completed on 11 October 2013.

Works realised in 2013 on the construction of the new 1,075 MW gross supercritical power unit:

- excavations under the main building and the installation of dehydrating deep excavations were made.
- piling and pile control programme under the foundations of the boiler house were completed,
- piling and pile control programme under the foundations of the Electrical Device Building were completed,
- piling and pile control programme under the foundations of the ash storage reservoir were completed,
- final fire protection and water supply and sewage system relocations were executed,
- piling under the foundations of the Machine Room on I and II platform as completed,
- reinforced concrete construction of communication pylons was completed with a slipform method was concluded,
- foundations under coal pulverisers were completed,
- assembly of 44 beams of the lower condensation ring of the evaporating tower was completed,
- realisation of the boiler water walls was commenced.

Białystok Heat and Power Plant (presently ENEA Wytwarzanie – Segment of Heat):

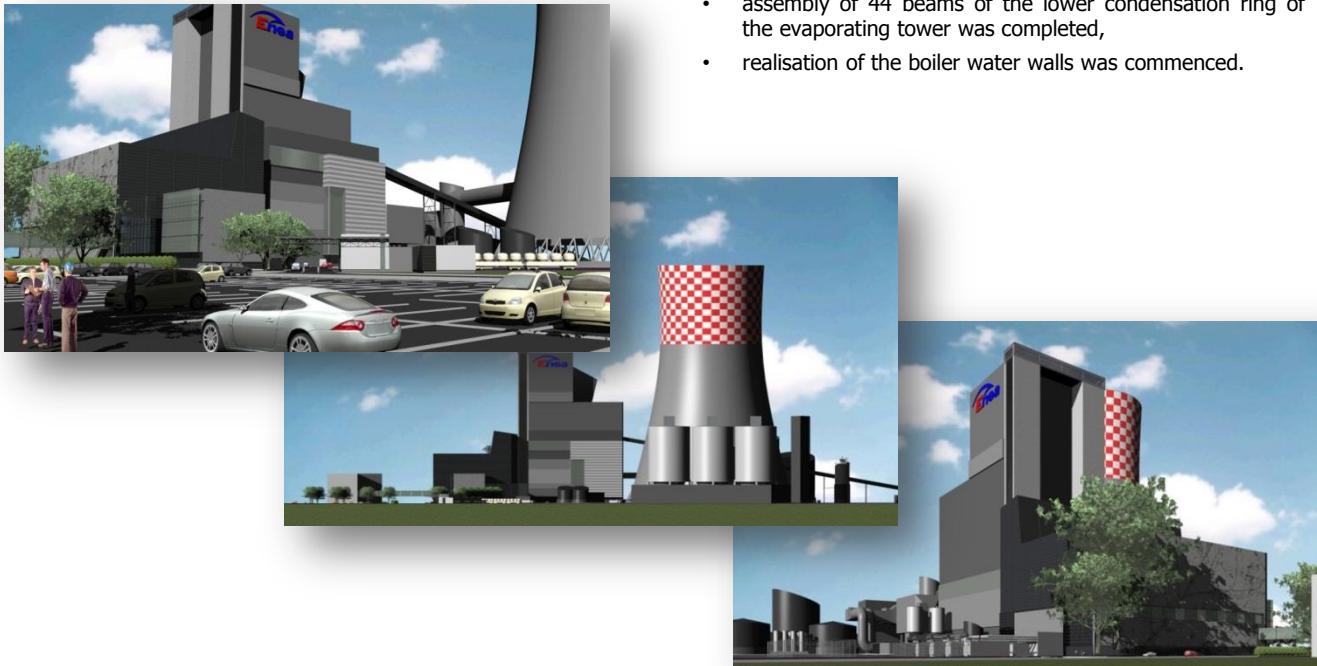
- construction of the heat recovery installation from K6 boiler flue gas,
- construction of deNOx installation on K7 and K8 boilers,
- modernisation of the boiler house.

Elektrownie Wodne (presently ENEA Wytwarzanie – Segment of RES):

- building permit was obtained and Specification of Essential Terms of a Contract was developed for the delivery and assembly of wind turbines for a 15 MW project,
- analysis was made within possibilities of increasing the efficiency parameters and preparatory works were commenced in the part connected with the grid connection of a 1.8 MW wind power plant project,
- the procedure of obtaining connection conditions was commenced on commercial rules of the designed 27.5 MW wind farm,
- elaboration of the construction design was commenced for a 1 MW photovoltaic farm,
- negotiation process was completed concerning the takeover of a 12 MW wind farm (change of the transaction formula, return to talks after the object was commissioned)

MEC Piła

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

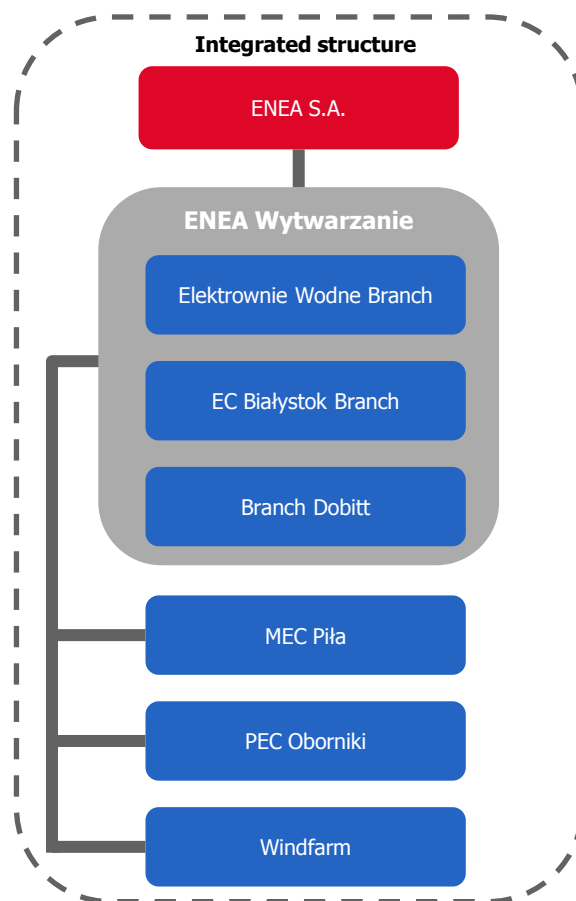


Integration of the wholesale in ENEA CG

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

Integration of the Area of Generation in ENEA CG

- Consolidating of the area of generation of ENEA Capital Group, i.e. merger of Białystok Heat and Power Plant, Elektrownie Wodne, Dobitt Energia and ENEA Wytwarzanie.
- On 28 December 2012 in relation to the agreement signed by ENEA and ENEA Wytwarzanie a holding structure managed by ENEA Wytwarzanie was established in ENEA Capital Group.
- The process of Integration of the Generation Area was connected e.g. with takeover by ENEA Wytwarzanie of employees of Białystok Heat and Power Plant, Elektrownie Wodne and Dobitt Energia based on Article 23¹ of the Labour Code. On 31 December 2013 the companies were consolidated under the capital structure of ENEA Wytwarzanie and their employees taken over based on Article 23¹ of the Labour Code. On the takeover, ENEA Wytwarzanie assumed by law the employment relationships with all the employees of the merged companies as the new employer.



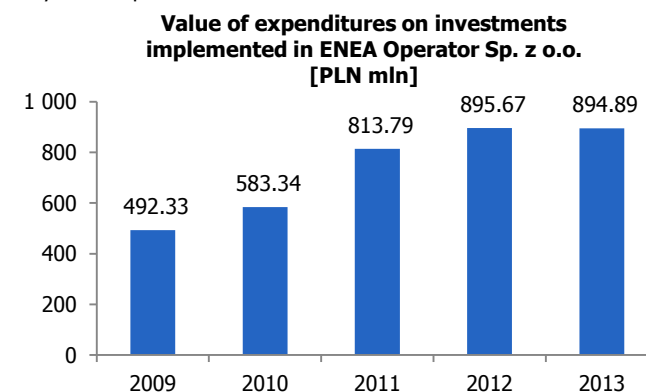
Programme of Voluntary Redundancy

- The Board of ENEA on 17 December made a decision regarding the launching of the Programme of Voluntary Redundancy in companies of ENEA Capital Group,
- The Board of ENEA Wytwarzanie, pursuant to the resolution No. 491/VII/2013 of 30 December 2013, regarding launching of the Programme of Voluntary Redundancy (PVR) in ENEA Wytwarzanie decided to launch the Programme of Voluntary Redundancy (PVR) in ENEA Wytwarzanie. The project will be realised in 2014.

Distribution

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

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



The Company designated the expenditures to:

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

Trade

In 2013 in the Area of Sales the works within the adopted "Sales Strategy of ENEA S.A. within retail trade for 2013-2016" were continued. The Strategy anticipates reversing the downward trend observed during 2009 and 2010.

The pillars of the strategy are:

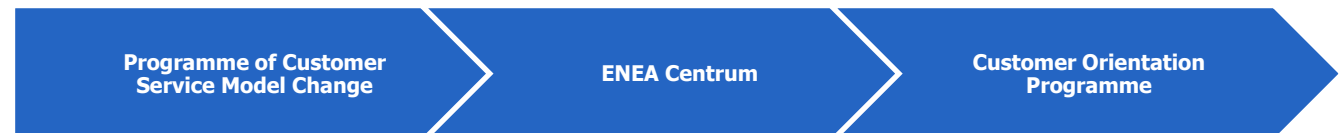
- expansion of retail sales,
- customer service efficiency,
- wholesale efficiency.

Within the first strategy pillar the following initiatives were implemented:

- reorganisation of the Department of Sales was performed in order to increase operating efficiency,
- a project of development of the Indirect Sales Channel aiming at the launching of active sales to customers,
- two sales points of ENEA S.A. beyond the area of operations of ENEA Operator were opened,
- new products were implemented in order to expand to "external" markets to build relations with G tariff group customers and customers in business segments,
- A project of ENEA S.A.'s organisation preparation to trade in natural gas was launched - with the goal of building customer attachment through the offer of combined sales of gas and electricity and achieving a growth in the competitiveness of the sales offer,
- the incentive scheme for the area of sales, was developed and implemented.

Within the second strategy pillar the following initiatives were implemented:

- widening of the Call Center,
- optimisation of the debt collection process,
- performance of the process of takeover of back-office servicing for Poznań by ENEA Centrum from ENEA Operator,
- transfer of the after-sale service of TPA (Third-party access) customers to ENEA Centrum from After-Sale Customer Service Point in ENEA,
- transfer of TPA agreements for the inclusion in the enPort information system and also extension of the registration of agreements in enPort with direct sales,



Area of Customer Service

In 2013 the following strategic activities were undertaken relating to the customer service area:

- the process of developing was commenced, based on the existing subsidiary ENEA Centrum, of the Shared Service Centre in ENEA CG,
- the implementation agreement for the new billing system and CRM concluded with Infovide – Matrix S.A. was withdrawn from.

The goal of establishment of SSC in the area of customer service is a growth in the professionalising and gradual standardisation of processes of common customers of trade and distribution. SSC will be the key organisational tool. The objective is to raise the professionalising and unification of selected process areas and implementation of a new model of organisation of the customer service area. The key business goals of the Customer Orientation Programme cover:

- designing and implementation of the customer service function common for the areas of trade and distribution,
- growth in the level of customer satisfaction measured with the annual growth of CSI ratio,
- implementation of IT solutions supporting the customer service,
- standardisation, raising the quality and efficiency of customer service process realisation,
- lowering of unit costs of mass customer service.

The effects of implementation of the above Programme from the customer perspective will be as follows:

- creation of one contact centre, in which a customer may handle all the matters connected with the service rendered by ENEA CG,
- launching remote channels of contact of customer with ENEA CG,
- improving and raising the service quality.

In 2013 works were realised connected with:

- defining detailed business strategies,
- defining the scope of particular programmes,
- creation of designing structures,
- nomination of managers of particular programmes and projects,
- preparation of work schedules.



Additionally, within the creation of SSC the following was concluded:

- Memorandum of Understanding relating to a common realisation of the process of creation of the Shared Service Centre in ENEA CG regulating the principles of co-funding by ENEA CG Companies of SSC construction,
- The Frame Agreement for rendering services by the Shared Service Centre of ENEA CG regulating the general principles of rendering services for the account of ENEA CG by ENEA Centrum in the areas covered with the process of SSC establishment,
- The accounting and financial services card concluded between ENEA Centrum and ENEA regulating detailed principles of rendering by ENEA Centrum accounting and financial services on order of ENEA,
- Customer Service Card - describing the way and principles of rendering by ENEA Centrum of servicing of ENEA's customers.

The above documents constitute basis on which the process of SSC development will be continued.

Area of Wholesale Trade

Works realised in 2013:

- Strategy of functioning of the area of wholesale trade of ENEA CG for the subsequent three years was updated. The document, cyclically prepared in ENEA Trading, covers the mode of wholesale of electricity, proprietary interests and allowances for emissions of CO₂ for the needs of particular companies of ENEA CG,
- The process of preparations to new cooperation principles within the Group, extending the scope of ENEA Trading's competencies with direct access to the market of allowances to emissions of CO₂ both on the SPOT and futures market,
- The process of takeover of competencies connected with the trade in production fuels for the generating sources of the Group was completed. Centralisation in one entity, i.e. ENEA Trading, of the management of the first contribution margin in generation and managing commercial risk on the level of the wholesale market, enables optimisation of activities and business processes in the Group,
- Support of ENEA Operator by ENEA Trading in the process of acquisition by ENEA Operator of electricity for covering own needs and the book-tax difference, in particular within preparation of market analyses constituting the support of decision making processes and within relations with contractors,
- Development was commenced of an advanced IT tool aiding the fundamental model based on scenario based market price forecasting,
- Works were realised connected with the preparation to trading in natural gas on the wholesale market. In February 2013 the company signed an agreement with Dom Maklerski TRIGON on its representation on the Polish Power Exchange.
- The first transaction was concluded on the gas market organised by the Polish Power Exchange, compliant with the requirements of the licence for Trading in Natural Gas (OPG),
- The process was commenced of searching for possibilities of purchasing gaseous fuel in Poland or on the Polish-German border from a reliable contractor from a gas industry possessing own extraction in the Western Europe. Presently, possibilities are analysed of purchasing natural gas on the Polish Power Exchange where sales will be shortly commended by PGNiG S.A. within the realisation of the exchange obligation. Additionally, business negotiations are in progress within possibilities of cooperation with other state owned enterprises within wholesale of natural gas,
- Works are being terminated aiming at obtaining a full access to the wholesale market of natural gas. In November 2013 ENEA Trading, as the second company in Poland was admitted to the Commodity Derivatives Market by PPE as a direct participant.
- The first frame agreement was concluded regulating wholesale trading in natural gas with a foreign entity, thanks to which ENEA Trading gained an indirect access to the possibilities of importing gaseous fuel abroad. Additionally, negotiations are in progress relating to the conclusion of frame agreements for trade in natural gas with the largest Polish and foreign concerns from "Oil&Gas" sector. Agreements are to diversify the risk and optimisation of costs of purchasing gaseous fuel.

Financing sources of the investment programme

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

Within the realised project "Obtaining financing for the implementation of investment projects in ENEA CG", ENEA S.A. holds a concluded programme agreement relating to the bond issue programme up to the amount of PLN 4,000,000 thou. with five banks being issue Guarantors, i.e.: PKO BP S.A., Bank PeKaO S.A., BZ WBK S.A., Bank Handlowy w Warszawie S.A. and Nordea Bank Polska S.A. The financing is not secured and exempt from limitations for shareholders within the so called ownership clauses and dividends.

The funds gained from commercial banks are designated for the realisation of investment projects in ENEA CG, including e.g. for the construction of the 1,075 MWe gross supercritical bituminous coal fired power unit, which is constructed within the operations of ENEA Wytwarzanie.

As at 31 December 2013 ENEA S.A. did not issue bonds within the above Programme, ENEA S.A. plans the issue of bonds within the said Programme Agreement in Q1 2014.

Investment loan from the European Investment Bank

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

Within "A" tranche ENEA S.A. drew the funds from the loan in the amount of PLN 780,000 thou. The currency of the released loan is Polish zloty, floating rate, based on WIBOR rate for 6-month deposits increased with the Bank margin.

Additionally, ENEA S.A. continues parallel talks with the European Bank for Reconstruction and Development ("EBRD") concerning the possibility to obtain an unsecured long-term financing for the implementation of the investment programme with regard to the area of electricity distribution. The funds for which ENEA S.A. applies in EBRD would be, beside the funds gained from EIB, one of the basic sources of financing of the investment programme in the area of electricity distribution during 2012-2017.

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

Events occurring after the balance sheet date:

On 21 January 2014 ENEA S.A. released the second tranche of the loan from the European Investment Bank, in the amount of PLN 170,000 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. On 22 January 2014 the said amount was fully distributed through the acquisition of four intergroup bonds of EPO_E2 series issued by ENEA Operator Sp. z o.o.

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



ENEA S.A. notices the advantages of market bond issue programmes as a complementary source of capital. Therefore it plans to undertake actions aiming at conclusion in the future of relevant agreements which would enable bond issue for institutional investors. Because of the investment plan realised within the Strategy of ENEA CG, during the coming years ENEA S.A. plans to take an active part on the market of debt securities.

Additionally, on 17 January 2014 an annex No. 1 was signed to the Bond Issue Programme Agreement for the amount of PLN 746,000 thou. concluded between ENEA S.A. and ENEA Wytwarzanie S.A. (Issuer) and mBank S.A. (formerly: BRE S.A.) as the Organiser, Issue Agent, Payment Agent and Depositary. The above annex to the agreement increased the amount of the Bond Issue Programme to the amount of PLN 936,000 thou., i.e. by PLN 190,000 thou. ENEA S.A. on 22 January 2014 took up the 5th series of bonds in the total amount of PLN 190,000 thou. issued within the said programme.

On 28 January 2014 the Companies of the Tax Capital Group of ENEA concluded with PeKao S.A. and Bank PKO BP S.A. agreements for a comprehensive bank service within which ENEA S.A. and Bank PeKao S.A. concluded an agreement for a loan in the current account for the amount of PLN 300,000 thou. and with Bank PKO S.A. it concluded an agreement for a loan in the current account also for the amount of PLN 300,000 thou. At the same time, with Bank PeKao S.A. within the service an Agreement was concluded for the guarantee facility for the amount of PLN 100,000 thou. Agreements mentioned above were concluded for the period of 3 years of their execution. Disbursing of the loan and guarantee facility will occur after the conditions specified in the agreements fulfil.

Planned capital expenditures

In 2014, within the operations of ENEA Operator, ENEA Wytwarzanie with its subsidiaries form the segment of generation, and ENEA we plan to make capital expenditures in the amount of ca. PLN 3,143,482 thou. The table on the right presents the planned capital expenditures during the year ending on 31 December 2014 in division into particular types.

Assessment of the Feasibility of Implementing Investment Plans

The financial situation 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 pecuniary funds provide a solid financial base for investment outlays, both from our own resources and external sources. In order to use its resources efficiently, in their further investment activities (particularly in the area of acquisitions) the Company intends to make use of debt financing so as to attain leverage.

Rating

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

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

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

Planned capital expenditures for the year ending 31 December 2014		[PLN '000]
Capital expenditures on distribution assets*, including:		795 109
Connecting new users and new sources and related construction of new grids*		286 888
Modernisation and reconstruction of the existing assets connected with improving the quality of services and/or power demand increase*		441 529
Other capital expenditures*		66 692
Capital expenditures on generation assets, including:		2 323 583
ENEA Wytwarzanie - Segment of System Power Plants, including		1 806 150
Investments in individual 200 MW units		82 110
Joint investments** in 200 MW unit		238 518
Construction of a power unit with the capacity of approx. 1,000 MW		1 391 188
Investments in individual 500 MW units		33 530
Joint investments** in 500 MW units		9 910
Joint investments** in 200 MW and 500 MW units		46 692
Purchase of ready investment goods and used fixed assets		4 202
ENEA Wytwarzanie - Segment of Heat		304 493
ENEA Wytwarzanie - Segment of RES		178 631
Other capital expenditures on generating assets of subsidiaries of ENEA Wytwarzanie		34 309
Other capital expenditures		24 790
TOTAL		3 143 482

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

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

Risks and key factors of the operations

Factors connected with pursuing business activity in Poland

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

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

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

The overall condition of the economy

The growth rate of the basic macroeconomic ratios relative to the previous year is as follows:

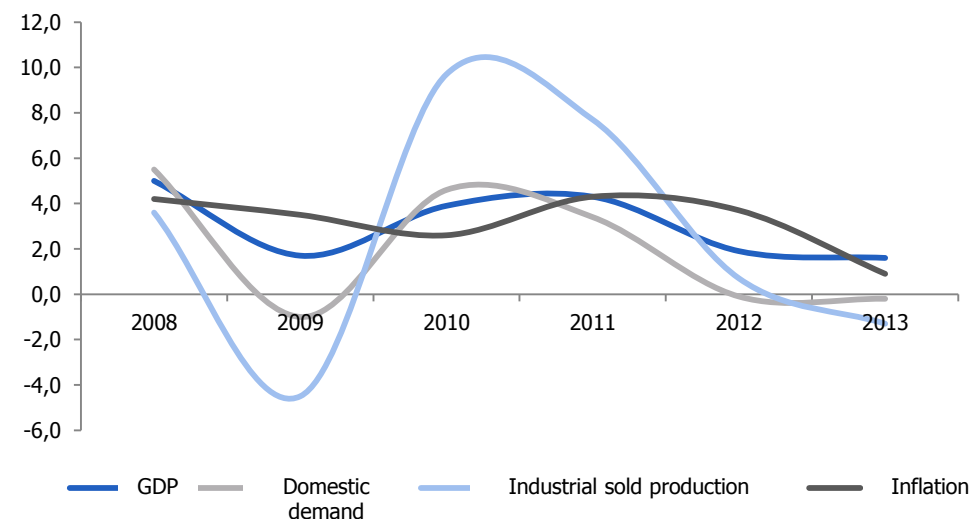
Item	unit	2012	2013*
GDP	growth in %	1.9	1.6
Value added in industry	growth in %	1.8	2.9
Domestic demand	growth in %	-0.1	-0.2
Gross outlays on fixed assets	growth in %	-1.7	-0.4
Industrial production sold	growth in %	0.7	-1.3
Average monthly gross nominal remuneration in the enterprise sector	growth in %	3.4	2.9
Unemployment rate	%	13.4	13.4
Inflation	%	3.7	0.9
Export [EUR]	growth in %	5.6**	5.8**
Import [EUR]	growth in %	1.2**	0.3**

* some figures are only estimates published by the Central Statistical Office

** data relates to the period of January-November

Factors related to economic activity

The change of selected macroeconomic indicators during the previous years was as follows:



Legal and regulatory environment

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

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

Decisions of the President of the Energy Regulatory Office and tariffs

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

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

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

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

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

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

New legal regulations within RES

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

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

Long-term contracts

Detailed description of Long-term Agreements is presented in note No. 45 of the Consolidated financial statement.

The regulatory value of assets.

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

Market liberalisation

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

2013 demonstrated on the energy market that the awareness of a possibility of changing the seller is growing dynamically. It relates to both business customers and households. The activities of the President of ERO aiming at activation of energy recipients bring more and more effects. For full market liberalisation what is lacking is only deregulation of prices of electricity for households.

Type of customers	Number of customers	Change yoy
Commercial	91 585	140%
Households	127 523	167%
TOTAL	218 994	154%

Source: ERO, state as at 11 November 2013.

ENEA S.A. is an active participant on the competitive market and engages in activities aimed at selling energy to customers connected to the grids of operators other than ENEA Operator. In 2013, we sold about 2.3 TWh of electricity to such customers.

Licences

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

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 ENE A S.A. or its subsidiary, whose single or total value would amount to 10% or more of ENE A S.A.'s equity.

The detailed description of the proceedings is presented in note No. 50 of the Consolidated financial statement.

Risks connected with the possibility of strategy realisation

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

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

As a result, we could be forced to postpone the achievement of certain strategic goals, as well as to reduce or forgo planned investment outlays. This may have a material effect on our operations, financial standing, financial results or development prospects.

Collective disputes and agreements

ENE A S.A.

Approximately 45% of ENE A's employees belong to trade unions. ENE A S.A. reported occurrence of a collective dispute as of 7 September 2009 concerning the planned privatisation of the Company in the National Labour Inspectorate in Poznań. Taking into account that within the initiated procedure the State Treasury did not dispose of the held shares in the share capital of the Company and because of the termination of the aforementioned process in 2009, the dispute became unsubstantiated. Thus, the removal of the said dispute was requested at the National Labour Inspectorate in Poznań.

ENE A Wytwarzanie S.A. (Segment of System Power Plants)

Approximately 69% of total employees of ENE A Wytwarzanie belong to trade unions operating within the Company. In ENE A Wytwarzanie S.A. no collective dispute is in progress at the moment.

Elektrociepłownia Białystok S.A. (till 30 December 2013) (Segment of Heat)

Approximately 60% of total employees of Białystok Heat and Power Plant belong to trade unions operating within the Company. In Białystok Heat and Power Plant no collective dispute is in progress at the moment.

ENE A Operator Sp. z o.o.

Approximately 77% of total employees of ENE A Operator belong to trade unions. In 2013 ENE A Operator was not a party to any collective dispute.

Environmental protection

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

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

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

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

Events of force majeure and malfunctions

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

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

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

Malfunctions of our distribution infrastructure or production assets could give rise to liability with respect to third parties, which could result in an obligation to pay substantial damages. Additionally, a breakdown in our distribution or generating infrastructure may be grounds for imposition on us by the President of ERO of a penalty of up to 15% of our revenues from licensed activities.

Failure rate of ENEA Wytwarzanie in 2013 amounted to:

- for 8x200 MW units: 2.09%,
- for 2x500 MW units: 7.94%
- for all the units: 3.21%.

The key reasons for failures and exclusions of units in 2013 were leakages of the pressure parts of boilers. In order to reduce the failure rate partial replacement of sub-assemblies are successively conducted. In 2013 in Białystok Heat and Power Plant there were no serious failures of generating equipment.

Risk associated with connecting renewable energy sources (RES)

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



Presentation of the financial position of ENEA Capital Group

Financial results of ENEA Capital Group in 2013 and Q4 2013

Consolidated profit and loss statement*

[PLN '000]	2012	2013	Change	Change %	Q4 2012	Q4 2013	Change	Change %
Revenues from the sale of electricity	6 768 335	5 832 788	-935 547	-13.8%	1 784 346	1 493 538	-290 808	-16.3%
Revenues from the sale of distribution services	2 813 446	2 833 784	20 338	0.7%	717 156	724 789	7 633	1.1%
Revenues from the sale of goods and materials	127 603	84 333	-43 270	-33.9%	37 443	27 352	-10 091	-27.0%
Revenues from the sale of other services	129 573	142 240	12 667	9.8%	36 669	36 438	-231	-0.6%
Revenues from certificates of origin	32 849	52 844	19 995	60.9%	6 516	20 877	14 361	220.4%
Revenues from sales of CO2 emission allowances	62 225	14 236	-47 989	-77.1%	22 377	4 005	-18 372	-82.1%
Recovery of stranded costs	-21 647	964	22 611	104.5%	0	0	-	-
Revenues from the sale of heat energy	178 966	189 331	10 365	5.8%	59 753	56 278	-3 475	-5.8%
Net sales revenues	10 091 350	9 150 520	-940 830	-9.3%	2 664 260	2 363 277	-300 983	-11.3%
Amortisation/depreciation	749 737	761 759	12 022	1.6%	189 719	187 337	-2 382	-1.3%
Employee benefit costs	1 009 467	1 036 215	26 748	2.6%	297 588	305 600	8 012	2.7%
Consumption of materials and raw materials and value of goods sold	1 909 695	1 753 573	-156 122	-8.2%	496 251	407 259	-88 992	-17.9%
Costs of purchases for resale	4 097 265	3 303 371	-793 894	-19.4%	1 083 855	938 052	-145 803	-13.5%
Transmission services	714 451	599 170	-115 281	-16.1%	180 480	149 869	-30 611	-17.0%
Other outsourced services	434 336	420 046	-14 290	-3.3%	121 849	115 783	-6 066	-5.0%
Taxes and charges	224 857	244 240	19 383	8.6%	58 686	59 141	455	0.8%
Cost of sales	9 139 808	8 118 374	-1 021 434	-11.2%	2 428 428	2 163 041	-265 387	-10.9%
Other operating revenue	108 159	125 087	16 928	15.7%	37 107	27 194	-9 913	-26.7%
Other operating expenses	220 866	248 954	28 088	12.7%	144 908	150 127	5 219	3.6%
Profit / (loss) on sales and liquidation of tangible fixed assets	-8 549	109	8 658	101.3%	-6 697	5 009	11 706	174.8%
Tangible and intangible impairment write-off	5 397	11 363	5 966	110.5%	5 291	11 363	6 072	114.8%
Operating profit (loss)	824 889	897 025	72 136	8.7%	116 043	70 949	-45 094	-38.9%
Financial expenses	84 133	44 821	-39 312	-46.7%	35 411	22 275	-13 136	-37.1%
Financial revenue	148 646	88 144	-60 502	-40.7%	37 440	33 797	-3 643	-9.7%
Write off of goodwill	-5 921	0	5 921	100.0%	-5 921	0	5 921	100.0%
Dividend revenue	2 724	4 552	1 828	67.1%	0	0	-	-
Share in (losses)/profits of affiliated entities accounted for using the equity method	304	331	27	8.9%	109	-2	-111	-101.8%
Profit (loss) before tax	886 509	945 231	58 722	6.6%	112 260	82 469	-29 791	-26.5%
Income tax	192 443	229 867	37 424	19.4%	27 909	33 945	6 036	21.6%
Net profit (loss) for the reporting period	694 066	715 364	21 298	3.1%	84 351	48 524	-35 827	-42.5%
EBITDA	1 574 626	1 658 784	84 158	5.3%	305 762	258 286	-47 476	-15.5%

* a comment to significant changes is attached below

Comment:

2013:

Change factors of EBITDA of ENEA CG (growth by PLN 84 mln):

- (+) lower average purchase price of electricity by 8.1%
- (+) lower costs of materials and goods and value of sold goods (by PLN 156 mln) as a result of:
 - lower average coal price
 - settlement of inventory variances
 - inclusion in 2012 of CO₂ amortisation and depreciation write-off
- (+) lower unit costs of transmission services (by PLN 115 mln)
- (+) lower costs of outsourced services (by PLN 14 mln), including lower costs of repairs and marketing services
- (-) lower electricity sales revenues (by PLN 936 mln) as a result of:
 - lower volumes of sales to end users and lower average price
 - lower prices of electricity on the wholesale market (10%)
- (-) higher employee benefits by PLN 27 mln:
 - creation of provisions for Programme of Voluntary Redundancy
 - change in the actuarial valuation reserve
 - lower remuneration from payroll fund
- (-) higher costs of taxes and charges (by PLN 19 mln), including property tax and charges for use of the environment

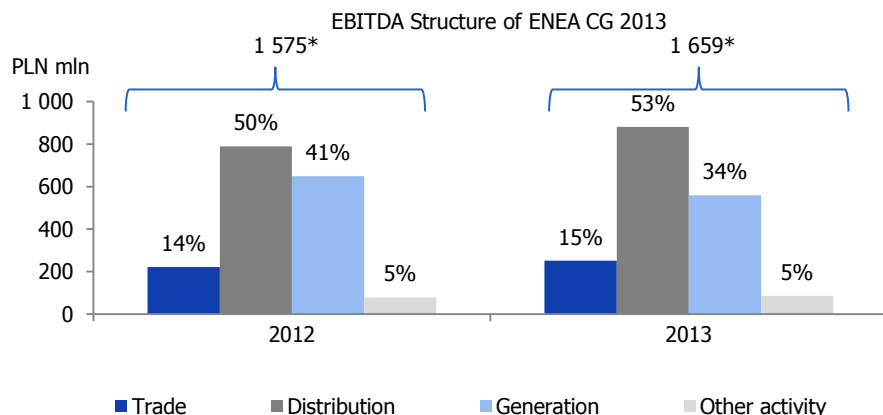
Q4 2013:

Change factors of EBITDA of ENEA CG (drop by PLN 47 mln):

- (-) lower electricity sales revenues (by PLN 291 mln) as a result of:
 - lower volumes of sales to end users and lower average selling price
 - lower prices of electricity on the wholesale market (10%)
- (-) higher employee benefits by PLN 8 mln:
 - creation of provisions for Programme of Voluntary Redundancy
 - change in the actuarial valuation reserve
 - lower remunerations from payroll fund
- (+) lower average purchase price of electricity by 7.9%
- (+) lower costs of materials and goods and value of sold goods (by PLN 89 mln) as a result of:
 - lower average coal price
 - lower costs of CO₂ emissions (larger number of free allowances applied to the reserve for redemption)
- (+) lower unit costs of transmission services (by PLN 31 mln)
- (+) lower costs of outsourced services (by PLN 6 mln), including lower costs of repairs and marketing services

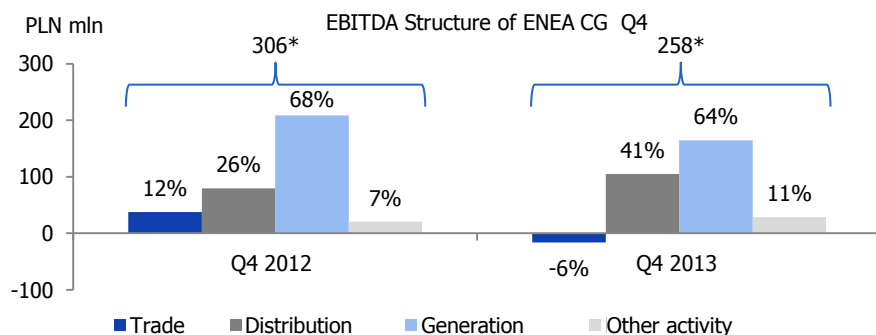
Results on particular segments of operations of ENEA Capital Group

EBITDA [PLN '000]	2012	2013	Change	Change %	Q4 2012	Q4 2013	Change	Change %
Trade	220 705	251 218	30 513	13.8%	37 597	-16 230	-53 827	-143.2%
Distribution	788 878	880 720	91 842	11.6%	79 717	105 075	25 358	31.8%
Generation	648 564	559 370	-89 194	-13.8%	208 810	164 664	-44 146	-21.1%
Other activity	77 628	85 262	7 634	9.8%	20 488	28 446	7 958	38.8%
Undistributed items and exclusions	-161 149	-117 786	43 363	26.9%	-40 850	-23 669	17 181	42.1%
Total EBITDA	1 574 626	1 658 784	84 158	5.3%	305 762	258 286	-47 476	-15.5%



ENEA CG 2013:

The highest EBITDA in the segment of distribution
The highest growth in EBITDA in the segment of distribution



ENEA CG Q4:

The highest EBITDA in the segment of generation
The highest growth in EBITDA in the segment of distribution

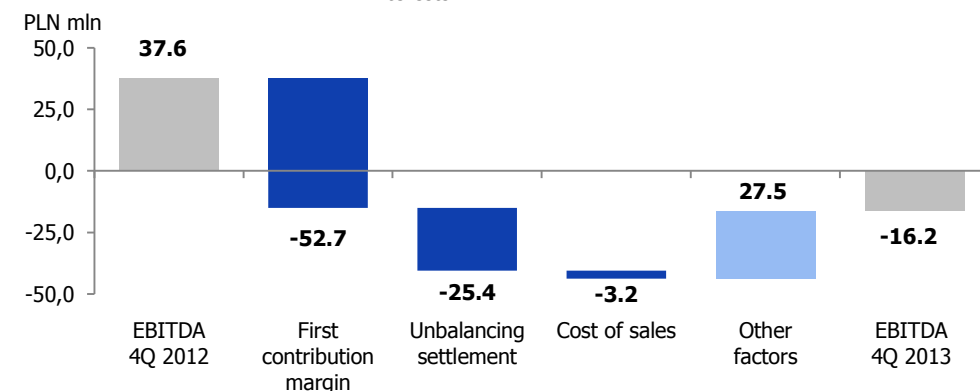
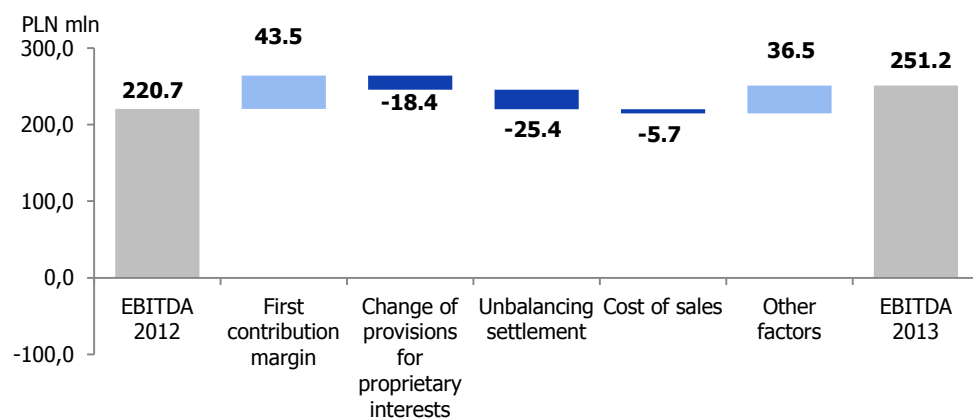
* including undistributed items and exclusions

Segment of Trade

[PLN '000]	2012	2013	Change	Change %	Q4 2012	Q4 2013	Change	Change %
Revenues on sales	4 266 175	3 617 054	-649 121	-15.2%	1 094 726	948 233	-146 493	-13.4%
<i>of energy to end users</i>	4 114 916	3 540 437	-574 478	-14.0%	1 026 298	890 883	-135 415	-13.2%
<i>other</i>	151 259	76 617	-74 643	-49.3%	68 428	57 350	-11 078	-16.2%
EBIT	220 280	250 710	30 430	13.8%	37 496	-16 350	-53 846	-143.6%
Amortisation/depreciation	425	508	83	19.5%	101	120	19	18.8%
EBITDA	220 705	251 218	30 513	13.8%	37 597	-16 230	-53 827	-143.2%
CAPEX	323	2 618	2 295	710.5%	4	1 079	1 075	26875.0%
Share of sales revenues of the segment in the Group's sales revenues	42.3%	39.5%	-	-	41.1%	40.1%	-	-

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

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



2013:

Change factors of EBITDA:

- (+) lower average purchase price of energy by 6.2%
- (-) lower average selling price by 2.7%
- (-) lower costs of redemption of proprietary interests in 2012 as a result of a change in the valuation methodology by PLN 18.4 mln
- (-) Settlement of variations between the purchase and sales of energy relating to previous years by PLN 25.4 mln
- (-) higher remuneration for business partners by PLN 9.8 mln
- (+) lower provisions for potential claims by title of land easements (by PLN 20 mln)

Q4 2013:

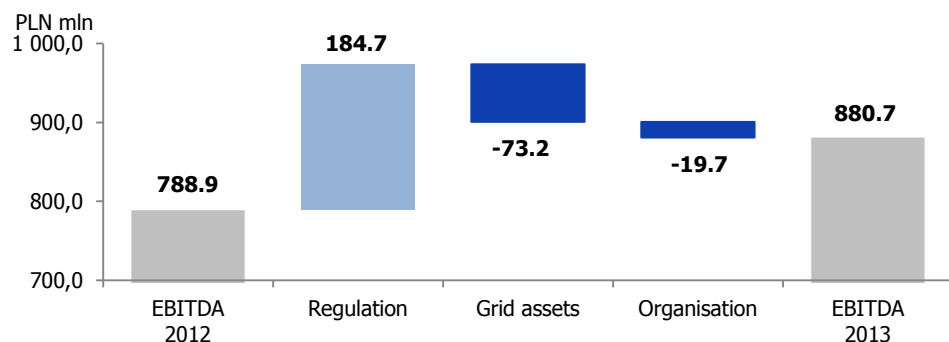
Change factors of EBITDA:

- (-) lower average selling price by 6.2%
- (+) lower average purchase price by 3.4%
- (-) settlement of variations between the purchase and sales of energy relating to previous years by PLN 25.4 mln
- (-) higher remuneration for business partners by PLN 3.5 mln
- (+) lower provisions for potential claims by title of land easements (by PLN 5 mln)
- (+) higher EBITDA of ENEA Trading by PLN 7 mln

Segment of Distribution

[PLN '000]	2012	2013	Change	Change %	Q4 2012	Q4 2013	Change	Change %
Revenues on sales	2 811 961	2 832 300	20 339	0.7%	716 679	724 359	7 680	1.1%
<i>distribution services to end users</i>	2 595 185	2 658 862	63 677	2.5%	661 459	673 629	12 170	1.8%
<i>fees for grid connection</i>	129 147	110 371	-18 776	-14.5%	36 223	32 676	-3 547	-9.8%
<i>other</i>	87 629	63 067	-24 562	-28.0%	18 997	18 054	-943	-5.0%
EBIT	415 550	503 745	88 195	21.2%	-13 900	8 475	22 375	161.0%
Amortisation/depreciation	373 328	376 975	3 647	1.0%	93 617	96 600	2 983	3.2%
EBITDA	788 878	880 720	91 842	11.6%	79 717	105 075	25 358	31.8%
CAPEX	895 673	894 888	-785	-0.1%	390 178	415 326	25 148	6.4%
Share of sales revenues of the segment in the Group's sales revenues	27.9%	31.0%	-	-	26.9%	30.7%	-	-

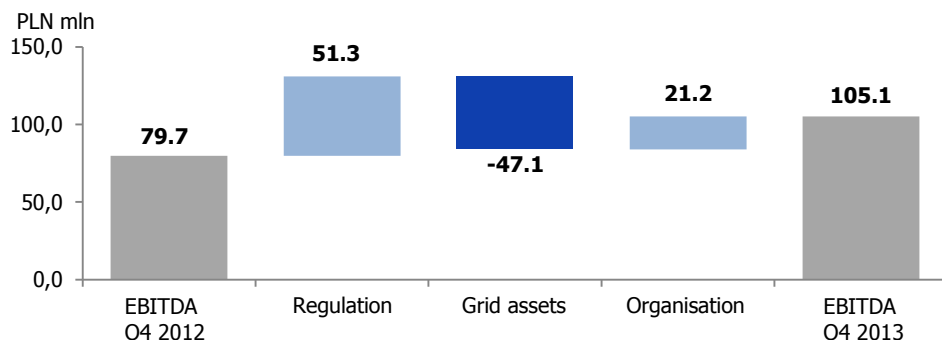
ENEA Operator Sp. z o.o. is responsible for energy distribution to over 2.4 mln customers in western and north-western area of Poland. The basic task of ENEA Operator is a continuous and reliable supply of energy maintaining appropriate quality parameters.



2013:

Change factors of EBITDA:

- (+) higher tariffs for rendered services with a positive change in the volumes of supply of energy and lower costs of energy purchases for covering the book-tax difference (**regulation**)
- (-) higher obligations within the held grid assets and costs of maintenance works on networks and local charges (**grid assets**)
- (-) higher costs of employee benefits (**organisation**)



Q4 2013:

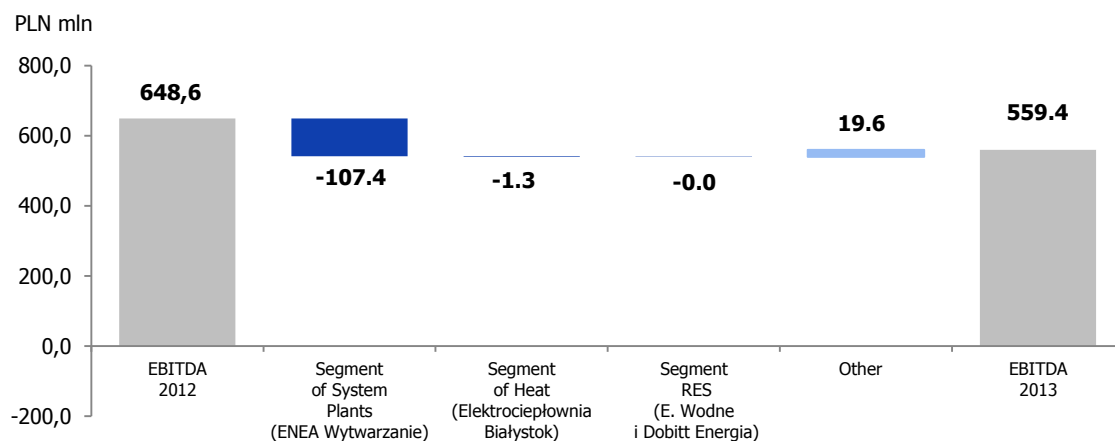
Change factors of EBITDA:

- (+) higher tariffs for rendered services with a positive change in the volumes of supply of energy and lower costs of energy purchases for covering the book-tax difference (**regulation**)
- (-) higher obligations within the held grid assets and costs of maintenance works on networks (**grid assets**)
- (+) lower costs of employee benefits (**organisation**)

Segment of Generation

[PLN '000]	2012	2013	Change	Change %	Q4 2012	Q4 2013	Change	Change %
Revenues on sales	3 262 512	3 118 462	-144 050	-4.4%	910 454	823 613	-86 841	-9.5%
<i>electricity</i>	2 805 124	2 713 659	-91 465	-3.3%	781 729	693 678	-88 051	-11.3%
<i>certificates of origin</i>	213 531	179 701	-33 830	-15.8%	40 929	65 588	24 659	60.2%
<i>sales of allowances for emissions of CO₂</i>	62 225	14 236	-47 989	-77.1%	22 377	4 005	-18 372	-82.1%
<i>heat</i>	178 966	189 331	10 365	5.8%	59 753	56 278	-3 475	-5.8%
<i>recovery of stranded costs</i>	-21 647	964	22 611	104.5%	0	0	-	-
<i>other</i>	24 313	20 571	-3 742	-15.4%	5 667	4 064	-1 603	-28.3%
EBIT	301 850	199 404	-102 446	-33.9%	119 467	80 122	-39 345	-32.9%
Amortisation/depreciation	346 714	359 966	13 252	3.8%	89 343	84 542	-4 801	-5.4%
EBITDA	648 564	559 370	-89 194	-13.8%	208 810	164 664	-44 146	-21.1%
CAPEX	901 470	1 260 053	358 583	39.8%	614 289	401 286	-213 003	-34.7%
Share of sales revenues of the segment in the Group's sales revenues	32.3%	34.1%	-	-	34.2%	34.9%	-	-

In ENEA Capital Group the project of Integration of the Generation Area was implemented with the goal to establish three competence segments: System Power Plants, Heat and cogeneration, and RES. The Company possesses 10 high-performance, updated power blocks with a total generating capacity of 2,913 MW.

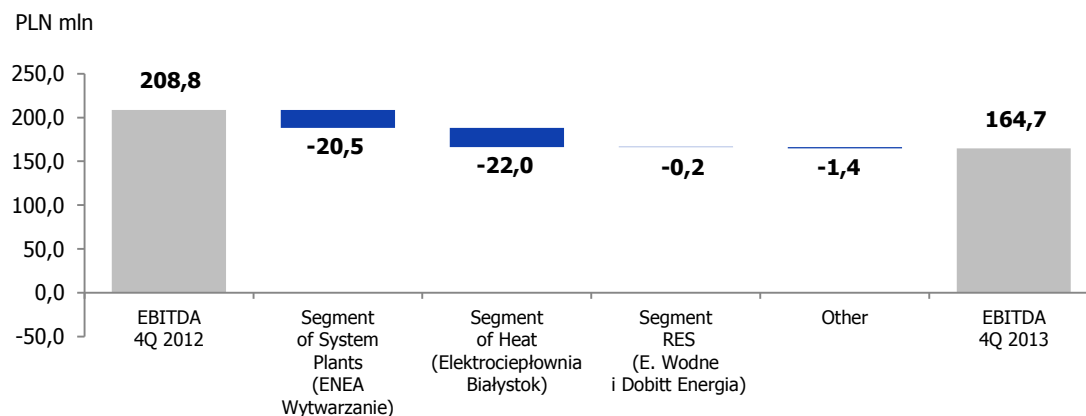


2013:

Change factors of EBITDA:

- **Segment of System Power Plants:**
 - (-) lower margin on generation of electricity by PLN 126.9 mln
 - (-) establishment of provisions for Programme of Voluntary Redundancy PLN 38.3 mln
 - (-) lower margin on biomass co-firing by PLN 37.0 mln
 - (+) lower fixed costs by PLN 41.2 mln
 - (+) difference in revenues for recovery of stranded costs
 - (+) occurrence at the end of 2013 of fuel surplus inventory of PLN 3.5 mln with a concurrent deficit at the end of 2012, PLN 12.1 mln
 - (+) higher result on energy sold in trade by PLN 14.6 mln
- **Segment of Heat:**
 - (-) higher costs of fuel consumption by PLN 25.8 mln
 - (-) creation of provisions for the remediation of ash-slag mixture waste heap, PLN 9.1 mln
 - (-) higher costs of services by PLN 5.4 mln
 - (-) establishment of provisions for Programme of Voluntary Redundancy PLN 3.0 mln
 - (+) inclusion in 2012 of a write-off relating to CO₂ amortisation and depreciation PLN 45.2 mln
- Higher result of ENEA Wytwarzanie's subsidiaries

Segment of Generation



Q4 2013:

Change factors of EBITDA:

- **Segment of System Power Plants:**
 - (-) establishment of provisions for Programme of Voluntary Redundancy PLN 38.3 mln
 - (-) lower margin on generation of electricity by PLN 23.4 mln
 - (-) lower margin on the Balancing Market by PLN 3.7 mln
 - (+) lower fixed costs by PLN 18.4 mln
 - (+) higher margin on co-firing by PLN 17.8 mln
 - (+) higher result on other activity by PLN 6.0 mln
 - (+) higher result on energy sold in trade by PLN 5.9 mln
- **Segment of Heat:**
 - (-) no sales of CO₂ allowances in Q4 2013 in relation to Q4 2012
 - (-) creation of provisions for the remediation of ash-slag mixture waste heap, PLN 9.1 mln
 - (+) inclusion in Q4 2012 of a write-off relating to CO₂ amortisation and depreciation PLN 8.2 mln
- Lower result in ENEA Wytwarzanie's subsidiaries

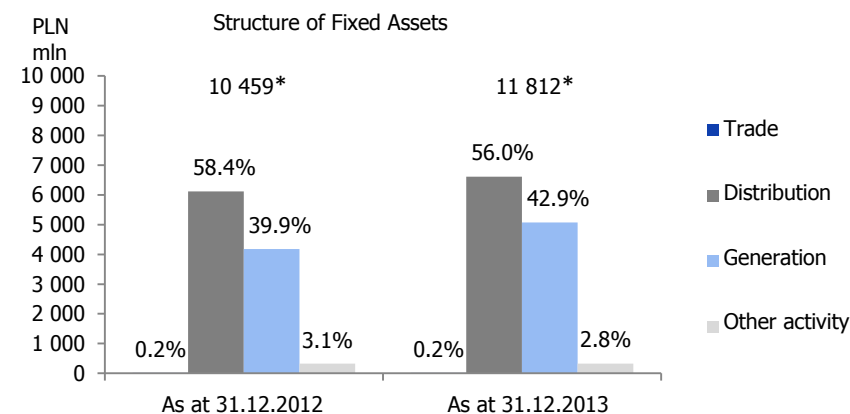
Segment of Other activity

[PLN '000]	2012	2013	Change	Change %	Q4 2012	Q4 2013	Change	Change %
Revenues on sales	665 696	622 995	-42 701	-6.4%	214 485	219 961	5 476	2.6%
EBIT	53 807	60 513	6 706	12.5%	14 809	21 493	6 684	45.1%
Amortisation/depreciation	23 821	24 749	928	3.9%	5 679	6 953	1 274	22.4%
EBITDA	77 628	85 262	7 634	9.8%	20 488	28 446	7 958	38.8%
CAPEX	35 537	30 157	-5 380	-15.1%	19 249	18 153	-1 096	-5.7%
Share of sales revenues of the segment in the Group's sales revenues	6.6%	6.8%	-	-	8.1%	9.3%	-	-

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

Assets - structure of assets and liabilities of ENEA Capital Group

Assets [PLN '000]	As at:		Change	Change %
	31.12.2012	31.12.2013		
Fixed assets	11 011 502	12 369 473	1 357 971	12.3%
Tangible fixed assets	10 459 377	11 811 566	1 352 189	12.9%
Perpetual usufruct right	70 369	68 431	-1 938	-2.8%
Intangible assets	201 357	206 580	5 223	2.6%
Investment properties	30 752	30 641	-111	-0.4%
Investments in affiliated companies	5 951	3 298	-2 653	-44.6%
Deferred income tax assets	175 081	181 403	6 322	3.6%
Financial assets held for sale	66 735	61 761	-4 974	-7.5%
Financial assets valued at fair value by the profit and loss account	1 504	1 860	356	23.7%
Trade and other receivables	376	3 933	3 557	946.0%
Current assets	3 669 033	3 952 551	283 518	7.7%
CO ₂ emission allowances	194 622	190 566	-4 056	-2.1%
Inventories	502 654	521 498	18 844	3.7%
Trade and other receivables	1 419 387	1 345 966	-73 421	-5.2%
Current income tax assets	16 026	11 455	-4 571	-28.5%
Financial assets held-to-maturity investments	5 135	45	-5 090	-99.1%
Financial assets valued at fair value by the profit and loss account	422 173	296 339	-125 834	-29.8%
Cash and cash equivalents	1 095 495	1 573 195	477 700	43.6%
Fixed assets for sale	13 541	13 487	-54	-0.4%
Total assets	14 680 535	16 322 024	1 641 489	11.2%



* including exclusions

Change factors of fixed assets (growth by PLN 1,358 mln):

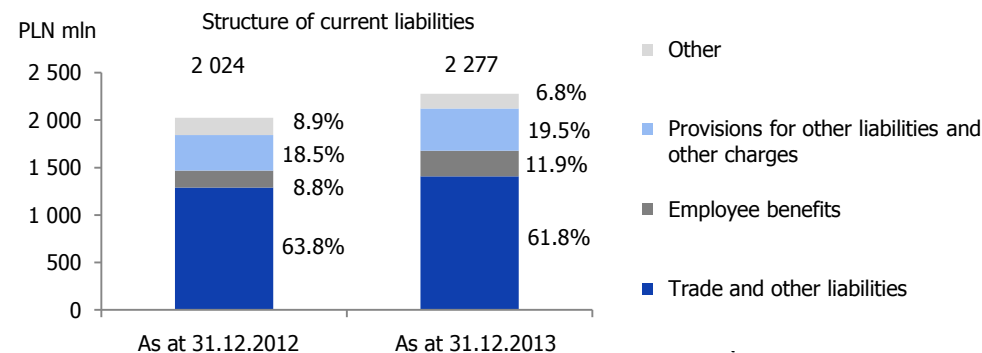
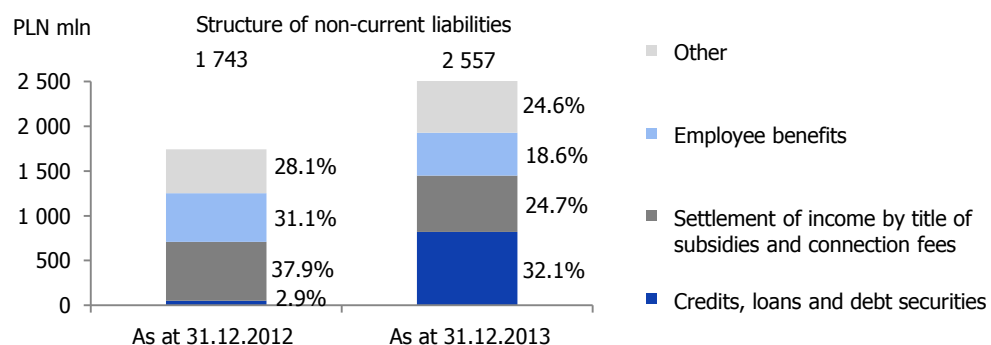
- higher assets connected with generation by PLN 893 mln, e.g. realisation of capital expenditures for the construction of the power unit No. 11 in Kozyenice
- higher distribution assets by PLN 502 mln, e.g. realisation of capital expenditures for the modernisation and reinstatement of the distribution assets

Change factors of current assets (growth by PLN 284 mln):

- drawing a loan from EIB for the financing of distribution services (PLN 780 mln)
- higher stocks of energy certificates of origin by PLN 32 mln, e.g. higher generation from renewable energy sources, which results in higher stock of energy green certificates of origin
- lower financial assets by PLN 126 mln, e.g. financing of the investment being the construction of the power unit No. 11 from own funds
- adjustment of receivables as a result of adjustment of energy unbalancing (PLN 47.1 mln)

Assets - structure of assets and liabilities of ENEA Capital Group

Liabilities [PLN '000]	As at:		Change	Change %
	31.12.2012	31.12.2013		
Total equity	10 914 047	11 487 948	573 901	5.3%
Share capital	588 018	588 018	-	-
Share premium	3 632 464	3 632 464	-	-
Share based payments reserve	1 144 336	1 144 336	-	-
Financial instruments revaluation reserve	50 233	45 185	-5 048	-10.0%
Other reserves	-21 317	-20 664	653	3.1%
Retained earnings	5 497 592	6 079 288	581 696	10.6%
Non-controlling interests	22 721	19 321	-3 400	-15.0%
Total liabilities	3 766 488	4 834 076	1 067 588	28.3%
Non-current liabilities	1 742 818	2 556 816	813 998	46.7%
Current liabilities	2 023 670	2 277 260	253 590	12.5%
Total equity and liabilities	14 680 535	16 322 024	1 641 489	11.2%



Change factors of non-current liabilities (growth by PLN 814 mln):

- special-purpose credit from EIB relating to the modernisation and extension of the distribution assets (PLN 780 mln)

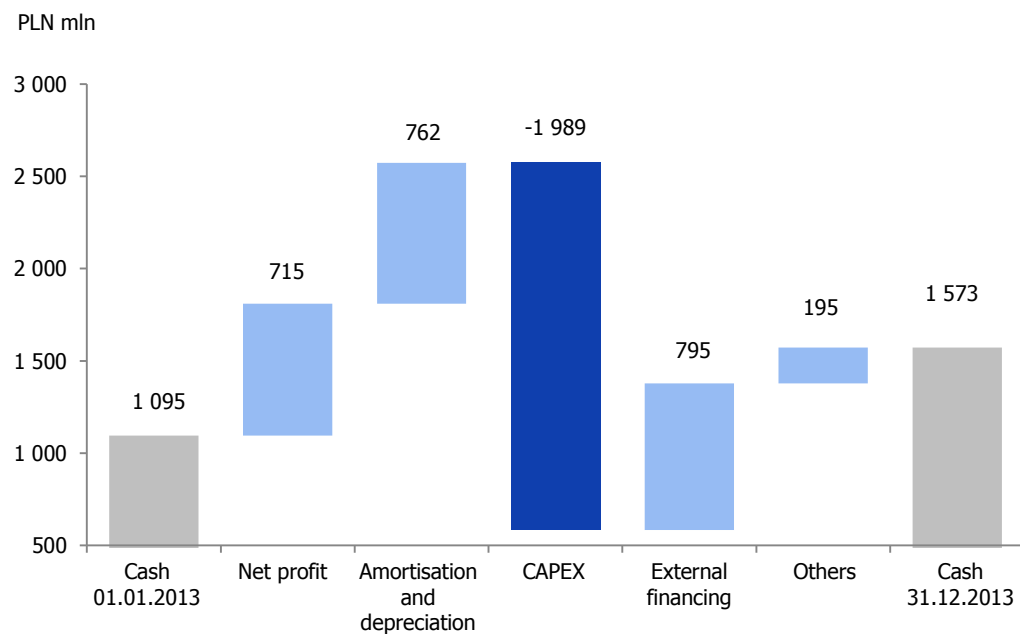
Change factors of current liabilities (growth by PLN 254 mln):

- higher investment liabilities relating to generation by PLN 167 mln
- establishment of provisions for Programme of Voluntary Redundancy PLN 98 mln
- higher provisions for energy certificates of origin by PLN 38 mln

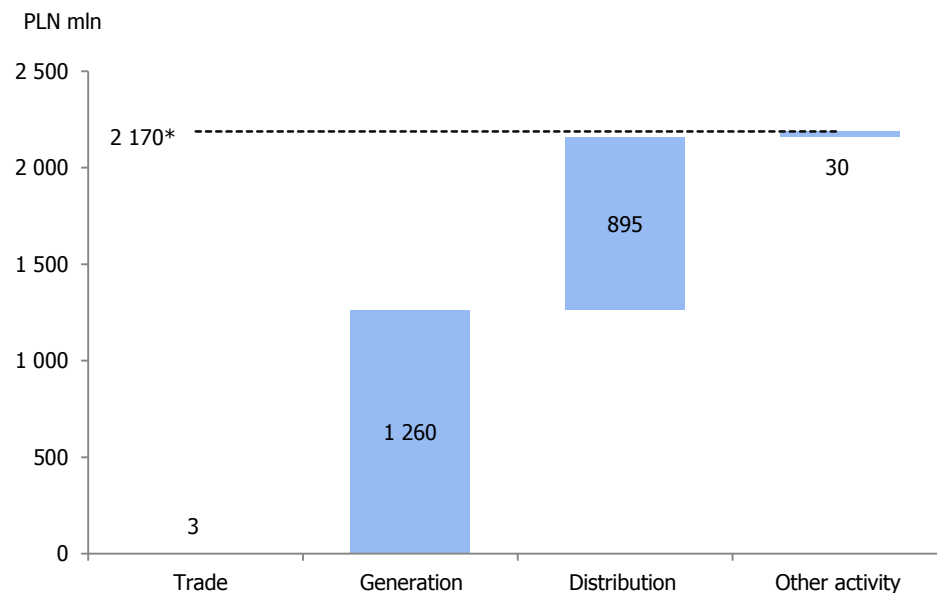
Cash situation of ENEA Capital Group

Cash flow statement [PLN '000]	2012	2013	Change	Change %
Net cash flows from operating activities	1 242 077	1 693 455	451 378	36.3%
Net cash flows from investing activities	-1 109 029	-1 817 028	-707 999	-63.8%
Net cash flows from financing activities	-255 668	601 880	857 548	335.4%
Net increase / (decrease) in cash and cash equivalents	-122 620	478 307	600 927	490.1%
Cash and cash equivalents at the beginning of the reporting period	1 218 361	1 095 495	-122 866	-10.1%
Cash and cash equivalents at the end of the reporting period	1 095 495	1 573 195	477 700	43.6%

Cash flows for 2013



Capital expenditures of ENEA CG in 2013



* including exclusions

Ratio analysis*

	2012	2013	Q4 2012	Q4 2013
Profitability ratios				
ROE - return on equity	6.4%	6.2%	3.1%	1.7%
ROA - return on assets	4.7%	4.4%	2.3%	1.2%
Net profitability	6.9%	7.8%	3.2%	2.1%
Operating profitability	8.2%	9.8%	4.4%	3.0%
EBITDA profitability	15.6%	18.1%	11.5%	10.9%
Liquidity and financial structure ratios				
Current liquidity ratio	1.8	1.7	1.8	1.7
Equity-to-fixed assets ratio	99.1%	92.9%	99.1%	92.9%
Total debt ratio	25.7%	29.6%	25.7%	29.6%
Net debt / EBITDA	-0.9	-0.6	-0.9	-0.6
Economic activity ratios				
Current receivables turnover in days	45	54	45	52
Turnover of trade and other payables in days	60	74	51	62
Inventory turnover in days	23	28	23	25

* Ratio definitions are presented on page 78

Future financial position and more important events which considerably affect or which may considerably affect the operations and financial results

Financial results forecasts

The Management Board of ENEA S.A did not publish any consolidated financial results forecasts for 2013.

Anticipated financial position

Stable operating results and good financial results of ENEA S.A. and ENEA Group in 2013, in connection with maintaining a leading position on the national distribution and electricity sale market, and also a significant position in the segment of generation allow for a positive estimate of financial results of ENEA CG. Financial position of ENEA CG is still stable - is supported with a considerable amount of cash in the amount of PLN 1.6 bln at the end of 2013 and relatively low level of financial debt (PLN 0.8 bln).

It is expected that the ratio defined as net debt/EBITDA will grow to the level of ca. 2.5 in 2016 from the starting position -0.6 in 2013. It is the result of an extensive CAPEX programme (capital expenditures) designated mainly for the segment of generation. 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, guaranteed bond issue programme and new external financing under arrangements will allow to finance the CAPEX programme till 2020.

Positive estimates of the future position of ENEA CG result from a high share in EBITDA of predictable, regulated profits from the distribution of electricity (53% of the consolidated EBITDA in 2013). The estimate of the financial position of the Group is however still limited with a small diversification of production fuels of the Group and a high asset concentration. ENEA CG is also strongly exposed to the costs of CO₂ emissions, which may have a negative impact on the results of the segment of conventional generation during 2014-2020.

Key events that may considerably affect future results

Building generating portfolio

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

Limits of allowances for emissions of CO₂

A material element within costs, determining the generation of electricity is the allocation of allowances for emissions of CO₂ and other gases and substances in a given settlement period. A potential further CO₂ emissions reduction may contribute to a higher uncertainty on the market and growth in the prices of allowances for emissions of CO₂. Within this aspect, during 2014-2020, it is anticipated that the allowances for emissions of CO₂ will shift (within the so called backloading), which may considerably affect costs of generation of electricity, and as a consequence may negatively influence the financial position of the Group.

Continuation of the construction of the power unit

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

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

On 23 September 2013 ENEA S.A., PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and TAURON Polska Energia S.A. initialled the Shareholder Agreement as a result of works connected with the development of a draft agreement on purchase of shares in the special purpose vehicle for the construction and operation of the atomic power plant (memorandum of understanding of 25 June 2013). In this way the parties agreeably confirmed that the initialled document constitutes a draft of the future Shareholder Agreement which will be signed after obtaining necessary corporate authorisations of each party.

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



Financial resources and instruments

Financial resources management

During the turnover year the ENEA Capital Group companies had financial resources at its disposal that guarantee that all current and planned expenses associated with their operations will be serviced. The balance of available cash makes it possible to flexibly settle ongoing liabilities. The Companies' liquidity management is concentrated on a detailed analysis of the flow of receivables, ongoing monitoring of bank accounts and the ongoing concentration of cash resources in accounts. The remaining financial surplus the Companies locate 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 of lack of funds for the settlement of liabilities in a timely fashion key companies of ENEA Capital Group have access to working capital facility limits in commercial banks.

Additionally, in order to ensure better management of financial funds the process of selecting a contractor for the cash management services in the Capital Group commenced this year.

Description of the use of issue proceeds by the Issuer

ENEA S.A. during 2013 did not issue any securities. Proceeds of ENEA S.A. from public offering conducted in 2008 are invested in instruments exhibiting minimum risk, i.e. issued debt instruments, secured by suretyship or guaranteed by the State Treasury or bank deposits. Revenues from the aforementioned investments in 2013 amounted to PLN 15,073.7 thou.

Additionally, proceeds from the issue ENEA S.A. designates for financing investments in ENEA CG Companies in accordance with the schedule described in the issue prospectus prepared relating to the issue of these shares.

Used financial instruments

During the reporting period ENEA Wytwarzanie S.A. concluded transactions hedging the currency risk (forward transactions of EUR purchase) in order to hedge forward transactions for the purchase of allowances for emissions of CO₂ concluded in 2013 (DEC 13, DEC 14, DEC 15, DEC 16). In December 2013 the forward contracts hedging currency risk were accounted for relating to futures contracts for CO₂ with delivery for December 2013.

The valuation of active forward contracts for purchases of EUR as at 31 December 2013 amounted to PLN -363.9 thou.

Financial risk management

In ENEA S.A. the following risks may be identified within finances:

Credit risk - is the risk of financial loss by the Company resulting from the customer's or the counterparty's failure to perform their contractual obligations, and is connected mainly with debt recoverability.

Liquidity risk - is the risk of loss of ability to settle due liabilities. The Company manages the liquidity risk adapting the profile of availability of the liquidity reserve, i.e. the volume and terms of available cash, e.g. through the analysis of the inflow of receivables and ongoing monitoring of bank accounts and concentration of cash and cash equivalents in consolidated accounts. The financial surplus the Company locates in fixed-term deposits.

Currency risk is connected with a possible occurring of changes generated by ENEA S.A. in cash flows as a result of changes in the foreign exchange rates. ENEA S.A. in 2013 concluded forward transactions whose goal was to secure the currency risk (EUR/PLN) these were not material items and were accounted for in the reporting period.

Interest rate risk - is connected with the concluded loan and credit agreements, with financial assets in the form of a portfolio of debentures and bank deposits. The Company tries to operate based on a floating rate, calculated in correlation with the market rates (inter-banking). Securing activities are realised analogically - including specific differences - to those performed within currency risk.

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

Principles of preparation of an annual consolidated financial statement

This Report of the Management Board on the operations of ENEA Capital Group for the financial year of 2013 was prepared in accordance with § 92 item 1(4) and § 92 item 3 in connection 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).

The consolidated financial statement of the Capital Group included in the consolidated report of ENEA S.A. for the financial year of 2013 was prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IASs/IFRS) approved by the European Union.

The consolidated financial statement of the Capital Group was prepared with an assumption of continuing economic operations by the Capital Group in the foreseeable future. The Company's Board states, as at the signature of the consolidated report, no facts or circumstances that could indicate any threats to the possibility of continuing the activity during the period of 12 months after the balance sheet date as a result of a wilful or mandatory negligence or substantial limitation of the so far activities.

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



Information on shares and shareholding

Share capital structure

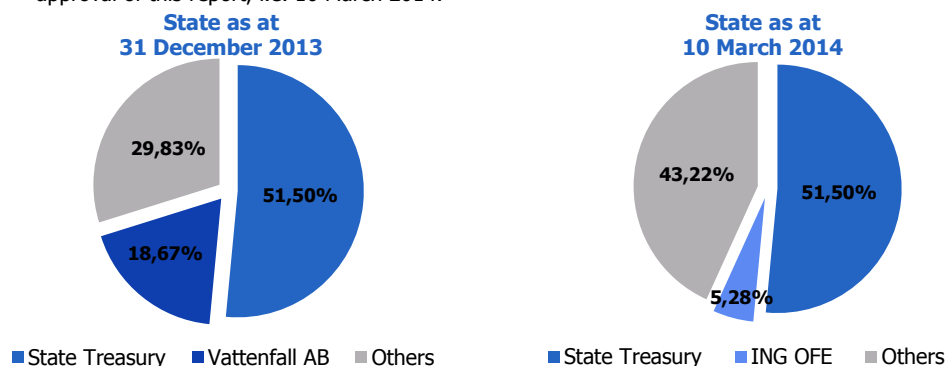
As at the date of preparation of this report the amount of the Issuer's share capital is PLN 441,442,578.

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

As at the date of publication of this Management Board's Report the structure of the share capital consists of 441,442,578 ordinary bearer shares. Pursuant to § 6 item 3 of the Statute of ENEA S.A. registered shares of B series belonging to the State Treasury are designated for the purposes specified in the act on commercialisation and privatisation and act on the principles of purchasing from the State Treasury of shares in the process of consolidation of energy sector companies, became bearer shares with the moment of expiry of the prohibition to sell or expiry of the right to acquire them free of charge.

Shareholding structure

The diagrams and table below present the shareholder structure holding over 5% of the total number of votes at a general meeting of ENEA S.A. as at 31 December 2013 and as at the date of approval of this report, i.e. 10 March 2014.



Shareholder	Number of shares/number of votes during GM	Share in the share capital/ share in the total number of votes	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	51.50%	227 364 428	51.50%
Vattenfall AB	82 395 573	18.67%	-	-
ING OFE	-	-	23 296 751	5.28%
Others	131 682 577	29.83%	190 781 399	43.22%
TOTAL	441 442 578	100.00%	441 442 578	100.00%

Changes in the shareholding structure in 2013

As a result of performing on 15 January 2014 by Vattenfall AB of block transactions concluded based on the book-building in an accelerated mode relating to the held 82,395,573 shares of ENEA S.A. the shareholding of Vattenfall AB decreased from 82,395,573 shares of ENEA S.A. to 0 shares. As a result of the above transactions the share of Vattenfall AB in the share capital of the Company and in the total number of votes decreased from 18.67% to 0%.

On 20 January as a result of transactions concluded on the Stock Exchange the share of ING Otwarty Fundusz Emerytalny grew above the threshold of 5% of the total number of votes in the Company. Before the purchase 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. On 23 January 2014 in the share account of the Fund there were 23,296,751 shares of the Company which constituted 5.28% of the Company's share capital. The shares entitle to 23,296,751 votes at a general meeting of the Company which constitutes 5.28% of the total number of shares.

Potential changes in the shareholder 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.

Employee share control system

In 2013 ENEA S.A. did not launch any standard control systems for employee share programmes, however there was a formal process in progress of the nil-paid acquisition by authorised people from the State Treasury of shares of ENEA S.A. (based on the privatisation and commercialisation act).

The right to take up shares was established based on the privatisation and commercialisation act on 16 May 2010 in relation to the sales three months ago of shares of ENEA S.A. by the State Treasury. 8,818 people were authorised to the nil-paid acquisition from the State Treasury of ENEA S.A.'s shares for whom 33,239,235 shares were designated. Heirs of authorised people were also entitled to acquire the shares.

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 commercialisation and privatisation act. Although the act indicates no specific date for the termination of the agreement conclusion term for heirs of authorised people, it must be estimated that it will constitute rare cases (maximum of several cases).

Treasury shares

ENEA S.A. or ENEA Capital Group Companies did not purchase the Company's own shares in 2013.

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 2013 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 - its portfolio covers up to 30 companies which participate in WIG20, mWIG40 and SWIG80, which characterise with the highest rate of dividends at the end of September each year and regularly distributed the dividend during previous 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.



Key data concerning shares:	2012	2013
Maximum price [PLN]	18.99	16.30
Minimum price [PLN]	14.11	12.00
Last price [PLN]	15.73	13.60
Capitalisation at the end of period [PLN mln]	6 944	6 004
Capitalisation of ENEA S.A. on the background of domestic companies listed on WSE at the end of period [%]	1.33	1.01
Book value [PLN mln]	10 918.63	11 427.71
C/Z [exchange capitalisation/net profit]	9.70	8.10
C/WK [exchange capitalisation/book value]	0.64	0.53
Return rate at end of period	-10.05	-11.36
Dividend rate [%]	3.1	2.6
Value of turnover [PLN mln]	561.42	573.50
Share in turnover [%]	0.30	0.26
Turnover indicator [%]	7.90	9.10
Average volume per session	137 298	160 256
Average number of transactions per session	202	287
Average spread [pb]	36	31
Volume [pcs]	34 187 283	39 583 206

Source: WSE statistical bulletin

Index	WIG30	mWIG40	WIG Energia	WIG – Poland	WIGdiv	MSCI Poland
Percentage of shares of ENEA S.A. in the index as at 30 December 2013 [%]*	0.94	3.01	7.15	0.68	2.57	0.92

* 30 December 2013 was the last quotation day on WSE in 2013.

Authorities of the Capital Group

Members, appointment and description of powers delegated to authorities of the parent company

The description of personal composition, rules of nomination and scope of rights of the authorities of the parent company may be found in the attachment No. 1 to this Board's Report - "Declaration of the application of corporate governance rules".

Principles of remuneration

The principles of remunerating present Members of the Board of ENEA S.A. were introduced based on resolutions of the Supervisory Board of ENEA S.A. of 15 April 2013. All the Members of the Board of the Company concluded service agreements with the Company - manager contracts (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 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 2013 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 2013 to 31 December 2013 with whom the Company concluded an agreement on provision of services within management is presented in the table below:

Name	Position	Net remuneration (excluding VAT)*	Additional consideration**
Zamasz Krzysztof	President of the Board	1 140 000.00	10 500.00
Gepfert Dalida	Member of the Board	661 333.33	0.00
Kinelski Grzegorz	Member of the Board	772 332.00	0.00
Orlof Paweł	Member of the Board	772 332.00	0.00
Owczarek Maciej	President of the Board	800 000.00	0.00
Rozpędek Hubert	Member of the Board	900 000.00	10 200.00
Zborowski Krzysztof	Member of the Board	763 423.30	1 603.50
Bil Janusz	Member of the Board	900 000.00	10 504.00
TOTAL	-	6 709 420.63	32 807.50

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

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

Remuneration for a member of the Management Board of ENEA S.A. in 2013 for holding an office in ENEA subsidiary is presented in the table below:

Name	Position	Remuneration for holding a position in ENEA subsidiaries
Zborowski Krzysztof	President of the Board	22 800.23

Remuneration for members of the Supervisory Board of ENEA. in the financial year 2013 is presented in the following table:

No.	Name	2013
1	Chmielewski Wojciech	41 454.96
2	Mordasewicz Jeremi	41 454.96
3	Kowalewski Michał	41 454.96
4	Aniołek Małgorzata ¹	13 127.34

5	Brzeziński Sławomir	41 454.96
6	Jarczyński Michał ²	20 036.50
7	Łyczyński Przemysław	41 454.96
8	Malinowska Sandra	41 454.96
9	Mikłosz Tadeusz	41 454.96
10	Niezgoda Małgorzata ³	28 442.69
11	Wahlborg Torbjörn ⁴	28 442.69
12	Wood Graham ⁵	13 127.34

1. Mrs. Aniołek Małgorzata was a Member of the Supervisory Board of ENEA S.A. till 24 April 2013

2. Mr. Jarczyński Michał was a Member of the Supervisory Board of ENEA S.A. till 24 June 2013

3. Mrs. Niezgoda Małgorzata was a Member of the Supervisory Board of ENEA S.A. from 24 April 2013

4. Mr. Wahlborg Torbjörn was a Member of the Supervisory Board of ENEA S.A. from 24 April 2013

5. Mr. Wood Graham was a Member of the Supervisory Board of ENEA S.A. till 24 April 2013

Members of the Supervisory Board of ENEA S.A during the financial year of 2013 collected remuneration for holding offices in the Supervisory Board in the amount compliant with the legal regulations being in force.

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

Name	Position	Number of shares of ENEA S.A. held as at 13 November 2013	Number of shares of ENEA S.A. held as at 31 December 2013
Tadeusz Mikłosz	Member of the Supervisory Board	4 140	4 140

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

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

During the period from the publication of the interim report for Q3 2013 there were no changes in the shareholding of managing and supervising people.

Declaration of the application of Corporate Governance Rules

The Management Board of ENEA S.A. declares that in 2013 the Company applied the rules of corporate governance constituting an Addendum to the Resolution of the WSE Supervisory Board No. 19/1307/2012 of 21 November 2012, titled "Best Practices of WSE Listed Companies" (BPLC, Corporate Governance Rules), published on the Warsaw Stock Exchange website under <http://corp-gov.gpw.pl>. That set of Corporate Governance Rules contains a section entitled "Recommendations Regarding Best Practices of WSE Listed Companies" describing the best practice rules that the Issuer can decide to apply at its own discretion.

With Corporate transparency in mind contributing, among others, to creating value for shareholders, the Management Board of ENEA S.A. makes every effort to implement all the rules of corporate governance that do not present excessive strain for the Company, unless it is balanced by advantages arising from market needs. With consideration of the above, in 2013 the Management Board of ENEA S.A. applied the majority of rules set forth in Best Practices of WSE Listed Companies, in particular those specified in parts II-IV of BPLC.

The complete information concerning application of corporate governance rules, including the information on departure from application of the Corporate Governance Rules or Recommendations specified in part I of BPLC has been included in Attachment No. 1 integral to the Report of the Management Board on the operations of ENEA Capital Group.



Additional information

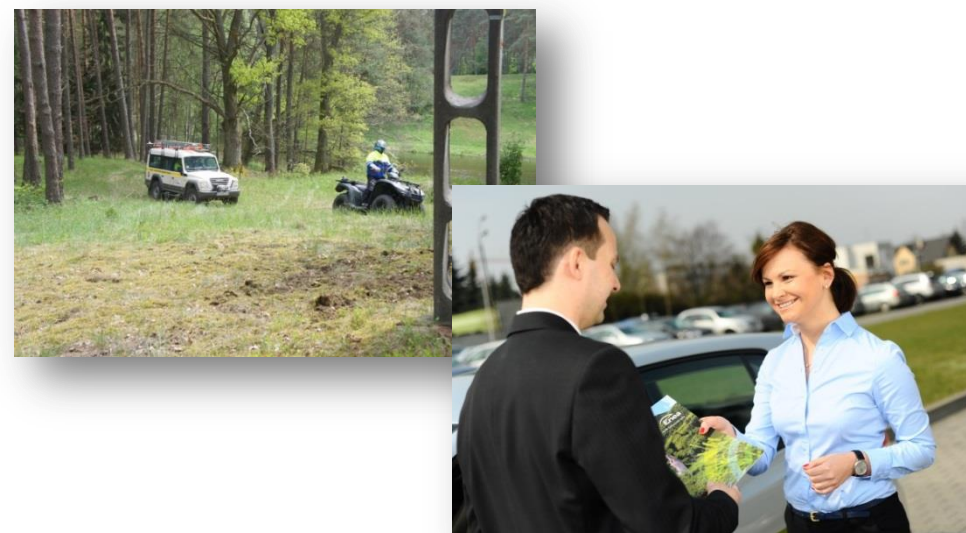
The entity authorised to audit financial statements

KPMG Audyty 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 Audyty Sp. z o.o. for rendering services for ENEA S.A. for 2012 - 2013 is presented in the table below (in PLN '000):

01.01.2013 - 31.12.2013	
KPMG Audyty Sp. z o.o.'s remuneration for auditing and reviewing the non-consolidated and consolidated financial statements of ENEA S.A.	174
KPMG Audyty Sp. z o.o. 's remuneration for other services	96
TOTAL	270

01.01.2012 - 31.12.2012	
KPMG Audyty Sp. z o.o.'s remuneration for auditing and reviewing the non-consolidated and consolidated financial statements of ENEA S.A.	136
KPMG Audyty Sp. z o.o. 's remuneration for other services	178
TOTAL	314

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.



Environmental issues

Specifications and nature of the operations of ENEA Wytwarzanie

The power plant belonging to ENEA Wytwarzanie is a condensation and system power plant in which bituminous coal is utilised in the generation of electricity. The main impact of the power plant is in connection with emissions of atmospheric pollutions, storage of combustion waste, intake of water and disposal of sewage. Main pollutants emitted into the atmosphere include sulphur dioxide, nitric oxide, dust and carbon dioxide.

The amounts of pollutants emitted in 2013 are:

- SO₂ (sulphur dioxide) - 33 405 Mg,
- NO_x (nitric oxides) - 18 109 Mg,
- Dust - 856 Mg,
- CO (carbon oxide) - 906 Mg,
- CO₂ (carbon dioxide) - 10 230 491 Mg (within SHE),
- waste (stored slag-ash mixture) – 353,249 Mg.

The power plant has fume anti-dust installations with high-efficiency electrostatic precipitators mounted on each of its energy units. Taken into account in the modernisation, renovation and investment cycle of the units there is the need for the Power Plant to keep the permissible level of concentration of dust in the fumes from each unit, which must not exceed 50 mg/Nm³. The investment plan on particular units connected with the revitalisation and raising standards relating to pollution emission is presented in the table below.

In the Power Plant there are installations operating of the preliminary reduction of nitric oxides, reducing nitric oxides concentrations to the guaranteed level of 500 mg/Nm³, Reduction of SO₂ emissions is ensured by the flue gas desulphurisation plant using a wet lime method: IOS I - for 560 MW of installed power covering unit No. 9, IOS III for 560 MW of installed power covering unit No. 10, and IOS II for 800 MW (4 200 MW units) of installed power in 200 MW units No. 2-8.



From the need of observing stricter emission requirements that are to be bidding from 1 January 2016, resulting from the IED Directive, decisions were made in the power plant regarding the need for investments within the flue gas desulphurisation for 800 MWe of the installed power for 200 MW units No. 1-8 and the development on all the units of installations of flue gases denitrification. In order to reduce nitric oxides emissions compliant with the requirements of the IED Directive an investment process is realised in connection with the construction of the SCR installation of the catalytic denitrogenation of flue gases on 200 MW units (No. 4-8). In 2013 the SCR installation was commissioned on 200 MW unit No. 6. The guaranteed concentration level of NO_x in purified flue gases is determined on the level of ≤200 mg/Nm³.

Unit	Current generating capacity (MW)	Denitrification installation (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 derogation period	2017	2018	2013	2014	2015	2013	2014	2015	2016	2017
B1	215			✓											
B2	225			✓											
B3	225														
B4	228				✓										
B5	225				✓										
B6	225	✓													
B7	225		✓												
B8	225														
B9	560														✓
B10	560						✓								✓

* revitalised units are marked in grey

✓ Planned period of attaining the anticipated parameters

Characteristics of the realised investment tasks

Reduction of nitric oxide emissions

Within the reduction of nitric oxide emissions a construction programme is being realised for the installation of the catalytic denitrogenation of flue gases (SCR) for 200 MW units No. 4-8 guaranteeing levels of concentration much lower than the permissible value 200 mg/m³.

The planned development of the installations of flue gases denitrification - for units No. 1-2 will ensure maintaining the emission standards specified in "Directive No. 210/75/EU of the European Parliament and Council of 24 November 2010 on industrial emissions" being in force from 2016. Additionally, it will enable further operation of units No. 1-2 and will allow to achieve required concentrations much below the value of 200 mg/Nm³.

The SCR installation development on units No. 9 and 10 is planned for 2017 and 2018.

Construction of a flue gas desulphurisation plant

The flue gas desulphurisation plant IOS IV will have a capacity allowing for desulphurisation of flue gases from four 200 MW units. It is assumed that after the reconstruction of flue gas channels it will be able to desulphurise flue gases from any 1-8 units. It is about gaining maximum availability of the both 200 MW unit installations, i.e. IOS II and the planned IOS IV.

Construction of a chimney and starting gas pass

Within the construction of the flue gas desulphurisation plant the currently operating chimney No. 3 will be modernised in order to be adapted to carry away flue gases coming from the start-up of units during which mazut and coal dust are combusted with no electro filters switched on. The chimney will be shortened to the height of 150 m.

New (starting) flue gas passes will also be developed with gates through which to the chimney No. 3 flue gases will be carried away coming from the start-up of boilers and also flue gases from operating units in case of any emergency regarding the flue gas desulphurisation plant IOS II or IOS IV.

Dust emission reduction

Within the modernisation the electro filters were replaced of the power unit No. 8. Taking into consideration the plans of IOS IV construction the flue gas dust removal in ENEA Wytwarzanie will be realised in two stages from 2016. The main dust removal will occur in electro filters which presently ensure reaching permanent concentrations within the range of 50-30 mg/m³ on 1-8 units and below 30 mg/m³ on 9-10 units. Wet desulphurisation installations will ensure additional dust removal from flue gases, which, with a possibility of reaching concentrations of 30 mg/m³ behind electro filters, will allow for complying with the standard required by the IED Directive in the amount of 20 mg/m³.

Waste management

Waste management is conducted in accordance with the applicable laws, i.e. the Waste Materials Act of 14 December 2012. The Company possesses a depot for storing slag-ash mixture with the active area of storage of 313 ha. The depot consists of six storage fields, in which: a place was separated for storing gypsum and there is a separated place for storing sediments from the water treatment plant.

In 2013, activities were realised aimed at making the greatest possible use of burner wastes. The waste use ratio was 61%.

In 2013 118.4 thou. Mg gypsum from IOS operation was utilised (generated volume is 156.3 thou. Mg).

Sales are also important of: fly ash 521,908.7 Mg and microsphere (dry) 1,859.536 Mg. 98,732.93 Mg of slag-ash mixture (dry) were passed for recycling.

In the vicinity of the waste storage facilities, a monitoring of the quality of the environment is carried out in accordance with the relevant regulations being in force:

- including the examination of physical and chemical properties of fly ashes of the slag and ash mixture, gypsum and sediments from sewage treatment plants,
- examination of water quality.

The results of tests carried out indicate only a small impact on the environment.

The power plant undertakes activity designed to avoid repeated spread of dust, through periodic sprinkling of fields, flooding of fields not in use and protecting surfaces with membrane-forming chemicals. It performs ongoing maintenance and conservation works (maintaining green areas - planting trees and bushes), and hydroseeding embankments and waste heap surfaces.

Segment of Heat

Waste management is conducted in accordance with the applicable laws, i.e. the Waste Materials Act of 14 December 2012. Białystok Heat and Power Plant possesses a waste heap with the usable area including embankment of 22.5 ha.

In 2013, activities were undertaken aimed at making the greatest possible use of burner waste. The generated waste use ratio was 100%. In 2013 a total of 25.7 thou. tonnes waste was utilized, including:

- 3.4 thou. tonnes slag coming from bituminous coal firing, code 10 01 01,
- 9.5 thou. tonnes fly ashes coming from bituminous coal firing, code 10 01 02,
- 7.7 thou. tonnes fly ashes coming from biomass firing, code 10 01 03,
- 4.6 thou. tonnes sand from fluidised beds coming from biomass firing, code 10 01 24.

In the vicinity of burner waste depots, in accordance with the scope included in the Integrated Permit issued for the burner waste heap in Sowlany, monitoring is performed of the quality of underground waters, and secondary dusting is prevented by periodical sprinkling of the heap active area with water.

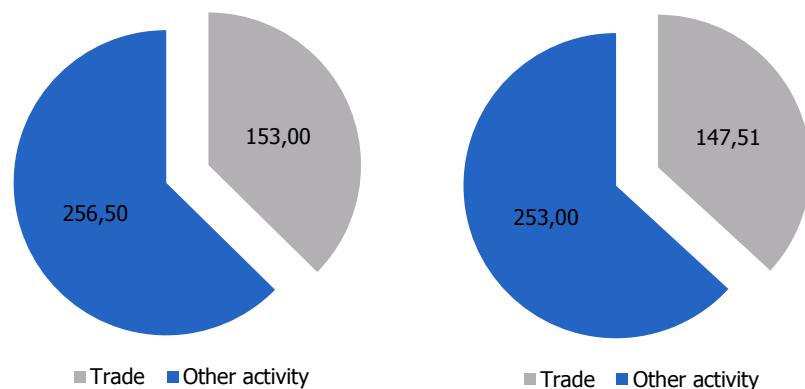
Information on employment

The table below demonstrates ENEA S.A.'s employment level as at 31 December 2013 and the annual average employment in the Company in 2013, divided into trade and other activities.

	Employment at the end of 2013 (FTEs)	Annual average employment in 2013 (FTEs)
Trade	153.00	147.51
Other activity	256.50	253.00
TOTAL	409.50	400.51

Employment state as at 31 December 2013 was on the level of 409.5 full time equivalents, i.e. 411 people and was similar to the employment level as at the end of 2012 when it was 393.88 full time equivalents (with average employment in 2012 on the level of 388 full time equivalents).

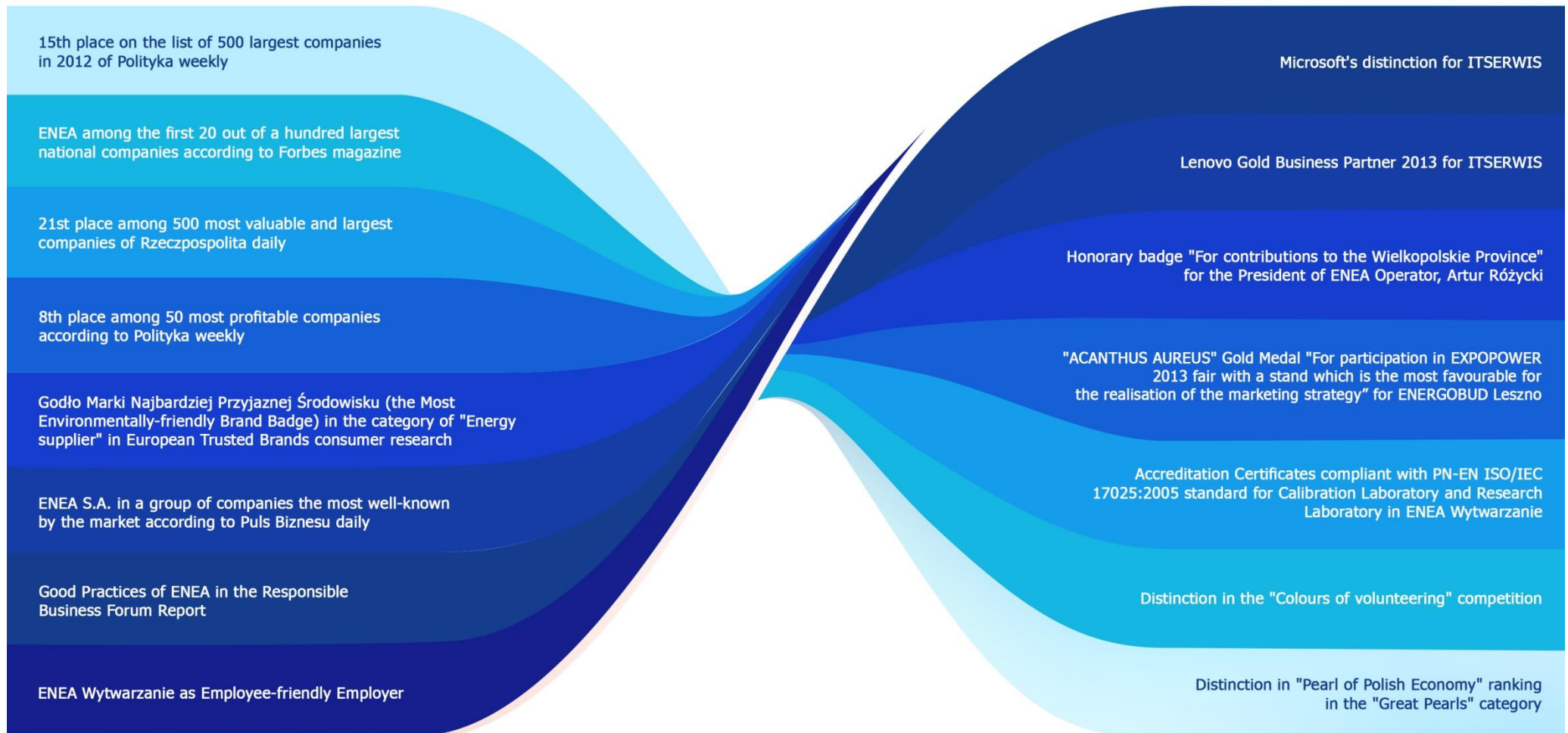
Employment as at 31 December 2013 Average employment in 2013



The table below shows employment at subsidiaries in 2013.

Item	Employment at the end of 2013 (FTEs)	Annual average employment in 2013 cumulatively (FTEs)
BHU Spółka Akcyjna	151.00	154.00
ENEA WYTWARZANIE S.A.	2 238.50	2 289.00
Elektrownie Wodne Sp. z o.o.	164.25	162.01
ENEA Operator Sp. z o.o.	5 167.63	5 194.80
ENEOS Sp. z o.o.	115.25	114.68
ENEA Centrum S.A.	186.40	171.60
Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o.	595.65	597.70
Energetyka Poznańska Zakład Transportu Sp. z o.o.	57.25	58.38
Energomiary Sp. z o.o.	188.00	188.81
Energio-Tour Sp. z o.o.	23.25	23.25
Hotel EDISON Sp. z o.o.	20.00	20.02
ITSERWIS Sp. z o.o.	82.70	85.46
Miejska Energetyka Ciepła Piła Sp. z o.o. with its registered office in Piła	156.00	158.46
Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o.	76.00	76.79
Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. z siedzibą w Obornikach	38.00	38.42
Elektrociepłownia Białystok S.A.	184.75	190.40
DOBITT ENERGIA Sp. z o.o.	2.00	2.79
Annacond Enterprises Sp. z o.o.	2.00	3.75
Windfarm Polska Sp. z o.o.	1.00	1.00
ENEA TRADING Sp. z o.o.	77.40	57.00
ECEBE Sp. z o.o.	15.50	15.50
TOTAL	9 542.53	9 603.82

Awards, distinctions and achievements



Corporate social responsibility

In 2013 CSR operations in ENEA S.A. focused mainly on the realisation of the below actions:



1. Selection of corporate values of ENEA Capital Group

- a) in August 2013 corporate values of ENEA Capital Group were selected in ENEA CG, i.e.:
 - set of beliefs according to which the Company operates in relation to customers, stakeholders and employees,
 - values which the Company indicates as key in its operations
 - that are to motivate in the Company's operations,
 - values, in accordance with which the Group should develop,
 - that are to build the corporate organisational culture, i.e. a set of specific values, which when adopted by ENEA CG and its employees as their own help understand what it advocates, how it works and what it deems important.
 - values which help build an image coherent with the company's character in its environment and promote specific attitudes among employees,
- b) representatives of all the Group companies dedicated to the project took part in the process of developing corporate values in ENEA CG,
- c) in the process of a dialogue with employees the superlative value was determined, which constitutes the basis for functioning of ENEA Capital Group and its Employees - honesty, and this foundation bears the other values: competence, responsibility and safety,
- d) these values became the basis of "ENEA Capital Group's Code of Conduct".



2. Development of "ENEA Capital Group's Code of Conduct"

- a) in October 2013 the Board of ENEA S.A. approved the final shape of "ENEA Capital Group's Code of Conduct" which was positively opinioned by all the Group companies,

- b) all the Group companies were invited to take an active part in the process so that the developed shape of the document be adapted to the situation and needs in each of them,
- c) the content of the Code was made coherent with the only so far approved document in the Group within this field - with ENEA Operator Sp. z o.o.'s Code of good practices,
- d) approval of the document commenced a multi-stage process of implementation so that as a result of which each Employee of the Group could identify with the key corporate values,
- e) the goal of the process of building the code was a common elaboration of important, from the company's perspective, principles of functioning in the work place, conducts which the Group deems proper and which improper,
- f) Building the "ENEA CG Code of Ethics" aimed at:
 - reminding employees of the adopted values,
 - being a set of rules and standards of conduct in the work place in the areas important to the company,
 - contributing to enhance the competitiveness through increasing profits and limitation of costs of activity, through:
 - reducing the number and scale of events of corruption, embezzlement and other bad practices,
 - reducing number of situations in which a conflict of interest appears,
 - strengthening the confidence of contractors, partners and customers,
 - increasing employee reliability,
 - enhancing loyalty, sense of responsibility and attachment of employees to the company, which positively affects their reputation.

3. Participation of ENEA S.A. in the project – "ESG analysis of companies in Poland" within publication by listed companies of non-financial data (ESG)

- a) In April 2013 the European Commission presented a proposal of changes to the accounting directive expanding the reporting obligation with non-financial data for all (not only listed) large European enterprises - the issue has not however been settled yet,
- b) "ESG analysis of companies in Poland" project organised by the Stock Exchange Issuers Association, GES and Crido Business Consulting allows Polish issuers to check the assessment of the Company by analysts in the context of disclosing non-financial data (ESG), i.e. on environment protection, social responsibility and corporate governance and compare its position in the light of the whole sector,
- c) ENEA S.A. in September 2013 took part in "ESG analysis of companies in Poland" project for a second time within disclosing non-financial data,
- d) In October 2013 ENEA S.A. was for the second time distinguished in the ranking for the high level of communicating non-financial data and was among 3 best companies from its sector (beside CEZ and PGE S.A.), in the category of a company from the public utility sector and among 30 listed companies with the highest level of transparency and clearness of communicating non-financial data within ESG reporting,
- e) a high assessment is connected with the realisation of "ENEA Capital Group's strategy of corporate social responsibility",
- f) ENEA Group perceives the social responsibility of the business as a method of management which considers expectations of the surrounding environment and makes it possible to rationally manage resources and permanently increase the value of the company through sustainable development measures. Reporting the Strategy of ENEA CG includes e.g. reports on the ratios connected with the corporate impact on the natural environment, with practices in the working place and from within the area of customers relations or a policy of social engagement.
- g) "ESG analysis of companies in Poland" research covered companies listed on the Warsaw Stock Exchange (including NewConnect market), a total of 865 listed companies.

4. On-line publication of another "2012 ENEA Capital Group Corporate Social Responsibility Report" according to the latest reporting guidelines - GRI - G4.

- a) in mid November 2013 ENEA Capital Group published its second comprehensive sustainable development report (CSR report) covering the period of 1 January 2012 to 31 December 2012 in which 18 Group companies reported,
- b) the CSR report for 2012 was prepared based on the latest GRI G4 guidelines of reporting - the fourth generation guidelines announced in May 2013 in Amsterdam,
- c) CSR coordinators in the Group companies and numerous employees responsible for crucial areas took part in works over the development of data for the CSR report,
- d) since the new G4 standard requires concentration on core aspects of the Group's operations, a survey was conducted last year among the stakeholders, business partners and persons engaged in the process,
- e) the CSR report was published as an interactive website <http://raportcsr.enea.pl/pl> (in Polish) and on <http://raportcsr.enea.pl/en> (in English) - this is the only and very ecological form of the CSR report for 2012 which was consciously selected by ENEA Group,
- f) the goal of reporting corporate social responsibility is increasing the transparency of communicating non-financial data (ESG) and their economic, social and environmental results,
- g) our customers, business partners, social environment, employees and media more and more often expect that. Global Compact international organisation, whose member is ENEA S.A., requires it as well.

ENE A CAPITAL GROUP CSR REPORT 2012

HIGHLIGHTS

LETTER FROM CEO

We are one of the largest companies in the energy sector in Poland. We deliver our services to approximately 2.4 million customers and employ over 10,000 people.

Employees

Over 10,000 specialists employed in all the Group companies.

WHAT WE DID IN 2012

2012 PROJECTS

JANUARY 2012
Elektrownia "Kozłenice" S.A. and Kopalnia LW "Bogdanka" S.A. conclude an agreement for supplies of fuel coal for the needs of a new power unit.

FEBRUARY 2012
Admitting of 30,981,380 B series "employee shares" of ENEA S.A. for exchange trading.

MARCH 2012
ENE A a partner of 6th Polish Forum of Management Boards of Listed Companies.

APRIL 2012
ENE A S.A. purchases 100% shares in Windfarm Polska becoming the owner of the wind farm in Bardy.

CLIENTS Energy for all
We offer tailor - made solutions for households and companies.

EMPLOYEES We give employment
Employees create corporate culture, generate profit and has the greatest impact on our

ENVIRONMENT Staying in touch with nature
We manage ENEA's influence on the environment and counteract adverse affects on our activities.

COMMUNITY Every day with ENEA
We cooperate with local authorities and NGOs in order to support equal and

Stakeholders' Map

Interactive KPI

ENVIRONMENT **EMPLOYMENT** **WATER** **BIOMASS** **ENERGY** **WASTE**

Carbon diox emis by company

PERIODS REPORT TABLE CHART

ENE A WYTWARZANIE - (MG)

Year	Carbon dioxide emissions (MG)
2011	~100,000
2012	~100,000

Carbon dioxide emissions by companies from the generation segment - ENEA Wytwarzanie

Attachment No. 1 - Statement on applying corporate governance

The set of principles applied

The Management Board of ENEA S.A. declares that in 2013 the Company applied the rules of corporate governance constituting an Addendum to the Resolution of the WSE Supervisory Board No. 19/1307/2012 of 21 November 2012, titled "Best Practices of WSE Listed Companies" (BPLC, Corporate Governance Rules), published on the Warsaw Stock Exchange website under <http://corp-gov.gpw.pl>. That set of Corporate Governance Rules contains a section entitled "Recommendations Regarding Best Practices of WSE Listed Companies" describing the best practice rules that the Issuer can decide to apply at its own discretion.

Principles which have not been applied by ENEA S.A.

The Management Board of ENEA S.A. makes every effort to implement all the rules of corporate governance that do not present excessive strain for the Company, unless it is balanced by advantages arising from market needs. In 2013 ENEA S.A. applied the majority of rules set forth in Best Practices of WSE Listed Companies, in particular those specified in parts II-IV of BPLC. At the same time, the Company indicates the recommendations and corporate governance rules the application of which it waived in 2013:

Conducting an interactive general e-meeting of the Company's shareholders

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:

In relation to the above provisions of BPLC, the Company informs that in 2013 it did not transmit the proceedings of general meetings via the internet, nor did it record the proceedings of general meetings, and moreover did not provide its shareholders with the possibility of taking part in general meetings with the use of electronic communication means. Failure to comply by the Issuer with the aforementioned part of the recommendations and the rule arose from the fact that in the Statute of the Company there is no provision for participation in General Meetings with the use of electronic communication means according to the provisions of the Commercial Companies Code.

Amendments to the Company's Statute within the aforementioned scope, including the adoption by the general meeting of the Company of a relevant resolution regarding changes to the Statute, will enable the application of the above mentioned principle.

At the same time the Issuer does not exclude the possibility that in the future it will fully comply with the aforementioned principle and recommendation.

Questions asked by shareholders in connection 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 was not and will not be applied by the Company in the foreseeable future. To some extent the source of information concerning proceedings of General Meetings are notarised minutes of GM, but they do not include all pronouncements, questions or answers occurring during the proceedings of General Meetings. 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 (...)

Publishing a record of the General Meeting in audio or video format

Part II. Best Practice for Management Boards of Listed Companies - item 1(9a)

"A company should operate a corporate website and publish on it, in addition to information required by legal regulations, a record of the General Meeting in audio or video format."

Comment:

This principle was applied to in part in 2013. The Issuer informs that in its assessment, as a rule, performing the obligation to inform in accordance with applicable law, in particular through publication of appropriate current reports and publication of relevant information on its website, provides the shareholders with access to all significant information relating to general meetings. However, taking care to keep the highest standards of corporate governance in 2013 ENEA S.A. commenced publication of video recordings from the proceedings of meetings on its corporate website.

In 2013 two general meetings of ENEA S.A. took place, respectively on 24 April and 19 December. The Issuer published a video recording from the general meeting of 19 December 2013 on its website.

Parity of women and men in governing bodies

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 Company explains that at this moment the share of women and men in holding positions in the management and supervisory authorities of ENEA S.A. is not equal, but it must be stressed that both men and women are members of the Management Board and Supervisory Board of the Company. Candidates are selected for respective offices after a thorough analysis of the experience, competences, skills and professional background of each of them. In the Company's opinion, the criteria of evaluation of candidates for offices in management and supervisory authorities permit the selection of candidates who guarantee creativity and innovativeness, as well as the expansion of operations of ENEA S.A.

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

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.

The financial data being the basis for financial statements and periodic reports and the monthly management and operational reporting carried out by ENEA S.A. is taken from the Company's financial and accounting system. 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 Control 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.

ENEA Capital Group carries out annual reviews of business and financial strategies and plans. Middle and senior management personnel are engaged in the process of detailed planning and budgeting, which covers all the areas of ENEA Capital Group's operations. The material and financial plan prepared by the Controlling Department is adopted by the Company's Management Board and approved in accordance with the Statute of ENEA S.A. by the Supervisory Board. During the year, the Management Board of ENEA S.A. monitors the realisation of the goals specified in the adopted 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 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 2013 there were no irregularities that could significantly affect the effectiveness of internal control as it relates to financial reporting.

An important element of the internal control system is that of internal audits. Among the basic tasks of an internal audit are a review and evaluation of processes and the control mechanisms they contain, and monitoring of and recommendations for improvements in the risk management system and corporate governance. The internal audit in ENEA Capital Group is independent, and accountable to the Audit Committee acting as part of the Supervisory Board.

In 2013 ENEA Capital Group, aware of the risks connected with the conducted operations, developed a formal, integrated management system within risks: operating risk, credit risk, liquidity risk and currency and interest rate risks. As a consequence of adopting in the previous year of the Policies regulating the principles and models of the risks management, in 2013 procedures were developed which supplement the content of these Policies within procedural scope. Additionally, the process of risk mapping in core Group's Companies was conducted. Presently, works are being finalised within the development and implementation of the integrated management system for commodity risk.

The risk management model is designed as a continuous process - it is based on a comprehensive approach towards the subject of risk management specifying detailed principles of risk identification and assessment, monitoring the exposure to risks and preparation and monitoring of plans of procedure with significant risks.

One of the material elements of external control in the process of drawing up financial statements of ENEA Capital Group is also 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 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.

Information on shares and shareholding

The detailed description within the structure of the share capital, shareholding structure, changes in its structure in 2013 and potential changes within its structure is presented on page 54 in the section of the Statement relating to shares and shareholding.

Securities with special control authorisation

Till 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 2013 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.

At the same time the Company reminds that in accordance with Article 38 item 3 of the Act of 30 August 1996 on commercialisation and privatisation (Official Journal of 1996 No. 118 item 561, as amended) shares acquired free of charge by employees/heirs of ENEA S.A. could not be traded before 16 February 2012, i.e. before the lapse of two years from the date when the State Treasury transfers the first shares on general terms, and shares acquired by employees performing the function of members of the Management Board of ENEA could not dispose of their shares until three years have elapsed from the date when the State Treasury transferred the first shares on general terms, i.e. before 16 February 2013. Limitation in selling employee shares does not apply to the shares of ENEA S.A. acquired by authorised employees of the Koźienice Power Plant.

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

Pursuant to § 29 item 1 of the Statute of ENEA S.A. the Company's Management Board convenes a General Meeting in instances set out in the provisions of law and the provisions of the Statute, as well as upon the written request of the key shareholder, i.e. State Treasury.

In accordance with § 31 item 1 and 2 of the Statute, read together with Art. 354 § 1 of the Commercial Companies Code, the State Treasury, 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.

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 (§ 29 item 3 of the Company's Statute).

Pursuant to § 33 of the Statute of ENEA S.A., besides the matters specified in mandatory provisions of law and other provisions of the Statute, the powers of the General Meeting of Shareholders include:

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

Acquiring and disposing of real property, rights or perpetual usufruct or a share in a real property, i.e. the acts specified in Article 393 item 4 of the Commercial Companies Code (§ 35 of the Company's Statute), do not require the consent of the General Meeting of Shareholders.

Pursuant to § 36 of the Statute of ENEA S.A., as long as the State Treasury holds over a half of the total number of shares of the Company, a consent of the General Meeting is required for these actions which are mentioned in Art. 18 item 2 of the Act of 30 August 1996 on commercialisation and privatisation (incorporation of another company, acquisition or takeover of another company, sale of purchased or held shares of another company), excluding:

1. Acts for which the Statute requires the consent of the Supervisory Board, provided that the Supervisory Board has granted such consent,
2. Other acts than those specified in Item 1 above, if those acts involve:
 - a) establishing or joining another company in the Republic of Poland if the purchase price for the share(s) or the advance on the contribution in a civil partnership does not exceed EUR 5,000,000
 - b) subscribing to or purchasing shares whose nominal value does not exceed EUR 5,000,000,
 - c) selling or encumbering the shares purchased or held in another company if their nominal value does not exceed EUR 5,000,000,
 - d) purchasing shares for the Company's receivables in settlement, corporate recovery or bankruptcy proceedings.

Besides those specified above, the Company's Statute does not contain any provisions on the procedure of the General Meeting of Shareholders and its powers that are not directly provided for in provisions of law.

The Company has Regulations of the General Meeting of Shareholders, available at www.enea.pl

Rules on amendments to the Company's Statute

An amendment to the Company's Statute, in accordance with the provisions of the Commercial Companies Code requires a resolution passed with the majority of votes, mentioned in Art. 415 § 1 of the Commercial Companies Code during a General Meeting of the Company and entry into the register (Art. 430 § 1 of the Commercial Companies Code). Other than those specified above, the Company's Statute contains no provisions that differ from the provisions of the Commercial Companies Code regulating the Statute amendment.

On 19 December 2013 the Extraordinary General Meeting of Shareholders of ENEA S.A. took place at which a resolution was adopted regarding amending § 5, § 11 item 5(1), § 20 item 2(2), § 20 item 2(8), § 20 item 5, § 26 item 2, § 27 item 4(1), § 40 item 4, § 40 item 7 of the Statute of ENEA S.A. The content of the resolution on the adoption of the above amendments to the Statute was published in the current report No. 37/2013 of 19 December 2013. At the same time, as at the date of publication of this report the Issuer is pending registration of the above mentioned amendments.



The Management Board of ENEA S.A.

Composition of the Company's Management Board

As at the date of this report, i.e. 10 March 2014, the Company's Management Board operates in the following composition:

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

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

Changes in the composition:

On 11 January 2013 the Member of the Management Board for Energy Generation - Mr. Krzysztof Zborowski, resigned from the above function. The resignation was valid as of its submission.

On 11 March 2013 the Supervisory Board recalled the hitherto Members of the Board and nominated as of 11 March 2013 Mr. Krzysztof Zamasz to the position of the President of the Management Board of ENEA S.A., Mr. Grzegorz Kinelski to the position of the Member of the Management Board of ENEA S.A. for Commercial Affairs and Mr. Paweł Orlof to the position of the Member of the Management Board of ENEA S.A. for Corporate Affairs.

On 9 April 2013 the Supervisory Board of ENEA S.A. nominated Mrs. Dalida Gepfert to the position of the Member of the Management Board for Financial Affairs who commenced work on 23 April 2013.

Authorisation of the Management Board of the Company

The Board of Management of ENEA S.A. transacts business of the Company and represents it. Pursuant to § 11 item 2 of the Statute resolutions of the Management Board are required on all the matters exceeding the scope of ordinary activities of the Company, and particularly:

- a) adopting the Company's organisational regulations, subject to approval by the Supervisory Board,
- b) creating and liquidating branches,
- c) 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,
- d) taking out loans or credit facilities,
- e) adopting annual material and financial plans, including investment plans, and long-term strategic plans, subject to approval by the Supervisory Board,
- f) contracting contingent obligations, including the Company granting guarantees and sureties and issuing promissory notes,
- g) 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,
- h) giving over the Company's real property under a leasing, tenancy, lease, lending or usufruct agreement or for any other use,
- i) assuming the leasing, lease, rent, usufruct or other use of real property on the basis of one or more legal acts during twelve consecutive months, with the value of rent for twelve consecutive months at least equivalent to EUR 50,000,
- j) 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,
- k) any instance of offering fixed assets, except for real property, for leasing, lease, rent, borrowing, usufruct or any other use,
- l) any instance of assuming the leasing, lease, rent, usufruct or any other use of fixed assets, except for real property, on the basis of one or more legal acts, during twelve consecutive months, with the value of rent for twelve consecutive months at least equivalent to EUR 50,000,
- m) matters that the Management Board requests that the Supervisory Board or General Meeting of Shareholders consider,

n) 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 Clause 20 par. 6 point

Other than the provisions specified above, the Company's Statute contains no provisions that grant additional powers to the management board members, including powers to make decisions on the issuance or redemption of shares.

Principles relating to appointing and recalling management personnel

The Management Board members or the entire Management Board are appointed and recalled by the Supervisory Board, subject to the a person elected by employees in accordance with (§ 14 item 1 of the Company's Statute). In 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).

Pursuant to the Act of 30 August 1996 on commercialisation and privatisation, if 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. The Management Board member elected by the employees is the person who receives the absolute majority of votes in the election. The results of the vote will be binding upon the body authorised to appoint Management Board members provided that at least 50 per cent of all employees participate in the election.

A motion on recalling the Management Board Member elected by the employees should be submitted to the Management Board, which will then deliver it immediately to the Supervisory Board (§ 16 of the Statute of ENEA S.A.).

Management Board's principles of operation

The Board of Management transacts business of the Company and represents it. 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.

The Management Board adopts the Rules of the Management Board specifying the mode of operation of the Management Board and principles of transacting business by the Management Board.

The Supervisory Board of ENEA S.A.

Composition of the Supervisory Board

As at the date of preparation of this report, i.e. 10 March 2014, the Supervisory Board of the Company of the 8th term is composed of eight members and operates in the following composition:

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

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

On 27 March 2013 Mr. Graham Wood submitted a resignation from the position of a Member of the Supervisory Board as of April 2013. On 24 April 2013 the resignation from the held position as of the same day was submitted by Mrs. Małgorzata Aniolek.

The Ordinary General Meeting of Shareholders of ENEA S.A. on 24 April 2013 nominated to composition of the Supervisory Board of ENEA S.A. Mrs. Małgorzata Niezgoda and Mr. Torbjörn Wahlborg.

As of 24 June 2013 Mr. Michał Jarczyński filed a resignation from the position of a Member of the Supervisory Board of ENEA S.A.

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 supervises all areas of the activities of the Company on an ongoing basis. The Supervisory Board is composed of 6 to 15 members appointed by: (i) General Meeting, (ii) Company's employees and (iii) 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.

The special duties of the Supervisory Board include assessing the Management Board report on the Company's operations and the financial statements for the previous financial year, to ensure their compliance with the books of account and documents and the factual status, and motions of the Management Board on the distribution of profits or covering of losses, as well as submitting an annual written report on the results of that assessment to the General Meeting of Shareholders.

In accordance with the Rules of the Supervisory Board adopted with the resolution of the Supervisory Board of 15 December 2009, *as amended*, the Supervisory Board convenes at least once every two months. Meetings of the supervisory Board are convened by the Chairman or Deputy Chairman of the Board, who will also present a detailed agenda. A Supervisory Board meeting should be convened at the request of any Supervisory Board member or at the request of the Management 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 Deputy 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:

the Company and adopting resolutions by the Board. The Rules of the Management Board are adopted with a resolution of the Management Board and approved by the Supervisory Board. Presently, 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.

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. A Member of the Board is required to justify their absence from a Meeting in writing. Absence during the Board meeting is substantiated by the meeting Chairman. 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.

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 one business day before the meeting.

Decisions of the Management Board associated with conducting the Company's affairs, 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 a means of direct 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 a means of direct communication are presented at the next meeting of the Management Board with the outcome of the vote.

Detailed powers, organisation and operating principles of the Management Board are set out in the Statute, the Rules of the Management Board, and the Commercial Companies Code.

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".

- 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.

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. Participation in Supervisory Board's meetings is obligatory for Supervisory 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.

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 principles provided for in the Rules of the Supervisory 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. 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).

The powers, organisation and operating principles of the Supervisory Board are set out in the Statute, the Rules of the Supervisory Board of ENEA S.A. and the Commercial Companies Code.

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

Supervisory Board's Committees

The Rules of the Supervisory Board of ENEA S.A. anticipates nomination of two Committees of the Supervisory Board:

- **The Audit Committee** (pursuant to 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).
- **The Nominations and Remuneration Committee** (§ 7 of the Rules of the Supervisory Board).

Composition of the Supervisory Board's Committees

As at the date of this report, i.e. 10 March 2014, the composition of the Audit Committee of the Supervisory Board of the Company is as follows:

Name	Position
Ms. Małgorzata Niezgoda	Chairman
Sławomir Brzeziński	Member
Wojciech Chmielewski	Member
Przemysław Łyczyński	Member
Jeremi Mordasewicz*	Member

As at the date of this report, i.e. 10 March 2014, the composition of the Audit Nominations and Remuneration Committee of the Supervisory Board of the Company is as follows:

Name	Position
Michał Kowalewski	Chairman
Sandra Malinowska	Member
Tadeusz Mikłosz	Member
Jeremi Mordasewicz*	Member

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

Audit Committee - operations

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 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 a means of direct communication.
- The chairman of the committee submits resolutions, motions and reports on matters on the Board's agenda to the 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 by the Audit Committee the Board regarding the internal policy and budget procedures adopted by the Company and inspect them and advise 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.

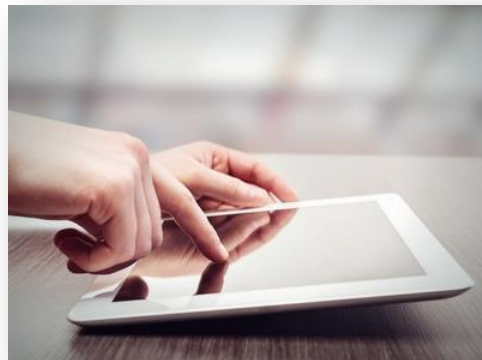


Operations of committees in 2013

The Audit Committee

The Audit Committee held 6 meetings and adopted 13 Resolutions regarding:

- issuing a positive opinion on the documents - Annual audit plan for 2013 for ENEA CG and Budget proposal of the Audit and Control Office for 2013,
- positive assessment of methods for auditing financial statements of the Company for the financial year 2012,
- approval of information on outstanding verification audits for 2010-2012 not included in the Audit Plans for ENEA CG in 2011-2013 and issuing an opinion on the amended Audit Plan for 2013,
- issuing a positive opinion on 2014 Annual Audit Plan for ENEA CG (in the part relating to ENEA S.A.) and Budget Proposal of the Control and Audit Office for 2014,
- audited the Condensed semi-annual non-consolidated financial statement for the period from 1 January to 31 March 2013 and Condensed semi-annual consolidated financial statement for the period from 1 January to 31 March 2013,
- audited the Non-consolidated financial statement for H1 2013 and Consolidated financial statement for H1 2013.



Nominations and Remuneration Committee

The Nominations and Remuneration Committee held 5 meetings and adopted 19 Resolutions. The subject matter of the meetings of the Committee was e.g. development of a recommendation for the Supervisory Board regarding:

- exempting the Vice-President of the Management Board for Economic Affairs from a prohibition to pursue economic activity, business or other remunerated activity within services connected with the held Security Worker licence/second grade,
- granting consent to Members of the Management Board to hold a position of a member of a Supervisory Board of a company comprising ENEA Capital Group,
- conclusion with Members of the Board of service agreements - managerial contract and Non-competition agreements and determining the principles of remunerating Members of the Board.



Attachment No. 2 - Financial results of ENEA S.A. in 2013 and Q4 2013

Profit and Loss Statement

[PLN '000]	2012	2013	Change	Change %	Q4 2012	Q4 2013	Change	Change %
Sales of electricity to end users	4 114 916	3 540 437	-574 478	-14.0%	1 026 298	890 883	-135 415	-13.2%
Sales of distribution services to users holding comprehensive agreements	1 588 583	1 514 422	-74 161	-4.7%	392 801	371 107	-21 695	-5.5%
Sales of electricity to other entities	168 540	37 328	-131 212	-77.9%	52 651	14 561	-38 089	-72.3%
Sales of services	65 214	66 265	1 051	1.6%	18 229	18 119	-111	-0.6%
Other revenue	16 084	-2 461	-18 545	-115.3%	9 902	10 738	835	8.4%
Excise tax	193 998	204 217	10 219	5.3%	38 874	53 620	14 746	37.9%
Net sales revenues	5 759 339	4 951 774	-807 565	-14.0%	1 461 008	1 251 788	-209 220	-14.3%
Amortisation/depreciation	16 878	17 873	995	5.9%	4 304	4 405	101	2.3%
Employee benefit costs	64 324	52 215	-12 109	-18.8%	19 389	23 926	4 537	23.4%
Consumption of materials and energy and value of sold materials	4 199	3 702	-497	-11.8%	1 113	776	-337	-30.3%
Costs of purchases for resale	3 727 174	2 995 827	-731 347	-19.6%	948 675	836 382	-112 293	-11.8%
Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	1 595 649	1 518 682	-76 967	-4.8%	396 023	377 332	-18 691	-4.7%
Other outsourced services	197 601	175 312	-22 289	-11.3%	38 287	48 521	10 234	26.7%
Taxes and charges	8 486	9 333	847	10.0%	1 939	1 837	-102	-5.3%
Cost of sales	5 614 311	4 772 944	-841 367	-15.0%	1 409 730	1 293 179	-116 551	-8.3%
Other operating revenue	11 344	59 331	47 987	423.0%	3 974	23 188	19 214	483.5%
Other operating expenses	42 838	15 947	-26 891	-62.8%	7 862	-20 075	-27 937	-355.3%
Profit / loss on sales of fixed assets	1 786	-495	-2 281	-127.7%	-400	-459	-59	-14.8%
Tangible and intangible impairment write-off	0	-11 363	-11 363	-100.0%	0	-11 363	-11 363	-100.0%
Operating profit	115 320	210 356	95 036	82.4%	46 990	-9 950	-56 940	-121.2%
Financial revenue	99 583	92 720	-6 863	-6.9%	15 405	34 719	19 314	125.4%
Dividend revenue	362 091	605 676	243 585	67.3%	0	0	-	-
Financial expenses	37 719	21 293	-16 426	-43.5%	4 615	16 781	12 166	263.6%
Gross profit	539 275	887 459	348 184	64.6%	57 780	7 988	-49 792	-86.2%
Income tax	34 138	53 994	19 856	58.2%	9 650	-2 171	-11 821	-122.5%
Net profit	505 137	833 465	328 328	65.0%	48 130	10 159	-37 971	-78.9%
EBITDA	132 198	228 229	96 031	72.6%	51 294	-5 545	-56 839	-110.8%

Comment:

2013:

Change factors of EBITDA in ENEA S.A. (increase by PLN 96 mln):

- (-) lower costs of purchases of electricity by PLN 731 mln as a result of:
 - (+) lower purchase price by 6.2%
- (-) lower costs of redeemed proprietary interests in 2012 by PLN 18.4 mln as a result of changes in the methods of valuation of provisions for proprietary interests
- (-) settlement of variations between the purchase and sales of electricity relating to previous years (by PLN 25.4 mln)
- (+) lower costs of outsourced services connected with marketing and representation by PLN 18 mln
- (+) lower costs of consulting and legal services by PLN 7 mln
- (+) release of dedicated reserves for the equivalent relating to employee shares in the amount of PLN 14.8 mln
- (+) higher result on other operating activity as a result of:
 - (+) settlement connected with the contribution in kind of the street lighting management to ENEOS subsidiary (one-off recognition of revenues 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)
 - (+) lower provisions for potential claims by title of land easements by PLN 20 mln
- (-) lower revenues from sales of energy to end users by PLN 574 mln as a result of lower volumes by 1.730 GWh and lower price by 2.7%
- (-) lower revenues from sales of energy on the wholesale market by PLN 131 mln as a result of lower volumes by 700 GWh and lower price by 32%

Q4 2013

Change factors of EBITDA of ENEA S.A. (drop by PLN 57 mln):

- (-) lower revenues from sales of energy to end users by PLN 135 mln as a result of lower volumes by 277 GWh and lower price by 6.2%
- (-) lower revenues from sales of energy on the wholesale market by PLN 38 mln as a result of lower volumes by 200 GWh and lower price by 31.1%
- (-) higher costs of outsourced services by PLN 10 mln as a result of:
 - (-) changes in the principles of remunerating of ENEA Trading within cooperation on wholesale trade (the costs were settled in Q4 2012), which results in a change by PLN 21 mln
 - (+) lower costs of outsourced services connected with marketing and representation by PLN 7 mln
 - (+) lower costs of consulting and legal services by PLN 2 mln
- (-) establishment of provisions for Programme of Voluntary Redundancy in the amount of PLN 4.3 mln
- (+) lower costs of purchases of electricity by PLN 112 mln as a result of:
 - (+) lower purchase price by 3.4%
 - (-) settlement of variations between the purchase and sales of energy relating to previous years (by PLN 25.4 mln)
- (+) higher result on other operating activity as a result of:
 - (+) settlement connected with the contribution in kind to a subsidiary of the street lighting management (one-off recognition of revenues 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)
 - (+) lower provisions for potential claims by title of land easements by PLN 5 mln

Attachment No. 3 - Financial results of ENEA Operator in 2013 and Q4 2013

Profit and Loss Statement

[PLN '000]	2012	2013	Change	Change %	Q4 2012	Q4 2013	Change	Change %
Revenues from sales of distribution services to end users	2 595 185	2 658 862	63 677	2.5%	661 459	673 629	12 170	1.8%
Revenues from additional fees	3 460	3 991	531	15.3%	904	1 094	190	21.0%
Revenues from non-invoiced sales of distribution services	13 242	7 382	-5 860	-44.3%	6 890	8 505	1 615	23.4%
Clearing of the Balancing Market	30 834	20 520	-10 314	-33.5%	1 826	-27	-1 853	-101.5%
Fees for customer grid connection	129 147	110 371	-18 776	-14.5%	36 223	32 676	-3 547	-9.8%
Revenues from the illegal collection of electricity	6 575	7 643	1 068	16.2%	1 680	2 148	468	27.9%
Revenues from services	101 142	98 930	-2 212	-2.2%	29 056	25 708	-3 348	-11.5%
Sales of distribution services to other entities	26 676	25 632	-1 044	-3.9%	6 128	6 900	772	12.6%
Sales of goods and services and other revenues	5 025	4 476	-549	-10.9%	1 538	1 575	37	2.4%
Revenues on sales	2 911 286	2 937 807	26 521	0.9%	745 704	752 208	6 504	0.9%
Depreciation and amortisation of fixed and intangible assets	375 580	379 011	3 431	0.9%	94 074	97 069	2 995	3.2%
Employee benefit costs	545 921	554 484	8 563	1.6%	170 746	150 609	-20 137	-11.8%
Consumption of materials and raw materials and value of goods sold	46 004	43 242	-2 762	-6.0%	11 492	11 012	-480	-4.2%
Purchase of energy for own needs and grid losses	366 820	326 175	-40 645	-11.1%	98 964	91 046	-7 918	-8.0%
Costs of transmission services	714 601	598 627	-115 974	-16.2%	180 745	146 547	-34 198	-18.9%
Other outsourced services	189 014	198 107	9 093	4.8%	53 466	64 752	11 286	21.1%
Taxes and charges	124 855	137 034	12 179	9.8%	32 100	32 457	357	1.1%
Cost of sales	2 362 795	2 236 680	-126 115	-5.3%	641 587	593 492	-48 095	-7.5%
Other operating revenue	41 070	47 686	6 616	16.1%	13 518	16 031	2 513	18.6%
Other operating expenses	136 500	206 294	69 794	51.1%	112 246	154 535	42 289	37.7%
Profit / loss on sales and liquidation of tangible fixed assets	-6 774	-2 911	3 863	57.0%	-5 616	-222	5 394	96.0%
Operating profit/loss	446 287	539 608	93 321	20.9%	-227	19 990	20 217	8906.2%
Financial revenue	5 070	7 809	2 739	54.0%	1 014	3 602	2 588	255.2%
Financial expenses	18 791	24 926	6 135	32.6%	6 515	8 386	1 871	28.7%
Gross profit/loss	432 566	522 491	89 925	20.8%	-5 728	15 206	20 934	365.5%
Income tax	84 122	101 135	17 013	20.2%	945	2 586	1 641	173.7%
Net profit/loss	348 444	421 356	72 912	20.9%	-6 673	12 620	19 293	289.1%
EBITDA	821 867	918 619	96 752	11.8%	93 847	117 059	23 212	24.7%

Comment:

2013:

Change factors of EBITDA in ENEA Operator Sp. z o.o. (increase by PLN 97 mln):

- (+) higher rates for rendered distribution services in 2013 Tariff and higher volumes of electricity deliveries (sales of distribution services higher by PLN 58 mln)
- (+) lower costs of quality and transitory charges (balance of transmission and distribution services lower by PLN 115 mln)
- (+) lower volumes and average purchase price of energy for covering book-tax difference (drop by PLN 30 mln)
- (-) lower revenues from grid connection fees by PLN 19 mln
- (-) higher property tax (local taxes and fees higher by PLN 12 mln)
- (-) higher costs connected with maintenance works on the Company assets by PLN 15 mln
- (-) restructuring costs, higher employee benefits by PLN 9 mln
- (-) costs of the Company's liabilities for held assets (growth by PLN 59 mln)

Q4 2013:

Change factors of EBITDA in ENEA Operator Sp. z o.o. (increase by PLN 23 mln):

- (+) higher rates for rendered distribution services in 2013 Tariff and higher volumes of electricity deliveries (sales of distribution services higher by PLN 14 mln)
- (+) lower costs of transitory charge (balance of transmission and distribution services lower by PLN 35 mln)
- (+) lower costs of remuneration by PLN 20 mln
- (+) lower volumes and average purchase price of energy for covering book-tax difference (drop by PLN 6 mln)
- (-) costs of the Company's liabilities for held assets (growth by PLN 34 mln)
- (-) higher costs connected with maintenance works on the Company assets by PLN 15 mln
- (-) lower revenues from grid connection fees by PLN 4 mln

Attachment No. 4 - Financial results of ENEA Wytwarzanie in 2013 and Q4 2013

Profit and Loss Statement

[PLN '000]	2012	2013	Change	Change %	Q4 2012	Q4 2013	Change	Change %
Revenues from the sale of electricity	2 682 950	2 584 628	-98 322	-3.7%	744 111	654 363	-89 748	-12.1%
<i>generating licence</i>	2 385 328	2 206 076	-179 252	-7.5%	637 432	517 154	-120 278	-18.9%
<i>trade licence</i>	297 622	378 553	80 931	27.2%	106 678	137 210	30 532	28.6%
Revenues from certificates of origin	117 892	67 681	-50 211	-42.6%	13 651	29 153	15 502	113.6%
Revenues from sales of CO ₂ emission allowances	39 087	14 061	-25 026	-64.0%	49	4 005	3 956	8 073.5%
Revenues from the sale of heat	5 936	7 163	1 227	20.7%	1 558	1 571	13	0.8%
Recovery of stranded costs	-21 647	964	22 611	104.5%	0	0	-	-
Revenues from services	6 846	7 121	275	4.0%	1 753	1 817	64	3.7%
Sales of goods and services and other revenues	11 450	8 891	-2 559	-22.3%	1 535	1 277	-258	-16.8%
Excise tax	22	21	-1	-4.5%	6	6	-	-
Net sales revenues	2 842 492	2 690 488	-152 004	-5.3%	762 651	692 180	-70 471	-9.2%
Depreciation and amortisation of fixed and intangible assets	282 255	294 212	11 957	4.2%	68 805	70 776	1 971	2.9%
Employee benefit costs	254 418	271 530	17 112	6.7%	68 222	85 310	17 088	25.0%
Consumption of materials and raw materials and value of goods sold	1 520 285	1 417 067	-103 218	-6.8%	391 499	311 679	-79 820	-20.4%
Costs of purchases for resale	300 042	348 688	48 646	16.2%	93 799	106 893	13 094	14.0%
Other outsourced services	161 544	149 158	-12 386	-7.7%	36 718	41 533	4 815	13.1%
Taxes and charges	65 761	71 207	5 446	8.3%	18 140	18 414	274	1.5%
Cost of sales	2 584 305	2 551 862	-32 443	-1.3%	677 183	634 605	-42 578	-6.3%
Other operating revenue	45 259	33 711	-11 548	-25.5%	11 677	7 415	-4 262	-36.5%
Other operating expenses	25 316	11 479	-13 837	-54.7%	12 801	2 512	-10 289	-80.4%
Profit / loss on sales and liquidation of tangible fixed assets	-1 474	-3 597	-2 123	-144.0%	-433	-1 007	-574	-132.6%
Operating profit/loss	276 656	157 261	-119 395	-43.2%	83 911	61 471	-22 440	-26.7%
Financial revenue	62 749	23 945	-38 804	-61.8%	10 689	343	-10 346	-96.8%
Financial expenses	37 450	8 380	-29 070	-77.6%	29 328	3 475	-25 853	-88.2%
Dividend revenue	6 280	61 684	55 404	882.2%	0	0	-	-
Gross profit/loss	308 235	234 510	-73 725	-23.9%	65 272	58 339	-6 933	-10.6%
Income tax	63 037	49 828	-13 209	-21.0%	13 305	11 927	-1 378	-10.4%
Net profit/loss	245 198	184 682	-60 516	-24.7%	51 967	46 412	-5 555	-10.7%
EBITDA	558 911	451 473	-107 438	-19.2%	152 716	132 247	-20 469	-13.4%

Comment:

2013:

Change factors of EBITDA in ENEA Wytwarzanie S.A. (drop by PLN 107 mln):

- (-) lower margin on electricity generation by PLN 126.9 mln as a result of drop in market energy prices
- (-) establishment of provisions for Programme of Voluntary Redundancy (PLN 38.3 mln)
- (-) lower margin on co-firing by PLN 37.0 mln as a result of lower prices of green certificates and lower generation from biomass
- (+) lower fixed costs by PLN 41.2 mln, including lower costs of repair materials and services and lower level of actuarial reserves
- (+) difference in revenues from compensation for recovery of stranded costs - in 2012 a negative adjustment of revenues for 2008-2011
- (+) occurrence at the end of 2013 of fuel surplus inventory of PLN 3.5 mln with a deficit at the end of 2012, PLN 12.1 mln
- (+) higher result on energy sold in trade by PLN 14.6 mln

Q4 2013:

Change factors of EBITDA in ENEA Wytwarzanie S.A. (drop by PLN 20 mln):

- (-) establishment of provisions for Programme of Voluntary Redundancy (PLN 38.3 mln)
- (-) lower margin on electricity generation by PLN 23.4 mln as a result of drop in market energy prices
- (-) lower margin on the Balancing Market by PLN 3.7 mln as a result of lower volumes and lower unit margin
- (+) lower fixed costs by PLN 18.4 mln, including lower actuarial reserves and lower cost of repair materials and services
- (+) higher margin on co-firing by PLN 17.8 mln as a result of higher result on sales of certificates
- (+) higher result on the other operating activity by PLN 6.0 mln as a result of recognition in Q4 2012 of RES certificates of origin write-down
- (+) higher result on energy sold in trade by PLN 5.9 mln

Glossary of terms

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

Sectoral terms/abbreviations

Abbreviation/term	Full name/explanation
BueNext	Trading platform enabling trade in allowances for emissions of CO ₂ (EUA) and units of certified reduction of emissions (CER) on spot and futures market
CAPEX	Capital expenditures
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)
EUA	EU Emission Allowance - allowances for emissions within the European Emissions Trading System
European Emissions Trading System EU ETS	European system supporting reduction of greenhouse gases emissions
ICE	Trading platform enabling trade in allowances for emissions of CO ₂ (EUA) and units of certified reduction of emissions (CER) on futures market
IOS installation	Flue 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
NOx	Nitric oxides
OH	Commercial Coordinator
OHT	Scheduling Co-ordinator
OSD	Operator of Distribution Network

Abbreviation/term	Full name/explanation
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
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

Abbreviation/term	Full name/explanation
"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
Wholesale 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")
SO₂	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)
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

Abbreviation/term	Full name/explanation
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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Glossary of terms

Signatures of the Management Board

The Report of the Management Board prepared on: 10 March 2014

The Report of the Management Board published on: 21 March 2014

Signatures:

President of the Board Krzysztof Zamasz

Member of the Management Board for Financial Affairs Dalida Gepfert

Member of the Management Board for Commercial Affairs Grzegorz Kinelski

Member of the Management Board for Corporate Affairs Paweł Orlof

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