



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



2,4 mln Customers



Other information to the ENEA S.A. extended consolidated report for Q1 2014

Date of approval: 2 May 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, 13 May 2014

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Operating summary

In Q1 2014 ENEA Capital Group generated:

- PLN 2,374 mln net sales revenues (drop by 0.3% yoy),
- PLN 461 mln EBITDA (drop by 16.1% yoy),
- PLN 209 mln net profit (drop by 29.5% yoy).

The Group's results in Q1 2014 were affected by a difficult situation on the electricity market. Consolidated EBITDA was charged with a reduced average selling price to end users (partly adjusted with higher volumes) and lower prices of electricity on the wholesale market. Higher costs were also reported of energy purchases for resale and higher costs of transmission services. Higher costs of transmission services were also noticed.

In Q1 2014 the highest EBITDA was reported in the segment of distribution and amounted to PLN 293 mln (growth by 1.9% yoy). The segments of trade and generation were under the pressure of the energy market conditions, in which EBITDA amounted to PLN 58 mln and PLN 124 mln, respectively.



The results of Q1 2014 were supported by e.g.:

lower average price and lower volumes of purchased electricity for covering book-tax difference

lower average purchase price for energy by 12% and higher volumes by 544 GWh

higher EBITDA of ENEA Wytwarzanie - Segment of Heat and Segment of RES

The results were, however, negatively affected by:

lower average selling price by 16.8%

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

Despite an intensive investment programme, the Group in Q1 2014 maintained a positive value of net debt/EBITDA ratio -0.4.

In the reporting period ENEA CG increased the generation of electricity both from the conventional sources (growth by 2.3% yoy) and from RES (growth by 16.5% yoy) generating a total of 3.1 TWh electricity (growth by 3.4% yoy). Sales of conventional electricity grew by 511 TWh, and sales of electricity from RES grew by 39 GWh yoy. In Q1 2014 the Group sold 4 TWh electricity to end users, i.e. by 544 GWh more than in the previous year.

The detailed list of issues contained in this report is presented on page 51

Executive summary

Dear Sirs and Madams,

In Q1 2014 we focused on the preparation of ENEA Capital Group for market challenges it is presently facing. Already in Q4 2013 we commenced a range of initiatives important for the Group, the implementation of which we will consistently continue during the coming periods.

The one of the most important projects is mainly the establishment, based on the existing company ENEA Centrum Sp. z o.o., the Shared Service Centre (SSC) which will guarantee the centralisation of functions not connected with the core business of particular Group companies. On 1 January 2014 the financial and accounting services of ENEA S.A. were transferred to SSC, and on 1 May 2014 the process was completed of transferring the employees of the following areas: finance, accounting and IT in the other core Group Companies - ENEA Wytwarzanie, ENEA Operator, ENEA Trading. Additionally, within the implementation works connected with the new corporate governance model we managed to develop ultimate legal and corporate solutions, the implementation of which will allow the companies composing ENEA Group to operate as a homogeneous economic body in which the key role is played by ENEA S.A. Our goal is to generate the Group's "new DNA" which is to guarantee a better and more flexible operation of ENEA Group and concentration on its strategic goals and Customer needs.

In January 2014 the Companies composing the Tax Capital Group we established concluded agreements with PKO BP and Pekao S.A. banks. They guarantee a possibility of an intergroup financing and a complete bank servicing subject to homogeneous conditions. In the future the agreements will also bring real benefits to Customers of ENEA Group Companies. They will be able to make free cash payments in a total of 3.4 thou. units in PKO BP and Pekao S.A. Savings from a comprehensive settling of bank servicing on the level of the whole Group will total to ca. 92%, i.e. over PLN 3 mln during three years.

ENEA Capital Group already possesses necessary licences for trading in gaseous fuels, and its company responsible for the wholesale trade, ENEA Trading, is a member of the Polish Power Exchange on the gas market. In January 2014 ENEA Trading signed a frame agreement for a bulk-buy of gaseous fuel from PKN Orlen. The goal of the cooperation is optimisation of costs of obtaining gas for end Consumers. In spring, ENEA S.A. intends to present the offer for sales of the blue fuel directed at small and medium enterprises.

The year of 2014 is particularly significant for the success of the key investment of ENEA CG in Koziencice. The progress of the investment as at the end of 2013 was ca. 15%, and as at the end of 2014 the parameter is to be around 65%. The construction of the unit No. 11 is on the schedule, we have no delays. In Q1 2014 the main concreting and foundation works were executed. The construction of the cooling tower is also on the schedule, all the concrete structures are already ready.

Since the publication of the recent periodic report our shareholding structure has also changed. On 15 January 2014, as a result of block transactions concluded in the mode of the accelerated book-building, Vattenfall AB sold 82.4 mln shares of ENEA, which constituted 18.67% in the Company's capital. Thus the Swedish concern completed the sale of all its Polish assets. In April 2014 the held shares of ENEA (11 mln) were sold in the same mode by the European Bank for Reconstruction and Development.

In the both cases there was a great interest in the shares of ENEA among Polish and foreign funds. It testifies of the confidence to the development vision of ENEA CG we are implementing. We are a strong energy group with a solid position on the market, which was noticed and appreciated by investors. We will make every effort so that not to betray that trust and optimally use our potential.

Sincerely,

Krzysztof Zamasz

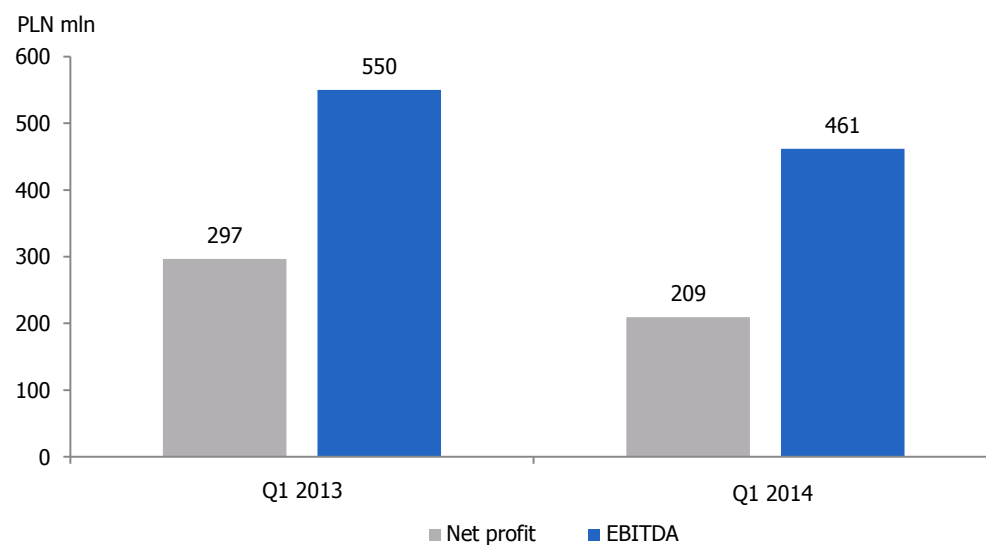
President of the Board of ENEA S.A.



Selected consolidated financial data of ENEA Capital Group

[PLN '000]	Q1 2013	Q1 2014	Change	Change %
Net sales revenues	2 380 334	2 373 743	-6 591	-0.3%
Profit / (loss) from operations	355 228	266 739	-88 489	-24.9%
Profit / (loss) before tax	370 937	268 922	-102 015	-27.5%
Net profit / (loss) for the reporting period	296 844	209 330	-87 514	-29.5%
EBITDA	549 895	461 473	-88 422	-16.1%
Net cash flows from:				
operations	265 346	92 298	-173 048	-65.2%
investment activity	-518 146	-542 403	-24 257	-4.7%
financial activity	-811	165 688	166 499	20530.1%
Balance of cash	843 422	1 289 293	445 871	52.9%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	0.67	0.47	-0.20	-29.9%
Diluted profit per share [PLN]	0.67	0.47	-0.20	-29.9%

[PLN '000]	31 December 2013	31 March 2014	Change	Change %
Total assets	16 322 024	16 240 889	-81 135	-0.5%
Total liabilities	4 834 076	4 522 853	-311 223	-6.4%
Non-current liabilities	2 556 816	2 747 529	190 713	7.5%
Current liabilities	2 277 260	1 775 324	-501 936	-22.0%
Equity	11 487 948	11 718 036	230 088	2.0%
Share capital	588 018	588 018	-	-
Book value per share [PLN]	26.02	26.54	0.52	2.0%
Diluted book value per share [PLN]	26.02	26.54	0.52	2.0%



Key information on ENEA Capital Group

	Unit	Q1 2013	Q1 2014	Change	Change %
Net sales revenues	PLN '000	2 380 334	2 373 743	-6 591	-0.3%
EBITDA	PLN '000	549 895	461 473	-88 422	-16.1%
EBIT	PLN '000	355 228	266 739	-88 489	-24.9%
Net profit	PLN '000	296 844	209 330	-87 514	-29.5%
Net cash flows from operating activities	PLN '000	265 346	92 298	-173 048	-65.2%
CAPEX	PLN '000	350 799	310 075	-40 724	-11.6%
Net debt / EBITDA*	-	-0.8	-0.4	0.4	-
Return on assets (ROA)*	%	8.1	5.2	-2.9	-
Return on equity (ROE)*	%	10.6	7.1	-3.4	-
Trade					
Sales of electricity to end users	GWh	3 417	3 961	544	15.9%
Number of recipients (Power Delivery Points)	'000	2 355	2 364	9	0.4%
Distribution					
Sales of distribution services to end users	GWh	4 497	4 552	55	1.2%
Number of customers	'000	2 425	2 445	20	0.8%
Generation					
Total generation of electricity, including e.g.:	GWh	3 039	3 142	103	3.4%
from conventional sources	GWh	2 802	2 866	64	2.3%
from renewable energy sources	GWh	237	276	39	16.5%
Heat generation	TJ	2 095	1 803	-292	-13.9%
Sales of conventional electricity	GWh	3 455	3 966	511	14.8%
Sales of electricity from RES	GWh	237	276	39	16.5%
Sales of heat	TJ	1 925	1 654	-271	-14.1%

Higher sales of electricity to end users by 544 GWh in Q1 2014

Higher production from conventional sources and RES by 103 GWh in Q1 2014

Higher sales of conventional electricity by 511 GWh in Q1 2014

Q1 2014:

- Favourable value of net debt/EBITDA ratio (-0.4)
- Higher sales of electricity to end users (544 GWh)
- Higher production from conventional sources and RES by 3.4% (103 GWh)
- Higher sales of conventional electricity (511 GWh)
- Lower net sales revenues as a result of lower market prices of energy (PLN 7 mln)

* Ratio definitions are presented on page 48

Key events in Q1 2014

Shared Service Centre of ENEA CG

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

A comprehensive bank service of the Tax Capital Group

On 28 January 2014 Companies of ENEA Tax Capital Group concluded agreements with PKO BP and Peako S.A. They provide for a possibility of an intergroup financing and a complete bank servicing. Thanks to the agreements ENEA will save PLN 3 mln and will have an access to an additional financing in the amount of up to PLN 700 mln. In the future Customers of ENEA Group Companies will be able to perform free cash payments in over 3,400 branches of BKO BP and Pekao S.A.

Gas purchase agreement with Orlen

On 27 January 2014 ENEA Trading signed a frame agreement for a bulk-buy of gaseous fuel from PKN Orlen. The goal of the cooperation is optimisation of gas purchasing costs for end Customers, and as a consequence a possibility of making a competitive offer in the formula of combined sales of electricity and gas.

The last tranche of employee shares on WSE

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

Changes in the Boards of key Group Companies

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

2013 net profit distribution

On 11 March 2014 the Board of ENEA S.A. issued a recommendation regarding the distribution of the dividend in the amount of PLN 251.6 mln of the net profit for 2013, which is PLN 0.57 per share. On 19 March the Supervisory Board issued a positive opinion on the motion of the Board. The recommendation was also approved by the Ordinary General Meeting of Shareholders of ENEA S.A. convened for 24 April. The record date was determined for 23 July 2014 and the dividend payment date for 12 August 2014.

Changes in the shareholding of ENEA

In Q1 there were changes in the shareholding of the Company. On 22 January 2014 in the process of the accelerated book-building Vattenfall AB sold a block of shares constituting 18.67% in the share capital. One of the buyers was ING OFE, which due to the transaction held the shares representing 5.26% in the share capital. On 12 March 2014 the fund sold part of the held shares, diminishing its engagement in the share capital of ENEA to 4.50%.

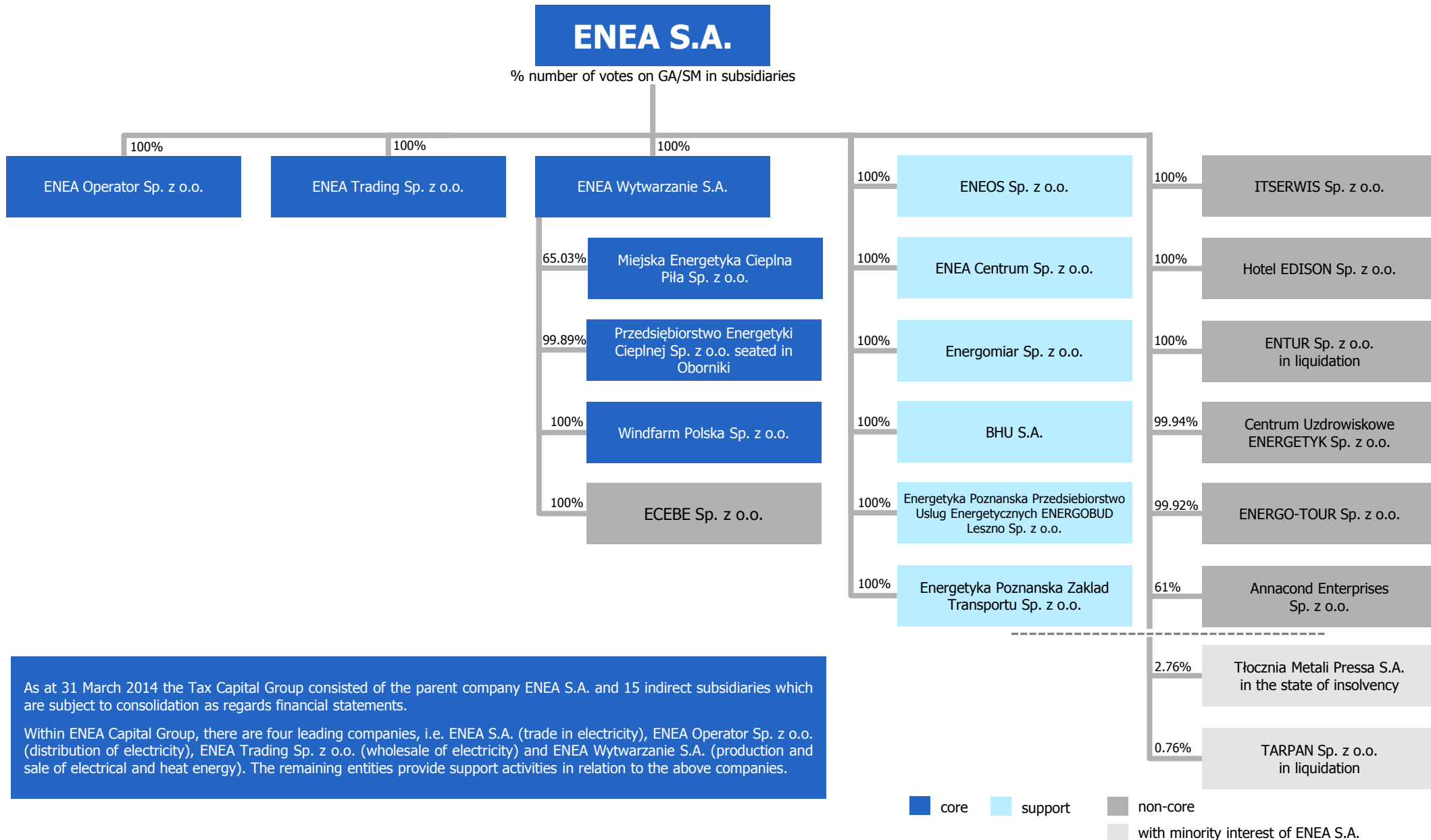
Positive recommendations of broker houses

During January-March 2014 broker houses issued 5 recommendations relating to ENEA's shares. Analysts of DM PKO BP, DM BZ WBK and DM mBanku recommended buying ENEA's shares, and experts of Raiffeisen Centrobank and Ipopema issued a "Hold" recommendation. The average target price of the above mentioned reports is PLN 15.90 per share.



Organisation of ENEA Capital Group

Description of ENEA Capital Group



As at 31 March 2014 the Tax Capital Group consisted of the parent company ENEA S.A. and 15 indirect subsidiaries which are subject to consolidation as regards financial statements.

Within ENEA Capital Group, there are four leading companies, i.e. ENEA S.A. (trade in electricity), ENEA Operator Sp. z o.o. (distribution of electricity), ENEA Trading Sp. z o.o. (wholesale of electricity) and ENEA Wytwarzanie S.A. (production and sale of electrical and heat energy). The remaining entities provide support activities in relation to the above companies.

Changes in ENEA Capital Group's structure

Restructuring

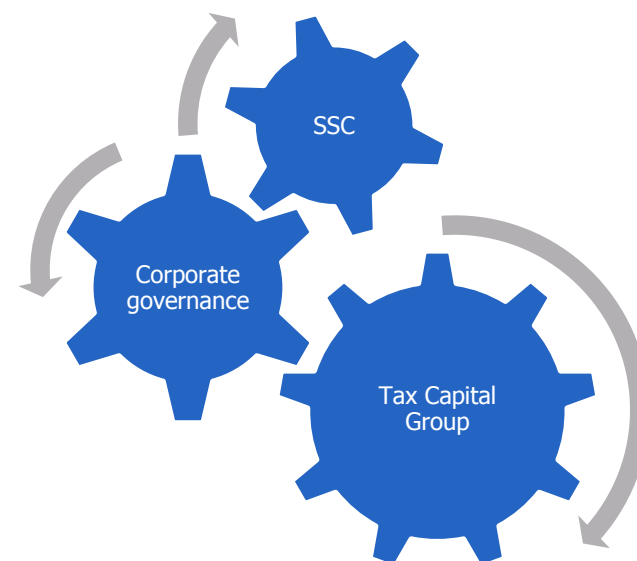
After the execution during previous years of key organisational changes within the Group, in Q1 2014, besides activities connected with the planned changes, no significant activities within the asset restructuring were performed. What is worth mentioning is activities described in the Executive Summary as regards SSC organisation, implementation of the new corporate governance of the Group and activities connected with ENEA Tax Capital Group.

Investments

Implementing the strategy within the development and restructuring of ENEA Capital Group, despite activities connected with the planned changes, in Q1 2014 the Company did not make any capital expenditures.

Planned changes

On 18 October 2013 the Supervisory Board of ENEA S.A. resolved to adopt the "Corporate Strategy of ENEA Capital Group for 2014-2020" which provides for the necessity of focusing on the core business. In relation to the above in 2014 within ENEA Capital Group the following activities are being realised:



Company	Action
Hotel EDISON Sp. z o.o. seated in Barnanowo near Poznań	Sale of shares in the mode of negotiations undertaken based on the public invitation.
ITSERWIS Sp. z o.o. seated in Zielona Góra	Allocation of some resources in other structures of ENEA CG, incorporation of the Company to ENEA Centrum Sp. z o.o. (merging company).
ENTUR Sp. z o.o. in liquidation seated in Szczecin	Revoking of the process of liquidation and consolidation of the Company under ENEA Centrum Sp. z o.o. (merging company).
Energetyka Poznańska Zakład Transportu Sp. z o.o. seated in Poznań	Consolidation of the Company under Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o. (merging company).
ECEBE Sp. z o.o. seated in Augustów	Commencement of the process of liquidation of the Company.
Windfarm Sp. z o.o. seated in Koszalin	Consolidation under ENEA Wytwarzanie S.A. (merging company) as a continuation of the project of the Integration of the Generation Area aiming at the consolidation of generating assets of ENEA CG.
BHU S.A. seated in Poznań	Transformation of the Company into spółka z ograniczoną odpowiedzialnością (limited liability company).

ENEA Capital Group's operations

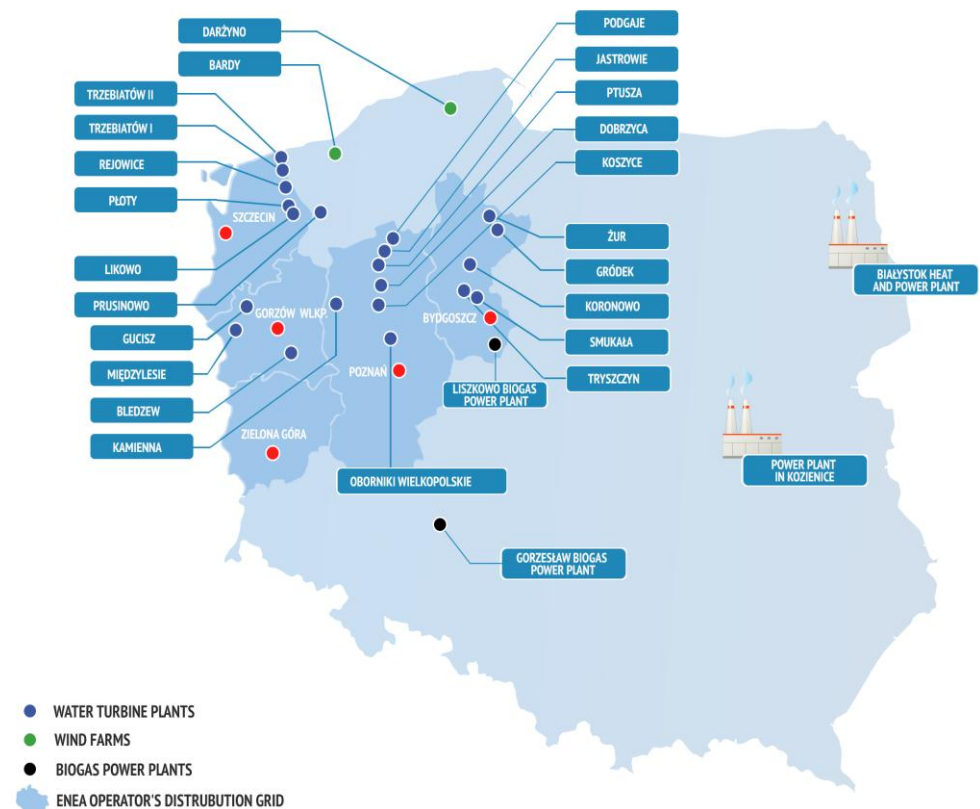
Operational segments of ENEA Capital Group

Generation

Specification	Q1 2013	Q1 2014	Change
Total generation of electricity (net) [GWh], including:	3 039.2	3 141.7	3.37%
Net production from conventional sources, including:	2 802.5	2 866.0	2.27%
ENEA Wytwarzanie – Segment of System Power Plants (excluding biomass co-firing)	2 728.0	2 783.1	2.02%
ENEA Wytwarzanie - Segment of Heat (Białystok Heat and Power Plant) (excluding biomass firing)	74.1	82.9	11.88%
MEC Piła	0.4	0.0	-100%
Production from renewable energy sources, including:	236.7	275.7	16.48%
Co-combustion of biomass	90.2	127.5	41.35%
Combustion of biomass	61.7	62.9	1.94%
ENEA Wytwarzanie - Segment of RES (hydroelectric plants)	46.9	36.8	-21.54%
ENEA Wytwarzanie - Segment of RES (wind farms)	35.6	46.5	30.62%
ENEA Wytwarzanie - Segment of RES (biogas plants)	2.3	2.0	-13.04%

The largest generator of electricity from the conventional source is ENEA Wytwarzanie - Segment of System Power Plants, which under the name of Elektrownia Koźienice S.A. joined ENEA Capital Group in October 2007. This is the greatest commercial power plant fired with bituminous coal. It comprises 10 high-performance, updated power units with a total generating capacity of 2,913 MW.

Electricity from renewable sources is generated by: ENEA Wytwarzanie - Segment of System Power Plants by co-firing biomass with conventional fuel (bituminous coal), ENEA Wytwarzanie - Segment of Heat by production in cogeneration (electricity using biomass), ENEA Wytwarzanie - Segment of RES [21 hydroelectric plants, Darżyno Wind Farm, Liszkowo biogas plant, biogas plant in Gorzesław and Windfarm Polska Sp. z o.o. (Bardy Wind Farm)].



Fuel supplies

The basic fuel used to produce electricity in ENEA Wytwarzanie - Segment of System Power Plants is bituminous coal. In Q1 2014 the cost of coal comprised about 41% of operating costs of ENEA Wytwarzanie - Segment of System Power Plants. The coal deliveries are realised from two basic sources (from two suppliers): Lubelski Węgiel "Bogdanka" S.A. which in Q1 2014 delivered ca. 68% of the material and Katowicki Holding Węglowy S.A. Additionally, ENEA Wytwarzanie - Segment of System Power Plants in Q4 2013 made supplementary purchases from Petrokol Sp. z o.o. Sp. k., and in Q1 2014 supplementary purchases from Jastrzębska Spółka Węglowa S.A.

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

Co-firing of biomass, carried out in the Segment of System Power Plants, is performed in eight units of the generating capacity ranging 215-228 MW. Sawdust wood straw pellets, sunflower pellets and briquettes, and straw pellets are primarily used as biomass. ENEA Wytwarzanie - Segment of System Power Plants in Q1 2014 held agreements with a total of 10 suppliers of biomass.

In Q1 2014 the consumption of biomass in the Segment of System Power Plants amounted to 73,874.56 tonnes, and in the Segment of Heat 120,040.60 tonnes.

Energy production from RES in the Segment of Heat (Białystok Heat and Power Plant) takes place in the dedicated unit with the installed capacity of 78.503 MWe. Wood chips, energetic willow chips and sunflower pellets are primarily used as biomass. Segment of Heat in Q1 2014 it held agreements with 10 suppliers of biomass. Biomass deliveries are performed both by the rail transport and road transport. In 2014 the costs of coal and biomass constituted ca. 62% of operating costs of the Segment of Heat. The key supplier of coal in Q1 2014 to Białystok Heat and Power Plant was KREX Sp. z o.o. selected in the unlimited tender.

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

Fuel type	Q1 2013		Q1 2014		Change	
	Quantity ['000 tonnes]	Cost * [PLN mln]	Quantity ['000 tonnes]	Cost * [PLN mln]	Quantity	Cost *
Bituminous coal	1 220	310	1 460	352	19.7%	13.5%
Biomass	173	56	186	59	7.5%	5.4%
Fuel oil (heavy)	2	4	3	5	50.0%	25.0%
Gas ['000 m ³]	872	1	571	1	-34.5%	-
TOTAL	2 267	371	2 220	417	-2.1%	12.4%

* including transport

Coal transport

Segment of System Power Plants

The basic means of transport used to deliver bituminous coal to ENEA Wytwarzanie - Segment of System Power Plants in Q1 2014 was the rail transport: 22% of supplies of this material were made by PKP Cargo S.A. forwarder, 10% by DB Schenker Rail Polska S.A., and ca. 68% were realised by Freightliner PL Sp. z o.o.

Segment of Heat

The basic means of transport used to deliver bituminous coal to ENEA Wytwarzanie - Segment of Heat in Q1 2014 was the rail transport. The key supplier of coal was KREX Sp. z o.o. selected in an unlimited tender. Costs of coal and biomass transport were included in the price of the purchased fuel.



Trade

Within ENEA Capital Group sales of electricity and sales to end users belong in a major part to ENEA S.A. for which it constitutes the core business. Wholesale trade 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 volume

Specification	Revenues on sales of electricity to end users [PLN '000]		
	Q1 2013	Q1 2014	Change
Tariff group set A	80 880	150 764	86%
Tariff group set B	302 363	259 303	-14%
Tariff group set C	221 699	202 559	-9%
Tariff group set G	351 386	309 822	-12%
TOTAL	956 328	922 448	-4%

Specification	Sales of electricity [GWh]		
	Q1 2013	Q1 2014	Change
Tariff group set A	352	936	166%
Tariff group set B	1 160	1 136	-2%
Tariff group set C	681	683	0%
Tariff group set G	1 224	1 206	-1%
TOTAL	3 417	3 961	16%

For 2014 a much greater number of contracts was concluded for sales to customers from tariff group set A, which translated into greater sales in Q1 2014.

A drop in energy sale revenues results from lower sale prices, as a consequence of a growing competition on the retail market and lower costs of energy purchases. Additionally, in the tariff group set G with the decision of the President of ERO energy prices in the Tariff were reduced.

Purchase of electricity for resale

Specification	Purchase of electricity [GWh]		
	Q1 2013	Q1 2014	Change
Purchase of electricity, including:	3 460	4 111	19%
Purchases on the domestic wholesale market - exchange	76	0	-100%
Purchases on the domestic wholesale market - other	3 221	4 142	29%
<i>including within ENEA CG</i>	3 054	3 589	18%
Purchases on the balancing market	163	-31	-119%

Sales of electricity

Specification	Sales of electricity [GWh]		
	Q1 2013	Q1 2014	Change
Sale of electricity, including:	3 460	4 111	19%
Sale to end users	3 417	3 961	16%
Sale on domestic wholesale market (within ENEA CG)	42	33	-21%
Sale on the balancing market	1	117	11 600%

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 area 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 85%), local sources (over 13%). The remaining purchase contracts were entered into 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) and in bilateral contracts.

In order to provide 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 since 9 August 2010 ENEA Wytwarzanie S.A. has been obliged to sell at least 15% of the generated electricity through the Power Exchange. Such a direction of sales is a consequence of greater trading volumes 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.

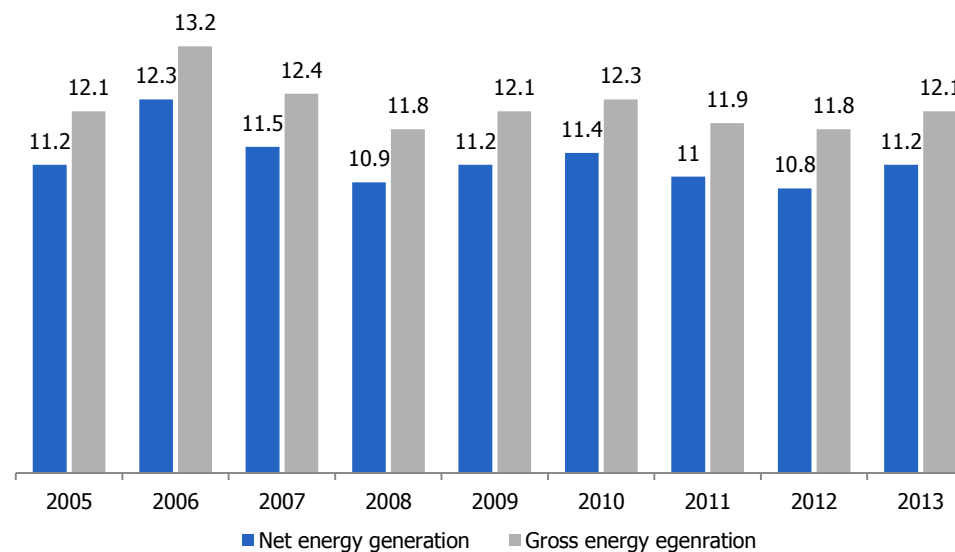
Within the realisation of this obligation sales of generated electricity on PPE, during Q1 2014 constituted around 90.8% of sold and generated electricity.

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

On 1 August 2011 in the Group there was a reorganisation performed as a result of which the competences within the wholesale trade were transferred to the special purpose vehicle – ENEA Trading Sp. z o.o. The company is responsible towards ENEA S.A. e.g. for running a portfolio of electricity and sale of proprietary interests for account of the customers of ENEA S.A., purchase of energy on a wholesale market and settlements. Additionally, it acts as a commercial coordinator (OH). For ENEA Wytwarzanie S.A. since November 2011 it has been performing an analytical support of commercial processes within electricity, and presently it performs full settlements (electricity, proprietary interests) and acts as a Scheduling Co-ordinator (OHT) for the Power Plant. Since 1 January 2014 it has been also providing ENEA Wytwarzanie S.A. with production fuels.

In Q1 2014 ENEA Wytwarzanie within the wholesale market purchased electricity based on bilateral agreements in the amount of 665.5 GWh - total within ENEA CG.

Power Plant in Kozenice [TWh]



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

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

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

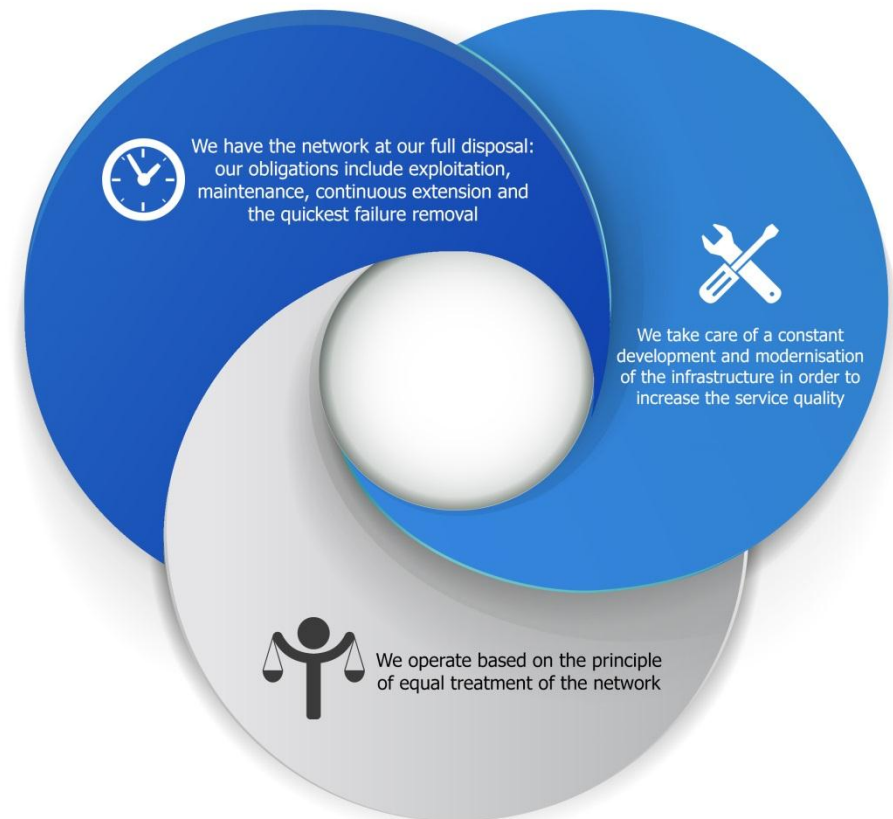
Within our Group, the distribution of electricity is the responsibility of ENEA Operator Sp. z o.o., which acts as the operator of the power distribution system (OSD). Enea Operator acts as a monopolist playing a role of a public utility company, in the conditions strictly regulated by the law.

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 113.5 thou. km of power lines (over 132 thou. including connections) and over 36 thou. power stations.

The basic task of ENEA Operator is a continuous and reliable supply of energy maintaining appropriate quality parameters.

The so-called reliability ratios testify the way in which the Operator of the Distribution Network realises them: system average interruption duration index (SAIDI, expressed in minutes/customer) and system average interruption frequency index (SAIFI, expressed in number of interruptions/customer). Each of them is calculated for unplanned interruptions (failure) and planned interruptions.

Specification	Q1 2013	Q1 2014
SAIDI planned interruptions	27.61	28.24
SAIDI unplanned interruptions	44.22	59.59
SAIFI planned interruptions	0.12	0.13
SAIFI unplanned interruptions	0.67	0.79



Other activity

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

The other activity is mainly:

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

Besides that, the companies render services connected with the maintenance of the 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. Additionally, depending on the demand additional agreements are concluded - for supplementary supply of coal.

Another category of agreements related to coal supply agreements are agreements connected with the 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 Q1 2014 which relate to supplies and transport of coal.

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

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

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

The subject of the aforementioned Annual Agreement is supplies of fuel coal performed by the Seller for ENEA Wytwarzanie in 2014. Prices and detailed terms and volumes of supplies were negotiated before the conclusion of the agreement.

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

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

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

The subject of the agreement is supplies of coal by JSW S.A. for ENEA Wytwarzanie. Prices and detailed terms and volumes of supplies were negotiated before the conclusion of the agreement. The agreement was concluded for a period from 21 March 2014 to 31 December 2014.

Significant agreements based on which fuel coal supplies were realised in Q1 2014 include in particular those listed below:

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

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

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

In relation to the aforementioned 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 presented in the Report of the Management Board on the operations of the ENEA Capital Group in 2013.

Annual Agreement of 15 January 2013 concluded 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.

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

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

Agreement of 23 December 2013 for carrying out 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 of fuel coal transport services for ENEA Wytwarzanie from mines and processing plants of KHW S.A., KW S.A., PKW S.A., Śląskie Centrum Logistyki, ZWW "Julian" and JSW S.A. The agreement is in force till 31 March 2015.

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

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

Agreements entered into in Q1 2014 are described below under which fuel coal supplies will be carried out in future years:

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

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

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

Within supplies of coal:

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

Within supplies of biomass:

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

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

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 as regards guaranteeing the financing or strategy implementation. The most important ones include:

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

On 21 September 2012, a subsidiary of the Issuer - ENEA Wytwarzanie - signed an agreement with the consortium of Hitachi Power Europe GmbH and Polimex-Mostostal S.A. (Contractor) 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 due to the transformations occurring within Hitachi Power Europe GmbH qualifying as a general succession, presently the party to the Contract in lieu of Hitachi is: Mitsubishi Hitachi Power Systems Europe GmbH.

Financial agreements concluded with the European Investment Bank

ENEA S.A. holds two Financial Agreements concluded with the European Investment Bank (Bank), for the total amount of PLN 1,425,000 thou. or its equivalent in another currency. The funds gained from the Bank are designated for the funding of a multiannual investment plan in order to modernise and extend the power grids of ENEA Operator Sp. z o.o. (Programme) located in the north-western Poland.

The debt repayment period is up to 15 years from the planned disbursement of the facility. The term of the Loan availability expires on 18 October 2014. As at 31 March 2014 ENEA S.A. used up PLN 950,000 thou. of the available limit.

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

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

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 thou.

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

As at 31 March 2014 ENEA S.A. did not issue bonds within the aforementioned Programme.

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

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

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

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

On 28 January 2014 the Companies of ENEA Tax Capital Group, Bank Pekao S.A. and Bank PKO BP S.A. concluded cooperation agreements relating to the comprehensive bank service pursuant to which the Banks guarantee a wide range of banking services, e.g. within the aforementioned agreements ENEA S.A. and Bank Pekao S.A. concluded an overdraft agreement for the amount of PLN 300,000 thou. and with Bank PKO BP S.A. an overdraft agreement also for the amount of PLN 300,000 thou. At the same time, a Bank Guarantee Agreement for the amount of PLN 100,000 thou. was concluded with Bank Pekao S.A. within the Cooperation Agreement. The agreements mentioned above were concluded for the period of 3 years of execution.

Information on transactions with affiliated entities

Information on significant transactions concluded by ENEA S.A. or its subsidiary with affiliates is presented in note 20 to the condensed semi-annual financial statement being a part of the extended consolidated report for Q1 2014.

Granted sureties and guarantees

During Q1 2014 ENEA Capital Group companies did not grant any sureties or guarantees the total value of which would constitute at least 10% equity of the Issuer.

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

Collaboration or cooperation agreements

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 5 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 a letter of intent (Letter) regarding purchasing by ENEA, TAURON and KGHM 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 on purchasing shares in PGE EJ1 Sp. z o.o. (PGE EJ1) - a special purpose vehicle responsible for the direct preparation of the investment process of the construction and operation of the first Polish atomic power plant (Atomic Project). According to the intention expressed in the Letter the aforementioned agreement would have to 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 preparation and implementation. On 28 December 2012 the parties to the Letter prolonged its validity to 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, PGE, KGHM 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, concluded a 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").

Pursuant to the terms of the draft Shareholder Agreement, PGE will sell a block totalling to 438,000 shares constituting 30% in the share capital of PGE EJ1 to the other parties of the Shareholder Agreement, as a result of which PGE will hold 70% in the share capital of PGE EJ1. The shares will be purchased in the following way:

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

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

- obtaining a decision on the unconditional consent of the President of the Office of Competition and Consumer Protection to perform the concentration,
- adoption in 2013 by the Council of Ministers, as a resolution, of the Polish Nuclear Energy Programme.

Despite a failure to fulfil the conditions precedent anticipated in the draft Shareholder Agreement initialled on 23 September 2013, the parties decided to continue the works in the project of preparation and construction of an atomic power plant in Poland and development of revised provisions in the draft Shareholder Agreement. The Polish Nuclear Energy Programme was adopted by the Council of Ministers on 28 January 2014.

Agreements of significance concluded after the reporting period

On 18 April 2014 ENEA S.A. and ENEA Wytwarzanie concluded a agreement regarding the purchase of the first series of bonds of the nominal value of PLN 150 mln issued by ENEA Wytwarzanie within the programme agreement of 8 September 2012, of the conclusion of which the Issuer informed in the current report No. 34/2012. In relation to the above, the total nominal value of intergroup bonds issued by ENEA Wytwarzanie (including the bonds issued by Elektrociepłownia Białystok S.A. merged with ENEA Wytwarzanie on 31 December 2013) and purchased by ENEA S.A. during the period of the last 12 months exceeded the threshold of 10% equity of ENEA S.A. considered by ENEA S.A. to be a criterion of deeming agreements significant and amounted to PLN 1,116 mln.

The above mentioned transactions were concluded in order to guarantee financial funds for the implementation of the investment by ENEA Wytwarzanie within the policy realised by ENEA S.A. of ensuring financing for the capital expenditures of ENEA Capital Group companies and due to the consolidation exclusions they have no impact on the consolidated results of ENEA Capital Group.

Bond issue programme of subsidiaries

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

On 17 January 2014 ENEA Wytwarzanie S.A. as the issuer, ENEA S.A. as Guarantor and mBank S.A. as Issue Agent, Payment Agent and Depositary, concluded an Annex No. 1 to the Bond issue programme agreement for the amount of PLN 746,000 thou. of 16 July 2013, pursuant to which the Programme Value was increased to PLN 936,000 thou. and the number of available bond issues within the Programme was increased to 5 series. On 22 January 2014 ENEA Wytwarzanie S.A. issued, and ENEA S.A. took up the 5th series of bonds in the total amount of PLN 190,000 thou. As at 31 March 2014 within the Bond Issue Programme Agreement for the amount of PLN 936,000 thou. of 16 July 2013 ENEA Wytwarzanie S.A. issued the 5th series of two-year bonds for the Programme's full amount.

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

Within the Programme Agreement of 8 September 2012 relating to the bond issue programme up to the amount of PLN 4,000,000 thou. concluded between ENEA Wytwarzanie S.A. as Issuer, ENEA S.A. as Guarantor and mBank S.A. as Issue Agent, Payment Agent and Depositary, there was no bond issue performed in the reporting period. The first series of bonds of the nominal value of PLN 150,000 thou. was issued by ENEA Wytwarzanie S.A. on 18 April 2014 (current report No. 20/2014 dated 18 April 2014).

The table below presents the status of intergroup bonds held as at 31 March 2014 [PLN '000]:

Bond Issuer	Date of agreements	Deadline for buy-out	Currency	Granted amount	Used amount	Current debt (capital)
Elektrownie Wodne Sp. z o.o.	10 March 2011	31 March 2023	PLN	26 000	26 000	26 000
Dobitt Energia Sp. z o.o.	29 September 2011	29 September 2019	PLN	14 500	14 500	14 500
Elektrociepłownia Białystok S.A.	23 July 2012	22 July 2019	PLN	158 500	158 500	137 991
ENEA Wytwarzanie S.A.	8 September 2012	depending on dates of issue of series of bonds, however not later than 15 June 2022	PLN	4 000 000	0	0
ENEA Operator Sp. z o.o.	20 June 2013	Depending on dates of issue of series of bonds, however not later than 18 October 2029	PLN	1 425 000	950 000	950 000
ENEA Wytwarzanie S.A.	16 July 2013	15 July 2015	PLN	936 000	936 000	936 000

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.

Presentation of the financial position of ENEA Capital Group

Financial results of ENEA Capital Group in Q1 2014

Consolidated profit and loss statement*

[PLN '000]	Q1 2013	Q1 2014	Change	Change %
Revenues from the sale of electricity	1 513 092	1 493 385	-19 707	-1.3%
Revenues from the sale of distribution services	736 733	753 221	16 488	2.2%
Revenues from the sale of goods and materials	15 089	13 335	-1 754	-11.6%
Revenues from the sale of other services	32 706	30 457	-2 249	-6.9%
Revenues from certificates of origin	10 171	16 654	6 483	63.7%
Revenues from sales of CO ₂ emission allowances	1 008	0	-1 008	-100.0%
Recovery of stranded costs	0	0	-	-
Revenues from the sale of heat energy	71 535	66 691	-4 844	-6.8%
Net sales revenues	2 380 334	2 373 743	-6 591	-0.3%
Amortisation/depreciation	194 667	194 734	67	0.0%
Employee benefit costs	251 787	263 875	12 088	4.8%
Consumption of materials and raw materials and value of goods sold	460 384	446 786	-13 598	-3.0%
Costs of purchases for resale	826 324	869 538	43 214	5.2%
Transmission services	153 018	178 687	25 669	16.8%
Other external services	78 073	81 062	2 989	3.8%
Taxes and charges	69 043	75 517	6 474	9.4%
Cost of sales	2 033 296	2 110 199	76 903	3.8%
Other operating revenue	57 198	27 762	-29 436	-51.5%
Other operating expenses	46 832	24 953	-21 879	-46.7%
Profit / (loss) on sales and liquidation of tangible fixed assets	-2 176	386	2 562	117.7%
Operating profit (loss)	355 228	266 739	-88 489	-24.9%
Financial expenses	7 341	17 418	10 077	137.3%
Financial revenue	22 245	19 002	-3 243	-14.6%
Share in (losses)/profits of affiliated entities accounted for using the equity method	805	599	-206	-25.6%
Profit (loss) before tax	370 937	268 922	-102 015	-27.5%
Income tax	74 093	59 592	-14 501	-19.6%
Net profit (loss) for the reporting period	296 844	209 330	-87 514	-29.5%
EBITDA	549 895	461 473	-88 422	-16.1%

Change factors of EBITDA of ENEA CG (drop by PLN 88 mln):

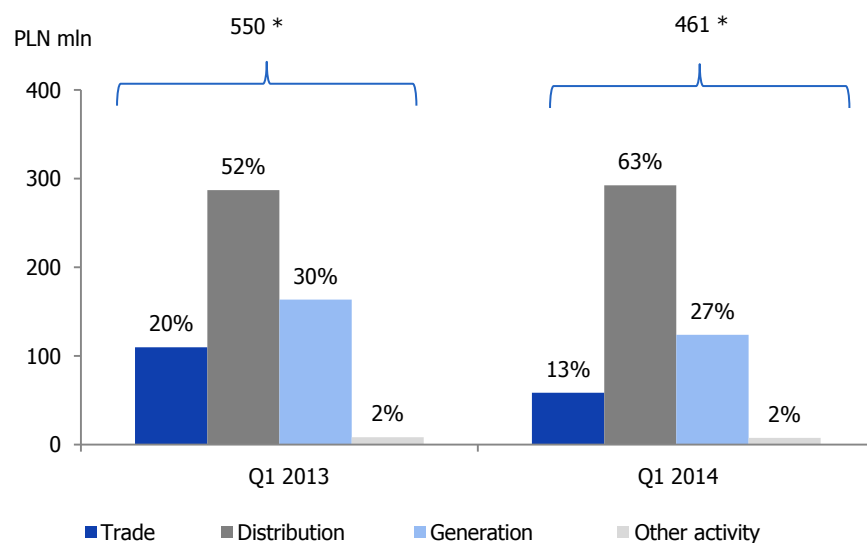
- (-) lower revenues on sales of electricity (PLN 20 mln) due to:
 - lower average selling price to end users adjusted with higher volumes
 - reduced electricity prices on the wholesale market (14%)
- (+) lower average purchase price for energy by 12%
- (-) lower sale volumes of heat energy (292 TJ)
- (-) higher costs of transmission services (PLN 26 mln)
- (-) higher costs of employee benefits (PLN 12 mln) mainly as a result of higher level of provisions for employee benefits
- (-) higher costs of taxes and charges (PLN 6 mln)
- (+) lower costs of materials and value of goods sold (PLN 14 mln) as a result of:
 - lower coal price
 - settlement of inventory variances
 - lower number of free allowances for emissions of CO₂ applied to the reserve for redemption
- (+) higher revenues on sales of distribution services (PLN 16 mln) as a result of higher average rate for distribution services and volumes
- (+) higher average selling price of certificates of origin (PLN 6 mln)

* A comment on significant changes is presented below

Results on particular segments of operations of ENEA Capital Group

EBITDA [PLN '000]	Q1 2013	Q1 2014	Change	Change %
Trade	109 587	58 346	-51 241	-46.8%
Distribution	287 167	292 611	5 444	1.9%
Generation	163 449	123 687	-39 762	-24.3%
Other activity	8 329	7 458	-871	-10.5%
Undistributed items and exclusions	-18 637	-20 629	-1 992	-10.7%
Total EBITDA	549 895	461 473	-88 422	-16.1%

EBITDA Structure of ENEA CG 2013



* including undistributed items and exclusions

ENEA CG:

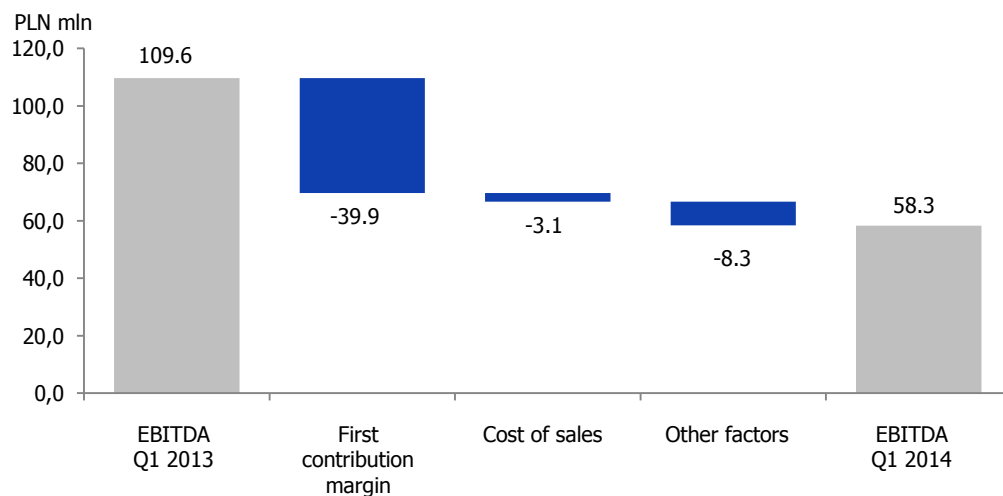
The highest EBITDA in the segment of distribution

Segment of Trade

[PLN '000]	Q1 2013	Q1 2014	Change	Change %
Sales revenues	955 615	1 001 314	45 699	4.8%
EBIT	109 467	58 114	-51 353	-46.9%
Amortisation/depreciation	120	232	112	93.3%
EBITDA	109 587	58 346	-51 241	-46.8%
CAPEX	883	9 904	9 021	1 021.6%
Percentage of the segment sales revenues in the sales revenues of the Group	40.1%	42.2%	-	-

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

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



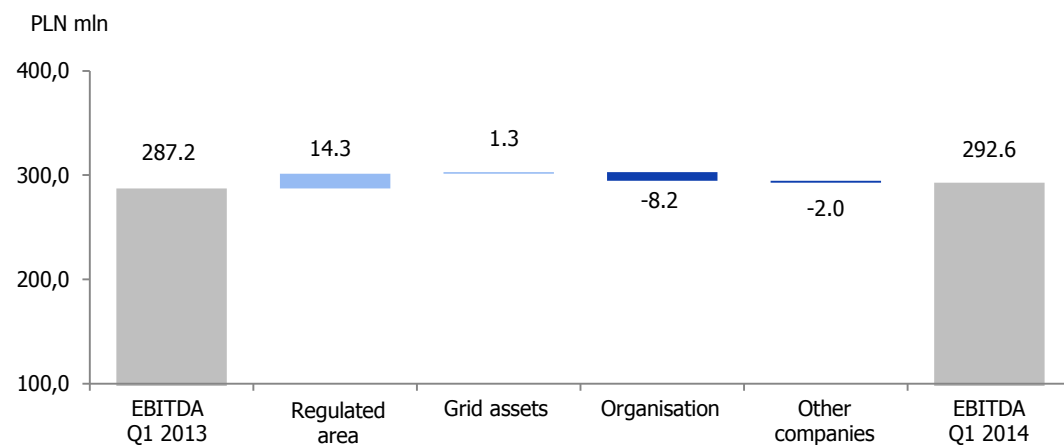
Change factors of EBITDA:

- (+) lower average purchase price for energy by 12%
- (+) higher volumes by 544 GWh
- (-) lower average selling price by 16.8%
- (-) higher remuneration for business partners by PLN 3.5 mln
- (-) greater impairment of receivables

Segment of Distribution

[PLN '000]	Q1 2013	Q1 2014	Change	Change %
Sales revenues	767 301	781 320	14 019	1.8%
<i>distribution services for end users</i>	<i>688 430</i>	<i>699 415</i>	<i>10 985</i>	<i>1.6%</i>
<i>fees for customer grid connection</i>	<i>20 324</i>	<i>17 956</i>	<i>-2 368</i>	<i>-11.7%</i>
<i>other</i>	<i>58 547</i>	<i>63 949</i>	<i>5 402</i>	<i>9.2%</i>
EBIT	192 569	188 291	-4 278	-2.2%
Amortisation/depreciation	94 598	104 320	9 722	10.3%
EBITDA	287 167	292 611	5 444	1.9%
CAPEX	121 875	84 942	-36 933	-30.3%
Percentage of the segment sales revenues in the sales revenues of the Group	32.2%	32.9%	-	-

ENEA Operator Sp. z o.o. is responsible for electricity distribution to over 2.4 mln customers in the western and north-western Poland on the area of 58,213 km². The basic task of ENEA Operator is a continuous and reliable supply of energy while maintaining relevant quality parameters.



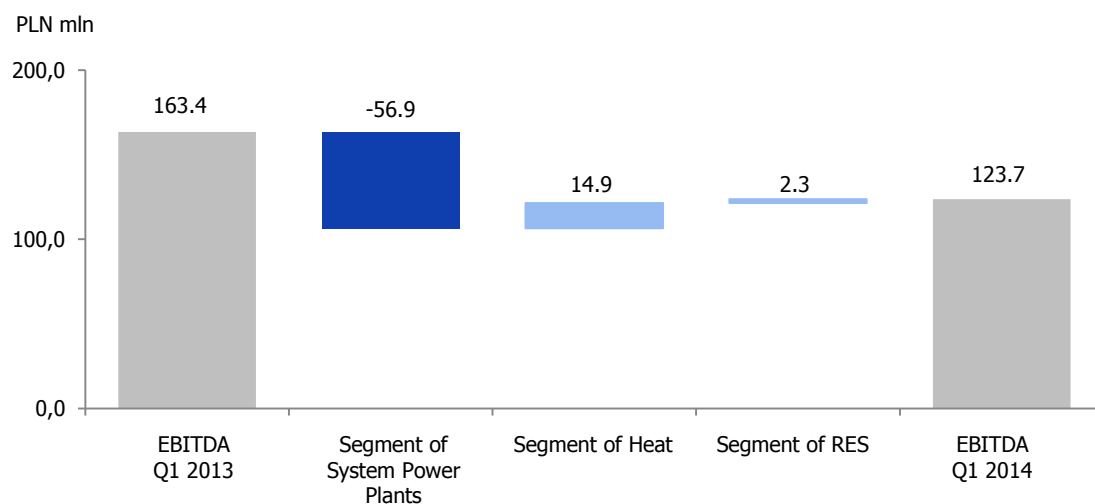
Change factors of EBITDA:

- **Regulated area:**
 - (+) lower average price and lower volumes of purchased electricity for covering book-tax difference
 - (-) higher volumes of delivered energy
- **Grid assets**
 - (+) lower costs connected with legal regulation of lands under grid assets
 - (-) higher property tax
- **Organisation**
 - (-) higher provisions for employee benefits
- **Other companies**
 - (-) higher costs of sub-contractors

Segment of Generation

[PLN '000]	Q1 2013	Q1 2014	Change	Change %
Sales revenues	797 391	816 817	19 426	2.4%
<i>electricity</i>	687 739	688 852	1 113	0.2%
<i>certificates of origin</i>	33 755	57 450	23 695	70.2%
<i>sales of CO₂ emission allowances</i>	1 009	0	-1 009	-100.0%
<i>heat</i>	71 535	66 691	-4 844	-6.8%
<i>recovery of stranded costs</i>	0	0	0	0.0%
<i>other</i>	3 353	3 824	471	14.0%
EBIT	68 828	37 035	-31 793	-46.2%
Amortisation/depreciation	94 621	86 652	-7 969	-8.4%
EBITDA	163 449	123 687	-39 762	-24.3%
CAPEX	228 409	222 653	-5 756	-2.5%
Percentage of the segment sales revenues in the sales revenues of the Group	33.5%	34.4%	-	-

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.
 ENEA Wytwarzanie possesses 10 high-performance, updated power units with a total generating capacity of 2,913 MW.



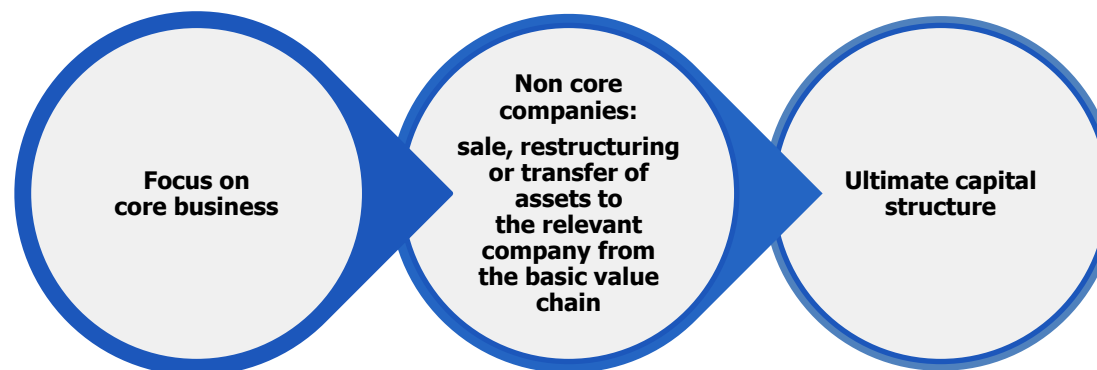
Change factors of EBITDA:

- **Segment of System Power Plants:**
 - (-) lower margin on generation of electricity by PLN 64.6 mln
 - (-) lower result on the other operating activity by PLN 6.9 mln
 - (-) lower margin on trade and the Balancing Market by PLN 6.6 mln
 - (+) higher margin on biomass co-firing by PLN 11.0 mln
 - (+) higher revenues from Regulatory System Services by PLN 5.3 mln
 - (+) lower fixed costs by PLN 3.1 mln
- **Segment of Heat:**
 - (+) lower material costs by PLN 7.2 mln
 - (+) higher revenues from certificates by PLN 6.5 mln
 - (+) higher revenues from sales of electricity by PLN 2.1 mln
 - (-) lower revenues from sales of heat by PLN 2.2 mln
- **Segment of RES:**
 - (+) higher revenues from electricity by PLN 1.6 mln
 - (+) higher revenues from certificates by PLN 1.4 mln

Segment of Other activity

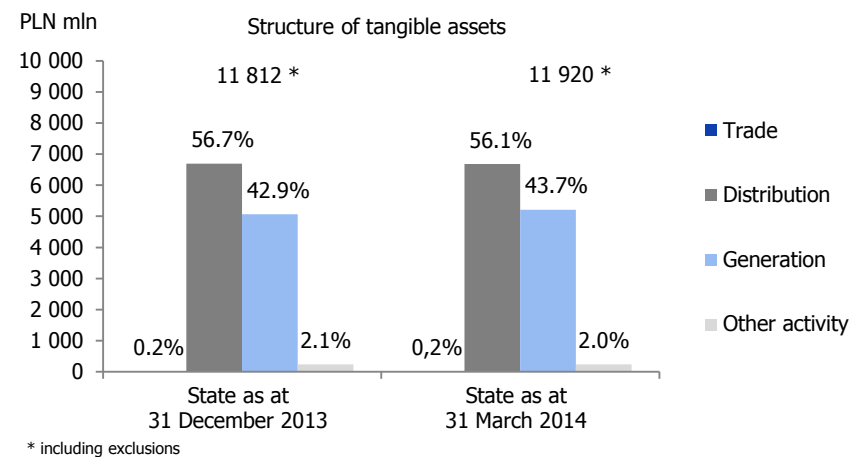
[PLN '000]	Q1 2013	Q1 2014	Change	Change %
Sales revenues	63 190	53 562	-9 628	-15.2%
EBIT	3 527	3 548	21	0.6%
Amortisation/depreciation	4 802	3 910	-892	-18.6%
EBITDA	8 329	7 458	-871	-10.5%
CAPEX	9 825	1 037	-8 788	-89.4%
Percentage of the segment sales revenues in the sales revenues of the Group	2.7%	2.3%	-	-

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.



Asset position - structure of assets and liabilities of ENEA Capital Group

Assets [PLN '000]	As at:		Change	Change %
	31 December 2013	31 March 2014		
Fixed assets	12 369 473	12 473 466	103 993	0.8%
Tangible fixed assets	11 811 566	11 919 719	108 153	0.9%
Perpetual usufruct right	68 431	68 319	-112	-0.2%
Intangible assets	206 580	216 758	10 178	4.9%
Investment properties	30 641	30 122	-519	-1.7%
Investments in affiliates	3 298	3 896	598	18.1%
Deferred income tax assets	181 403	157 113	-24 290	-13.4%
Financial assets held for sale	61 761	61 615	-146	-0.2%
Financial assets valued at fair value by the profit and loss account	1 860	12 981	11 121	597.9%
Trade and other receivables	3 933	2 943	-990	-25.2%
Current assets	3 952 551	3 767 423	-185 128	-4.7%
CO ₂ emission allowances	190 566	203 282	12 716	6.7%
Inventories	521 498	502 518	-18 980	-3.6%
Trade and other receivables	1 345 966	1 437 276	91 310	6.8%
Current income tax assets	11 455	16 315	4 860	42.4%
Financial assets held-to-maturity investments	45	0	-45	-100%
Financial assets valued at fair value by the profit and loss account	296 339	305 044	8 705	2.9%
Cash and cash equivalents	1 573 195	1 289 293	-283 902	-18.0%
Fixed assets for sale	13 487	13 695	208	1.5%
Total assets	16 322 024	16 240 889	-81 135	-0.5%



Change factors of fixed assets (growth by PLN 104 mln):

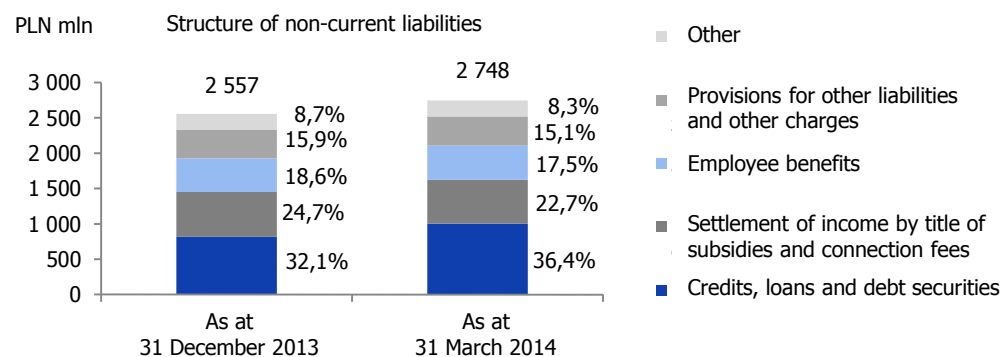
- higher assets connected with generation by PLN 134 mln, e.g. the construction of the power unit No. 11 in Kozenice

Change factors of current assets (drop by PLN 185 mln):

- lower cash and cash equivalents by PLN 284 mln, e.g. financing of the investment consisting in the construction of the power unit No. 11 from the equity and fee for proprietary interests
- lower stock of certificates of origin for energy by PLN 26 mln, in relation to their redemption
- purchase of allowances for emissions of CO₂ (PLN 13 mln)

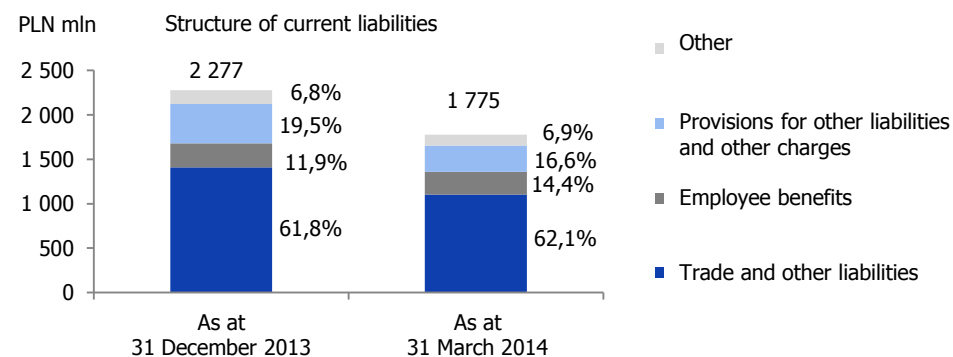
Asset position - structure of assets and liabilities of ENEA Capital Group

Liabilities [PLN '000]	As at:		Change	Change %
	31 December 2013	31 March 2014		
Total equity	11 487 948	11 718 036	230 088	2.0%
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	45 185	45 279	94	0.2%
Other reserves	-20 664	0	20 664	100.0%
Retained earnings	6 079 288	6 287 457	208 169	3.4%
Non-controlling interests	19 321	20 482	1 161	6.0%
Total liabilities	4 834 076	4 522 853	-311 223	-6.4%
Non-current liabilities	2 556 816	2 747 529	190 713	7.5%
Current liabilities	2 277 260	1 775 324	-501 936	-22.0%
Total equity and liabilities	16 322 024	16 240 889	-81 135	-0.5%



Change factors of non-current liabilities (growth by PLN 191 mln):

- special-purpose credit from EIB relating to the modernisation and extension of the distribution assets (PLN 170 mln)



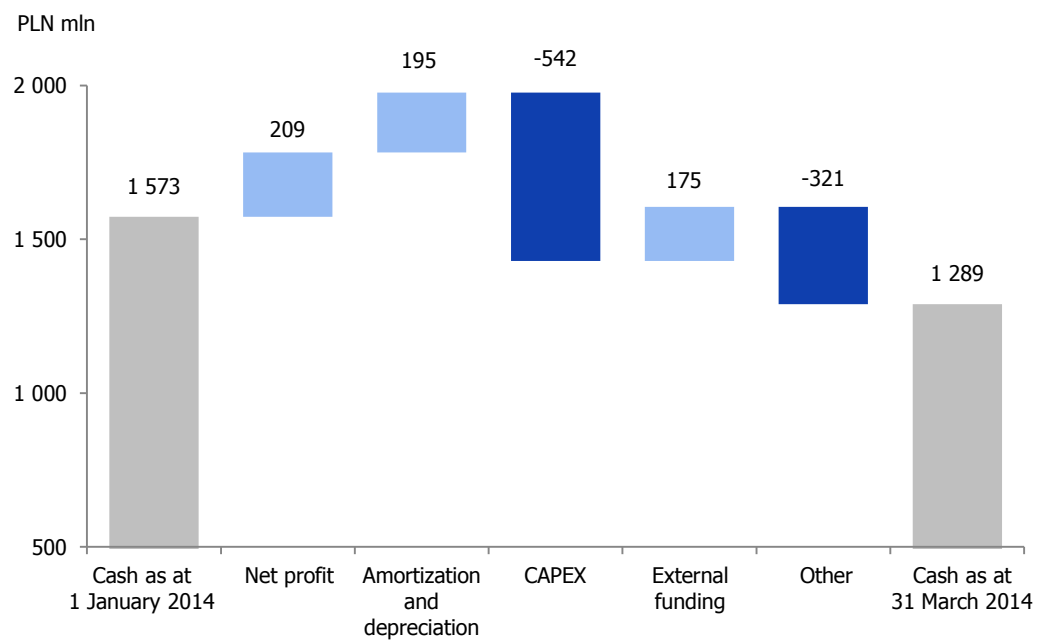
Change factors of current assets (drop by PLN 502 mln):

- lower investment liabilities relating to distribution by PLN 245 mln
- lower provision for certificates of origin of energy by PLN 172 mln (settlement of the obligation)

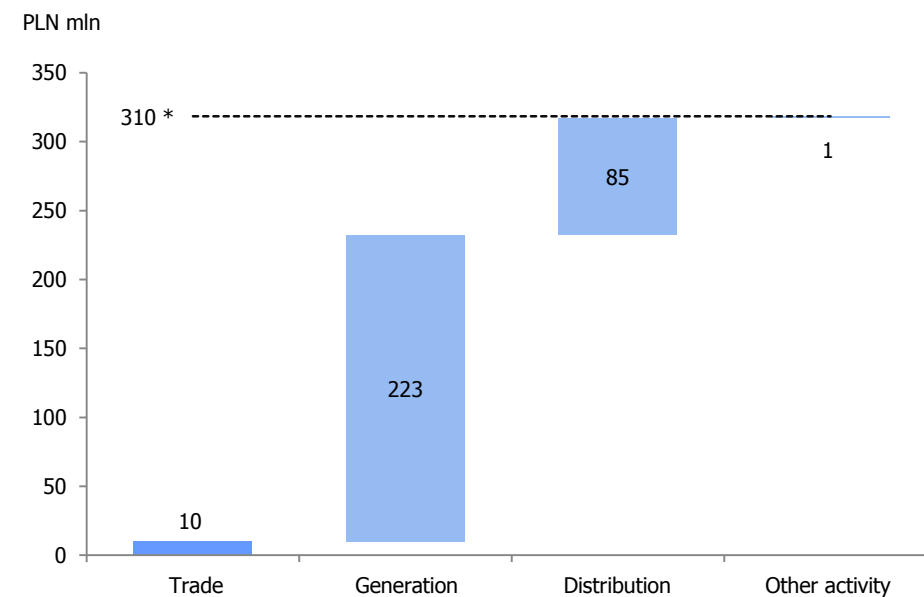
Cash situation of ENEA Capital Group

Cash flow statement [PLN '000]	Q1 2013	Q1 2014	Change	Change %
Net cash flows from operating activities	265 346	92 298	-173 048	-65.2%
Net cash flows from investing activities	-518 146	-542 403	-24 257	-4.7%
Net cash flows from financing activities	-811	165 688	166 499	20 530,1%
Net increase / decrease in cash and cash equivalents	-253 611	-284 417	-30 806	-12.1%
Cash and cash equivalents at the beginning of the reporting period	1 095 495	1 573 195	477 700	43.6%
Cash and cash equivalents at the end of the reporting period	843 422	1 289 293	445 871	52.9%

Cash flows for Q1 2014



Capital expenditures of ENEA CG in Q1 2014



* including exclusions

Ratio analysis*

	Q1 2013	Q1 2014
Profitability ratios		
ROE - return on equity	10.6%	7.1%
ROA - return on assets	8.1%	5.2%
Net profitability	12.5%	8.8%
Operating profitability	14.9%	11.2%
EBITDA	23.1%	19.4%
Liquidity and financial structure ratios		
Current liquidity ratio	2.1	2.1
Equity-to-fixed assets ratio	100.8%	93.9%
Total debt ratio	23.6%	27.8%
Net debt / EBITDA	-0.8	-0.4
Economic activity ratios		
Current receivables turnover in days	56	53
Turnover of trade and other payables in days	67	66
Inventory turnover in days	23	27

* Ratio definitions are presented on page 48

Factors affecting ENEA Capital Group's results

Situation on the electricity market

Wholesale electricity prices

The first quarter of this year characterised with a growth in the average price of electricity on the Day Ahead Market (Table 1). Energy on the SPOT market practically got more and more expensive each month, and the average quarterly price of energy was the highest for five quarters. What mainly affected such a state was the situation on the European carbon market, high demand for energy, introduced mechanism of remunerating for operating power reserve and available capacity loss accessible for the Operator of the Transmission System (OSP).

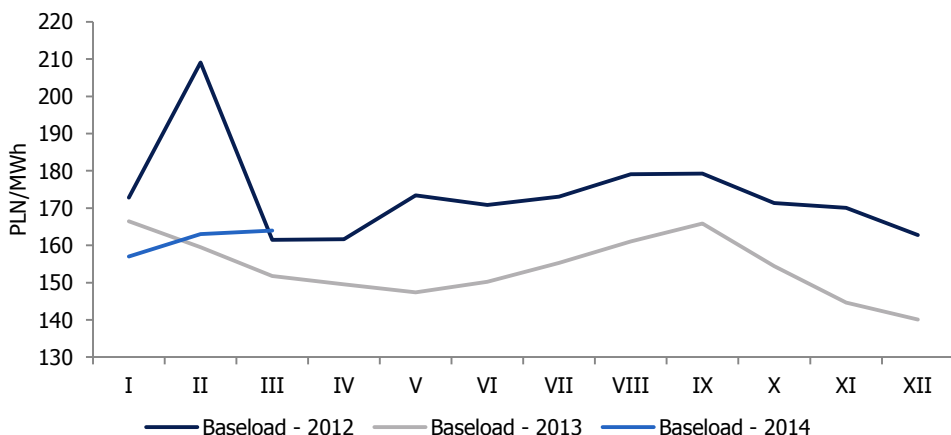
- The emission allowance market almost till the end of February remained under the pressure of implementation of the backloading - a political interference aimed at increasing low prices of CO₂ emission allowances. Additionally, delays in the allocation of free allowances for the industry translated into an uncertainty observed also on the energy market.
- What significantly affected the level of prices was also high demand for electricity in the Public Power System network, taking into account the observed weather conditions („warm winter”), where temperatures only in the second half of January dropped below zero.
- From January the Operator of the Transmission System implemented a mechanism of remunerating for the operating power reserve, which affected a growth in the euro-peak prices.

Table 1. Average prices on SPOT market (PPE)

Period	Average price [PLN/MWh]	Change [%]
Q1 2012	180.52	-
Q1 2013	159.24	↓11.8
Q1 2014	161.27	↑1.3

Source: Own paper based on data from PPE.

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



Source: Own paper based on data from PPE.

The futures market of electricity in Q1 characterised with the sideways trend whose fluctuations resulted mainly from the situation observed on the carbon market.

Among all the futures contracts listed on PPE one of the most popular was the annual contract BASE Y-15.

- From the beginning of the year the contract's price increased from the level of 157.41 PLN/MWh to 163.60 PLN/MWh at the March last session.
- During the analysed quarter BASE Y-15 reached the highest price on 13 February, in the period when the moods on the carbon market, relating to the plan of withdrawing the surplus of allowances, jacked up their price.
- The total volumes on this product reached 3,059 MW. For comparison, in the same period of the previous year, when the attention of the participants was attracted by BASE Y-14, the trade was comparable and amounted to 3,097 MW.

A similar activity was observed on the related product, euro-peak profile, for 2015.

- The total trade amounted to as much as 606 MW, for comparison in the same period of the previous year it was just 138 MW on PEAK Y-14.
- The contract's price increased from the beginning of January from 191.75 PLN/MWh to 202.00 PLN/MWh at the end of March.

The information on the price levels for annual baseload contracts is presented in the table below.

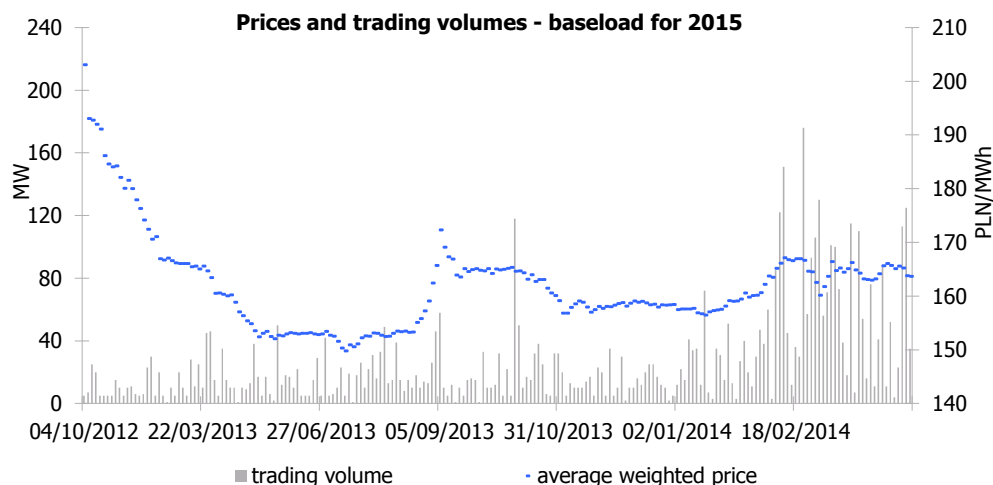
Table 2. Prices on the forward market

Product	Price at the end of quotations [PLN/MWh]	Change yoy [%]	Average price from quotation period [PLN/MWh]	Change yoy [%]
BASE Y-12	201.65	-	202.62	-
BASE Y-13	169.50	↓15.9	191.23	↓5.6
BASE Y-14	151.00	↓10.9	160.27	↓16.2
BASE Y-15	163.60*	-	162.42	-

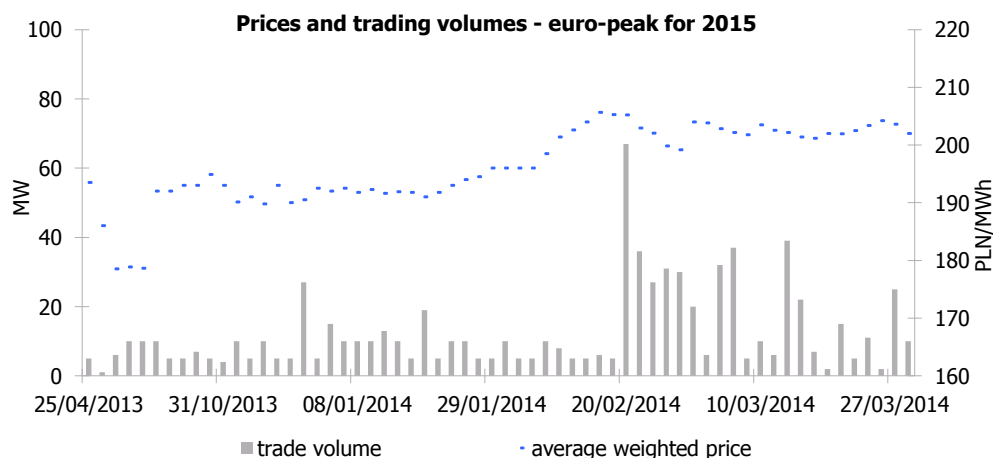
Source: Own development based on data from PPE and TFS and WSI InfoEngine.

* Price as at the end of March 2014

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



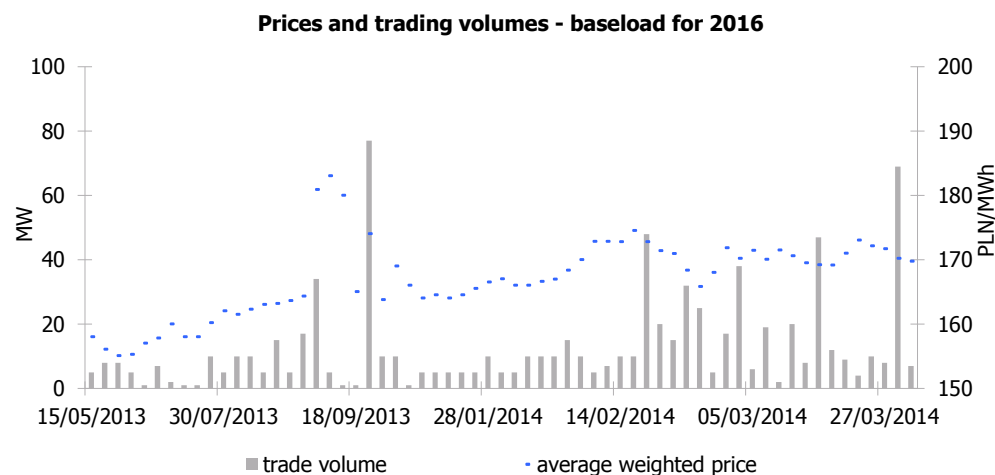
Source: Own development based on data from PPE and TFS and WSI InfoEngine.



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

The interest in the baseload product for 2016 also increased.

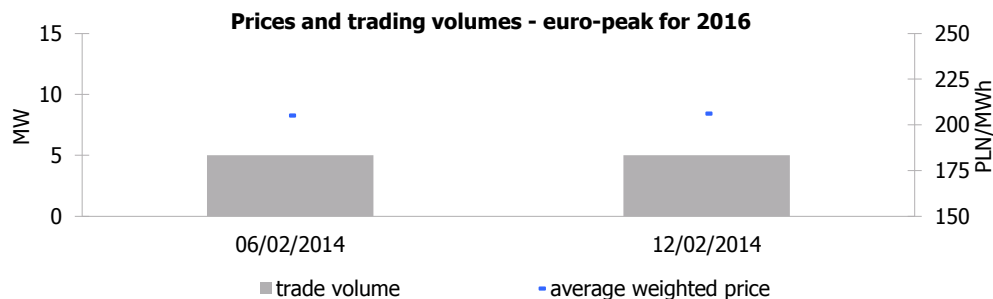
- The product price at the first January transaction amounted to 166.00 PLN/MWh, on the last day of March it was 169.75 PLN/MWh.
- During that period the maximum price amounted to 174.50 PLN/MWh in the second half of February, which as on the BASE Y-15 product was connected with optimistic moods of CO₂ market.
- The volume on this product amounted to 554 MW of which almost a half was in March.



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

Among the remaining annual contracts

- A total of just two transactions on the euro-peak product with delivery in 2016 were concluded.
- At the end of January the first transaction took place on BASE Y-17 concluded at 175.00 PLN/MWh, and due to a distant time horizon the product does not attract so much attention of market participants.
- No transactions for euro-peak 2017.



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

Presently observed levels of energy prices on the wholesale market, with a concurrent stagnation on the market of emission allowances should not be annulled. What indicates that is all the macroeconomic ratios which not only are optimistic as regards the future economic situation, and were additionally enhanced with a "mild" winter. During the period when usually some enterprises suspend, or just limit their operations, they were more active this time. It translated into a high demand in the Public Power System network. Any potential disruptions on the path of an economic growth may result from a still tense situation between the European Union, Ukraine and Russia. For Poland it may mean a lower turnover in the commercial exchange with the East and higher prices of energetic raw materials, mainly gas and oil. Additionally, the planned withdrawal of some of obsolete generating units and introduction of mechanisms stabilising the capacity market may raise an additional pressure on the growth in energy prices.



Obligations with respect to obtaining energy certificates of origin

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

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

In Q1 2014, despite earlier announcements, no legal regulations were adopted which would prolong the system of support for cogeneration certificates, the so called "yellow" and "red" certificates. The relevant act was signed by the President just on 7 April 2014. The provisions entered into force within 14 days of the act publication and will guarantee support for these sources till the end of 2018.

The contract award procedure structure is presented below for particular proprietary interests in 2013 (PPE listed "yellow" and "red" products despite no such an obligation).

Table 3. Prices on the market of certificates of origin

	Average price in Q1 2014	Change in relation to Q4 2013		Maximum price PLN/MWh	Minimum price PLN/MWh
	PLN/MWh	%	PLN/MWh		
OZEX ("green" PI)	no transactions	-	-	-	-
OZEX_A ("green" PI)	215.38	↑9.1	↑17.98	249.69	178.74
KGMX ("yellow" PI)	no transactions	-	-	-	-
KECX ("red" PI)	no transactions	-	-	-	-
KMETX ("purple" PI)	58.42	↑2.2	↑1.27	60.00	59.51
EFX ("white" PI)	960.60	-	-	975.00	900.00

Source: Own development based on data from PPE.

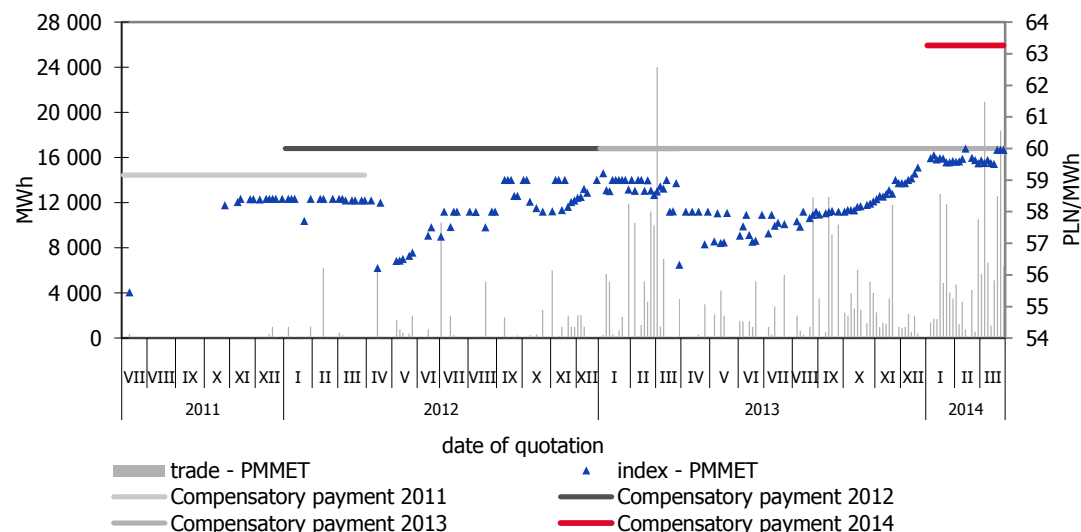
A fear for the realisation of the obligation within "green" certificates jacked up their price to 250 PLN/MWh in the first middle of February 2014. A higher demand on the market following the commencement of issuing outstanding certificates by the President of ERO resulted in regular drops in prices from the second half of February.

The RES market is expecting new regulations. At the beginning of April 2014 another version of the draft Act on RES (version 6.3) was published, which after adoption by the Council of Ministers was submitted to the Sejm. Legislative changes planned within the new act are mainly introduction of an auction system, changes in the principles of allotting certificates of origin for energy generated in the so called co-firing and in hydroelectric plants with the capacity exceeding 5 MW, and also in the determination of the obligation level o redeeming "green" certificates.

The situation on the market within "purple" certificates was quit stable. The demand for these certificates exceeded the supply, therefore the price was not subject to sudden fluctuations and was on the level of slightly below the unit compensatory payment.

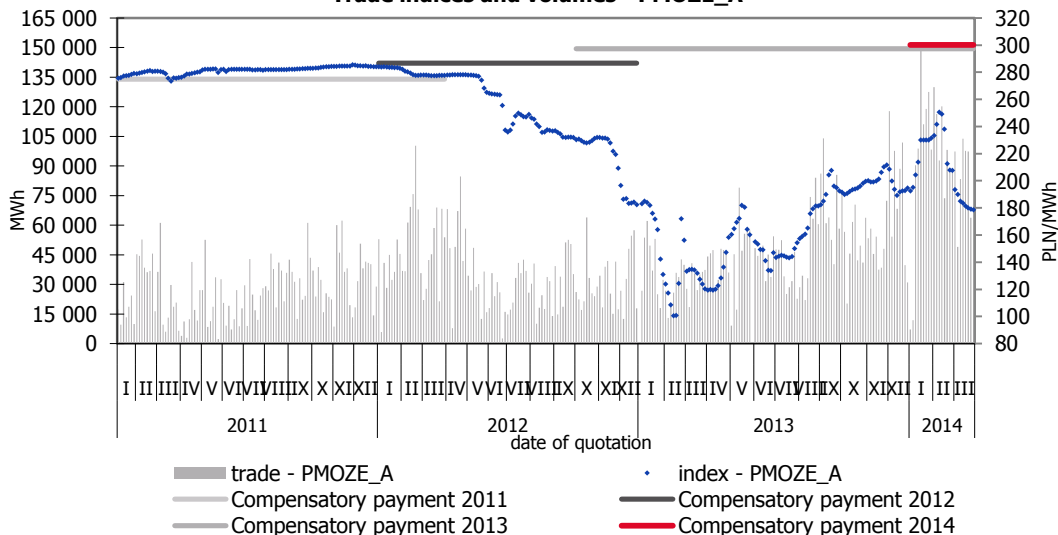
In January 2014 the first transaction on new instruments was concluded, aiming at the support of the energy efficiency, the so called "white" certificates. The first tender, announced by the Energy Regulatory Office already in December 2012 was completed in September 2013. In consequence enterprises were selected which totally accounted for 20.698 thou. toe of the total 550 thou. (ca. 4%) possible to gain within the tender. Till 11 March 2014 ERO issued efficiency certificates of the total value of 15.0 thou. toe¹. Another tender, within which applications were gathered till 27 January 2014, has not been yet completed. Issued "white" certificates still constitute a drop in the ocean of needs.

Trade indices and volumes - PMMET

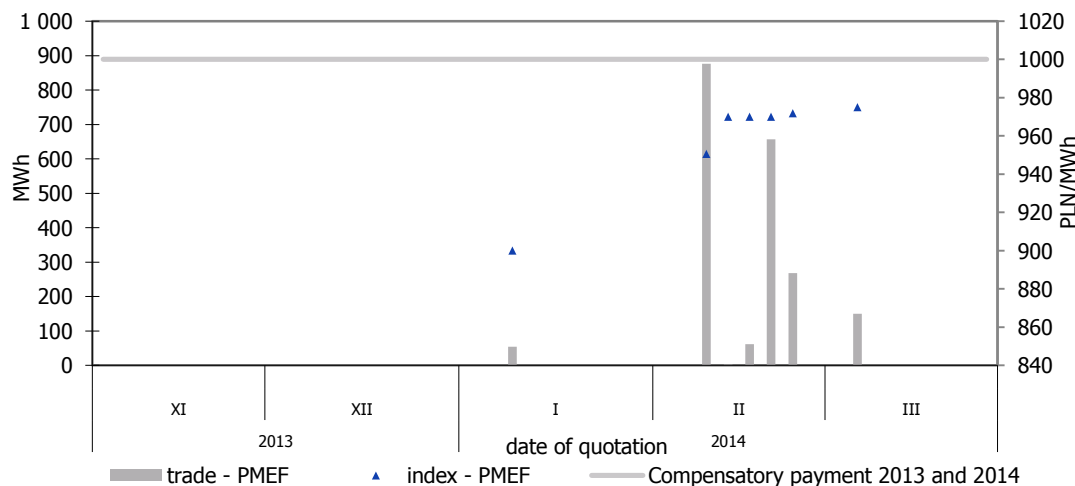


Source: own development based on the data from PPE, the levels of unit compensatory payment acc. to the information from the President of ERO.

Trade indices and volumes - PMOZE_A



Trade indices and volumes - PMEF



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

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

Limits of CO₂ emission allowances and their market prices

The market of allowances for emissions of CO₂ was still and continuously strongly dependant on political decision made in the European Union.

- The most important event of the previous three months was the final adoption of the so called backloading plan, i.e. periodic withdrawal of some allowances from the auctions in the first years of the 3rd settlement period for the last three years of this period. On Thursday, 6 February 2014 the European Parliament, in the relation of 306 votes „for” to 276 votes „against”, adopted the accelerated procedure on the implementation of backloading. The decision was the reason for the continued growth in the value of EUA². On 24 February the Union ministers supporting the accelerated procedure, made the last step towards the entry into force of backloading. And on 26 February 2014 in the Official Journal of the European Union, an amendment, as a regulation of the European Commission of 25 February 2014 No. 176/2014, was published to the auction regulation providing for the withdrawal of 400, 300 and 200 mln EUA allowances, respectively, from the auctions of 2014, 2015 and 2016, and their return to the market during 2019-2020 in the amount of 300 and 600 mln³.
- At the end of February ICE ECX exchange leading the British auctions and EEX exchange organising the Community, German and Polish auctions published updated schedules of the primary auctions for 2014 taking into account the reduced volumes resulting from backloading. Another important event was the publication of the climate and energy package strategy till 2030. It constitutes foundations for the establishment of another ETS term, in force for the years of 2021-2030. One of the three pillars of the new policy is to be the introduction of a legally valid goal of reduction in the greenhouse gases emission by 40% in relation to the levels of 1990, and also an increase in the share of energy from renewable sources (RES) by at least 27%⁴.
- The reason for a drop in the value of EUA in March were the allocations of due free allowances in the EU states resulting from the provisions of Art. 10a of ETS Directive⁵.
- The price of EUA allowances on the closing of the last day of Q1 2014 (based on DEC-14 contract on ICE exchange) amounted to 4.70 EUR/t. At the beginning of the year the units of the same contract were valued 4.83 EUR/t, which constitutes a 2.8% drop in the value over Q1 2014.
- The value of CER units in DEC-14 futures contracts on the last day of the year amounted to 0.17 EUR/t, which in relation to the price from the beginning of Q1 2014, 0.34 EUR/t, constitutes 50% loss.

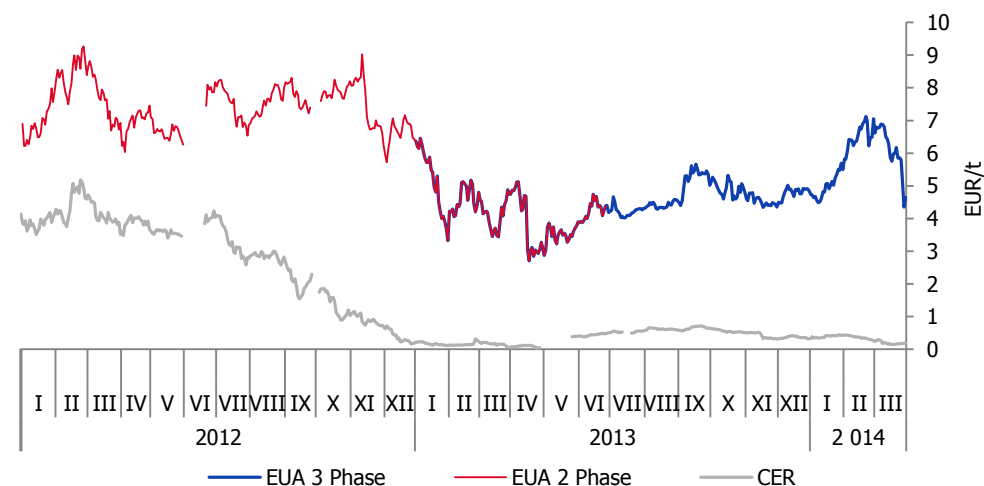
Detailed information on quotations of allowances for emissions of CO₂ and trading volumes is presented in the table and diagrams below.

Table 4. EUA and CER price change

Product	Price [EUR/t]		
	Beginning of January 2014	End of March 2014	Change %
EUA Spot	4.73	4.64	↓ 1.9
CER Spot	0.32	0.19	↓ 40.6
EUA Dec-14	4.83	4.70	↓ 2.7
CER Dec-14	0.34	0.17	↓ 50.0

Source: Own development based on data from ICE.

Quotations of EUA and CER - closing prices on SPOT market



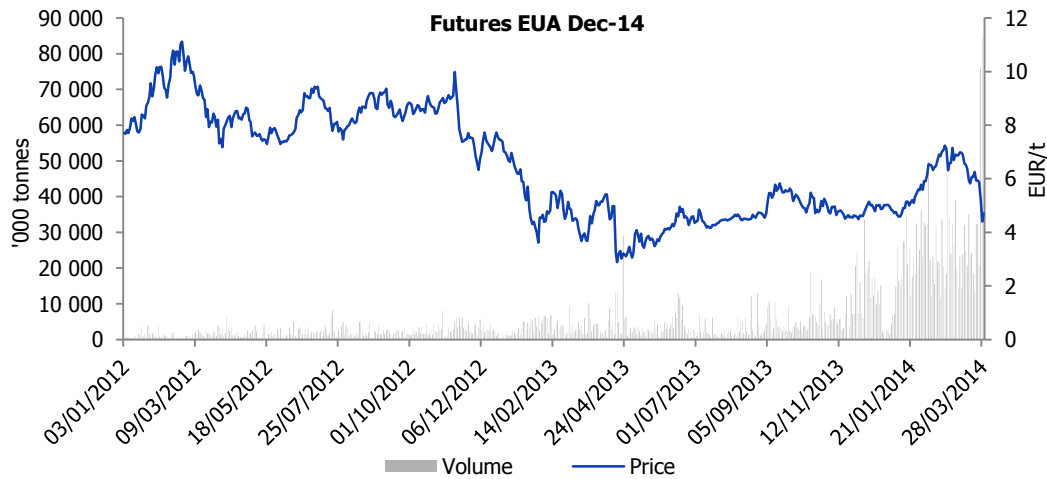
Source: Own development based on data from BlueNext and ICE.

2. <http://www.handel-emisjami-co2.cire.pl/st,34,278,item,88797,5,0,0,0,0,0,dane-i-komentarz-0302---07022014-r.html>

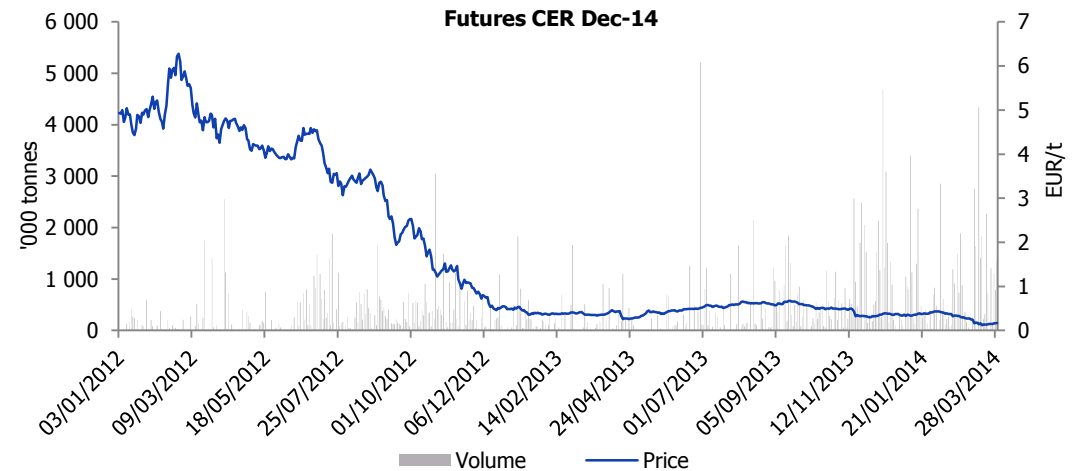
3. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2014:056:0011:0013:PL:PDF>

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

5. <http://www.handel-emisjami-co2.cire.pl/st,34,283,item,91551,5,0,0,0,0,0,analiza-rynku-handlu-uprawnieniami-do-emisji-co2-w-marcu-2014-roku.html>



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



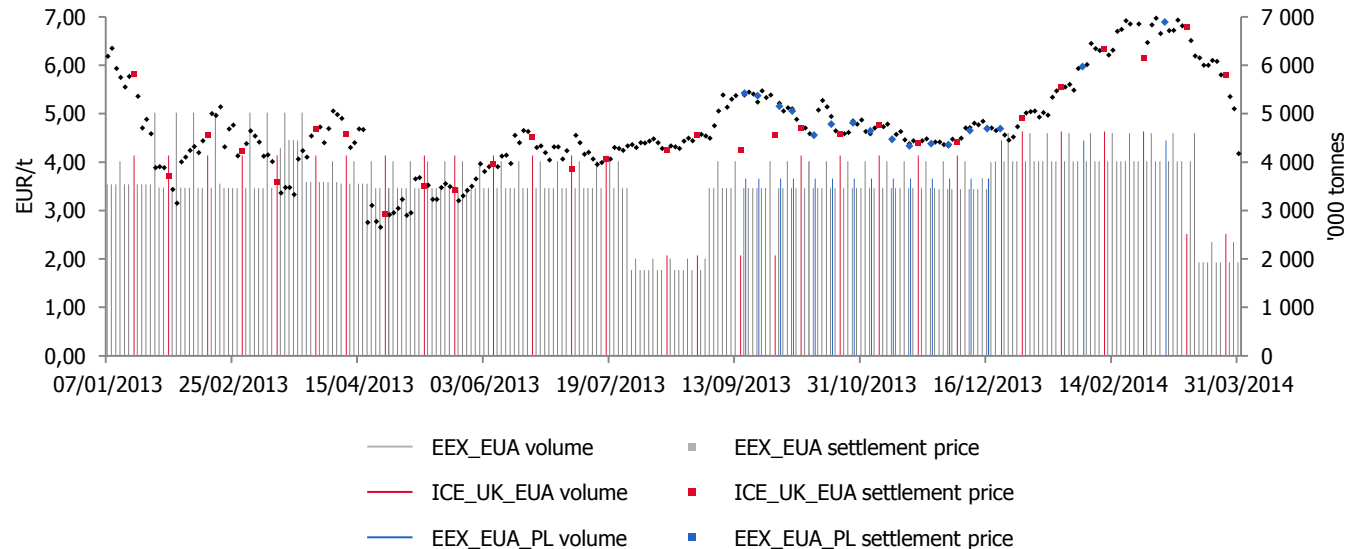
Source: Own development based on data from BlueNext and ICE.

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

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

- total auctions on EEX and ICE exchanges provided the market with allowances to over 218 mln units of CO₂ emissions,
- the average price on EEX and ICE auctions amounted at that time to 5.87 EUR/t (ranging between the minimum of 4.17 EUR/t and the maximum of 7.10 EUR/t).

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



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

Implementation of the strategy of development of the Capital Group

Mission

Enhancing the Group's value through building customer confidence

Vision:

Fully integrated energy group building its advantage through elastic responding to the market needs and efficient resources management

Strategic goals

A detailed description of the operating strategy of ENEA Capital Group is presented in the Report of the Management Board on the operations of the ENEA Capital Group in 2013. Selected information in the issue is presented below.

Pursuant to the approved Corporate Strategy of ENEA Capital Group for 2014-2020 the key goals of operations in the coming years will include:

- higher value for shareholders,
- building long lasting relations with a customer,
- growth in profitable areas,
- higher efficiency,
- optimum use of the organisation potential.

Within the superior goal, i.e. higher value for shareholders, the Group will pursue the improvement of key financial indicators. We anticipate that in the Strategy's perspective ROE and ROA will respectively achieve the levels of 10% and 5%.

The path of growth in profitable areas will be realised through the development of a competitive generation portfolio. The Group will pursue to develop generating capacity to the level of an additional 1,075 MWe in the segment of system power plants in 2017. In 2020 we are planning to obtain an additional ca. 500 MWe capacity in RES and ca. 300 MWe and 1,500 MWt in cogeneration sources and heating networks.

A growth in profitable areas will also take place through the designation of the means to the distribution. The goal will be an optimum use of the resources. An element of the development in profitable areas is also the realisation of the goal within higher margins from product sales. The goal will be realised by initiatives undertaken both by the area of sales and the wholesale area. The Group's efficiency improvement will be realised by the concentration on the core business. We will pursue the improvement of the customer service of external and internal customers. As a consequence it will lead to an annual reduction of the customer service cost. Additionally, the Group will pursue the optimisation of overhead costs.

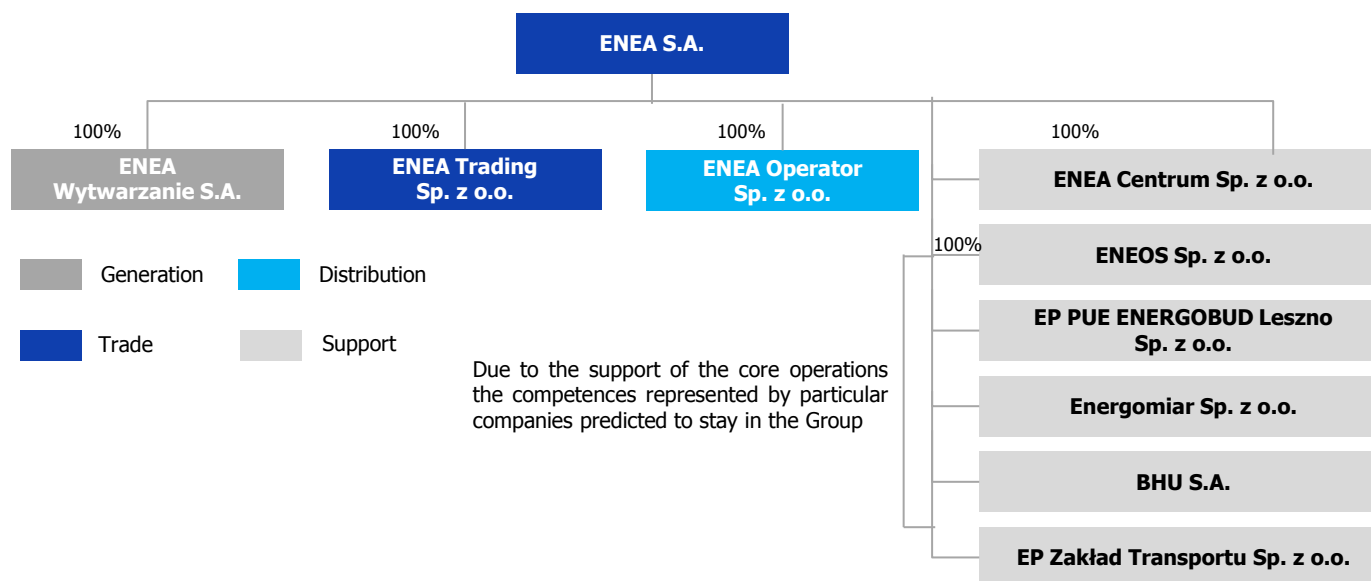
Capital expenditures

Realisation of 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 investment outlays (2013 prices, with no costs of financing) what should be separated is the amount for the development of the areas of distribution and generation in the so called basic amount, i.e. PLN 11.8 bln, and additional outlays covering a growth of RES, cogeneration and heating networks, i.e. PLN 7.7 bln.

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

Ultimate structure of ENEA Capital Group

The realisation of the indicated paths will not be possible with no optimum use of the organisation potential. The management model will be improved thanks to a further integration of the Group. Additionally, the Group will build the organisational culture focused on the needs of internal and external customers. The final capital structure of ENEA CG reflects the adopted area 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.



Actions and investments implemented in ENEA CG

Generation

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

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



In Q1 2014 by the construction of a new supercritical 1,075 MW gross power unit the following were executed or completed:

- foundation and basement of the electrical devices building,
- concreting of the base stage floor slab of the IOS electrical building,
- concreting of the locks of the lower tie beam of the evaporating tower,
- installation of the cooling water piping along the engine room,
- concreting of the foundation slab in the building of suspension preparation and limestone powder silos,
- concreting of the electrical device building floor slab,
- concreting of the lower slab and walls on the reinforced concrete duct between the pumping station and rotary sieve chamber,
- foundation of the blowdown tank,
- foundation and strip footings of the absorber pumping station building,
- foundations to the base stage of the gypsum warehouse,
- concreting of the boiler house main foundation slab,
- assembly of prefabricates of stair flights and floor slabs in communication pylons,
- installation of the absorber bottom,
- installation of the structure for the blowdown tank bottom,
- concreting of the foundation under the recirculation pumps in the absorber's pumping station building.



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

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

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

- a positive opinion of the Investment Committee of ENEA Group was obtained for the project of a 15 MW wind farm,
- an application was submitted for the connection of a project of a 27.5 MW wind farm to the grid,
- a non-bidding offer was made concerning the purchase of a 16.8 MW wind farm,
- works were continued in relation to the development of a construction design for a 1 MW photovoltaic farm,
- operations were commenced for increasing the efficiency parameters of a project of a 1.8 MW wind farm.

MEC Piła

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

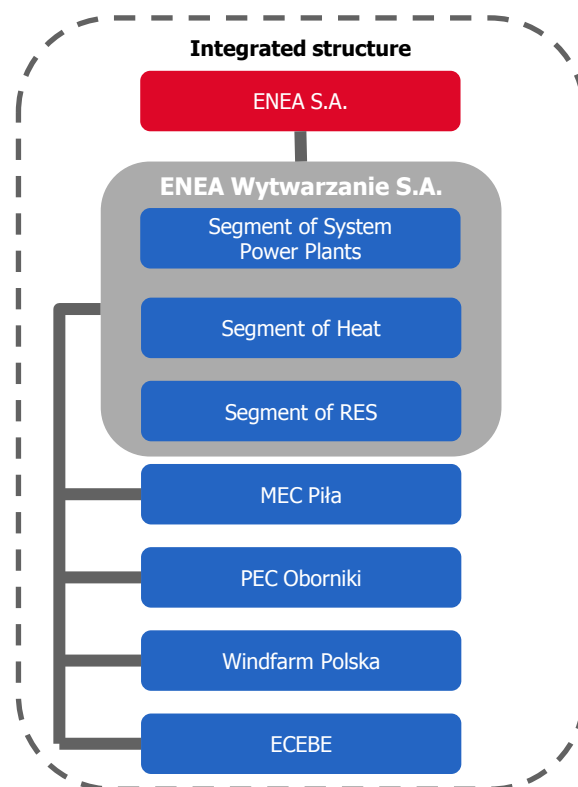


Integration of the wholesale trade in ENEA CG

- The project aiming at the consolidation of the wholesale trade in ENEA Capital Group - the operations of ENEA Wytwarzanie and Białystok Heat and Power Plant were moved within the supplies of production fuels to ENEA Trading.
- The takeover of part of workplaces by the new employer was performed through the transfer, based on relevant agreements of 27 December 2013, of sets of fixed assets and other assets belonging to ENEA Wytwarzanie and Białystok Heat and Power Plant used to perform the operations within supplies of production fuels to ENEA Trading and conclusion of agreements in force from 27 December 2013 on the performance by ENEA Trading for ENEA Wytwarzanie and Białystok Heat and Power Plant services within supplies of production fuels.
- The undertaking resulted in the transfer on 27 December 2013 of an organised part of the workplace of ENEA Wytwarzanie and organised part of the workplace of Białystok Heat and Power Plant to ENEA Trading in the meaning of Art. 23¹ of the Labour Code.

Integration of the Generation Area in ENEA CG

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



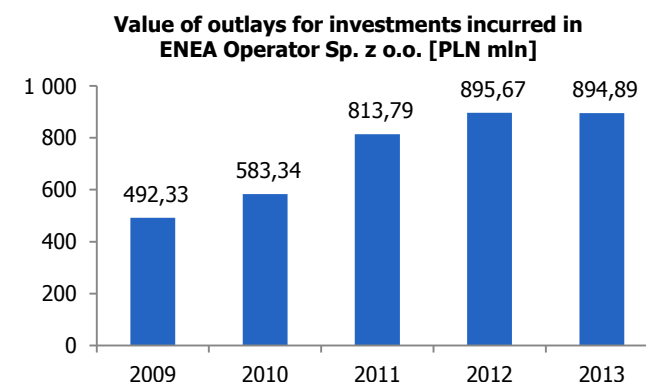
Shared Service Centre of ENEA CG

The Board of ENEA Wytwarzanie adopted the Resolution regarding the transfer as of 1 May 2014 to ENEA Centrum of the whole functions and tasks realised presently within the area of accounting and finance and IT of ENEA Wytwarzanie including the employees performing the said functions and tasks.

Distribution

In the area of distribution investment works and modernisation of the grid infrastructure and essential refurbishment are performed in connection with an increasing demand for electricity and the need to connect 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 actions should significantly affect the growth in electricity supply reliability to customers and realise objectives assigned to the area of distribution within the superior goal "growth in profitable areas".

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



The Company designated the outlays 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 investment outlays (in particular: connectivity, measurements, IT, buildings, constructions, means of transport),
- Since 2009 ENEA Operator's capital expenditures have demonstrated an explicit trend consisting in the reduction of the share of outlays for connecting new users (including new sources), with a simultaneous growth in the share of outlays designed for the modernisation and reinstatement of the existing assets.

Trade

In Q1 2014 the works within the "Strategy of sales of ENEA S.A. in the area of retail sales for 2013-2016" were continued.

The Sales Department and Product and Portfolio Department of ENEA S.A. implemented the following initiatives:

- The second stage of the reorganisation was performed of the Sales Department, Poland-wide sales structures were established,
- The works were continued within the project of development of the Indirect Sales Channel launched in 2013 aiming at the commencing of active sales to customers,
- A new "Fixed Price" product ("Pewna Cena") was implemented which builds the loyalty of customers of G tariff group sets in the historical area of operations of ENEA S.A.,
- Works were continued within the project commenced in 2013 of preparation of the organisation of ENEA S.A. to trade in natural gas - in order to build customer attachment through the offer of combined sales of gas and electricity and reaching an improved competitiveness of the sales offer,
- A new incentive scheme for the area of sales was developed and implemented.



Change of
Customer Service
Model programme

ENEA
Centrum

Customer
Orientation
Programme

Area of Customer Service

In Q1 2014 the process of the construction of the Shared Service Centre (SSC) was continued the within customer service based on ENEA Centrum. The key activities performed in Q1 2014 include:

- Development of a recommendation relating to an ultimate division of tasks from within the customer service between ENEA Operator and ENEA Centrum,
- Conclusion of an annex to the service card within the standards and procedures of the customer service of ENEA S.A.,
- Preparation of a list of employees for allocation within SSC Customer Service taking into account the approved recommendation of the division of tasks between ENEA Operator and ENEA Centrum, with the allocation of particular people realising specific processes in given locations,
- Increasing, by 20 additional points, the number of customer service positions of the Contact Centre,
- Launching the model of registering phone conversations,
- Takeover of the administration of the service system of Call Centre - OSCC Siemens,
- Takeover from ENEA S.A. of the whole post-sale customer service of a business, strategic and key customer with the employees,
- Continuation of works within the project relating to the new visualisation of the Customer Service Centre network.



Area of Wholesale Trade

The works realised in Q1 2014:

- New area strategies were developed for derivative products,
- Due diligence process was commenced and possibilities of operating in the conterminous markets (the Czech Republic, Slovakia, Germany) along with the Sales Department of ENEA,
- A wider range of services was offered to ENEA Operator by ENEA Trading in the process of purchasing by ENEA Operator of electricity for covering own needs and the book-tax difference,
- The process of implementation of an advanced IT tool supporting the fundamental model based on the market price scenario forecasting,
- Analyses of possibilities for contracting natural gas on the wholesale market were prepared for the needs of the Sales Department of ENEA,
- Negotiations were reported formally and commenced with the board of the Polish Power Exchange in order to obtain the status of market maker by ENEA Trading,
- The Programme of Voluntary Redundancy was performed and completed.



Planned capital expenditures

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 construction of new grids* connected with it	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:	1 816 213
Investments in individual 200 MW units	89 630
Joint investments** in 200 MW units	239 218
Construction of a power unit with the capacity of approx. 1,000 MW	1 391 188
Investments in individual 500 MW units	34 050
Joint investments** in 500 MW units	10 010
Joint investments** in 200 MW and 500 MW units	47 915
Purchase of ready investment goods and used fixed assets	4 202
ENEA Wytwarzanie - Segment of Heat	306 504
ENEA Wytwarzanie - Segment of RES	166 557
Other capital expenditures on generation assets of subsidiaries of ENEA Wytwarzanie	34 309
Other capital expenditures	24 790
TOTAL	3 143 482

* The given figures result from the development plan for 2014-2019 approved by the President of ERO. The agreed level of capital expenditures does not determine the reduction of a possible investment activity in the distribution assets of ENEA Operator.

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



Financing sources of the investment programme

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

Within the realised project of "Obtaining financing for the implementation of investment projects in ENEA CG" ENEA S.A. holds a programme agreement relating to the bond issue programme up to the amount of PLN 4,000,000 thou. with five banks acting as Issue Guarantors, i.e.: PKO BP S.A., Bank Pekao S.A., BZ WBK S.A., Bank Handlowy w Warszawie S.A. and Nordea Bank Polska S.A. The funding is unsecured and free from limitations for shareholders within the so called ownership clause and dividends.

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 implemented within the operations of ENEA Wytwarzanie.

As at 31 March 2014 ENEA S.A. did not issue bonds within the aforementioned Programme. The issue is planned in Q2 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 the 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 "B" tranche agreement was concluded with the European Investment Bank 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 the tranches disbursed till 31 March 2014 ENEA S.A. withdrew the funds from the loan in the total amount of PLN 950,000 thou. The currency of the disbursed loan is the Polish zloty, floating rate, based on the 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 a long-term unsecured loan 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 2014-2017.

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

Key events occurring after the balance sheet date

On 18 April 2014 ENEA S.A. issued the 1st series of 150 bonds totalling to PLN 150,000 thou. within the Programme Agreement of 21 June 2012 relating to the bond issue programme up to the amount of PLN 4,000,000 thou. The whole issue was taken up by 5 banks functioning the 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 bonds bear a floating rate of interest based on WIBOR rate for 6-month deposits increased with a margin. On 18 April 2014 the said amount was fully distributed through the purchase of 150 intergroup bonds issued by ENEA Wytwarzanie S.A. within the Programme Agreement of 8 September 2012 relating to the bond issue programme up to the amount of PLN 4,000,000 thou.

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. Due to 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.

Predicted financial position

A high share of the regulated segment of distribution in EBITDA of ENEA CG (in Q1 2014 the distribution accounted for 63% EBITDA) which contributes to cash flow predictability and stabilises cash flows at a time when another key segment - power generation - is under pressure. The estimate of the financial position of the Group is however still constrained by the Group's limited generation fuel mix diversification and high asset concentration. ENEA CG has substantial exposure to carbon dioxide costs, which may have a negative impact on the results of the segment of conventional generation during 2014-2020.

The financial position of the Group is still safe - it is supported by a significant amount of cash of ENEA CG in the amount of PLN 1.3 bln at the end of Q1 2014 and a relatively low level of a financial debt (PLN 1 bln).

It is expected that the ratio defined as net debt/EBITDA will increase to about 3x during 2017-2018 from -0.4 at the end of March 2014. It is caused by a large CAPEX plan (capital expenditures) designated mainly for the segment of generation. The CAPEX programme of ENEA CG for 2014-2020 relates mostly to the construction of a new 1 GW unit fired with coal in the Kozenice plant. Own cash of ENEA CG, available loan facilities, guaranteed bond issue programme and new external financing under arrangement will allow to finance the CAPEX programme till 2020.

The implementation of the investment programme will enable to develop a more diversified asset structure with no threat to the financial position. The future results may be positively affected by cost reduction which will be obtained due to the programme of a better efficiency realised in the Group.

Financial results forecasts

The Management Board of ENEA S.A. did not publish any forecasts of its financial results for Q1 2014 or for the whole 2014 financial year.

Key events that may considerably affect future results

Building a generating portfolio

Within the realisation of the superior goal of ENEA CG, i.e. higher value for shareholders, the Group will pursue the improvement of the key financial ratios. Building of a competitive generating portfolio is one of the basic elements of the realisation of the above strategic goal. The Group will pursue to develop generating capacity to the level of an additional 1,075 MWe in the segment of system power plants in 2017. In 2020 it is planned to obtain an additional ca. 500 MWe capacity in RES and ca. 300 MWe and 1,500 MWh in cogeneration sources and heating networks.

Limits in CO₂ emission allowances

A material element within costs, determining the generation of electricity is the allocation of free allowances for emissions of CO₂ and other gases and substances in a given settlement period. Obtaining a free allocation of CO₂ emission is conditioned by the realisation of the dedicated investments in ENEA CG reported in the National Investment Plan (NIP). The value of actually incurred expenditures is the base to receive the allowances.

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 Kozenice 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 Kozenice 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). Thus, the parties consistently confirmed that the initialled document constitutes a draft of a future Shareholder Agreement which will be concluded after obtaining required corporate consents of each party.

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

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

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

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

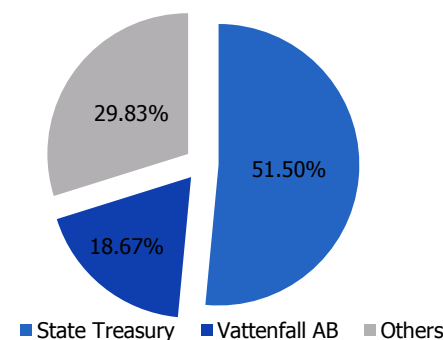
On 20 January as a result of the transactions concluded on the Stock Exchange the share of ING Otworthy Funduszy Emerytalny (Fund) increased above the threshold of 5% of the total number of votes in the Company. Before the purchase of the shares the Fund held 11,296,751 shares in the Company which constituted 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 on 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 entitled to 23,296,751 votes during a general meeting of the Company, which constituted 5.28% of the total number of votes.

On 12 March 2014 the Company received the notice from the Fund on the reduction to below 5% of the share in the total number of votes in the Company. In the received notice the Fund informed that on 11 March 2014 on the share account of the Fund there were 19,885,362 shares of the Company which constituted 4.50% of the Company's share capital. The shares entitled to 19,885,362 votes during a general meeting of the Company, which constituted 4.50% of the total number of votes.

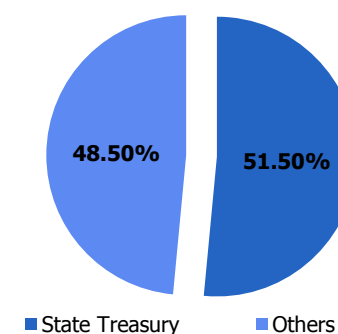
Shareholding structure

The diagrams below and the table present the structure of shareholders holding above 5% of the total number of votes at a general meeting of ENEA S.A. as at the publication date of the previous quarterly report, i.e. as at 13 November 2013 and as the publication of this periodic report, i.e. 13 May 2014.

State as at 13 November 2013



State as at 13 May 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	227 370 638	51.51%	227 364 428	51.50%
Vattenfall AB	82 395 573	18.67%	-	-
Others	131 676 367	29.82%	214 078 150	48.50%
TOTAL	441 442 578	100.00%	441 442 578	100.00%

Authorities of the Capital Group

The Management Board of ENEA S.A. The Supervisory Board of ENEA S.A.

Composition of the Company's Management Board

As at the date of publication of this report, i.e. 13 May 2014, the Company's Management Board operates in the following composition:

Name and position	Scope of competence*
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 in electricity and customer service.
Member of the Management Board for Financial Affairs Dalida Gefpert	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, the 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

During the period from 1 January 2014 to the date of publication of this report, i.e. 13 May 2014, no changes were made to the composition of the Management Board.

Composition of the Supervisory Board

As at the date of publication of this report, i.e. 13 May 2014, the Supervisory Board of the Company of the 8th term is composed of eight members and operates in the following composition:

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

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

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

List of shares and entitlements to shares of ENEA S.A. 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 13 May 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 own ENEA S.A.'s shares.

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

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.

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

Rating

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

The rating is an independent and objective estimate of a corporate creditworthiness. 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 a key importance for the sector in the Central and Eastern Europe.

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

Collective disputes

On 18 March the Board of the following companies: ENEA S.A., ENEA Operator Sp. z o.o. and ENEA Centrum Sp. z o.o. reported the occurrence of a collective dispute with trade unions operating in the said entities in the National Labour Inspectorate in Poznań. The reason for the collective disputes was the failure to fulfil the claims of the trade unions as regards remunerations - the Company published the information on that matter in the current report No. 14/2014.

On 14 April 2014 meetings took place of the Boards of, respectively, ENEA S.A., ENEA Operator Sp. z o.o. and ENEA Centrum Sp. z o.o. with the trade unions operating in the above entities, during which agreements were concluded which terminate the collective dispute in the said companies as regards the remuneration in 2014. The Company published the information on that matter in the current report No. 19/2014.

Long-Term Power Purchase Agreements (LTPPA)

For 2014 ENEA Wytwarzanie S.A. applied for the advance towards stranded costs in the amount of PLN 17,000 thou. On 4 April 2014 Zarządca Rozliczeń S.A. paid advances for Q1 2014 in the amount of PLN 4,250 thou.

In January 2014 the President of ERO filed the cessation appeal against the decision of the Court of Appeal of 10 July 2013 regarding Long-term Agreements 2008 (the decision of the President of ERO for 2008 was determined for the amount of PLN (-) 4,192 thou. in lieu of the original PLN (-) 89,537 thou.). On 17 March 2014 the Company filed a reply to the cessation appeal to the Court of Appeal in Warsaw.

On 13 January 2014 the Court for Competition and Consumer Protection, Regional Court in Warsaw after the hearing issued the decision according to which the annual adjustment of stranded costs for 2010 was set on the level of PLN (+) 78,640, i.e. by PLN 76,169 more than in the issued decision. The Court recognised the appeal in its entirety in its original wording. It is not a final decision and was challenged in the Court of Appeal in Warsaw with the appeal of ENEA Wytwarzanie S.A. of 18 February 2014 and the appeal of the President of ERO.

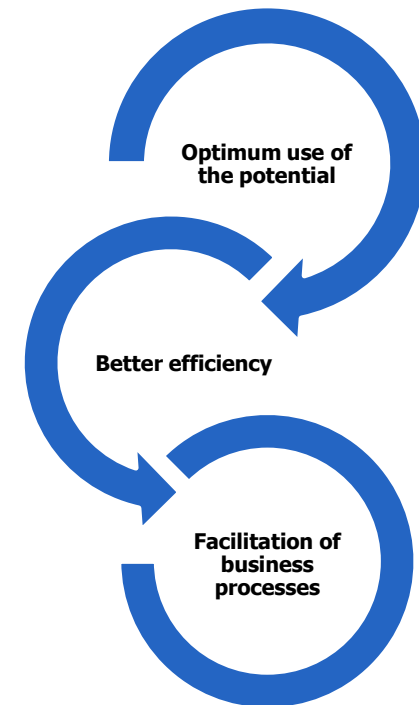
On 19 March 2014 a hearing was conducted as regards the annual adjustment for 2011, however it was adjourned till 13 June 2014.

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

Court and administrative proceedings

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

The detailed description of proceedings is presented in note 24 of the Consolidated financial statement.



Corporate social responsibility

In Q1 2014 CSR activities in ENEA S.A. focused mainly around the performance of the below mentioned activities:

Communicating
"ENEA Capital Group's Code of Conduct"

"ENEA Capital Group's Code of Conduct" communicating

In 2013 ENEA Capital Group developed "ENEA Capital Group's Code of Conduct". In January 2014 all the Group's employees received it in paper along with the letter from the President of ENEA S.A., Krzysztof Zamasz. At that time in the buildings belonging to ENEA CG companies posters appeared promoting the Code, and corporate values, based on which the Code was developed.

At the same time a tab was created devoted to the Code on the Intranet site of ENEA CG and on the corporate website of ENEA S.A. with the developed document to download.



Naczelne zasady

Grupy Kapitałowej ENEA

Relacje wewnętrzne

dbałość o zasoby
wspólnie dbamy o bezpieczne warunki pracy oraz chronimy zasoby materialne i niematerialne (w tym informacje poufne)

Relacje zewnętrzne

wysoka i stała jakość
w relacjach z otoczeniem kierujemy się jednakowymi zasadami postępowania, mając na uwadze wysoką jakość i efektywność podejmowanych działań

ENEA S.A.'s good practices were qualified to the report "Responsible Business in Poland 2013"

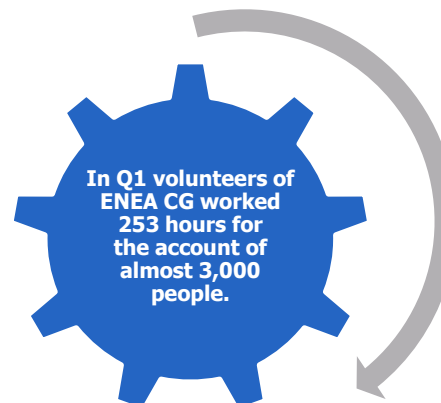
ENEA S.A.'s good practices were qualified to the report "Responsible Business in Poland 2013" - an initiative organised by Forum Odpowiedzialnego Biznesu (Responsible Business Forum).

In January 2014 ENEA S.A. reported 5 new practices to the report "Responsible business in Poland", which the Company implemented in the previous year, and 2 long-term practices.

In February 2014 3 new practices of ENEA S.A. were finally qualified to be published within the Responsible Business Forum Report:

- "ENEA Capital Group's Code of Conduct",
- "2012 CSR Report of ENEA Capital Group" published on-line according to the latest GRI G4 standard,
- Educational project "In contact with nature KIDS", and 2 long-term practices:
- Energy knowledge competition "1 of 10 thousand",
- Educational courses "Power-not so scary".

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



Corporate Volunteering

From the beginning of the corporate volunteering of ENEA Capital Group, i.e. June 2011, volunteers worked 4,200 hours of community service for the account of almost 105,000 beneficiaries.

In Q1 2014 Volunteers of ENEA Capital Group realised mainly the competence volunteering based on two educational programmes:

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

Within the action volunteering volunteers took part in the following actions:

• "We are rebuilding the house"

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

• "Pillow for a baby"

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

• "Sensitivity day"

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

Attachment No. 1 - Financial results of ENEA S.A. in Q1 2014

Profit and Loss Statement

[PLN '000]	Q1 2013	Q1 2014	Change	Change %
Sales of electricity to end users	956 328	922 448	-33 880	-3.5%
Sales of distribution services to users holding comprehensive agreements	413 056	381 752	-31 304	-7.6%
Sales of electricity to other entities	1 529	22 101	20 572	1345.5%
Sales of services	16 093	3 780	-12 313	-76.5%
Other revenue	2 341	20	-2 321	-99.1%
Excise tax	55 143	54 034	-1 109	-2.0%
Net sales revenues	1 334 204	1 276 067	-58 137	-4.4%
Amortisation/depreciation	4 309	2 095	-2 214	-51.4%
Employee benefit costs	14 744	12 807	-1 937	-13.1%
Consumption of materials and energy and value of sold materials	900	630	-270	-30.0%
Costs of purchases for resale	753 101	781 125	28 024	3.7%
Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	415 431	386 716	-28 715	-6.9%
Other external services	45 069	41 493	-3 576	-7.9%
Taxes and charges	3 274	2 006	-1 268	-38.7%
Cost of sales	1 236 828	1 226 872	-9 956	-0.8%
Other operating revenue	27 492	4 704	-22 788	-82.9%
Other operating expenses	24 439	9 975	-14 464	-59.2%
Profit / loss on sales of fixed assets	-10	-4	6	60.0%
Operating profit	100 419	43 920	-56 499	-56.3%
Financial revenue	21 676	32 809	11 133	51.4%
Financial expenses	1 017	10 532	9 515	935.6%
Gross profit	121 078	66 197	-54 881	-45.3%
Income tax	23 135	17 052	-6 083	-26.3%
Net profit	97 943	49 145	-48 798	-49.8%
EBITDA	104 728	46 015	-58 713	-56.1%

Comment:

Change factors of EBITDA of ENEA S.A. (drop by PLN 59 mln):

- (+) lower average purchase price by 12%.
- (+) higher volumes by 544 GWh
- (-) lower average selling price by 16.8%
- (-) lower result on the other operating activity (PLN 8 mln) is a result of mainly higher impairment of receivables
- (+) higher revenues on sales of energy on the wholesale market by PLN 21 mln is a result of higher volumes by 107 GWh.

Attachment No. 2 - Financial results of ENEA Operator in Q1 2014

Profit and Loss Statement

[PLN '000]	Q1 2013	Q1 2014	Change	Change %
Revenues from sales of distribution services to end users	688 429	699 415	10 986	1.6%
Revenues from additional fees	848	1 653	805	94.9%
Revenues from non-invoiced sales of distribution services	3 930	653	-3 277	-83.4%
Clearing of the Balancing Market	15 337	27 431	12 094	78.9%
Fees for customer grid connection	20 324	17 956	-2 368	-11.7%
Revenues from the illegal collection of electricity	2 089	2 331	242	11.6%
Revenues from services	24 151	22 716	-1 435	-5.9%
Sales of distribution services to other entities	5 869	3 714	-2 155	-36.7%
Sales of goods and services and other revenues	769	831	62	8.1%
Sales revenues	761 746	776 699	14 953	2.0%
Depreciation and amortisation of fixed and intangible assets	93 440	103 082	9 642	10.3%
Employee benefit costs	134 140	141 511	7 371	5.5%
Consumption of materials and raw materials and value of goods sold	12 226	11 908	-318	-2.6%
Purchase of energy for own needs and grid losses	88 101	62 354	-25 747	-29.2%
Costs of transmission services	152 782	179 334	26 552	17.4%
Other external services	40 599	42 081	1 482	3.7%
Taxes and charges	39 764	44 472	4 708	11.8%
Cost of sales	561 052	584 742	23 690	4.2%
Other operating revenue	9 449	10 792	1 343	14.2%
Other operating expenses	14 877	11 358	-3 519	-23.7%
Profit/loss on sales and liquidation of tangible fixed assets	-1 378	297	1 675	121.6%
Operating profit/loss	193 888	191 688	-2 200	-1.1%
Financial revenue	1 628	1 822	194	11.9%
Financial expenses	5 575	7 580	2 005	36.0%
Gross profit/loss	189 941	185 930	-4 011	-2.1%
Income tax	36 476	35 811	-665	-1.8%
Net profit/loss	153 465	150 119	-3 346	-2.2%
EBITDA	287 328	294 770	7 442	2.6%

Comment:

Change factors of EBITDA of ENEA Operator Sp. z o.o. (increase by PLN 7 mln):

- (+) lower volumes and lower average purchase price of energy for covering book-tax difference (PLN 38 mln)
- (+) higher average rate for the distribution services and higher volumes of electricity (PLN 11 mln)
- (-) higher costs of the quality and transitory charge (PLN 29 mln)
- (-) higher property tax (PLN 5 mln)
- (-) higher level of employee provisions (PLN 6 mln)

Attachment No. 3 - Financial results of ENEA Wytwarzanie in Q1 2014

Profit and Loss Statement

[PLN '000]	Q1 2013	Q1 2014	Change	Change %
Revenues from the sale of electricity	681 196	680 812	-384	-0.1%
<i>licence for generation</i>	<i>600 163</i>	<i>577 847</i>	<i>-22 316</i>	<i>-3.7%</i>
<i>licence for trade</i>	<i>81 033</i>	<i>102 965</i>	<i>21 932</i>	<i>27.1%</i>
Revenues from certificates of origin	23 678	45 603	21 925	92.6%
Revenues from sales of CO ₂ emission allowances	1 009	0	-1 009	-100.0%
Revenues from the sale of heat	51 489	48 970	-2 519	-4.9%
Recovery of stranded costs	0	0	-	-
Revenues from services	2 551	2 783	232	9.1%
Sales of goods and services and other revenues	707	956	249	35.2%
Excise tax	73	161	88	120.5%
Net sales revenues	760 557	778 963	18 406	2.4%
Depreciation and amortisation of fixed and intangible assets	89 369	82 139	-7 230	-8.1%
Employee benefit costs	74 687	74 883	196	0.3%
Consumption of materials and raw materials and value of goods sold	402 934	415 947	13 013	3.2%
Costs of purchases for resale	85 078	146 537	61 459	72.2%
Transmission services	521	555	34	6.5%
Other external services	41 818	21 876	-19 942	-47.7%
Taxes and charges	22 710	24 045	1 335	5.9%
Cost of sales	717 117	765 982	48 865	6.8%
Other operating revenue	19 636	9 477	-10 159	-51.7%
Other operating expenses	6 741	2 092	-4 649	-69.0%
Profit/loss on sales and liquidation of tangible fixed assets	-825	4	829	100.5%
Operating profit/loss	55 510	20 370	-35 140	-63.3%
Financial revenue	13 370	5 388	-7 982	-59.7%
Financial expenses	3 545	2 733	-812	-22.9%
Gross profit/loss	65 335	23 025	-42 310	-64.8%
Income tax	13 005	13 384	379	2.9%
Net profit/loss	52 330	9 641	-42 689	-81.6%
EBITDA	144 879	102 509	-42 370	-29.2%

Comment:

Change factors of EBITDA of ENEA Wytwarzanie S.A.

(drop by PLN 42.4 mln):

- **Segment of System Power Plants - lower EBITDA by PLN 57.0 mln:**
 - (-) lower margin on electricity generation (PLN 64.6 mln) as a result of lower market energy prices and lower volume of free allowances applied to the reserve for redemption
 - (-) lower result on the other operating activity (PLN 6.9 mln)
 - (-) lower margin on trade (by 6.8 mln) resulting from lower average price
 - (+) higher margin on co-firing (PLN 11.0 mln) is a result of higher prices of certificates and higher recognition of certificates
 - (+) higher revenues from Regulatory System Services (PLN 5.3 mln) is a result of higher revenues from operating capacity reserve
 - (+) lower costs of services and repair materials (PLN 3.1 mln)
- **Segment of Heat – higher EBITDA by PLN 14.5 mln:**
 - (+) lower costs of materials (PLN 7.2 mln) as a consequence of mainly lower costs of biomass by PLN 3.8 mln and coal by PLN 2.8 mln
 - (+) higher revenues from certificates (PLN 6.5 mln) as a result of higher prices
 - (+) higher revenues from sales of electricity (PLN 2.1 mln) is a result of higher volumes and prices
 - (-) lower revenues from sales of heat (PLN 2.2 mln) resulting from lower volumes

Glossary of terms

Financial ratios

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

Ratio	Specification
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	= $\frac{\text{interest-bearing liabilities} - \text{cash}}{\text{EBITDA}}$
Current receivables turnover in days	= $\frac{\text{Average trade and other receivables} \times \text{number of days}}{\text{Net sales revenues}}$
Turnover of trade and other payables in days	= $\frac{\text{Average trade and other liabilities} \times \text{number of days}}{\text{Cost of products, goods and materials sold}}$
Inventory turnover in days	= $\frac{\text{Average inventory} \times \text{number of days}}{\text{Cost of products, goods and materials sold}}$
Cost of products, goods and materials sold	= Use of materials and value of goods sold; Purchases of energy for resale; Transmission services; other outsourced services; taxes and charges; excise tax

Sectoral terms/abbreviations

Abbreviation/term	Full name/explanation
BueNext	Trading platform enabling trade in allowances for emissions of CO ₂ (EUA) and units of certified reduction of emissions (CER) on spot and futures market
CAPEX	Capital expenditures
CO₂	Carbon dioxide
Price of baseload (BASE)	Price of contract with delivery of the same volume of energy on each day hour
Price of euro-peak (PEAK)	Price of contract with delivery of the same volume of energy in euro-peak (i.e. from 7:00 to 22:00 on business days)
CER	Certified Emission Reduction
EUA	EU Emission Allowance - allowances for emissions within the European Emissions Trading System
European Emissions Trading System EU ETS	European system supporting reduction of greenhouse gases emissions
ICE	Trading platform enabling trade in allowances for emissions of CO ₂ (EUA) and units of certified reduction of emissions (CER) on futures market
IOS installation	Flue gas desulphurisation plant
deNOx installation	Installation of denitrogenation (including SCR technology - selective catalytic reduction)
Cogeneration	A technological process of a combined generation of electricity and usable heat energy in combined heat and power plants
KPRU III/3rd settlement period	National Allocation Plan of CO ₂ emission allowances for 2013-2020
KSE	Public Power System
MWe	Megawatt of electrical power
MWh	Megawatthour (1 GWh = 1,000 MWh)
MWt	Megawatt of heating power
OH	Commercial Coordinator
OHT	Scheduling Co-ordinator

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

Abbreviation/term	Full name/explanation
"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
KMETX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in a cogeneration unit fired with methane released and abstracted on pit mining works or with gas obtained from biomass processing in the meaning of Article 2 item 1(2) of the Act on biocomponents and liquid biofuels
"White" proprietary interests	Proprietary interests in certificates of origin resulting from energy efficiency certificates, the so called "white" certificates
EFX	Index for session transactions the subject of which are contracts for proprietary interests resulting from Energy efficiency certificates, the so called "white" certificates
PMMET	Proprietary Interests in certificates of origin being the confirmation of electricity generation in a cogeneration unit fired with methane released and abstracted on pit mining works or with gas obtained from biomass processing in the meaning of Article 2 item 1(2) of the Act on biocomponents and liquid biofuels
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")
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 Gielda Energii (Polish Power Exchange)

Abbreviation/term	Full name/explanation
Bilateral transactions	Purchase/sale agreements for energy concluded directly between producers and other entities acting on the market
Energy Law	The Act of 10 April 1997 - Energy Law (Journal of Laws 1997 No. 54 item 348, as amended)
WIBOR	Warsaw Interbank Offered Rate - interest rate for loans on the Polish interbank market
Tariff group set A	Energy sold and delivered to customers connected to a high-voltage grid
Tariff group set B	Energy sold and delivered to customers connected to a medium-voltage grid
Tariff group set C	Energy sold and delivered to customers connected to a low-voltage grid, with the exception of end users using electricity for household purposes
Tariff group set G	Energy sold and delivered to end users using electricity for household purposes, regardless of voltage of the grid to which they are connected

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Glossary of terms

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