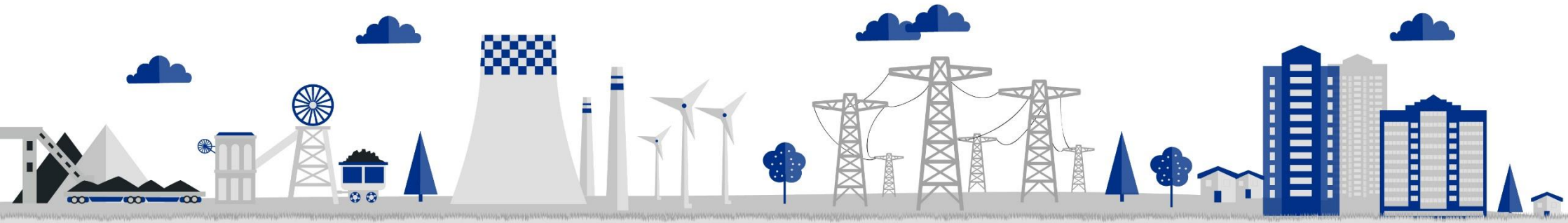




Report of the Management Board on the operations of the Enea Capital Group in 2015

Poznań, 21 March 2016





MINING

15% share in the fuel coal market

8.5 mln tonnes of net annual coal production

8.6 mln tonnes of net annual coal sales

3 mining fields - main and peripheral

20.0 km performed excavations



GENERATION

9% share in energy generation

16 TWh of annual generating potential

3.3 GW_e installed electrical capacity

1,075 MW_e gross capacity of the constructed unit No. 11

925 MW_t installed heating capacity



DISTRIBUTION

14% share in electricity distribution market

17.9 TWh of energy supplied to Customers annually

58.2 thou. km² of energy distribution area

134 thou. km of distribution lines including connections

37 thou. transformer stations



TRADE

13% share in sales of electricity to retail users

16 TWh of annual electricity sales to retail users

1 TWh of annual gaseous fuel sales to retail users

2.4 mln energy Consumers

34 Customer Service Centres

COMPETITIVENESS AND LONG-TERM DEVELOPMENT ARE PIVOTAL TO OUR COMPANY



Dear Sirs and Madams,

As a new Management Board of Enea, we commenced our mission having in mind that our goal is enhancing the Group's competitiveness and guaranteeing its balanced and long-term development. We wish to manage the company effectively, consistently building its position and value on the market. Our investments are implemented to improve the reliability and security of energy supply, based on the Polish fuel. We will increase the Group's operating effectiveness via building optimum synergies. Of a special importance for us is improvement of the quality of our services and innovativeness. We intend to realise that all as a socially responsible business which is open to the needs of all the stakeholders, including Employees.

Effective management of development. Consistent building of the Group's position and value on the market.

Our fundamental duty is further development and strengthening of Enea Group's position on the Polish electricity and fuel market. Currently, we are implementing an investment plan resulting from the strategy being in force. Taking over the majority interest in LW Bogdanka by the Group in October 2015 resulted in the fact that we supplemented our chain of values with the segment of mining. Apart from short-term activities in order to establish appropriate operating synergies, resulting from that fact, we commenced works over the strategy verification to include this element in our development programmes and investments on a short and long run.

Many changes are occurring to our company's immediate and farther environment. They also relate to national and EU regulations which have a direct impact on the sector in which the Group operates. We should be very well prepared to these changes, therefore at the verification of the strategy we set such a goal to us. We wish to orientate on the building and development of a strong innovative raw materials and energy group, having a financial potential to realise the development and innovation programmes.

Reliability and security of energy supplies based on local fuel. Investments in new sources, modernisation of the existing ones and in infrastructure.

The Group invests in the modernisation and development of generation capacities. In 2015 it spent PLN 1.95 billion for that purpose, of which almost PLN 1.4 billion was expenditures for the implementation of the key investment - a modern 1,075 MW_e gross unit in Kozienice Power Plant. It is an extremely important project for the Group and for the whole power infrastructure in Poland. The construction's progress is 80%. Currently, the final stage of assembly works in the pressure part of the boiler is in progress. We are ahead of the unit's start-up, acceptance tests and in the end commissioning of the unit.

However, we invest not only in conventional energy sources. We are considering a further development within cogeneration and intend to increase energy production from wind. We are continuing the construction of 14.1 MW Baczyna wind farm and the project of max. 10 MW extension of Bardy wind farm. We are constantly analysing the market as regards potential acquisitions which will be business-effective and will become a part of the Polish energy policy.

Additionally, investments in the maintenance, modernisation and development of the distribution network are very important for the Group. That allows us to provide our Customers with energy of better quality parameters. In 2015 PLN 0.9 billion was allocated to this purpose. During the following years the outlays will range from PLN 0.81 billion to PLN 1 billion.

Increasing operational efficiency. Building optimum synergies within the business operations.

In October 2015 Enea Group became the owner of a total of 66% of LW Bogdanka's shares. The mine from Lublin is the best producer of bituminous coal in Poland, outstanding in the sector as regards the financial results generated, efficiency of bituminous coal mining and investment plans providing for the availability of new resources. Enea obtained profitable assets which are to guarantee a competitive and predictable fuel price within the Group and long-term reliability of supplies, and additional income from sales beyond the Group. For Bogdanka it means strengthening of its position in a more and more difficult market environment.

Due to the transaction we have a possibility of implementing a range of synergies, both on the operating level (optimisation of: transaction costs, maintenance management, support functions, and joint purchases), and on the investment level. In next months we will concentrate on the preparation of the integration of both enterprises and identification of long-term initiatives of increasing the value so that the synergies with LW Bogdanka are used possibly in the best way. We wish to prove that it is possible to build a modern and efficient raw materials and energy group and relevant cooperation (business model) of energy and mining sectors may have a deep economic sense and may build corporate value for the company's Shareholders.

In the other business areas of our chain of values, i.e. generation, trade, trading in energy and fuels, we will also work on the cost and organisational effectiveness so that to establish synergies and the required financial and organisational potential for the planned development programmes.

Customer in the centre of attention. Better quality of services and market offer.

The demand for electricity in Poland should increase. If we compare the level of electricity consumption per citizen, then we are far behind Germany, France or Great Britain. Therefore we intend to further focus on good Customer service and high quality of the market offer, adjusted to Customer needs. We will intend to strengthen our position on the market using the most optimal organisation and product solutions. We will wish to take care for the satisfaction and loyalty of our Customers offering them diversified and price-attractive product connecting the sales of electricity with packages of additional benefits. Yet, in the area of wholesale trade we will be an important player on the market of energy and fuels, we also consider increasing the activity beyond the domestic market.

Investments in innovations and new technologies.

Our activity in the area of innovations and supporting new technologies will become a part of the domestic economy development programme. Research and development projects have a potential of solving problems which are significant for the power sector, however they need engagement of considerable funds and time, with no guarantee of achieving a commercial success. Changing market conditions and legal environment have impact on the development of technologies. In the area of energy sales we will search for new products and services increasing Customer commitment in the conscious use of electricity. Solutions in the field of smart grids have a great potential in the area of distribution and an important direction within generation will surely be the so called clean coal technologies. We intend to participate in the prepared sectoral programme for the power engineering of the National Centre for Research and Development.

Corporate Social Responsibility. Dialogue with the Community Side.

We are a responsible company and we will still act for the benefit of our environment and surroundings. One of the important elements of an efficient Group development management is relevant communication with its key Stakeholders and building trust to the company and its operations. Enea Foundation's operations within the community involvement and projects resulting from the strategy of the Group's sustainable development serve that goal. One of our priorities is an open dialogue with local communities and local governments and public institutions representing them. We also intend to continue the dialogue with the Community Side. Human capital is the greatest value of our company and we want to have an open and substantive dialogue.

Yours sincerely,

Mirosław Kowalik

President of the Management Board of Enea SA



1. Operating Summary

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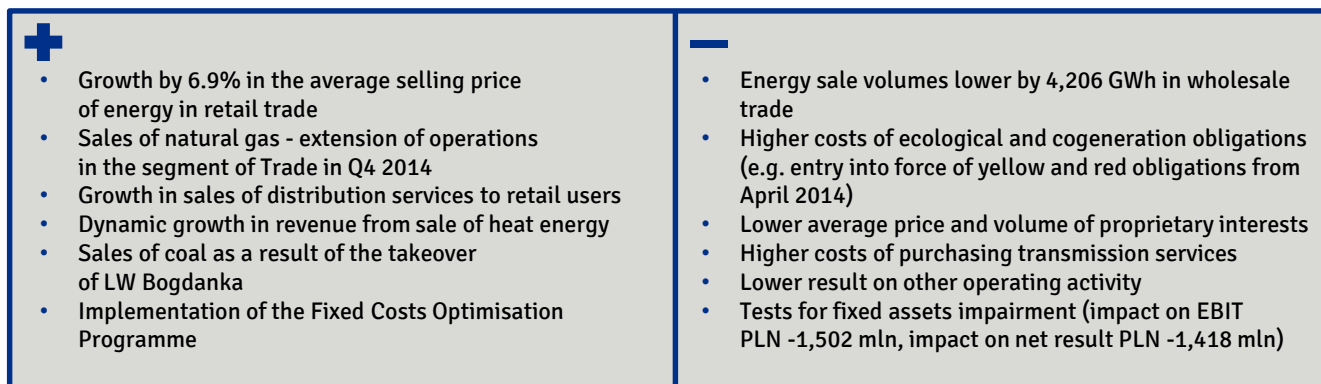
Generated financial results reflect the optimal use of Enea CG's resources

In 2015 Enea CG generated:

- **PLN 9,848 mln** net sales revenue - drop by 0.1% yoy
- **PLN 2,130 mln** EBITDA - growth by 9.5% yoy

In the reporting period the highest EBITDA was generated in the segment of Distribution and amounted to PLN 1,139 mln. The highest growth in EBITDA - by PLN 157 mln, i.e. 21.2% - was reported in the segment of Generation. The results of the segment of Generation in 2014 and 2015 were affected the most by one-off events being the recognition in Q2 2014 of PLN 257 mln and in Q3 2015 of PLN 293 mln revenue from Long-term Agreements. After the exclusion of the impact of these events EBITDA of the segment of Generation grew yoy by PLN 121 mln, i.e. 25.2%. The segment of Trade, reporting a growth by 18.4% yoy, generated EBITDA in the amount of PLN 126 mln. In relation to the acquisition of LW Bogdanka Enea CG's operations were extended with the segment of Mining, which, for the last two months of 2015, generated PLN 156 mln EBITDA.

Factors which affected the financial results generated by Enea CG in 2015 are presented in the diagram below:



In Q4 2015 alone the Group generated:

- **PLN 2,698 mln** net sales revenue - growth by 2.7% yoy
- **PLN 525 mln** EBITDA - growth by 21.1% yoy

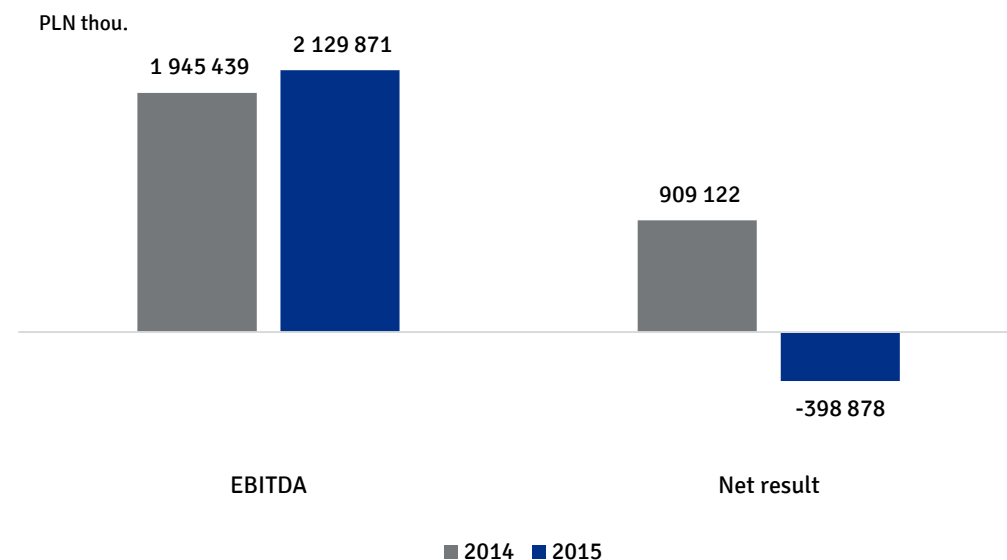
In 2015 Enea CG spent PLN 3.1 billion on investments, which is by 10.4% more than in the previous year. Despite the intensive development, realisation of an ambitious CAPEX programme and acquisition of LW Bogdanka's shares the Group maintained the net debt/EBITDA ratio on a safe level, namely 1.8.

In 2015 the Group generated 13.1 TWh of electricity - growth by 2.6% yoy and 5.2 TJ of heat energy - growth by 6.1% In this period Enea maintained sales of electricity to business customers and households, and also significantly increased sales of gaseous fuel, which resulted in the growth in sales to retail users by 679 GWh, i.e. by 4.2% yoy. Sales of distribution services grew by 315 GWh, i.e. 1.8% yoy and reached the level of 17.9 TWh.

[PLN '000]	2014	2015	Change	Change %
Net sales revenue	9 855 395	9 848 392	-7 003	-0.1%
Operating profit / (loss)	1 186 475	- 162 125	-1 348 600	-113.7%
Profit / (loss) before tax	1 143 102	- 408 978	-1 552 080	-135.8%
Net profit / (loss) for the reporting period	909 122	- 398 878	-1 308 000	-143.9%
EBITDA	1 945 439	2 129 871	184 432	9.5%
Net cash flows from:				
operating activities	1 115 676	2 206 416	1 090 740	97.8%
investing activities	- 3 048 793	- 3 724 664	-675 871	-22.2%
financing activities	1 045 785	2 653 026	1 607 241	153.7%
Balance of cash	687 316	1 822 094	1 134 778	165.1%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit / (loss) per share [PLN]	2.06	-0.99	-3.05	-148.1%
Diluted profit / (loss) per share [PLN]	2.06	-0.99	-3.05	-148.1%

[PLN '000]	31 December 2014	31 December 2015	Change	Change %
Total assets	18 108 040	22 988 996	4 880 956	27.0%
Total liabilities	6 044 027	10 866 393	4 822 366	79.8%
Non-current liabilities	4 190 197	8 457 838	4 267 641	101.8%
Current liabilities	1 853 830	2 408 555	554 725	29.9%
Equity	12 064 013	12 122 603	58 590	0.5%
Share capital	588 018	588 018	-	-
Book value per share [PLN]	27.33	27.46	0.13	0.5%
Diluted book value per share [PLN]	27.33	27.46	0.13	0.5%

[PLN '000]	Q4 2014	Q4 2015	Change	Change %
Net sales revenue	2 628 223	2 698 079	69 856	2.7%
Operating profit / (loss)	198 415	-1 209 096	-1 407 511	-709.4%
Profit / (loss) before tax	127 270	-1 455 209	-1 582 479	-1 243.4%
Net profit / (loss) for the reporting period	75 634	-1 236 716	-1 312 350	-1 735.1%
EBITDA	433 182	524 629	91 447	21.1%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit / (loss) per share [PLN]	0.17	-2.88	-3.05	-1 794.1%
Diluted profit / (loss) per share [PLN]	0.17	-2.88	-3.05	-1 794.1%



	unit	2014	2015	Change	Change %	Q4 2014	Q4 2015	Change	Change %
Net sales revenue	PLN thou.	9 855 395	9 848 392	-7 003	-0.1%	2 628 223	2 698 079	69 856	2.7%
EBITDA	PLN thou.	1 945 439	2 129 871	184 432	9.5%	433 182	524 629	91 447	21.1%
EBIT	PLN thou.	1 186 475	-162 125	-1 348 600	-113.7%	198 415	-1 209 096	-1 407 511	-709.4%
Net profit / (loss)	PLN thou.	909 122	-398 878	-1 308 000	-143.9%	75 634	-1 236 716	-1 312 350	-1 735.1%
Net cash flows from operating activities	PLN thou.	1 115 676	2 206 416	1 090 740	97.8%	462 064	860 817	398 753	86.3%
CAPEX	PLN thou.	2 762 875	3 051 456	288 581	10.4%	1 163 844	1 097 754	-66 090	-5.7%
Net debt / EBITDA ¹⁾	-	0.5	1.8	1.3	260.0%	0.5	1.8	1.3	260.0%
Return on assets (ROA) ¹⁾	%	5.0%	-1.7%	-6.7 p.p.	-	1.7%	-21.5%	-23.2 p.p.	-
Return on equity (ROE) ¹⁾	%	7.5%	-3.3%	-10.8 p.p.	-	2.5%	-40.8%	-43.3 p.p.	-
Trade									
Sales of electricity and gaseous fuel to retail customers	GWh	16 359	17 038	679	4.2%	4 385	4 542	157	3.6%
Number of recipients (Power Delivery Points)	thou.	2 364	2 382	18	0.8%	2 364	2 382	18	0.8%
Distribution									
Sales of distribution services to end users	GWh	17 621	17 936	315	1.8%	4 492	4 545	53	1.2%
Number of customers (closing balance)	thou.	2 461	2 487	26	1.1%	2 461	2,487	26	1.1%
Generation									
Total generation of electricity, including:	GWh	12 812	13 142	330	2.6%	3 357	3 444	87	2.6%
<i>from conventional sources</i>	GWh	11 779	12 293	514	4.4%	3 099	3 228	129	4.2%
<i>from renewable sources of energy</i>	GWh	1 033	849	-184	-17.8%	258	216	-42	-16.3%
Gross generation of heat	TJ	4 916	5 217	301	6.1%	1 911	1 616	-295	-15.4%
Sale of electricity, including:	GWh	16 894	16 359	-535	-3.2%	4 362	4 331	-31	-0.7%
<i>from conventional sources</i>	GWh	15 861	15 510	-351	-2.2%	4 104	4 115	11	0.3%
<i>from renewable sources of energy</i>	GWh	1 033	849	-184	-17.8%	258	216	-42	-16.3%
Sales of heat	TJ	4 310	4 237	-73	-1.7%	1 567	1 436	-131	-8.4%
Mining (XI-XII)									
Gross output	thou. of tonnes	-	2 640 835	2 640 835	100.0%	-	2 640 835	2 640 835	100.0%
Net production	thou. of tonnes	-	1 701 466	1 701 466	100.0%	-	1 701 466	1 701 466	100.0%
Preparatory works	m	-	3 164	3 164	100.0%	-	3 164	3 164	100.0%

2015 / 2014:

**Growth in EBITDA
by PLN 184 mln**

**Greater volumes of
generated electricity
by 330 GWh**

Q4 2015 / Q4 2014:

**Growth in EBITDA
by PLN 91 mln**

**Tests for fixed assets
impairment:**

- Impact on EBIT
PLN -1,502 mln
- Impact on net result
PLN -1,418 mln

2015:

- Consistent development of Enea CG: CAPEX totalling to PLN 3,051 mln with a low value of net debt/EBITDA ratio
- Greater volumes of generated electricity by 330 GWh
- Greater volumes of generated heat energy by 301 TJ
- Extension of operations in the segment of Trade in Q4 2014 with trade in gaseous fuels
- Extension of operations with the segment of Mining

Q4 2015:

- Consistent development of Enea CG: CAPEX totalling to PLN 1,098 mln with a low value of net debt/EBITDA ratio
- Extension of operations with the segment of Mining

1) Ratio definitions are to be found on page 125

I quarter

Great interest of investors in Enea's corporate bonds

Enea obtained PLN 1 billion due to placing of the first issue of bonds within the programme totalling to up to PLN 5 billion. The securities were issued as bearer bonds, with five years of maturity. They are denominated in Polish zloty and were offered in a non-public issue. The issue was taken up by 21 entities: banks, investment fund companies, open-end pension funds and insurance companies. On 24 March the bonds were registered with the National Depository for Securities and on 15 May they were first traded on the Catalyst market of the Warsaw Stock Exchange.

Entry into WIG20 confirms Enea's importance to the Warsaw stock exchange

Enea SA's shares were listed on the key indices of the Warsaw Stock Exchange: WIG20 and WIG20TR. It is a result of the annual review of indices performed by the stock exchange on 12 February this year. Formerly, Enea SA's shares were listed on mWIG40 index which they have left now. WIG20 index is the key ratio of the economic situation, and also the key index and base instrument for futures contracts and options. The composition of portfolios of WIG30 and WIG30TR on which Enea's shares are listed, has not changed.

Enea Group Company a contractor of four solar power plants

Enea Oświeetlenie and Miejski Ośrodek Sportu, Rekreacji i Rehabilitacji (Local Sports, Recreation and Rehabilitation Centre) in Szczecin concluded an agreement as a result of which four photovoltaic power plants of a total capacity of ca. 212 kW were developed on public utility buildings' roofs. The installed solar power plants supply power for own needs of the facilities in Szczecin. The project co-financed from the Community funds was completed at the beginning of August 2015.



More ecological energy in Enea Wytwarzanie

In Q1 2015 the construction of installations of flue gases denitrification on unit No. 7 in Koziernice Power Plant was completed. It constitutes another stage of the SCR installation construction on 200 MW units - No. 4 to 8 which is to guarantee ca. 80% reduction in nitric oxides in flue gas.

A heat recovery installation from biomass boiler flue gases has been operating in Elektrociepłownia Białystok since 23 February. This is the first installation of this type operating on an industrial scale in Poland. The applied technology allows to increase the heat production from the biomass boiler without consuming additional fuel. Due to the investment in the modern heat recovery system, Enea Wytwarzanie reduced pollutant emissions to the atmosphere, concurrently increasing the total capacity of the combined heat and power plant.

The cogeneration heat and power plant constructed in MEC Piła is one of the most modern facilities of this type in Poland. It may produce around 10 MW_t of heat energy and around 10 MW_e of electricity at the same time and is fired with natural gas. Its launching resulted in the reduction in demand for energy from conventional sources, contributing therefore to the reduction of combusted coal and emission of harmful substances, in particular dusts, sulphur oxides and CO₂ to the atmosphere.

Enea Wytwarzanie and LW Bogdanka signed an annex to the coal supply agreement

On 25 March Enea Wytwarzanie and LW Bogdanka signed an annex to the annual agreement for fuel coal supplies in 2015. It specifies the detailed prices of the basic coal supplies to Koziernice Power Plant in 2015.

The Group simplifies and optimises its structure

In Q1 a new brand architecture was implemented. Core Group companies changed their names to: Enea Oświeetlenie (formerly Eneos), Enea Pomiary (formerly Energomiary), Enea Logistyka (formerly BHU) and Enea Serwis (formerly Energobud Leszno). All the companies, except the distribution company, use the same logo.

II quarter

Another stage of the Group's optimisation

On 1 April subsequent changes were made to the Group's structure: Energo-Tour was put to liquidation. Its operations are being gradually phased out, which is compliant with Enea Group's corporate strategy foreseeing the concentration on core operations.

Enea acquired a block of shares in the operator of the future atomic power plant

On 15 April Enea, KGHM Polska Miedź and Tauron Polska Energia purchased from PGE 10% shares each (a total of 30% shares) in PGE EJ 1 - the special purpose vehicle, which will be the operator of the first Polish atomic power plant. PGE EJ 1 is responsible for the preparation and implementation of the investment being the construction and exploitation of the power plant with the capacity of around 3,000 MW_e.

Fitch Ratings affirms a high rating for Enea

On 27 April Fitch Ratings agency upheld long-term ratings for our Company in national and foreign currency on the level of "BBB" and a long-term national rating on the level of "A(pol)" with a stable outlook. On 29 October Fitch Ratings affirmed Enea's ratings in relation to the takeover of LW Bogdanka The outlook of the ratings is stable.

Enea entered the German market

In May, Enea commenced operations on the German electricity wholesale market. Through a specialist company, Enea Trading, it is present both on the SPOT market - EPEX SPOT (European Power Exchange), and forward market - EEX (European Energy Exchange).

EIB supports modernisation of power grids of Enea

On 29 May the European Investment Bank granted Enea a loan in the amount of PLN 946 mln for the modernisation and extension of power grids in north-western Poland. Enea's investment programme realised during 2015-2017 will contribute to the enhancement of the competitiveness and distribution security in this part of Poland.

PEC Zachód – a new company in Białystok

Przedsiębiorstwo Energetyki Ciepłej Zachód as a new subsidiary of Enea Wytwarzanie commenced operations as a part of Enea Group in June 2015. PEC Zachód will provide services for the Segment of Heat, e.g. within exploitation and construction of a heating network and servicing Ciepłownia Zachód belonging to MPEC. The new company will be also able to extend the range of its operations, going out to the external market with services within the construction and repair of water installations and heating networks.



III quarter

Changes in the composition of the Supervisory Board of Enea

In relation to the expiry as of 1 July the 8th term of Enea's the Supervisory Board, the Ordinary General Meeting of Shareholders of the Company, as of 2 July, nominated the following people into the composition of the Supervisory Board of the 9th term: Sławomir Brzeziński, Wojciech Chmielewski, Marian Gorynia, Wojciech Klimowicz, Sandra Malinowska, Tadeusz Mikłosz, Małgorzata Niezgodna and Rafał Szymański. On 23 July, in relation to a resignation filed by Wojciech Chmielewski, Monika Macewicz was appointed into the composition of the Company's Supervisory Board. On 27 August Radosław Winiarski joined the Supervisory Board.

The Group implements projects in order to increase the generating capacities from RES

Enea Wytwarzanie concluded a contingent agreement for the purchase of 100% of shares in the company which implements the investment of the construction of a 36 MW wind farm. The company, located in the central Poland, will be composed of 12 wind turbines, 3 MW power each. The farm's start-up is planned until the end of this year. Pursuant to the provisions of the agreement Enea Wytwarzanie will become a 100% shareholder in the company, after a formal commissioning of the investment. Until the end of 2016 the completion of the construction of 14.1 MW Baczyna Wind Farm is planned. The Company analyses also the possibilities of realising a pilot project within photovoltaics. In April 2015 a permit was obtained for the construction of 1 MW installation in Jastrowie.

Enea and Tauron want to develop renewable capacities together

On 2 July 2015 the companies signed a letter of intent relating to the joint implementation of the strategy guaranteeing an optimum method of increasing capacities from renewable sources and financing transactions of acquiring wind assets. Both, Enea's and Tauron's strategy provides for the development of renewable energy sources, in particular wind farms.

PLN 207.5 mln went to shareholders

On 11 August Enea distributed dividend from profit for 2014 in the amount of PLN 0.47 per share. The dividend rate totalled to 3.2%.

Enea terminated the coal supply contract with LW Bogdanka

On 21 August Enea Wytwarzanie terminated a multiannual coal supply agreement concluded with LW Bogdanka in 2010. The Company determined that the coal from Lublin was too excessive for it and the concluded contract and lack of negotiating flexibility of the partner gave no chances for required reductions which account for the market reality. The existing agreement did not allow Enea to obtain fuel at prices which are in force on the global and domestic markets.

Additional funds for investments as a result of the final settlement of Long-term Agreements

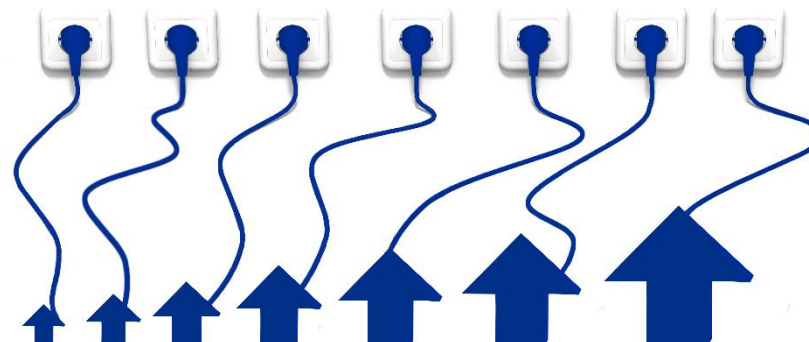
On 27 August Enea Wytwarzanie received the decision of the President of Energy Regulatory Office regarding the amount of the final adjustment of stranded costs. The amount of the final adjustment was PLN 316 mln and will be paid until the end of the year. The total nominal value of compensation by title of Long-term Agreements' termination for the Company for the whole period of adjustment will amount to PLN 522 mln. Due to the achieved compromise Enea may terminate the litigation being in progress for many years, and allocate the additional funds in the financing of the Group' core investments.

Enea updated its strategy

Guaranteeing fuel supplies for own generating assets, innovations and extended HR policy - these are the three core new elements of the Group's strategy. Enea modified also its investment plans, taking into account the dynamic changes in the market conditions and regulatory framework. No changes were made to the mission and the map of strategic goals of the Group, where the key objectives still include: growth in value for shareholders, building long-term relations with Customers, growth in profitable areas, better efficiency and optimum use of the organisational potential. During 2015-2020 the Group will spend ca. PLN 17 billion on investments.

Establishment of other units supporting the Group's operations

On 18 September Centralny System Wymiany Informacji company was established whose goal is the implementation of a uniform standard of information exchange among the participants of the retail electricity market. And on 29 September Enea Innovation was established whose objective is performing activities directed at the implementation of Enea Capital Group's Corporate Strategy determining the Group's interest within innovation implementation.



IV quarter

Changes in Enea's authorities

On 21 October, in relation to the resignation from holding the position and membership in the Supervisory Board of Marian Gorynia, its composition was supplemented with Tomasz Gołębiowski. On 2 December Monika Macewicz was recalled from the composition of the Supervisory Board and Wiesław Piosik was nominated into it. On 7 December 2015 the Company's Supervisory Board recalled, as of the same day, Krzysztof Zamasz holding the position of the President of the Management Board and Paweł Orlof holding the position of the Member of the Management Board for Corporate Affairs from the composition of the Management Board. At the same time, the Supervisory Board delegated Wiesław Piosik to temporarily act as the President of the Management Board.

After the end of the reporting period other changes took place in the Company's authorities. On 7 January 2016 Mirosław Kowalik became the President of the Management Board of Enea, and Wiesław Piosik the Vice-President of the Management Board for Corporate Affairs, who in relation to the nomination into the Management Board resigned from the membership in the Supervisory Board. On the same day, the following people ceased to hold their functions: Dalida Gepfert, Vice-President of the Management Board for Financial Affairs and Grzegorz Kinelnski, Vice-President of the Management Board for Commercial Affairs. The duties of the Vice-President for Commercial Affairs were temporarily held by the Member of the Supervisory Board, Sławomir Brzeziński. On 15 January the following people were recalled from the composition of the Supervisory Board: Sandra Malinowska, Tomasz Gołębiowski and Radosław Winiarski, and the following people were nominated into it: Piotr Kossak, Rafał Bargiel, Roman Stryjski and Piotr Mirkowski. On 21 January the Supervisory Board nominated, as of 15 February, Mikołaj Franzkowiak to the position of the Vice-President of the Management Board for Financial Affairs and Piotr Adamczak to the position of the Vice-President of the Management Board for Commercial Affairs. On the same day Sławomir Brzeziński ceased to perform the duties of the Vice-President of the Management Board for Commercial Affairs.

Enea CG took over the most efficient mine in Poland

On 29 October Enea CG became the owner of a total of 66% of LW Bogdanka's shares, holding thus the operating control over the most efficient Polish mine. An effectively conducted tender offer, in which WIG20 listed companies were both the acquirer and the acquired, was an important event for the whole Polish capital market. The guarantee of receipt by Enea's power plants of the coal from Lublin, strengthening of the position of one of the most important employers in the Lubelskie region, joint investments and engagement in the life of local communities - these are the key benefits that LW Bogdanka's incorporation under Enea CG brings. Joint establishment of a modern fuel and energy concern guaranteed Bogdanka a stable future, and Enea CG guaranteed itself reliable supplies of fuel at competitive prices.

Fitch Ratings affirmed Enea's ratings in relation to the takeover of LW Bogdanka

Fitch Ratings agency, taking into account the acquisition of LW Bogdanka and a drop in the weighted average cost of capital (WACC) in the segment of electricity distribution until 2016, on 30 October affirmed the long-term ratings for Enea in national and foreign currency on the level of "BBB" and the long-term national rating on the level of "A(pol)" with a stable outlook.

Additional funds for Enea Group's development

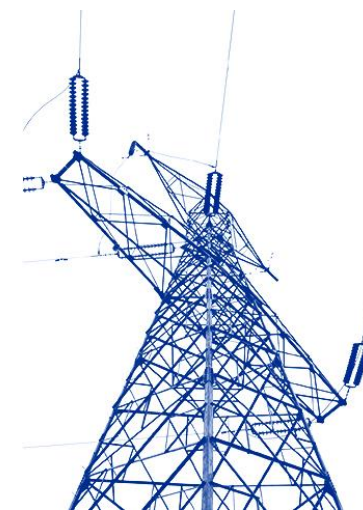
Enea and Bank Gospodarstwa Krajowego concluded a programme agreement relating to the bond issue up to the amount of PLN 700 million. The funds obtained from future issues of these bonds will be allocated to the implementation of the Group's corporate strategy. The concluded agreement is another stage of cooperation between Enea and Bank Gospodarstwa Krajowego within "Polish Investments" programme realised by the Bank. The first agreement relating to the bond issue programme up to the total amount of PLN 1 billion was concluded on 15 May 2014. The funds have been already fully utilised.

New tariffs for individual Customers

On 17 December the President of the Energy Regulatory Office approved the tariffs of Enea and Enea Operator for 2016. The distribution tariff was reduced by 1.03% yoy, and Enea's tariff, as of the so called nominated vendor, includes a reduction in energy prices for households by 0.7% yoy on average.

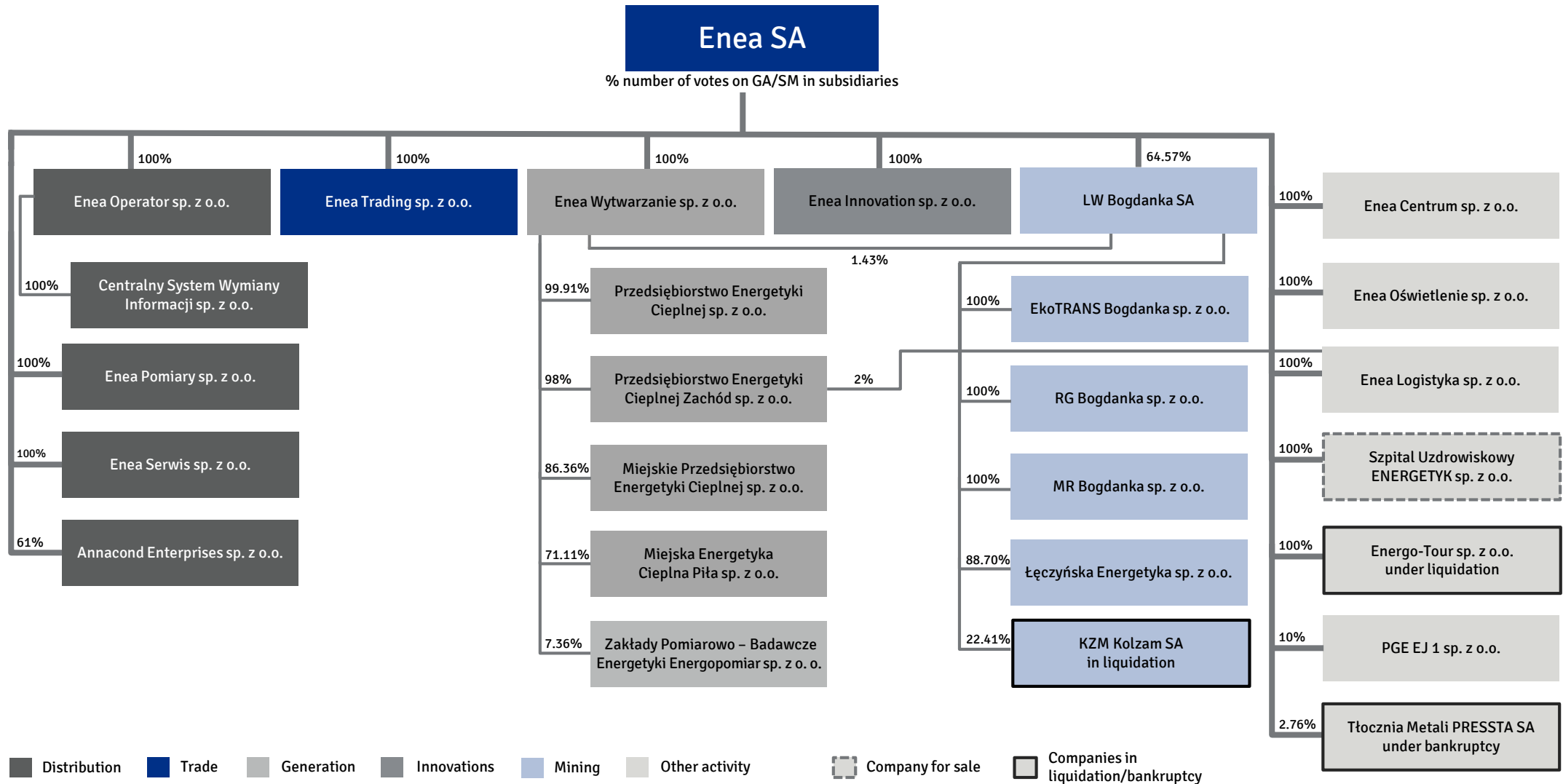
A new owner of Hotel Edison

We have been consistently reducing the engagement in undertakings not connected with the Group's core operations. The decision on the exclusion of Hotel Edison from the Group was a natural consequence of this approach. The object located at the Kierskie Lake offering hotel and catering services was sold on 18 December.





2. Enea Group's organisation and operations



As at 31 December 2015 the Capital Group comprised the parent company, Enea SA, and 13 direct subsidiaries. All the direct subsidiaries are subject to consolidation.

5 leading entities operate within Enea Capital Group, i.e. Enea SA (trade in electricity), Enea Operator sp. z o.o. (distribution of electricity) and Enea Wytwarzanie sp. z o.o. (generation and sales of electrical and heat energy), Enea Trading sp. z o.o. (wholesale trade in electricity) and LW Bogdanka SA (mining). The other entities render supplementary services towards the aforementioned companies. The Group's structure includes also minority interests in entities held by Enea SA's subsidiaries, i.e. in particular Zakłady Pomiarowo – Badawcze Energetyki Energopomiar sp. z o. o. and LW Bogdanka SA.

Asset restructuring

After performing, in previous years, key organisational changes in 2015 Enea Capital Group, apart from the operations related to the planned changes, did not conduct any significant activities within assets restructuring. Pursuant to Enea Group's Corporate Strategy for 2014-2020 which foresees concentration on the core operations, the conducted activities aim at guaranteeing the functioning of relevant organisational structures and processes enabling the further development of Enea Capital Group.

Segment	Date	Company	Event
Generation	30 January 2015	Ecebe	Removing the company from the register
Other activity	1 April 2015	Energo-Tour	Putting the company under liquidation
Other activity	1 July 2015	TARPAN	Removing the company from the register
Other activity	18 December 2015	Hotel EDISON	Disposal of shares

Equity investments

Segment	Date	Company	Event
Other activity	25 February 2015	Energo-Tour	Acquisition by Enea of 0.08% of shares to order the capital structure. Currently, Enea holds 100% of shares.
Other activity	15 April 2015	PGE EJ 1	Acquisition by Enea of 10% of shares in the special purpose vehicle which is responsible for the preparation and realisation of the investment being the construction and exploitation of the first atomic power plant in Poland with the capacity of around 3,000 MW _e .
Other activity	29 June 2015	Enea Centrum	Raising the share capital of the Company by PLN 502,500 and subscription for all 5,025 new shares by Enea SA which paid for them in whole with a contribution in kind being SAP Business Objects Planning and Consolidation (SAP BPC) constituting an element of fixed assets of Enea SA. Raising the share capital is pending registration with the register court.
Generation	23 June 2015	PEC Zachód	Registration of Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. seated in Białystok with KRS (National Court Register). The core subject of activity of the Company is rendering services for MPEC Sp. z o.o. in Białystok. Enea Wytwarzanie sp. z o.o. took up 98% of shares in the Company and the remaining 2% was taken up by Enea Logistyka sp. z o.o.
Other activity	29 July 2015	PGE EJ 1	Raising the share capital of the Company with PLN 69,999,450 via creation of 496,450 new shares of the nominal value of PLN 141 each, subscription for all the newly created shares by the existing Shareholders and coverage of shares with contribution in cash. Enea SA took up 49,645 shares in the raised share capital of the Company with the total nominal value of 6,999,945 and covered it with cash contribution in the amount of PLN 6,999,945. On 16 October 2015 the raising was registered with the National Court Register.
Other activity	30 July 2015	Hotel EDISON	Raising the share capital of the Company by PLN 70,500 and subscription for all 141 new shares by Enea SA which paid for them in whole with a contribution in kind. On 24 September 2015 the raised share capital was registered with the National Court Register.
Distribution activity	18 September 2015	CSWI	The Company incorporated by Enea Operator sp. z o.o. and Enea Pomiarów sp. z o.o. with the share capital of PLN 50,000, divided into 20 shares for PLN 2,500 each. The goal of the Company is implementation of a uniform standard of information exchange among the participants of the retail electricity market. On 10 November 2015 Enea Operator purchased 5% of shares from Enea Pomiarów in CSWI's share capital. From that day, Enea Operator holds 100% of shares in the Company's share capital. On 9 December 2015 a share sale agreement was concluded between Enea Operator and 4 distribution companies (RWE STOEN, ENERGA - OPERATOR, PGE Dystrybucja, Tauron Dystrybucja), as a result of which the entities will hold 20% each in the Company's share capital. The shares will be transferred if the President of the Office of Competition and Consumer Protection approves such an assignment.
Innovations	29 September 2015	Enea Innovation	The Company was incorporated on 29 September 2015 by Enea. Its objective is performing activities directed at the implementation of Enea Capital Group's Corporate Strategy determining the Group's interest within innovation implementation. The realisation of this goal will be performed with use of a venture capital fund which will be organised as a limited partnership - the Company will be its general partner. The share capital of the Company amounts to PLN 5,000 and is divided into 50 shares of the value of PLN 100 each. Enea SA took up 100% of shares of the total value of PLN 5,000 which were paid for in cash.
Mining	29 October 2015	LW Bogdanka	On 14 September Enea announced the tender offer for LW Bogdanka SA's shares. PLN 67.39 per share was offered to the existing shareholders. Subscriptions for shares were taken from 2 to 21 October. After the settlement of the transaction on 29 October Enea Group became the holder of 66% of the Company's shares.

Key equity divestments

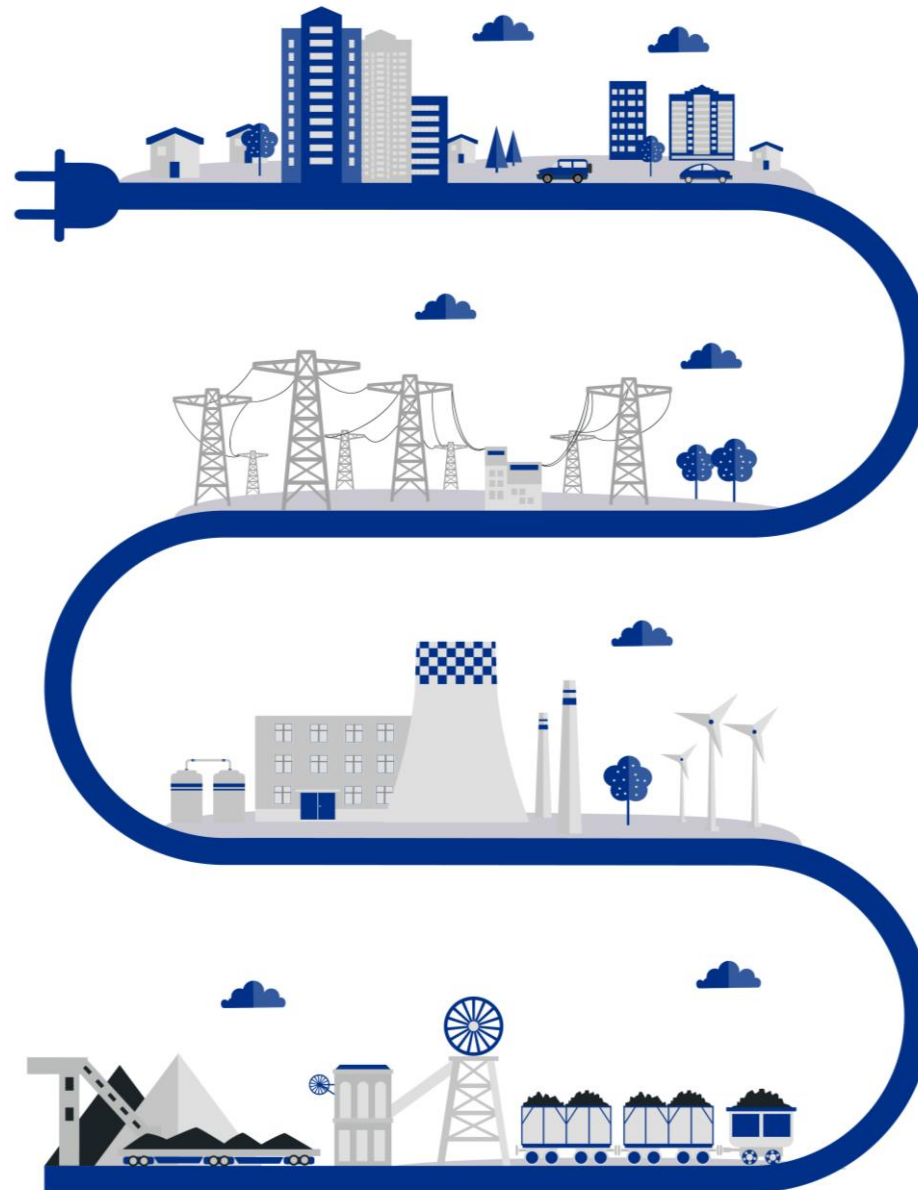
In 2015, one equity divestment was made.

Segment	Date	Company	Event
Other activity	18 December 2015	Hotel EDISON	Disposal of shares

Changes in the Group's organisation

In 2015 Enea Group continued activities focused on the implementation of the Group's Corporate Strategy.

Segment	Company	Event
Other activity	Hotel EDISON	Exclusion from Enea CG (sale)
	Szpital Uzdrawiskowy ENERGETYK	Sales process



DISTRIBUTION

- Supplies of electricity
- Planning and guaranteeing the extension of the distribution network
- Exploitation, maintenance and renovations of the distribution network
- Measurement data management

MINING

- Production of bituminous coal
- Sale of bituminous coal
- Securing the base of resources for the Group

TRADE

Retail sales:

- Trade in electricity on the retail market
- Range of products and services adjusted to Customer needs
- Comprehensive Customer Service

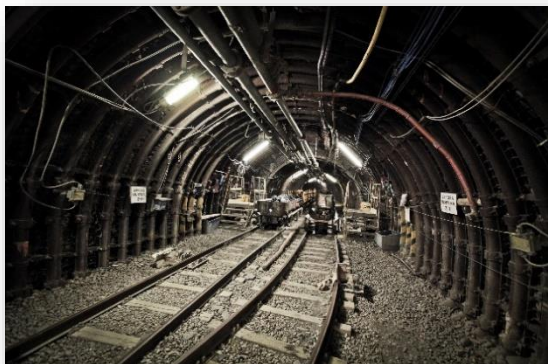
Wholesale trading:



- Electricity wholesale contract portfolio optimisation
- Operations on product markets
- Guaranteeing access to wholesale markets

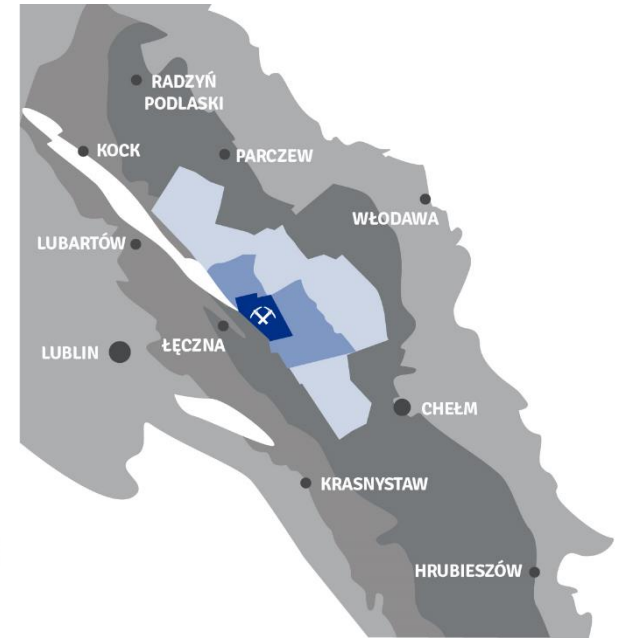
GENERATION







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

Mining



 Distribution network of Enea Operator
 Lublin Coal Basin



-  Area of occurrence of carbon deposits without perspective resources of bituminous coal
-  Unverified deposits (forecast cat. D2)
-  Unverified deposits (forecast cat. D1)
-  Deposit cat. C2
-  Deposits perspective for LW Bogdanka (deposit cat. C2)
-  Deposits being currently used by LW Bogdanka

Mining

LW Bogdanka is one of the leaders on the market of bituminous coal producers in Poland, outstanding in the sector as regards the financial results generated, efficiency of bituminous coal mining and investment plans providing for the availability of new resources. The hard fuel coal sold by the Company is used mainly for the generation of electricity, heat energy and cement production. The Company's customers in majority include industrial companies, mainly entities conducting business activity in the power sector located in the eastern and north-eastern Poland.

Enea took over LW Bogdanka in Q4 2015 and has consolidated its results since 1 November 2015. The table below is only informative and presents the key data of the segment of Mining on a year-to-year basis and in Q4 2014 and 2015.

Description	2014	2015	Change	Q4 2014	Q4 2015	Change
Gross output ['000 tonnes]	13 798	12 940	-6.2%	3 840	3 994	4.0%
Net production ['000 tonnes]	9 192	8 457	-8.0%	2 561	2 527	-1.3%
Sale of coal ['000 tonnes]	9 163	8 562	-6.6%	2 340	2 554	9.1%
Closing stocks ['000 tonnes]	306	228	-25.5%	306	228	-25.5%
Length of performed excavations [km]	29.8	20.0	-32.9%	5.7	4.4	-22.8%
Yield [%]	66.6%	65.4%	-1.2 p.p.	66.7%	63.3%	-3.4 p.p.

Key competitive advantages of LW Bogdanka

- One of the largest producers of fuel coal in Poland
- The most modern bituminous coal mine in Poland
- LW Bogdanka, despite a low quality of fine coals, has one of the highest levels of profitability due to the lowest unit costs, selling concurrently at prices close to marginal producers in Poland
- The only mine localised in south-east Poland (location rent) LW Bogdanka's geographical location gives a competitive advantage within supplies to several power plants, including Koźienice Power Plant
- The characteristics of LW Bogdanka's deposits enables high efficiency of mining
- Availability of new resources - the Company applies for new licences within the area of K-6, 7, Ostrów and Orzechów



Generation



-  Kozienice Power Plant
-  Białystok Heat and Power Plant, MEC Piła, PEC Oborniki, PEC Zachód, MPEC Białystok
-  Wind farms: Bardy, Darżyno, Baczyna
-  21 hydropower plants
-  Biogas power plants: Gorzesław, Liszkowo
-  Distribution network of Enea Operator

Generation

Enea Group's generating assets

Description	Installed electrical capacity [MW _e]	Attainable electrical capacity [MW _e]	Installed heating capacity [MW _h]
Kozienice Power Plant	2 960.0	2 919.0	105.0
Białystok Heat and Power Plant	203.5	156.6	446.5
Wind Farms: Bardy, Darżyno and Baczyna ¹⁾	70.1	70.1	-
Liszkowo and Gorzestaw Biogas Power Plants	3.8	3.8	3.1
Hydropower Plants ²⁾	60.4	57.6	-
MEC Piła ³⁾	10.0	10.0	151.3
PEC Oborniki	-	-	30.5
MPEC Białystok	-	-	185.0
TOTAL	3 307.8	3 217.1	921.4

1) Baczyna Wind Farm capacity was included - Enea Wytwarzanie is pending the licence extension

2) Modernisation of Trzebiatów Hydroelectric Power Plant (+ 0.07 MW_e)

3) Reduction in power results from the liquidation of generating sources for the heat power installed results from the liquidation of:

- EC Szamotuły (-2.507 MW_e)
- EC Poznań (-0.195 MW_e)
- Gozdnicza (-0.32 MW_e) – liquidation of one boiler house



Allowances for emissions of CO₂ in generating units [tonnes of CO₂]

Description	State as at 31 December 2014	State as at 31 December 2015 ¹⁾
Volume of free allowances for emissions of CO ₂ (KPRU - National Allocation Plan)	5 921 554	3 413 076
Volume of allowances for emissions of CO ₂ purchased on the secondary market	5 326 118	8 306 817
Total allowances for emissions of CO₂	11 247 672	11 719 893
Emission coverage with free allowances	52.6%	29.1%

CO₂ emission cost ['000 PLN]

Description	2014	2015
Area of Generation, including:	107 638	193 163
Enea Wytwarzanie sp. z o.o. Segment of System Power Plants (Kozienice Power Plant)	104 797	190 417
Enea Wytwarzanie sp. z o.o. Segment of Heat (Białystok Heat and Power Plant)	0	639
MEC Piła	1 202	1 457
PEC Oborniki ²⁾	-	-
MPEC Białystok	1 639	650

1) Book recognition was presented

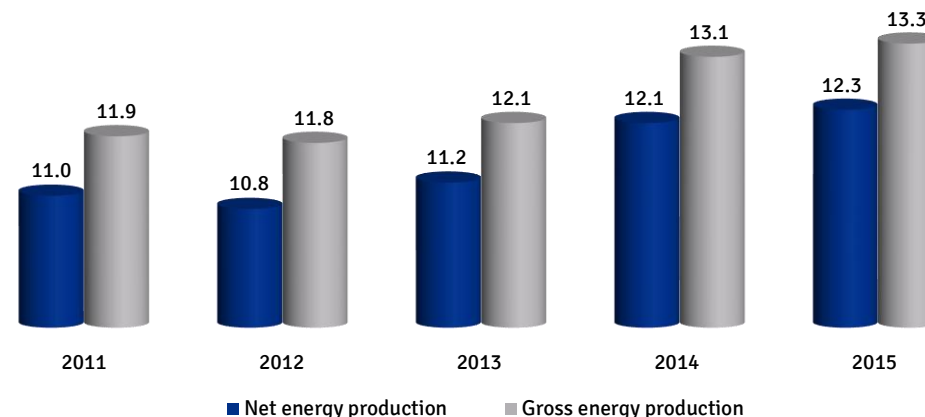
2) PEC Oborniki is not subject to the act on emission trading and does not balance CO₂ emissions

Generation

Description	2014 ¹⁾	2015	Change	Q4 2014 ¹⁾	Q4 2015	Change
Total generation of electricity (net) [GWh], including:	12 812	13 142	2.6%	3 357	3 444	2.6%
Net production from conventional sources [GWh], including:	11 779	12 293	4.4%	3 099	3 228	4.2%
Enea Wytwarzanie – segment of System Power Plants (excluding biomass co-combustion)	11 596	12 032	3.8%	3 020	3 127	3.5%
Enea Wytwarzanie - segment of Heat (Białystok Heat and Power Plant - excluding biomass co-combustion)	181	211	16.6%	77	86	11.7%
MEC Piła	2	50	2 400.0%	2	15	650.0%
Production from renewable energy sources [GWh], including:	1 033	849	-17.8%	258	216	-16.3%
Co-combustion of biomass	476	255	-46.4%	105	57	-45.7%
Combustion of biomass	294	309	5.1%	86	78	-9.3%
Enea Wytwarzanie - segment of RES (hydroelectric plants)	113	109	-3.5%	27	26	-3.7%
Enea Wytwarzanie - segment of RES (wind farms)	141	162	14.9%	37	52	40.5%
Enea Wytwarzanie - segment of RES (biogas plants)	9	14	55.6%	3	3	-
Heat production [TJ]	4 916	5 217	-6.1%	1 911	1 616	-15.4%

1) Gross production of heat [TJ] includes production from MPEC from the take-over by Enea CG - MPEC taken over on 16 September 2014

Kozienice Power Plant [TWh]



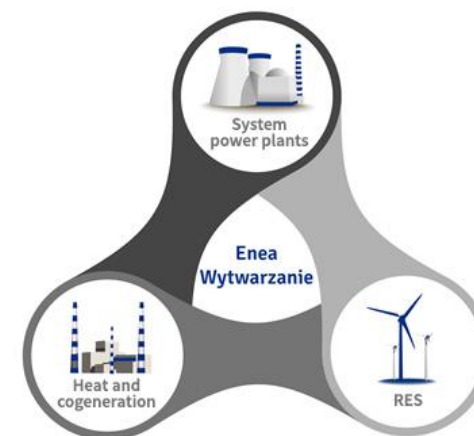
Purchase of energy by Enea Wytwarzanie on the wholesale market

In 2015 the volume-related electricity purchases in the segment of System Power Plants amounted to 2,088 GWh. The purchases were made for the needs of energy trading activities. Additionally, 1,117 GWh of energy was purchased within the Balancing Market.

In the segment of Heat the purchase volume in 2015 amounted to 8.3 GWh - acquisition on the Balancing Market is 7.8 GWh, purchase in the trade of 0.5 GWh.

Energy trading (sales = purchases) is performed within market possibilities guaranteeing achievement of the anticipated financial result and in order to limit the failure consequences.

Purchase of electricity in 2015 trade related mainly to the segment of System Power Plants and constituted 65% of the whole energy purchases. Purchase of electricity as a part of the Balancing Market accounted for 35%. Purchases within the trade in the segment of Heat stemmed from activities reducing the costs of generating units' failures and lack of available power vs. concluded contracts.

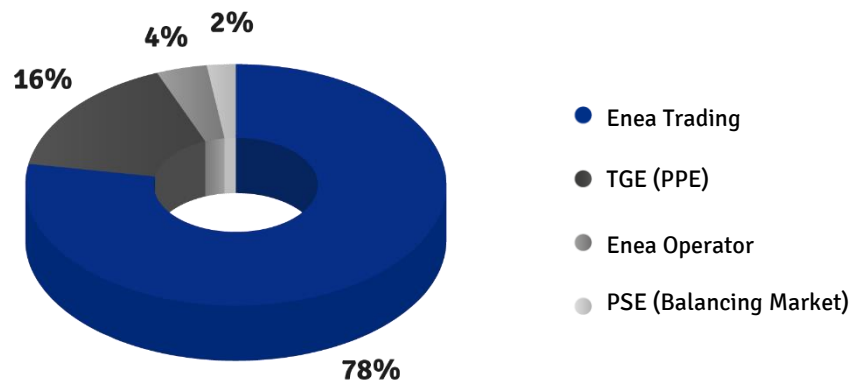


Generation

Sales volumes of electricity in Enea Wytwarzanie in 2015 amounted to 15,827 GWh. Sales were performed by particular segments depending on the statutory obligations and concluded agreements.

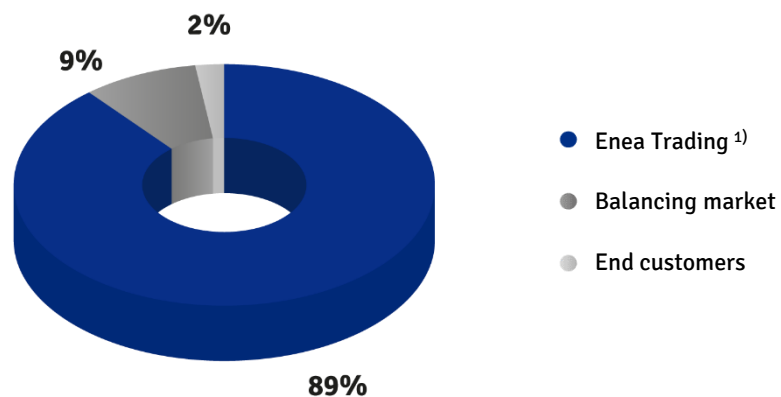
Sales of electricity as a part of the segment of System Power Plants in 2015

Sales of electricity within the segment of System Power Plants in 2015 amounted to 15,497 GWh. In that period, Enea Wytwarzanie had a statutory duty to sell 15% of generated electricity on the commodity exchange.



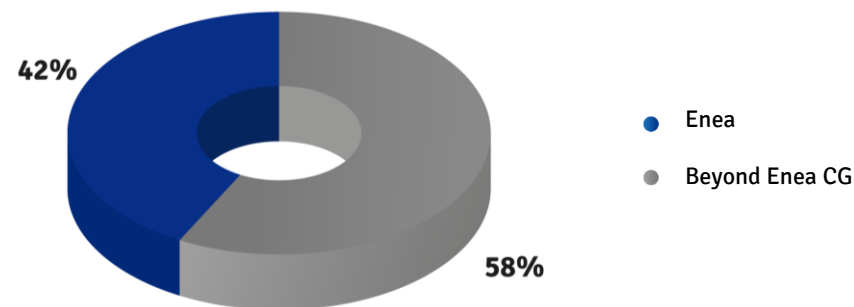
Sales of electricity as a part of the segment of Heat in 2015

In the segment of Heat sales of electricity in 2015 amounted to 362 GWh.



Sales of electricity as a part of the segment of RES in 2015

In the segment of RES sales of electricity in 2015 amounted to 285 GWh.



Fuel supplies

Fuel type	2014 ²⁾		2015		Change	
	Volume ['000 tonnes]	Costs ³⁾ [PLN mln]	Volume ['000 tonnes]	Costs ³⁾ [PLN mln]	Volume	Costs ³⁾
Bituminous coal	5 540	1 286	5 870	1 321	6.0%	2.7%
Biomass	759	248	634	172	-16.5%	-30.6%
Fuel oil (heavy) ⁴⁾	8	14	8	9	0.0%	-35.7%
Gas ['000 m ³] ⁵⁾	1 926	3	13 845	20	618.8%	566.7%
TOTAL		1 551		1 552		0.1%

- 1) Including to Enea SA
- 2) Includes production from MPEC from the take-over by Enea CG - MPEC taken over on 16 September 2014
- 3) Including transport
- 4) Light-up fuel in Kozienice Power Plant
- 5) Used for the production of electricity and heat energy in MEC Piła and heat energy in PEC Oborniki

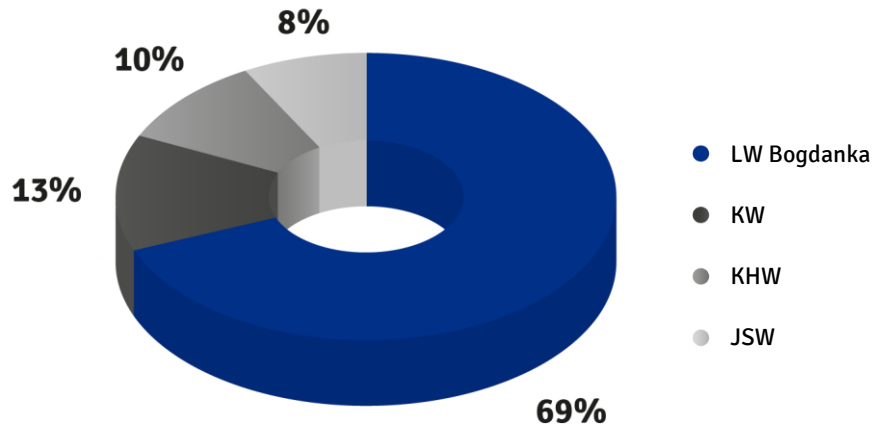
Generation

Enea Wytwarzanie – segment of System Power Plants:

The basic fuel used to produce electricity is bituminous coal. In 2015, the main supplier of coal to Enea Wytwarzanie was Lubelski Węgiel "Bogdanka" SA (ca. 69%). Additionally, coal supplies were realised by Kompania Węglowa (ca. 13%), Katowicki Holding Węglowy (ca. 10%) and Jastrzębska Spółka Węglowa (ca. 8%).

In 2015 Enea Wytwarzanie held agreements with a total of 10 suppliers of biomass. In that period 153,250.56 tonnes of biomass were purchased for Kozienice Power Plant for the purpose of production of renewable energy. Biomass was mainly sunflower husk pellets.

Coal suppliers to Enea Wytwarzanie in 2015



Enea Wytwarzanie - segment of Heat:

The basic fuel used in Enea Wytwarzanie - segment of Heat (Elektrociepłownia Białystok) is biomass, mainly as wood chips, energetic willow chips and sunflower husk pellets. In 2015, the volume of supplied biomass amounted to 359,514.00 tonnes, and the deliveries were performed by 14 entities. Around 35% of biomass was delivered to the area of Enea Wytwarzanie - segment of Heat, using a rail transport.

In 2015 only Kompania Węglowa supplied coal to Enea Wytwarzanie - segment of Heat.

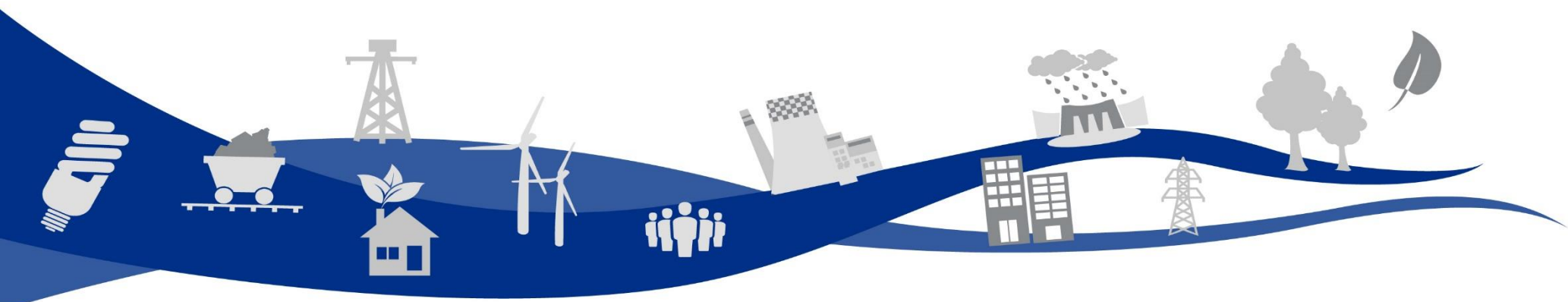
Coal Transport

Enea Wytwarzanie – segment of System Power Plants:

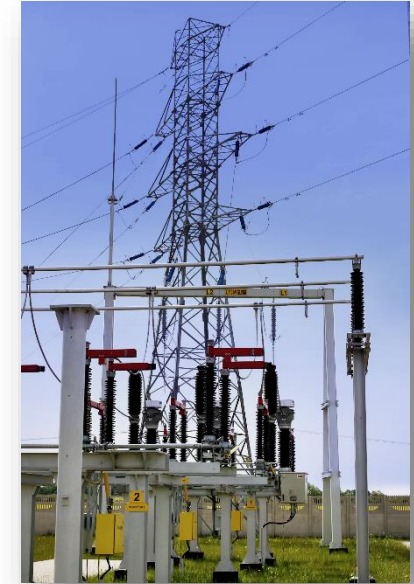
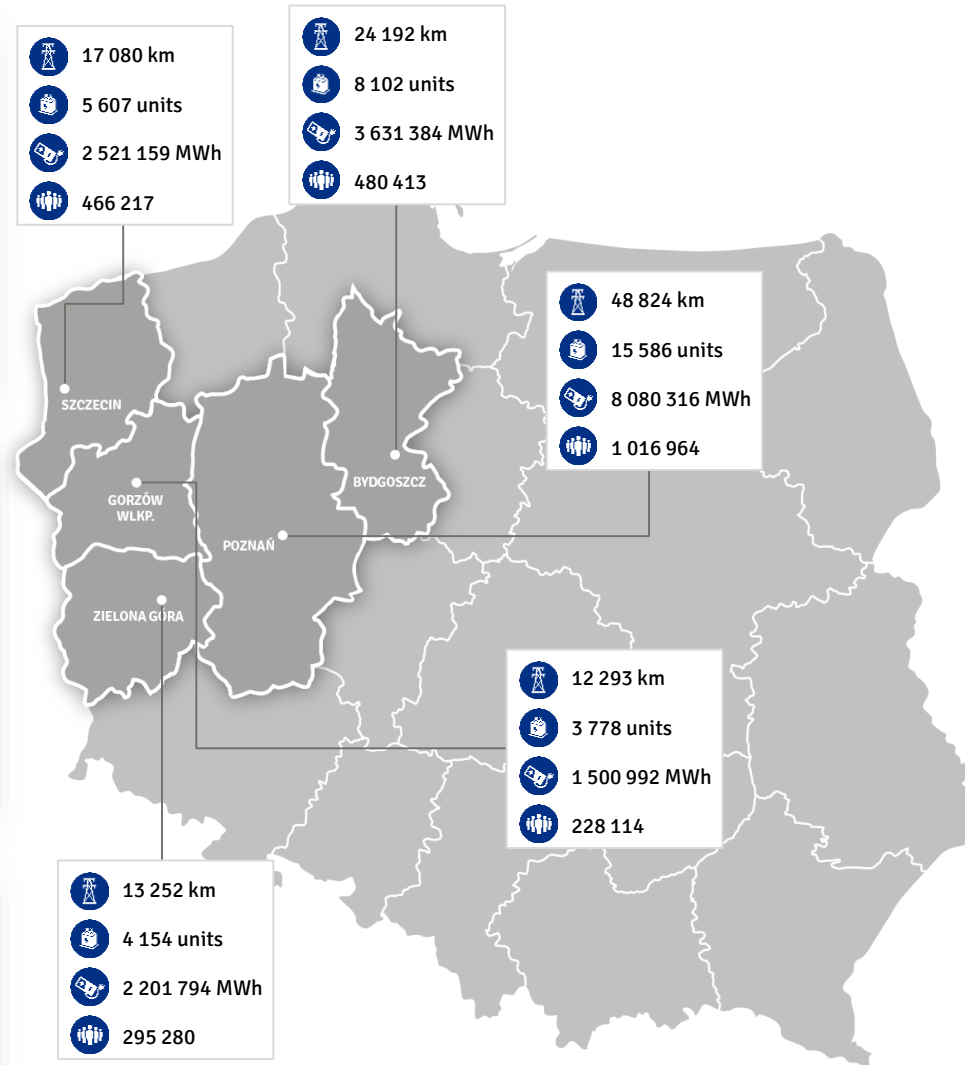
The only means of transport used to deliver bituminous coal to the segment of System Power Plants in 2015 was a rail transport. PKP Cargo SA forwarder realised 94% of supplies, and DB Schenker Rail Polska SA - 6% of supplies.

Enea Wytwarzanie - segment of Heat:

Coal supplies to Enea Wytwarzanie - segment of Heat in 2015 were realised with rail transport by PKP Cargo.



Distribution



- Distribution area of Enea Operator
- Length of power lines
- Transformer stations
- Quantity of supplied energy
- Number of Customers

Distribution

Key parameters relating to the segment of Distribution

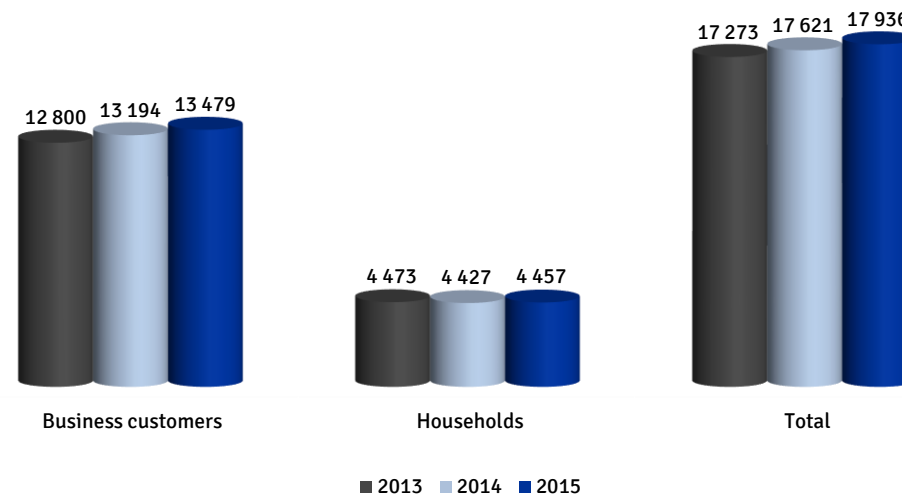
Description	2014	2015	Change	Change %
<i>Pursuant to the Regulation of the Minister of Economy dated 4 May 2007 regarding detailed conditions of power system operation (HV, MV, LV)</i>				
SAIDI planned interruptions	106.09	110.19	4.10	3.9%
SAIDI unplanned interruptions including catastrophic ones	223.49	410.05	186.56	83.5%
SAIFI planned interruptions	0.47	0.51	0.04	8.5%
SAIFI unplanned interruptions including catastrophic ones	3.21	5.43	2.22	69.2%
<i>Pursuant to the methodology adopted by the President of ERO for the needs of the quality tariff (HV, MV)</i>				
SAIDI planned interruptions	84.07	92.19	8.12	9.7%
SAIDI unplanned interruptions including catastrophic ones	194.87	341.97	147.10	75.5%
SAIFI planned interruptions	0.38	0.43	0.05	13.2%
SAIFI unplanned interruptions including catastrophic ones	2.99	5.07	2.08	69.6%
RAB [PLN '000]	6 635 665	6 910 924	275 259	4.1%
Grid losses index	7.2	6.9	-0.3	-4.2%
Length of lines [thou. km]	114.6	115.6	1.0	0.9%
Number of power stations [thou. of pieces]	36.8	37.2	0.4	1.1%
Number of connections [thou. of pieces]	837.2	850.3	13.1	1.6%
Length of connections [thou. km]	18.9	19.2	0.3	1.6%

In 2015, SAIDI and SAIFI ratios decreased for unplanned interruptions in relation to the same period of the previous year. Higher ratios stem from the catastrophic weather phenomena, which are more express in 2015 than in the previous period. The number of customers deprived of energy was significantly affected by cyclone Felix in January, cyclone Niklas in March, and then in July, August and September - very intense storms with a distant reach.

Performing the duties of an operator of the distribution system:

- we maintain, modernise and develop the distribution network, due to which we provide our Customers with energy of higher quality parameters
- we guarantee energy distribution services to all the customers based on an equal treatment
- we introduce solutions increasing the customer access to remote information on connections to the power grid and pursue to shorten the connection completion time
- we develop information tools supporting the grid management
- we increase the level of the grid automation, extend the scope of live works, aiming at the reduction in the length and frequency of interruptions in energy supplies for Customers

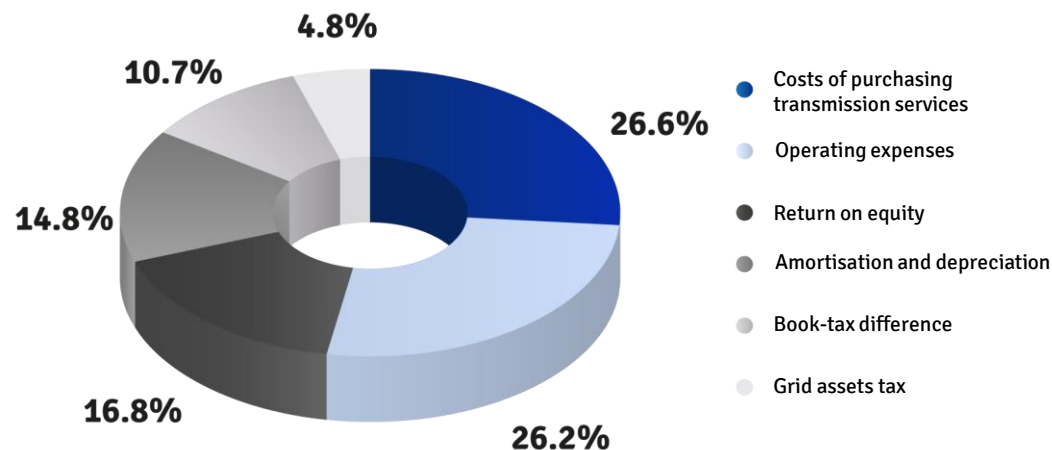
Sales of distribution services in 2013-2015 [GWh]



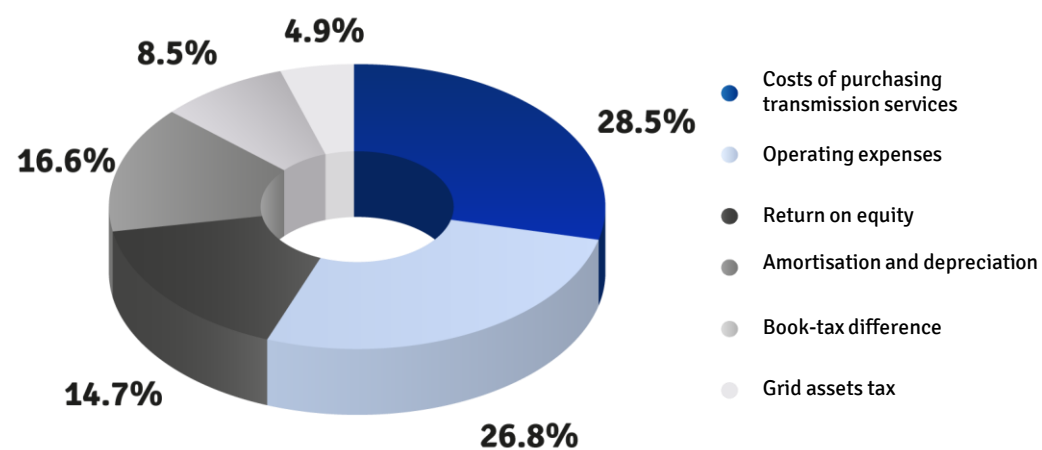
Distribution

Regulated Income in 2015-2016

Percentage of particular items in the regulated income in 2015



Percentage of particular items in the regulated income in 2016



- RAB for 2014 tariff year (as at the beginning of a given tariff year) amounted to PLN 6,635,665 thou., WACC - 7.283%
- RAB for 2015 tariff year (as at the beginning of a given tariff year) amounted to PLN 6,910,924 thou., WACC - 7.197%
- RAB for 2016 tariff year (a total of RAB and RAB AMI as at the beginning of a given tariff year) amounted to PLN 7,252,486 thou., WACC - 5.675%
- Costs of purchasing transmission services include also transferred fees (transitory, quality and as of 2016 also RES charge) which constitute, respectively, for 2014: 11.9% of the whole regulated income, for 2015: 13.6% for 2016: 15.86%
- The item of operating expenses includes the value of model operating expenses and out-of-model elements, such as:
 - costs of transmission easement
 - Costs of road use
 - fees for perpetual usufruct of land
 - fees for permanent exclusion of lands from agricultural or forest production
 - costs of fixed assets liquidation
 - licence fees
 - costs of introducing and collecting RES fees

Distribution

From January 2016 there was a change in the regulation model for Enea Operator and other ODSs. Differences between the key elements of the current and new model of regulation are presented in the table below:

Element of regulation	Period of regulation																	
	2011-2015	2016																
Model operating expenses	<ul style="list-style-type: none"> • Base operating expenses for calculations of 2008-2010 • Ratios of improved efficiency and growth in the scale of operations $EI_{SC}^{1)} = 12.5\%$ $EI_{IC}^{2)} = 3.32\%$ $ISO^{3)} = 5.8\%$ • Inflation based indexation performed in t-2 year 	<ul style="list-style-type: none"> • Base operating expenses for calculations of 2008-2014 • Ratios of improved efficiency and growth in the scale of operations $EI_{SC}^{1)} = 10\%$ $EI_{IC}^{2)} = 0\%$ $ISO^{3)} = 2.5\%$ • Inflation based indexation planned for t year 																
Model volume of book-tax difference	<ul style="list-style-type: none"> • Base volumes of losses as the average for 2008-2010 • Efficiency improvement indices: $EI_{BTD(WN)S}^{4)} = 1.0\%$ $EI_{BTD(MV+LV)S}^{5)} = 4.4\%$ $EI_{BTDI}^{6)} = 6.11\%$ 	<ul style="list-style-type: none"> • Base volumes of losses as minimum values for 2008-2014, determined individually for HV and MV+LV • Efficiency improvement indices: $EI_{BTD(WN)S}^{4)} = 1.0\%$ $EI_{BTD(MV+LV)S}^{5)} = 5.0\%$ $EI_{BTDI}^{6)} = 1.95\%$ 																
WACC	<p>WACC ⁷⁾ determination parameters for 2015:</p> <table border="0"> <tr> <td>Risk bonus for foreign capital</td> <td>1.00%</td> </tr> <tr> <td>Asset beta</td> <td>0.400</td> </tr> <tr> <td>Risk bonus for equity</td> <td>4.60%</td> </tr> <tr> <td>Foreign capital</td> <td>50.00%</td> </tr> </table>	Risk bonus for foreign capital	1.00%	Asset beta	0.400	Risk bonus for equity	4.60%	Foreign capital	50.00%	<p>WACC ⁷⁾ determination parameters for 2016:</p> <table border="0"> <tr> <td>Risk bonus for foreign capital</td> <td>1.00%</td> </tr> <tr> <td>Asset beta</td> <td>0.400</td> </tr> <tr> <td>Risk bonus for equity</td> <td>4.20%</td> </tr> <tr> <td>Foreign capital</td> <td>50.00%</td> </tr> </table> <p>Formula update for Equity beta calculation</p>	Risk bonus for foreign capital	1.00%	Asset beta	0.400	Risk bonus for equity	4.20%	Foreign capital	50.00%
Risk bonus for foreign capital	1.00%																	
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Risk bonus for foreign capital	1.00%																	
Asset beta	0.400																	
Risk bonus for equity	4.20%																	
Foreign capital	50.00%																	
Return on capital calculation formula	<ul style="list-style-type: none"> • $WRA^{8)} * WACC^{7)}$ 	<ul style="list-style-type: none"> • $WRA^{8)} * WACC^{7)} * Q * WR$ <p>Q_t - quality regulation realisation index; $0.85 \leq Q \leq 1$ with Q impacting the Regulated income max (2% RI_{t-1}; 15% RoC)</p> <p>WR_t - regulatory index; $0.9 \leq RI \leq 1.1$</p>																
Quality regulation	<ul style="list-style-type: none"> • No elements of quality regulation 	<ul style="list-style-type: none"> • Quality regulation affecting the return on capital through Q indicator • Quality regulation elements based on examining SAIDI, SAIFI indices, time of realising CRP connection • Monitoring of indices related to making the measurement data available 																

1) Efficiency improvement index - sectoral costs

2) Efficiency improvement index - individual costs

3) Improved scales of operations index

4) Efficiency improvement index of book-tax difference for high voltage - sectoral

5) Efficiency improvement index of book-tax difference for medium and low voltage - sectoral

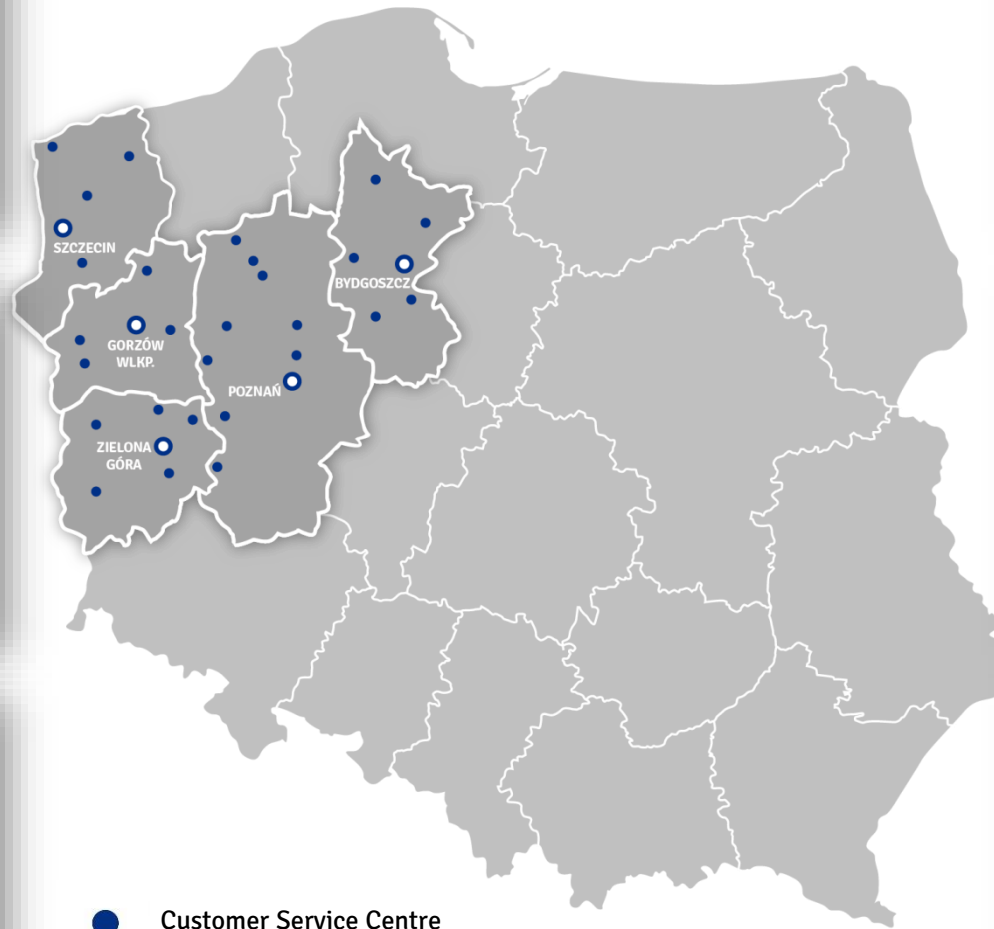
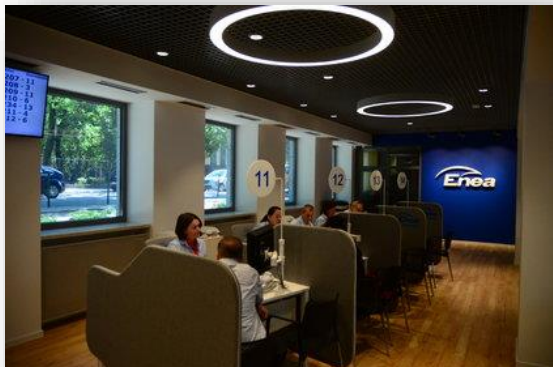
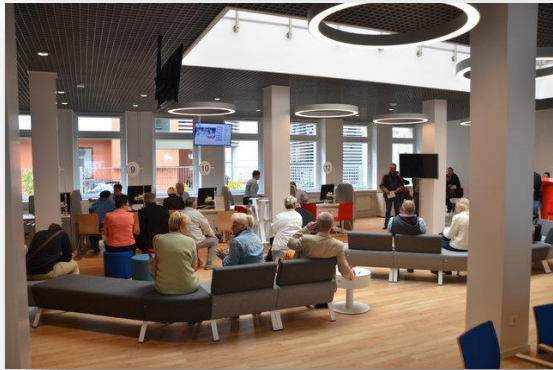
6) Efficiency Improvement index of book-tax difference - individual

7) Weighted average cost of capital

8) Regulatory value of assets

Trading

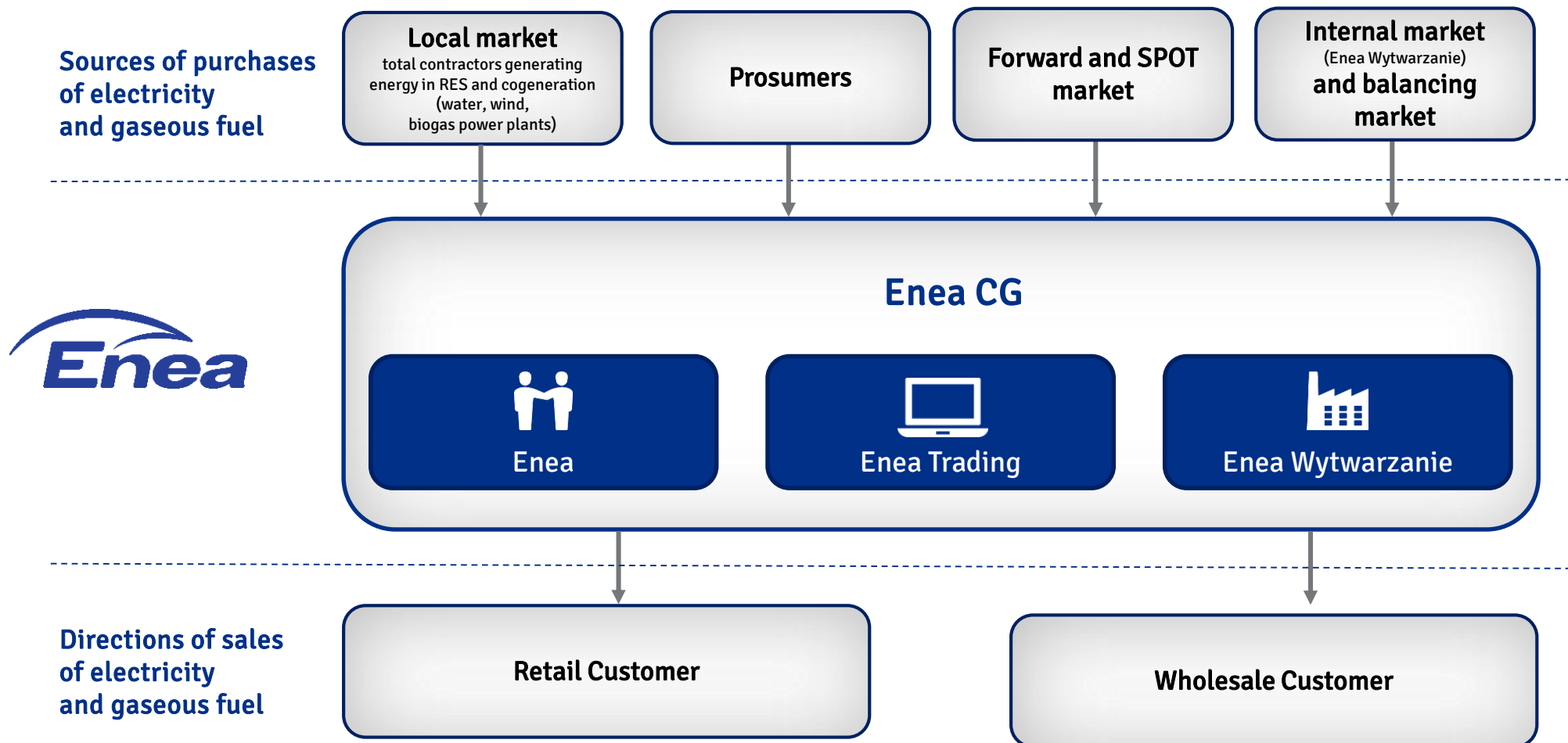
34 modern Customer Service Centres



- Customer Service Centre
- Distribution network of Enea Operator

Trade

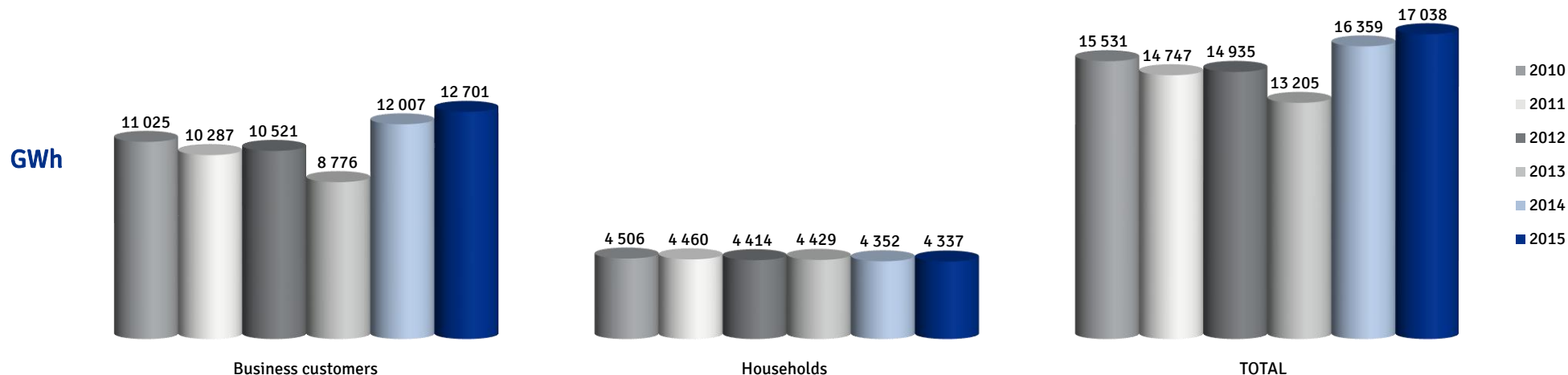
The diagram below presents the operating dependencies between Enea Group companies and business partners and Customers in the segment of Trade:



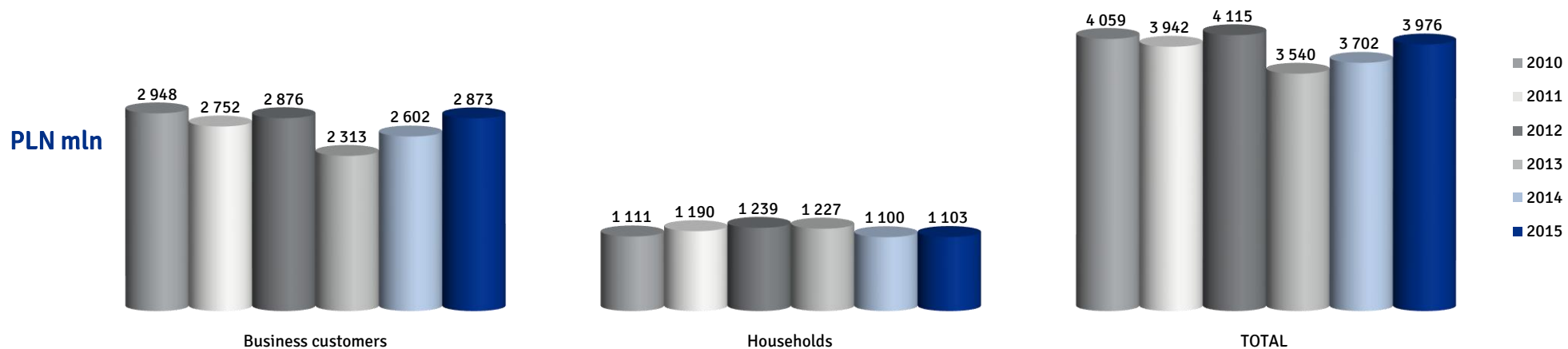
Trade

Sales of electricity and gaseous fuel to retail users are performed mainly by Enea SA ¹⁾. In 2015 the Company maintained sales of electricity to business Customers and households on the level from the previous year, and also significantly increased sales of gaseous fuel, in particular to business customers. It was possible due to introduction of new products and implementation of the promotional activities communicating the Company's offer.

Sales of electricity and gaseous fuel to retail users of Enea SA in 2012-2015



Revenue from sales of electricity and gaseous fuel to retail users of Enea SA in 2012-2015



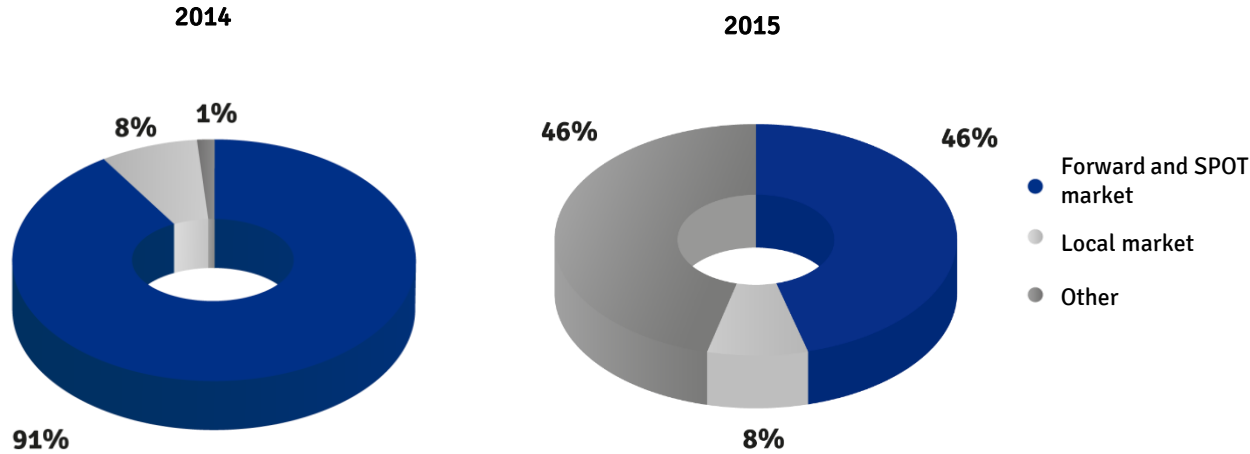
1) Extension of the operations in the segment of Trade with sales of natural gas took place in Q4 2014

Trade

In 2015, the main sources of acquiring electricity by the segment of Trade (Enea SA and Enea Trading) were: internal and balancing market (46% of the total purchases) and forward and SPOT market (46% of the total purchases). The purchased energy was sold mainly to end Customers in 2015, whose share in the total shares totalled to 59%.

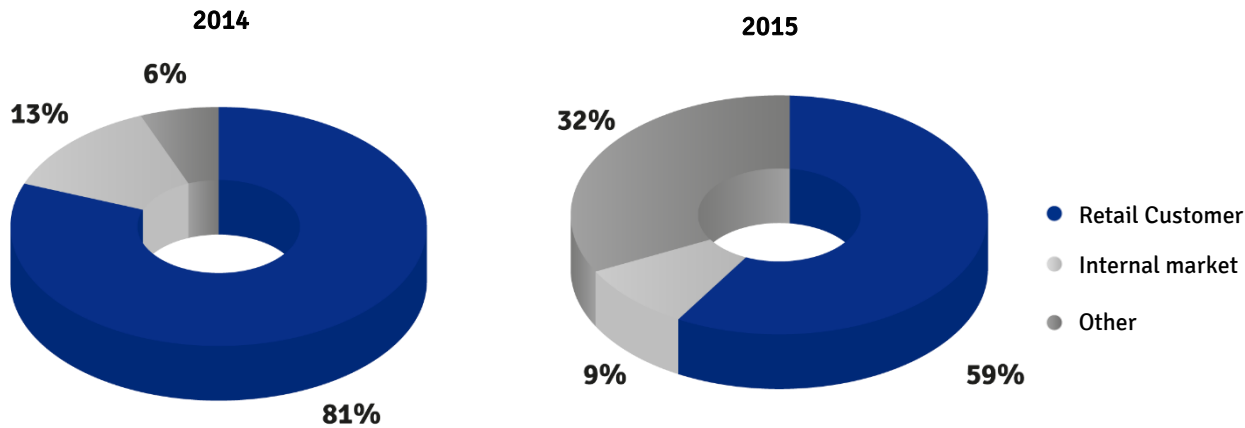
The diagrams below demonstrate the directions of purchases and sales of electricity by the segment of Trade ¹⁾:

Purchase of electricity and gaseous fuel



	Volume 2015 [TWh]
Forward and SPOT market	13.4
Local market	2.3
Others ²⁾	13.2
TOTAL	28.9

Sales of electricity and gaseous fuel



	Volume 2015 [TWh]
Retail Customer	17.0
Internal market	2.5
Others ³⁾	9.4
TOTAL	28.9

1) Extension of the operations in the segment of Trade with sales of natural gas took place in Q4 2014

2) Internal and balancing market

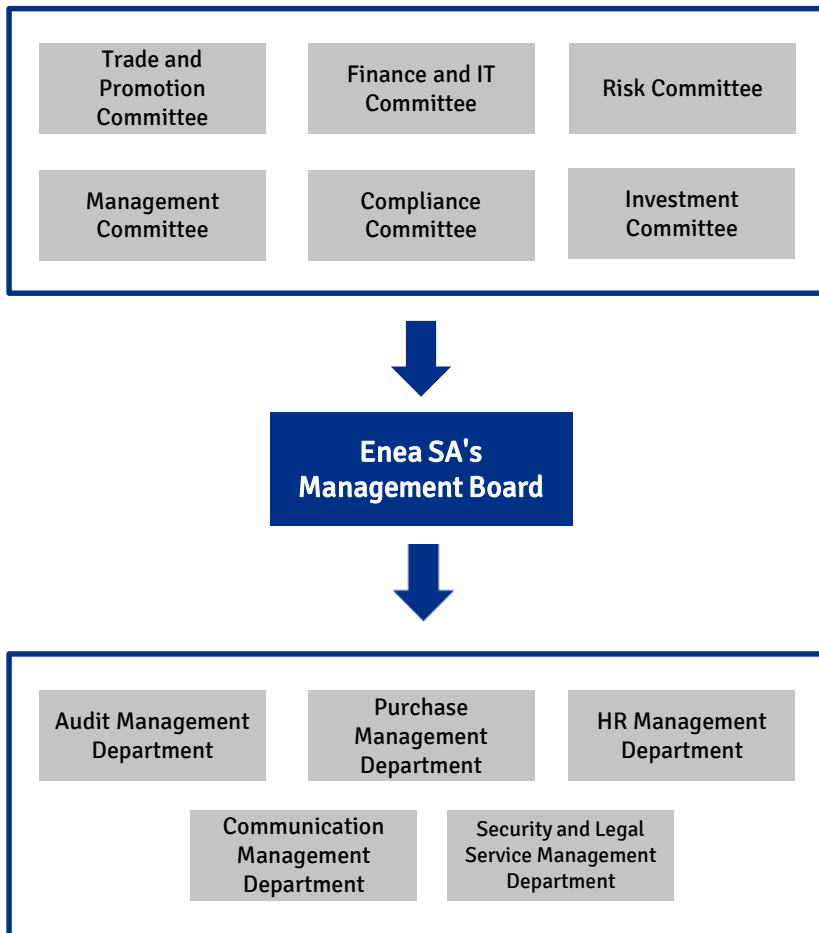
3) Wholesale on the forward market and SPOT market, external wholesale, balancing market

Corporate governance of Enea Group

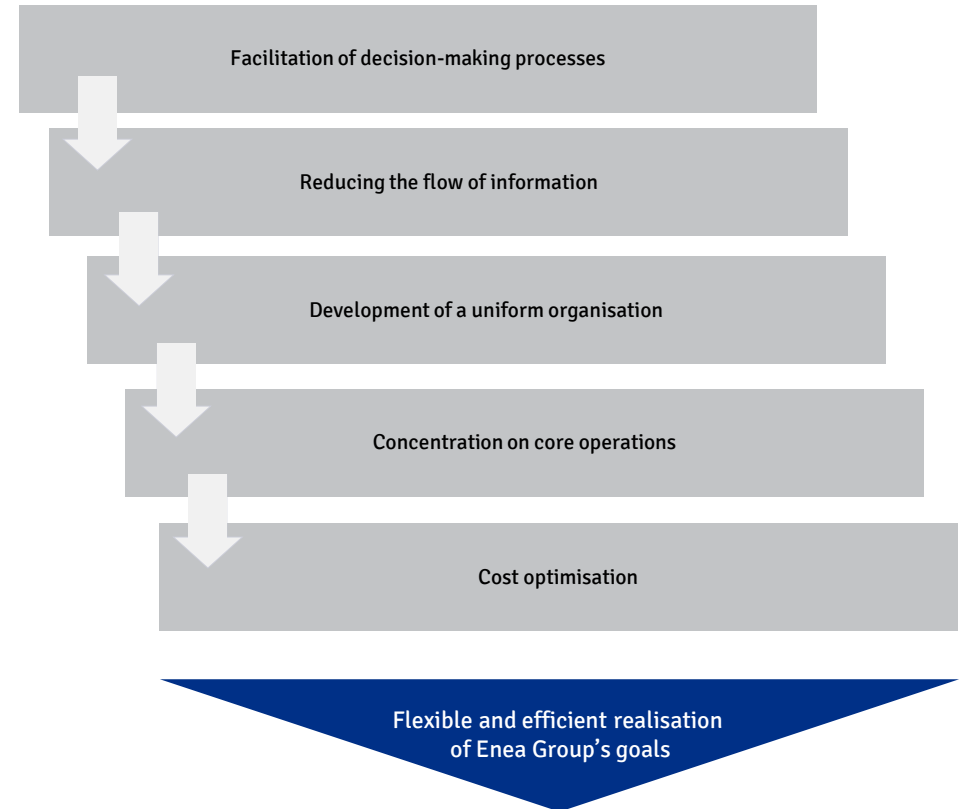
In 2013, the process of establishing a new corporate governance model was commenced in Enea Capital Group and the works were intensified in 2014-2015. At the end of the reporting period the process of implementing the new business model of corporate governance was completed.

The new corporate governance of Enea Group is a transparent, planned, uniform and safe, as regards the formality and law, mechanism of making decisions in the Group by relevant corporate governance bodies, guaranteeing the selection of an optimum decision as regards the business.

Committees and Management Departments in Enea Group - as at 31 December 2015



Benefits resulting from the implementation of the new corporate governance in Enea Group



Uniform economic body - as at 31 December 2015

Shared Service Centre - efficient organisational structure

Enhancing the efficiency of the support area

In Enea Group the support services are rendered by Enea Centrum. In 2015, the development of an efficient Shared Service Centre was continued within the support functions, such as:

- Customer service
- IT
- finance and accounting
- personnel
- logistics
- debt recovery

Additionally, the following activities were centralised within SSC:

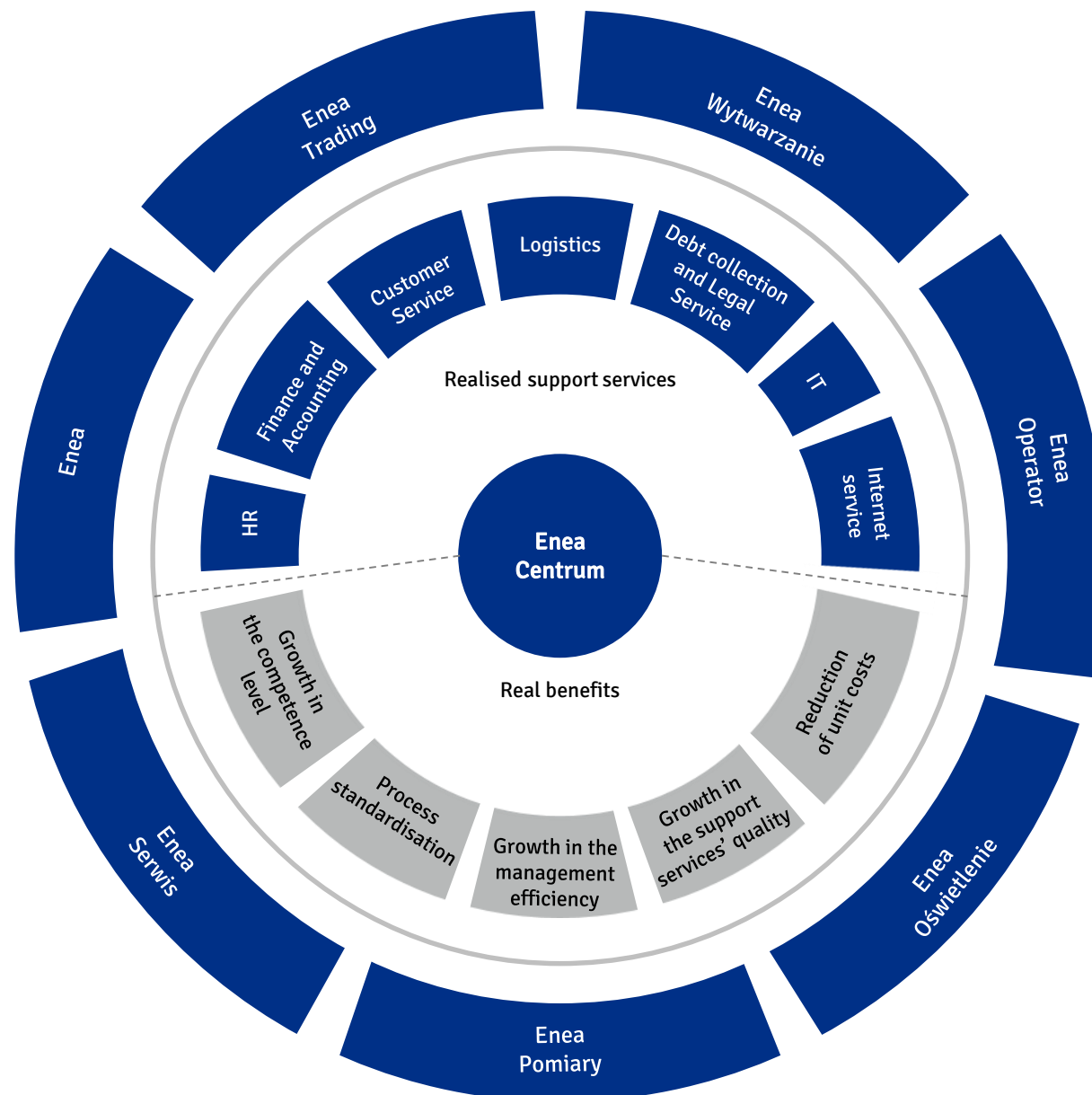
- coordination of legal services
- administration and development of Enea CG's Companies portals
- electronic flow of obligation and delegation documents

In 2015, changes were introduced in particular areas as regards the organisation of works, new IT systems were implemented, which in the further perspective will allow for the optimisation of processes and raising the efficiency of realised tasks. Enea Centrum implements a range of optimisation projects whose goal is the reduction in costs and raising the quality of services rendered for the other companies in Enea CG.

Since 1 January 2016 the servicing of support services was taken over from the next three Enea CG's companies - Enea Serwis, Enea Pomiary and Enea Oświetlenie.

2015 the year of optimisation and better efficiency

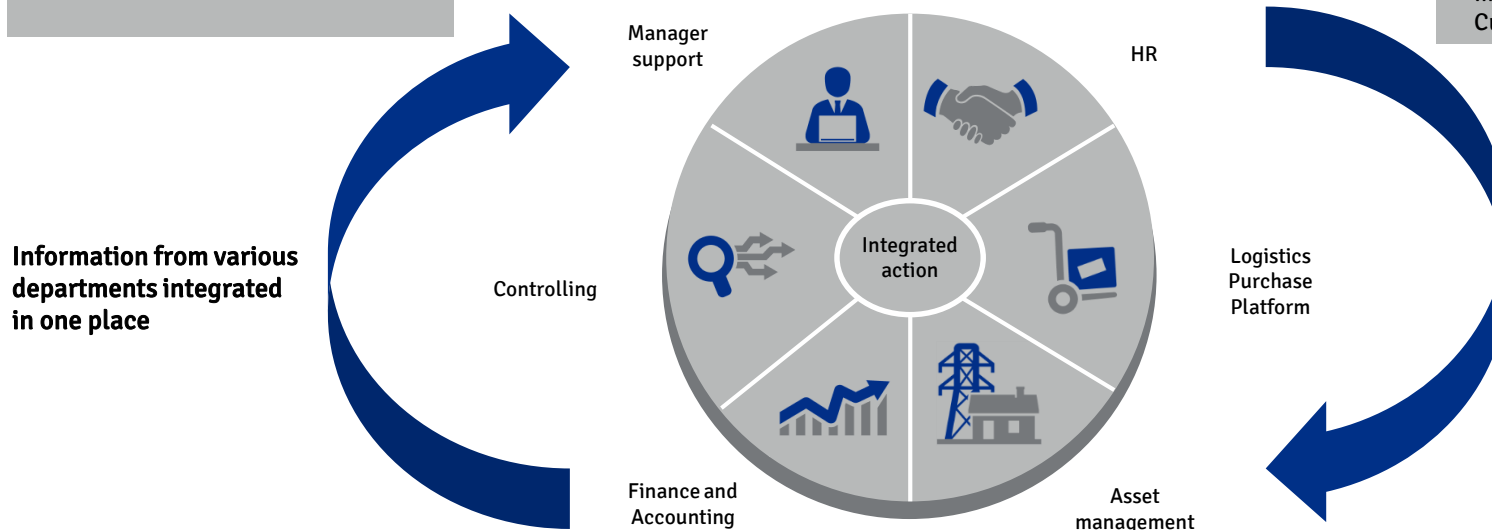
- Centralisation and efficiency optimisation of business processes - reducing unit costs
- Extension of the rendered services to the next Enea CG's companies
- Implementation of IT systems supporting the operations in particular areas
- Extension of the service catalogue - centralisation of next support functions



Integrated information systems (ERP) - better process management

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

	EOD	SAP	IFS	CCSS
Companies in which the system was implemented	Electronic Flow of Documents Enea, Enea Operator, Enea Centrum, Enea Trading, Enea Wytwarzanie, Enea Pomiary, Enea Serwis and Enea Oświetlenie	ERP system of SAP SE Enea, Enea Operator, Enea Centrum, Enea Trading, Enea Pomiary, Enea Serwis and Enea Oświetlenie	Industrial and Financial Systems Enea Wytwarzanie	Customer Comprehensive Service System Enea, Enea Operator and Enea Centrum
Objective	Improvement of document servicing processes in Enea Group via launching the system of electronic flow of documents	Support of the Group Companies management via guaranteeing the integrated and coherent business information	Support of the Area of Generation management via guaranteeing the integrated and coherent business information	Improvement of Customer service processes via launching a central integrated billing system and CRM - Customer Comprehensive Service system (CCSS)
Benefits	<ul style="list-style-type: none"> • Document flow process automation and optimisation • Better efficiency of document servicing processes • Reducing the costs of paper document service processes • Integrated access to source documents • Raising the information security level 	<ul style="list-style-type: none"> • Ongoing access to standardised business data • Business processes automation and optimisation • Improvement of the quality and efficiency of business processes • Improvement of reporting and control effectiveness • Improvement of communication and information flow • Raising the information security level 		<ul style="list-style-type: none"> • Centralisation and optimisation of Customer service processes • Improvement of the quality and efficiency of Customer service processes (target) • Launching remote channels of contact with Customers • Reducing Customer service costs (target) • Improvement of sales reporting effectiveness • Improvement of communication with Customers



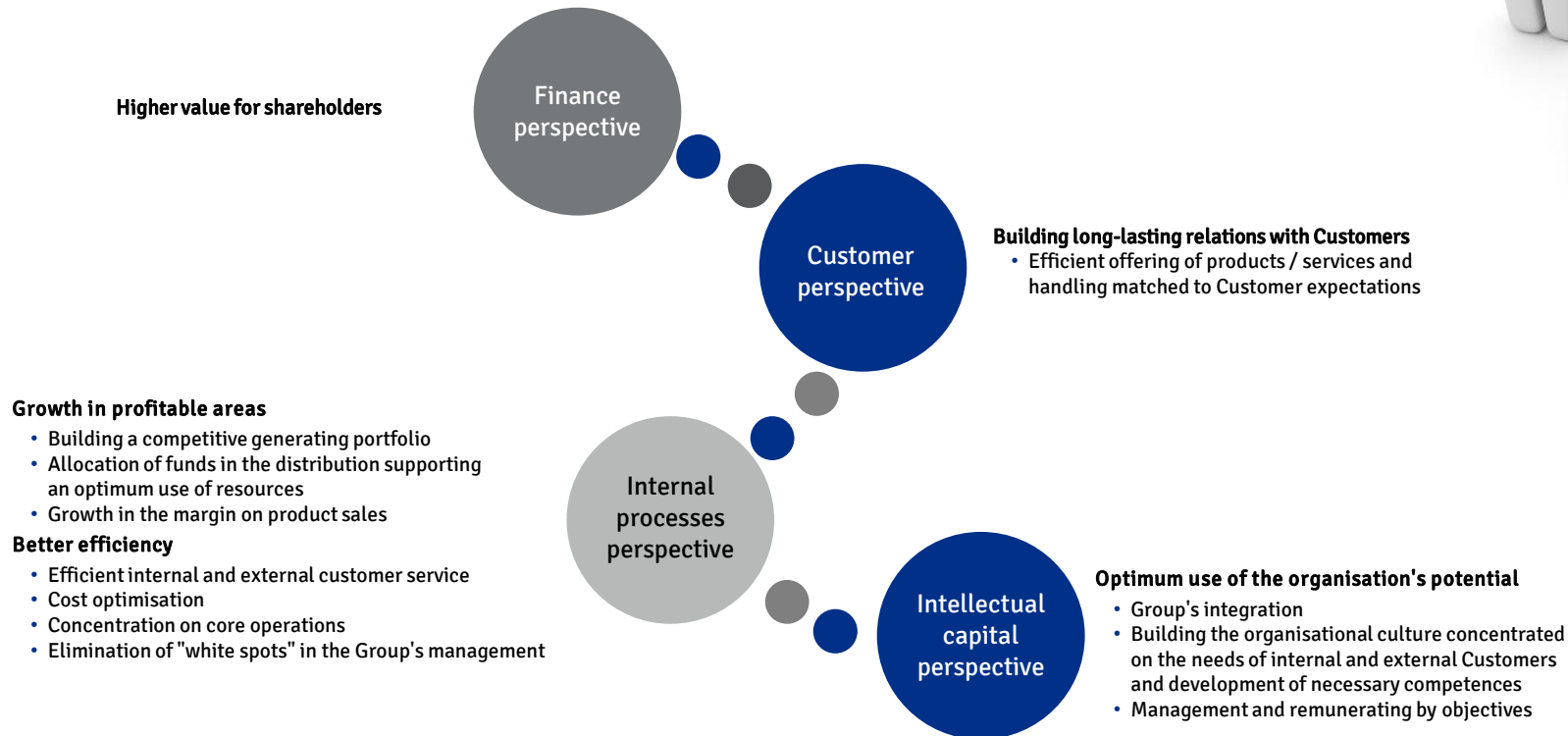
Update of the corporate strategy of Enea Capital Group for 2014-2020

The Corporate Strategy of Enea Capital Group was updated in 2015.

The strategy update is connected with the dynamic changes which occurred in respect of market and regulatory conditions formulating the power sector in Poland during the recent years. The changes include e.g. slower than anticipated pace of growth in demand for electricity and lower level of energy prices, significant reduction in investment plans in the area of generation and changing the fuel structure, issue of RES regulation, potential of extracting gas from non-conventional deposits in Poland and challenges faced by the segment of distribution and energy sales. Active observance of the market environment in which Enea Capital Group operates, department of innovation, potential, the Group's position and realisation of a considerable part of the strategy approved in 2013 became premises for the update of the document setting the Group's development directions.

Enea CG's mission and vision remained unchanged.

Mission	Enhancing the Group's value through building Customer confidence
Vision	Fully integrated energy group building its competitive advantage through flexible responding to market needs and efficient resources management



Update of the corporate strategy of Enea Capital Group for 2014-2020

Taking into account the key results of the strategic analyses the final scenario of Enea CG's development was defined. Enea CG's superior idea of operations is building value for shareholders and guaranteeing the reliability of energy supplies to Customers.

- concentration of operations on the power market
- growth in all the links of the energy chain of value in order to build a strong long-term position of Enea CG on the market
- Group's development supported by acquisitions within the emerging market opportunities
- guaranteeing the Group's full operating integration and continuous undertaking of activities for the enhancement of the efficiency of its functioning and ensuring an optimum level of competence
- Group's further development in particular links of the chain of values supported by implementing new solutions

In the Strategy Update the Group particularly addressed three new elements:

Securing fuel supplies for own generating assets

Enea CG holds mainly the generating assets based on bituminous coal. The profitability of energy generation from bituminous coal is currently under a great pressure and it is anticipated that the pressure will increase (RES development, costs of CO₂ emissions, development of transborder connections). Thus, energy companies must adjust the purchase of coal from mining assets so that to reduce the cost and improve the competitiveness of the generation based on coal.

Innovations

The implementation of innovations and new technologies is one of the key factors affecting the enterprise competitiveness on the market. In the conditions of a durable global low level of economic growth the innovativeness and innovations become the key factors enabling generation of a growth in revenue and margins on products. Enea CG's innovation operations will be strongly focused on Customer needs and raising the internal efficiency of the organisation. The Group, as a beneficiary of implemented innovations, will build the competitiveness and enhance the efficiency of operations.

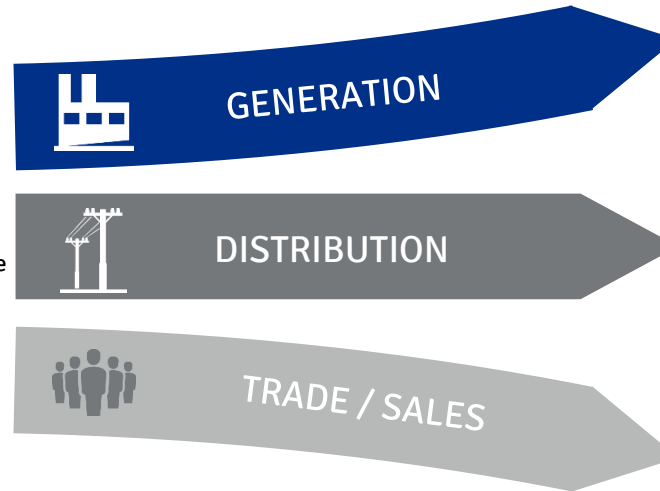
Enea Capital Group's extended staff policy

Conclusions from the analysis of Enea CG's needs within human resources management and the current situation within this area indicate that it is necessary to extend and implement a comprehensive HR policy for Enea CG. It will guarantee the realisation of tasks faced by Enea CG and will satisfy ambitions and professional aspirations of employees. Within the human resources management we will concentrate on raising the work efficiency, e.g. through formulating and implementation of the policy for managing work results and performance based remuneration, management of competences, knowledge and employee development.



Update of the corporate strategy of Enea Capital Group for 2014-2020

- Construction of 1,075 MW unit in Koziencice Power Plant
- Environment investments which will enable continuation of work of generation assets after 2015
- RES development
- Development of cogeneration sources and heating networks
- Implementation of a programme enhancing reliability and reducing network failure rate
- Implementation of smart grid solution development programme
- Activities directed at reducing the volume of electricity needed for the coverage of losses in the balance of energy
- Higher volumes of electricity sales with a concurrent margin building
- Development of the new product range
- Development of remote Customer service channels (Contact Centre line, website, e-CSC)
- Customer loyalisation

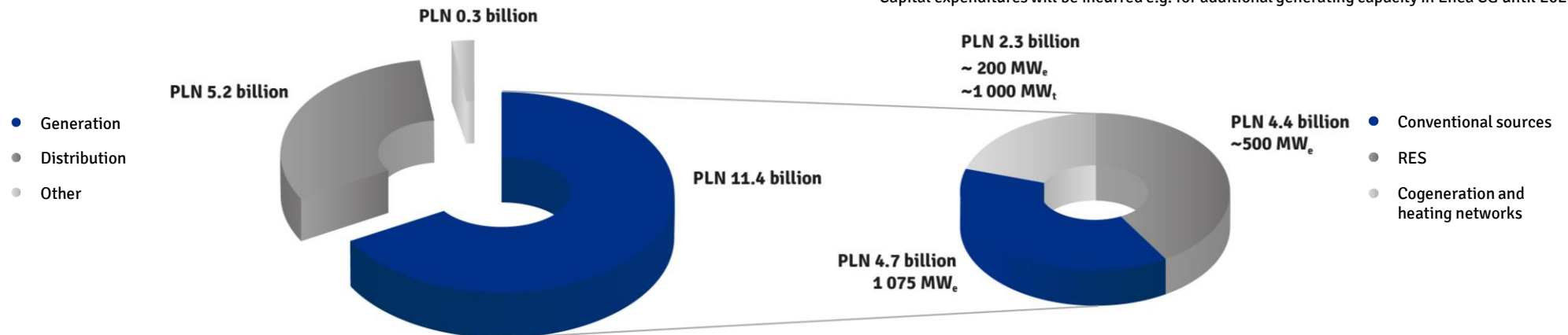


Implementation of challenges faced by Enea Group will enhance its competitive advantage:

- Cost optimisation
- Shared Service Centre operating stabilisation
- Building an efficient organisation capable of obtaining, evaluation and implementation of innovations in Enea Group
- Improvement of the service processes of external and internal Customers
- Concentration on core operations
- Non-core entities restructuring

In 2015-2020 the Group plans to implement investments in the total amount of ca. PLN 17 billion, which will be covered from own funds and obtained debt financing. Taking into account the capital expenditures incurred in 2014 totalling to ca. PLN 2.8 billion, the total CAPEX for 2014-2020 perspective practically remains on the same level: ca. PLN 20 billion.

Capital expenditures will be incurred e.g. for additional generating capacity in Enea CG until 2020



Guaranteeing stable supplies of cheap fuel is the key way to maintain the profitability of conventional generation - factors resulting in the need of searching for profitable mining

Generation from bituminous coal is presently on the edge of profitability

- The average gross margin in 2014 amounted to 2% and during the recent years a considerable worsening of the energy generation from bituminous coal was observed (gross margin 2% in 2014 compared to 14% in 2011)
- Currently, generating assets based on bituminous coal are swept away from the market by brown coal

Profitability pressure will increase

- EU policy - RES energy support systems, CO₂ policy, transborder connections - make energy generation from bituminous coal exposed to more and more pressure on profitability
- Pressure on reducing overhead costs of generation i.e. on reducing fuel costs

At the same time, investment plans within generation based on coal are significant

- Power strategy in Poland foresees investment plans in energy generating sources based on bituminous coal
- Financial ability to implement these investments must guarantee reinstatement and reliability of supplies - risk of breaching the financing terms

Implications for energy groups

- Energy companies must adjust coal purchases from generating assets which will optimise the efficiency (cost of mining, transport, coal quality, technological adaptation) and reliability of supplies to generating assets
- Without cost effective generating assets based on bituminous coal, coal based power plants will have high overheads and will be marginalised and will automatically decrease the domestic market of bituminous coal, which will result in the further deepening of the energetic materials oversupply.

Basic benefits for Enea due to takeover of LW Bogdanka

1 Hedging profitable energy generation from coal

- The transaction of acquiring LW Bogdanka should be recognised as the forward transaction of coal purchase at a bargain price, which is fully technologically adapted for firing in Kozienice Power Plant

2 Control over the key supplier

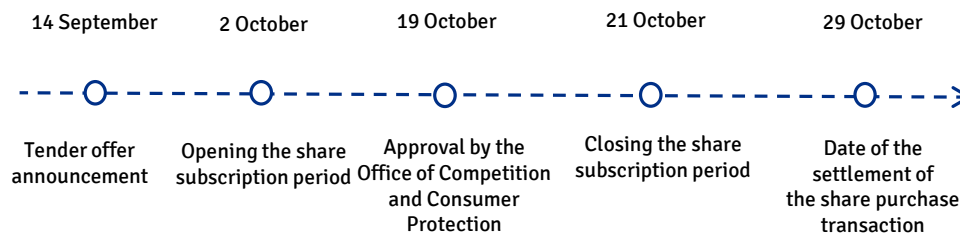
- In 2014 supplies from LW Bogdanka to Enea amounted to around 70% of the whole demand, but the historical and long-term forecast share is closer to 80%
- Minimisation of takeover risk
- Impact on formulating coal costs for own units

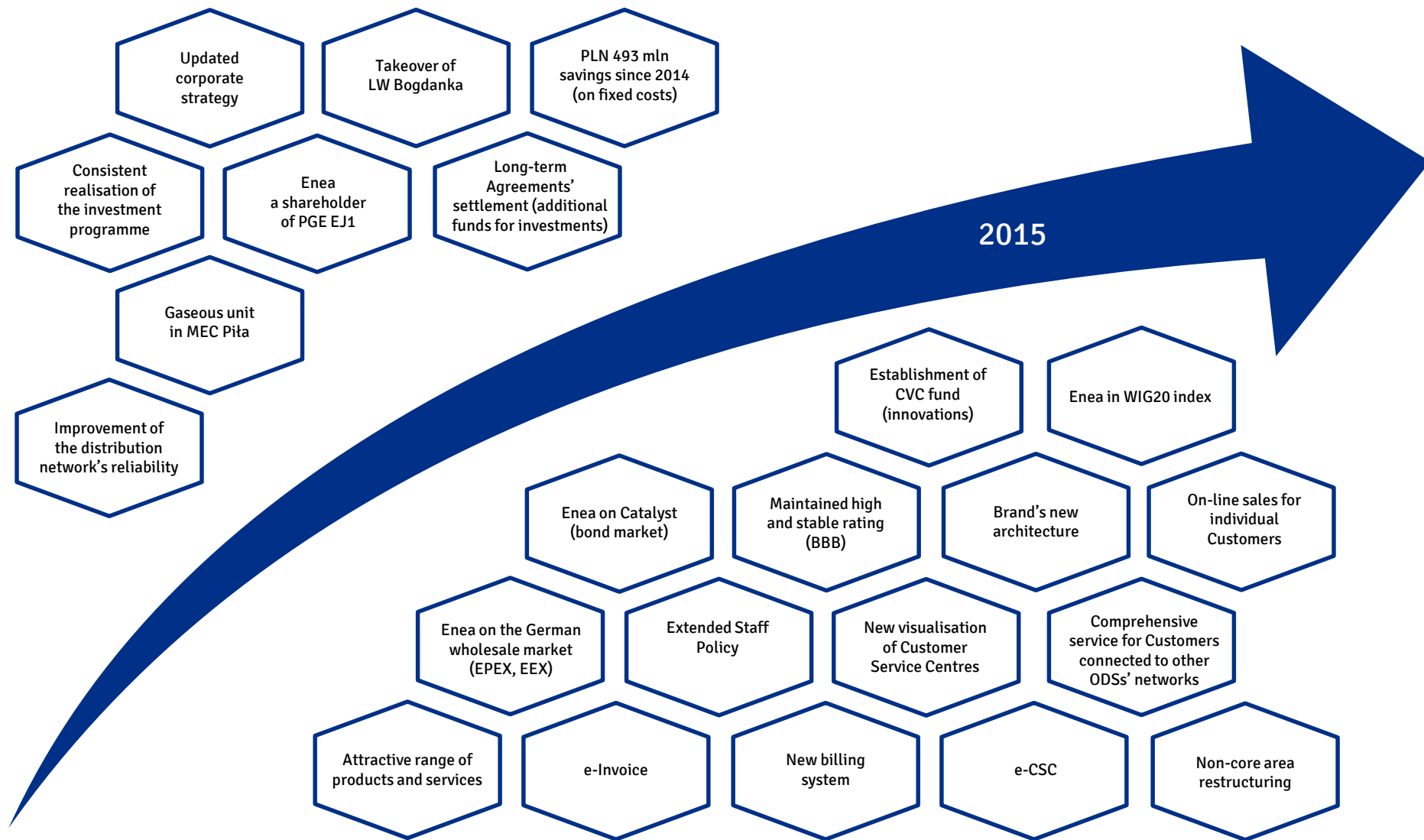
3 Perspectives of the further growth in value

- Better debt ratios
- Enea has a possibility of introducing further profitability improvement of LW Bogdanka (operating optimisation)
- Operating synergies:
 - transport costs optimisation
 - common purchases
 - risk management optimisation
 - support function optimisation
- Investment synergies

Successful tender offer of Enea for shares of LW Bogdanka

Tender offer's summary	Parameters
Number of acquired shares	21 962 189
% in the total number of shares	64.57%
Present interest of Enea in LW Bogdanka	66%
% of shares for which subscriptions were made	86.63%
Price paid for acquired shares	PLN 1 480 031 916.71





Efficiency improvement programme

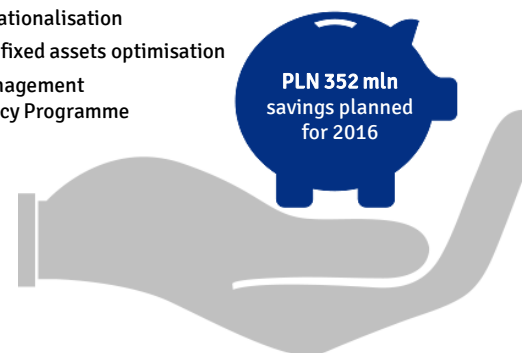
Segment savings [PLN mln]	2014	2015	TOTAL
Generation	133	177	310
Distribution	102	167	269
Other	17	8	25
TOTAL	252	352	604

Initiatives due to which savings were made in 2014-2015:

- Business process optimisation - SSC
- Outsourced services rationalisation
- Assets management - fixed assets optimisation
- Human resources management - Voluntary Redundancy Programme

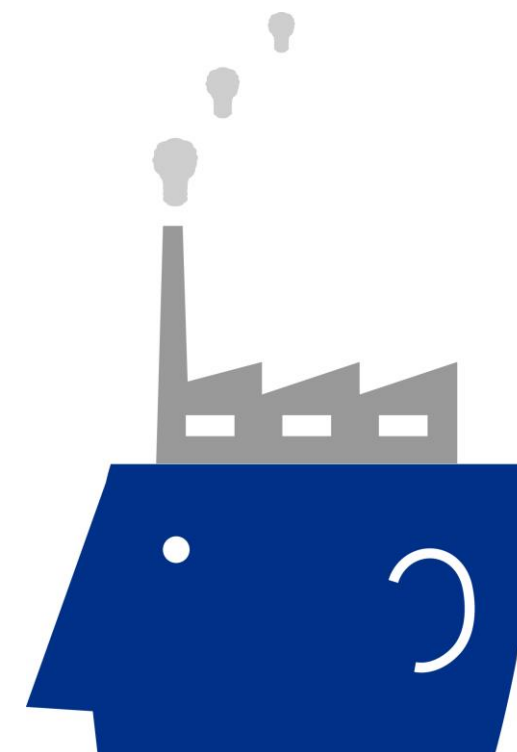
Initiatives planned for 2016:

- Better efficiency
- Greater use of resources within the Group for cost optimisation
- Non-core liquidation
- Competence synergy



Growth perspectives in 2016

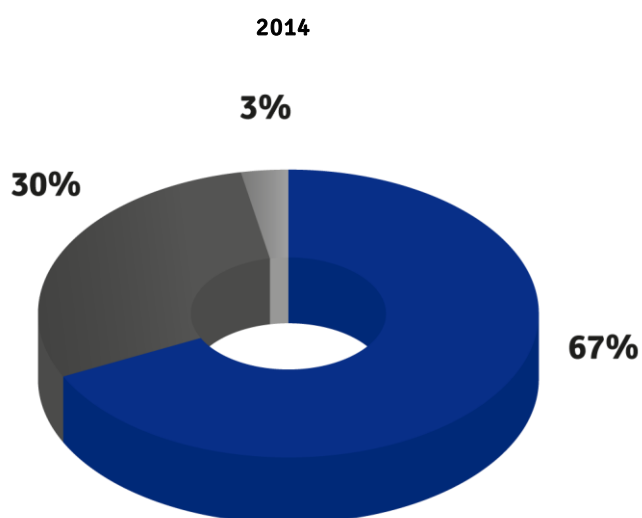
Segment	2015 vs. 2016 perspective	Key factors
Mining	Drop	(-) Lower price of coal (+) Construction of new roadways (+) Assets modernisation (+) Constant enhancement of efficiency
Conventional power engineering	Neutral	(-) Lower price of energy (-) Lower limit of free CO ₂ (+) Lower price of coal (+) Greater generation of electricity (+) Internal processes optimization
Renewable energy sources	Growth	(-) Drop in price and volume of RES Proprietary Interests (+) Greater generation of electricity (+) Optimisation of costs of the Area of Water
Distribution	Drop	(-) Drop of WACC to 5.675% may result in EBITDA lower by ca. PLN 58 mln (-) Lower volumes of electricity for covering book-tax difference in the Tariff (+) Management optimisation in the segment (+) Works over the improvement of the quality of SAIDI and SAIFI services
Trading	Drop	(-) Threat from the side of new energy sellers (+) Sales channels development (+) Development of the range of products (-) Lower gas prices as a result of collapse in oil prices (-) Lower price of electricity



Investment strategy

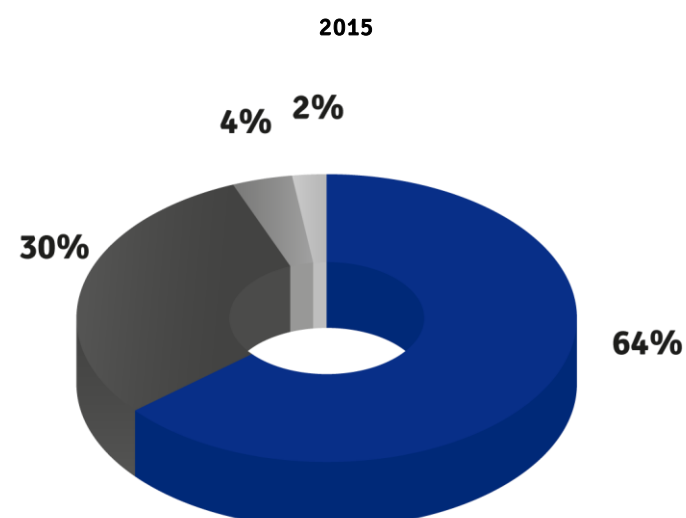
In 2015, the strategy for 2014-2020 was updated, which identifies e.g. guaranteeing supplies of fuels for own generating assets. The strategy update did not affect the level of investments planned in 2015. However, in Q4 2015 Enea SA purchased a block of shares in LW Bogdanka totalling to 64.57% of the share capital. After incorporation of LW Bogdanka into Enea CG within the segment of Mining, the expenditures in the total amount of PLN 51.1 mln were demonstrated (expenditures made in November and December 2015). The capital expenditures incurred in 2015 grew yoy by PLN 288.6 mln.

Capital expenditures [PLN mln]	2014	2015	Change %	2016 Plan
Mining	-	51.1	-	437.9
Generation	1 845.6	1 954.9	5.9%	1 969.5
<i>Unit 11</i>	<i>1 096.8</i>	<i>1 385.8</i>	<i>26.3%</i>	<i>1 211.8</i>
<i>RES</i>	<i>13.1</i>	<i>94.3</i>	<i>619.8%</i>	<i>298.8</i>
Distribution	825.7	925.1	12.0%	847.7
Support and other	91.6	120.4	31.4%	155.1
TOTAL	2 762.9	3 051.5	10.4%	3 410.2



Capital expenditures

- Generation
- Distribution
- Support and other
- Mining



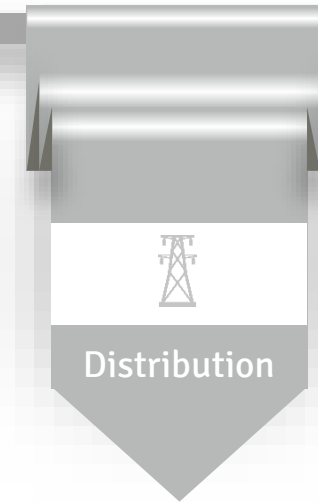
Investments realised in 2015



- Obtaining new licences:
 - obtaining a licence for mining in K-3 area and for the identification of Ostrów deposit
 - performance of OS-1 bore-hole in the area of Ostrów deposit
 - Preparation of the drilling works project for OS-4 hole
- Maintenance of the machine park - purchase and assembly of machinery and equipment
- Purchase and assembly of wall complexes:
 - purchase and assembly of the plow system-4 for 1/I/385 wall, enabling the exploitation of mining walls of the length of 318 m
 - completion of the assembly and start-up of the plow system-4, 1/I/385 wall initiated the exploitation of 385 deposit in field I
 - construction of new excavations
 - modernisation of the existing excavations
- Other development and replacement investments, e.g.:
 - construction of a central air-conditioning for Bogdanka field
 - extension of Zakład Przeróbki Mechanicznej Węgla (Coal Mechanical Processing Plant)
 - extension of the plant for mining waste neutralisation
 - continuation of the power grids expansion



- Successive stages of the construction of a supercritical bituminous coal fired 1,075 MW power unit
- Unit No. 7 - modernisation and completion of the installation of flue gases denitrification - SCR
- Modernisation of unit No. 1 - replacement modernisation of the unit including the development of SCR installation
- Modernisation of unit No. 2 - replacement modernisation of the unit including the development of SCR installation
- IOS IV flue gas desulphurisation plant - starting the desulphurisation installation (from 1 January 2016 100% of flue gas is desulphurised)
- Modernisation of the reserve rotor for 500 MW generators
- Construction of the nitric oxides catalytic reduction installation (SCR) for K7 and K8 boilers in Białystok Heat and Power Plant
- Heat recovery installation from K6 biomass boiler flue gases in Elektrociepłownia Białystok
- Construction of a gaseous cogeneration unit in MEC Piła

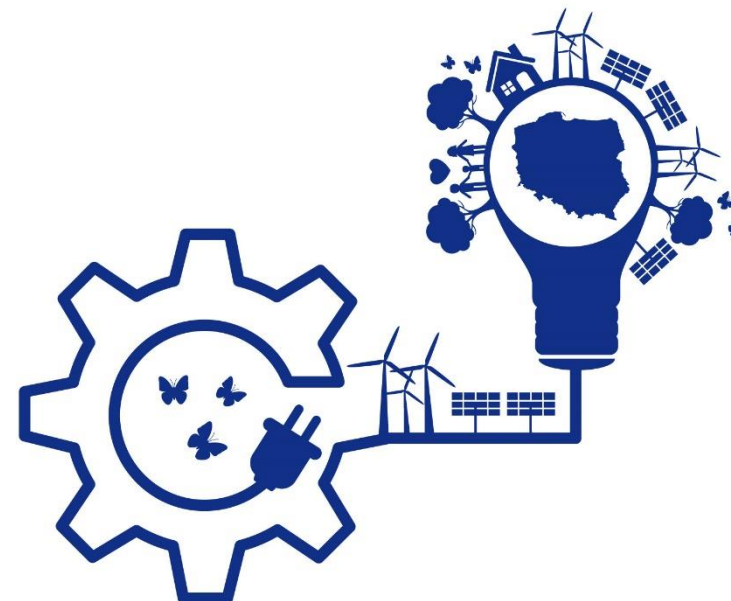


- Completion of the realisation of a range of investments on medium and high voltage related to the extension, automation and modernisation of the unit and power grids
 - construction of: RS Worowo, RS Chocicza and GPZ Krzywiń including HV feeding lines
 - reconstruction of: GPZ Rąbinek, GPZ Chojnice Przemysłowa, GPZ Śrem HCP and GPZ Sulechów
 - construction of Dolna Odra-Chlebowo HV overhead line
 - reconstruction of HV overhead lines: Międzychód-Sieraków, Załom-Goleniów, Drezdenko-Drawski Młyn and Września-Miłosław
- Improvement of the connection processes and reduction of the negative impact on the environment of the used power equipment
- Increasing the efficiency of the Distribution area - sorting out the competences of companies supporting Enea Operator in the realisation of its core operations, improvement of the investment and exploitation processes
- Development of information tools supporting the grid management

Investments planned in 2016 within the currently held assets

Mining

Development investments	<p>Obtaining new licences:</p> <ul style="list-style-type: none"> obtaining a new licence for the mining use in K-6 and K-7 area of Cyców deposit obtaining geological information relating to Ostrów deposit identification of Orzechów area <p>Maintaining the machine park:</p> <ul style="list-style-type: none"> purchase and assembly of new machines and equipment modernisation and renovations of machinery and equipment
Operating investments	<p>New excavations and modernisation of the existing ones:</p> <ul style="list-style-type: none"> performance of excavations, mainly wall roadways, face lines and other technological and access excavations, enabling exploitation of walls in 385/2, 391 and 389 deposits reconstruction of mining excavations
Other investments	<p>Other development and replacement investments:</p> <ul style="list-style-type: none"> central air-conditioning of Bogdanka field - continuation of underground works extension of the plant for mining waste neutralisation in Bogdanka continuation of the power grids expansion modernisation of 110/6 kV switching station and terminal objects



Generation

Segment of System Power Plants	New	<ul style="list-style-type: none"> Modernisation of units No. 4 and 5
	Continuation	<ul style="list-style-type: none"> Construction of power unit No. 11 IOS IV Flue Gas Desulphurisation Plant - within flue gas channels Installation of flue gases denitrification - SCR for units No. 4-8 and 1-2 Installation of flue gases denitrification - SCR for units No. 9-10 Construction of industrial waste and rainwater treatment Modernisation of cooling water intake - stabilising checkdam on the Vistula River Modernisation of the slag and ash depot - modernisation of field 5
Segment of Heat		<ul style="list-style-type: none"> Construction of flue gas desulphurisation plant on K7 and K8 boilers
Segment of RES		<ul style="list-style-type: none"> Continuation of the construction of 14.1 MW Baczyna wind farm and the project of max. 10 MW extension of Bardy wind farm (project titled Bardy II) Acquisition of 100% of shares in the special purpose vehicle - Eco - Power sp. z o.o. (36 MW Skoczynki wind farm) is planned until the end of Q1 2016 Searching for new investment and acquisition projects within the realisation of the strategy of increasing the capacity installed in wind farms

Distribution

New	<ul style="list-style-type: none"> Construction of GPZ Choszczno II (transformer/switching station) Construction of GPZ Śmitowo Reconstruction of GPZ Pniewy Reconstruction of GPZ Niemierzyn Reconstruction of GPZ Tanowska Reconstruction of GPZ Stargard Wschód Reconstruction of GPZ Stargard Wschód
Continuation	<ul style="list-style-type: none"> Implementation of smart grid solution development programme (AMI) Implementation of a programme enhancing network reliability Implementation of the Network Information System project Realisation of the project of implementation of the system of digital operator communications in TETRA standard Reconstruction of Pniewy-Sieraków HV overhead line Construction of Świnoujście-Warszów HV cable line Reconstruction of Pakość-Żnin HV overhead line Reconstruction of Łobez-Resko HV overhead line

Status of works on the key investment projects

Investment	Project status	CAPEX 2015 [PLN mln]	Total CAPEX [PLN mln]	Work progress (%)	Anticipated date of completion
Construction of a 1,075 MW power unit No. 11	<p>The following works were completed on the construction site:</p> <ul style="list-style-type: none"> • Assembly of the boiler house's main structure • Assembly of the machine room's housing • Assembly of cooling water pumps • Assembly of start-up boilers • Assembly of unit, tap and reserve transformers 	1 752.2	5 922.0	78%	2017
IOS IV flue gas desulphurisation plant	Unit No. 1 was connected to the system of starting flue gas channels and raw and starting flue gas to chimney No. 3. Tests are in progress within the Start-up Programme. Works connected with chimney No. 3 were completed and the chimney was commissioned.	75.1	288.3	98%	2016
Modernisation of unit No. 1	Modernisation works were completed and test run was successfully completed.	91.3	91.3	100%	2015
Modernisation of unit No. 2	Modernisation works were completed and test run was successfully completed.	77.0	77.0	100%	2015
deNO _x installation on boiler No. K8	The investment was completed. The project is being settled.	6.5	20.7	100%	2015
Construction of industrial waste and rainwater treatment	Completed: construction of the switching station with new transformers, construction of the sludge thickening station, 3rd line of multi-chamber reactors, reconstruction of S01 pump room, works on V800 reservoir.	20.2	29.4	72%	2016
Installation of flue gases denitrification - SCR for units No. 1 and 2	SCR installation on unit No. 2 was commissioned. Unit No. 1 is ready to start-up and functional tests were performed with ammonia water fed to SCR installation on unit No. 1.	79.7	97.9	87%	2016
Modernisation of unit No. 9 as a part of 2 x 500 MW modernisation programme	In 2017 the modernisation of unit No. 9 is planned. Currently, the material scopes and tender documents are being prepared relating to the works connected with the modernisation of unit No. 9.	0	130.2	1%	2017
Modernisation of cooling water intake - stabilising checkdam on the Vistula River	The project is at the stage of preparation for realisation. The environmental decision is pending.	8.0	32.0	2%	2017
Installation of the catalytic denitrogenation of flue gases and modernisation of electrostatic precipitators for AP - 1650 boilers of units No. 9 and 10 as a part of the 2 x 500 MW modernisation programme.	The documents are being prepared which are needed for the conduct of the tender procedure for the selection of a General Contractor who will realise the SCR installation on units No. 9 and 10 and replacement of the electrostatic precipitator on unit No. 9 and modernisation of the electrostatic precipitator on Unit No. 10.	1.3	302.1	6%	2017
Installation of flue gases denitrification - SCR for units No. 4-8	Completion of the SCR installation of flue gases denitrification on units No. 6 and 7 and the common part for SCR installation for units No. 4-8. Some works were also performed relating to the SCR installation on unit No. 4 and 8. Currently, SCR installation on unit No. 5 is being performed.	21.4	203.7	67%	2017
Installation of flue gases denitrification - SNCR for unit No. 3	"The analysis of the necessity of the installation of flue gases denitrification on 200 MW unit No. 3" was developed in the light of regulations in force and the other installations of flue gases denitrification in Enea Wytwarzanie, Świerże Górne location.	0	42.6	1%	2017
Construction of flue gas desulphurisation plant on K7 and K8 boilers	The contractor of the flue gas desulphurisation plant on K7 and K8 boilers was selected. Currently, the basic project is being performed. An agreement was concluded with the National Fund of Environmental Protection and Water Management for the co-financing of the investment as a loan. The Specification of Essential Terms of a Contract was approved and the tender procedure was announced for the Contract Engineer.	0.2	85.6	11%	2017
Modernisation of unit No. 10 as a part of 2 x 500 MW modernisation programme	In 2018 the modernisation of unit No. 10 is planned. Currently, the material scopes and tender documents are being prepared relating to the works connected with the modernisation of unit No. 10.	0	122.6	1%	2018

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

Works realised in 2015:

- Assembly of the boiler house's main structure
- Assembly of the machine room's housing
- Assembly of a stator and rotor of the generator
- Assembly of cooling water pumps
- Assembly of start-up boilers
- Assembly of unit, tap and reserve transformers
- Assembly of electrostatic precipitator's supporting structure
- Performance of reinforced concrete structures of ash tanks
- Performance of reinforced concrete structure of gypsum store



Works planned in 2016:

- Connecting the voltage of 110 kV and 400 kV
- Assembly of the pressure system - water test of the boiler
- Rinsing - etching of the boiler
- Start-up of the starting boiler house
- Boiler start-up
- Assembly of stacker-reclaimers
- Assembly of coal pulverizers
- Start-up of the whole power plant

A new 1,075 MW_e unit in Kozenice Power Plant

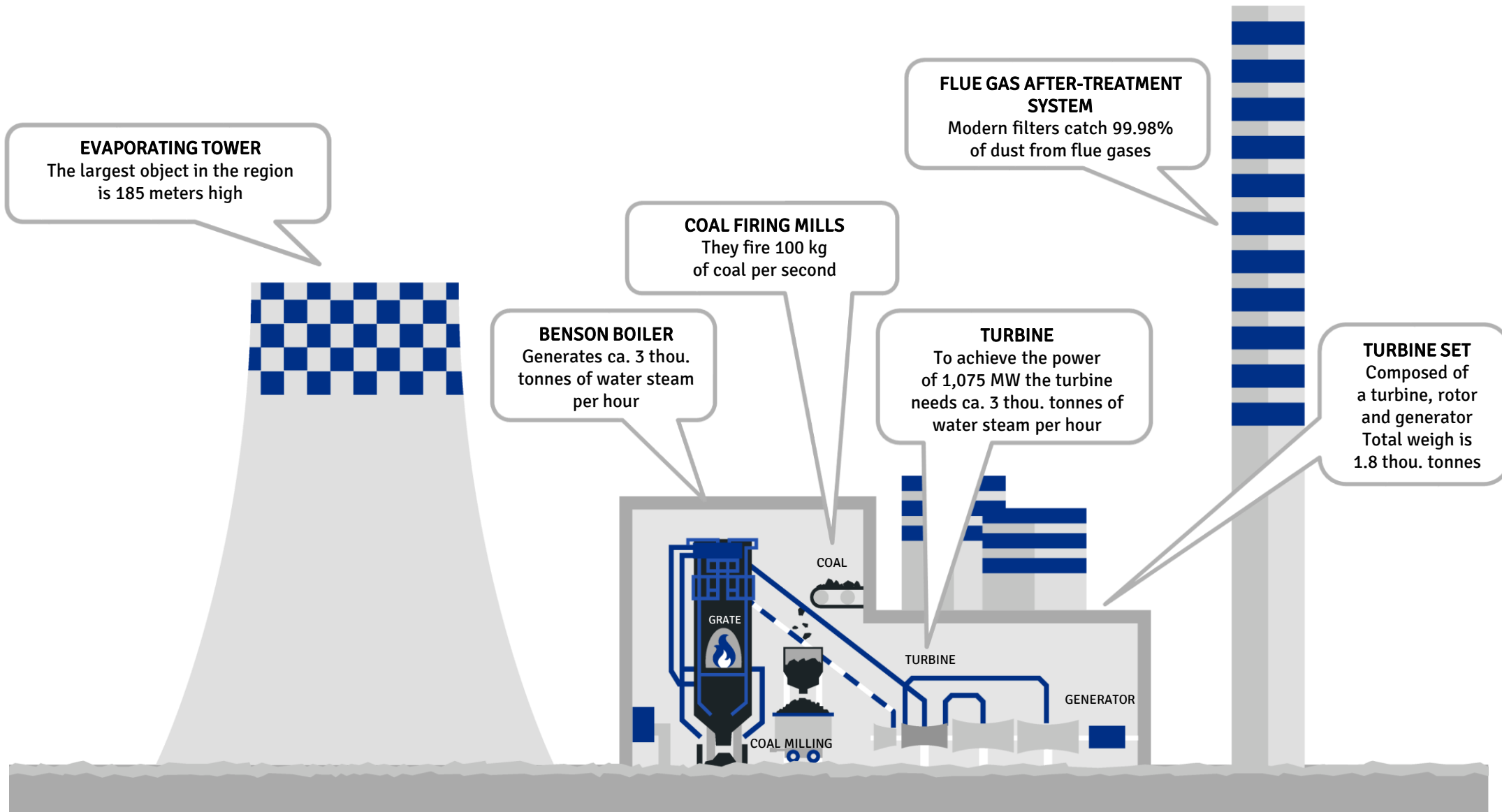
- The largest in Europe power unit fired with bituminous coal
- Completely independent unit, possessing its own infrastructure
- New unit means a 1/3 increase in the Kozenice Power Plant's capacity
- Unit No. 11 will allow to eliminate deficits of energy on the market
- High efficiency of energy generation
- High availability and low failure rate of the new unit
- The unit satisfies the conditions of the environmental protection



of the progress of the new unit's construction

New unit in Kozenice Power Plant

Due to the modern technology used by the construction of the new unit in Kozenice Power Plant there is a reduced CO₂ emission.



Activities realised in 2015

Activities to be realised in 2016

Area of Retail Sales

- Development of remote sales channels, including the on-line sale of products in the segment of households
- Development of the portfolio of products with an additional offer for households and small and medium enterprises including performance of increased promotional and communication activities to mass customers
- Development of gaseous fuel sales
- Launching the process of rendering a comprehensive service (GDA-C) to Customers connected to the networks of ODSs other than Enea Operator
- Development of analytical tools supporting sales
- Successive Customer satisfaction level surveys in the area of B2C and B2B

- Optimisation of sales channels, including the start-up of e-commerce platform
- Development and optimisation of the product range
- Continuation of marketing campaigns for mass Customers
- Activation of promotional activities on sponsored events
- Development of analytical and operating systems supporting sales

Area of Customer Service

- Extension of www.enea.pl portal with new functions and inclusion of Enea Trading subservice into the main service
- Launching of a new billing system for the Divisions in Szczecin, Bydgoszcz, Poznań and Zielona Góra
- Launching an Electronic Customer Service Centre for Customers from Bydgoszcz and Szczecin area
- Opening of newly visualised CSCs in Poznań, Bydgoszcz, Gorzów Wielkopolski, Leszno
- Opening of the first Customer Service Centre in a shopping mall (Malta Poznań Mall)
- Extension of the Contact Centre with 20 stands and 2 telephone tracks (60 channels)

- Completion of a migration process of Customer data to the central billing system - CCSS-T, CCSS-D
- Launching new, electronic channels of Customer Service - e-CSC, e-Invoice for Customers from the whole area
- Launching new services for all Enea CG Companies on Enea Group's on-line service
- Optimisation of CSC, visualisation of selected CSCs
- Further development of Contact Centre, commencing a cooperation with an external partner
- Construction of Competence Centres in the Support and Settlement Division

Area of Wholesale Trade

- Commencement of operations on the German wholesale market (EPEX, EEX)
- Continuation of implementation works for the Virtual Power Plant project
- Implementation of the TT trading support system (LuxTrade and MidOSS applications)
- Development and implementation of tools supporting the portfolio optimisation for electricity and derivative products managed by Enea Trading
- Launching Fuel Trade and Logistics Project
- BCM project implementation in the Company

- Development and implementation of a model of long-term price paths for products listed on wholesale markets
- Improvement of tools and methods of portfolio management and securing the position within the full chain of added value in the field of trading in electricity, derivative products and natural gas
- Development of trading systems and their integration with systems used in Enea CG
- Development of a comprehensive strategy of securing the portfolio of RES proprietary interests for Enea CG
- Continuation of the Fuel Trade and Logistics Project
- Continuation of competence development in the German market



Agreements of significance to Enea Capital Group operations

In 2015 Enea Capital Group companies did not conclude any significant agreements, i.e. agreements with the value exceeding 10% of Enea's equity, yet in the reporting period an annex was concluded to the annual agreement from 2014 for the supplies of fuel coal between Enea Wytwarzanie and LW Bogdanka. Pursuant to the annex, detailed prices were specified for basic coal supplies in 2015 to Koziernice Power Plant as a result of which the value of the aforementioned annual agreement for coal supplies in 2015 changed and currently amounts to PLN 766 mln.

On 21 August Enea Wytwarzanie submitted a notice to LW Bogdanka regarding termination of the Multiannual Agreement for supplies of fuel coal concluded on 4 March 2010 at 2 months' notice period effective as of 1 January 2016. As a consequence of the termination notice filed by Enea Wytwarzanie regarding the Multiannual Agreement, the agreement will be terminated on 1 January 2018. The subject of the Multiannual Agreement were fuel coal supplies from LW Bogdanka to Enea Wytwarzanie in the period from 4 March 2010 to 31 December 2025. The Multiannual Agreement was terminated by Enea Wytwarzanie due to lack of agreement between the parties as regards coal prices for 2016 within the term foreseen in the Multiannual Agreement, and also due to the Multiannual Agreement's terms which are unfavourable to Enea Wytwarzanie and which do not correspond to the current situation on the fuel coal market.

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

Date of agreements	Parties to the agreement	Description
21 September 2012	Enea Wytwarzanie sp. z o.o. Hitachi Power Europe GmbH i Polimex-Mostostal SA	Agreement for the construction of a new power unit in Koziernice - planned completion of the investment: July 2017
23 July 2015	Enea SA PKO BP SA, Bank Pekao SA, Bank Zachodni WBK SA, Bank Handlowy w Warszawie SA	Annex to the Programme Agreement of 21 June 2012 amending the terms of financing in the amount up to PLN 3 billion
3 December 2015	Enea SA Bank Gospodarstwa Krajowego	Programme Agreement in the amount of up to PLN 700 mln with allocation to investment needs financing
22 July 2014	Enea Wytwarzanie sp. z o.o. Mitsubishi Hitachi Power Systems	Agreement for the installation of flue gases denitrification plant for 2 units in Koziernice power plant. The investment will allow to reduce the nitric oxides emission by 80%. The investment completion is planned for May 2016
29 May 2015	Enea SA European Investment Bank	Financial agreement for the amount of PLN 946 mln

Agreements on coal supplies and transportation

Agreements concluded by Enea Wytwarzanie sp. z o.o.

Date of conclusion	Party to the agreement	Description
4 March 2010	LW Bogdanka SA	Multiannual agreement - specifies the general terms of coal supplies in 2010-2025
15 January 2014		Annual Agreement for supplies of fuel coal in 2015 - completed
3 December 2014	Katowicki Holding Węglowy SA	Multiannual agreement - specifies the general terms of coal supplies in 2015-2017
3 December 2014		Annual Agreement for supplies of fuel coal in 2015
21 March 2014	Jastrzębska Spółka Węglowa SA	The Agreement relates to coal supplies in 2014-2015
31 March 2015		Coal supply agreement - specifies the terms of coal supplies in 2015-2017
12 January 2015	Kompania Węglowa SA	Coal supply agreement - specifies the detailed terms of coal supplies in 2015-2016
17 June 2015	PKP Cargo SA	Performance of fuel coal transportation services for Enea Wytwarzanie from LW Bogdanka SA until 31 July 2016 (or until the utilisation of the volume of 3,600,000 t)

Insurance contracts

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

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

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

Agreements between shareholders of the parent company

The Company is not aware of any agreements between shareholders of Enea SA.

Collaboration or cooperation agreements

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

Based on the letter of Intent of 2014 concluded between Enea SA, PGE Polska Grupa Energetyczna SA, ENERGA SA and TAURON Polska Energia SA, in 2015 its signatories continued the operations led by the Polish Electricity Association (PEA), whose goal is to establish by the National Centre for Research and Development (NCRD) a sectoral programme for power engineering (SP) - research and development works financing programme.



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

On 3 September 2014 Enea, PGE, TAURON and KGHM concluded the Shareholder Agreement.

Pursuant to the Agreement, Enea, TAURON and KGHM as Business Partners will purchase a total of 30% of shares (each Business Partner will acquire 10% of shares) in the special purpose vehicle - PGE EJ 1 from PGE, based on a separate Share Purchase Agreement.



On 15 April 2015 Enea, PGE, TAURON and KGHM concluded the Share Purchase Agreement for shares in PGE EJ 1. The companies purchased 10% of shares each from PGE (a total of 30% of shares) in PGE EJ 1. Enea paid PLN 16 mln for the purchased shares.



On 29 July 2015 the Extraordinary General Meeting of Shareholders of PGE EJ 1 was held during which the Shareholders decided to raise the share capital of the Company by ca. PLN 70 mln, through the issue of 496,450 new shares of the nominal value of PLN 141 each, subscribe for the newly created shares and cover them with cash contribution. Pursuant to the decision of the EGM Enea took up 49,645 shares of the total nominal value of ca. PLN 7 mln and covered them with cash totalling to ca. PLN 7 mln.



The Parties undertook, pursuant to the Shareholder Agreement and proportionally to the number of shares held, to finance the activities being part of the Preliminary Stage of the project.

The Preliminary stage is to specify such elements as:

- potential partners, including the strategic partner
- technology providers, EPC contractors (Engineering, Procurement, Construction)
- atomic fuel supplier
- obtaining financing for the project
- organisational and competence-related preparation of PGE EJ 1 for the role of the future operator of the atomic power plant, responsible for its safe and efficient exploitation (Integrated Proceedings).

Pursuant to the Shareholder Agreement, the financial commitment of Enea SA during the Preliminary Stage will not exceed the amount of ca. PLN 107 mln and is to be based on making contributions, up to this amount, for the raised share capital of PGE EJ 1.

The Parties to the Shareholder Agreement continue the cooperation within the undertaking and foresee that the decision relating to the declaration of further participation of particular Parties in the next stage of the project will be made after the completion of the development stage, directly before making the final decision within the Integrated Proceedings.

Financing sources of the investment programme

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



Programme Agreement on the bond issue programme up to the amount of PLN 3 billion

Enea SA holds the programme agreement relating to the bond issue programme up to the amount of PLN 3 billion with banks operating as Underwriters, i.e.: PKO BP SA, Bank Pekao SA, BZ WBK SA and Bank Handlowy w Warszawie SA. The financing is not hedged on Enea Capital Group's assets.

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

On 23 July 2015, Enea SA concluded an Annex to the Agreement which amended the financing conditions adapting them to the current market situation and amended the legal basis for the issue of new series of bonds to the Bond Act of 15 January 2015.

On 18 December 2015, Enea SA issued another tranche of five-year bonds with a floating rate interest (WIBOR plus margin) for the amount of PLN 341 maturing after 5 years.

As at 31 December 2015 the value of the bonds issued within the aforementioned Programme totalled to PLN 1,201 mln.



Rate of utilisation of the financing source



Programme Agreement on the bond issue programme up to the amount of PLN 5 billion

On 30 June 2014, Enea SA concluded a programme agreement relating to the bond issue programme up to the amount of PLN 5 billion with five banks acting as dealers: ING Bank Śląski SA, PKO BP SA, Bank Pekao SA and mBank SA. As a part of the Programme Enea may issue bonds with the maturity of up to 10 years, and Bank dealers have the duty of care when offering the sale of bonds to market investors. The first series of bonds in the amount of PLN 1 billion was issued in February 2015. The first series bonds are registered with the National Depository for Securities and are listed on the alternative trading system on Catalist.

On 7 September 2015 an annex was signed to the said Agreement which amended the legal basis of the issue of successive series of bonds to the Bond Act dated 15 January 2015.

On 16 September 2015, Enea SA issued 6-year bonds in the total amount of PLN 500 mln for one investor. The interest rate is based on floating WIBOR rate increased with the margin.



Rate of utilisation of the financing source



The Programme Agreements on the bond issue programme guaranteed by BGK

On 15 May 2014, Enea SA concluded a programme agreement relating to the bond issue programme up to the amount of PLN 1 billion guaranteed by Bank Gospodarstwa Krajowego. The financing is not hedged on Enea Capital Group's assets. The funds from that programme are allocated e.g. to the realisation of the investments by Enea SA and its subsidiaries.

On 1 September an annex was signed to the subject Agreement which amended the legal basis of the issue of successive series of bonds to the Bond Act dated 15 January 2015.

As at 31 December 2015, Enea SA issued bonds in the said Programme of the total value of the Programme being PLN 1 billion. The bond redemption period is maximally 12.5 years from the date of their issue. The interest rate is based on floating WIBOR rate increased with the margin.

On 3 December 2015, Enea SA concluded another programme agreement relating to the bond issue programme up to the amount of PLN 700 million guaranteed by Bank Gospodarstwa Krajowego. The funds from that programme are allocated e.g. to the realisation of the investments and financing the current operations of Enea SA and its subsidiaries.



Rate of utilisation of the financing source



Investment loans granted by the European Investment Bank

On 18 October 2012, Enea SA concluded a financial agreement with the European Investment Bank (EIB) based on which the Company was granted a loan in the amount of PLN 950 mln or its equivalent in EUR (tranche A). On 19 June 2013, another loan agreement (tranche "B") was concluded with EIB for the amount of PLN 475 mln. The funds in the total amount of PLN 1,425 mln obtained from the loan are designated for the financing of a multiannual investment plan regarding the modernisation and extension of the power grids of Enea Operator. The loan repayment period is up to 15 years from the planned disbursement of the facility.

As at 31 December, within "A" and "B" tranches, Enea SA drew funds from the loan in full, i.e. in the amount of PLN 1,425 mln in 4 separate amounts paid out from September 2013 to July 2015. The currency of the disbursed loan is Polish zloty, floating rate, based on WIBOR rate for 6-month deposits, increased with the Bank's margin. In the case of one disbursement the interest rate was based on the flat interest rate.

On 29 May 2015 another loan agreement was concluded based on which EIB provided the Company with new financing in the amount of PLN 946 mln or its equivalent in EUR (tranche "C"). The funds obtained from the loan will be designated for the financing of a multiannual investment plan in order to modernise and extend the power infrastructure of Enea Operator. The financing is not hedged on Enea Capital Group's assets. In July 2015 the first amount was drawn from that loan totalling to PLN 100 mln. The interest rate is floating based on WIBOR rate for 6-month deposits increased with a margin. The tranches will be paid in instalments, and the final repayment will be made in June 2030.



Rate of utilisation of the financing source

Financing sources of LW Bogdanka investment programme



The Programme Agreements on the bond issue programme of LW Bogdanka SA

LW Bogdanka SA holds two bond issue programmes up to the total amount of PLN 900 mln. Within the first Programme Agreement concluded with Bank Pekao SA LW Bogdanka SA issued bonds of the total value of PLN 300 mln. The redemption date is in 2018. The interest rate of the bonds is based on WIBOR 3M rate increased with the fixed margin. The other Programme Agreement was concluded on 30 June 2014 with Bank Pekao SA and Bank Gospodarstwa Krajowego up to the total amount of PLN 600 mln, which is divided into 2 tranches, PLN 300 mln each. As at 31 December 2015 the bonds were issued of the total amount of PLN 400 mln with the redemption date on 30 June 2016. The issue programme foresees that LW Bogdanka SA has the right to issue subsequent bond series within a given tranche to refinance the previous issue of a given tranche (roll-out), which justifies the long-term nature of the Bond Issue Programme. The term of the Programme Agreement expires on: for Tranche 1 - 31 December 2019, for Tranche 2 - 31 December 2020. The interest rate of bonds is based on WIBOR 3M rate increased with the fixed margin.

78%



Rate of utilisation of the financing source

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

Issue of Enea SA's securities in 2015

Date of issue	Type of issue	Value of issue [PLN '000]
10 February 2015	Non-public market issue as part of the Programme Agreement relating to the bond issue programme up to the amount of PLN 5 billion	1.00
9 September 2015	Non-public issue as part of the Programme Agreement relating to the bond issue programme up to the amount of PLN 1 billion guaranteed by BGK bank	0.74
16 September 2015	Non-public private placement issue as part of the Programme Agreement relating to the bond issue programme up to the amount of PLN 5 billion	0.50
18 December 2015	Non-public issue within the Programme Agreement relating to the bond issue programme up to the amount of PLN 3 billion guaranteed by a consortium of banks - PKO BP SA, Pekao SA, BZ WBK SA and Bank Handlowy w Warszawie SA	0.341
TOTAL		2.581

The nominal debt for the bonds issued by Enea SA as at 31 December 2015 totalled to PLN 3.701 billion.

Transactions hedging the interest rate risk in 2015

Implementing the Interest Rate Risk Management Policy Enea SA concluded transactions in 2015 which hedge the interest rate risk (Interest Rate Swap) for the total equivalence of the debt in the amount of PLN 2,995 mln. The concluded transactions hedge the level of settlements and payments resulting from the debt through the permanent change of variable interest streams.

Use of proceeds from the issue of securities

The funds obtained by Enea SA from the bond issue are used on the implementation of real and equity investments conducted by Subsidiaries.

Enea Wytwarzanie has been constructing the most modern power unit in Poland in Świerże Górne. All the issues performed by Enea Wytwarzanie in 2015 were devoted to financing the expenses associated with the project.

The funds obtained by Enea SA in September 2015 from bond issue in the amount of PLN 500 mln and PLN 740 mln were devoted for the purchase of LW Bogdanka SA.

Assessment of the Feasibility of Implementing Investment Plans

The Company's financial standing gives strong bases to implement investment plans. The balance sheet, equity and balance of cash of Enea Capital Group provide a solid base for capital expenditures financing, both from our own resources and external sources. In order to use its resources efficiently, in their further investment activities (particularly in the area of acquisitions) the Company intends to make use of debt financing so as to attain leverage.



Distribution of cash - subsidiaries' bond Issue programmes

On 17 February 2015, Enea Wytwarzanie, Enea and PKO Bank Polski concluded the Bond Issue Programme Agreement for the amount of PLN 760 mln. Pursuant to the agreement, the Issuer has the right to issue bonds until 31 December 2015 on not more than 5 dates up to the total amount of PLN 760 mln. On 3 June 2015 an annex was concluded to the Bond Issue Programme for the amount of PLN 760 mln, base on which the parties increased the value of the Programme to PLN 1 billion and amended the provisions of the Agreement so that to enable Enea Wytwarzanie to issue bonds, both at interest floating and fixed rate. As at 31 December 2015, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 1 billion.

**PLN 760 mln ->
PLN 1 billion**
Bond Issue Programme Agreement of 17 February 2015
Enea Wytwarzanie

**PLN 4 billion ->
PLN 3 billion**
Bond Issue Programme of 8 September 2012
Enea Wytwarzanie

On 21 January 2015, an annex was concluded between Enea Wytwarzanie and mBank to the programme agreement relating to the Bond Issue Programme of 8 September 2012 pursuant to which the value of the Programme Agreement was decreased from PLN 4 billion to PLN 3 bln. An annex to the agreement guaranteeing the subscription by Enea for bonds issued by Enea Wytwarzanie was concluded on 21 January 2015 by Enea and Enea Wytwarzanie, along with the annex to the aforementioned agreement. Pursuant to the annex the value of the Enea Wytwarzanie's bonds, whose subscription by the Company is guaranteed, was adjusted to the current value of the Programme and reduced to the amount of PLN 3 bln. On 18 September 2015 another annex was concluded based on which the financial conditions were amended for newly issued bonds. On 18 December 2015 Enea Wytwarzanie issued another tranche of five-year bonds with a floating rate interest. As at 31 December 2015, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 1,201 mln.

On 29 July Enea took up the issue of the last series of bonds issued by Enea Operator within the Programme Agreement relating to the Bond Issue Programme up to the amount of PLN 1,425 mln dated 20 June 2013. The amount of the issued series totalled to PLN 375 mln. The bonds bear a fixed rate interest. The bonds will be redeemed in instalments, and the final redemption date is in June 2030.

PLN 1,425 mln
Enea Operator's bonds



PLN 936 mln
Enea Wytwarzanie's bonds

On 15 July Enea Wytwarzanie issued another series of bonds of the nominal value of PLN 936 mln. The issue was paid for via the set-off of claims to Enea Wytwarzanie due to the redemption of bonds of previous series issued by Enea Wytwarzanie. The issue's purpose was maintaining by Enea Wytwarzanie of the availability of funds used for the realisation of the investment, including for financing the construction of the power unit No B-11 in Koźnice Power Plant and other investment needs of this Company.

On 11 February 2015, Enea Wytwarzanie, Enea and PKO Bank Polski concluded an annex to the Programme Agreement of 12 August 2014 relating to the Bond Issue Programme up to the amount of PLN 260 mln. Pursuant to the annex, the Parties increased the value of the Bond Issue Programme to PLN 1 billion and the possible number of bond issues within the Programme was increased to 8, and the expiry date of the Programme availability was set on 31 December 2016. The other terms of the programme remained unchanged. Changes which were made to other bond issue programmes resulted in the conclusion on 30 December 2015 of another annex to the Programme Agreement which decreased the Programme's Value to PLN 260 mln again. As at 31 December 2015 the value of the bonds issued within the aforementioned Programme totalled to PLN 260 mln.

PLN 260 mln
Programme Agreement of 12 August 2014
Enea Wytwarzanie

PLN 946 mln
Bond Issue Programme Agreement of 7 July 2015
Enea Operator

On 7 July an Executive Bond Issue Programme Agreement for the amount of PLN 946 mln between Enea as guarantor, Enea Operator as issuer and PKO Bank Polski as agent. Within the agreement Enea Operator may perform up to 10 issues of bonds until 17 March 2017. The bond redemption date - in instalments, however not later than within 15 years of the date of issue. The bonds may bear the fixed rate or floating rate interest based on WIBOR rate plus ma, with the interest rate revision after or 5 years. As at 31 December 2015, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 100 mln. The bonds bear a fixed rate interest.

On 30 October 2015, MPEC Białystok as issuer, Enea as guarantor and PKO Bank Polski as agent concluded the Executive Bond Issue Programme Agreement for the amount of PLN 18 mln. The bond issue programme provides for a single issue of bonds. On 6 November 2015 MPEC Białystok issued the bonds totalling to PLN 18 mln. The bonds bear a floating rate interest.

Credit and loan agreements concluded and completed

Enea SA, according to the nominal debt as at 31 December 2015, had loans in the amount of PLN 1,525,000 thou., including borrowings drawn by Enea SA in 2015:

Start date	End date	Creditor	Amount of credit granted [PLN '000]	Interest rate	Credit debt as at 31 December 2015 [PLN '000]	Repayment period
29 May 2015	31 March 2032	(C) European Investment Bank	946 000	base rate + margin	100 000	principal instalments determined on the loan tranche release
19 June 2013	31 December 2030	(B) European Investment Bank	375 000	base rate + margin	375 000	principal instalments determined on the loan tranche release
TOTAL					475 000	

Credits and loans drawn in 2015 by Enea Group Companies in 2015

In December 2015 Enea Wytwarzanie sp. z o.o. concluded a financing agreement in the form of a loan from the National Fund of Environmental Protection and Water Management for the amount of PLN 60,075 thou. in relation to the undertaking titled "Construction of the flue gas desulphurisation plant for K7 and K8 boilers in Białystok Heat and Power Plant". The loan was granted for the period from April 2016 to December 2026, WIBOR 3M interest rate, repayment in quarterly instalments. The first release is planned on the turn of April and June 2016. In October 2015 Miejska Energetyka Ciepna Piła sp. z o.o. concluded a financing agreement in the form a loan from the Provincial Fund for Environmental Protection and Water Management for the amount of PLN 385 thou. for the realisation of the Company's investment.

The total amount of the debt due to the loans and credits drawn by Enea SA and Enea Capital Group Companies as at 31 December 2015 amounted to PLN 1,586,773 thou. nominally.

Loans granted

As regards the loans granted by Enea SA to the companies within Enea Capital Group, the total indebtedness as at 31 December 2015 amounted to PLN 69,588 thou.

The information on the loan agreements concluded in 2015 by Enea SA and the level of their utilisation is presented in the table below:

Date of granting	Date of complete repayment	Company	Amount of loan granted [PLN '000]	Interest	Debt on loans as at 31 December 2015 [PLN '000]
19 January 2015	31 January 2020	Enea Oświetlenie sp. z o.o.	10 000	WIBOR 1M + margin	8 174
12 February 2015	31 July 2016	Szpital Uzdrowiskowy Energetyk sp. z o.o.	260	WIBOR 1M + margin	160
23 March 2015	31 December 2015	Hotel Edison sp. z o.o.	150	WIBOR 1M + margin	0
22 December 2015	30 June 2025	Enea Centrum sp. z o.o.	90 000	None	0
TOTAL			100 410		8 334

Granted and received sureties

The list of suretyships granted in 2015 by Enea SA is presented in the table below:

Date surety/ guarantee was granted	Date of validity of surety / guarantee	Entity for which surety / guarantee was granted	Entity to which surety / guarantee was granted	Amount of security granted [PLN '000]	Designation of amounts covered with surety/guarantee
8 October 2015	8 October 2018	Enea Trading sp. z o.o.	ČEZ a.s.	10 000	as the collateral for liabilities incurred by Enea Trading resulting from Individual Agreements relating to the sale and purchase of electricity
26 October 2015	26 October 2018	Enea Trading sp. z o.o.	Zespół Elektrowni Pątnów-Adamów-Konin SA	24 000	as the collateral for liabilities incurred by Enea Trading resulting from Individual Agreements relating to the sale and purchase of electricity
26 October 2015	26 October 2018	Enea Trading sp. z o.o.	Elektrownia Pątnów II sp. z o.o.	8 000	as the collateral for liabilities incurred by Enea Trading resulting from Individual Agreements relating to the sale and purchase of electricity
27 October 2015	27 October 2018	Enea Trading sp. z o.o.	PGE Polska Grupa Energetyczna SA	20 000	as the collateral for liabilities incurred by Enea Trading resulting from Individual Agreements relating to the sale and purchase of electricity
28 December 2015	1 January 2018	Enea Trading sp. z o.o.	PKN Orlen SA	15 000	as the collateral for liabilities incurred by Enea Trading resulting from Individual Agreements relating to wholesale trading in gaseous fuel

The total off-balance sheet value of sureties granted as at 31 December 2015 was PLN 199,014.8 thou.

Granted and received guarantees

The total off-balance sheet value of bank guarantees granted on order of Enea SA as at 31 December 2015 was PLN 38,676.2 thou.

Guarantees granted on order of Enea SA in 2015 amounted to PLN 51,142 thou. Information on the greatest guarantees granted in 2015 is presented below.

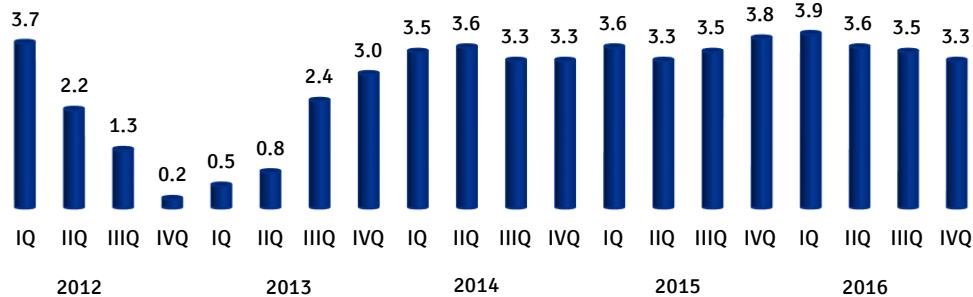
Date collateral was granted	Date of collateral validity	Entity for which collateral was granted	Purpose of the agreement	Form of collateral	Value of collateral granted [PLN thou.]
1 January 2015	31 December 2015	Polskie Sieci Energetyczne SA	collateral for liabilities relating to rendering electricity transmission services	bank guarantee granted within the guarantee line in the amount of PLN 100 000 thou.	15 000
29 June 2015	31 May 2018	Izba Rozliczeniowa Giełd Towarowych (Warsaw Commodity Clearing House)	making a margin deposit and transaction deposit for IRGiT	bank guarantee granted within the guarantee line in the amount of PLN 350 000 thou.	15 000

Macroeconomic situation

Enea Capital Group’s operations are focused basically on the territory of Poland. The same macroeconomic factor affecting both the achieved results and the financial situation is the development pace and the general condition of the Polish economy.

According to the preliminary data of the Gdańsk Institute for Market Economics (IBnGR) in 2015 the economic growth pace was 3.6%. It constituted the highest pace of economic growth for four years.

2012-2016 GDP dynamics [%]



The key factor of the economic growth in 2015 was the domestic demand. The domestic demand was mainly affected by total consumption and individual consumption, i.e. consumption. From among the elements of the domestic demand the greatest dynamics was reported for gross expenditures on fixed assets, i.e. capital expenditures. As regards sectors the fastest growing area of economy in 2015 was the industry.

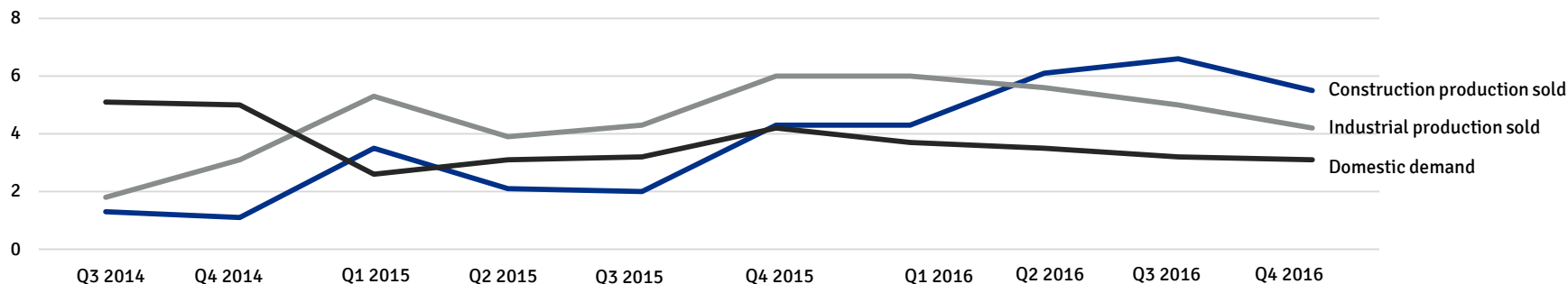
Pursuant to the forecast of IBnGR the rate of growth of the gross domestic product in 2016 will amount to 3.6%, which means it will be the same as in the previous year. According to the forecast of IBnGR, the economic situation will be better in H1 2016 - GDP growth will amount to 3.9% in Q1 and 3.6% in Q2. In H2 2016 it may be anticipated that the growth rate will decrease to the level of 3.3% in Q4. Pursuant to the forecast in 2017 the economic situation will still worsen - forecast GDP growth rate is 3.1%. In 2016, the added value in the industry will grow by 5.5%. Worsening of the economic situation in 2017 will be observable particularly in the industry, where the added value will grow by 4.2%. The pace of growth of the domestic demand in 2016 will amount to 3.4%, i.e. the same as in 2015. And in 2017, the domestic demand will grow much slower, i.e. on the forecast level of 2.7%.

In 2015 the average annual inflation rate amounted to (-)0.9%. It was the lowest average annual ratio of price fluctuations from the beginning of the market economy in Poland. Pursuant to the forecast by IBnGR already in Q1 2016 the deflation will be still reported for the Polish economy. In next quarters there will be expected growth in consumer prices. In 2016 the average annual inflation level will be 0.7%. In 2017, it is anticipated that the prices will grow faster in Poland - the average level of inflation will be 2.2% next year.

The summary of the key macroeconomic ratios characteristic for the Polish economy in 2015-2017 is presented below.

Description	unit	2015	2016	2017
GDP	% growth	3.6	3.6	3.1
Value added in industry	growth in %	5.4	5.5	4.2
Value added in construction sector	growth in %	4.4	5.6	5.1
Domestic demand	growth in %	3.4	3.4	2.7
Gross expenditures on fixed assets	growth in %	6.1	6.0	5.3
Industrial production sold	growth in %	4.9	5.2	3.8
Construction production sold	growth in %	2.8	6.0	5.2
Inflation	in %	(-) 0.9	0.7	2.2

Projected dynamics of domestic demand and sold production [%]



Source: Developments by IBnGR and economic situation forecast No. 89 (January 2016)

Legal frames of energy market functioning

Regulatory surrounding

The legal basis for energy market functioning in Poland is the act of 10 April 1997 Energy Law and related secondary legislation (regulations).

At the same time, along with Poland accessing the European Union, the Polish legal regulations relating to the energy market were adjusted to the European laws, including in particular EU Directives regarding the principles of the common electricity market.

The central public administration body nominated pursuant to the Energy Law to realise the duties relating to the fuel and energy management and promote the competition is the President of the Energy Regulatory Office. The objective of the President of the Energy Regulatory Office is regulation of the operations of generators, distributors and companies trading in energy compliant with the Energy Law and Polish energy policy strategies with a concurrent pursue of balancing the interests of particular participants of the energy market.

Enea SA's operations are conducted in the environment subject to specific legal regulations, both in Poland and in the European Union. Legal regulations relating to the energy sector are often derivatives of political decisions, therefore there is a risk of frequent changes within this area which the Company is not able to foresee, and which may, as a consequence, result in a lack of unity and uniformity of regulations, based on which Enea SA performs its operations.

Long-Term Power Purchase Agreements (LTPPA)

As the European Commission has found that long-term contracts on the sale of power and electricity (LTTPA) constitute prohibited state aid, the Polish parliament adopted an act intended to terminate those contracts. Under the Act on covering stranded costs incurred by power companies due to the early termination of long-term power purchase agreements of 29 June 2007, companies are entitled to receive compensation for stranded costs incurred as a result of the early termination of LTTPAs.

Enea Wytwarzanie has been entitled to receive the compensation by title of LTTPAs since 1 April 2008. 2014 was the last year of Enea Wytwarzanie's remaining in the aid programme. On 25 August 2015, the President of ERO delivered the decision relating to the so called final adjustment summing up the whole aid programme. The President of ERO determined the amount of the final adjustment of stranded costs for Enea Wytwarzanie in the amount of PLN (+)315.5 mln. Detailed information on this decision was published in the current report No. 32/2015 of 27 August 2015.

On 30 December 2015 the funds in the amount resulting from the decision on the final adjustment of stranded costs were credited to the Company's account.



Licences

Energy groups operate on the Polish energy market based on granted licences. The table below presents the licences held by Enea CG Companies:

Company	Licence for:
Enea SA	<ul style="list-style-type: none"> generation of electricity - valid until 31 December 2025 trade in gaseous fuels - valid until 31 December 2030
Enea Operator sp. z o.o.	<ul style="list-style-type: none"> distribution of electricity - valid until 1 July 2017
Enea Wytwarzanie sp. z o.o.	<ul style="list-style-type: none"> generation of electricity - valid until 31 December 2030 trade in electricity - valid until 31 December 2030 generation of heat - valid until 31 December 2025 transmission and distribution of heat - valid until 31 December 2025
Enea Trading sp. z o.o.	<ul style="list-style-type: none"> trade in electricity - valid until 31 December 2030 trade in gaseous fuels - valid until 31 December 2030 trade in natural gas with abroad - valid until 31 December 2030
MPEC Białystok Sp. z o.o.	<ul style="list-style-type: none"> generation of heat - valid until 30 September 2018 transmission and distribution of heat energy in water and steam - valid until 30 September 2018 trade in heat - valid until t30 September 2018
MEC Piła sp. z o.o.	<ul style="list-style-type: none"> generation of heat - valid until 31 December 2025 transmission and distribution of heat - valid until 31 December 2025 generation of electricity - valid until 25 September 2017
PEC Oborniki sp. z o.o.	<ul style="list-style-type: none"> generation of heat - valid until 31 December 2025 transmission and distribution of heat - valid until 31 December 2025
LW Bogdanka SA	<ul style="list-style-type: none"> mining bituminous coal from Bigdanka's deposit within Puchaczów V mining area - valid until 31 December 2031 mining of bituminous coal from Lubin Coal Basin - K-3 area within Stręczyn mining area - valid until 1 July 2046. identification of Ostrów bituminous coal deposit located on the area of communes: Ludwin, Łęczna, Ostrów Lubelski, Puchaczów, Sosnowica, Uścimów in Lubelskie province - valid until 15 July 2019 Identification of Orzechów bituminous coal deposit located on the area of communes: Sosnowica, Uścimów, Urszuli, Cyców, Puchaczów and Ludwin in Lubelskie province - valid until 29 October 2018

Legal frames of energy market functioning

Amendments within regulatory surrounding

Act of 20 February 2015 on renewable energy sources

In H1 2015, the President of the Republic of Poland signed an act on renewable energy sources. The goal of the act is increasing the energy security and environment protection, e.g. as a result of an efficient use of renewable energy sources. The act provides for, e.g., achievement of at least 15% share of energy from renewable sources in the final gross consumption of energy in 2020. Enea SA will be the so called obliged vendor, i.e. an entity obliged to purchase electricity generated in RES installations connected to the network of Enea Operator sp. z o.o.

On 29 December 2015 the Sejm adopted, after consideration of the Senate's amendments, the content of the act amending the act on renewable energy sources and the Energy Law (J. L. of 2015 No. 2365).

The goal of the amendment which came into force on 31 December 2015 is adjournment by 6 months of entry into force of the provisions of chapter 4 of the Act of 20 February 2015 on renewable energy sources (J. L. of 2015, item 478; further on as: RES act), and in particular the issues relating to the launching of the auction system for the purchase of electricity from renewable energy sources installations and mechanism supporting the generation of electricity in microinstallations of the total installed electrical capacity not greater than 10 kW. Changes were proposed to be made to the provisions of the RES act, enabling the application of the existing provisions until 30 June 2016, and new regulations - from 1 July 2016.

The act amendment finally settles two issues:

- certificates of origin do not apply to energy generated from 1 January 2016 in installations with the capacity greater than 5 MW using hydropower to generate this energy
- certificates of origin adjusted with 0.5 coefficient apply to electricity generated from 1 January 2016 in multi-fuel firing installations excluding electricity generated in the dedicated multi-fuel firing installation

REMIT

Since 7 October 2015 there has been a duty to report basic transactions and data (for standard contracts for electricity and gas supplies) to the European Agency for the Cooperation of Energy Regulators (Agency or ACER). Pursuant to the REMIT regulation, i.e. the regulation of the European Parliament and the Council (EU) No. 1227/2011 dated 25 October 2011 on wholesale energy market integrity and transparency (REMIT), until the above mentioned date the participants of the wholesale energy and natural gas market mentioned in Article 9 item 1 of REMIT are obliged to register with the national regulatory authority.

The Regulation of 11 September 2015 on amendment of the Energy Law and some other acts (J. L. of 2015, item 1618), which entered into force on 30 October 2015, the principles were introduced guaranteeing REMIT application, including the penal provisions (Chapter 7A) for breaching the duties resulting from REMIT.

Introduction of the quality tariff

From 2016 the President of the Energy Regulatory Office introduced elements of the quality regulation to the process of determining tariffs for ODSs - operators of the distribution systems (in Enea CG the function of ODS is held by Enea Operator). They were described in detail in "QUALITY REGULATION IN 2016-2020 FOR OPERATORS OF THE DISTRIBUTION SYSTEMS (who separated their operations as of 1 July 2007)".

It means that the President of ERO set, for each ODS, goals for 2016-2020 whose non-performance (subject to the existence of mechanisms allowing to exceed the goal within certain limits) will result in financial consequences for these enterprises.

Annual settlements of each of the ratios of the quality regulation, starting from 2016, will affect the tariff calculation, and thus ODSs' income.

The President of ERO indicated that the ratios which have a direct impact on the regulated income of ODSs will be the following efficiency ratios:

- SAIDI - system average interruption duration index
- SAIFI - system average interruption frequency index
- Connection Realisation Time (CRT)

Additionally, DST ratio - Settlement and Measuring Data Submission Time will be introduced to the quality regulation as of 2018.

2016 tariff - distribution of electricity

Detailed rules of tariff calculation are governed by the Energy Law and relevant regulations relating to tariffs. Pursuant to the Energy Law, tariffs for a licensed energy company are approved by the President of ERO.

The tariff for Enea Operator for 2016 was approved by the President of ERO on 17 December 2015. It was prepared in accordance with the strategy developed and published by the President of ERO in the document titled "ODSs' tariffs for 2016".

The rates of fees for the distribution services approved for 2016 resulted in changes in average payments for Customers in particular tariff groups in relation to 2015:

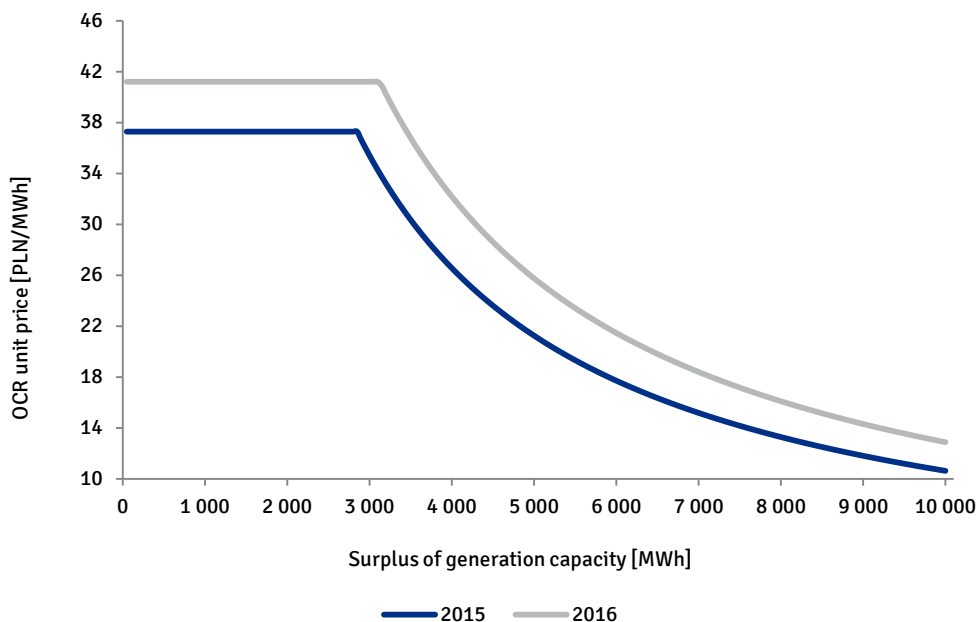
- A tariff group set - drop by 0.29%
- B tariff group set - drop by 0.61%
- C tariff group set - drop by 1.51%
- G tariff group set - drop by 1.03%



Operating capacity reserve (OCR)

- OCR mechanism is conducted by Polskie Sieci Elektroenergetyczne - Operator of the Transmission System (OTS) within the system services catalogue
- For producers of energy it is an economic incentive to offer generating capacities to OTSs in the peak hours of demand for power
- OCR includes the available generating capacity, being the surplus of the power available to OTSs over the demand for electricity
- A unit price for OCR depends on the volume of generating capacity available to OTSs over the demand for electricity covered:
 - within energy sale agreements
 - on the Balancing Market
- A unit price for OCR depends on the volume of generating capacity available to OTSs over the demand and may not be higher than the reference price which for 2015 was PLN 37.28, and for 2016 amounts to PLN 41.20

The diagram below presents the unit price for OCR depending on the volume of generation capacity available to OTSs:



Parameters of the OCR settlement model for 2015-2016:

Parameter	2015	2016
Hourly budget [PLN]	106 246.72	128 758.72
Reference price [PLN/MWh]	37.28	41.20
Hourly volume of required OCR [MWh]	4 155.37	3 451.09
Number of demand peak hours	3 810	3 780
OCR annual budget [PLN mln]	404.8	486.7

OCR settlement rules in force in 2015 resulted in the fact that in the hours during which the OCR unit price reached the maximum level OTS did not fully use the budget designated for that service. In relation to this fact, in 2015, with an active participation of Enea Wytwarzanie, there were consultations and works which aimed at the modification of the OCR mechanism with the complementary settlement of the OCR budget unused by OTS.



The result of these works is updating, as of 1 January 2016, of the Transmission Network Traffic and Exploitation Guidance, introducing e.g. monthly and annual settlements complementing the unused, hourly OCR budget of OTSs.

Allowances for emissions of CO₂

On 17 July 2015 the President of the Republic of Poland signed the act on the system of trading in allowances for greenhouse gases emissions. The act presents the principles and method of allocating CO₂ emission allowances until 2020. The existing allowances are sold on the auction platform kept by EEX (European Energy Exchange), but the act established the possibility of developing a Polish auction platform. This year, Poland sold the whole pool out of 17,125,500 allowances for emissions of CO₂ planned for sale in 2015. The auctions of the Polish allowances took place once two months. At least 50% of inflows from sales is to be allocated to purposes strictly defined in the act and related to the climate policy. The act foresees two exceptions from the auction system as well - derogations for energy sector and national execution measures. The act came into force on 9 September 2015.

Auction date	Volume	Auction price [EUR]	Volume, cumulatively	% volume, cumulatively
28 January 2015	2 854 000	6.76	2 854 000	17%
25 March 2015	2 854 000	6.77	5 708 000	33%
20 May 2015	2 854 000	7.38	8 562 000	50%
29 July 2015	2 854 000	8.03	11 416 000	67%
23 September 2015	2 854 000	8.04	14 270 000	83%
16 November 2015	2 855 500	8.51	17 125 500	100%

Currently, preparations are in progress to announce a tender for the conduct of the Polish auction platform for selling allowances for greenhouse gas emissions. A Regulation relating to detailed conditions which a regulated market and an auction platform must satisfy was developed in the Ministry of Finance and submitted for signature and publication. It will enter into force within maximally two weeks after signing (vacatio legis). Another stage is the announcement by the Ministry of Finance of a tender for the Polish auction platform.

Reduction of emission of pollutants

Pursuant to the EU regulations, in particular the Directive of the European Parliament and the Council No. 2010/75/EU on industrial emissions - IED (integrated pollution prevention and control), new, stricter standards of environmental protection have been in force since 1 January 2016. In relation to the above, all producers of electricity in Poland who use mainly high-emission coal technologies, are obliged to adjust the units to new environment requirements. The law, meeting the problems of entrepreneurs, provides for a possibility of using derogatory mechanisms. Mitigation of the requirements of the IED directive in the form of derogations, allows to achieve additional time for adaptation of generating units to stricter standards of pollutant emissions into the air.



Areas of operations

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

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

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

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

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

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

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

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

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

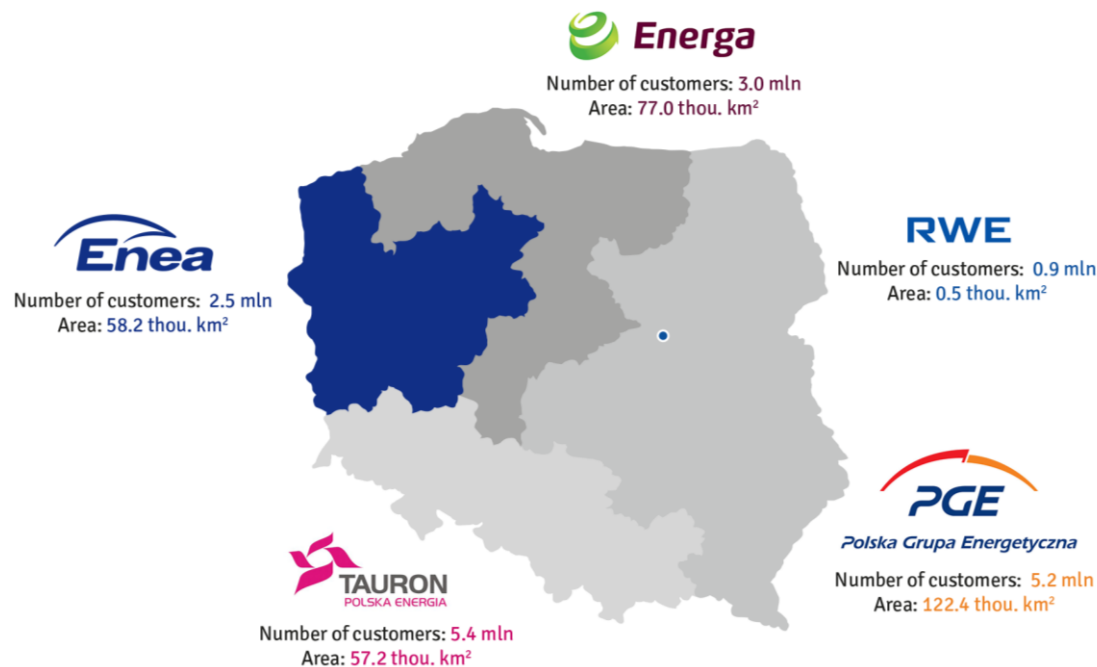
Trade in electricity on the contract market is performed based on bilateral contracts (agreements) concluded between energy producers and companies trading in energy and end Customers.

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

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

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

Key energy groups

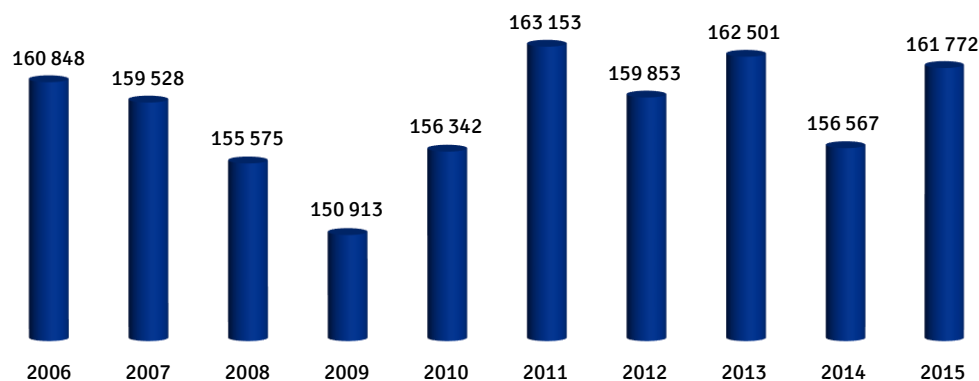


Situation on the electricity market

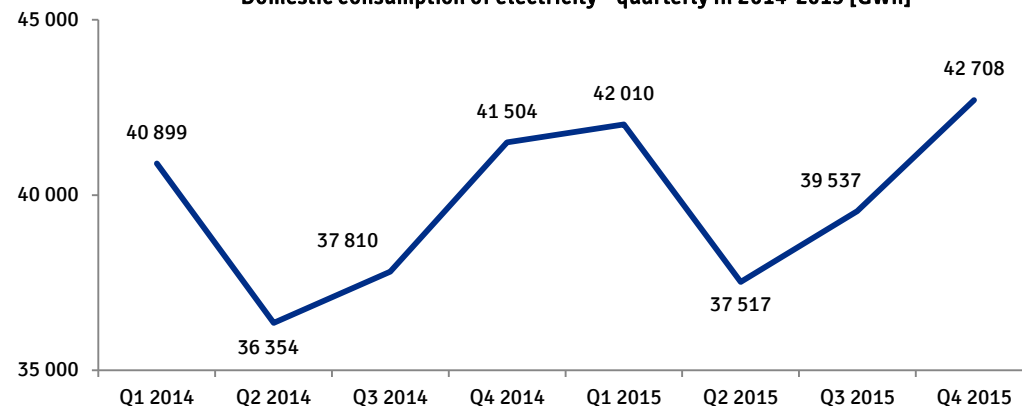
Production of electricity

Pursuant to the data published by Polskie Sieci Energetyczne the domestic production of electricity in 2015 amounted to 161,772 GWh.

Domestic production of electricity - annually in 2006-2015 [GWh]



Domestic consumption of electricity - quarterly in 2014-2015 [GWh]



Electricity generation structure in Polish power plants [GWh]

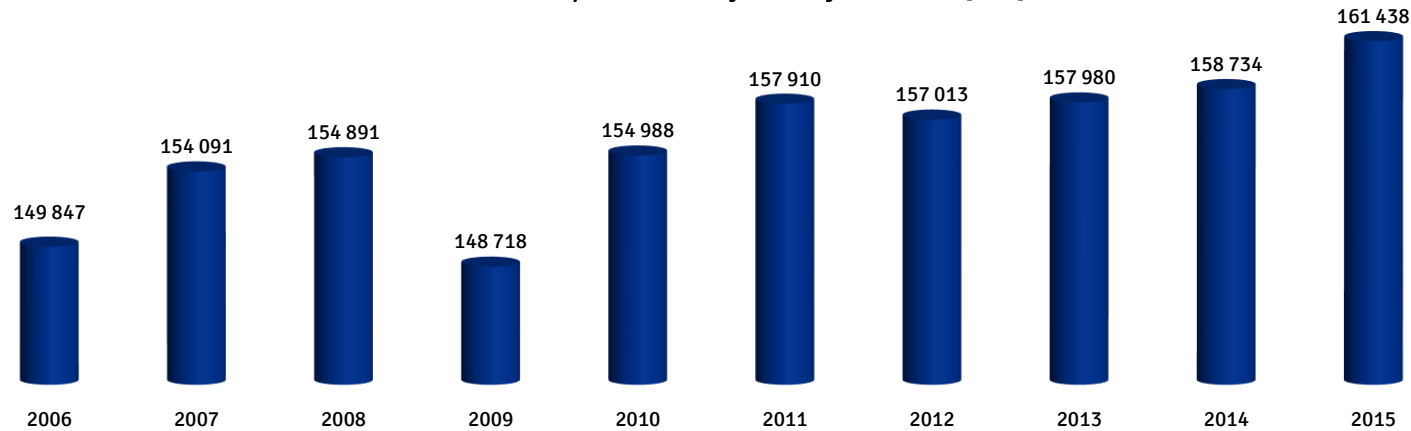
Types of power plants	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Commercial on bituminous coal	92 111	93 133	86 550	84 274	89 212	90 811	84 492	84 566	80 284	81 883
Commercial on brown coal	53 518	51 142	53 798	50 797	49 459	53 623	55 592	56 959	54 212	53 564
Industrial	8 280	8 216	8 045	8 204	8 923	9 000	8 991	9 171	9 020	9 757
Gaseous	4 046	3 908	3 988	4 052	4 166	4 355	4 485	3 149	3 274	4 193
Commercial hydroelectric	2 822	2 682	2 516	2 751	3 268	2 529	2 264	2 762	2 520	2 261
Wind	69	436	672	821	1 300	2 798	3 954	5 823	7 184	10 041
Other renewable	1	10	8	14	11	35	71	72	73	73

Source: http://www.pse.pl/index.php?modul=8&id_rap=212

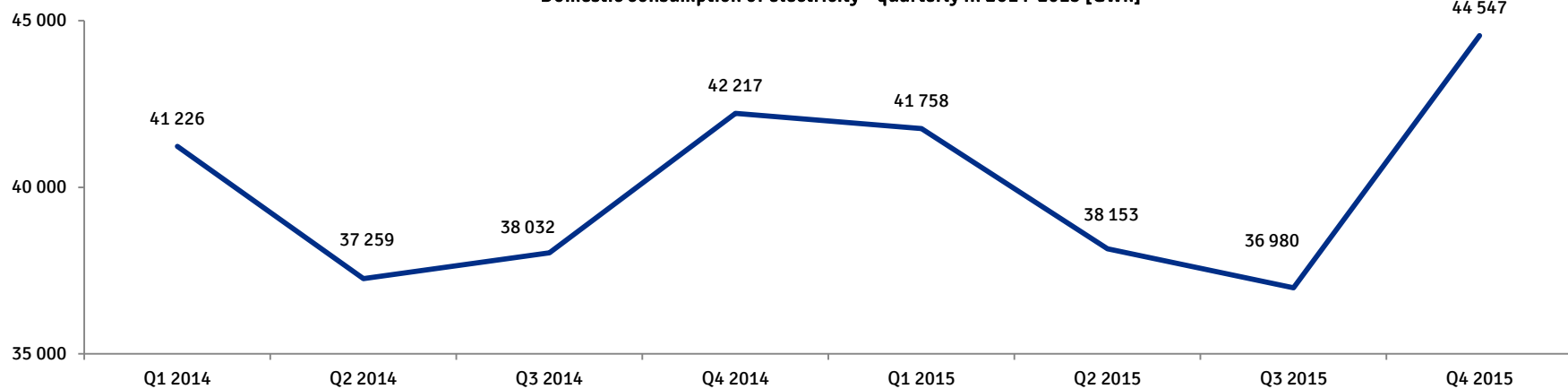
Domestic consumption of electricity

Pursuant to the data published by Polskie Sieci Elektroenergetyczne the domestic consumption of electricity in 2015 was higher by 1.7% than in 2014.

Domestic consumption of electricity - annually in 2006-2015 [GWh]



Domestic consumption of electricity - quarterly in 2014-2015 [GWh]

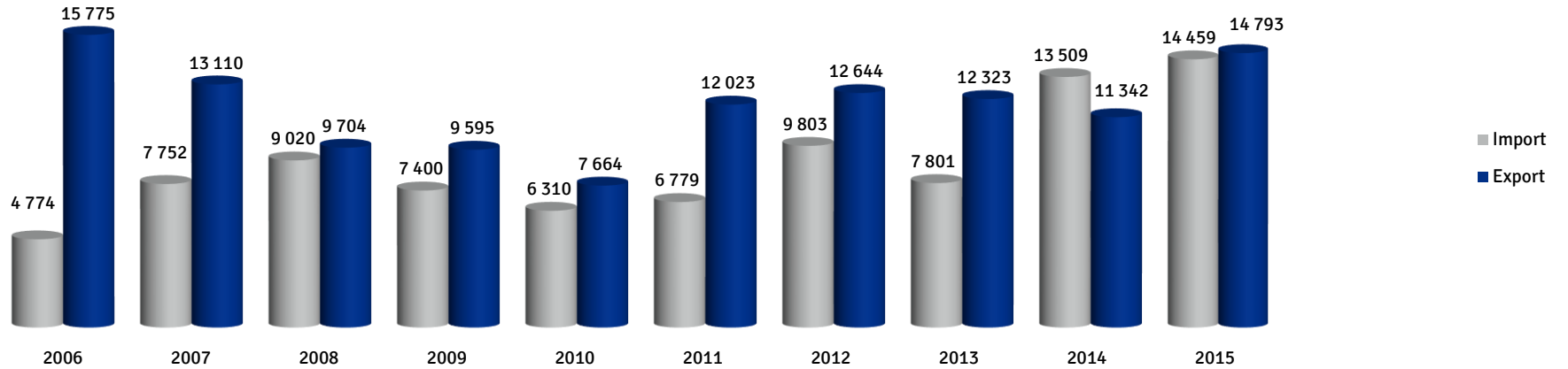


Source: http://www.pse.pl/index.php?modul=86id_rap=212

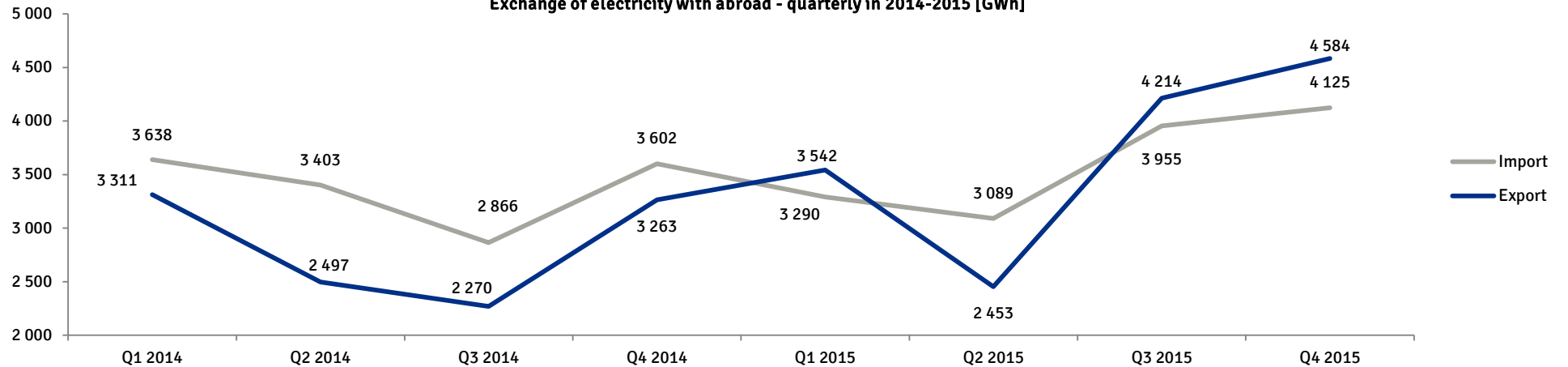
Intersystemic exchange

In 2015 a positive balance of intersystemic exchange was developed as a result of a surplus of energy exported abroad over the energy imported in the amount of 330 GWh. For comparison, in 2014 the balance of intersystemic exchange of electricity amounted to (-) 2,167 GWh.

Exchange of electricity with abroad - annually in 2006-2015 [GWh]



Exchange of electricity with abroad - quarterly in 2014-2015 [GWh]



Source: http://www.pse.pl/index.php?modul=8&id_rap=222

Wholesale electricity prices

In 2015, after growths in 2014, a drop in prices was reported yoy on spot market (Table 1). Low prices were affected e.g. by the following factors:

- high level of wind generation
- high level of forward market participants contracting
- relatively high level of power available for OTSs
- relatively mild atmospheric conditions during winter (“warm winter”)

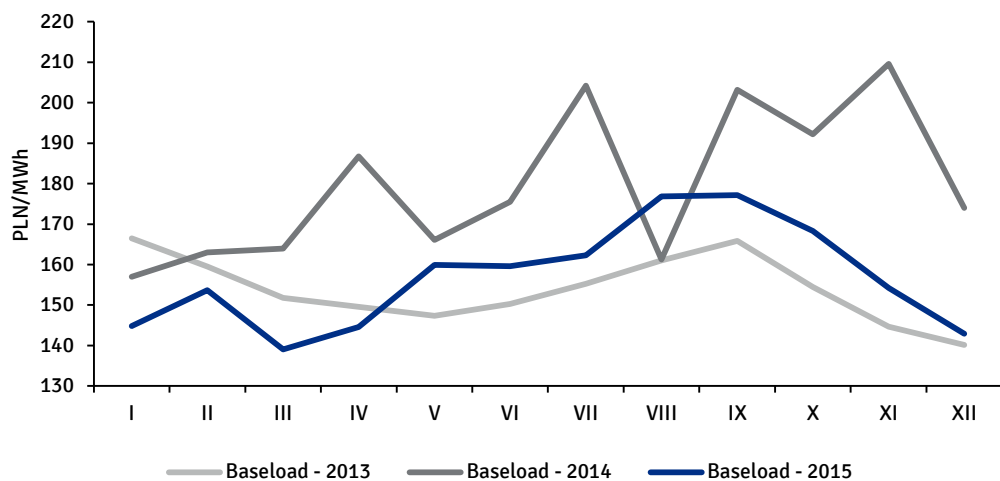
However, what affected the relatively high price levels in August and September, compared to the other months of the year, was: high demand, heat, difficult hydrological situation and losses of power available to OTSs.

Table 1. Average prices on SPOT market (PPE)

Period	Average price [PLN/MWh]	Change [%]
2013	153.82	↓ 11.4
2014	179.86	↑ 16.9
2015	156.95	↓ 12.7

Source: Own paper based on data from PPE

Average level of prices in baseload on SPOT market (DAM)



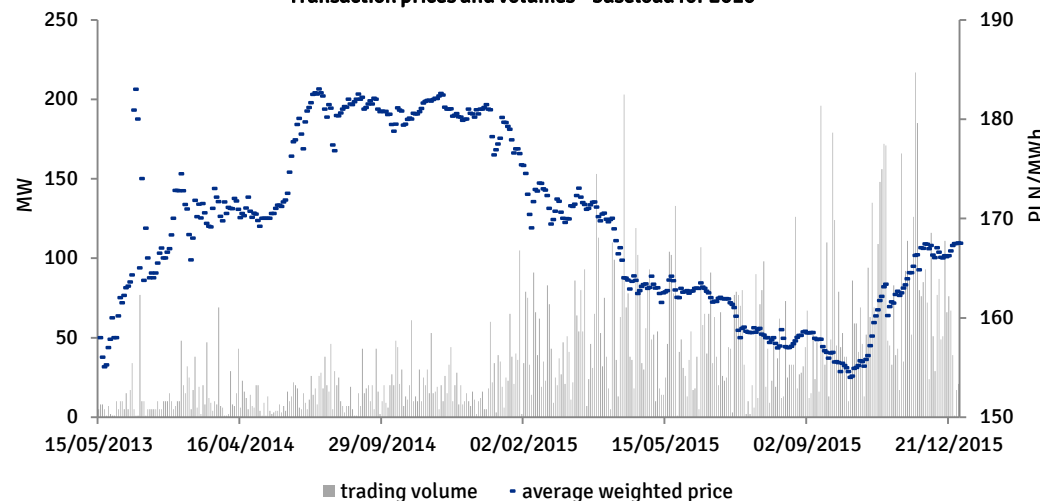
Source: Own paper based on data from PPE

A drop in electricity prices, supported with fundamental factors, was observable also on the forward market. From the beginning until the end of 2015 the price of the most liquid product, BASE Y-16 dropped from 181.00 PLN/MWh to 167.50 PLN/MWh. What affected the growths in the last quarter of 2015 was information on the planned changes in the Operating Capacity Reserve (increasing the OCR budget, growth in the reference price of the hourly operating capacity reserve, introduction of complementary settlements). Finally, BASE Y-16 closed with the price on the level by 9.50 PLN/MWh lower than for BASE Y-15.

Product	Price at the end of quotations [PLN/MWh]	Change yoy [%]	Average price from quotations [PLN/MWh]	Change yoy [%]
BASE Y-14	151.00	↓ 10.9	160.27	↓ 16.2
BASE Y-15	177.00	↑ 17.2	168.13	↑ 4.9
BASE Y-16	167.50	↓ 5.4	166.49	↓ 1.0

Source: own development based on data from PPE, TFS and WSEInfoEngine

Transaction prices and volumes - baseload for 2016

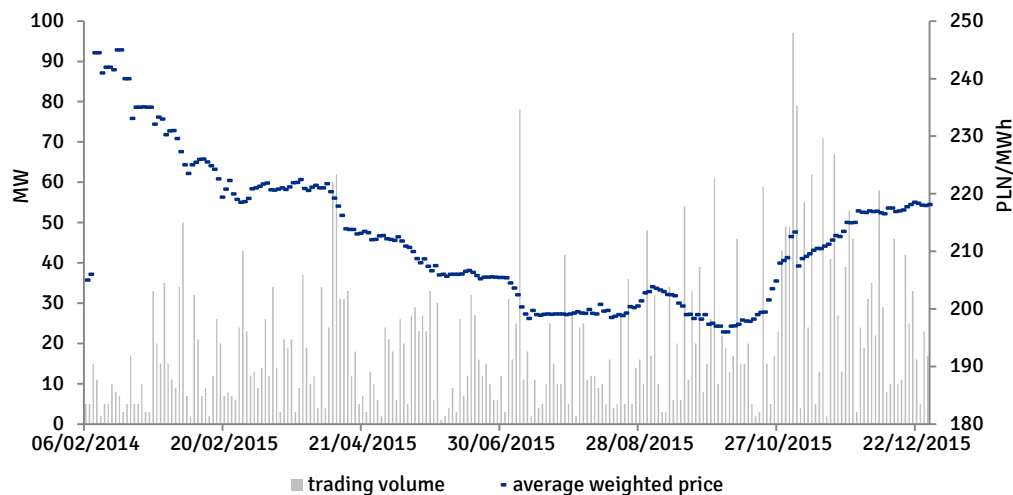


Source: own development based on data from PPE, TFS and WSEInfoEngine.

In 2015, a similar level of market participants' activity was observed on the most popular forward product. Comparing the total volume of trading in annual contracts in the whole period of their quotation the volume grew by ca. 1.5% (the total turnover on BASE Y-16 amounted to 16,758 MW, and on BASE Y-15 16,507 MW).

PEAK Y-16 behaved like BASE Y-16 and its price decreased at the beginning of 2015, after which from October of the year grew regularly until the end of the year. The last transaction was concluded at 218.25 PLN/MWh (however by 15.70 PLN/MWh less than the last transaction for PEAK Y-15).

Transaction prices and volumes - PEAK Y-16



Source: own development based on data from PPE, TFS and WSEInfoEngine

The prices of BASE Y-17 were similar to BASE Y-16 prices. After a stage of decreases lasting until Q3 2015, the contract price in Q4 2015 began to grow to the level of 164.25 PLN/MWh. At the end of the year the spread between BASE Y-17 and BASE Y-16 amounted to -3.25 PLN/MWh (counting from the last transactions), which means that 2017 was valued lower than 2016.

In 2015 transactions were also concluded for PEAK-17 and BASE Y-18 products, however because of a remote delivery horizon the trade volume was low.

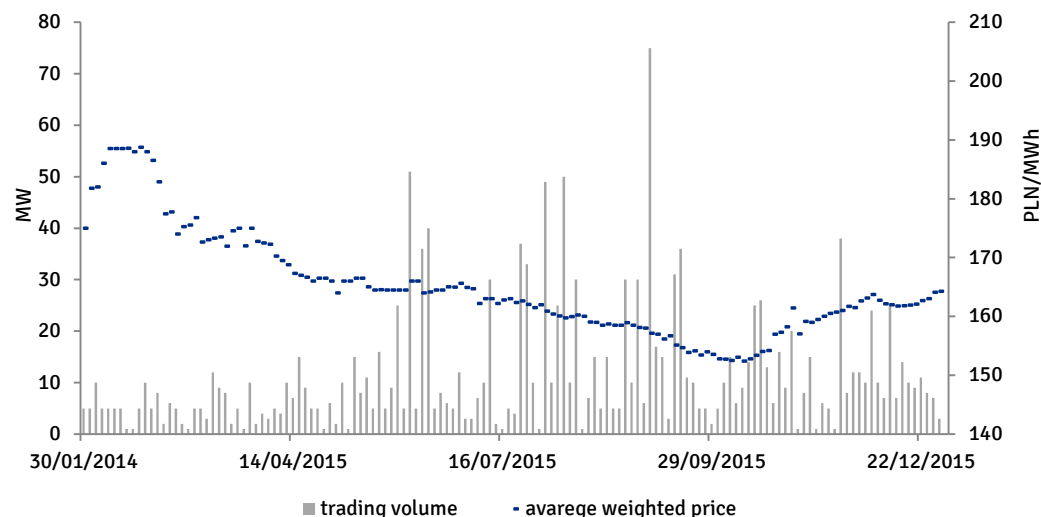
In 2015 the prices of electricity returned to the downward trend.

The factors which favoured price declines were:

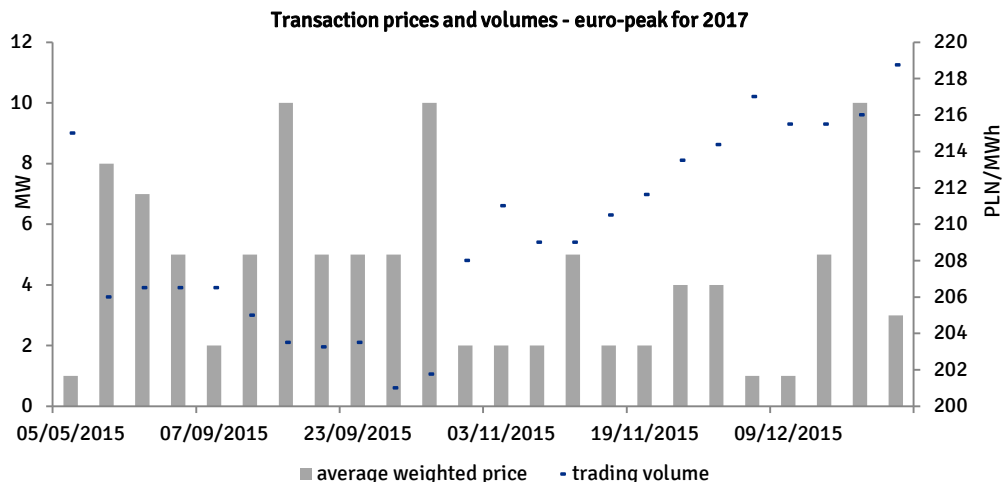
- coal surpluses on fuel market reflected in low coal prices
- high level of power connected with planned significant growth in installed capacity in wind power plants in Poland
- planned growth in possibilities of importing energy to Poland in conjunction with considerably lower energy prices on foreign markets

Only the works on the changes in OCR mechanism prevented further drops and resulted in the growth in prices at the end of 2015. The works over potential introduction of the capacity market mechanisms or changes in the current rules of remunerating for OCR will have a great importance for the further shaping of the market situation.

Transaction prices and volumes - baseload for 2017



Source: own development based on data from PPE, TFS and WSEInfoEngine



Source: own development based on data from PPE, TFS and WSEInfoEngine.



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 2015 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 14.0% of sales to end users
- for energy generated in methane-fired cogeneration, the so called "violet" certificates - the obligation on the level of 1.3% of sales to end users
- for energy generated in gaseous cogeneration units or units with the total installed capacity up to 1 MW, the so called "yellow" certificates - the obligation on the level of 4.9%
- for energy generated in other cogeneration sources, the so called "red" certificates - the obligation on the level of 23.2%
- energy efficiency certificates, the so-called "white" certificates

During the last days of 2015, there were significant changes in the legal provisions relating to the market of certificates of origin. The most important factors include:

- prolongation of the validity of energy efficiency act provisions with a year
- Delaying the entry into force of Section IV of the RES Act, covering the new system of support, with 6 months, and therefore prolongation of the period of "introducing" new installations into the system of green certificates
- limitation as of 1 January 2016 of the support for the multi-fuel firing technology
- elimination as of 1 January 2016 of the support for hydroelectric power plants with the installed capacity over 5 MW

The contracting price structure on the PPE's session market for particular proprietary interests in the period until the end of Q4 2015 is presented below. The analysis excludes PMOZE "green" PIs due to lack of trading volumes and their entire replacement with PMOZE_A.

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

	Average price in 2015	Change in relation to Q4 2014		Maximum price	Minimum price
	PLN/MWh	%	PLN/MWh	PLN/MWh	PLN/MWh
OZEX_A ("green" proprietary interests)	123.60	↓ -24.0%	↓ -39.02	163.00	99.00
KGMX ("yellow" proprietary interests)	107.59	↑ 1.5%	↑ 1.57	109.00	99.00
	117.35	-	-	120.00	110.00
KECX ("red" proprietary interests)	10.78	↑ 2.7%	↑ 20.28	10.93	8.80
	10.68	-	-	10.90	10.02
KMETX ("violet" proprietary interests)	61.84	↑ 1.3%	↑ 0.81	67.00	60.00
	61.76	-	-	62.30	61.02
EFX ("white" proprietary interests)	963.44	↑ 0.7%	↑ 6.26	980.00	925.00

Source: own development based on data from PPE

Limits of CO₂ emission allowances and their market prices

In 2015, the prices of allowances for emissions of CO₂ (EUA), despite the fundamental factors, were affected by the activities realised on the European Union's political scene, including in particular works within:

- market stabilisation reserve (MSR)
- EU ETS structural reform
- climatic declarations before COP21 climate conference
- NO_x, SO_x and dust emissions reduction

MSR is a mechanism of steering the supply of emission allowances, which as a rule is to translate into the growth in EUA prices via a gradual liquidation of surplus of the units on the market. Higher prices of allowances are to constitute an encouragement for investing in low-emission energy technologies and renewable energy sources. In line with the original version of projected regulations, 12% of the total number of allowances being traded would go to the stabilisation reserve, and the units would be returned to the market when the total number of allowances in n-year were lower than 400 mln.

Although in March 2015 the member states in the negotiating mandate for talks with PE, determined the date of launching MSR for 2021, as a result of further talks (5 May 2015) an agreement was concluded for the planned mechanism launching to be on 1 January 2019.

On 8 July 2015 the European Parliament approved the establishment of the stabilisation reserve in 2018, its launching since 1 January 2019 and allocating to the reserve the emission allowances (900 mln) which were withdrawn from the market in relation to backloading launching (the preliminary date of their return to the market will be in 2019-2020).

On 18 September the ministers of environment of the EU member states adopted a reform of the ETS system, despite the objection of Poland, Croatia, Hungary, Bulgaria, Cyprus and Romania.

COP21 climate conference which took place at the beginning of December 2015 ended with the conclusion of an agreement as regards the shape of the climate policy by 195 states, and through signing individual national commitments by 188 states. Despite a theoretical success of the conference there was a collapse on the market of emission allowances. Individual commitments of the largest issuers (China, USA, India) are not satisfactory, since they will probably not be translated into the real emission reduction during the coming years.

On 29 December 2015 the Polish government agreed to the submission of a complaint for stating invalidity of the decision establishing MSR functioning before 2021, referring to the breach of the e.g. the rule:

- loyal cooperation
- legal reliability
- protection of legitimate expectations
- proportionality

Table 4. EUA and CER price change

Product	Price [EUR/t]		Change %
	Beginning of January 2015	End of December 2015	
EUA Spot	6.99	8.22	↑ 18
CER SPOT	0.02	0.51	↑ 2 450
EUA Dec-14	7.09	8.07	↑ 14
CER Dec-14	0.49	0.52	↑ 6

Source: Own development based on data from ICE.

EUA and CER quotations - closing prices on SPOT market



Source: Own development based on data from BlueNext and ICE

Risk management

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

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

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

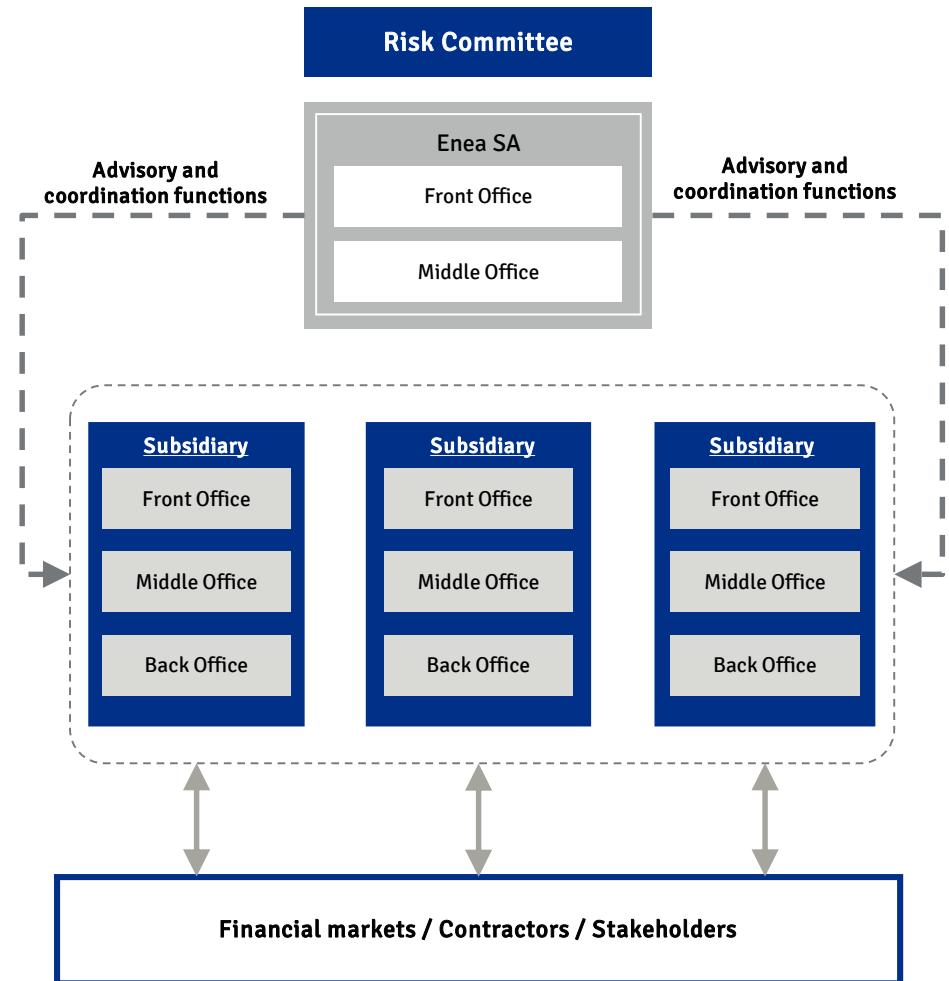
In 2015 the risk management system was subject to further development and prices optimisation.

Management model

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

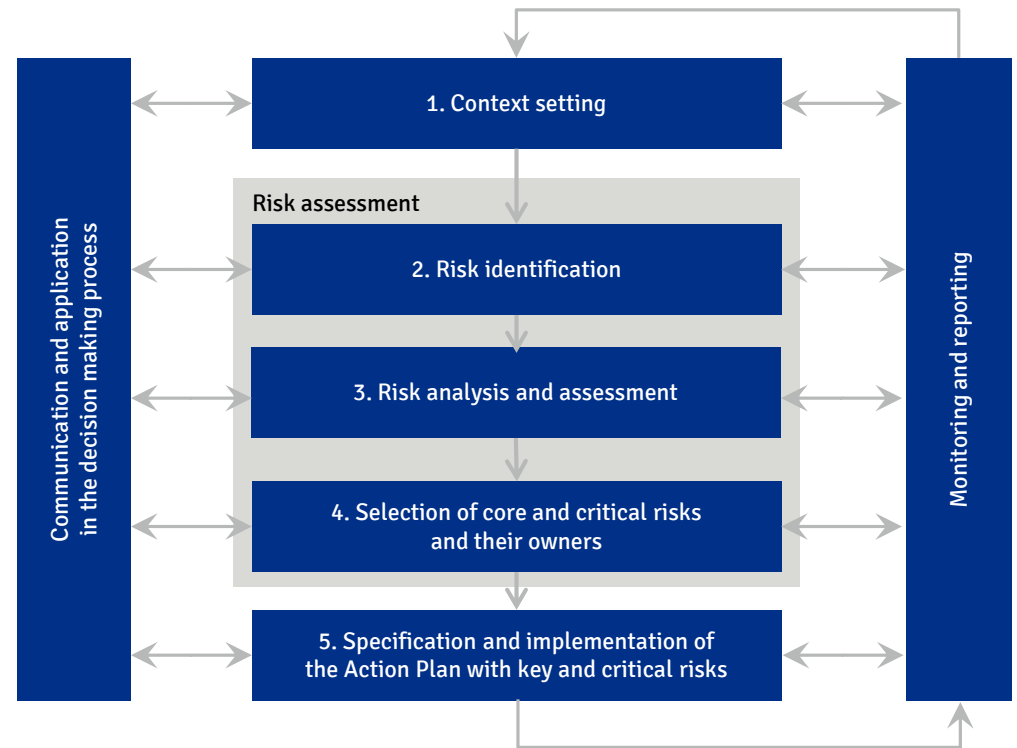
Key features of the coordinated model:

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



Risk management process

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



Context setting	Risk identification	Risk analysis and assessment	Selection of core and critical risks and their owners	Specification and implementation of the Action Plan with key and critical risks
Setting strategic goals of Enea Group, identification of the internal and external environment of the Group, Policy updating, operating tools and schedule of risk management	Gathering knowledge on risks to which Enea Group is exposed	Analysis of particular risks in the light of the probability of materialisation and potential effect	Selection of core and critical risks based on the estimate and determination of managers relevant as regards the business for the given area to hold the function of the so called risk owner	Development, in respect of key and critical risks, of the so called <ul style="list-style-type: none"> Response Plans (way of changing the risk level to the level corresponding to the hunger for risk, i.e. the method of bringing the probability and results of risk materialisation to the acceptable values) Reaction Plans (activities, which must be undertaken in case of risk materialisation)

Documentation regulating the risk management process in Enea Group

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

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

Enea Group's Risk Committee

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

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

Risk Committee's composition:

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



Risk Committee's competences:

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

Enea Group's risk model

RISK MODEL	Enea Group identifies and locates risks within specified area categories.	CORE RISKS TO WHICH ENEA GROUP IS EXPOSED IN AREA CATEGORIES	EXAMPLES OF RISK MITIGATING ACTIONS IN AREA CATEGORIES
STRATEGIC	<ul style="list-style-type: none"> Shareholders/ Stakeholders Environment Corporate governance Strategy and its implementation 	<ul style="list-style-type: none"> Risk of unfavourable legal changes in Poland and EU and legislative environment uncertainty Risk of unfavourable changes in the macroeconomic situation in Poland Risk of operations performed contrary to regulators' requirements, in particular of Energy Regulatory Office, Office of Competition and Consumer Protection Risk of ineffective process of implementation of strategic investments and initiatives Risk of loss of core generating and distribution infrastructure as a result of natural disasters and other fortuitous events Risk of loss of income due to unfavourable volatility of atmospheric factors. 	<ul style="list-style-type: none"> Monitoring of probable directions of legislative changes in Poland and EU Performing compliance related activities Analysis and verification of efficiency of implemented strategic investments and initiatives Implementation and supervision over Enea Group's insurance policy
MARKET	<ul style="list-style-type: none"> Market Market structure 	<ul style="list-style-type: none"> Risk of volatile prices of electricity and derivative products (price risk) Risk of volatile demand reported by consumers for electricity and gas volumes (volumetric risk) Risk of volatile currency exchange rates Risk of volatile percentage rates Risk of increased operations of the competition and insufficiently flexible adjustment to changes in sectoral trends 	<ul style="list-style-type: none"> Dedicated market risk management corporate systems (price, currency, interest rate risks) Risk transferring to third parties Undertaking pre-emptive activities as regards market directions
FINANCIAL	<ul style="list-style-type: none"> Liquidity Credit Controlling 	<ul style="list-style-type: none"> Risk of deterioration or loss of financial liquidity Risk of breaches of financing agreements Risk of failure to obtain receivables for electricity sales (credit risk) 	<ul style="list-style-type: none"> Performance of a strict monitoring of keeping the core provisions of financing agreements Adjusting the schedule of key investments to the Group's predicted "balance sheet volume" Implementation of systematised methods of credit assessment of key Customers of Enea Group
OPERATING	<ul style="list-style-type: none"> People and organisational culture Processes Support 	<ul style="list-style-type: none"> Risk of failures to the core generating and distribution infrastructure Risk of discontinuation of fuel supplies Risk of no access to key IT systems Risk of inefficient process of sales agreement proceeding within notifications, readings and invoicing Risk related to human errors in key business processes Risk of no access to, improper allocation and non-optimal development of human resources 	<ul style="list-style-type: none"> Maintenance and modernisation of assets Optimisation of asset management Internal supervision and control Succession and competence planning

Environmental issues

Segment of System Power Plants

Pursuant to the IED directive, since 1 January 2016, stricter pollutant emissions standards have been in force. Satisfaction of the requirements of IED directive in Koziencice Power Plant is guaranteed by the current and previously realised numerous investments and modernisations. Additionally, in order to minimise the risk of breach of the stricter standards for emissions to the air the Power Plant joined the Transitional National Plan within SO₂ and dust emissions (in force until 30 June 2020), and has been applying the treaty derogations within NO_x emissions (in force until 31 December 2017)

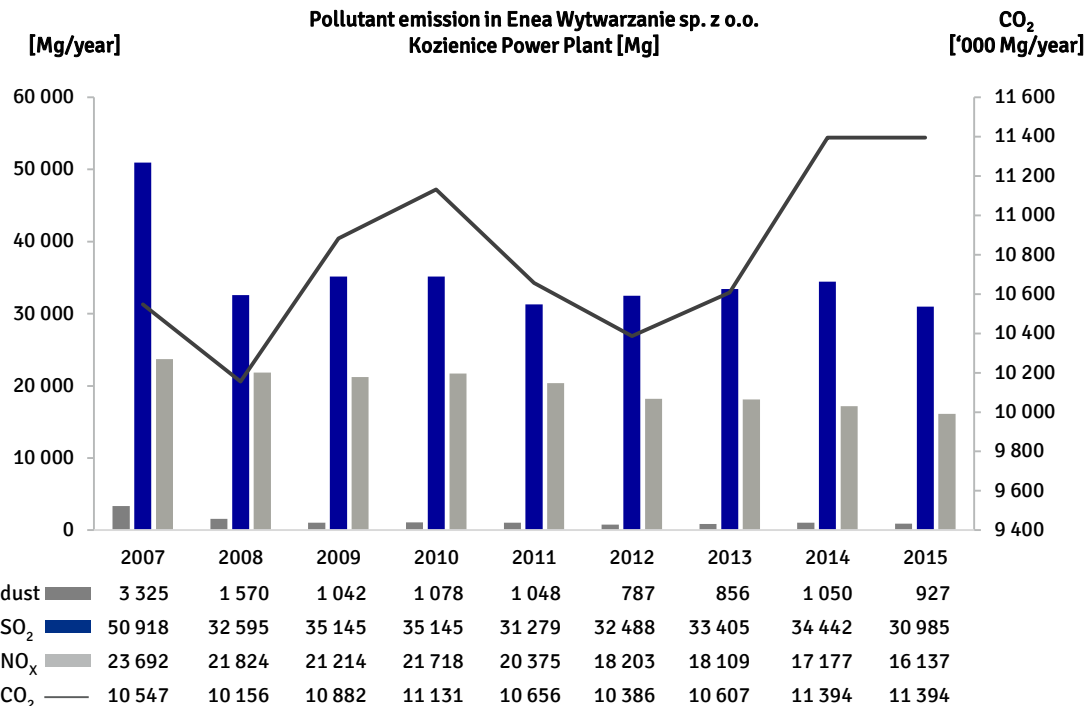
In order to reduce nitric oxides emissions, a gradual construction of the installation of the catalytic denitrogenation of flue gases - SCR - has been performed since 2013 in Koziencice Power Plant. Currently, units No 1, 2, 6 and 7 have SCR installations. The last installation of this type will be built in 2018 for unit No 10.

In 2015, another, already the fourth flue gas desulphurisation installation - IOS IV was commissioned. Along with IOS I, IOS II and IOS III installations it constitutes a guarantee of desulphurisation of all the flue gases in relation to the installed capacity of the Power Plant's units.

Relevant exploitation of the existing electrostatic precipitators, and also their gradual replacement with new ones, highly efficient units with the second stage of dust removal guaranteed by the used flue gas desulphurisation installations ensure satisfaction of the dust emission standards in force since 2016. In 2017 the replacement of the electrostatic precipitator of unit No. 9 is planned.

Pollutant concentration in Koziencice Power Plant in 2015

- SO_x concentration was by **15% lower** than the acceptable concentration
- NO_x concentration was by **24% lower** than the acceptable concentration
- Dust concentration was by **56% lower** than acceptable concentration



The implemented investment activities in order to reconcile to the requirements of the Directive No. 2010/75/UE regarding industrial emissions (IED) – Koziencice Power Plant

Unit	Current generating capacity (MW)	Denitrification installation (compliant with IED < 200 mg/Nm ³)				Desulphurisation installation (compliant with IED < 200 mg/Nm ³)		Dust (compliant with IED < 20 mg/Nm ³)			
		2014	2015	2016	2017	2014	2015	2014	2015	2016	2017
B1	215		✓								
B2	225		✓								
B3	225										
B4	228			✓		50% of attainable capacity covered with IOS operation	100% of attainable capacity covered with IOS operation				
B5	225			✓							
B6	225	✓									
B7	225	✓									
B8	225				✓						
B9	560				✓		✓				✓
B10	560						✓				

Environmental issues

Within the requirements specified by the IED directive, and also BAT conclusions planned for implementation (cBat) – Enea Wytwarzanie has been realising, consistently for several years, the specified schedule of adaptation investment activities.

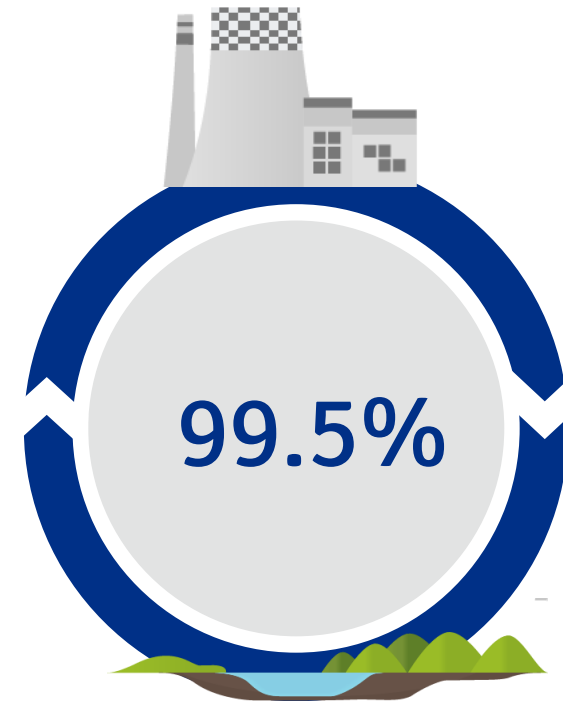
In 2015 the following occurred in Kozenice Power Plant:

- the fourth flue gas desulphurisation plant (IOS) was started which along with the other installations guarantees desulphurisation of 100% of flue gas with the concentration much below 200 mg/Nm³
- an installation of the catalytic denitrogenation of flue gases (SCR) was installed on four 200 MW units (with concentrations below 100 mg/Nm³), so that to significantly reduce nitric oxide
- high dust reduction efficiency was achieved due to two-stage removal of dust guaranteed by highly efficient electrostatic precipitators and flue gas desulphurisation plants

During 2016-2018 it is planned to build installations on the other three 200 MW units and two 500 MW units

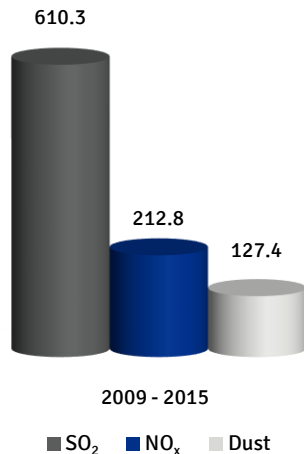
Installation until 2018, of the SCR plant, and also currently used IOS installations, provide the Company with a possibility of satisfying the requirements of IED directive and future cBAT.

Water consumption in energy generation process



99.5% of collected water is reverse intake. Kozenice Power Plant does not use underground water for production purposes

Financial expenditures for reduction of emissions of SO₂, NO_x and dust to the air during 2009-2015 in Kozenice Power Plant [PLN mln]



Environmental issues

Segment of Heat

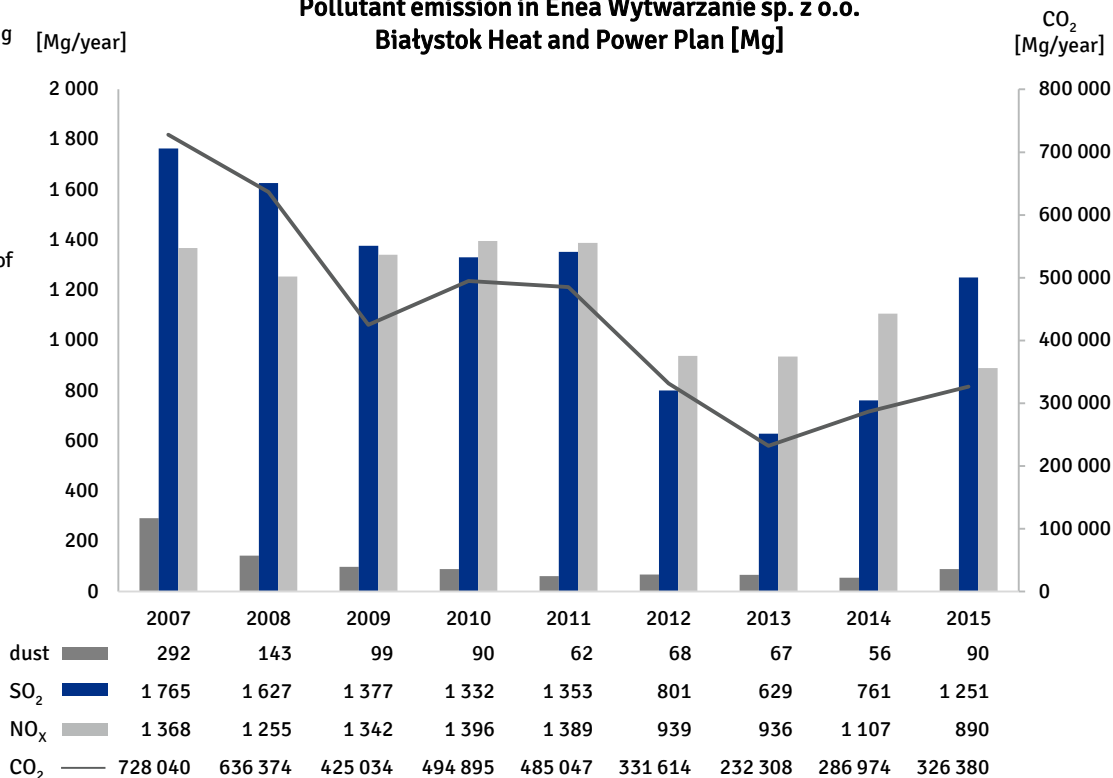
Enea Wytwarzanie - segment of Heat (Białystok Heat and Power Plant) has realised the following investment until now which affect the volume of emissions:

- conversion of coal-fired OP-140 boiler No. 5 to biomass fluidised bed OFB-105
- conversion of coal-fired OP-140 boiler No. 6 to biomass fluidised bed OFB-105
- SNCR installation of flue gases denitrification on OFB-105 boilers No. 5 and 6
- SCR installation of flue gases denitrification on OP boilers No. 7 and 8
- heat recovery system on K6 boiler

Currently, the flue gas desulphurisation plant is being installed for OP-230 boilers No. 7 and 8 - date of completion 2017.



Pollutant emission in Enea Wytwarzanie sp. z o.o. Białystok Heat and Power Plan [Mg]



The implemented investment activities in order to reconcile to the requirements of the Directive No. 2010/75/EU regarding industrial emissions (IED) – Białystok Heat and Power Plant

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

Environmental issues

Issues relating to the segment of mining - LW Bogdanka

Protection of atmospheric air

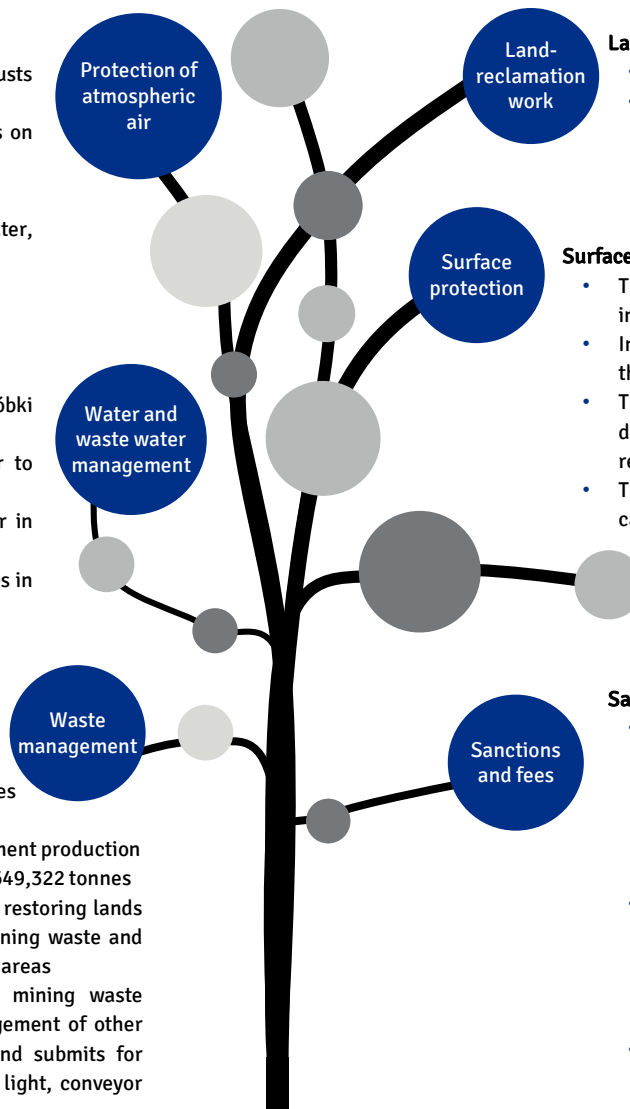
- LW Bogdanka does not hold any organised emission source emitting dusts and gases to the atmosphere
- The heap of gangue is a non-organised source which may emit dusts on dry and windy days

Water and waste water management relates mainly to underground water, including:

- draining of formations in the area of mining excavations
- controlled drainage of Jurassic layers
- economic use of water for fire protection and technological purposes
- pumping-up water to the surface
- economic use of underground water on the surface (Zakład Przeróbki Mechanicznej Węgla, Łęczyńska Energetyka sp. z o.o.)
- underground water retention in reservoirs on the surface in order to reduce the suspension
- water drop from reservoirs through Rów Żelazny to the Świna River in the volume of ca. 15,776 m³/day
- underground water characterises with the total chlorides and sulphates in the amount of 968 mg/dm³

Waste management:

- In 2015 the total revenue of mining waste amounted to 4,971,527 tonnes
- Around 53% of waste was recovered and managed. The waste recovery, i.e. use for land rehabilitation, road hardening, cement production in Cementownia "Ożarów" and other numerous goals amounted to - 2,649,322 tonnes
- 97% of waste is used for the degraded land reclamation. It consists in restoring lands to their original shape through filling post-sand excavations with mining waste and then covering them with a soil layer and development to rural or forest areas
- The other mining waste (2,322,205 tonnes) are dumped in the mining waste neutralisation plant in Bogdanka. LW Bogdanka performs the management of other post-industrial waste (scrap metal, waste wood, used oils, etc.) and submits for neutralisation this waste which cannot be used (used up sources of light, conveyor belt walls, packaging of adhesives, paints, etc.)



Land-reclamation work

- In 2015, no land-reclamation works were performed on post-industrial areas
- The maintenance of the organised green areas, of the mining waste neutralisation plant and post-industrial areas recultivated in previous years in the region of Bogdanka, Nadrybie and Stefanów Fields and railway facilities is performed on a continuous basis

Surface protection

- The impact of the mining exploitation in 2015 on the surface was visible, as so far, mainly in the form of increasing surface reach of the existing impacts
- In the region of Bogdanka and Nadrybie Wieś the maximum subsidence remains on the level of 5,00 m in the central part of the subsidence basin
- The damage in the buildings in 2015 - as so far - in most cases related to the rural developments, the reported damages in these buildings posed no danger to users and were removed on a continuous basis
- The costs of removing damage caused by the mining exploitation in 15 amounted totally to ca. PLN 5.04 mln

Sanctions and fees faced by the Company due to environmental protection

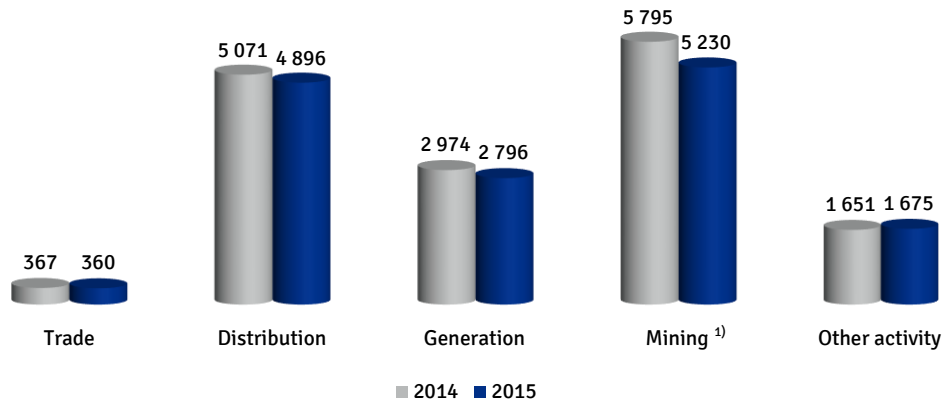
- The mining operations entail the exploitation fee due to the use of the natural environment and a range of costs related to:
 - post-mining waste management
 - post-industrial land rehabilitation
 - environmental monitoring
 - development of surveys and documentation necessary for the plant operation.
- The exploitation fee is paid every six months to the accounts of the municipalities the territory of which is exploited (60%) and for the National Fund of Environmental Protection and Water Management (40%). The licence fee constitutes also in 40% the income of the National Fund of Environmental Protection and Water Management and in 60% the income of mining municipalities.
- LW Bogdanka satisfies the standards within ecology and in 2015 did not pay any penalties for the breach of the conditions of using the natural environment specified in the laid down in the legal provisions in force

Information on employment

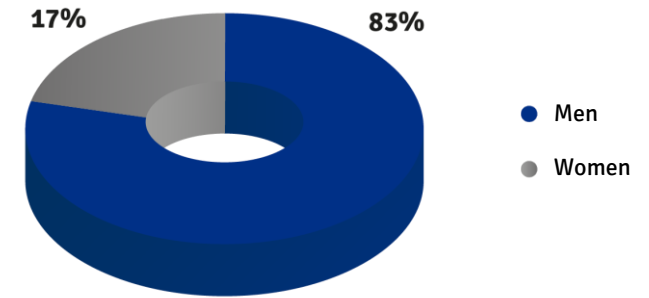
As at the end of 2015, 14,957 people were employed in Enea Capital Group. The dominant group was people aged between 26 and 55 years, constituting 78% of all the employees. 77% of the Group's employees are people with middle or higher qualification.

Detailed information on employment is presented on the diagrams below.

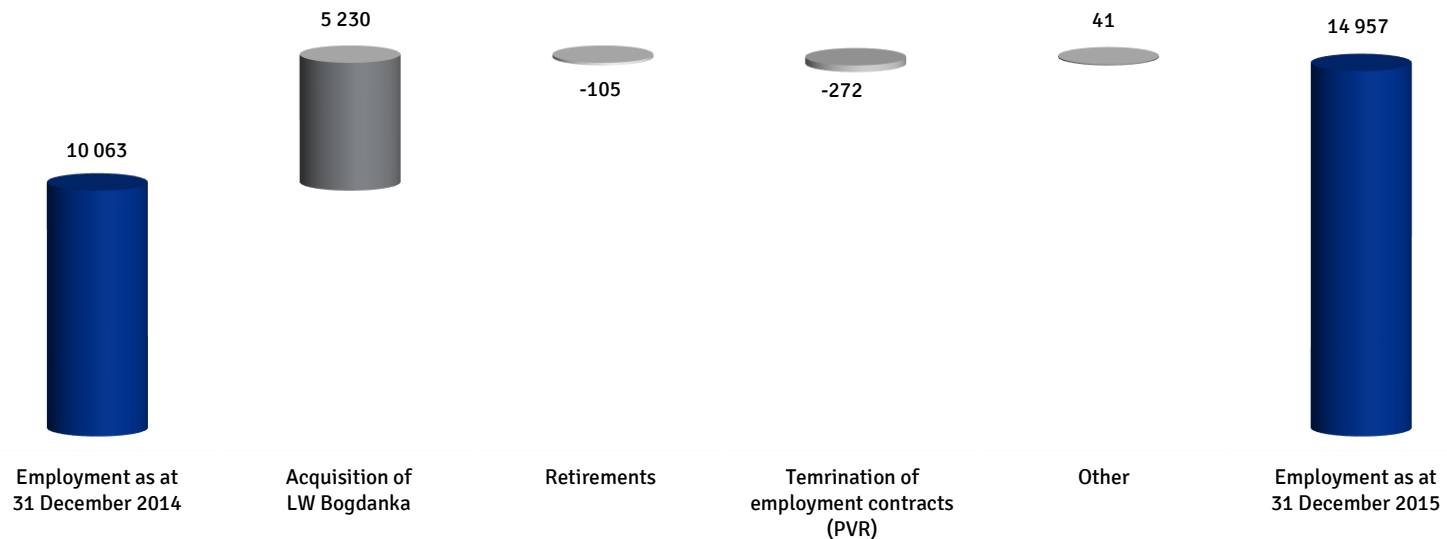
Employment in Enea Capital Group - employees



Employment in Enea Capital Group as at 31 December 2015 - sex

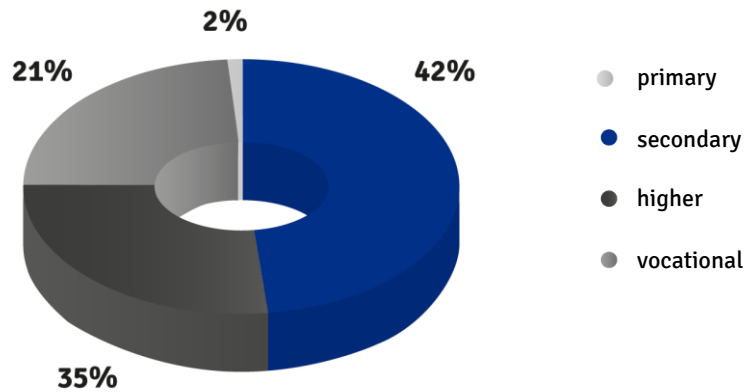


Changes in employment in Enea Capital Group - employees

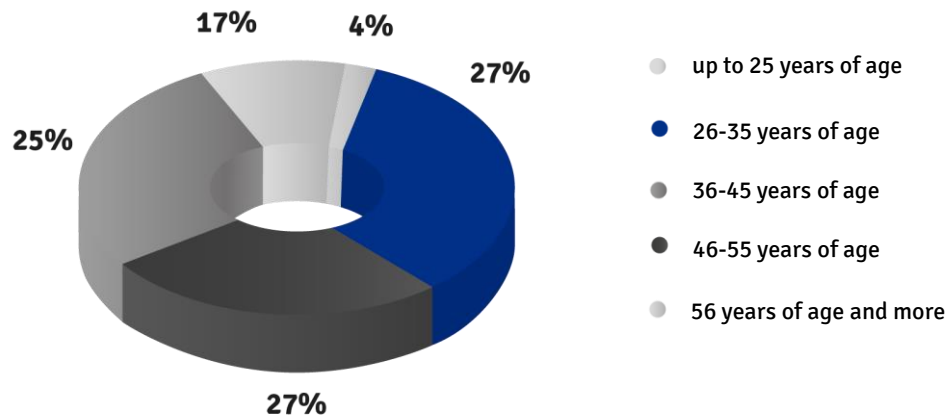


¹⁾ Enea CG took over LW Bogdanka in Q4 2015 - the data for 2014 was presented only demonstratively

Employment in Enea Capital Group as at 31 December 2015 - education



Employment in Enea Capital Group as at 31 December 2015 - age



Realisation of the HR Policy in Enea Capital Group in 2015

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

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

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

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

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

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

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

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

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

Collective disputes

There are no collective labour disputes in any of the key companies comprising Enea CG. In order to eliminate the risk and occurrence of a potential collective dispute the boards of the companies have a regular dialogue with the society.

Demand for energy

According to the Ministry of Economy the demand for electricity in the next years will grow in all the sectors of economy. Net production of electricity will increase until 2030 to 193.3 TWh - as results from forecasts by the Ministry of Economy included in "Update of the projection of demand for fuels and energy until 2030". At the same time, pursuant to the document titled "Conclusions from forecast analyses for the needs of the Energy Policy of Poland until 2050" until 2050 the production of electricity will increase by ca. 40% - from 158 TWh until 2010 to 223 TWh in 2050.¹⁾

Quality tariff

The new model of the quality regulation came into force on 1 January 2016, yet it will have impact on the finances of Enea Operator (and other ODSs) as late as in 2018. The President of the Energy Regulatory Office made some part of the regulated income dependant on the quality of services rendered by these entities. Service quality assessment will be performed by measuring numerous ratios, in particular of uninterrupted power supply and time of connecting to the power grid.

The detailed description of the quality tariff is published on page 26 of this Report.

Exemption from the obligation to tariff households

Pursuant to Article 49 of the Energy law, the President of ERO may exempt an energy company from the obligation of submitting tariffs for approval, if he states that it operates competitively. A potential exemption from tariffing may positively affect the margin on sales of energy.

Growth in the number of energy sellers

The number of electricity sellers grows regularly. Appearing of a seller conducting an aggressive price policy may result in the pressure on the margin on sales of energy to retail Consumers.

Additionally, it must be noted that more and more Customers decide to change their energy seller. The number of TPA recipients (Third Party Access) among enterprises (tariff group sets A, B, C) as at the end of December 2015 amounted to 158,596, thus grew from the end of December 2014 by 35,818 (29.2%). And among households (tariff group set G) the TPA principle was used, as at the end of December 2015, by 391,351 entities, which means a growth by 103,624 (36.0%) in relation to the end of December 2014.

Long-term development of energy market

On 16 February 2016 the Government of Poland adopted "Plan for Responsible Development of Poland"³⁾ The document specifies the key directions of the state functioning and new impulses which ensure its stable development in the future. The plan foresees that the development of the Polish economy will be based on five pillars:

- reindustrialisation
- innovation
- capital
- foreign expansion
- social and regional development

Pursuant to the provisions of the document relating to the energy market, in order to increase energy efficiency and unlock the investment after 2020 (including avoidance of blackout and becoming independent from energy imports) the state intends to e.g. support the development of energy infrastructure (energy bridges, power storing technologies), liberalise market segments and introduce capacity market mechanism which would be an impulse for investments in the segment of conventional power engineering.

New projections for energy price paths

Long-term financial projections of Enea Group based on the forecast electricity price paths, expectations as regards the changes of market prices of certificates of origin for energy, allowances for emissions of CO₂ and coal prices demonstrate a more and more requiring situation of the segment of Generation. Due to the maintaining of energy prices on exceptionally low levels, resulting in the imbalance between generated revenue and costs of energy generation, the Group foresees the necessity of a quick entry into force of the announced support mechanisms for system power engineering. Difficulties in generating good financial results by generating sources will exclude a possibility of incurring expenditures for development investments which during the coming years seem inevitable.

Structure of generating portfolio

Within the realisation of the superlative goal of Enea CG, i.e. higher value for shareholders, the Group pursues the improvement in the core financial ratios. Building a competitive generating portfolio is one of the basic elements of realisation of the above strategic goal. The Group pursues the development of the generating capacities to the level of additional 1,075 MW_e in the segment of system power plants in 2017. In 2020 it is planned to additionally achieve ca. 500 MW_e power from RES and ca. 200 MW_e and 1,000 MW_t in cogeneration sources and heating networks.

The detailed description of the structure of the generating portfolio of Enea CG is published on page 36 of this Report.

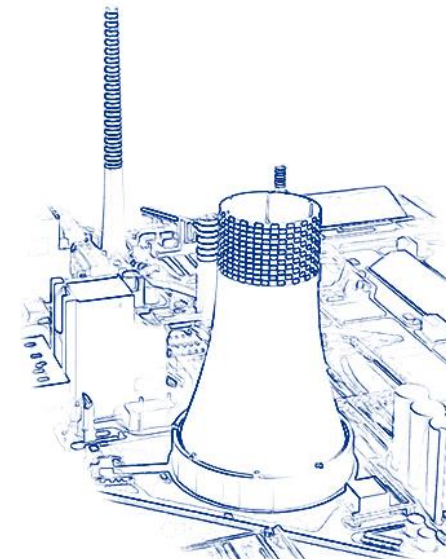
Continuation of the construction of the power unit

In 2012 Enea Wytwarzanie and Hitachi Power Europe GmbH (presently Mitsubishi Hitachi Power Systems Europe GmbH) and Polimex-Mostostal SA consortium signed an agreement totalling to PLN 5.1 billion on the construction of 1,075 MW_e 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 Koziencice will be the most modern unit fired with bituminous coal in Poland and Europe. The completion of the investment will allow for increasing generating capacities of the power plant in Koziencice by ca. 30%.

The detailed description of the construction of a new unit No. 11 is published on pages 44-45 of this Report.

Limits of allowances for emissions of CO₂

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



1) http://bip.me.gov.pl/files/upload/21394/Wnioski%20z%20analiz%20prognostycznych_2014-08-11.pdf
 2) ure.gov.pl/pl/wskazniki-dane-i-anali/zmiana-sprzedawcy-moni/4776,Zmianasprzedawcy-monitoring.html
 3) www.mr.gov.pl/media/14840/Plan_na_rzecz_Odpowiedzialnego_Rozwoju_prezentacja.pdf



3. Financial position

Consolidated Profit and Loss Statement - 2015

[PLN '000]	2014	2015	Change	Change %
Revenue from sale of electricity	6 220 527	5 730 791	-489 736	-7.9%
Revenue from sale of heat energy	212 961	275 118	62 157	29.2%
Revenue from sale of natural gas	5 087	117 897	112 810	2 217.6%
Revenue from sale of distribution services	2 860 165	2 964 470	104 305	3.6%
Revenue from certificates of origin	47 076	15 823	-31 253	-66.4%
Revenue from sales of CO ₂ emission allowances	32 936	-	-32 936	-100.0%
Revenue from sale of goods and materials	103 123	85 341	-17 782	-17.2%
Revenue from sale of other services	116 012	146 257	30 245	26.1%
Recovery of stranded costs	257 508	293 147	35 639	13.8%
Sale of coal	-	219 548	219 548	100.0%
Net sales revenue	9 855 395	9 848 392	-7 003	-0.1%
Amortisation and depreciation	728 408	790 375	61 967	8.5%
Employee benefit costs	948 872	989 489	40 617	4.3%
Consumption of materials and raw materials and value of goods sold	1 821 196	1 791 115	-30 081	-1.7%
Purchase of energy and gas for resale	3 835 730	3 282 923	-552 807	-14.4%
Transmission services	710 577	769 503	58 926	8.3%
Other outsourced services	336 339	423 204	86 865	25.8%
Taxes and charges	268 934	290 201	21 267	7.9%
Cost of sales	8 650 056	8 336 810	-313 246	-3.6%
Other operating revenue	115 066	99 102	-15 964	-13.9%
Other operating expenses	97 754	262 040	164 286	168.1%
Profit / (loss) on sales and liquidation of tangible fixed assets	-5 620	-9 148	-3 528	-62.8%
Non-financial fixed assets impairment write-down	30 556	1 501 621	1 471 065	4 814.3%
Operating profit/(loss)	1 186 475	-162 125	-1 348 600	-113.7%
Financial expenses	125 483	81 751	-43 732	-34.9%
Financial revenue	81 178	84 497	3 319	4.1%
Write off of goodwill	3 131	251 432	248 301	7 930.4%
Share in (losses)/profits of affiliated entities accounted for using the equity method	708	-	-708	-100.0%
Dividend revenue	3 355	1 833	-1 522	-45.4%
Profit / (loss) before tax	1 143 102	-408 978	-1 552 080	-135.8%
Income tax	233 980	-10 100	-244 080	-104.3%
Net profit / (loss) for the reporting period	909 122	-398 878	-1 308 000	-143.9%
EBITDA	1 945 439	2 129 871	184 432	9.5%

2015:

Change factors of EBITDA of Enea CG:

- (-) lower revenue from sales of electricity by PLN 490 mln:
- (-) lower volumes of electricity sold in wholesale trading (4,206 GWh) despite a growth in the average selling price (5%) affects a drop in revenue by PLN 585 mln
- (+) growth in the average selling price in retail trade (6.9%) affects the growth in revenue by PLN 88 mln
- (+) revenue from sale of natural gas - extension of operations in the segment of Trade in Q4 2014
- (+) higher sales of distribution services by PLN 104 mln stem from:
 - (+) greater volume (1.8%) of sales of distribution services to end-users and growth in rates in the tariff for 2015 (PLN 123 mln)
 - (-) lower revenue from sale to the Balancing Market (PLN 26 mln)
 - (+) higher revenue from grid connection fees (PLN 4 mln)
- (+) growth in revenue from the sale of heat energy stems from the growth in prices by 4.75%
- (+) growth in revenue from the sale of the other services (PLN 30 mln) e.g. lighting assets servicing
- (-) lower revenue from the sale of goods and materials by PLN 18 mln results from a consistent exclusion of "non-core" operations in Enea Group
- (+) sales of coal as a result of LW Bogdanka's takeover
- (-) lower average price of proprietary interests (RES 32.2%) and lower volumes (43.9%) results in lowering of revenue from proprietary interest trading
- (-) higher costs of employee benefits as a result of LW Bogdanka's takeover
- (-) higher costs of transmission services by PLN 59 mln stem from higher transitory charge and quality charge
- (-) higher costs of outsourced services as a result of LW Bogdanka's takeover and in connection with the investments realised on grid assets
- (-) higher taxes and charges mainly as a result of the investment realisation in the area of grid assets as a result of LW Bogdanka's and MPEC Białystok's takeover
- (+) lower costs of purchases of electricity and gas by PLN 553 mln as a result of:
 - (+) lower volumes of electricity (4,976 GWh), despite higher average purchase price of electricity by 2.8%
 - (-) higher costs of ecological and cogeneration obligations by PLN 63 mln (e.g. entry into force of yellow and red obligations from 30 April 2014)
- (-) lower results on the other operating activities by PLN 184 mln:
 - (-) settlement of the tie existing before LW Bogdanka's takeover totalling to PLN 94 mln (one-off)
 - (-) higher provision for claims for damages and litigation PLN 22 mln
 - (-) recognition in 2014 of a provision discount for transmission corridors in the amount of PLN 26 mln (one-off)
 - (-) higher provision for transmission corridors by PLN 8 mln - higher rates
 - (-) overview and verification of the balance of receivables PLN 13 mln
 - (-) settlement in 2014 of an agreement in respect of State Forests in the amount of PLN 8 mln (one-off)
 - (-) lower revenue from damages and contractual penalties by PLN 8 mln

Settlement of non-financial fixed assets impairment write-down (impact on net result):

- (-) tangible assets impairment write-down (PLN -1,502 mln)
- (-) write-off of goodwill (PLN -201 mln)
- (+) deferred tax (PLN 285 mln)

Consolidated Profit and Loss Statement - Q4 2015

[PLN '000]	Q4 2014	Q4 2015	Change	Change %
Revenue from sale of electricity	1 693 022	1 490 272	-202 750	-12.0%
Revenue from sale of heat energy	87 672	90 061	2 389	2.7%
Revenue from sale of natural gas	5 087	60 072	54 985	1 080.9%
Revenue from sale of distribution services	735 157	781 241	46 084	6.3%
Revenue from certificates of origin	16 911	6 610	-10 301	-60.9%
Revenue from sales of CO ₂ emission allowances	28 016	-	-28 016	-100.0%
Revenue from sale of goods and materials	35 054	16 028	-19 026	-54.3%
Revenue from sale of other services	27 304	34 247	6 943	25.4%
Sale of coal	-	219 548	219 548	100.0%
Net sales revenue	2 628 223	2 698 079	69 856	2.7%
Amortisation and depreciation	204 211	232 104	27 893	13.7%
Employee benefit costs	273 730	309 575	35 845	13.1%
Consumption of materials and raw materials and value of goods sold	521 498	447 948	-73 550	-14.1%
Purchase of energy and gas for resale	1 037 968	855 360	-182 608	-17.6%
Transmission services	179 666	198 191	18 525	10.3%
Other outsourced services	91 870	179 939	88 069	95.9%
Taxes and charges	70 115	76 547	6 432	9.2%
Cost of sales	2 379 058	2 299 664	-79 394	-3.3%
Other operating revenue	14 314	52 047	37 733	263.6%
Other operating expenses	29 466	151 698	122 232	414.8%
Profit / (loss) on sales and liquidation of tangible fixed assets	-5 042	-6 239	-1 197	-23.7%
Non-financial fixed assets impairment write-down	30 556	1 501 621	1 471 065	4 814.3%
Operating profit/(loss)	198 415	-1 209 096	-1 407 511	-709.4%
Financial expenses	78 634	36 276	-42 358	-53.9%
Financial revenue	10 802	41 595	30 793	285.1%
Write off of goodwill	3 131	251 432	248 301	7 930.4%
Share in (losses)/profits of affiliated entities accounted for using the equity method	-182	-	182	100.0%
Dividend revenue	-	-	-	-
Profit / (loss) before tax	127 270	-1 455 209	-1 582 479	-1 243.4%
Income tax	51 636	-218 493	-270 129	-523.1%
Net profit / (loss) for the reporting period	75 634	-1 236 716	-1 312 350	-1 735.1%
EBITDA	433 182	524 629	91 447	21.1%

Q4 2015:

Change factors of EBITDA of Enea CG:

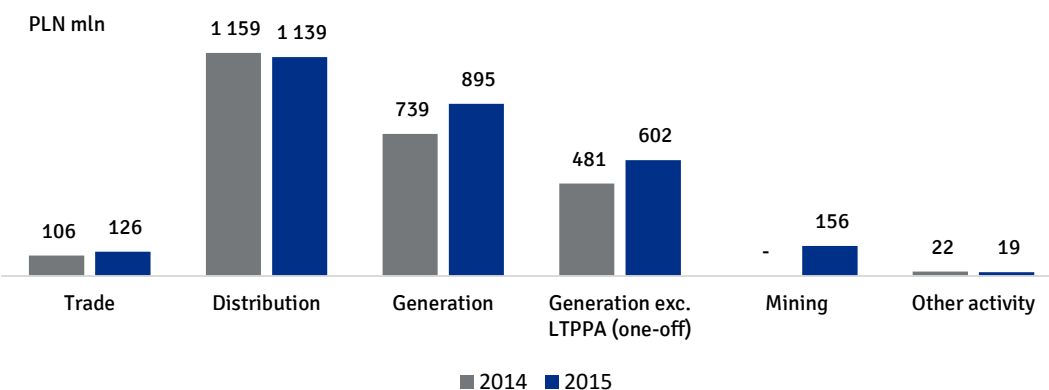
- (-) lower revenue from sales of electricity by PLN 203 mln:
 - (-) lower volumes of electricity sold in wholesale trading (1,112 GWh) despite a growth in the average selling price (2.3%) affects a drop in revenue by PLN 172 mln
 - (-) lower volumes of electricity sold in retail trading despite a growth in the average selling price (3.4%) affects a drop in revenue by PLN 20 mln
- (+) revenue from sales of natural gas - extension of operations in the segment of Trade in Q4 2014 - higher sales volume by 376 GWh with a concurrent drop in price by 8.4%
- (+) higher revenue from sales of distribution services by PLN 46 mln stem from:
 - (+) greater volume of sales of distribution services (1.2%) to end-users and growth in rates in the tariff for 2015 (PLN 25 mln)
 - (+) higher revenue from grid connection fees (PLN 18 mln)
- (-) lower revenue from the sale of goods and materials by PLN 19 mln results from a consistent exclusion of "non-core" operations in Enea Group
- (+) higher value of sales from the other services as a result of LW Bogdanka's takeover
- (-) lower revenue from sales of certificates of origin resulting from lower price of RES Proprietary Interests by 27.5%
- (+) sales of coal as a result of LW Bogdanka's takeover
- (-) higher costs of employee benefits by PLN 36 mln resulting from LW Bogdanka's takeover
- (-) higher costs of transmission services by PLN 19 mln stem from higher transitory charge and quality charge
- (-) higher costs of outsourced services by PLN 88 mln resulting from LW Bogdanka's takeover
- (+) lower costs of purchases of electricity and gas by 183 mln - lower volumes of electricity (1,424 GWh) with a concurrent growth in the average purchase price of electricity by 1%
- (-) lower result on the other operating activity by PLN 86 mln stemming from:
 - (-) settlement of the tie existing before LW Bogdanka's takeover totalling to PLN 94 mln (one-off)
 - (-) establishment of the provision for claims for damages and other provisions PLN 11 mln
 - (+) overview and verification of the balance of receivables PLN 5 mln
 - (+) result of the assets stocktaking PLN 4 mln
 - (+) higher revenue from damages and contractual penalties by PLN 3 mln

Settlement of non-financial fixed assets impairment write-down (impact on net result):

- (-) tangible assets impairment write-down (PLN -1,502 mln)
- (-) write-off of goodwill (PLN -201 mln)
- (+) deferred tax (PLN 285 mln)

Results on particular segments of operations of Enea Capital Group

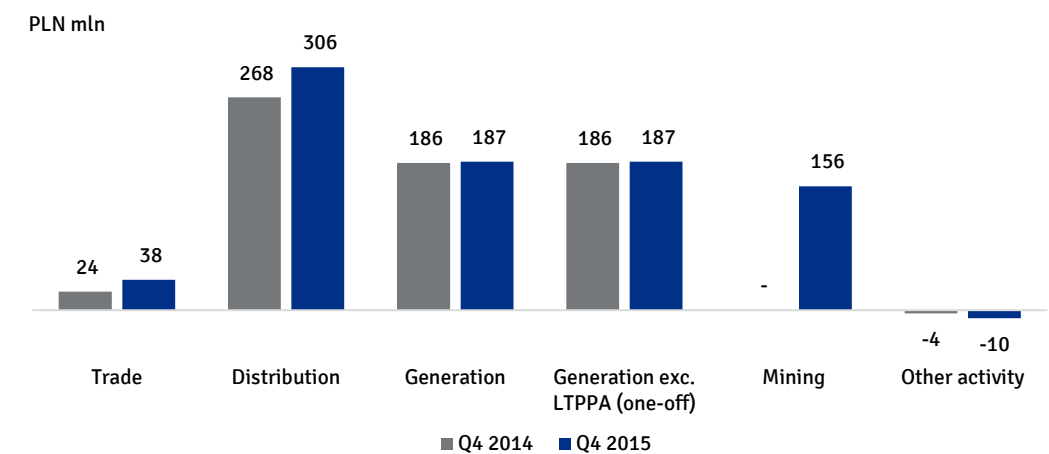
EBITDA [PLN '000]	2014	2015	Change	Change %	Q4 2014	Q4 2015	Change	Change %
Trading	106 482	126 095	19 613	18.4%	23 691	38 456	14 765	62.3%
Distribution	1 159 401	1 138 882	-20 519	-1.8%	267 930	306 030	38 100	14.2%
Generation	738 547	895 409	156 862	21.2%	185 668	187 113	1 445	0.8%
Generation excluding LTPPAs (one-off)	481 039	602 262	121 223	25.2%	185 668	187 113	1 445	0.8%
Mining (XI-XII)	-	156 107	156 107	100.0%	-	156 107	156 107	100.0%
Other activity	22 260	19 252	-3 008	-13.5%	-4 011	-9 871	-5 860	-146.1%
Undistributed items and exclusions	-81 251	-205 874	-124 623	-153.4%	-40 096	-153 206	-113 110	-282.1%
Total EBITDA	1 945 439	2 129 871	184 432	9.5%	433 182	524 629	91 447	21.1%



Enea CG 2015:

The highest EBITDA in the segment of Distribution

The highest growth in EBITDA in the segment of Generation by PLN 121 mln (after exclusion of one-off → LTPPA in Q2 2014 and Q3 2015)



Enea CG Q4 2015:

The highest EBITDA in the segment of Distribution

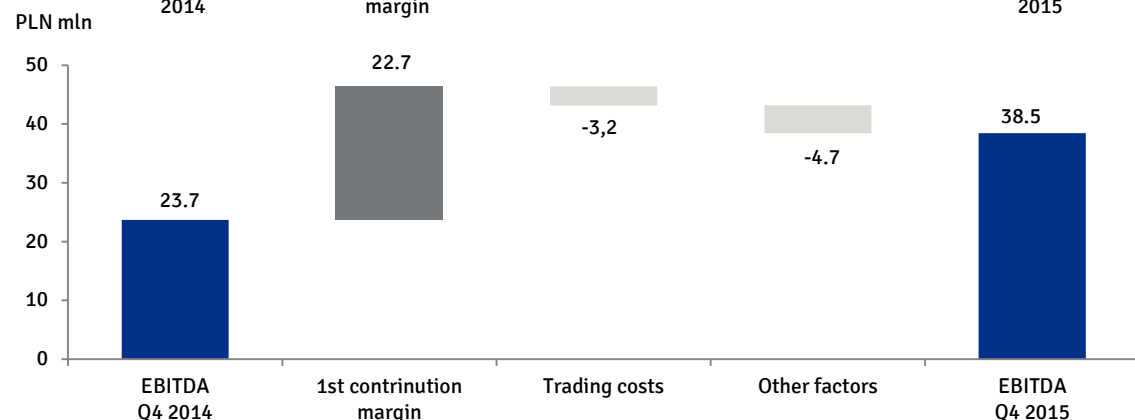
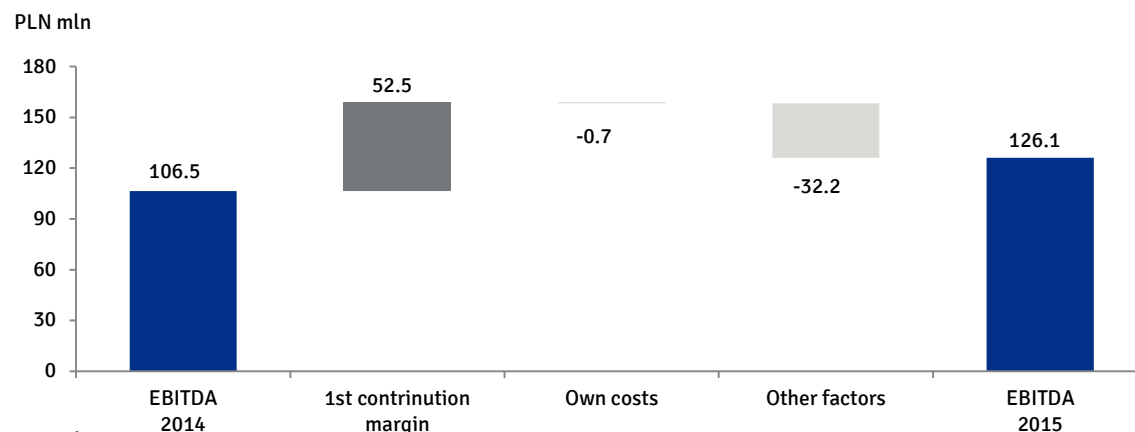
The highest growth in EBITDA in the segment of Distribution (PLN 38 mln)

Segment of Trade

[PLN '000]	2014	2015	Change	Change %	Q4 2014	Q4 2015	Change	Change %
Sales revenue	4 181 390	5 932 050	1 750 660	41.9%	1 171 369	1 714 166	542 797	46.3%
EBIT	105 725	125 312	19 587	18.5%	23 480	38 262	14 782	63.0%
Amortisation and depreciation	757	783	26	3.4%	211	194	- 17	- 8.1%
EBITDA	106 482	126 095	19 613	18.4%	23 691	38 456	14 765	62.3%
CAPEX	4 057	26 520	22 463	553.7%	1 092	2 671	1 579	144.6%
Share of revenue from sales in the segment in the sales revenue of the Group	38%	44%	6 p.p.		39%	44%	5 p.p.	

Enea SA deals with retail sales of electricity

Wholesale is realised by Enea Trading sp. z o.o.



2015 Change factors of EBITDA:

First contribution margin

- (+) higher average selling price by 5.9%
- (-) higher costs of ecological obligations by 14.3%
- (-) higher average purchase price of energy by 5.0%
- (-) drop of the volume of energy sales by 0.9%
- (+) result on the trade in gaseous fuel PLN 4 mln

Internal costs

- (-) higher costs of commercial marketing by PLN 5 mln
- (-) higher costs of commissions for business partners by PLN 6 mln
- (+) lower costs of customer service and debt collection by PLN 8 mln

Other factors

- (-) provisions for litigation and potential claims PLN 17 mln
- (-) written off debts PLN 17 mln

Q4 2015 Change factors of EBITDA:

First contribution margin

- (+) higher average selling price by 4.6%
- (+) lower costs of ecological obligations by 1.6%
- (-) higher average purchase price of energy by 2.9%
- (-) drop of the volume of energy sales by 4.4%
- (+) result on the trade in gaseous fuel PLN 1 mln

Internal costs

- (-) higher costs of customer service and debt collection by PLN 3 mln

Other factors

- (-) written-off debts PLN 3 mln
- (-) provisions for litigation and potential claims PLN 7 mln
- (+) lower impairment of receivables by PLN 6 mln

Segment of Distribution

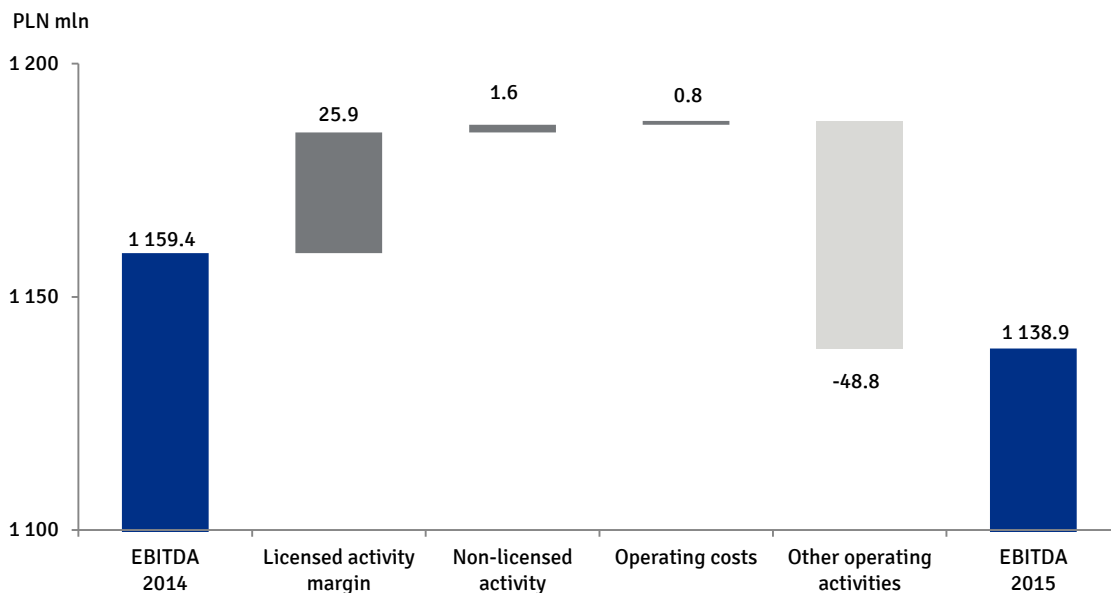
[PLN '000]	2014	2015	Change	Change %	Q4 2014	Q4 2015	Change	Change %
Sales revenue	2 987 548	3 069 481	81 933	2.7%	771 664	801 209	29 545	3.8%
<i>distribution services to end users</i>	2 697 728	2 824 487	126 759	4.7%	695 791	721 931	26 140	3.8%
<i>fees for grid connection</i>	93 694	98 092	4 398	4.7%	24 899	43 616	18 717	75.2%
<i>other</i>	196 126	146 902	-49 224	-25.1%	50 974	35 662	-15 312	-30.0%
EBIT	730 257	702 059	-28 198	-3.9%	150 329	197 864	47 535	31.6%
Amortisation and depreciation	429 144	436 823	7 679	1.8%	117 601	108 166	-9 435	-8.0%
EBITDA	1 159 401	1 138 882	-20 519	-1.8%	267 930	306 030	38 100	14.2%
CAPEX	825 677	925 106	99 429	12.0%	393 908	434 394	40 486	10.3%
Share of revenue from sales in the segment in the net sales revenue of the Group	27%	23%	-4 p.p.		26%	20%	-6 p.p.	

Enea Operator sp. z o.o. is responsible for electricity distribution to 2.49 mln Customers in the western and north-western Poland on the area of 58,192 km².

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

In the Segment of Distribution the financial data of the following companies is presented:

- Enea Operator sp. z o.o.
- Enea Serwis sp. z o.o.
- Enea Pomiar sp. z o.o. and
- Annacond Enterprises sp. z o.o.



2015 Change factors of EBITDA:

Margin on the licensed operations

- (+) higher revenue from the sale of distribution services to end users by PLN 127 mln
- (-) higher costs of purchase of transmission services by PLN 62 mln
- (-) higher costs of purchasing energy for coverage of book-tax difference by PLN 12 mln
- (-) recognition in 2014 of the final settlement of electricity purchases for coverage of book-tax difference for 2013 PLN 33 mln (one-off)
- (+) higher revenue from grid connection fees by PLN 4 mln

Non-licensed operations

- (+) higher volume of realised services, optimisation of fixed costs PLN 33 mln (Enea Serwis, Enea Pomiar)
- (-) lower revenue from services related to the shift of competences to Enea Centrum by PLN 21 mln
- (-) lower revenue in relation to the partial resignation from rendering the street lighting maintenance services by PLN 13 mln

Operating expenses

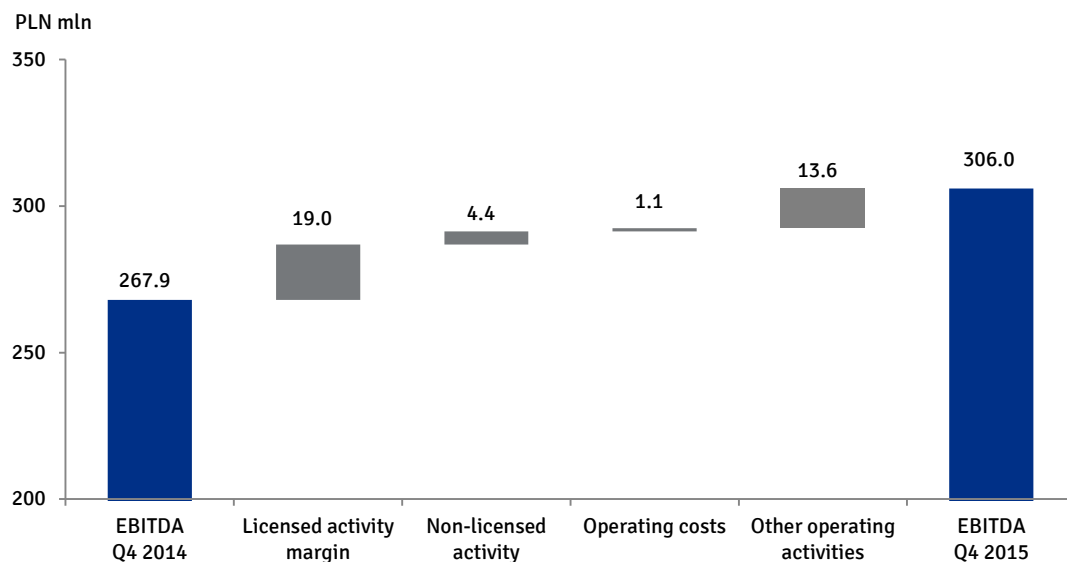
- (+) optimisation of materials and costs, outsourced services and costs of employee benefits PLN 18 mln
- (-) higher costs of asset exploitation by PLN 7 mln (greater material scope of work realisation)
- (-) higher costs of taxes and charges by PLN 11 mln (greater value of grid assets as a result of completion of investment tasks)

Other operating activity

- (-) recognition in 2014 of a provision discount for transmission corridors in the amount of PLN 26 mln (one-off)
- (-) higher provision for transmission corridors by PLN 8 mln
- (-) higher costs of removing fortuitous events by PLN 11 mln
- (-) settlement in 2014 of an agreement in respect of State Forests in the amount of PLN 8 mln (one-off)

Segment of Distribution

[PLN '000]	2014	2015	Change	Change %	Q4 2014	Q4 2015	Change	Change %
Sales revenue	2 987 548	3 069 481	81 933	2.7%	771 664	801 209	29 545	3.8%
<i>distribution services to end users</i>	2 697 728	2 824 487	126 759	4.7%	695 791	721 931	26 140	3.8%
<i>fees for grid connection</i>	93 694	98 092	4 398	4.7%	24 899	43 616	18 717	75.2%
<i>other</i>	196 126	146 902	-49 224	-25.1%	50 974	35 662	-15 312	-30.0%
EBIT	730 257	702 059	-28 198	-3.9%	150 329	197 864	47 535	31.6%
Amortisation and depreciation	429 144	436 823	7,679	1.8%	117 601	108 166	-9,435	-8.0%
EBITDA	1 159 401	1 138 882	-20 519	-1.8%	267 930	306 030	38 100	14.2%
CAPEX	825 677	925 106	99 429	12.0%	393 908	434 394	40 486	10.3%
Share of revenue from sales in the segment in the net sales revenue of the Group	27%	23%	-4 p.p.		26%	20%	-6 p.p.	



Q4 2015 Change factors of EBITDA:

Margin on the licensed operations

- (+) higher revenue from the sale of distribution services to end users by PLN 26 mln
- (-) higher costs of purchase of transmission services by PLN 15 mln
- (-) higher costs of purchasing energy for coverage of book-tax difference by PLN 13 mln
- (+) higher revenue from grid connection fees by PLN 19 mln

Non-licensed operations

- (+) higher volume of realised services, optimisation of fixed costs PLN 9 mln (Enea Serwis, Enea Pomiar)
- (-) lower revenue in relation to the partial resignation from rendering the street lighting maintenance services by PLN 4 mln

Operating expenses

- (+) lower actuarial reserves by PLN 20 mln (transfer of employees to Enea Centrum one-off)
- (-) higher costs of exploitation services by PLN 14 mln (greater material scope of work realisation)
- (-) higher costs of taxes and charges by PLN 1 mln (greater value of grid assets in connection with the completion of investment tasks)

Other operating activity

- (+) lower provisions for potential claims by PLN 8 mln
- (+) stocktaking result PLN 4 mln

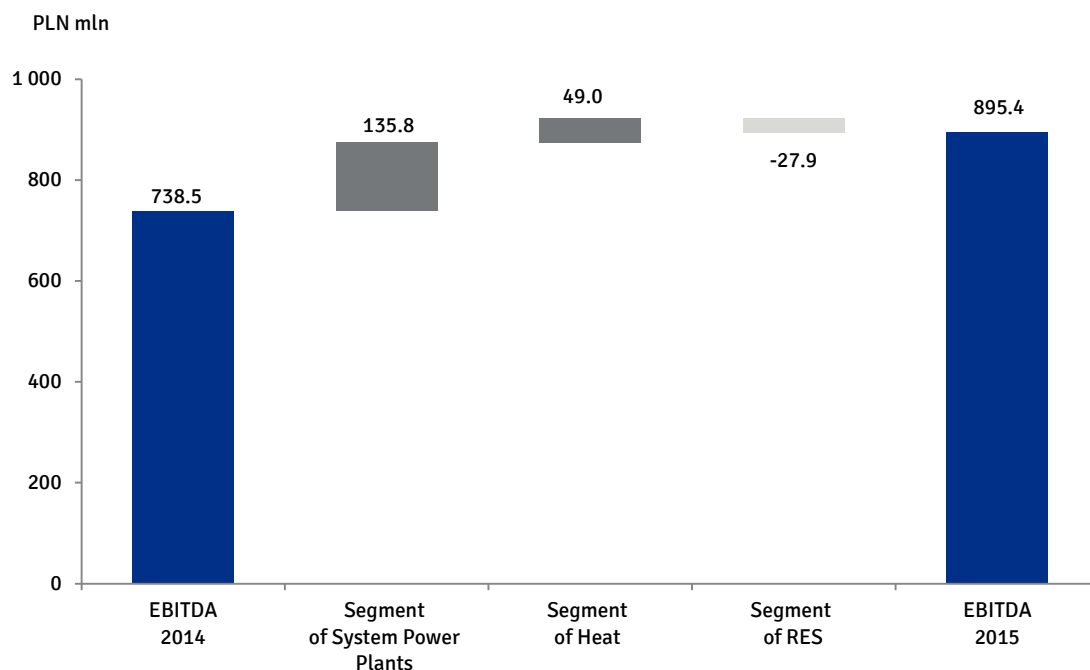
Segment of Generation

[PLN '000]	2014	2015	Change	Change %	Q4 2014	Q4 2015	Change	Change %
Sales revenue	3 489 761	3 531 459	41 698	1.2%	903 278	875 155	-28 123	-3.1%
<i>electricity</i>	2 774 910	2 820 195	45 285	1.6%	732 728	744 583	11 855	1.6%
<i>certificates of origin</i>	188 035	120 290	-67 745	-36.0%	47 237	36 227	-11 010	-23.3%
<i>sale of allowance for emissions of CO₂</i>	32 942	-	-32 942	-100.0%	28 017	-	-28 017	-100.0%
<i>heat</i>	212 961	275 153	62 192	29.2%	87 671	85 756	-1 915	-2.2%
<i>recovery of stranded costs</i>	257 508	293 147	35 639	13.8%	-	-	-	-
<i>other</i>	23 405	22 674	-731	-3.1%	7 625	8 589	964	12.6%
EBIT	421 325	-905 467	-1 326 792	-314.9%	71 458	-1 393 828	-1 465 286	-2 050.6%
Amortisation and depreciation	286 666	299 255	12 589	4.4%	83 654	79 320	-4 334	-5.2%
Non-financial fixed assets impairment write-down	30 556	1 501 621	1 471 065	4 814.3%	30 556	1 501 621	1 471 065	4 814.3%
EBITDA	738 547	895 409	156 862	21.2%	185 668	187 113	1 445	0.8%
CAPEX	1 845 602	1 954 870	109 268	5.9%	715 751	560 383	-155 368	-21.7%
Share of revenue from sales in the segment in the net sales revenue of the Group	32%	26%	-6 p.p.		30%	22%	-8 p.p.	

The segment of Generation presents financial data of Enea Wytwarzanie sp. z o.o. and its subsidiaries. Enea Wytwarzanie holds e.g. 10 highly-efficient and modernised power units in the Segment of System Power Plants. Annual generation capacity amounts to ca. 16 TWh electricity in this segment.

Tests for the fixed assets impairment:

- impact on EBIT PLN -1,502 mln (Y2015 and Q4 2015)



2015 Change factors of EBITDA:

Segment of System Power Plants:

- (+) higher margin on generation by PLN 59 mln
- (+) higher revenue from LTPPA PLN 36 mln
- (+) lower fixed costs by PLN 16 mln
- (+) higher margin on trade and the Balancing Market by PLN 11 mln
- (+) higher revenue from Regulatory System Services by PLN 8 mln

Segment of Heat:

- (+) EBITDA MPEC (takeover of the Company on 16 September 2014) and PEC Zachód (incorporation of the Company on 27 June 2015): PLN +32 mln

In the other areas of the Segment:

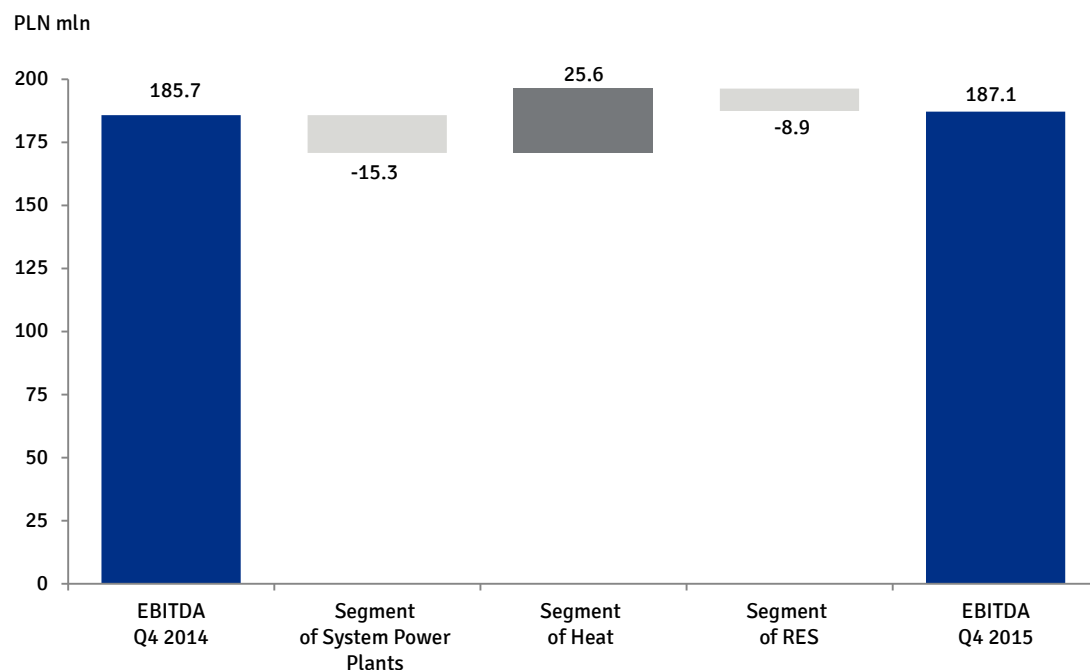
- (+) higher revenue from sales of heat by PLN 19 mln
- (+) higher result on the other activity by PLN 5 mln
- (+) higher revenue from electricity by PLN 4 mln
- (-) lower revenue from certificates of origin by PLN 6 mln
- (-) higher costs of fuel consumption by PLN 12 mln

Segment of RES:

- (+) Area of Biogas (PLN -10 mln): in 2015 establishment of provisions for future liabilities in the amount of PLN 6 mln (one-off)
- (-) Area of Wind (PLN -16 mln): in 2014 redemption of liabilities in the amount of PLN 10 mln (one-off), drop in revenue from certificates of origin by PLN 9 mln, lower fixed costs by PLN 3 mln
- (-) Area of Water (PLN -2 mln): drop in revenue from certificates of origin and revenue from electricity by PLN 8 mln, reduction in fixed costs by PLN 4 mln, higher result on the other operating activity by PLN 2 mln

Segment of Generation

[PLN '000]	2014	2015	Change	Change %	Q4 2014	Q4 2015	Change	Change %
Sales revenue	3 489 761	3 531 459	41 698	1.2%	903 278	875 155	-28 123	-3.1%
<i>electricity</i>	2 774 910	2 820 195	45 285	1.6%	732 728	744 583	11 855	1.6%
<i>certificates of origin</i>	188 035	120 290	-67 745	-36.0%	47 237	36 227	-11 010	-23.3%
<i>sale of allowance for emissions of CO₂</i>	32 942	-	-32 942	-100.0%	28 017	-	-28 017	-100.0%
<i>heat</i>	212 961	275 153	62 192	29.2%	87 671	85 756	-1 915	-2.2%
<i>recovery of stranded costs</i>	257 508	293 147	35 639	13.8%	-	-	-	-
<i>other</i>	23 405	22 674	-731	-3.1%	7 625	8 589	964	12.6%
EBIT	421 325	-905 467	-1 326 792	-314.9%	71 458	-1 393 828	-1 465 286	-2 050.6%
Amortisation and depreciation	286 666	299 255	12 589	4.4%	83 654	79 320	-4 334	-5.2%
Non-financial assets impairment write-down	30 556	1 501 621	1 471 065	4 814.3%	30 556	1 501 621	1 471 065	4 814.3%
EBITDA	738 547	895 409	156 862	21.2%	185 668	187 113	1 445	0.8%
CAPEX	1 845 602	1 954 870	109 268	5.9%	715 751	560 383	-155 368	-21.7%
Share of revenue from sales in the segment in the net sales revenue of the Group	32%	26%	-6 p.p.		30%	22%	-8 p.p.	



Q4 2015 Change factors of EBITDA:

Segment of System Power Plants:

- (-) lower margin on trade and the Balancing Market by PLN 24 mln
- (+) lower fixed costs by PLN 8 mln
- (+) higher margin on generation by PLN 3 mln

Segment of Heat:

- (-) EBITDA PEC Zachód Q4 2015: PLN -6 mln (incorporation of the Company on 27 June 2015)
- In the other areas of the Segment:
- (-) lower revenue from sales of electricity and heat by PLN 4 mln
- (+) lower costs of remuneration by PLN 14 mln (result of the transfer of employees to PEC Zachód)
- (+) lower costs of outsourced services by PLN 2 mln
- (+) lower costs of fuel consumption by PLN 7 mln
- (+) higher result on other operating activity

Segment of RES:

- (+) Area of Biogas (PLN -6 mln): in 2015 establishment of provisions for future liabilities in the amount of PLN 6 mln (one-off)
- (-) Area of Water (PLN -3 mln): drop in revenue from certificates of origin and revenue from electricity by PLN 2 mln, higher fixed costs by PLN 1 mln

Segment of Mining

[PLN '000]	2014	2015	Change	Change %	Q4 2014	Q4 2015	Change	Change %
Sales revenue	-	362 580	362 580	100.0%	-	362 580	362 580	100.0%
coal	-	355 452	355 452	100.0%	-	355 452	355 452	100.0%
The other products and services	-	3 328	3 328	100.0%	-	3 328	3 328	100.0%
Goods and materials	-	3 800	3 800	100.0%	-	3 800	3 800	100.0%
EBIT	-	115 666	115 666	100.0%	-	115 666	115 666	100.0%
Amortisation and depreciation	-	40 441	40 441	100.0%	-	40 441	40 441	100.0%
EBITDA	-	156 107	156 107	100.0%	-	156 107	156 107	100.0%
CAPEX	-	51 114	51 114	100.0%	-	51 114	51 114	100.0%
Share of revenue from sales in the segment in the sales revenue of the Group	-	3%	3 p.p.		-	9%	9 p.p.	

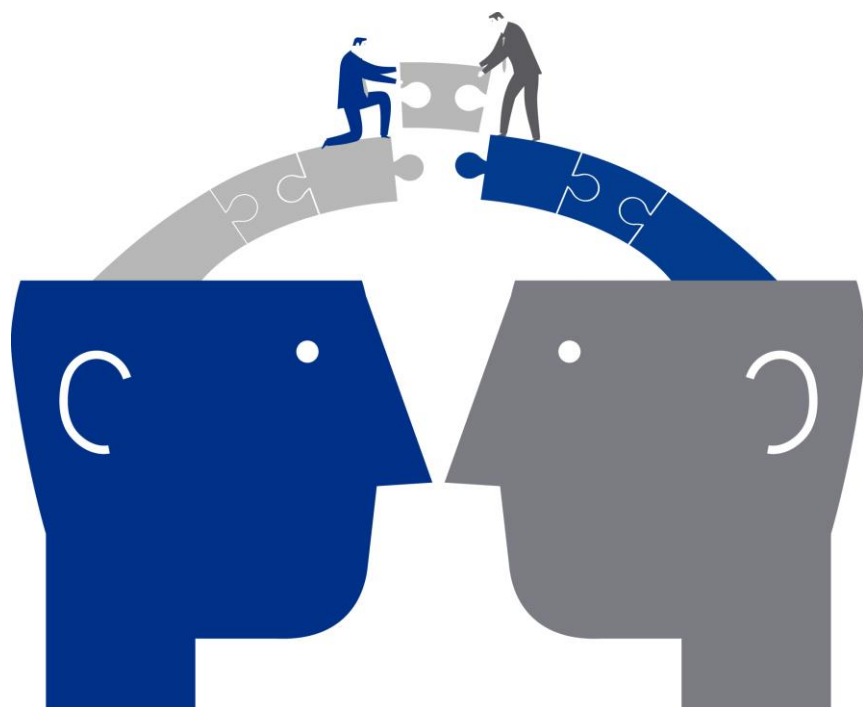
LW Bogdanka

Financial data for two months of 2015 (November - December)

Mining realised on three fields: Bogdanka, Nadrybie, Stefanów

Production assortment: fine coal (ca. 98%), pea coal, nut coal

Key recipients: commercial power industry and industrial power industry



2015 Factors of generated EBITDA:

- (+) EBITDA profitability 43.1% and EBIT profitability 31.9%,
- (+) profitability of the reporting period (November and December) higher than annual profitability (average sales revenue for coal higher by over 14% than the average monthly level in 2015)
- (+) average quantitative sales of coal in the reporting period higher by over 17% than the average monthly level from 2015
- (-) signing of two annexes to coal sales agreements introducing lower prices and recalculation of previous supplies to the current price (impact of the recalculation PLN -7,0 mln)
- (-) establishment of provisions for growth in remuneration budget

Segment of Other activity

[PLN '000]	2014	2015	Change	Change %	Q4 2014	Q4 2015	Change	Change %
Sales revenue	418 419	549 156	130 737	31.2%	154 461	162 306	7 845	5.1%
EBIT	7 803	-341	- 8 144	-104.4%	- 8 165	-16 178	- 8 013	-98.1%
Amortisation and depreciation	14 457	19 593	5 136	35.5%	4 154	6 307	2 153	51.8%
EBITDA	22 260	19 252	-3 008	-13.5%	-4 011	-9 871	-5 860	-146.1%
CAPEX	87 539	93 846	6 307	7.2%	53 094	49 191	-3 903	-7.4%
Share of revenue from sales in the segment in the sales revenue of the Group	4%	4%	-		5%	4%	-1 p.p.	

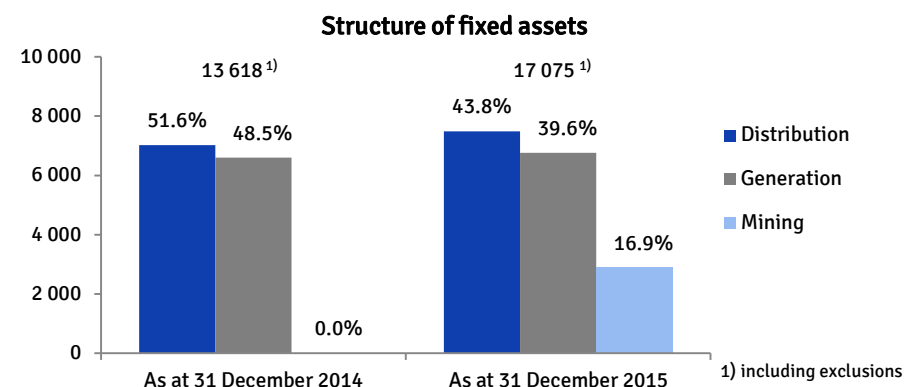


In the segment of Other Activity companies are presented from three areas:

- support for the other Capital Group companies:**
 Enea Centrum sp. z o.o. - being the Shared Service Centre in the Group within accounting, staff, teleinformation, customer service
 Enea Logistyka sp. z o.o. - the company specialising in the logistics, warehousing, supply operations
- supplementary operations:**
 Enea Oświetlenie sp. z o.o. - the company specialising in lighting the interior and exterior of buildings; designs, constructs street lighting, illumination of urban areas, lighting monumental buildings and public utility objects, and also rendering construction services and comprehensive servicing of photovoltaic power plants
- other operations:**
 The Group conducts restructuring activities whose objective is keeping in the structure only those companies from the basic value chain and companies supporting and supplementing them.
 This group of companies includes: Ergo-Tour, Szpital Uzdrawiskowy ENERGETYK

Assets - structure of assets and liabilities of Enea Capital Group

Assets [PLN '000]	As at:		Change	Change %
	31 December 2014	31 December 2015		
Fixed assets	14 344 139	18 203 442	3 859 303	26.9%
Tangible fixed assets	13 617 942	17 074 978	3 457 036	25.4%
Perpetual usufruct	77 281	74 160	-3 121	-4.0%
Intangible assets	389 961	272 116	-117 845	-30.2%
Investment properties	23 431	20 624	-2 807	-12.0%
Investments in subsidiaries	-	748	748	100.0%
Deferred tax assets	167 207	616 795	449 588	268.9%
Financial assets available for sale	47 479	23 982	-23 497	-49.5%
Financial assets valued at fair value through profit or loss	99	-	-99	-100.0%
Derivatives	-	844	844	100.0%
Trade and other receivables	20 739	28 323	7 584	36.6%
Cash and cash equivalents	-	90 872	90 872	100.0%
Current assets	3 763 901	4 785 554	1 021 653	27.1%
Allowances for emissions of CO ₂	208 720	307 521	98 801	47.3%
Inventories	508 163	649 509	141 346	27.8%
Trade and other receivables	1 764 128	1 732 744	-31 384	-1.8%
Current income tax assets	20	31 956	31 936	159 680.0%
Financial assets held to maturity	189 789	479	189 310	-99.7%
Financial assets valued at fair value through profit or loss	392 251	222 011	-170 240	-43.4%
Cash and cash equivalents	687 316	1 822 094	1 134 778	165.1%
Fixed assets for sale	13 514	19 240	5 726	42.4%
Total assets	18 108 040	22 988 996	4 880 956	27.0%



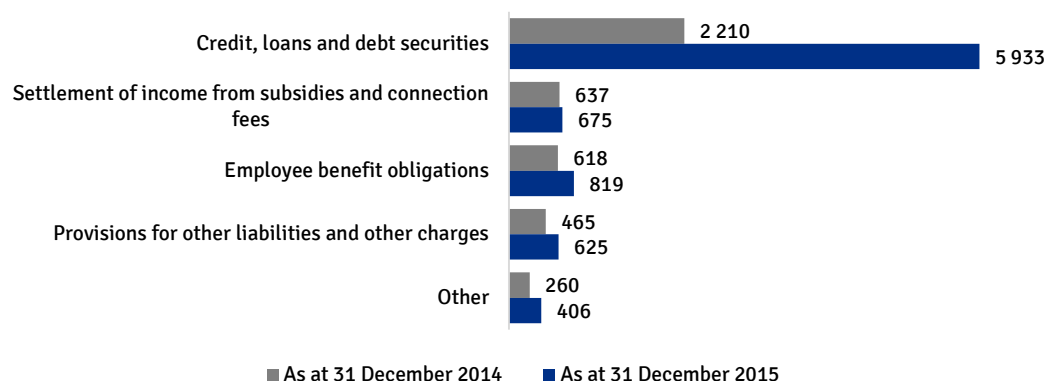
- Change factors of fixed assets (growth by PLN 3,859 mln):**
- higher tangible fixed assets by PLN 3,457 mln stems mainly from:
 - (+) higher expenditures (PLN 1,903 mln) in the segment of Generation (construction of the power unit No. 11 in Koźienice)
 - (+) higher expenditures on the grid assets in the segment of Distribution (PLN 905 mln)
 - (+) takeover of LW Bogdanka
 - (-) fixed assets impairment write-down (PLN -1,484 mln)
 - lower value of intangible assets by PLN 118 mln stems mainly from:
 - (-) fixed assets impairment write-down (PLN -207 mln)
 - (+) development of the software for the Capital Group being the support in the companies' operating activities (e.g. ERP systems) and expenditures on the extension of Customer Comprehensice Service System
 - higher deferred tax assets (by PLN 450 mln) relate to: fixed assets impairment write-down (PLN 285 mln), valuation of the assets of LW Bogdanka and provisions for redemption of proprietary interests
 - higher cash and cash equivalents stems from the funds gathered in LW Bogdanka within the Mine Liquidation Fund

- Change factors of current assets (growth by PLN 1,022 mln):**
- higher allowances for emissions of CO₂ by PLN 99 mln stem from a higher purchase by PLN 30 mln and lower sales by PLN 45 mln
 - higher inventory by PLN 141 mln stem from a growth in coal stock levels
 - changes in the financial instruments portfolio structure result from withdrawal of financial assets kept to maturity (expiry of deposits maturing over 3 months) and lower financial assets valued at fair value through financial result stem from the withdrawal of some funds allocated in securities with high liquidity
 - higher cash and cash equivalents by PLN 1,135 mln stem from the demonstration in the statements of LW Bogdanka SA's cash (PLN 258 mln), inflow at the end of December of the funds from the final settlement of LTPPA and activities aiming achieving an optimum level of return on cash and cash equivalents held by Enea CG (decrease in the portfolio of funds in Asset Management for the account of bank deposits)

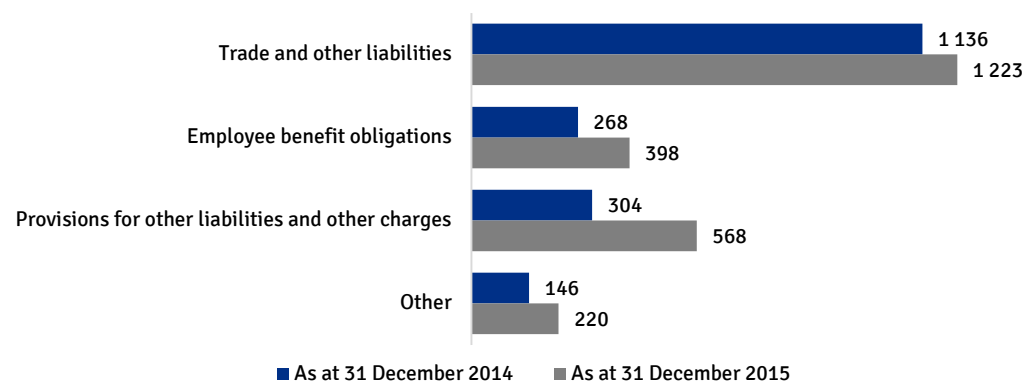
Assets - structure of assets and liabilities of Enea Capital Group

Liabilities [PLN '000]	As at:		Change	Change %
	31 December 2014	31 December 2015		
Total equity	12 064 013	12 122 603	58 590	0.5%
Share capital	588 018	588 018	-	-
Share premium	3 632 464	3 632 464	-	-
Financial instruments revaluation reserve	34 777	814	-33 963	-97.7%
Other reserves	- 45 883	- 45 883	-	-
Reserve capital from valuation of hedging instruments	-	3 980	3 980	100.0%
Retained earnings	7 804 989	7 158 352	-646 637	-8.3%
Non-controlling interests	49 648	784 858	735 210	1 480.8%
Total liabilities	6 044 027	10 866 393	4 822 366	79.8%
Non-current liabilities	4 190 197	8 457 838	4 267 641	101.8%
Current liabilities	1 853 830	2 408 555	554 725	29.9%
Total equity and liabilities	18 108 040	22 988 996	4 880 956	27.0%

Structure of non-current liabilities



Structure of current liabilities



Change factors of non-current liabilities (growth by PLN 4,268 mln):

- bond issue within the programme agreements concluded by Enea and releasing subsequent tranches of a loan from EIB (a total of PLN 3,056 mln);
- Demonstration within Enea CG of non-current liabilities of LW Bogdanka SA PLN 1,234 mln, including PLN 700 mln of issued bonds

Change factors of current liabilities (growth by PLN 555 mln):

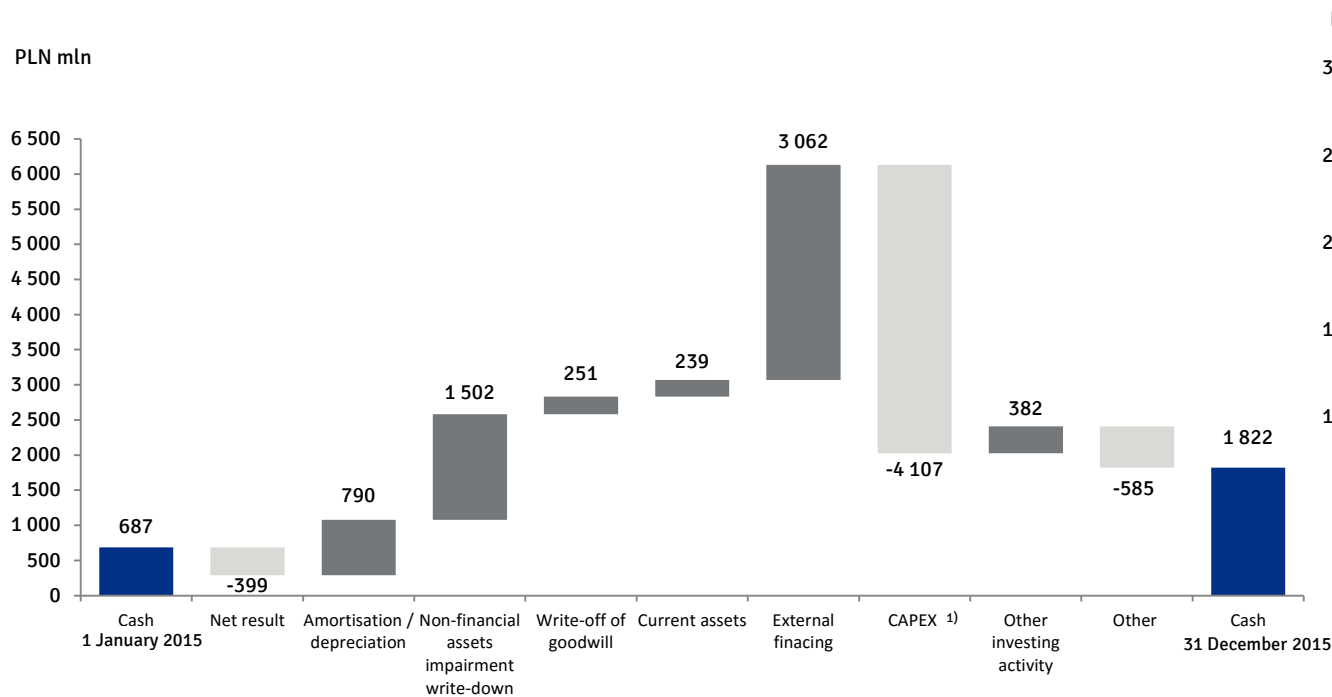
- PLN 94 mln higher liabilities for purchase of tangible and intangible assets
- PLN 171 mln higher liabilities for salaries
- PLN 264 mln higher provisions:
 - PLN 87 mln higher provisions for purchase of CO₂ emission allowances
 - PLN 81 mln higher provisions resulting from LW Bogdanka's acquisition
 - PLN 85 mln higher provisions for certificates of origin

Cash situation of Enea Capital Group

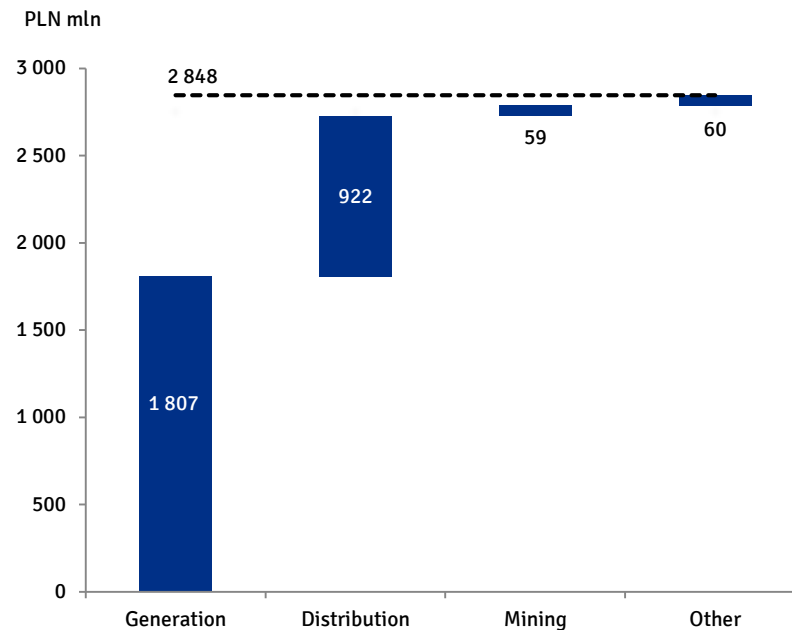
Cash flow statement [PLN '000]

	2014	2015	Change	Change %
Net cash flows from operating activities	1 115 676	2 206 416	1 090 740	97.8%
Net cash flows from investing activities	- 3 048 793	- 3 724 664	- 675 871	-22.2%
Net cash flows from financing activities	1 045 785	2 653 026	1 607 241	153.7%
Net increase / (decrease) in cash and cash equivalents	- 885 879	1 134 778	2 020 657	228.1%
Opening balance of cash and cash equivalents	1 573 195	687 316	- 885 879	-56.3%
Closing balance of cash and cash equivalents	687 316	1 822 094	1 134 778	165.1%

Cash flows in 2015



Acquisition of tangible fixed assets and intangible assets of Enea CG 2015



1) Acquisition of tangible fixed assets and intangible assets and acquisition of a subsidiary of Enea CG 2015

Ratio analysis ¹⁾

	2014	2015	Q4 2014	Q4 2015
Profitability ratios				
ROE - return on equity	7.5%	-3.3%	2.5%	-40.8%
ROA - return on assets	5.0%	-1.7%	1.7%	-21.5%
Net profitability	9.2%	-4.1%	2.9%	-45.8%
Operating profitability	12.0%	-1.6%	7.5%	-44.8%
EBITDA profitability	19.7%	21.6%	16.5%	19.4%
Liquidity and financial structure ratios				
Current liquidity ratio	2.0	2.0	2.0	2.0
Equity-to-fixed assets ratio	0.8	0.7	0.8	0.7
Total debt ratio	0.3	0.5	0.3	0.5
Net debt / EBITDA	0.5	1.8	0.5	1.8
Economic activity ratios				
Current receivables turnover in days	57	65	56	59
Turnover of trade and other payables in days	64	63	53	57
Inventory turnover in days	26	31	25	31

Financial results forecasts

The Management Board of Enea SA did not publish any financial forecasts for 2015.

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

This Report of the Management Board on the operations of Enea Capital Group for the financial year of 2015 was prepared in accordance with § 92 item 1(4) and § 92 item 3 in conjunction with § 91 item 5-6 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and conditions of recognising as equivalent information required by legal regulations of a state not being a member state (J. L. No. 33, item 259 as amended).

Consolidated financial statements of the Capital Group included in the consolidated report of Enea SA for the financial year of 2015 were prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) approved by the European Union.

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

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

Used financial instruments

Enea SA has been realising the strategy of hedging the interest rate risk whose key purpose is hedging cash flows resulting from concluded financing agreements. The adopted strategy foresees the threats of impacting the financial result, changes in cash flows resulting from the risk of interest rate versatility on the market in a given time horizon. In 2015, within the concluded agreements on transactions on the financial market the interest rate risk was hedged for the total amount of PLN 2,995,000 thou. Interest rate risk hedging was made based on the Interest Rate Swap (IRS) instruments.

On 14 July 2015, within the adopted strategy Enea Centrum sp. z o.o., on behalf of Enea Wytwarzanie sp. z o.o., concluded interest rate risk hedging transactions, in order to hedge the payment in EUR for the needs of realising the obligations arising from the implemented investment of Baczyna Wind Farm. The volume of active contracts by this title as at 31 December 2015 amounted to EUR 960 thou.

In the reporting period Enea Trading sp. z o.o. Concluded transactions hedging currency risk (forward transactions of EUR acquisition) in order to hedge the payments resulting from the purchase of CO₂ emission allowances within futures contracts. In December 2015 the forward contracts for currency risk hedging were settled in relation to futures contracts for CO₂ with delivery in December 2015. The volume of active forward contracts for EUR acquisition as at 31 December 2015 amounted to 72,841 thou.

Financial resources management

In January 2014 Enea Capital Group Companies and PKO BP SA and Pekao SA concluded agreements for the comprehensive banking service, including Cash Pooling service. The objective of the aforementioned agreements was provision of an efficient cash management and improvement of the financial liquidity of particular Companies of the Group. A Cash Pooling agreement foresees the consolidation of bank accounts, as a result of which the account balances of Companies belonging to Enea Tax Capital Group are balanced by covering transitory financial deficits with surpluses of cash of other Companies incorporated under Enea TCG.

The current Companies' liquidity management is concentrated on planning the cash flows and monitoring the current concentration of cash resources on bank accounts. The occurring financial surpluses are allocated by Enea SA as the Pool Leader in current assets as fixed-term deposits or are transferred to the investment portfolio managed by Asset Management external entities. In order to standardise the liquidity and liquidity risk management process Enea TCG holds intragroup regulations in force which are binding for the Companies: policy and procedure of liquidity and liquidity risk management. At the same time, in order to limit the risk resulting from lack of funds for the settlement of liabilities in a timely fashion Enea Capital Group Companies have an access to intraday limits as part of Cash Pooling services.

1) Ratio definitions are to be found on page 125

The entity authorised to audit financial statements

KPMG Audyty sp. z o.o. sp. k. was selected to perform the financial audit mentioned in the table below. The contract with the above mentioned entity was concluded on 6 May 2015. The information on the net remuneration due to the entity performing the financial revision for Enea SA in 2014-2015 is presented in the table below:

Data in PLN '000	2014 ¹⁾	2015
The remuneration for auditing and reviewing the non-consolidated and consolidated financial statements of Enea SA.	183	139
Remuneration for other services	-	41
TOTAL	183	180

Detailed information on the selection of KPMG Audyty sp. z o.o. sp. k. and description of rendered services was published in the current report No. 38/2014 of 18 December 2014.

Rating

Maintaining on 29 October 2015 by Fitch Ratings agency of a long-term rating of Enea SA in national and foreign currency on the level of "BBB" and a long-term national rating on the level of "A(pol)" in relation to LW Bogdanka's takeover is of a key importance as to the realisation of the investment intentions of the Group. The outlook of the ratings is stable. Fitch Ratings has been assessing Enea's credit risk since 2012. On 23 March 2015 EuroRating issued a credit rating on the level of "BBB" for the Company with a stable outlook. The rating mentioned above was awarded by EuroRating on its own initiative, in reply to the information needs of market participants, and the credit risk assessment process was based on the publicly known information. In relation to the takeover of the control over Lubelski Węgiel Bogdanka on 21 October EuroRating agency performed an extraordinary verification of Enea's credit risk. Enea's rating was maintained on the same BBB level with a stable outlook.

Court and administrative proceedings

As at the date of publication of this report, no proceedings is underway regarding liabilities or claims, the party to which would be Enea SA or its subsidiary, whose single or total value would amount to 10% or more of Enea SA's equity.

The detailed description of the proceedings is to be found in Note 50 of the consolidated financial statements of Enea CG for 2015.

Anticipated financial position

A large share of the regulated segment of Distribution in Enea CG's EBITDA (in 2015 Distribution accounted for 55% of Enea CG's EBITDA) affects the predictability of cash flows and stabilises them over time. However, two facts are of some importance for this segment: a drop in the average weighted average cost of capital (WACC) by 1.522 p.p. (from 7.197% in 2015 to 5.675% in 2016) and introduction by the Energy Regulatory Office of the so called "quality tariff" since 2016. The introduced mechanism of clearing accounts with distributors of electricity based on SAIDI and SAIFI indices realised in a given year, may significantly affect reduction of EBITDA in the segment of Distribution. Reduction of WACC may decrease EBITDA in the segment by ca. PLN 58 mln annually.

Segment of Generation remains under the influence of the demanding situation on the energy market. The production concentrated on bituminous coal involves the exposure to risk related to carbon dioxide emission costs.

¹⁾ Financial revision activities in 2014 were performed by KPMG Audyty sp. z o.o.

In Q4 2015, as a result of LW Bogdanka's acquisition, Enea CG's chain of values was extended with the segment of Mining, whose results have been consolidated since 1 November 2015. In the whole 2015 LW Bogdanka generated the best results in the industry, however its operations are still under the pressure of an unstable situation on the coal market. In 2016 the full compensation of the forecast drop in coal prices with a higher volume of its sales will not be probably achieved. A priority will be maintaining the unit costs on an appropriate level and limitation of investment expenditures in order to maximise the generated results.

In the Area of Trade we have been increasing sales of electricity and gaseous fuel - due to an attractive product range new Customers are obtained, and the volume of sold energy increases. Higher costs relating to the entry into force, as of 30 April 2014, of cogeneration obligations and a significant reduction in market prices of proprietary interests negatively affects the financial results of this segment.

Despite difficult market and legal conditions, due to the realised cost restructuring and reducing operating costs Enea CG generates financial results on an anticipated level. In the face of a more and more demanding situation on the energy market the Management Board will undertake subsequent activities in order to optimise the functioning of each segment of the Group.

The Group's financial standing is safe, supported with a significant volume of cash, which as at the end of December 2015, including current financial assets kept to maturity and financial assets valued at fair value through result, amounted to PLN 2.1 billion. The amount included the cash on the Companies' accounts, bank deposits, and also cash and cash equivalents managed by an external company. Due to a consistently maintained very good financial standing and building credibility on the financial market, the Group has a guaranteed access to attractive and flexible sources of financing for investments specified in the corporate strategy due to the concluded agreements:

- Agreement relating to the bond issue programme up to the amount of PLN 3 billion concluded with PKO BP, Bank Pekao, BZ WBK and Bank Handlowy w Warszawie
- Agreement relating to the bond issue programme up to the maximum amount of PLN 5 billion concluded with PKO BP, ING Bank Śląski, Pekao and mBank
- Two Programme Agreements relating to the issue of long-term bonds totalling to PLN 1.7 billion concluded with Bank Gospodarstwa Krajowego
- Three Loan agreements with the European Investment Bank for the total amount of PLN 2,371 billion

It is expected that in 2016 the ratio defined as net debt/EBITDA will not exceed the level of 2.6. A growth in the ratio stems from a vast CAPEX programme (capital expenditures) covering mainly the segment of generation and the distribution network, and also acquisitions constituting market opportunities (as the recent acquisition of LW Bogdanka).

The implementation of the investment programme and efficiency improvement programme will positively affect the financial results of Enea CG. Due to the planned optimisation activities in 2016 Enea Group plans a reduction in costs by PLN 352 mln.

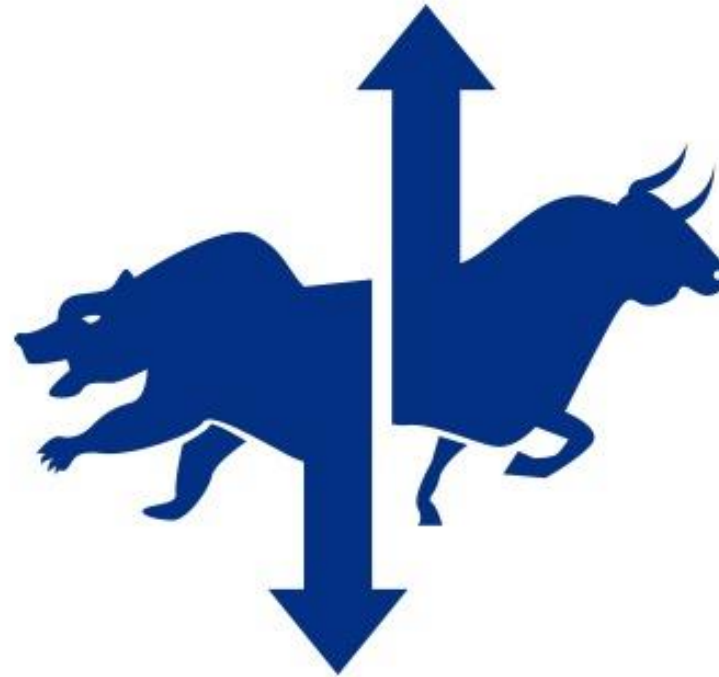
Significant events occurring after the balance sheet date

On 7 January 2016, Enea SA drew another tranche of a loan granted on 29 May 2015 by the European Investment Bank in the amount of PLN 100 mln.

The interest rate of the tranche is floating based on WIBOR rate for 6-month deposits increased with a bank's margin.

On 8 January 2016, Enea SA took up the second tranche of bonds issued by Enea Operator sp. z o.o. in the amount of PLN 100 mln within the Executive bond issue programme agreement for the amount of PLN 946 mln of 7 July 2015.

The interest rate of the tranche is floating based on WIBOR rate for 6-month deposits increased with a margin.



4. Shares and shareholding

Share capital structure

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

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

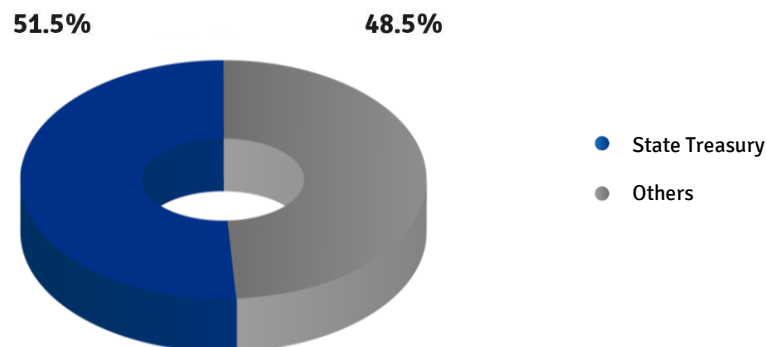
All the Company's shares are dematerialised bearer shares registered with the National Depository for Securities.

Shareholding structure

The table below presents the structure of Enea SA's shareholding as at 31 December 2015 and as at the date of publication of this report, i.e. 21 March 2016.

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

Enea SA's shareholding



Own shares

Enea SA or Enea Capital Group Companies did not purchase the Company's own shares in 2015.

Changes in the shareholding structure until the date of the statement

The Company holds no information of any changes in the significant shareholders of the Company in 2015 and until the date of adopting this report.

Potential changes in the shareholding structure

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

Employee share control system

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

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

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

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

To the Company's knowledge, the number of Enea SA's shares left for nil-paid acquisition amounted to 1,969,793 as at 31 December 2015.

In 2015 Enea SA did not launch any standard employee share programme control systems.

Dividend policy

Pursuant to the dividend policy adopted and realised in previous years, the dividend is paid by Enea SA accordingly to the volume of generated profit and the Company's financial abilities having taken into account the planned capital expenditures. Pursuant to this policy in previous years the dividend was distributed on the level of 30% to 60% of the profit demonstrated in the non-consolidated financial statements of Enea SA. As at the publication date of this report, the Management Board has not made any decisions as regards the dividend.

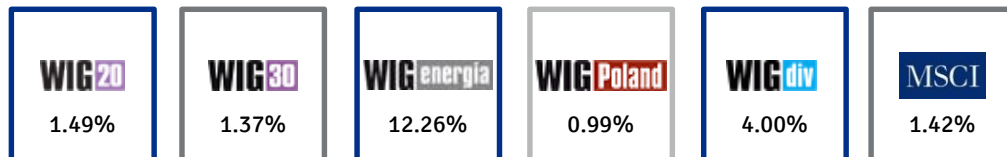
Dividend paid out of profit for 2008-2014 (the data was not reinstated)

Description	2008	2009	2010	2011	2012	2013	2014
Individual net profit [PLN mln]	203.8	305.4	364.4	355.2	522.7	833.5	696.6
Total dividend [PLN mln]	203.1	167.7	194.2	211.9	158.9	251.6	207.5
Dividend value per share [PLN]	0.46	0.38	0.44	0.48	0.36	0.57	0.47
Profit value per share [PLN]	0.46	0.69	0.83	0.80	1.18	1.89	1.58
Dividend distribution rate	99.6%	54.9%	53.3%	59.7%	30.4%	30.2%	29.8%
Dividend rate	2.0%	2.2%	2.6%	3.0%	2.5%	3.8%	3.4%



Quotations of Enea SA's shares on the Warsaw Stock Exchange

Enea SA's shares have been listed on the Warsaw Stock Exchange (WSE) since 17 November 2008. The share of the Company's shares in indices as at 30 December 2015.¹⁾

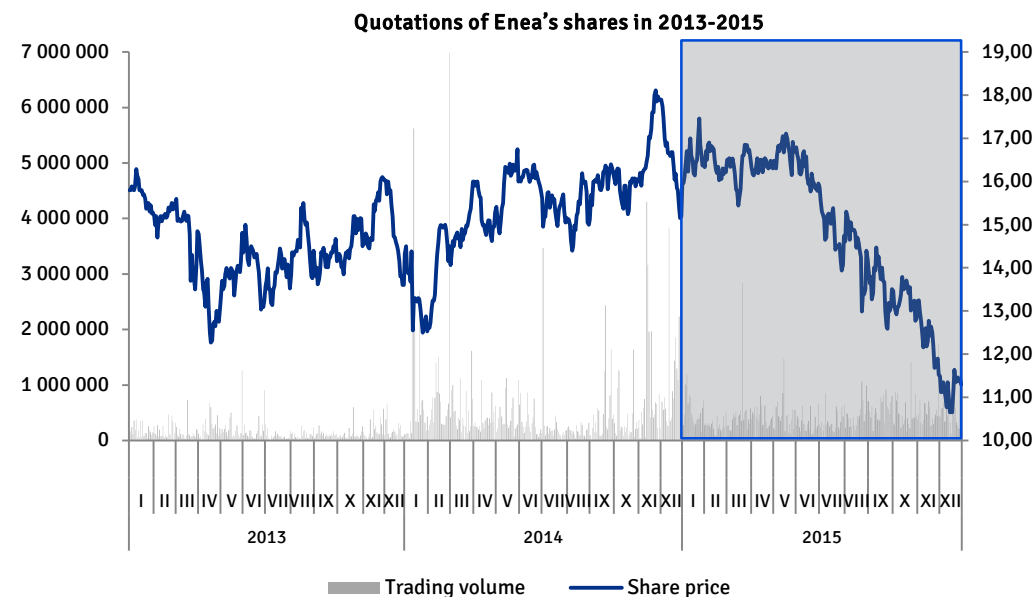


The table below demonstrates data relating to the Company's shares in 2015.

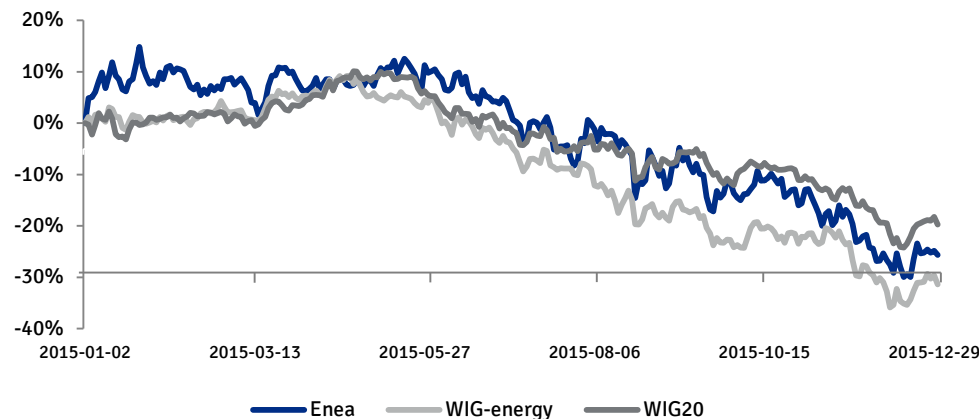
Key data concerning shares:	2014	2015
Maximum price [PLN]	18.11	17.48
Minimum price [PLN]	12.42	10.56
Last price [PLN]	15.20	11.30
Capitalisation at the end of period [PLN mln]	6 710	4 988.30
Capitalisation of Enea SA on the background of domestic companies listed on WSE at the end of period [%]	1.14	0.97
Book value [PLN mln]	12 013.84	12 647.12
P/E [exchange capitalisation/net profit]	7.5	5.5
P/BV [exchange capitalisation/book value]	0.56	0.39
Return rate at end of period	16.02	-23.23
Dividend rate [%]	3.8	4.2
Value of turnover [PLN mln]	2 209.55	1 653.22
Share in turnover [%]	1.08	0.81
Turnover indicator [%]	32.70	25.50
Average volume per session	577 709	449 510
Average number of transactions per session	585	1 081
Average spread [bp]	24	20
Volume [pcs]	143 849 603	44 317 932

On 3 December 2015 WSE placed futures contracts for Enea's shares on the market. For all new contracts the multiplier was 100 (100 shares per each contract). The value of the contract is calculated as the product of the contract price and the multiplier. 3 series of futures contracts were placed for the shares, with the expiry dates: 18 March 2015, 18 March 2016 and 17 June 2016.

1) 30 December 2015 was the last quotation day on WSE in 2015.



Change in the price of Enea SA's shares in relation to the changes of WIG20 and WIG-Energia indices



In the period from 1 January to 30 December 2015 the price of Enea's shares dropped from PLN 15.39 to PLN 11.30, i.e. by PLN 4.09 or 26.57%. The highest price in the period was achieved for Enea's shares on 15 May, and the lowest - on 15 December 2015.

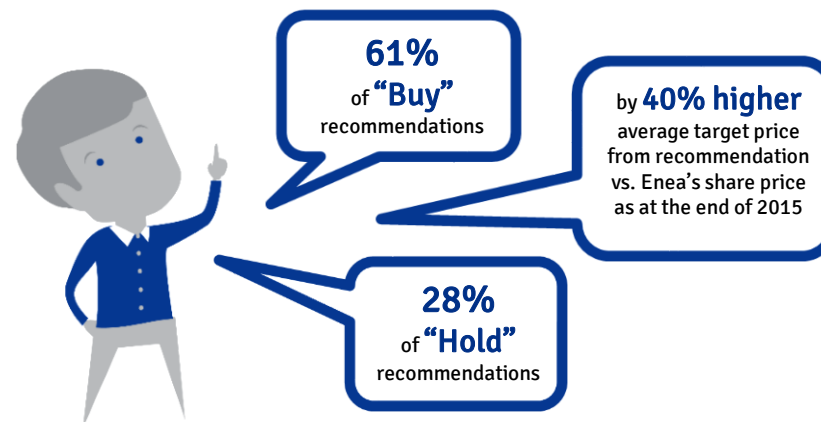
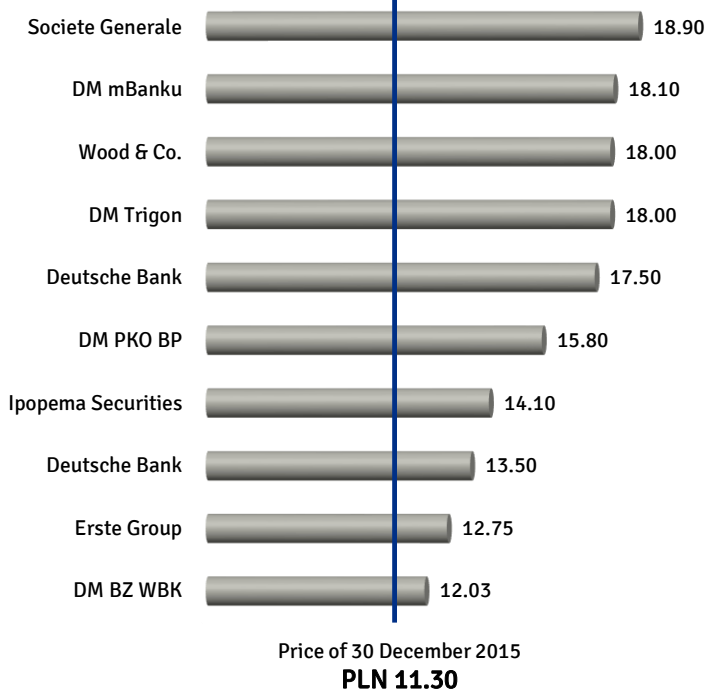
Investor relations

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

In 2015, as part of realised investor relations programme:

- We participated in:
 - The conference of the energy and raw materials sectors of DM BZ WBK
 - Mining and Power Engineering conference of DM BZ WBK
 - 7th SEG Listed Companies Investor Relations Congress
- We were a Key Partner of WallStreet Conference
- We organised Energi@21 Congress to which the managers and analysts were invited
- We met representatives of TFI (investment fund companies) and OFE (open-end retirement funds) through brokerage houses
- We launched a new IR tab on the Group's website which is adjusted to investor needs
- We met capital market participants each quarter as part of conferences devoted to results
- We systematically sent the investor newsletter including the most important information from Enea Group
- We participated in "Investor Action" organised by Puls Biznesu
- We were support for Enea Group employees as regards the disclosure requirements of listed companies - we conducted trainings and prepared a cycle of "Gietda bez Tajemnic" bulletins (Stock Exchange with no secrets)

Recommendations of particular brokerage houses for Enea in 2015:



Recommendations issued for Enea in 2015:

Date of issue	Institution	Recommendation	Target price	Issue date price
14-12-2015	Ipopema Securities	"Buy"	14.10	11.00
07-12-2015	DM BZ WBK	"Sell"	12.03	11.52
01-12-2015	Deutsche Bank	"Hold"	13.50	11.49
30-11-2015	Erste Group	"Hold"	12.75	11.90
21-10-2015	DM Trigon	"Buy"	18.00	13.57
29-09-2015	DM PKO BP	"Buy"	15.80	13.19
18-09-2015	Deutsche Bank	"Hold"	15.50	14.00
12-08-2015	Societe Generale	"Buy"	18.90	14.87
30-07-2015	DM mBanku	"Buy"	18.10	13.94
23-07-2015	Trigon DM	"Buy"	18.10	14.57
18-06-2015	DM BZ WBK	"Buy"	18.70	15.94
20-05-2015	Societe Generale	"Buy"	20.00	16.90
06-05-2015	Societe Generale	"Buy"	19.20	16.50
21-04-2015	DM Trigon	"Buy"	19.50	16.43
20-02-2015	Deutsche Bank	"Hold"	17.50	16.03
02-02-2015	DM Trigon	"Buy"	20.60	16.44
26-01-2015	DM mBanku	"Accumulate"	18.00	16.96
22-01-2015	Wood & Co.	"Hold"	18.00	16.50



5. Authorities

Personal composition of Enea SA's Management Board

As at the date of this report, i.e. 21 March 2016, the Company's Management Board operates in the following composition:



Mirosław Kowalik

President of the Board

Mirosław Kowalik has been connected with the power industry for over 20 years, holding managerial positions on an operating and strategic level. In 2015 he managed SNC Lavalin sp. z o.o. Polska as the Vice-President of the Board and Business Development Director. During 1999-2015 he worked on various managerial positions for ALSTOM Power, recently as the Marketing and Sales Director. Connected with ABB concern during 1995-1998.

Mirosław Kowalik is a graduate of the Faculty of Energy Engineering of the Gdynia Maritime University. He graduated from MBA (Rotterdam School of Management programme in cooperation with the University of Gdańsk and Gdańsk Foundation for Management Development) obtaining the degree of Executive Master of Business Administration. He is also a graduate of postgraduate studies of Corporate Finance Management at the Warsaw School of Economics. Currently, he is undergoing a PhD study - Executive Doctor of Business Administration in the Polish Academy of Sciences, Institute of Economics.

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

Wiesław Piosik

Vice-President of the Management Board for Corporate Affairs

Wiesław Piosik has been connected with the commercial power industry for over 30 years. Recently, he has managed private enterprises in the field of energy distribution, designing and execution of grid works and RES. During 1998-2005 he was the member of the board and president of Energetyka Poznańska SA (currently: Enea SA), during 2007-2009 he managed the works of the board of Polenergia Dystrybucja sp. z o.o. He holds a vast experience in supervising joint-stock companies in the sectors of fuel and energy, bank and IT - he was the member of the supervisory board of e.g. Kompania Węglowa, CIECH SA, Exatel SA and LG Petro Bank.

Wiesław Piosik is a graduate of Poznań University of Technology, completed studies at the Faculty of Electrical Engineering, majoring in electrical engineering with the speciality in: power engineering. He also graduated from the Postgraduate Study at Poznań University of Technology within power systems and grids under the conditions of changing into the market economy and Postgraduate Study of Marketing at Akademia Ekonomiczna in Poznań. He developed his competences at numerous trainings and courses within management.

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



Piotr Adamczak

Vice-President of the Management Board for Commercial Affairs

Piotr Adamczak has been connected with the power industry for over 20 years. He commenced his professional career in Zakład Energetyczny Poznań. He managed the Market Organisation Department in EnergoPartner Wielkopolska. During 2002-2011 he worked in Energetyka Poznańska, and after the consolidation in Grupa Energetyczna Enea SA, on the positions of the Office Manager, Division Manager and Department Director, he dealt with the centralisation and realisation of tasks within the wholesale trade in electricity, duties of a commercial and technical coordinator, commercial coordinator, and commercial cooperation with RES as well. From 2011 he worked on the position of the Office Manager and from 2013 Trading Department Director in Enea Trading where he dealt with commercial activities on electricity markets, proprietary interests to certificates of origin, emission allowances and commercial cooperation with RES for the account of Enea Group companies.

Piotr Adamczak is a graduate of the Poznań University of Technology, majoring in Electrical Engineering at the Faculty of Electrical Engineering. He also graduated from Postgraduate Studies in Economic Problems of Power Sector Transformation at the Warsaw School of Economics, and the postgraduate study in "Electricity trade management" at the Poznań Trade and Commerce College.

Scope of competence: Supervision and coordination of the overall tasks related to the trading activity and Customer service.



Mikołaj Franzkowiak

Vice-President of the Management Board for Financial Affairs

Mikołaj Franzkowiak has been connected with financial management for over 13 years. From 2011 he was employed in Bank Zachodni WBK SA, where he originally managed the Corporate Clients' Management Accounting Department and from 2015 he was managing the Treasury Finance Department, being responsible for the team running the accounting for the area of ALM and Treasury of the bank. He was a Member of the Supervisory Board of BZ WBK Faktor from 2013. He was a Member of the Management Board for Economic and Financial Affairs of Fugo SA. Previously, he was connected with Bank BPH SA (Bank Pekao SA after the merger). He commenced his professional career in Ernst & Young.

Mikołaj Franzkowiak is a graduate of the Faculty of Law and Administration of the Adam Mickiewicz University in Poznań. He studied law and economics as well at Erasmus University Rotterdam. He completed postgraduate studies in accounting at the Poznań University of Economics and Business. Currently, he is a student of doctoral studies at the Faculty of Management of the Poznań University of Economics and Business. He holds a Chartered Financial Analyst international certificate. He attended numerous trainings on finance and management.

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



Changes in the composition of the Management Board of Enea SA

Date	Event
7 December 2015	<p>Enea SA’s Supervisory Board recalled Krzysztof Zamasz - President of the Management Board - from the composition of the Management Board of Enea SA</p> <hr/> <p>Enea SA’s Supervisory Board recalled Paweł Orłof - Vice-President of the Management Board for Corporate Affairs - from the composition of the Management Board of Enea SA</p> <hr/> <p>Enea SA’s Supervisory Board delegated its Member - Wiesław Piosik - to temporarily act as the President of the Board of Enea SA</p>
30 December 2015	<p>The Supervisory Board of Enea SA adopted resolutions on recalling, as of 7 January 2016, the following people from the composition of the Management Board of Enea SA:</p> <ul style="list-style-type: none"> • Dalida Gepfert - Vice-President of the Management Board for Financial Affairs. • Grzegorz Kinelski - Vice-President of the Management Board for Commercial Affairs. <hr/> <p>Enea SA’s Supervisory Board adopted a resolution regarding cancellation of the delegation as of 7 January 2016 of the Member of the Supervisory Board, Wiesław Piosik, to temporarily act as the President of the Board of Enea SA.</p> <hr/> <p>Enea SA’s Supervisory Board adopted a resolution regarding nomination as of 7 January 2016 Mirosław Kowalik to the position of the President of the Management Board of Enea SA for the subsequent term which commenced on 7 January 2016.</p> <hr/> <p>Enea SA’s Supervisory Board adopted a resolution regarding nomination as of 7 January 2016 Wiesław Piosik to the position of the Vice-President of the Management Board of Enea SA for Corporate Affairs for the subsequent term which commenced on 7 January 2016.</p> <hr/> <p>Enea SA’s Supervisory Board adopted a resolution regarding delegation as of 7 January 2016 the Member of the Supervisory Board, Sławomir Brzeziński, to temporarily act as the Vice-President of the Management Board of Enea SA for Commercial Affairs until a new Vice-President for Commercial Affairs is nominated.</p>
21 January 2016	<p>The Company’s Supervisory Board adopted a resolution regarding the nomination as of 15 February 2016 :</p> <ul style="list-style-type: none"> • Piotr Adamczak to the position of the Vice-President of the Management Board for Commercial Affairs • Mikołaj Franzkowiak to the position of the Vice-President of the Management Board for Financial Affairs



Personal composition of Enea SA' Supervisory Board

As at the date of publication of this report, i.e. 21 March 2016, the Supervisory Board of the Company of the 9th term is composed of nine members and operates in the following composition:

Małgorzata Niezgoda
Chairman of the Supervisory Board
Date of appointment: 2 July 2015

Małgorzata Niezgoda currently works as the Director of the Control and Supervision Department in the Ministry of Energy. She has held various positions since 2008 in the departments dealing with ownership supervision over the State Treasury owned enterprises in the Ministry of Treasury.

In the period from November 2014 - February 2015 she was the Director of the Mining Department of the Ministry of Economy. In this period the bituminous coal mining restructuring process was prepared.

Małgorzata Niezgoda holds a higher qualification, she graduated from the Warsaw University of Life Sciences – SGGW on the faculty of Environmental Engineering

Rafał Bargiel
Member of the Supervisory Board
Date of appointment: 15 January 2016

Rafał Bargiel currently runs his own law office which renders comprehensive legal services for individual and corporate clients.

Rafał Bargiel obtained his Master's degree at the University of Silesia in Katowice at the Faculty of Law and Administration. He completed a barrister training by the District Bar Council of Bielsko-Biała.

Stawomir Brzeziński
Member of the Supervisory Board
Date of appointment: 2 July 2015

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

Stawomir Brzeziński is a graduate of the Faculty of Mechanical Engineering and Management at Poznań University of Technology. He also graduated from post-graduate studies at Poznań University of Economics within logistics and supply chain management and Poznań University of Technology majoring in quality management. He is currently studying Law at the Faculty of Law, Administration and Economics of the University of Wrocław.

Wojciech Klimowicz
Member of the Supervisory Board
Date of appointment: 2 July 2015

Wojciech Klimowicz has been connected with Enea SA since 2003 and he is currently holding the position of the Senior Specialist for Portfolio Optimisation at the Portfolio and Product Management Department.

Mr. Wojciech Klimowicz graduated from MA studies at Adam Mickiewicz University in Poznań, Faculty of Social Sciences, majoring in Politology (specialisation: local government administration). Currently, he is continuing education at Post-graduate studies: Statistical analysis of data in administration and business, at Poznań University of Economics, Faculty of Economics.

Tadeusz Miktoz
Member of the Supervisory Board
Date of appointment: 2 July 2015

Tadeusz Miktoz holds long professional experience in the area of power engineering and ownership supervision. Since 1983 he has been connected with Enea SA and its predecessor entity, and currently he is an employee of the Operating Management Department. He has sat in various Supervisory Boards since 1997.

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

Piotr Mirkowski
Member of the Supervisory Board
Date of appointment: 15 January 2016

During 2009-2015, Piotr Mirkowski was a member of the Supervisory Board of the joint stock company Radpec S.A. In 2007-2015 he was connected with RTBS "Administrator" sp. z o.o. From 1998 to 1999 he was employed in Zakład Usług Technicznych Energetyki Ciepłej in Radom on the position of an Operations Director. During 1989-1998 he worked as the Heat Networks Department Manager in Wojewódzkie Przedsiębiorstwo Energetyki Ciepłej in Radom.

Piotr Mirkowski is a graduate of the Radom School of Engineering, specialty: mechanical engineering. He also graduated from the postgraduate studies at the Warsaw University of Technology within heating and heating with energy auditing. He holds ISO auditor and ISO plenipotentiary certificates.

Piotr Kossak
Member of the Supervisory Board
Date of appointment: 15 January 2016

Piotr Kossak runs a legal practice in his own Law Firm of the Legal Counsel in Sandomierz specialising in reprivatisation issues, foundation and association law and companies law. During 2010-2012 he was connected with the the University of Human and Life Sciences in Sandomierz - as a research associate and dean on the Faculty of Law and Administration.

Piotr Kossak is a PhD of legal sciences within law. He received this degree at the Faculty of Law, Canon Law and Administration of John Paul II Catholic University of Lublin (KUL) in Lublin. He completed the legal training by the District Chamber of Legal Advisers in Kraków and barrister's training by the District Bar Council in Kielce. In 2006 he was entered into the list of legal counsels in the District Chamber of Legal Advisers in Kraków, and in 2009 he was entered into the list of barristers of the District Bar Council in Kielce. Piotr Kossak satisfies the independence criteria for members of the Supervisory Board.

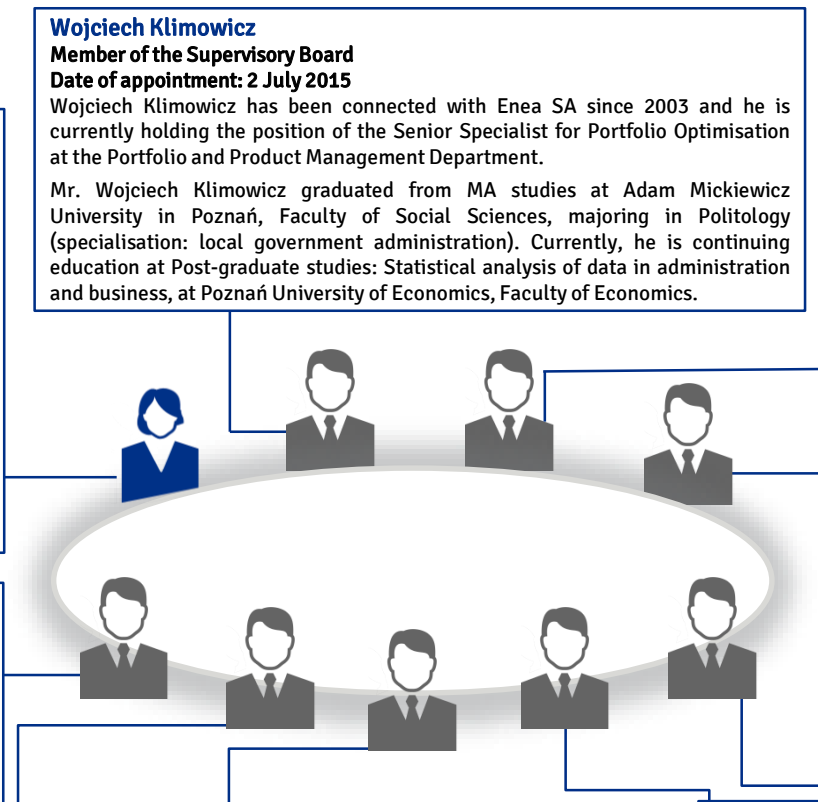
Rafał Szymański
Member of the Supervisory Board
Date of appointment: 2 July 2015

Rafał Szymański works in the Ministry of Treasury in the Department of Strategic Companies. His main duties include e.g. ownership supervision of State Treasury companies.

Rafał Szymański graduated from the University of Warmia and Mazury majoring in the Ecological Engineering and from Post-graduate Studies of "Energy Market Operation" at the Warsaw School of Economics.

Roman Stryjski
Member of the Supervisory Board
Date of appointment: 15 January 2016

Roman Stryjski has been the Director of the Institute of Computer Science and Production Management of the University of Zielona Góra since 2003. Earlier, he was professionally connected with the Pedagogical University in Zielona Góra for many years. Member of international scientific societies and advisory committees, the Polish Association for Energy Certification and the Organisation and Management Sciences Committee of the Polish Academy of Sciences Branch in Poznań. Roman Stryjski is a habilitated doctor of technical sciences of Martin Luther University Halle-Wittenberg.



Changes in the composition of the Supervisory Board of Enea SA

Date	Event
30 June 2015	Enea SA's GM recalled Sławomir Brzeziński, Wojciech Chmielewski, Michał Kowalewski, Przemysław Łyczyński, Sandra Malinowska, Tadeusz Mikłosz, Jeremi Mordasewicz and Małgorzata Niezgoda from the composition of Enea SA's Supervisory Board as of the expiry of the 8th term, i.e. on 1 July 2015
30 June 2015	Enea SA's GM nominated, as of 2 July 2015, Sławomir Brzeziński, Wojciech Chmielewski, Marian Gorynia, Wojciech Klimowicz, Sandra Malinowska, Tadeusz Mikłosz, Małgorzata Niezgoda and Rafał Szymański into the composition of the Company's Supervisory Board of the 9th term
22 July 2015	Wojciech Chmielewski filed the resignation from the position and membership in the Supervisory Board
23 July 2015	Monika Macewicz was nominated into the composition of Enea SA's Supervisory Board based on the statement of the Ministry of Treasury
27 August 2015	Enea SA's EGM nominated Radosław Winiarski into the composition of the Supervisory Board and elected Małgorzata Niezgoda to the position of the Chairman of the Supervisory Board
22 September 2015	Marian Gorynia filed the resignation from the position and membership in the Supervisory Board
21 October 2015	Enea SA's EGM nominated Tomasz Gołębiowski into the composition of the Supervisory Board
2 December 2015	Monika Macewicz was recalled from the position of a Member of Enea SA's Supervisory Board based on the statement of the Ministry of Treasury
2 December 2015	Wiesław Piosik was nominated into the composition of Enea SA's Supervisory Board based on the statement of the Ministry of Treasury
7 December 2015	Enea SA's Supervisory Board delegated its Member - Wiesław Piosik - to temporarily act as the President of the Board of Enea SA
30 December 2015	Enea SA's Supervisory Board adopted a resolution regarding cancellation of the delegation as of 7 January 2016 of the Member of the Supervisory Board, Wiesław Piosik, to temporarily act as the President of the Board of Enea SA.
30 December 2015	Enea SA's Supervisory Board adopted a resolution regarding delegation as of 7 January 2016 the Member of the Supervisory Board, Sławomir Brzeziński, to temporarily act as the Vice-President of the Management Board of Enea SA for Commercial Affairs until a new Vice-President for Commercial Affairs is nominated.
7 January 2016	The Company received the resignation of Wiesław Piosik from the position of a Member of Enea SA's Supervisory Board effective as of 7 January 2016 - the resignation was filed in connection with the nomination of the above mentioned person into the composition of the Company's Management Board as of 7 January 2016
15 January 2016	Enea SA's EGM recalled Sandra Malinowska, Radosław Winiarski and Tomasz Gołębiowski - independent member - from the composition of Enea SA's Supervisory Board
15 January 2016	Enea SA's EGM nominated into the composition of the Supervisory Board 4 new members: Piotr Kossak as an independent member, Rafał Bargiel, Roman Stryjski and Piotr Mirkowski

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

Detailed information in Section 6. Corporate Governance on pages 109-111.

Principles of Remuneration

The principles of remuneration of existing Members of the Management Board of Enea SA were introduced pursuant to the resolutions of Enea SA's Supervisory Board dated 7 January 2016 and 18 February 2016. All the Members of the Management Board concluded Service Agreements - managerial contracts - with the Company, which are mentioned in Article 3 item 2 of the 3 March 2000 on remuneration of people managing certain legal entities (J. L. No. 26, item 306, as amended). Service agreements concluded by the Company and non-competition agreements enclosed to them provide as follows:

- a) During the term of the Service agreement Members of the Board are authorised to receive a fixed monthly remuneration and a performance-related annual bonus in the amount of 40% of the total annual remuneration, calculated based on the principles specified in detail in the Service agreement
- b) in return for complying by Members of the Board with the obligations resulting from the non-competition clause during its validity, Members of the Board may receive a compensation in the total amount equal to the product of: 1/12 of the total remuneration and number of months of validity of non-competition clause
- c) if the Service agreement expires as a result of the expiry of the Member of the Board's term, the Company reserves the right to, for a period of one month of the agreement expiry, demand that Members of the Board render services relating to the transfer of issues connected with the business operations to a person indicated by the Chairman of the Supervisory Board. By this title Members of the Board are authorised to receive remuneration in the amount equal to the fixed remuneration
- d) Members of the Board are entitled to receive a severance payment in the amount equal to the triple 1/12s of the total remunerations except for the following situations:
 - termination of the Service agreement by the Company or its expiry as a result of recalling from the position of a Member of the Board for a culpable material breach of the provisions of the Statute or the above mentioned Agreement to a detriment to the Company,
 - termination of the Service agreement by the Company or its expiry as a result of loss of the right to be a Member of the Board in the case specified in Article 18 of the Commercial Companies Code,
 - termination of the Service agreement by the Member of the Board or its expiry as a result of resignation from that position, if the termination of the said Agreement or resignation was not a result of reasons attributable to the Company.

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

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

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

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

Level of Remuneration

The remuneration of persons composing the Management Board of Enea SA collected in the period from 1 January 2015 to 31 December 2015 with whom the Company concluded an agreement on provision of services within management is presented in the table below:

Name	Position	Net remuneration in PLN (excluding VAT) ¹⁾	Additional benefits ²⁾
Wiesław Piosik	acting President of the Management Board ³⁾	16 715.75	-
Dalida Gepfert	Member of the Management Board	1 661 238.00	-
Grzegorz Kinelski	Member of the Management Board	1 661 238.00	-
Krzysztof Zamasz	President of the Management Board ⁴⁾	3 012 803.87	-
Paweł Orlof	Member of the Management Board ⁴⁾	2 537 098.17	-

In 2015 Members of the Board of Enea SA did not collect any remuneration for holding their positions in Enea SA's subsidiaries.

Remuneration for members of the Supervisory Board of Enea SA in the financial year 2015 is presented in the following table:

Item	Name	Net remuneration [PLN]
1	Sławomir Brzeziński	41 454.96
2	Sandra Malinowska	41 454.96
3	Tadeusz Mikłosz	41 454.96
4	Małgorzata Niezgoda	41 454.96
5	Wojciech Klimowicz	20 616.04
6	Szymański Rafał	20 616.04
7	Monika Macewicz	15 044.14
8	Radostaw Winiarski	14 375.52
9	Wiesław Piosik ³⁾	557.19
10	Wojciech Chmielewski	23 179.12
11	Jeremi Mordasewicz	20 838.92
12	Michał Kowalewski	20 838.92
13	Przemysław Łyczyński	20 838.92
14	Marian Gorynia	9 331.02
15	Tomasz Gołębowski	8 135.00

Members of the Supervisory Board of Enea SA during the financial year of 2015 collected remuneration for holding offices in the Supervisory Board in the amount Compliant with the legal regulations being in force.

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

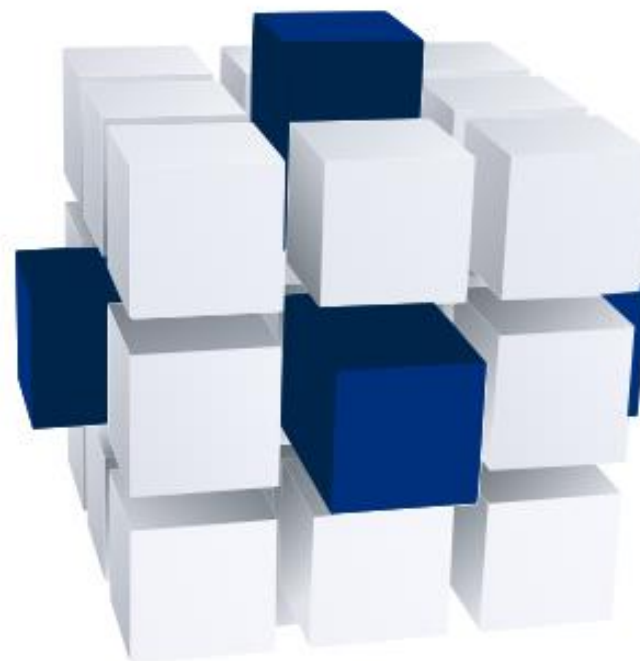
Name	Position	Number of shares of Enea SA held as at 31 December 2015	Number of shares of Enea SA held as at 21 March 2016
Wiesław Piosik	Member of the Management Board	4 140	4 140
Tadeusz Mikłosz	Member of the Supervisory Board	4 140	4 140

As at the date of publication of this periodic report the other persons from the Management and Supervisory Board do not hold Enea SA's shares.

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



- 1) The remuneration includes any titles resulting from concluded contracts and it is included in the Company's costs, including also remuneration for non-competition clause
- 2) Additional consideration – understood as reimbursement of partial costs of the use of the available residential apartment and for a language course
- 3) On 7 December 2016, the Supervisory Board delegated Wiesław Piosik holding the position of the Member of the Supervisory Board to temporarily act as the President of the Company's Management Board until a new President of the Company's Management Board is nominated, however not longer than for a period of three months. At that time, no agreement was concluded for management services, he was remunerated based on the Supervisory Board's resolution
- 4) The position held since 7 December 2015.



6. Corporate governance

The set of principles applied

Creating values for shareholders, also through the Company's transparency, is one of Enea Capital Group's priorities. Having that in mind, the Board of Enea SA represents that in 2015 the Company applied the corporate governance rules constituting an Addendum to the Resolution of the WSE Supervisory Board No. 19/1307/2012 of 21 November 2012 as amended, "Best Practices of WSE Listed Companies" (BPLC, Corporate Governance Rules), published on the Warsaw Stock Exchange website under <http://corp-gov.gpw.pl>. Corporate governance principles include also the section titled "Recommendations relating to best practices of listed companies" describing good practices which the Company chooses to apply voluntarily.

Best Practises of WSE Listed Companies 2016

On 13 October 2015 the Board of the Stock Exchange passed a resolution regarding the adoption of a new set of corporate governance principles under the name of "Best Practices of WSE Listed Companies 2016". The new principles came into force on 1 January 2016. The Company published a representation on the status of the application of the recommendations and principles included in this set, the content of which is available on its website under http://investors.enea.pl/file/static/15106/b/statement_on_the_enea_s_compliance_with_the_corporate_governance_recommendations_and_principles.pdf. At the same time, the Company explains that the representation on the application of the corporate governance being the element of these Statements relates to the set of principles in force in 2015, so that the document titled "Best Practices of WSE Listed Companies".

Principles of corporate governance the application of which was waived

Enea SA's Board's intention is to apply all the principles of the corporate governance. Due to the fact however, that some principles may pose the necessity to incur excessive burdens by the Company which could exceed potential benefits resulting from market needs, in 2015 the Company waived the application of some principles and recommendations of the corporate governance indicated below.

Participation of men and women in Enea SA's authorities

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

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

Comment:

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

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

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

Questions asked by shareholders in relation to general meetings

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

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

Comment:

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

Organisation of e-general meeting of the Company

Part IV. Best Practices of Shareholders - item 10

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

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

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

Comment:

The Company explains that in 2015 it did not transmit any General Meetings on-line, and thus a bilateral communication providing

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

Independence of Members of the Supervisory Board

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

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

Comment:

The Company explains that in 2015 the Supervisory Board was composed of maximally one supervising person satisfying the independence criteria. Until 1 July 2015 Jeremi Mordasewicz was an independent member of the Supervisory Board. From 2 July to 22 September the Supervisory Board's independent member was Marian Gorynia. From 21 October 2015 and as at 31 December the function of the Supervisory Board's independent member was held by Tomasz Gołębiowski. Decisions on a potential supplementation of the composition of the Supervisory Board with members satisfying the independence criteria are made by the Company's general meetings.

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

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

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

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

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

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

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

Enea Capital Group regularly assesses the quality of its internal control and risk management systems with regard to the process of drawing up financial statements. On the basis of an assessment, the Management Board of Enea SA confirms that as at 31 December 2015 there were no irregularities that could significantly affect the effectiveness of internal control as it relates to financial reporting.

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

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

Information on shares and shareholding

The detailed description of the structure of the share capital, shareholding structure, changes in its structure in 2015 and potential changes within its structure is to be found in Chapter 4. Shares and shareholding on page 95.

Securities with special control authorisation

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

Restrictions on exercising voting rights

As at 31 December 2015 there are no restrictions on exercising voting rights in the Company, other than those provided for in generally applicable provisions of law.

Restrictions on transferability of securities

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



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

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

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

The State Treasury must submit such a demand in writing to the Management Board not later than one month before the proposed date of the General Meeting. If the request is submitted after a General Meeting is convened, it will be deemed a request for convening a subsequent Extraordinary General Meeting of Shareholders.

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

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

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

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

Right to participate in GM

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

Right to participate in GM by a proxy

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

Shareholders' rights

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

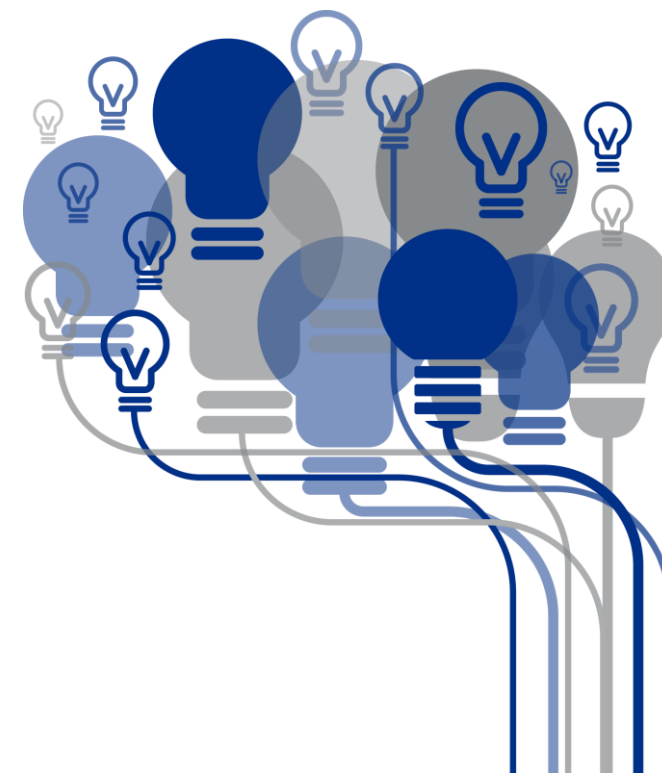
Before the date of the General Meeting of Shareholders of Enea SA, a shareholder or shareholders of the Company representing not less than one-twentieth of the share capital may submit draft resolutions regarding matters placed on the agenda of the General Meeting of Shareholders or matters to be placed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

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

Rules on amendments to the Company's Statute

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

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



Enea SA's Management Board

Personal composition

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

Currently, the Management Board of Enea SA is composed of four people. The composition of the Company's Management Board as at the publication date of this report, i.e. as at 21 March 2016, with information on the changes in the authorities in 2015 and until the date of publication of the statements is presented in Chapter 5. The Capital Group's authorities are described on page 100.

Principles relating to appointing and recalling management personnel

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

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

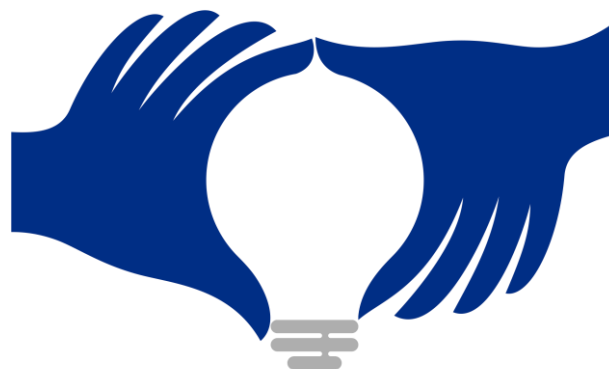
On appointing management and supervisory board members application is made of the principles contained in the regulation of the Council of Ministers of 18 March 2003 concerning qualification proceedings for management board members of certain commercial companies (Journal of Laws No. 55, item 476 as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

Competences and powers of the Management Board

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

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

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



Management Board's principles of operation

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

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

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

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

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

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

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

The complete text of the Statute and Rules of the Management Board of Enea SA with the description of the operations of the Management Board is published on www.enea.pl under "Investor Relations" -> "Corporate governance".

Enea SA's Supervisory Board

Personal composition

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

Presently, the Supervisory Board of Enea SA is composed of eight people and operates in the 9th term. The composition of the Company's Supervisory Board as at the publication date of this report with information on the changes in the authorities in 2015 and until the date of publication of the statements is presented in Chapter 5. The Capital Group's authorities are described on page 102.

Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

Subject to the cases described in the Commercial Companies Code the Supervisory Board can also adopt resolutions without holding a meeting, by signing the same copy (or copies) or the draft resolution or separate documents with the same content, or by telephone or by other means of remote communication, in a manner that allows all the Members participating in the meeting to directly communicate with each other.

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

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

Supervisory Board's Committees

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

- The Audit Committee
- Nominations and Remuneration Committee

The committee consists of at least three members appointed by the Supervisory Board from among its members for a period corresponding to the length of the Board's term. The members of the committee elect a chairman of the committee from among their number. The chairman of the committee directs and supervises the committee's work, particularly the organisation and procedure of committee meetings.

Committees' personal composition

As at the date of publication of this Report, i.e. 21 March 2016, the Audit Committee and Nominations and Remuneration Committee operate in the following composition:

The Audit Committee	
Name	Position
Małgorzata Niezgoda	Chairman
Stawomir Brzeziński	Member
Wojciech Klimowicz	Member
Piotr Kossak ¹⁾	Member
Roman Stryjski	Member

Nominations and Remuneration Committee	
Name	Position
Rafał Szymański	Chairman
Rafał Bargiel	Member
Piotr Kossak ¹⁾	Member
Tadeusz Mikłosz	Member
Piotr Mirkowski	Member

Audit Committee operations

The detailed description of the Audit Committee's competences is contained in the Act of 7 May 2009 on certified auditors and their self-governing body, entities authorised to audit financial statements and on Enea SA.

The task of the Audit Committee is to advise the Board regarding the internal policy and budget procedures adopted by the Company and inspect them and advise on the Company's contacts with the certified auditor.

¹⁾ Piotr Kossak satisfies the independence criteria for members of the Supervisory Board

Particular aspects of operations of the Audit Committee include, e.g.:

- monitoring the accuracy of the financial information presented by the Company, particularly by reviewing the appropriateness and consistency of the application of the accounting methods adopted by the Company and its Group (including the criteria for consolidating the financial statements of the Companies in the Group)
- monitoring the process of financial reporting
- monitoring the effectiveness of internal control systems, internal audits and risk management
- monitoring the financial audit and presenting recommendations to the Board regarding the selection, appointment, re-appointment and dismissal of the external auditor by the authorised body and regarding the terms and conditions of his engagement
- evaluating and submitting an annual internal audit plan to the Supervisory Board for approval
- evaluating and submitting an annual internal audit unit budget to the Supervisory Board for approval
- review at least annually the internal control and risk management systems, with a view to ensuring that the main risks (including those related to compliance with existing legislation and regulations) are properly identified, managed and disclosed
- reviewing the effectiveness of the external auditing process and monitoring the response of the Management Board to written recommendations presented to it by external auditors

Nominations and Remuneration Committee operations

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

The task of the Nominations and Remuneration Committee is to promote the achievement of the Company's strategic objectives by presenting opinions and motions to the Board regarding the structure of employment and the remuneration paid to the Company's personnel, particularly management personnel. The description of the Nominations and Remuneration Committee's tasks was specified in the Rules of the Supervisory Board of Enea SA.

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

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

- presenting opinions to the Supervisory Board on the justification for awarding performance-based remuneration and on incentives based on realisation of tasks and goals of the Company and proposals in that respect
- analysing Management Board's policy concerning the nomination, election and appointment of senior managerial personnel
- presenting proposals to the Board relating to the remuneration and forms of employment of members of the Management Board, taking into account their previous achievements
- presenting opinions to the Supervisory Board on the justification for awarding performance-based remuneration and on incentives based on realisation of tasks and goals of the Company and proposals in that respect

The Audit Committee

The Audit Committee held 3 meetings and adopted 7 Resolutions regarding e.g.:

- positive assessment of methods for auditing financial statements of the Company for the financial year 2014
- approval of the report on the performed audit of the assessment report of the internal control system in Enea Group and its submission to the Supervisory Board
- approval of Enea SA's Supervisory Board's Audit Committee's Report on operations in 2014 and its submission to the Supervisory Board
- approval of Enea SA's Supervisory Board's Audit Committee's Report on operations in H1 2015 and its submission to the Supervisory Board
- positive assessment of the Annual Audit Plan for 2016 for Enea Group and Budget of the Audit Management Department for 2015

Nominations and Remuneration Committee

The Nominations and Remuneration Committee held 5 meetings and adopted 31 Resolutions. The subject matter of the meetings of the Committee was e.g. development of a recommendation for the Supervisory Board regarding:

- approval of Enea SA's Members of the Board KPI ratios for 2015 and 2016 and conclusion of annexes to the Service Agreements - managerial contracts with Members of the Board of Enea SA
- confirmation of the realisation of Enea SA's Members of the Board KPI ratios for 2014 financial year.
- granting consent to the Members of Enea SA's Management Board to hold the position of a Member of the Supervisory Board in Enea Group Companies



7. Corporate social responsibility and sponsorship

Enea Group realises a sponsorship strategy, building the brand recognisability and supporting the implementation of strategic goals

Sponsorship as a tool for building brand recognisability

Enea Group realises promotional projects, and one of the key tools for building brand recognisability on the territory of the whole Poland is sponsorship. The Group Companies realise projects reflecting their business needs - starting from national to local ones, supporting sport, cultural and CSR activities. Core sponsorships, with the greatest reach, are centralised in Enea SA, building the brand coverage and supporting marketing activities. Sponsorship activities realised by subsidiaries support business goals.

In 2015, only Enea SA realised 43 sponsorship projects in 487 cities of Poland, reaching a million of direct participants of the activities. To study sponsorship efficiency specialist indices are used, such as advertising value equivalency or dedicated quantitative and qualitative studies.

Sponsorship of sports

In 2015 Enea was an active sponsor of such events and sports projects, as:

- Enea Challenge Poznań and Enea Tri Tour competition cycle
- Herbalife Ironman 70.3 Gdynia
- Polish Speedway Representation and other speedway projects
- Stelmet BC Zielona Góra
- Enea AZS Poznań



Sponsorship of the culture

In 2015 Enea was an active sponsor of such events and cultural projects, as:

- Enea Perfect Tour – a Polish-wide concert route of Perfect band for its 35th anniversary
- Enter Enea Festival
- Spring Break
- Malta Festival Poznań
- The Grand Theatre of Poznań



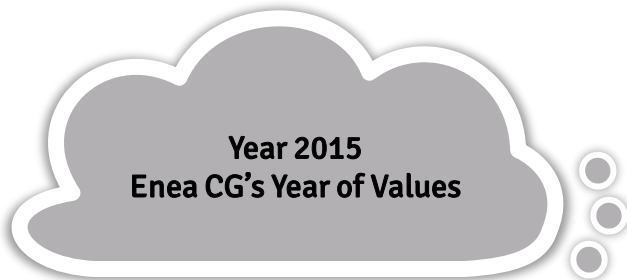
CSR sponsorship and promotion measures

In 2015 Enea was an active sponsor and organiser of such CSR events and projects, as:

- Enea Sports Academy (the project realised jointly with Enea Foundation)
- Enea Mini Cup – football cups for the youngest
- “Energy+Sparkling Emotions” Project – a project commenced in 2015 with the goal of activating the brand presence in the winter season thanks to Enea Truck and promoting events organised on Polish ice rinks



Corporate social responsibility in 2015 was concentrated on the implementation of the below actions:



2015 was announced "Enea Group's Year of Values". Common corporate values: honesty, competence, responsibility and safety were selected by employees. They are described in "Enea Capital Group's Code of Conduct".

To present practical application and everyday nature of our corporate values the unchallenged authority in the field of ethics, the originator and initiator of Szlachetna Paczka (Noble Box Project), a priest Jacek Stryczek, was invited to cooperation. The gleanings of the Christmas meeting was the message of ks. Jacek Stryczek, included in short videos which constitute a cycle of four mini lectures. The cycle is available on our websites.

In May, Enea Capital Group published a comprehensive corporate social responsibility report for 2014. It was prepared according to the latest reporting standards GRI G4. Representatives of Enea Capital Group companies participated in works over the report.

The report was for the third year in row published as an interactive website raportcsr.enea.pl/2014/en - it is the ecological form of the CSR report for 2013 which Enea Group chose consciously.

The goal of reporting corporate social responsibility is increasing the transparency of communicating non-financial data (ESG) and their economic, social and environmental results.

The programme of corporate volunteering has been operating in the Group since 2011. In 2015 the employees - volunteers realised mainly the competence volunteering based on two education programmes:

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

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

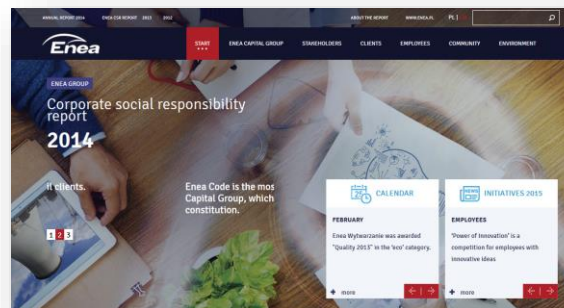
In 2015 the corporate volunteering programme was shifted to Enea Foundation.

Volunteers participated e.g. in such projects, as a charity Poznań Business Run or Noble Box Project.

Wartości Grupy Kapitałowej ENEA

Na fundamentcie uczciwości wsparte są pozostałe wartości:

- uczciwość**
 - Podstawą funkcjonowania Grupy Kapitałowej ENEA i jej Pracowników jest uczciwość rozumiana przede wszystkim jako:
 - postępowanie zgodnie z zasadami etycznymi, przepisami prawa oraz procedurami wewnętrznymi
 - równe traktowanie wszystkich interesariuszy (Pracowników, Akcjonariuszy, Kontrahentów, Klientów)
 - wzajemne poszanowanie wartości i akceptacja otwartości w wyrażaniu opinii i poglądów
- kompetencja**
 - oznacza chęć dzielenia się wiedzą i ciągłego podnoszenia kwalifikacji, ale także umożliwienie Pracownikom zdobywania nowych doświadczeń
- odpowiedzialność**
 - rozumiana jako dotrzymanie deklaracji o odpowiedniej jakości, terminowości i niezawodności dostaw energii i usług, ale także za realizowanie obowiązków pracowniczych i zobowiązań wynikających z umów społecznych
- bezpieczeństwo**
 - oznacza podejmowanie działań profilaktycznych i naprawczych w celu zapewnienia bezpiecznego środowiska pracy i ochrony środowiska naturalnego



In 2015 Enea Group volunteers worked socially 116.5 hours for the account of almost 2,650 beneficiaries

Corporate social responsibility in 2015 was concentrated on the implementation of the below actions:

**Energy Knowledge Competition
"1 of 10 thousand"**



Enea Sports Academy

In 2015 another edition of "1 of 10 thousand" competition was conducted. The competition includes the questions from within the labour law, occupational safety and hygiene, first aid, energy sector and the Group itself.

It is also an impulse to a constant shaping of the safety culture, and via its popularity it contributes to widening of the managerial knowledge on each level.

"1 of 10 thousand" has become a permanent fixture on the events calendar. The last edition had almost half a thousand of participants.

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

- support of entities conducting social utility operations is given as financial help, in-kind help, and assistance consisting in the commitment of volunteers of the Foundation in the realisation of beneficiaries' projects
- support of Enea Group employees who found themselves in a life or health threatening situation

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

In 2015 Enea Group developed the programme of Enea Sports Academy, dedicated to children and young people from four provinces operating on the distribution area of Enea Group.

Within the programme:

- 73 schools from the following provinces: Wielkopolskie, Lubuskie, Kujawsko-Pomorskie and Zachodniopomorskie are covered with the Academy's operations
- 2,100 children benefited in 2015 from sport activities (out-of-school or realised on the area of partner sports clubs)
- Energy+Active schools competition was organised for schools participating in the programme - Enea Foundation funded vouchers for the purchase of sports equipment to the winners



LW Bogdanka’s corporate social responsibility in 2015 was concentrated on the implementation of the below actions:

Ethics as a element of organisational culture

The superior values of LW Bogdanka include: honesty, professionalism and responsibility . LW Bogdanka consistently and regularly implements initiatives described in “Corporate Social Responsibility Strategy for 2014-2017” which is based on the continuation of four priorities:

- pursuing the growth in the level of security of employees
- guaranteeing safety of the local natural environment
- guaranteeing safety and supporting the development of local communities
- transparent and responsible managerial practice

Integrated Report of LW Bogdanka CG for 2014

In June 2015, LW Bogdanka Group prepared its first Integrated Report. It was prepared according to the latest reporting guidelines - GRI G4. The report includes also the indicators which are specific for the mining sector. The report for 2014 included all LW Bogdanka’s subsidiaries taking into account their financial results and social impact.

LW Bogdanka’s operations from within CSR comply with the recommendations of PN-ISO-26000 standard, developed in 2010 by the International Organization for Standardization (ISO), being the guide for the Company within application of the principles of social and environmental responsibility.

In December 2015, LW Bogdanka was again listed on socially responsible companies - RESPECT Index.

Corporate volunteering

Within the corporate volunteering the following initiatives were realised in 2015 in LW Bogdanka:

- **“Positively stoked” campaign** – collection of caps for children and young people of Lublin Hospice under the name of Little Prince in Lublin.
- **Education in C-Zone** - a special education zone was prepared in the mine in which we organise special activities on the tradition, mining customs and mining work nature
- **Gold rush** - project consists in disposing of low-denomination coins from the wallet - 1 gr, 2 gr and 5 gr.

Relations with local community

Local community support

LW Bogdanka CG supports a range of local social initiatives with the goal of developing the areas of culture, science, education, health, developing the municipal infrastructure and securing other needs of the local community. The Company is also a sponsor of sports and cultural activities. In 2015, LW Bogdanka made 100 cash and in kind donations.

Intersectoral Agreement for life and health

LW Bogdanka, Fundacja Solidarni Górniczy and Regionalne Centrum Krwiodawstwa i Krwiolecznictwa in Lublin signed a trilateral agreement in June 2015 dedicated to the promotion of honorary blood donation, transfusion medicine and registering in the bank of bone marrow donors.

Other initiatives

Safety Days

In August 2015 Safety Days took place During the 3-day training and consultation session, the Company’s employees had a chance to get familiar with the specialist notions, and a knowledge test on OSH was conducted among employees which is the first stage of “Protect Your World” competition.

Mine close to the nature

LW Bogdanka SA, in cooperation with the Polish Society For the Protection of Birds (OTOP) opened a new educational path - “Nadrybie”. It was set around the Nadrybie Bay which was created as a result of mining works performed there. “Nadrybie” path is located in the area of Landscape Park of the Łęczyńskie Lakeland, on a particularly naturally valuable area protected under Natura 2000.



Attachments

Non-consolidated Profit and Loss Statement - 2015

[PLN '000]	2014	2015	Change	Change %
Sales of electricity to retail users	3 699 878	3 882 341	182 463	4.9%
Sales of gaseous fuel to retail users	2 316	94 437	92 121	3 977.6%
Sales of distribution services to users holding comprehensive agreements	1 424 174	1 482 809	58 635	4.1%
Sales of energy and gaseous fuel to other entities	144 688	187 333	42 645	29.5%
Sales of services	9 613	3 502	-6 111	-63.6%
Other revenue	5 811	12 249	6 438	110.8%
Excise tax	202 209	232 447	30 238	15.0%
Net sales revenue	5 084 271	5 430 224	345 953	6.8%
Amortisation and depreciation	7 891	5 657	-2 234	-28.3%
Employee benefit costs	44 814	48 968	4 154	9.3%
Consumption of materials and raw materials and value of goods sold	3 321	1 866	-1 455	-43.8%
Purchase of energy and gas for resale	3 382 438	3 622 261	239 823	7.1%
Distribution services	1 424 056	1 482 852	58 796	4.1%
Other outsourced services	147 840	146 305	-1 535	-1.0%
Taxes and charges	3 435	3 134	-301	-8.8%
Cost of sales	5 013 795	5 311 043	297 248	5.9%
Other operating revenue	25 025	18 334	-6 691	-26.7%
Other operating expenses	33 503	56 985	23 482	70.1%
Profit / (loss) on sales and liquidation of tangible fixed assets	-1 112	1 754	2 866	257.7%
Operating profit (loss)	60 886	82 284	21 398	35.1%
Financial expenses	59 751	2 215 946	2 156 195	3 608.6%
Financial revenue	158 824	173 521	14 697	9.3%
Dividend revenue	569 022	874 236	305 214	53.6%
Profit (loss) before tax	728 981	-1 085 905	-1 814 886	-249.0%
Income tax	32 373	30 983	-1 390	-4.3%
Net profit (loss) for the reporting period	696 608	-1 116 888	-1 813 496	-260.3%
EBITDA	68 777	87 941	19 164	27.9%

2015:**Change factors of EBITDA of Enea SA (growth by PLN 19 mln):**

- (+) higher first contribution margin by PLN 53 mln:
 - (+) higher average selling price by 5.9%
 - (-) higher costs of ecological obligations by 14.3%
 - (-) higher average purchase price of energy by 5.0%
 - (-) drop of the volume of energy sales by 0.9%
 - (+) result on the trade in gaseous fuel PLN 4 mln
- (-) higher costs of employee benefits (by PLN 4 mln) stemming from:
 - (-) higher provisions for employee benefits by PLN 2 mln
- (-) lower result on the other operating activity (by PLN 27 mln) stemming from:
 - (-) higher provisions for litigation and potential claims PLN 17 mln
 - (-) lower revenue from damages by PLN 3 mln
 - (-) overview and verification of the balance of receivables (by PLN 8 mln)

2015:**Settlement of share value impairment write-down (impact on net result):**

- (-) performed tests on the impairment of share value demonstrated the need of recognising a write-down in the amount of PLN 2,090 mln (recognised as financial costs)

Non-consolidated Profit and Loss Statement - Q4 2015

[PLN '000]	Q4 2014	Q4 2015	Change	Change %
Sales of electricity to retail users	998 185	997 982	-203	-
Sales of gaseous fuel to retail users	2 316	40 466	38 150	1 647.2%
Sales of distribution services to users holding comprehensive agreements	366 678	381 084	14 406	3.9%
Sales of energy and gaseous fuel to other entities	52 368	59 859	7 491	14.3%
Sales of services	1 909	899	-1 010	-52.9%
Other revenue	1 236	3 105	1 869	151.2%
Excise tax	47 435	61 238	13 803	29.1%
Net sales revenue	1 375 257	1 422 157	46 900	3.4%
Amortisation and depreciation	1 824	1 259	-565	-31.0%
Employee benefit costs	11 887	15 283	3 396	28.6%
Consumption of materials and raw materials and value of goods sold	1 068	589	-479	-44.9%
Purchase of energy and gas for resale	937 701	947 493	9 792	1.0%
Distribution services	368 136	381 078	12 942	3.5%
Other outsourced services	31 828	42 100	10 272	32.3%
Taxes and charges	620	729	109	17.6%
Cost of sales	1 353 064	1 388 531	35 467	2.6%
Other operating revenue	5 326	13 355	8 029	150.8%
Other operating expenses	9 276	19 875	10 599	114.3%
Profit / (loss) on sales and liquidation of tangible fixed assets	-1 108	673	1 781	160.7%
Operating profit (loss)	17 135	27 779	10 644	62.1%
Financial expenses	21 467	2 129 258	2 107 791	9 818.7%
Financial revenue	45 343	53 650	8 307	18.3%
Profit (loss) before tax	41 011	-2 047 829	-2 088 840	-5 093.4%
Income tax	2 827	7 017	4 190	148.2%
Net profit (loss) for the reporting period	38 184	-2 054 846	-2 093 030	-5 481.4%
EBITDA	18 959	29 038	10 079	53.2%

Q4 2015:

Change factors of EBITDA of Enea SA (growth by PLN 10 mln):

- (+) higher first contribution margin by PLN 23 mln:
 - (+) higher average selling price by 4.6%
 - (+) lower costs of ecological obligations by 1.6%
 - (-) higher average purchase price of energy by 2.9%
 - (-) drop of the volume of energy sales by 4.4%
 - (+) result on the trade in gaseous fuel PLN 1.0 mln
- (-) higher costs of outsourced services (by PLN 10 mln):
 - (-) higher costs of advertising and representation by PLN 5 mln
 - (-) higher costs of commissions for business partners by PLN 2 mln
 - (-) higher costs of wholesale trade services by PLN 1 mln
 - (-) higher insurance costs by PLN 1 mln

Q4 2015:

Settlement of share value impairment write-down (impact on net result):

- (-) performed tests on the impairment of share value demonstrated the need of recognising a write-down in the amount of PLN 2,090 mln (recognised as financial costs)

Profit and loss statement of Enea Operator sp. z o.o. – 2015

[PLN '000]	2014	2015	Change	Change %
Revenue from sales of distribution services to end users	2 703 633	2 826 357	122 724	4.5%
Revenue from additional fees	6 279	4 883	-1 396	-22.2%
Revenue from non-invoiced sales of distribution services	-5 906	-1 870	4 036	-68.3%
Clearing of the Balancing Market	36 635	9 168	-27 467	-75.0%
Fees for customer grid connection	93 694	98 092	4 398	4.7%
Revenue from the illegal collection of electricity	6 778	5 967	-811	-12.0%
Revenue from services	74 208	43 520	-30 688	-41.4%
Sales of distribution services to other entities	18 542	21 872	3 330	18.0%
Sales of goods and services and other revenue	4 000	3 907	-93	-2.3%
Sales revenue	2 937 863	3 011 896	74 033	2.5%
Depreciation and amortisation of fixed and intangible assets	423 416	431 025	7 609	1.8%
Employee benefit costs	413 504	392 113	-21 391	-5.2%
Consumption of materials and raw materials and value of goods sold	42 141	33 920	-8 221	-19.5%
Purchase of energy for own needs and grid losses	236 223	253 136	16 913	7.2%
Costs of transmission services	708 263	770 277	62 014	8.8%
Other outsourced services	225 429	265 819	40 390	17.9%
Taxes and charges	150 322	161 588	11 266	7.5%
Cost of sales	2 199 298	2 307 878	108 580	4.9%
Other operating revenue	48 841	28 003	-20 838	-42.7%
Other operating expenses	31 772	58 523	26 751	84.2%
Profit / loss on sales and liquidation of tangible fixed assets	-5 842	-7 760	-1 918	32.8%
Operating profit/loss	749 792	665 738	-84 054	-11.2%
Financial revenue	3 838	4 191	353	9.2%
Financial expenses	41 589	31 105	-10 484	-25.2%
Profit/loss before tax	712 041	638 824	-73 217	-10.3%
Income tax	136 196	125 497	-10 699	-7.9%
Net profit/loss	575 845	513 327	-62 518	-10.9%
EBITDA	1 173 208	1 096 763	-76 445	-6.5%

2015:**Change factors of EBITDA of Enea Operator sp. z o.o. (drop by PLN 76 mln):**

- (+) higher revenue from sales of distribution services to end users by PLN 127 mln as a result of a growth in the volume of sales of distribution services to end users by 315 GWh and rates higher by 4.4 PLN/MWh
- (-) higher costs of purchase of transmission services by PLN 62 mln mainly as a result of higher rates in PSE tariff by 7.7 PLN/MWh
- (-) higher costs of purchase of electricity for covering the book-tax difference by PLN 12 mln - higher average purchase price by 11.9 PLN/MWh and lower volumes by 32 GWh
- (-) recognition in 2014 of the final settlement of electricity purchases for coverage of book-tax difference for 2013 in the amount of PLN 33 mln (one-off)
- (+) higher revenue from grid connection fees by PLN 4 mln as a result of a greater number of connections
- (-) lower revenue from services related to the shift of competences to Enea Centrum by PLN 21 mln
- (-) lower revenue in relation to the partial resignation from street lighting maintenance services by PLN 13 mln
- (-) higher actuarial reserves by PLN 29 mln (transfer of employees to Enea Centrum one-off in 2014)
- (+) lowering the employment levels, materials, costs of the other outsourced services, including costs of administration, consultancy services and insurance costs relating to the assets by PLN 18 mln
- (-) higher costs of grid asset exploitation by PLN 8 mln (greater material scope of work realisation)
- (-) higher costs of taxes and charges by PLN 11 mln, as a result of the realised investments an higher charges
- (-) recognition in 2014 of a provision discount for transmission corridors in the amount of PLN 26 mln (one-off)
- (-) higher provision for transmission corridors by PLN 8 mln - higher rates
- (-) lower result relating to revenue from asset insurance and costs of removing fortuitous events by PLN 11 mln
- (-) settlement in 2014 of an agreement in respect of State Forests in the amount of PLN 8 mln (one-off)

Profit and loss statement of Enea Operator sp. z o.o. Q4 2015

[PLN '000]	Q4 2014	Q4 2015	Change	Change %
Revenue from sales of distribution services to end users	690 656	716 044	25 388	3.7%
Revenue from additional fees	1 265	1 281	16	1.3%
Revenue from non-invoiced sales of distribution services	5 135	5 886	751	14.6%
Clearing of the Balancing Market	7 116	6 433	-683	-9.6%
Fees for customer grid connection	24 899	43 616	18 717	75.2%
Revenue from the illegal collection of electricity	1 389	1 330	-59	-4.2%
Revenue from services	15 546	10 909	-4 637	-29.8%
Sales of distribution services to other entities	4 530	6 651	2 121	46.8%
Sales of goods and services and other revenue	1 236	1 891	655	53.0%
Sales revenue	751 771	794 041	42 270	5.6%
Depreciation and amortisation of fixed and intangible assets	116 132	106 805	-9 327	-8.0%
Employee benefit costs	97 415	108 826	11 411	11.7%
Consumption of materials and raw materials and value of goods sold	10 378	10 773	395	3.8%
Purchase of energy for own needs and grid losses	56 275	68 538	12 263	21.8%
Costs of transmission services	179 741	194 765	15 024	8.4%
Other outsourced services	74 142	83 427	9 285	12.5%
Taxes and charges	37 130	38 131	1 001	2.7%
Cost of sales	571 213	611 265	40 052	7.0%
Other operating revenue	4 203	15 430	11 227	267.1%
Other operating expenses	10 286	8 946	-1 340	-13.0%
Profit / loss on sales and liquidation of tangible fixed assets	-4 770	-4 441	329	-6.9%
Operating profit/loss	169 705	184 819	15 114	8.9%
Financial revenue	543	542	-1	-0.2%
Financial expenses	17 583	9 375	-8 208	-46.7%
Profit/loss before tax	152 665	175 986	23 321	15.3%
Income tax	29 613	33 218	3 605	12.2%
Net profit/loss	123 052	142 768	19 716	16.0%
EBITDA	285 837	291 624	5 787	2.0%

Q4 2015:

Change factors of EBITDA of Enea Operator sp. z o.o. (growth by PLN 6 mln):

- (+) higher revenue from sales of distribution services to end users by PLN 26 mln as a result of a growth in the volume of sales of distribution services to end users by 53 GWh and rates higher by 3.9 PLN/MWh
- (-) higher costs of purchase of transmission services by PLN 15 mln mainly as a result of higher rates in PSE tariff by 10.7 PLN/MWh
- (-) higher costs of purchase of energy for covering the book-tax difference by PLN 13 mln - higher average purchase price by 16.5 PLN/MWh and higher volumes by 37 GWh
- (+) higher revenue from grid connection fees by PLN 19 mln - connection of objects in 2nd connection group
- (-) lower revenue in relation to the partial resignation from street lighting maintenance services by PLN 4 mln
- (-) higher actuarial reserves by PLN 10 mln (transfer of employees to Enea Centrum one-off in 2014)
- (+) lowering the costs of the other outsourced services; including costs of administration, consultancy services and insurance costs relating to the assets by PLN 5 mln
- (-) higher costs of grid asset exploitation by PLN 14 mln (greater material scope of work realisation)
- (-) higher costs of taxes and charges by PLN 1 mln (result of the realised investments an higher charges)
- (+) lower provisions for potential claims by PLN 8 mln
- (+) stocktaking result PLN 4 mln

Profit and loss statement of Enea Wytwarzanie sp. z o.o. – 2015

[PLN '000]	2014	2015	Change	Change %
Revenue from sale of electricity	2 774 587	2 811 597	37 010	1.3%
<i>generating licence</i>	2 345 390	2 463 716	118 326	5.0%
<i>trade licence</i>	429 196	347 882	-81 314	-18.9%
Revenue from certificates of origin	188 034	114 049	-73 985	-39.3%
Revenue from sales of CO ₂ emission allowances	32 942	-	-32 942	-100.0%
Revenue from sale of heat	143 926	160 379	16 452	11.4%
Recovery of stranded costs	257 508	293 147	35 639	13.8%
Revenue from services	10 937	13 832	2 895	26.5%
Sales of goods and services and other revenue	9 446	11 084	1 638	17.3%
Excise tax	305	233	-72	-23.6%
Net sales revenue	3 417 076	3 403 855	-13 221	-0.4%
Depreciation and amortisation of fixed and intangible assets	278 439	274 832	-3 607	-1.3%
Employee benefit costs	260 003	236 268	-23 735	-9.1%
Consumption of materials and raw materials and value of goods sold	1 654 009	1 672 137	18 128	1.1%
Costs of energy purchases for resale	562 975	425 589	-137 386	-24.4%
Transmission services	1 674	2 664	990	59.1%
Other outsourced services	128 129	134 930	6 801	5.3%
Taxes and charges	94 979	92 747	-2 232	-2.3%
Cost of sales	2 980 208	2 839 167	-141 041	-4.7%
Other operating revenue	42 805	32 707	-10 098	-23.6%
Other operating expenses	29 569	27 812	-1 757	-5.9%
Profit / loss on sales and liquidation of tangible fixed assets	929	76	-853	-91.8%
Non-financial fixed assets impairment write-down	30 556	1 501 621	1 471 065	4 814.3%
Operating profit/loss	420 477	-931 962	-1 352 439	-321.6%
Financial revenue	14 880	12 685	-2 195	-14.8%
Financial expenses	71 602	21 848	-49 754	-69.5%
Share value impairment write-down	-	79 414	79 414	100.0%
Dividend revenue	3 355	3 890	535	15.9%
Write off of goodwill	3 131	121 788	118 657	3 789.7%
Profit/loss before tax	363 979	-1 138 437	-1 502 416	-412.8%
Income tax	77 478	-183 369	-260 847	-336.7%
Net profit/loss	286 501	-955 068	-1 241 569	-433.4%
EBITDA	729 472	844 491	115 019	15.8%

2015:**Change factors of EBITDA of Enea Wytwarzanie sp. z o.o. (growth by PLN 115 mln):****Segment of System Power Plants - growth in EBITDA by PLN 131 mln:**

- (+) higher margin on generation by PLN 59 mln
- (+) higher revenue from LTPPA PLN 36 mln
- (+) lower fixed costs by PLN 16 mln
- (+) higher margin on trade and the Balancing Market by PLN 11 mln
- (+) higher revenue from Regulatory System Services by PLN 8 mln

Segment of Heat - growth in EBITDA by PLN 12 mln:

- (+) higher revenue from sales of heat by PLN 19 mln
- (+) higher result on the other operating activity by PLN 4 mln
- (+) lower fuel costs by PLN 1 mln: PLN -4 mln biomass; coal; PLN +3 billion
- (-) lower revenue from certificates of origin by PLN -12 mln
- (-) lower revenue from electricity by PLN -4 mln

Segment of RES - EBITDA lower by PLN 28 mln:

- (+) Area of Biogas (PLN -10 mln): in 2015 establishment of provisions for future liabilities in the amount of PLN 6 mln (one-off)
- (-) Area of Wind (PLN -16 mln): in 2014 redemption of liabilities in the amount of PLN 10 mln (one-off), drop in revenue from certificates of origin by PLN 9 mln, lower fixed costs by PLN 3 mln
- (-) Area of Water (PLN -2 mln): drop in revenue from certificates of origin and revenue from electricity by PLN 8 mln, reduction in fixed costs by PLN 4 mln, higher result on the other operating activity by PLN 2 mln

2015:**Settlement of non-financial fixed assets impairment write-down (impact on net result):**

- (-) tangible assets impairment write-down (PLN -1,502 mln)
- (-) share value impairment write-down (PLN -79 mln)
- (-) write-off of goodwill (PLN -122 mln)
- (+) deferred tax (PLN 285 mln)

Profit and loss statement of Enea Wytwarzanie sp. z o.o. Q4 2015

[PLN '000]	Q4 2014	Q4 2015	Change	Change %
Revenue from sale of electricity	732 405	742 076	9 671	1.3%
<i>generating licence</i>	629 023	632 056	3 033	0.5%
<i>trade licence</i>	103 381	110 021	6 640	6.4%
Revenue from certificates of origin	47 236	34 304	-12 932	-27.4%
Revenue from sales of CO ₂ emission allowances	28 017	0	-28 017	-100.0%
Revenue from sale of heat	47 850	46 732	-1 118	-2.3%
Revenue from services	2 876	3 632	756	26.3%
Sales of goods and services and other revenue	2 448	2 145	-303	-12.4%
Excise tax	-37	56	93	251.4%
Net sales revenue	860 869	828 833	-32 036	-3.7%
Depreciation and amortisation of fixed and intangible assets	78 537	70 863	-7 674	-9.8%
Employee benefit costs	57 117	51 271	-5 846	-10.2%
Consumption of materials and raw materials and value of goods sold	429 771	431 925	2 154	0.5%
Costs of energy purchases for resale	131 728	115 768	-15 960	-12.1%
Transmission services	364	723	359	98.6%
Other outsourced services	39 640	37 660	-1 980	-5.0%
Taxes and charges	24 326	23 758	-568	-2.3%
Cost of sales	761 483	731 968	-29 515	-3.9%
Other operating revenue	10 474	12 561	2 087	19.9%
Other operating expenses	7 748	18 852	11 104	143.3%
Profit / loss on sales and liquidation of tangible fixed assets	585	-44	-629	-107.5%
Non-financial fixed assets impairment write-down	30 556	1 501 621	1 471 065	4 814.3%
Operating profit/loss	72 141	-1 411 091	-1 483 232	-2 056.0%
Financial revenue	8 522	4 448	-4 074	-47.8%
Financial expenses	55 287	7 420	-47 867	-86.6%
Share value impairment write-down	-	79 414	79 414	100.0%
Dividend revenue	-	-	-	-
Write off of goodwill	3 131	121 788	118 657	3 789.7%
Profit/loss before tax	22 245	-1 615 265	-1 637 510	-7 361.2%
Income tax	6 124	-268 404	-274 528	-4 482.8%
Net profit/loss	16 121	-1 346 861	-1 362 982	-8 454.7%
EBITDA	181 234	161 393	-19 841	-10.9%

Q4 2015:

Change factors of EBITDA of Enea Wytwarzanie sp. z o.o. (drop by PLN 20 mln):

Segment of System Power Plants - drop in EBITDA by PLN 20 mln:

- (-) lower margin on trade and the Balancing Market by PLN 24 mln
- (+) lower fixed costs by PLN 8 mln
- (+) higher margin on generation by PLN 3 mln

Segment of Heat - growth in EBITDA by PLN 9 mln:

- (+) lower costs of biomass consumption by PLN 7 mln
- (+) lower costs of services by PLN 4 mln
- (+) higher result on the other activity by PLN 3 mln
- (-) lower revenue from sales of electricity by PLN 4.5 mln

Segment of RES - EBITDA lower by PLN 9 mln:

- (+) Area of Biogas (PLN -6 mln): in 2015 establishment of provisions for future liabilities in the amount of PLN 6 mln (one-off)
- (-) Area of Water (PLN -3 mln): drop in revenue from certificates of origin and revenue from electricity by PLN 2 mln, higher fixed costs by PLN 1 mln

Q4 2015:

Settlement of non-financial fixed assets impairment write-down (impact on net result):

- (-) tangible assets impairment write-down (PLN -1,502 mln)
- (-) share value impairment write-down (PLN -79 mln)
- (-) write-off of goodwill (PLN -122 mln)
- (+) deferred tax (PLN 285 mln)

Profit and loss account of LW Bogdanka SA - 2015 (months XI-XII)

[PLN '000]	2015
Net sales revenue	362 580
Depreciation and amortisation of fixed and intangible assets	70 387
Employee benefit costs	90 932
Consumption of materials and raw materials and value of goods sold	49 032
Costs of energy purchases for resale	-
Transmission services	-
Other outsourced services	64 648
Taxes and charges	6 308
Cost of sales	281 307
Other operating revenue	662
Other operating expenses	8 713
Profit / loss on sales and liquidation of tangible fixed assets	-2 416
Tangible assets impairment write-down	624 772
Operating profit/loss	-553 966
Financial revenue	1 300
Financial expenses	9 310
Dividend revenue	-
Profit/ loss before tax	-561 976
Income tax	-106 108
Net profit/loss	-455 868
EBITDA	141 193

2015:**Factors of generated EBITDA of LW Bogdanka:**

- (+) EBITDA profitability 38.9%
- (+) profitability of the reporting period (November and December) higher than annual profitability (average sales revenue for coal higher by over 14% than the average monthly level in 2015)
- (+) average quantitative sales of coal in the reporting period higher by over 17% than the average monthly level from 2015
- (-) signing of two annexes to coal sales agreements introducing lower prices and recalculation of previous supplies to the current price (impact of the recalculation PLN -7,0 mln)
- (-) establishment of provisions for growth in remuneration budget

2015:**Settlement of non-financial tangible assets impairment write-down (impact on net result):**

- (-) tangible assets impairment write-down (PLN -625 mln)
- (+) deferred tax (PLN 119 mln)

Financial ratios

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

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

Sectoral terms/abbreviations

Abbreviation/term	Full name/explanation
ACER	European Agency for the Cooperation of Energy Regulators - EU agency established pursuant to the third energy package. The objective of the Agency is coordination and supporting the national regulatory authorities. A full list of duties is specified in Regulation No. 713/2009
AMI	Advanced systems measuring, collecting and analysing energy consumption and enabling two-way communication between the end user and central system. AMI includes both intelligent meters and smart power grids
BlueNext	Trading platform enabling trade in allowances for emissions of CO ₂ (EUA) and units of certified reduction of emissions (CER) on spot and futures market
CAPEX	Capital expenditures
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
GPZ	Transformer/Switching Station - transformer station, responsible for amending of high or medium voltage into low voltage for end users on a specific area
Tariff Group A	Energy sold and delivered to customers connected to a high-voltage grid
Tariff Group B	Energy sold and delivered to customers connected to a medium-voltage grid
Tariff Group C	Energy sold and delivered to customers connected to a low-voltage grid, with the exception of end users using electricity for household purposes

Abbreviation/term	Full name/explanation
Tariff Group G	Energy sold and delivered to end users using electricity for household purposes, regardless of voltage of the grid to which they are connected
GUD-K (GDA-C)	General Distribution Agreement for Comprehensive Services - an agreement on the provision of electricity distribution services concluded between the operator of the distribution system and electricity seller; its purpose is the realisation of a comprehensive agreement between the seller and consumer in a household connected to the grid of this operator
ICE	Trading platform enabling trade in allowances for emissions of CO ₂ (EUA) and units of certified reduction of emissions (CER) on futures market
IOS installation	Fue gas desulphurisation plant
SCR installation	Installation of the catalytic denitrogenation of flue gases
Cogeneration	A technological process of a combined generation of electricity and usable heat energy in combined heat and power plants
KPRU III/3rd settlement period	National Allocation Plan of CO ₂ emission allowances for 2013-2020
NFOŚiGW	National Fund for Environmental Protection and Water Management
MW_e	Megawatt of electrical power
MWh	Megawatthour (1 GWh = 1,000 MWh)
MW_t	Megawatt of heating power
NO_x	Nitric oxides
ODS	Operator of the Distribution System
OTS	Operator of the Transmission System
RES	Energy renewable sources
PMOZE	Proprietary interests from certificates of origin for energy from renewable sources of energy
"Green" proprietary interests	Same as PMOZE
OZEX_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.

Abbreviation/term	Full name/explanation
"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
"Purple" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation in a cogeneration unit fired with methane released and abstracted on pit mining works or with gas obtained from biomass processing in the meaning of Article 2 item 1(2) of the Act on biocomponents and liquid biofuels
KMETX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in a cogeneration unit fired with methane released and abstracted on pit mining works or with gas obtained from biomass processing in the meaning of Article 2 item 1(2) of the Act on biocomponents and liquid biofuels
"White" proprietary interests	Proprietary interests in certificates of origin resulting from energy efficiency certificates, the so called "white" certificates
EFX	Index for session transactions the subject of which are contracts for proprietary interests resulting from energy efficiency certificates, the so called "white" certificates
REMIT Regulation	Regulation on integrity and transparency of wholesale energy market, specifies the framework of monitoring wholesale energy markets, in order to detect and prevent unfair practice on EU level

Abbreviation/term	Full name/explanation
Forward market	Electricity market on which forward products are listed
SPOT market	Cash market (spot)
Balancing market	Technical market by an Operator of the transmission system Its objective is balancing, in real time, the demand for electricity with its production in the public power system (PPS, Polish "KSE")
SAIDI	System Average Interruption Duration Index - for long and very long interruptions (expressed in minutes/Customer)
SAIFI	System Average Interruption Frequency Index - for long interruptions in energy supply (expressed in number of interruptions/Customer)
SO₂	Sulphur dioxide
SNCR	Selective Non-Catalytic Reduction - method of denitrifying of flue gases using a reagent instead of catalyzer
TFS	Tradition Financial Services, electricity trading platform designated for concluding various types of transactions, purchase and sale of conventional energy, proprietary interests, renewable energy and allowances for emissions of CO ₂
TJ	Terajoule
TGE (PPE)	Towarowa Giełda Energii (Polish Power Exchange)
TPA	Third Party Access - the principle of third party access to the power grid which enables the purchase of electricity and services of its distribution based on separate agreements
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
Virtual power plant	A system of interconnected dispersed RES generating units, teleinformation network, management system and market mechanisms

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