ENEA S.A.

Update

Ratings

Foreign Currency

Long-Term IDR	BBB

Local Currency

Long-Term IDR	BBB

National

Long-Term Rating	A(pol)

Outlooks

Foreign-Currency Long-Term IDR	Stable
Local-Currency Long-Term IDR	Stable
Local-Currency Long-Term Rating	Stable

Financial Data

ENEA S.A.

	31 Dec 12	31 Dec 11
Revenue (PLNm)	10,096.0	9,708.5
Operating EBITDA (PLNm)	1,610.1	1,548.1
Operating EBITDA margin (%)	15.9	15.9
Funds from operations (PLNm)	1,450.7	1,388.8
Cash flow from operations (PLNm)	1,242.1	1,143.4
Free cash flow (PLNm)	-759.0	44.1
Total debt with equity credit (PLNm)	82.6	123.6
FFO gross interest coverage (x)	23.0	168.3
FFO adjusted net leverage (x)	-1.1	-1.8

Related Research

Fitch Affirms Enea at 'BBB'; Outlook Stable (March 2013)

Fitch: Cancellation of PGE's Power Plant Project May Be Credit Positive (April 2013)

Fitch Affirms CEZ at 'A-'; Outlook Stable (March 2013)

2013 Outlook: European Utilities (December 2012)

Fitch: Polish Utilities' Capex Plans to be Adjusted (September 2012)

Rating EMEA Utilities (August 2012)

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Key Rating Drivers

Stable Performance in 2012: ENEA S.A.'s growing EBITDA from the regulated power distribution segment and better cash flows in power supply allowed the group to post a 4% increase in EBITDA in 2012 despite weaker cash flows in the power generation segment. This stable operating and financial performance in 2012 coupled with ENEA's leading position in electricity distribution and supply and its significant position in power generation, led to the affirmation of its ratings in April 2013.

Financial Leverage to Increase: ENEA's large capex plan for 2013-2017, mostly related to the construction of a new 1 gigawatt (GW) unit in the Kozienice coal-fired power plant, will result in negative free cash flow in this period. This is likely to increase FFO adjusted net leverage to about 2.5x in 2016, according to Fitch's projections from a net cash position of PLN1.5bn in 2012.

ENEA's available cash and funding facilities, including committed bank loans and fully underwritten domestic bond programme, will be sufficient to fund its capex plan by 2020.

Regulated Business: ENEA's ratings continue to benefit from the high contribution to EBITDA of predictable, regulated electricity distribution earnings (44% in 2012), higher than the 25% at PGE Polska Grupa Energetyczna S.A. (BBB+/Stable), but lower than the 51% at TAURON Polska Energia S.A. (BBB/Stable) and 75% at ENERGA S.A. (BBB/Stable). Fitch expects that in the medium term the share of ENEA's regulated EBITDA will be around 50%.

Sub-Optimal Generation Business: ENEA's creditworthiness is still constrained by the group's limited generation fuel mix diversification (96% of capacity is based on coal) and high asset concentration. ENEA also has substantial exposure to carbon dioxide costs, which is likely to result in an erosion of profits from the conventional generation segment in 2013-2020.

Furthermore, the cash flows of ENEA's generation segment will be supported by the compensation for the termination of long-term power purchase agreements (stranded costs compensation) which will be mostly reported in 2013-2015. After 2015 ENEA will not receive additional cash flows from this source.

Rating Sensitivities

Capex Implementation and Leverage: Rating upside potential is limited. The ratings could be positively affected by successful implementation of the capex plan in the long term without jeopardising the financial profile, or the presence of a strong strategic investor which would transfer knowledge to ENEA and/or provide additional equity to co-fund investment.

A substantial increase in FFO adjusted net leverage to above 3x on a sustained basis – for example, due to full implementation of capex in a scenario of weaker-than-expected operating cash flows – would be negative for the ratings.

Liquidity and Debt Structure

Strong Liquidity: ENEA's liquidity was strong at end-2012, with PLN1.6bn of cash and available credit lines of PLN300m against the short-term debt of PLN28m at end-2012. Fitch expects ENEA's currently limited external funding (PLN83m at end-2012) to increase substantially as the result of capex in 2013-2017. The maturity profile of the arranged funding (currently undrawn) is regarded by Fitch as supporting for ENEA's long-term capex plans.

Peer Group Table of CE Electric Utilities Rated by Fitch (FY12)

IDR/Outlook	CEZ A-/ Stable	PGE BBB+/ Stable	ENEA BBB/ Stable	Tauron BBB/ Stable	SE[c] BBB/ Stable	ENERGA BBB/ Stable	EPE BB+/ Stable	BEH[c] BB+/ Stable
Main shareholder (stake)	Czech state (69.4%)	Polish state (62%)	Polish state (51%)	Polish state (30%)	Enel S.p.A. (66%)	Polish state (84.2%)	PPF Group NV (44.4%)	Bulgarian state (100%), one notch uplift (state support)
Rating headroom	Limited	Large	Large	Medium	Limited	Low	Medium	Low
Integration	Full	Full	Medium	Full	Low	Medium to low	Medium	Electricity (full), gas (midstream, downstream)
Generation capacity (GW)	15.1	12.9	3.2	5.6	5.7	1.2	3.2[a]	6.3
Generation mix (%)	44 Nuclear, 50 Lignite and hard coal	69 Lignite, 22 Hard coal	96 Hard coal, 2 Hydro, 2 Wind	93 Hard coal	43 Hydro 32 Nuclear 25 Coal	73 Hard coal, 21 Hydro, 6 Biomass	95 lignite	54 Nuclear, 36 Lignite, 9 Hydro
Regulated EBITDA (%)	20	25	44	51	0	75	38[b]	30 (50 including gas transit)
Own coal/ lignite mining	Yes (60% of needs)	Yes (67% of needs)	No	Yes (25% of needs)	No	No	Yes	Yes
Expected FCF in mid-term	Negative	Strongly negative	Strongly negative	Strongly negative	Negative	Strongly negative	Positive	Negative
Funding for mid-term capex	Frequent issuer	To be arranged	Secured	To be arranged	Partially secured	Partially secured	Secured	To be arranged
Credit metrics development	Maintaining current level	Gradual weakening	Gradual weakening	Gradual weakening	Steep weakening	Gradual weakening	Weaker due to M&A activity	Gradual weakening
FFO adj. net leverage (x)	2.2	-0.3	-1.1	1.3	1.5	1	2.5	1
FFO fixed charge cover (x)	9.8	123.4	23.0	17.5	16.7	9.8	4.4	13.5

[a] Mostly heat, [b] Including heat generation, [c] FY11 data
Source: Fitch

Peer Group

Issuer	Country
A-	
CEZ, a.s.	Czech Republic
BBB+	
PGE Polska Grupa Energetyczna S.A.	Poland
BBB	
ENEA S.A.	Poland
ENERGA S.A.	Poland
Slovenske elektrarne, a.s.	Slovakia
TAURON Polska Energia S.A.	Poland
BB+	
Bulgarian Energy Holding EAD	Bulgaria
EP Energy, a.s.	Czech Republic

Issuer Rating History

Date	LT IDR (FC)	Outlook/ Watch
4 Apr 13	BBB	Stable
1 Nov 12	BBB	Stable
5 Apr 12	BBB	Stable
14 Apr 11	BBB	Stable

Related Criteria

Corporate Rating Methodology (August 2012)

Immediate Peer Group – Comparative Analysis

Sector Characteristics

Operating Risks

Central European (CE) electric utilities have performed relatively predictably, despite their varying degrees of vertical integration. The regulated segments, such as electricity distribution, or the quasi-regulated segments, such as renewables or heat generation, enhance business profiles through high cash flow visibility in transparent and supportive regulatory regimes. Power generation is a higher-risk and more volatile segment, due to its exposure to changes in fuel and electricity prices, and electricity demand. Strong incumbency, as in the Czech Republic or Slovakia, or limited openness as in Poland, support the generation segment to a degree.

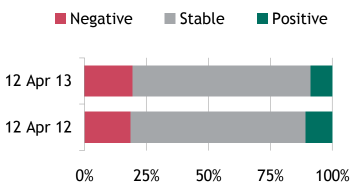
Financial Risks

The financial profiles of CE utilities benefit from relatively solid and stable cash flow generation, but risks have surfaced in an environment of European macroeconomic stress. Fitch expects negative free cash flow in the mid-term for the utilities, due to large capex plans with limited short-term flexibility. Access to capital market funding differs among companies, with some companies being frequent issuers like CEZ, and others for whom market access is yet to be proven. CE utilities have demonstrated good access to bank funding to date.

Key Credit Characteristics

Large utilities with solid business profiles and strong to medium financial profiles generally command investment-grade ratings. Ratings depend both on business factors – including market presence, degree of vertical integration, generation mix and earnings diversification – and on financial factors such as financial policy, leverage, profit margins, capex plans and approach to M&A activity. Most rated CE utilities have solid credit ratios. Ratings reflect the expectation for FFO adjusted net leverage to rise to around 3x in the medium term for most issuers.

Distribution of Sector Outlooks
Directional Outlooks and Rating Watches



Fitch's expectations are based on the agency's internally produced, conservative rating case forecasts. They do not represent the forecasts of rated issuers individually or in aggregate. Key Fitch forecast assumptions include:

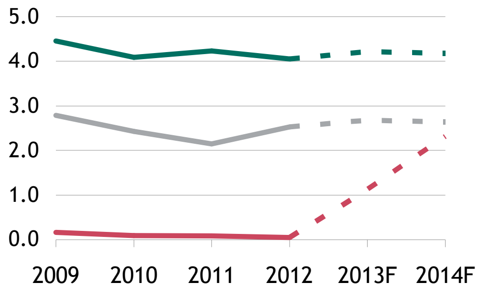
- no substantial changes in revenue due to stable operations and unchanged generation fleet by 2017;
- portion of EBITDA generated by regulated business to grow to around 50% in the medium term due to asset revaluation ;
- capex to grow due to Kozienice project implementation;
- cash from the IPO to be gradually used to co-fund the capex plan;
- external debt to be raised in 2013-2016.

Definitions

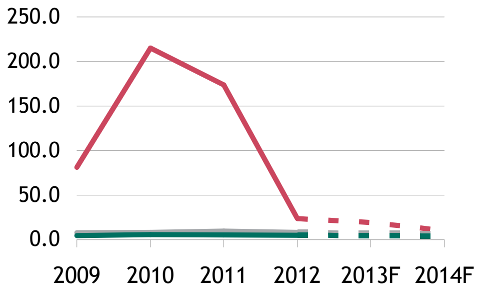
- Leverage: Gross debt plus lease adjustment minus equity credit for hybrid instruments plus preferred stock divided by FFO plus gross interest paid plus preferred dividends plus rental expense.
- Interest cover: FFO plus gross interest paid plus preferred dividends divided by gross interest paid plus preferred dividends.
- FCF/revenue: FCF after dividends divided by revenue.
- FFO profitability: FFO divided by revenue.
- For further discussion of the interpretation of the tables and graphs in this report see Fitch's "*Interpreting the New EMEA and Asia-Pacific Corporates Credit Update Format*" Special Report, dated 25 November 2009 and available at www.fitchratings.com.

ENEA S.A. —— Utilities Median —— Emerging BBB Cat Median —— Source: Company data; Fitch.

Leverage
including Fitch expectations



Interest Cover
including Fitch expectations

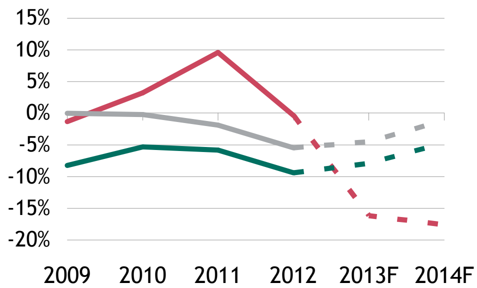


Debt Maturities and Liquidity at YE12

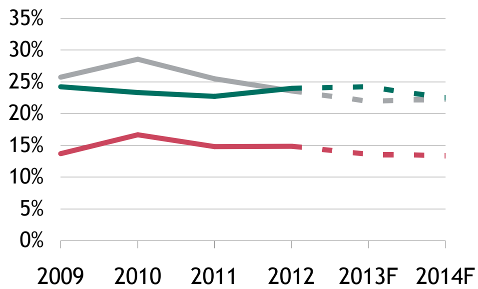
Debt maturities	(PLNm)
Short-term	27.5
Long-term	55.1
Cash and equivalents	1,582.8
Undrawn committed facilities (expiry)	300

Source: Fitch

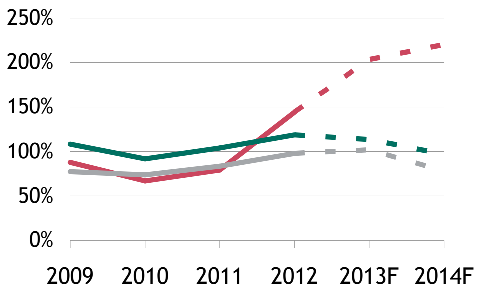
FCF/Revenues
including Fitch expectations



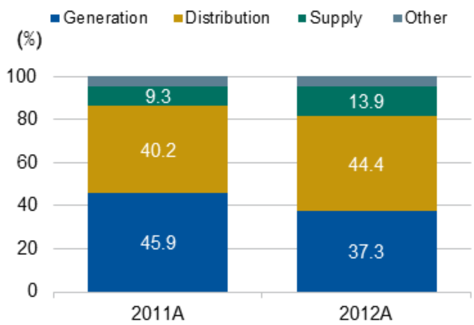
FFO Profitability
including Fitch expectations



Capex/CFO
including Fitch expectations

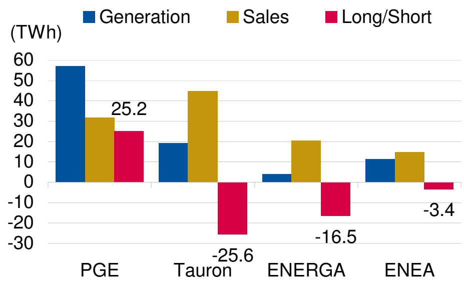


EBITDA Breakdown by Segments



Source: ENEA S.A.

Short/ Long Position in Generation
Polish utilities, 2012



Source: Companies

ENEA S.A.
FINANCIAL SUMMARY

	31 Dec 2012 PLNm Original	31 Dec 2011 PLNm Restated	31 Dec 2010 PLNm Original	31 Dec 2009 PLNm Restated	31 Dec 2008 PLNm Original
Profitability					
Revenue	10,096.0	9,708.5	7,836.9	7,153.5	6,157.8
Revenue Growth (%)	4.0	23.9	9.6	16.2	13.1
Operating EBIT	860.4	865.3	725.1	513.0	260.6
Operating EBITDA	1,610.1	1,548.1	1,377.8	1,174.3	892.0
Operating EBITDA Margin (%)	15.9	15.9	17.6	16.4	14.5
FFO Return on Adjusted Capital (%)	13.8	13.2	13.1	10.4	10.1
Free Cash Flow Margin (%)	(7.5)	0.5	3.3	(1.4)	0.6
Coverages (x)					
FFO Gross Interest Coverage	23.0	168.3	215.0	81.3	56.4
Operating EBITDA/Gross Interest Expense	106.6	156.4	128.8	105.8	57.2
FFO Fixed Charge Coverage (inc. Rents)	23.0	168.3	215.0	81.3	56.4
FCF Debt-Service Coverage	(7.4)	0.9	5.2	(1.3)	0.7
Cash Flow from Operations/Capital Expenditures	0.7	1.3	1.5	1.1	1.2
Debt Leverage of Cash Flow (x)					
Total Debt with Equity Credit/Operating EBITDA	0.1	0.1	0.1	0.1	0.2
Total Debt Less Unrestricted Cash/Operating EBITDA	(0.9)	(1.6)	(2.1)	(2.1)	(2.7)
Debt Leverage Including Rentals (x)					
Annual hire lease rent costs for long-term assets (reported and/or estimate)	n.a.	n.a.	n.a.	n.a.	n.a.
Gross Lease Adjusted Debt/Operating EBITDAR	0.1	0.1	0.1	0.1	0.2
Gross Lease Adjusted Debt /FFO+Int+Rentals	0.1	0.1	0.1	0.2	0.2
FCF/Lease Adjusted Debt (%)	(918.9)	35.7	215.7	(60.5)	16.6
Debt Leverage Including Leases and Pension Adjustment (x)					
Pension and Lease Adjusted Debt /EBITDAR + Pension Cost	0.1	0.1	0.1	0.1	0.2
Balance Sheet Summary					
Cash and Equivalents (Unrestricted)	1,582.8	2,535.9	2,998.4	2,651.8	2,620.7
Restricted Cash and Equivalents	8.2	9.9	10.3	0.0	0.0
Short-Term Debt	27.5	47.9	44.5	51.2	53.5
Long-Term Senior Debt	55.1	75.7	74.1	109.4	154.3
Subordinated debt	0.0	0.0	0.0	0.0	0.0
Equity Credit	0.0	0.0	0.0	0.0	0.0
Total Debt with Equity Credit	82.6	123.6	118.6	160.6	207.8
Off-Balance-Sheet Debt	0.0	0.0	0.0	0.0	0.0
Lease-Adjusted Debt	82.6	123.6	118.6	160.6	207.8
Fitch- identified Pension Deficit	0.0	0.0	0.0	0.0	0.0
Pension Adjusted Debt	82.6	123.6	118.6	160.6	207.8
Cash Flow Summary					
Operating EBITDA	1,610.1	1,548.1	1,377.8	1,174.3	892.0
Gross Cash Interest Expense	(65.9)	(8.3)	(6.1)	(12.2)	(16.5)
Cash Tax	(213.4)	(252.8)	(199.2)	(111.6)	(126.1)
Associate Dividends	2.7	2.6	16.2	10.5	1.3
Other Items before FFO (incl. interest receivable)	117.2	99.2	116.7	(81.4)	162.6
Funds from Operations	**1,450.7**	**1,388.8**	**1,305.4**	**979.6**	**913.3**
Change in Working Capital	(208.6)	(245.4)	(29.7)	(109.3)	(146.6)
Cash Flow from Operations	**1,242.1**	**1,143.4**	**1,275.7**	**870.3**	**766.7**
Total Non-Operating/Non-Recurring Cash Flow	0.0	0.0	0.0	0.0	0.0
Capital Expenditures	(1,789.2)	(905.1)	(852.2)	(764.3)	(631.7)
Dividends Paid	(211.9)	(194.2)	(167.7)	(203.1)	(100.6)
Free Cash Flow	**(759.0)**	**44.1**	**255.8**	**(97.1)**	**34.4**
Net (Acquisitions)/Divestitures	(51.0)	(588.6)	0.0	0.0	(287.4)
Net Equity Proceeds/(Buyback)	0.0	0.0	0.0	22.5	1,922.8
Other Cash Flow Items	(102.1)	77.0	132.8	152.9	56.6
Total Change in Net Debt	(912.1)	(467.5)	388.6	78.3	1,726.4
Working Capital					
Accounts Receivable Days	46	38	43	44	44
Inventory Days	37	26	19	22	19
Accounts Payable Days	66	60	71	71	74

Figure 1

Reconciliation of the Main Leverage Ratios for Enea S.A.

(PLNm)	Dec 11	Dec 12
Short-term debt	47.9	27.5
+ Long-term senior debt	75.7	55.1
+ Subordinated debt	0.0	0.0
- Equity credit	0.0	0.0
= Total debt with equity credit	123.6	82.6
+ Total off-balance sheet debt (8x long-term leases)	0.0	0.0
= Total lease-adjusted debt (a)	**123.6**	**82.6**
- Cash and equivalents (unrestricted)	2,535.9	1,582.8
= Net lease-adjusted debt	**-2,412.3**	**-1,500.2**
Cash flows from operating activities (as reported)	1,143.4	1,242.1
+ Reversal net finance charge	-66.7	-46.7
+ Reversal taxation paid	252.8	213.3
- Reversal dividend received	2.6	2.7
= Net cash from operating activities (adjusted by Fitch)	**1,326.9**	**1,406.0**
- Net finance charge	-66.7	-46.7
- Taxation paid	252.8	213.3
+ Dividend received (recurring)	2.6	2.7
= Cash flow from operations	1,143.4	1,242.1
- Changes in working capital	-245.4	-208.6
= Funds from operations (FFO)	**1,388.8**	**1,450.7**
Gross interest paid	8.3	65.9
Long-term (LT) leases	0.0	0.0
FFO + gross interest + long-term leases (c)	1,397.1	1,516.6
FFO + net finance charges + long term leases (d)	1,322.1	1,404.0
Gross leverage (a/c)		
Total lease-adjusted debt/FFO + gross interest paid + LT leases (x)	0.1	0.1
Net leverage (b/d)		
Net lease-adjusted debt/FFO + net finance charge + LT leases (x)	-1.8	-1.1
FFO gross interest coverage		
FFO + gross interest/gross interest	168.3	23.0

Source: Fitch