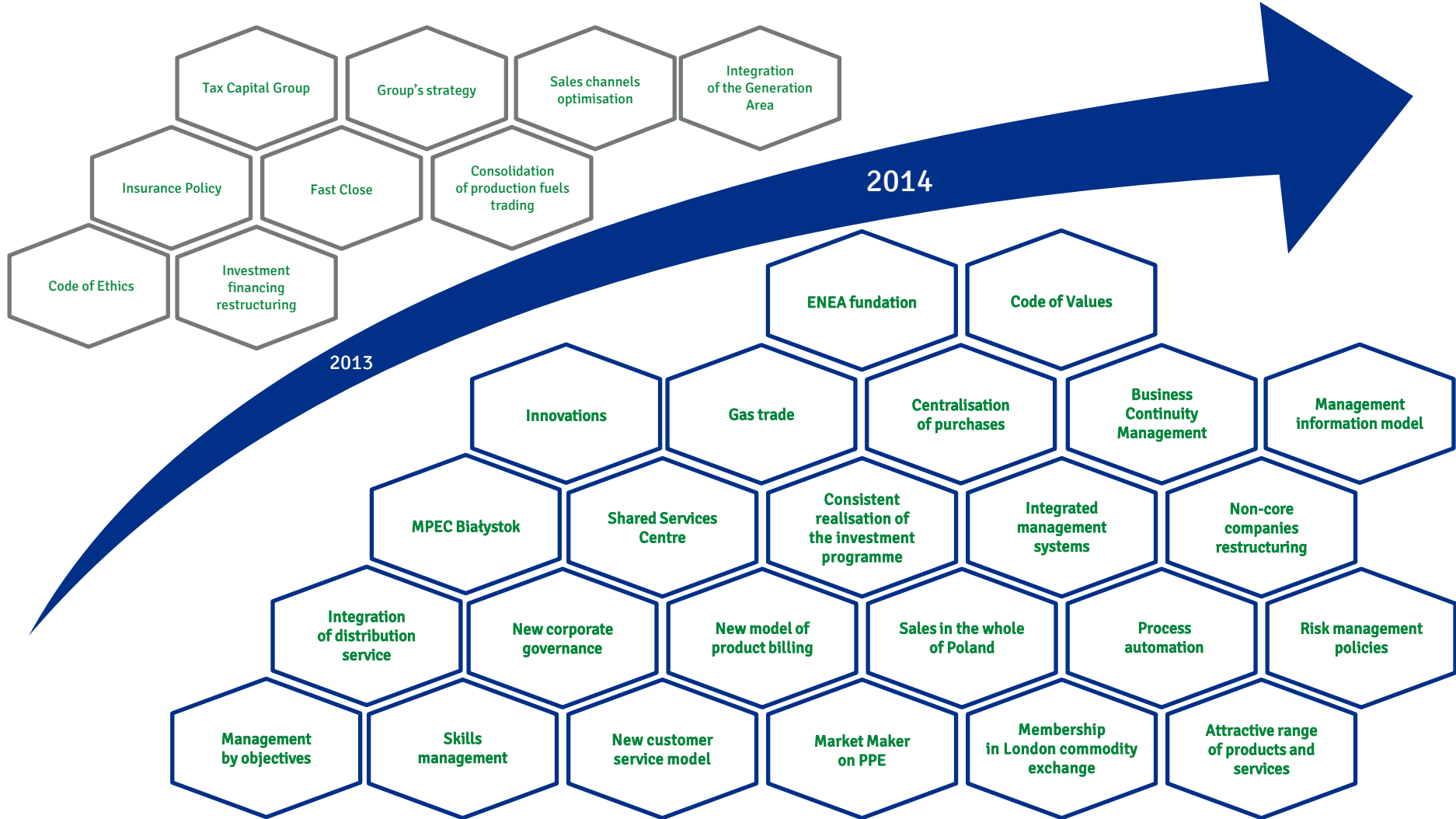




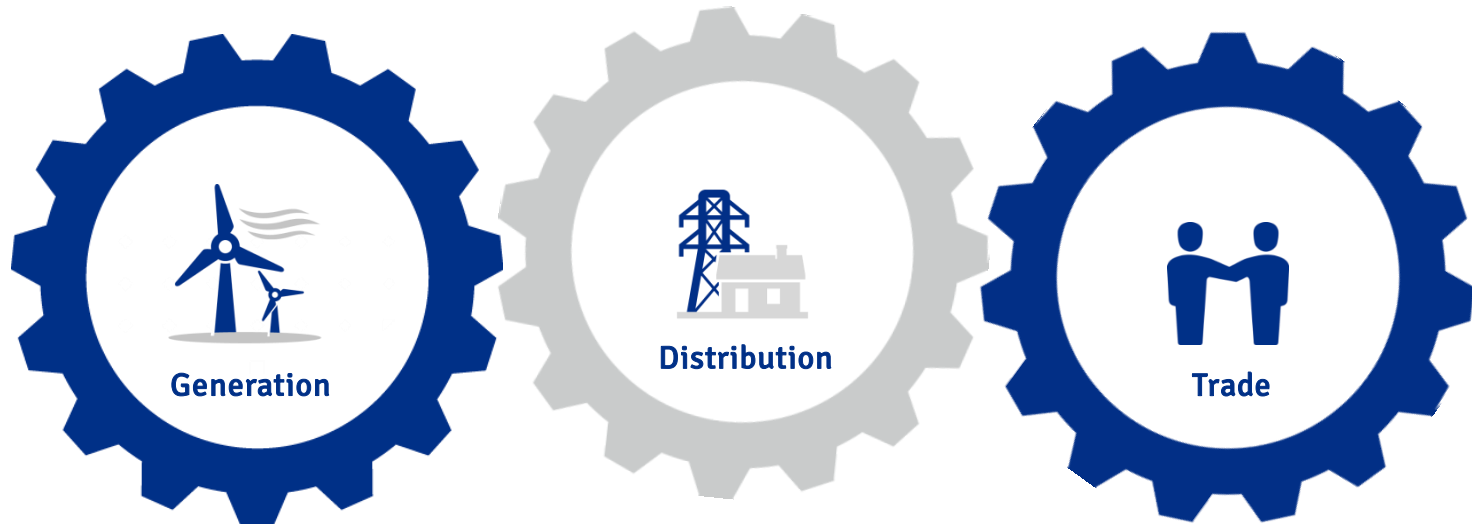
**We have been consistently realising the vision  
of an integrated, flexible and efficient energy group**

Q4 2014, 2014

# We have built a strong organisation capable of rivalry on the competitive market



## We operate based on three efficiently interacting segments



- 3 competence areas:
    - System Power Plants
    - Heat and cogeneration
    - RES
  - Takeover of MPEC Białystok
  - Unit No. 11
  - Cogeneration combined heat and power plant in Piła
  - Heat recovery system in Białystok Heat and Power Plant
  - Limitation of concentrations of emitted pollutions
  - CAPEX 2014 – PLN 1,832 mln
- Programme enhancing reliability and reducing network failure rate
  - Significant improvement of SAIDI and SAIFI ratios
  - Development of information tools supporting the grid management
  - Construction and reconstruction of overhead cable lines and switching stations
  - CAPEX 2014 – PLN 826 mln
- Customer service centralisation
  - Competitive product portfolio
  - Non-standard structured origination products
  - Construction of Polish-wide sales structures
  - Market Maker on PPE
  - Access to the most liquid in Europe market of CO<sub>2</sub> allowances

## Energy market and key operating data



ENEACG's financial results in 2014 and Q4 2014

Modern management model of ENEACG

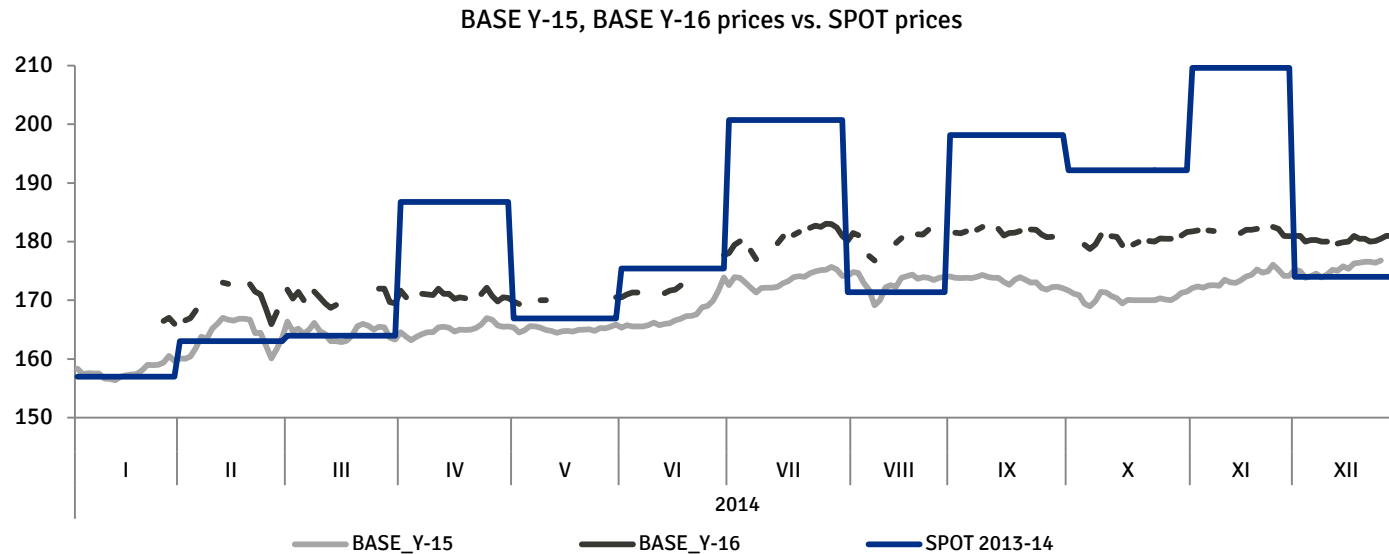
New unit in Kozenice Power Plant



## **ENEA Group strengthens its position on the competitive energy market**

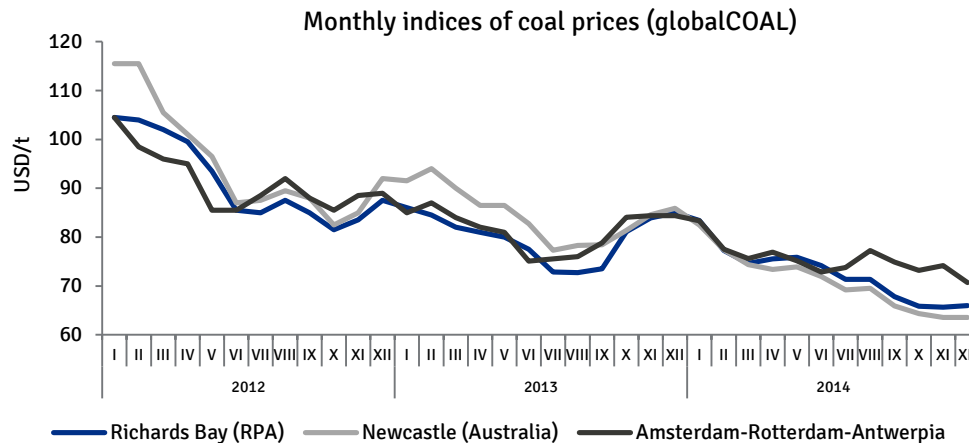
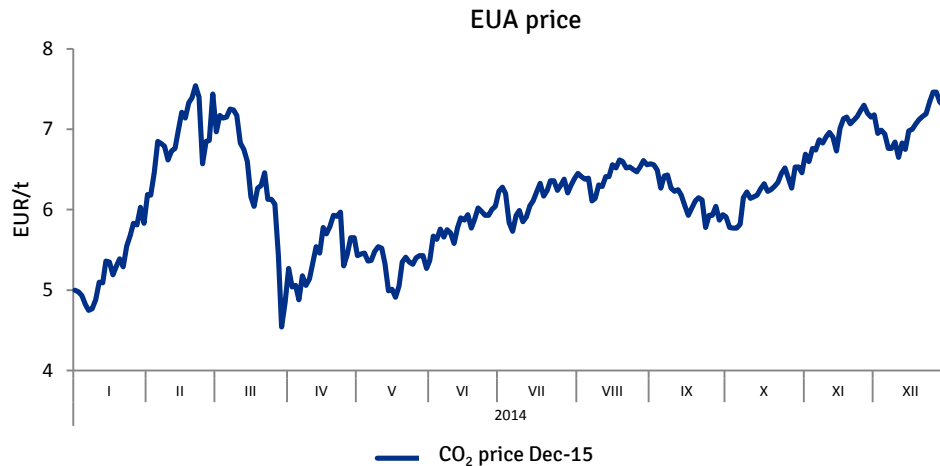
Grzegorz Kinelski  
Vice-President of the Management Board for Commercial Affairs

## In 2014 the existing downward trend reversed on the energy market



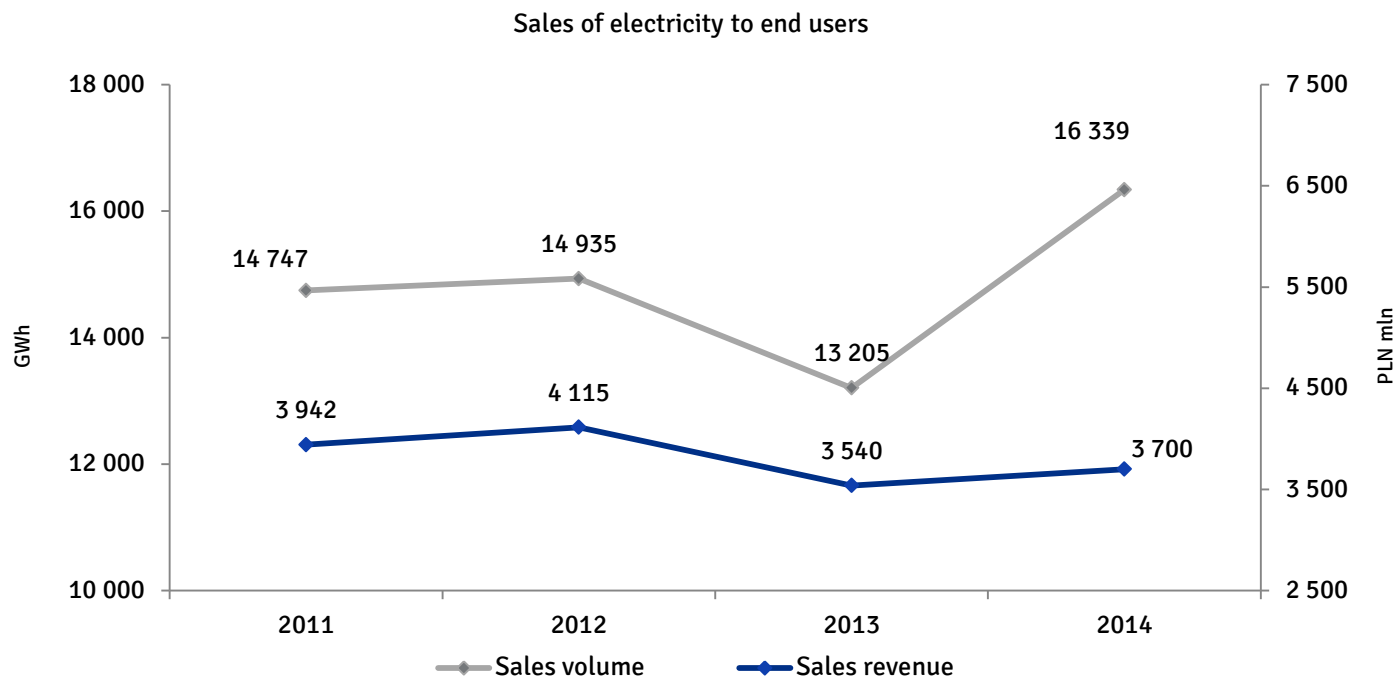
- Higher average price of baseload by 16.9% yoy
- SPOT market was influenced by:
  - the introduced mechanism of remunerating for the operating power reserve
  - loss in power available for OTSs
  - situation on the European Carbon market
  - limitations in the intersystemic exchange
- Almost for the whole 2014 energy prices on the forward market were in the upward trend
- The average price of baseload increased in 2015 by 4.9% to 168.13 PLN/MWh (in relation to the average baseload price for 2014)
- At the end of quotations the price of BASE Y-15 amounted to 177.00 PLN/MWh and was by 17.2% higher than BASE Y-14 at the end of quotations

## Global prices of coal regularly decrease



- The emission allowances market was affected by works over:
  - the so called backloading
  - keeping free allowances for energy consuming industry in order to reduce the carbon leakage phenomenon
  - determination of the strategy of the new climate and energy package
  - market stabilisation reserve
- Price of EUA allowances on SPOT market in 2014 increased by over 50% during 2014
- Coal prices on foreign markets at the end of 2014 were on the lowest level since 2012
- Prices reported at the end of 2014
  - Amsterdam-Rotterdam-Antwerp: 70.68 USD/t
  - Richards Bay: 65.95 USD/t
  - Newcastle: 63.53 USD/t

## In 2014 we reconstructed the electricity sales portfolio



Due to introducing new products into the range and reorganisation of the sales area we reconstructed the portfolio of electricity sales to business customers. At the same time, we managed to maintain the level of sales to household customers.



## ENEA Group increased energy production

[GWh]	Q4 2013	Q4 2014	Change	2013	2014	Change
Total generation of energy, including:	2 866	3 357	17.1% ✓	11 854	12 812	8.1% ✓
Conventional generation	2 569	3 099	20.6% ✓	10 890	11 779	8.2% ✓
Generation from RES	297	258	-13.1%	964	1 033	7.2% ✓



In 2014 ENEA Group increased production of energy both from conventional sources and RES

In Q4 2014, RES production dropped due to lesser windiness, hydrological conditions, reduced co-firing

## Agenda

Energy market and key operating data



**ENEA CG's financial results in 2014 and Q4 2014**



Modern management model of ENEA CG



New unit in Kozenice Power Plant





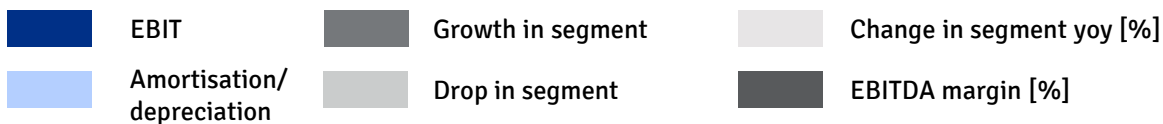
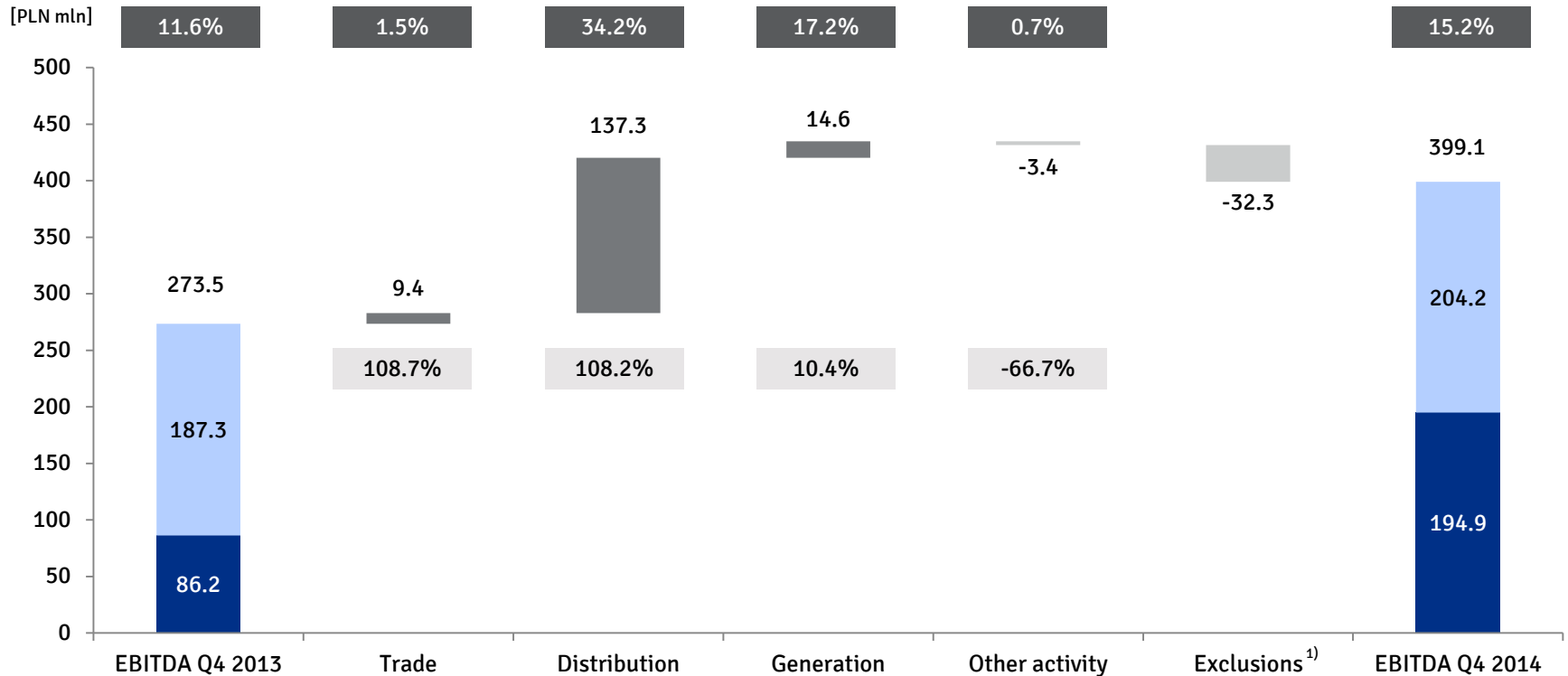
## **ENEA Group improved financial results in the demanding market environment**

Dalida Gepfert  
Vice-President of the Management Board for Financial Affairs

## We reported better financial results

[PLN mln]	Q4 2013	Q4 2014	Change	2013	2014	Change
Net sales revenue	2 363.3	2 628.2	11.2% ✓	9 150.5	9 855.4	7.7% ✓
EBITDA	273.5	399.1	45.9% ✓	1 667.6	1 914.9	14.8% ✓
Net profit	60.9	72.8	19.6% ✓	722.5	909.1	25.8% ✓
Net debt/EBITDA	-0.6	0.5	1.1	-0.6	0.5	1.1

## In Q4 2014 ENEA Group improved EBITDA yoy in all the key segments of operations



1) Includes undistributed expenses of the whole Group and exclusions

## In Q4 2014 ENEA Group improved EBITDA yoy in all the key segments of operations

[PLN mln]	Q4 2013	Q4 2014	Change
Trade	8.7	18.1	108.7%

### Segment of trade

Increase of EBITDA by PLN 9.4 mln (108.7%)

- lower average purchase price of energy by 10.4% ✓
- higher volumes of sales by 889 GWh ✓
- lower average selling price by 11.1%
- higher written-off debts by PLN 11 mln

[PLN mln]	Q4 2013	Q4 2014	Change
Distribution	126.9	264.2	108.2%

### Segment of distribution

Increase of EBITDA by PLN 137.3 mln (108.2%)

- average price lower by 19% and lower volumes of energy purchases for covering the book-tax difference and own needs by 143 GWh ✓
- employment and exploitation process optimisation ✓
- lower costs of legal regulations under grid assets by PLN 134 mln ✓
- higher costs of transmission services by PLN 33 mln

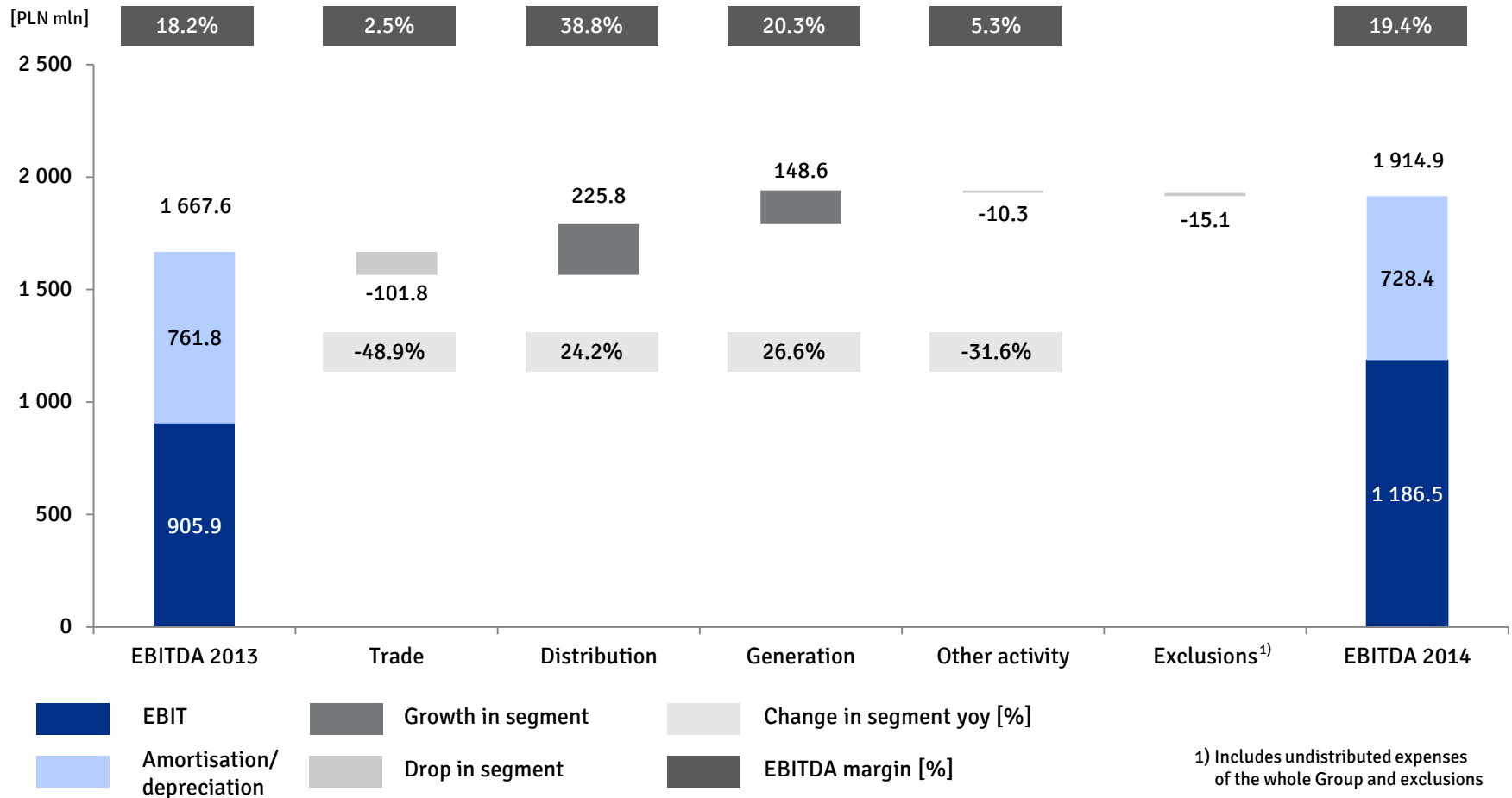
[PLN mln]	Q4 2013	Q4 2014	Change
Generation	140.9	155.5	10.4%

### Segment of generation

Increase of EBITDA by PLN 14.6 mln (10.4%)

- lower fixed costs by PLN 39 mln ✓
- higher revenue from sales of heat (by PLN 31 mln) and electricity (by PLN 9 mln) in the segment of heat
- asset write-down in the biogas area (PLN 30 mln)

## In 2014 the highest result and the greatest increase in EBITDA was reported in the segment of distribution of ENEA Group



## In 2014 the highest result and the greatest increase in EBITDA was reported in the segment of distribution of ENEA Group

[PLN mln]	2013	2014	Change
Trade	208.2	106.5	-48.9%

### Segment of trade

Drop of EBITDA by PLN 101.8 mln (48.9%)

- lower average purchase price of energy by 12.4% ✓
- higher volumes of sales by 3,123 GWh ✓
- lower average selling price by 15.6%
- reduction in household tariff
- higher costs of ecological obligations by PLN 52 mln

[PLN mln]	2013	2014	Change
Distribution	933.6	1 159.4	24.2%

### Segment of distribution

Increase of EBITDA by PLN 225.8 mln (24.2%)

- average price lower by 17% and lower volumes of energy purchases for covering the book-tax difference and own needs by 247 GWh ✓
- employment and exploitation process optimisation ✓
- lower costs of legal regulations under grid assets by PLN 166 mln ✓
- higher costs of transmission services by PLN 110 mln

[PLN mln]	2013	2014	Change
Generation	559.4	708.0	26.6%

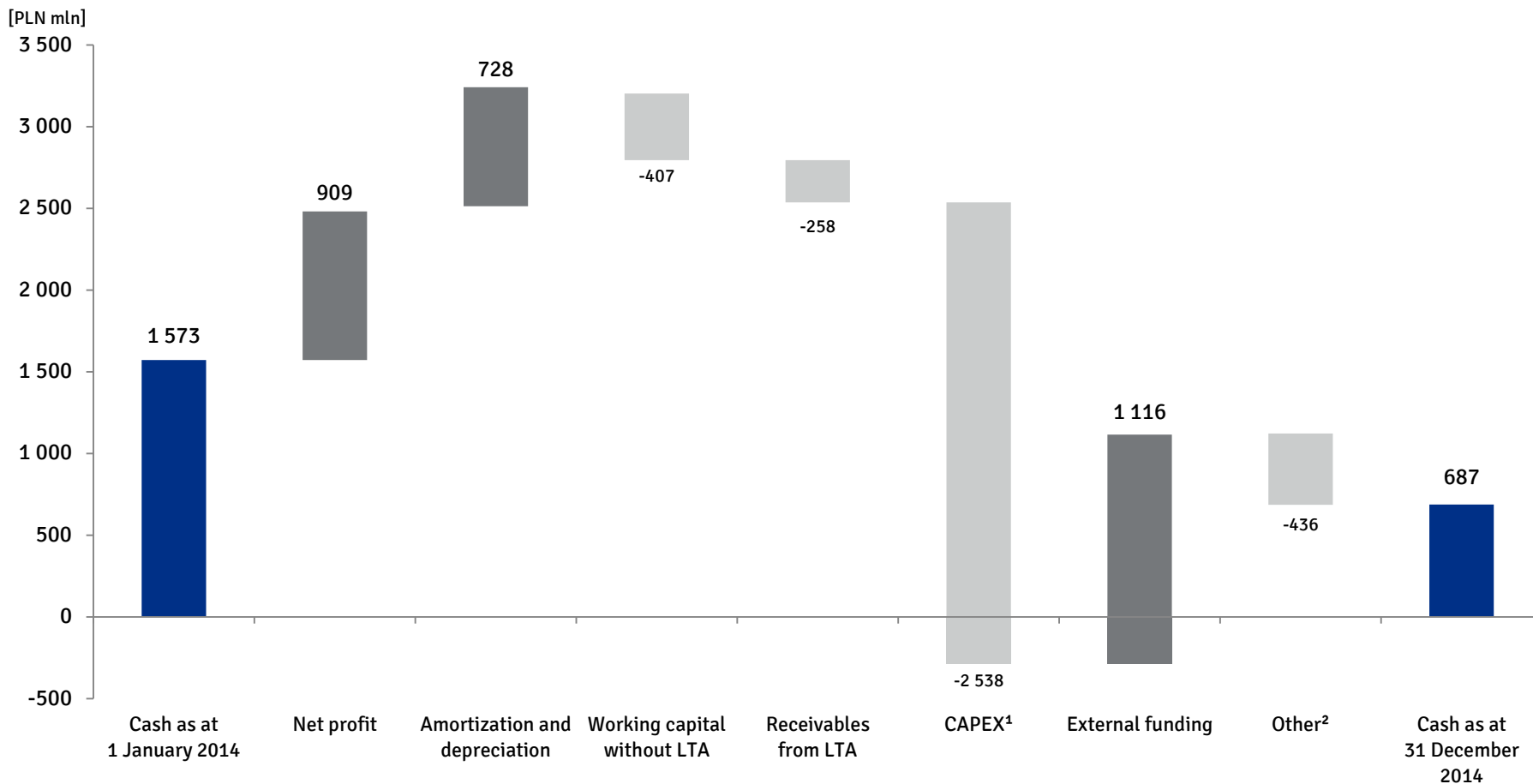
### Segment of generation

Increase of EBITDA by PLN 148.6 mln (26.6%)

- higher revenue from compensation for recovery of stranded costs by PLN 257 mln ✓
- lower fixed costs by PLN 62 mln ✓
- higher revenue from sales of heat (by PLN 24 mln) and electricity (by PLN 20 mln) in the segment of heat ✓
- lower margin on generation of electricity by PLN 95 mln
- asset write-down in the biogas area (PLN 30 mln)
- loss of EBITDA due to failure of unit No. 9 by PLN 23 mln



## Despite the realisation of an ambitious CAPEX programme, the Group maintains the debt ratio on a safe level



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

## Focusing on profitability improvement and a high cost discipline bring indicative effects to the Group

[PLN mln]	2014 forecast	2014 realisation
Generation	130	133
Distribution	64	102
Sales	5	9
SSC	5	5
Other companies	4	3
<b>Total</b>	<b>208</b>	<b>252</b> ✓



Activities undertaken in 2014-2016 will allow to reduce costs by around **PLN 500 mln**

## A modern management model and the implemented efficiency improvement programme positively affect the financial results of ENEA CG



Financial results of ENEA CG exceeded the consensus



CAPEX expenditures totalling to PLN 2.7 billion in 2014 with a low value of net debt/EBITDA ratio on the level of 0.5



PLN 252 mln cost savings in 2014 - by 152% more than anticipated in the strategy

Management process optimisation allows for a swift reaction and adjusting to the current conditions on the energy market

## Agenda

Energy market and key operating data



ENEA CG's financial results in 2014 and Q4 2014



**Modern management model of ENEA CG**



New unit in Kozenice Power Plant










**Thanks to the reorganisation of structures and process  
we have built competitive advantages on the market**

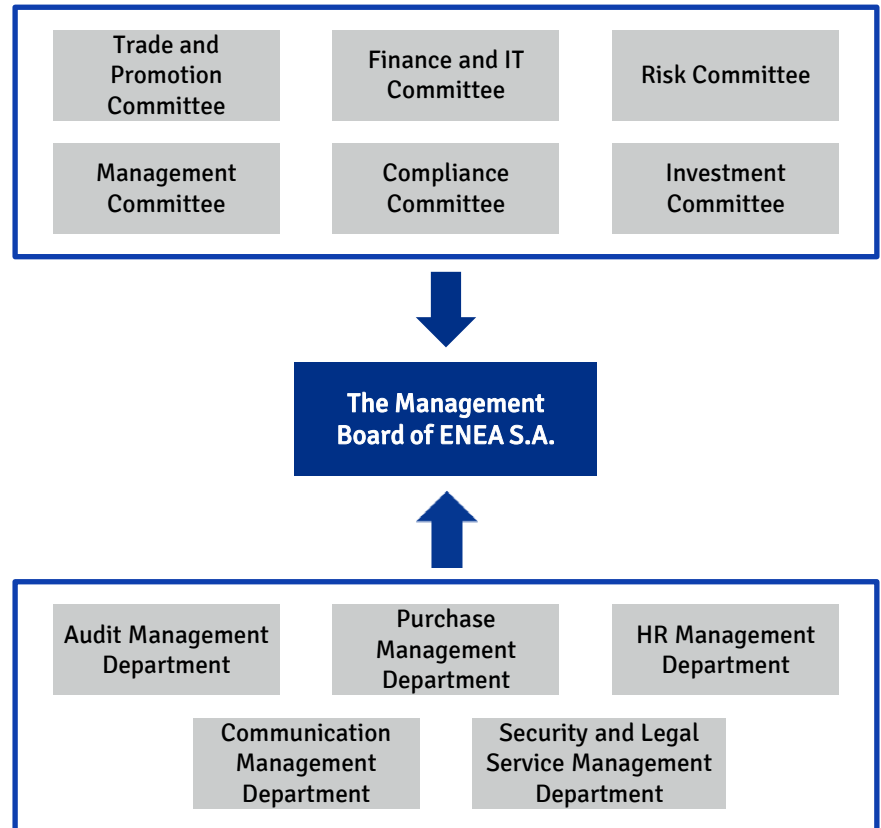
Krzysztof Zamasz  
President of the Board

## New corporate governance changed the way the functions in the Group are managed

New corporate governance:

-  Introduced a clear and effective Capital Group's management model
-  Guarantees efficient and transparent management of all the companies
-  Defines the issue of the Group's interest in order to implement the strategy
-  Introduced relevant amendments to the Statutes of ENEA Group Companies, rules of the Boards and their Supervisory Boards guaranteeing efficient management
-  Improved the decision making model due to transferring of some competences to Committees and entities managing the Management Departments

Committees and Management Departments in ENEA Group



## The structure built with Customer needs in mind raises the efficiency and facilitates management



We improved the management process



We have shortened the decision making path



We efficiently use the employee potential and knowledge in the Group



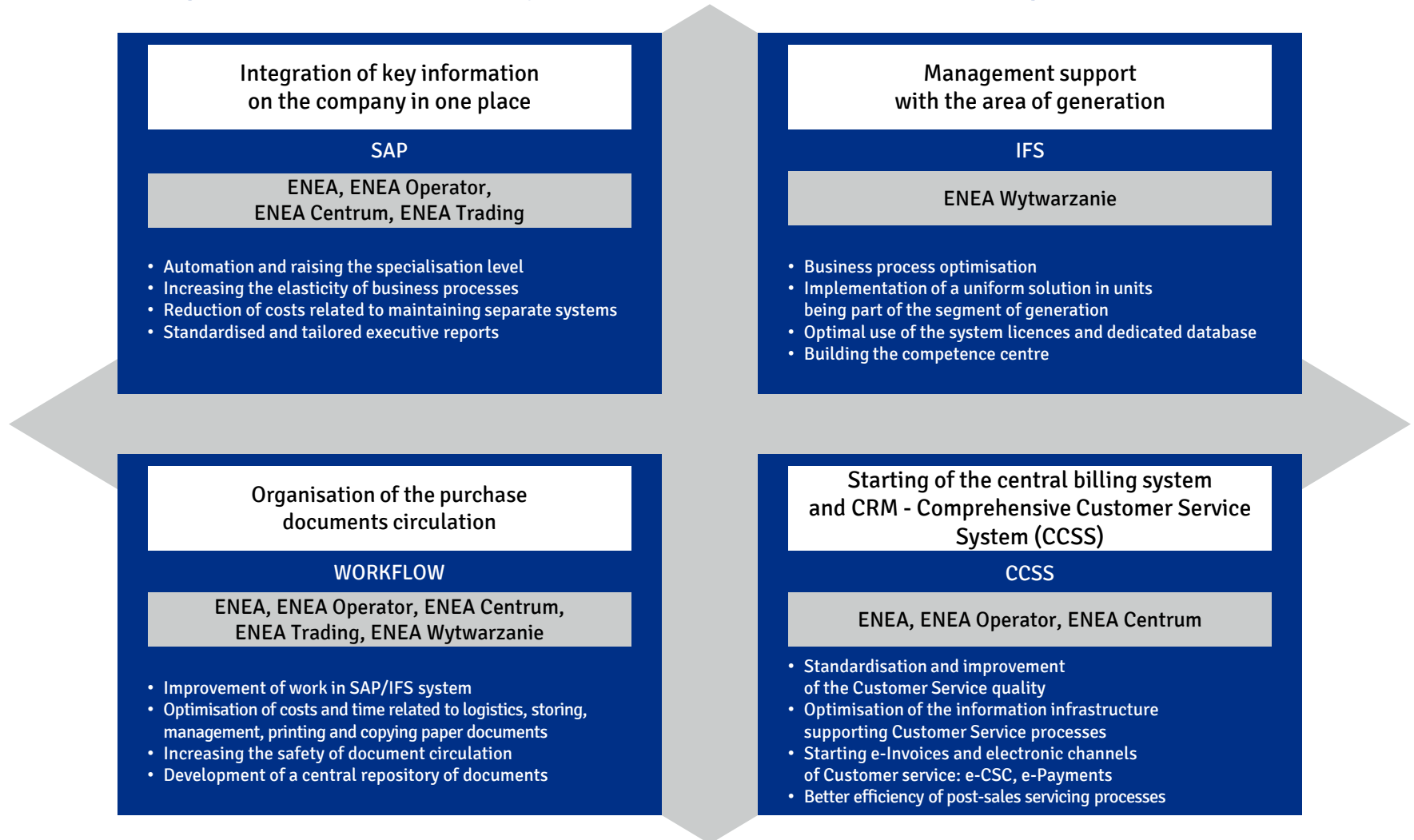
We introduce homogeneous standards of provided services



We have reduced costs (elimination of bureaucracy and task doubling)

We are implementing almost 30 optimisation projects aiming at the facilitation and fastening of the day to day operations, which will contribute to raising the quality of our services

## New integrated information systems support process management





## Implemented organisational solutions allow for building an optimum investment portfolio

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

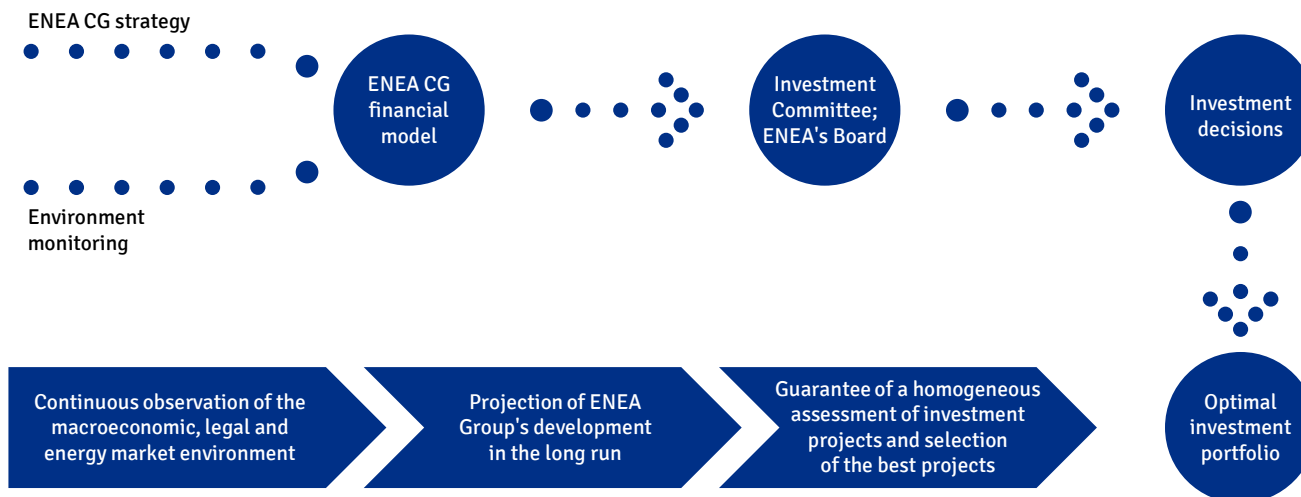


Area of generation - mainly unit 11 and wind farm acquisitions



Area of distribution - mainly improvement of reliability ratios (infrastructure modernisation, connection of new recipients and energy generators)






Capital expenditures [PLN mln]	2013	2014	2015 plan
Generation	1 265	1 832	2 509
Unit 11	969	1 096	1 587
RES	16	13	418
Distribution	900	826	899
Support and other	29	91	125
<b>TOTAL</b>	<b>2 195</b>	<b>2 749</b>	<b>3 558</b>

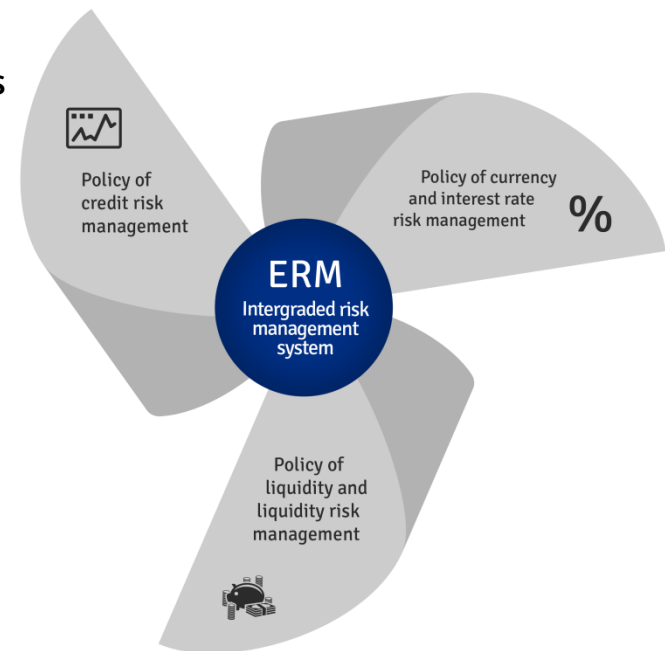


## Adopted rules of risk management are set based on the highest management standards and are compliant with best market practices within this area

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

### Key features of the coordinated model:

-  The Group Companies manage risks based 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 S.A. is the process coordinator in the Group
-  Front-, Middle- and Back Office organisational division is in force in the companies



Energy market and key operating data



ENEA CG's financial results in 2014 and Q4 2014



Modern management model of ENEA CG



**New unit in Kozenice Power Plant**

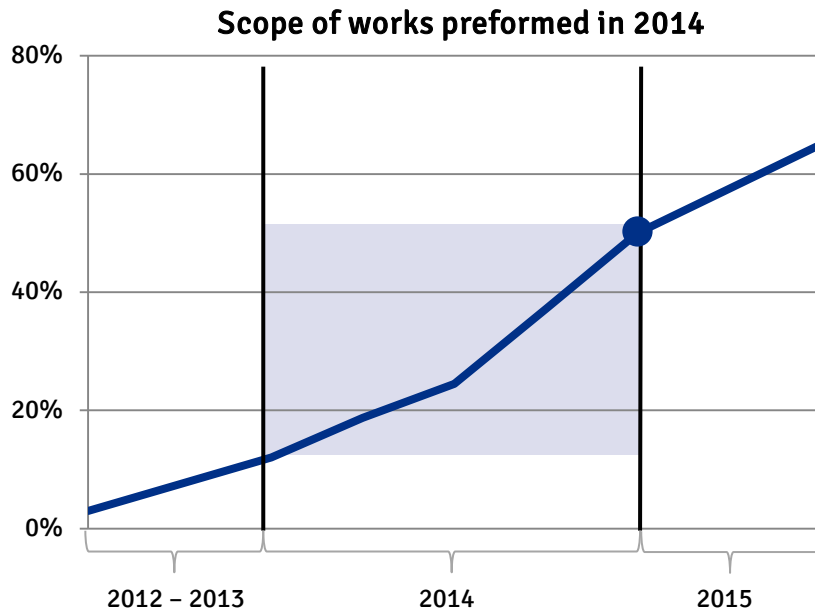




**Commissioning of the new unit will allow  
to maximise production and margin level**

Pawel Orlof  
Vice-President of the Management Board for Corporate Affairs

## 2014 was a key period for a successful investment implementation



Performance of a reinforced concrete structure of the cooling tower jacket to the level of 163 m



Performance of the lower foundation slab with poles of the load bearing structure of the turbine set



Performance of the foundation and steel structure for the engine room to the level of 17 m



Completion of the assembly of the boiler's load bearing structure with grate



Completion of the boiler slab assembly



Completion of the assembly of absorber's and IOS blowdown tank's structure





**We have been consistently realising the vision  
of an integrated, flexible and efficient energy group**

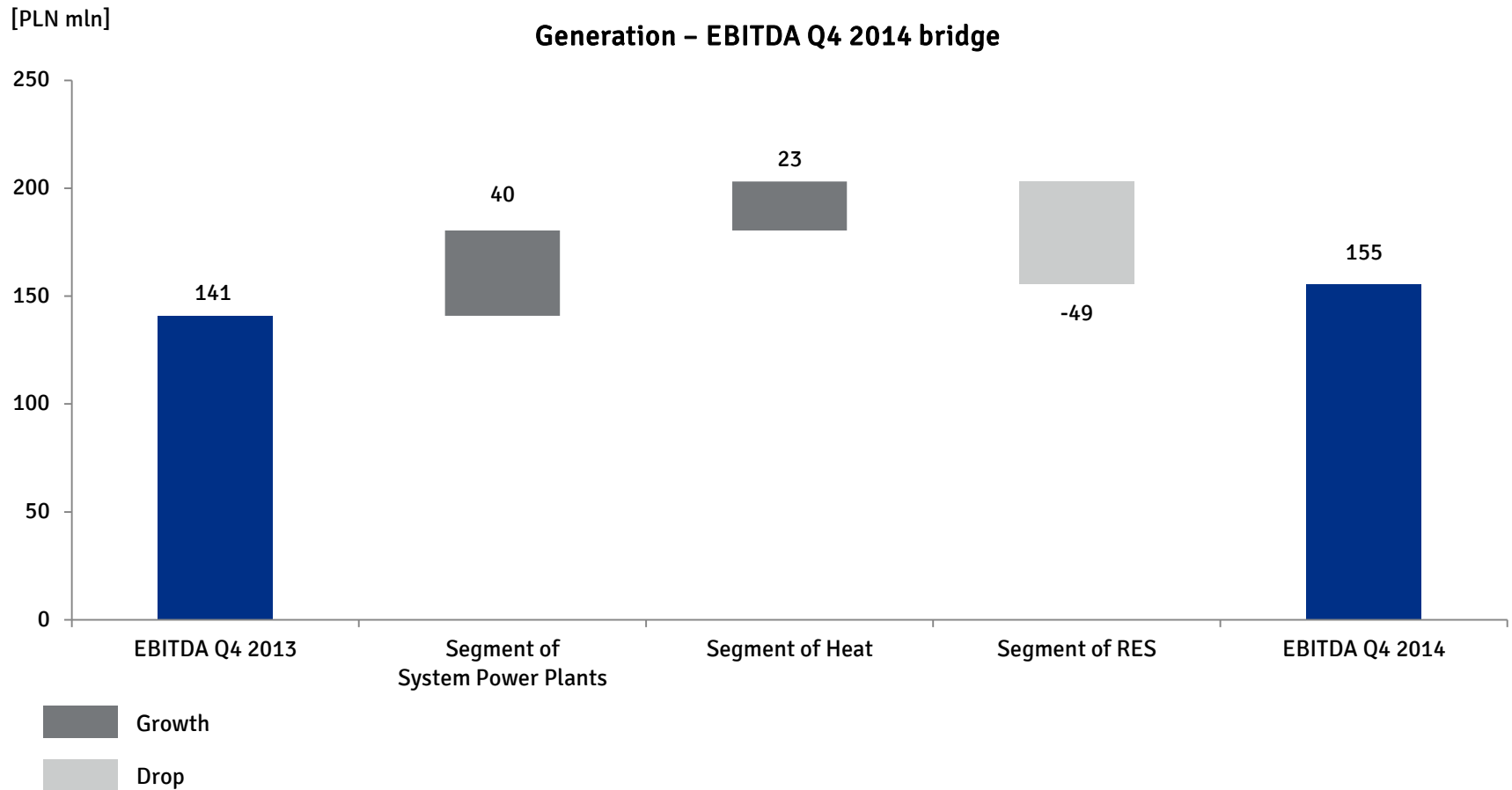
Q4 2014, 2014

IR contact: [gielada@enea.pl](mailto:gielada@enea.pl)



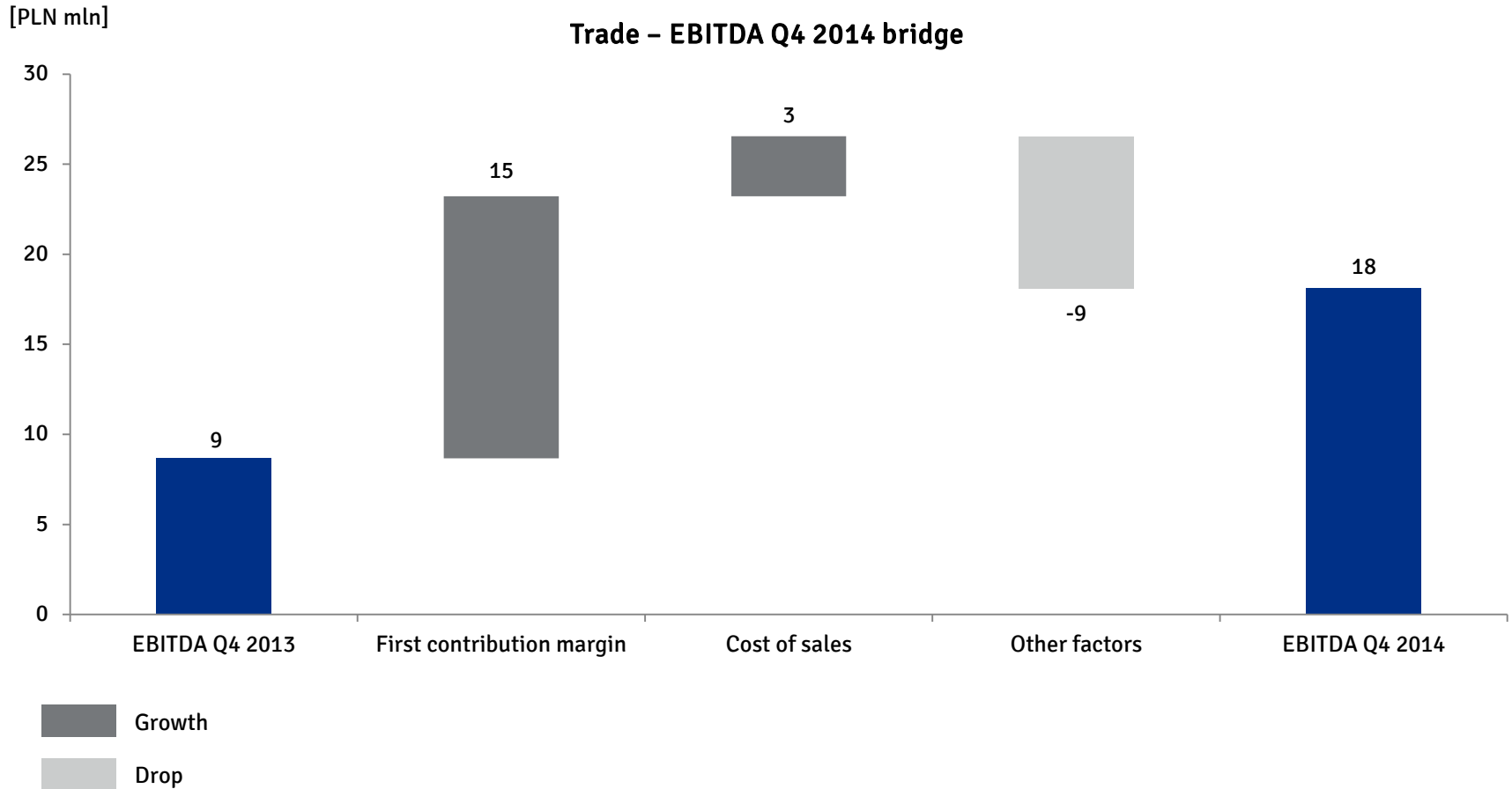
**Additional information**

**Attachment 1 - Higher EBITDA in Q4 2014 in the segment of generation was realised due to reduction in fixed costs and higher revenue of the segment of heat**

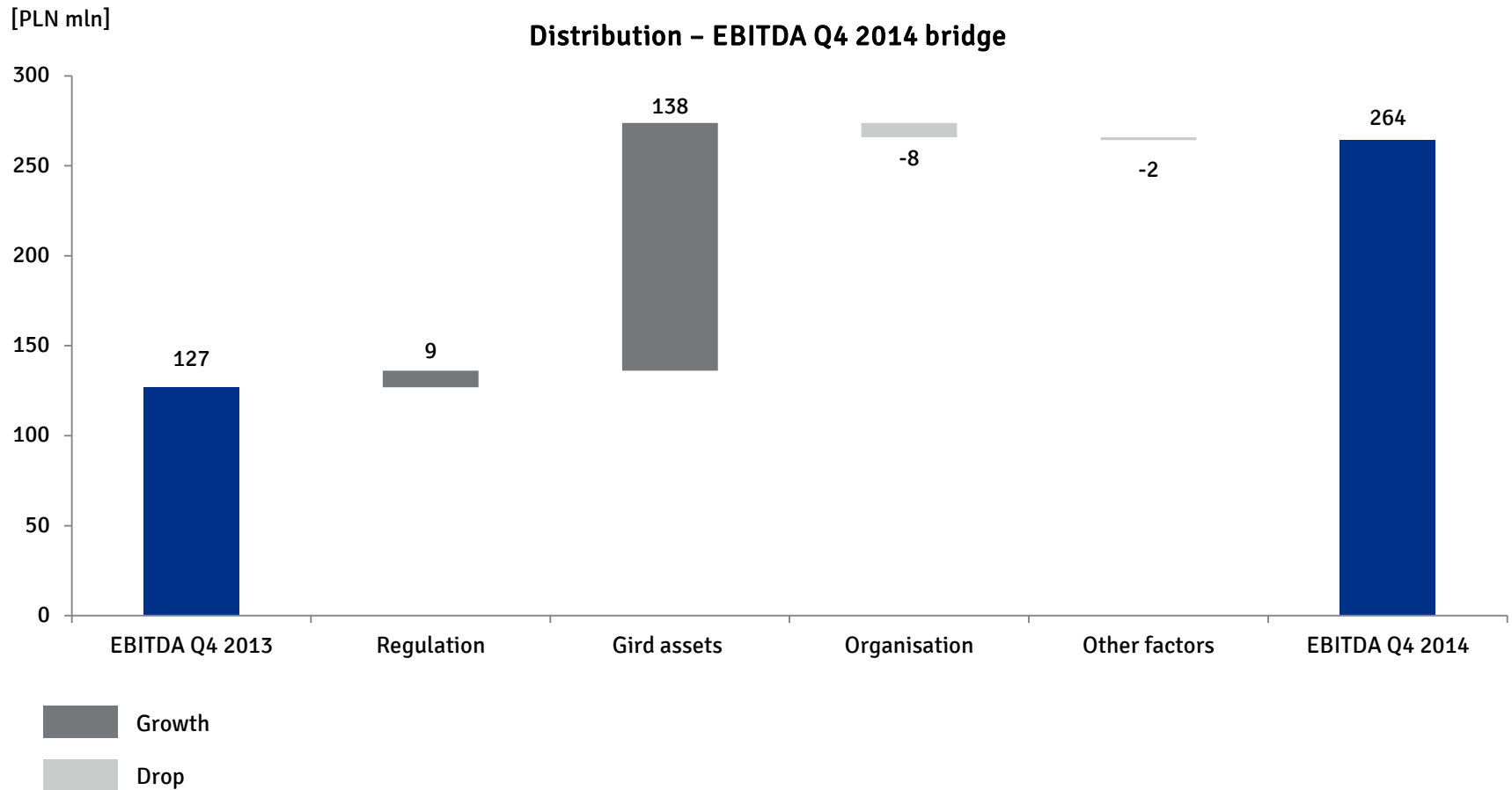




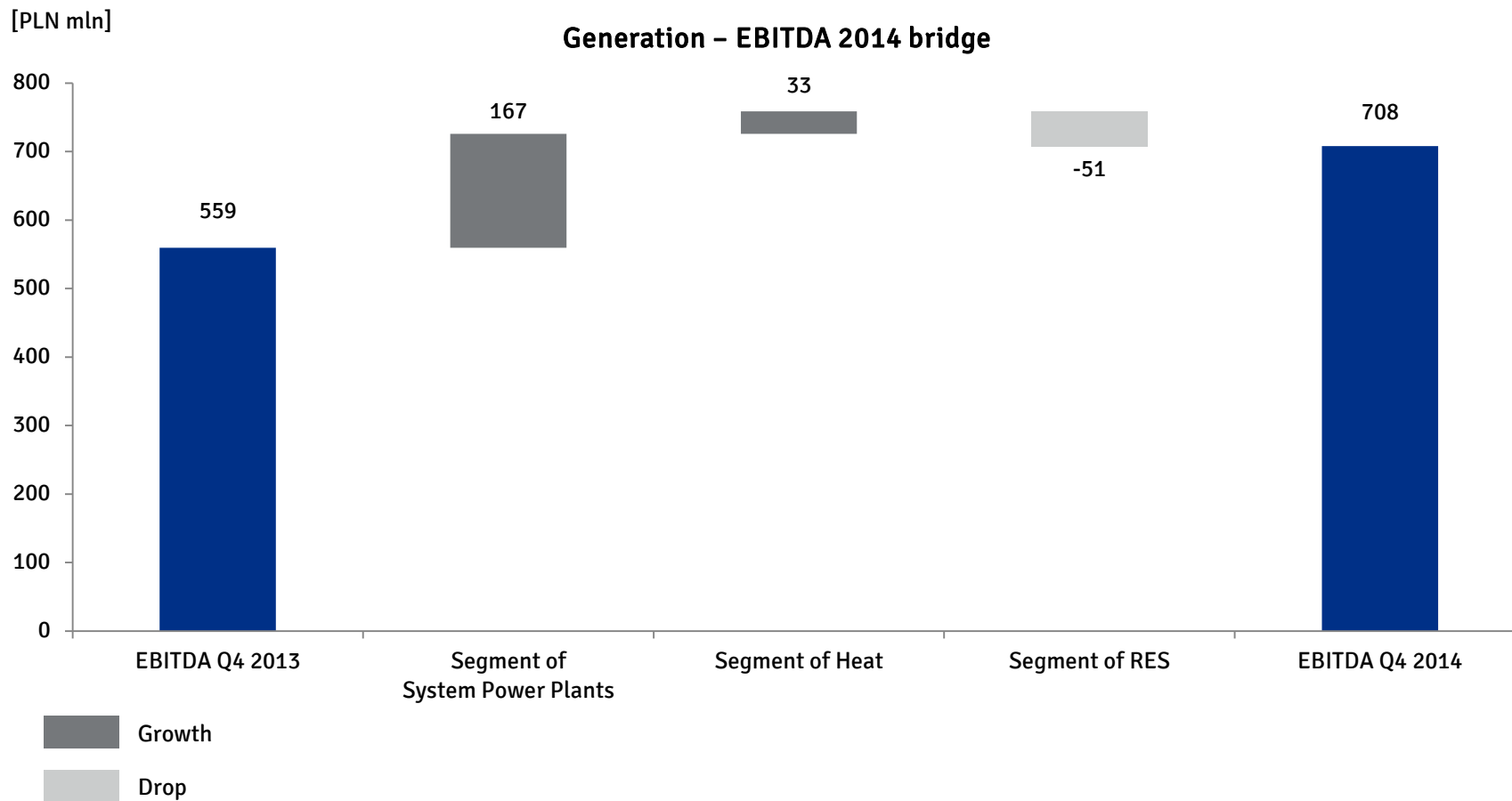
**Attachment 2 - EBITDA in the segment of trade increased by 143% yoy in Q4 2014 due to higher volumes of sales and lower electricity purchase price**



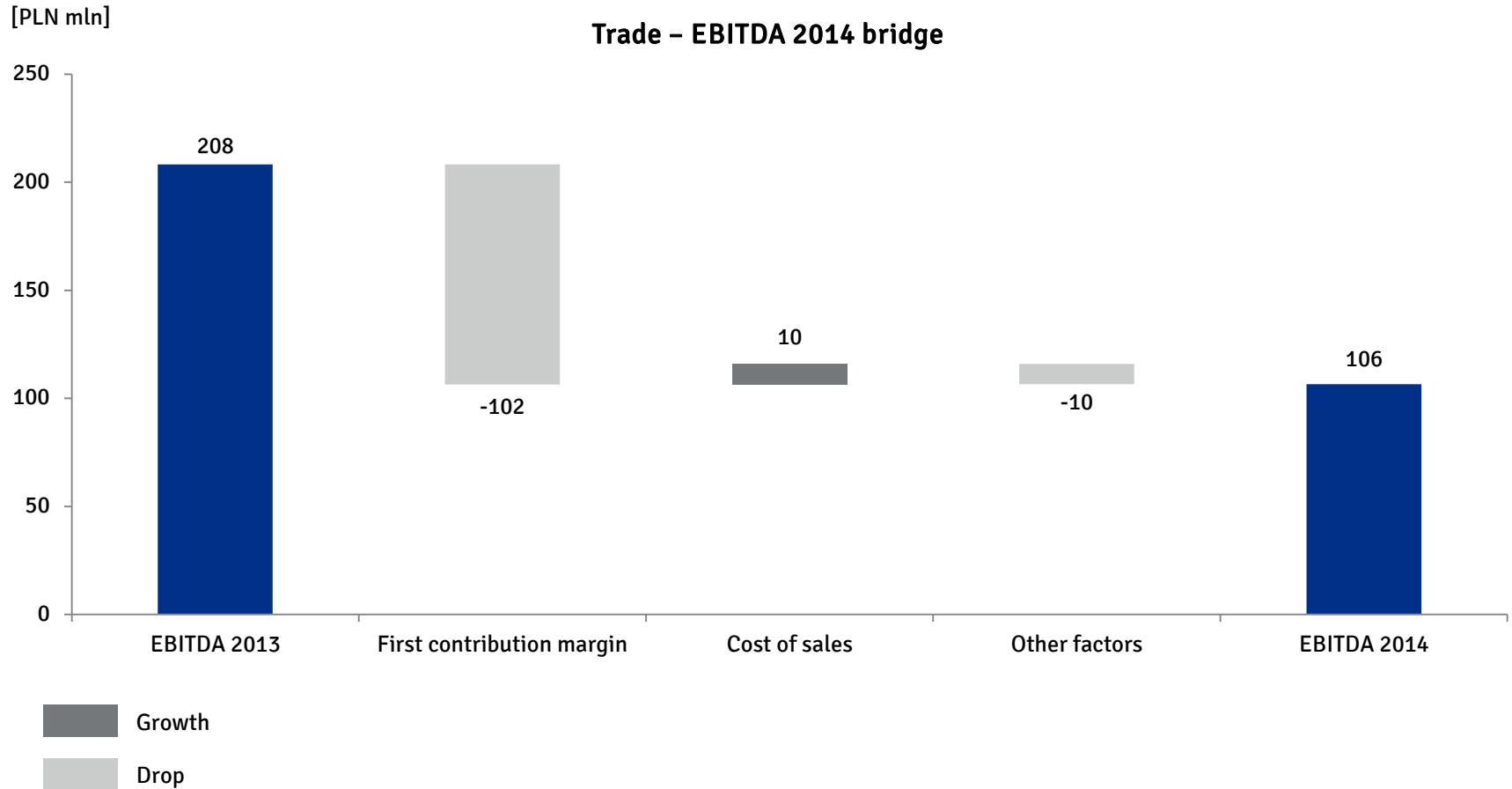
### Attachment 3 - Lower costs of legal regulations under grid assets, exploitation process and employment optimisation affected the growth of EBITDA in the segment of distribution in Q4 2014



**Attachment 4 - Higher revenue from compensation for coverage of stranded costs and a significantly lower level of fixed costs were reported in 2014 in the segment of generation**



## Attachment 5 – Lower first contribution margin charged the result of the segment of trade in 2014



## Attachment 6 - Employment and grid assets exploitation process optimisation supported the result of the segment of distribution in 2014

