

Enea Group

We are one of the largest raw material and energy companies in Poland. Our main activity focuses on the production, distribution and sale of electricity, as well as coal mining. We develop our generation capacities among others through the construction of a new power unit in Enea's power plant in Koźienice - one of the most modern investments of this type in Europe. We employ almost 15 thousand employees, which makes us one of the largest employers in the Wielkopolska region. Our headquarters is located in Poznań. Every day, we serve 2.4 million customers.

Operating segments



WYDOBYCIE



WYTWARZANIE



DYSTRYBUCJA



OBRÓT

EXTRACTION	GENERATION	DISTRIBUTION	TRADE
<p>15% share in the fuel coal market</p> <p>8.5 million tonnes of net annual coal production</p> <p>8.6 million tonnes of net annual coal sales</p> <p>20.0 km performed excavations</p>	<p>9% share in energy generation</p> <p>16 TWh of annual generating potential.</p> <p>3.3 GW_e installed electrical capacity</p> <p>925 MW_t installed heating capacity</p>	<p>14% share in electricity distribution market</p> <p>17,9 TWh of energy supplied to Customers annually</p> <p>58.2 thousand km² of energy distribution area</p> <p>134 thousand km of distribution lines including connections.</p> <p>37 thousand transformer stations.</p>	<p>13% share in sales of electricity to retail users</p> <p>16 TWh of annual electricity sales to retail users.</p> <p>1 TWh of annual gaseous fuel sales to retail users</p> <p>2.4 million energy Consumers</p>

The activities of companies engaged in the generation, distribution and electricity trading is supported by the Shared Services Centre providing services to, among others, human resources, finance and accounting, IT, logistics, legal services and Client service.

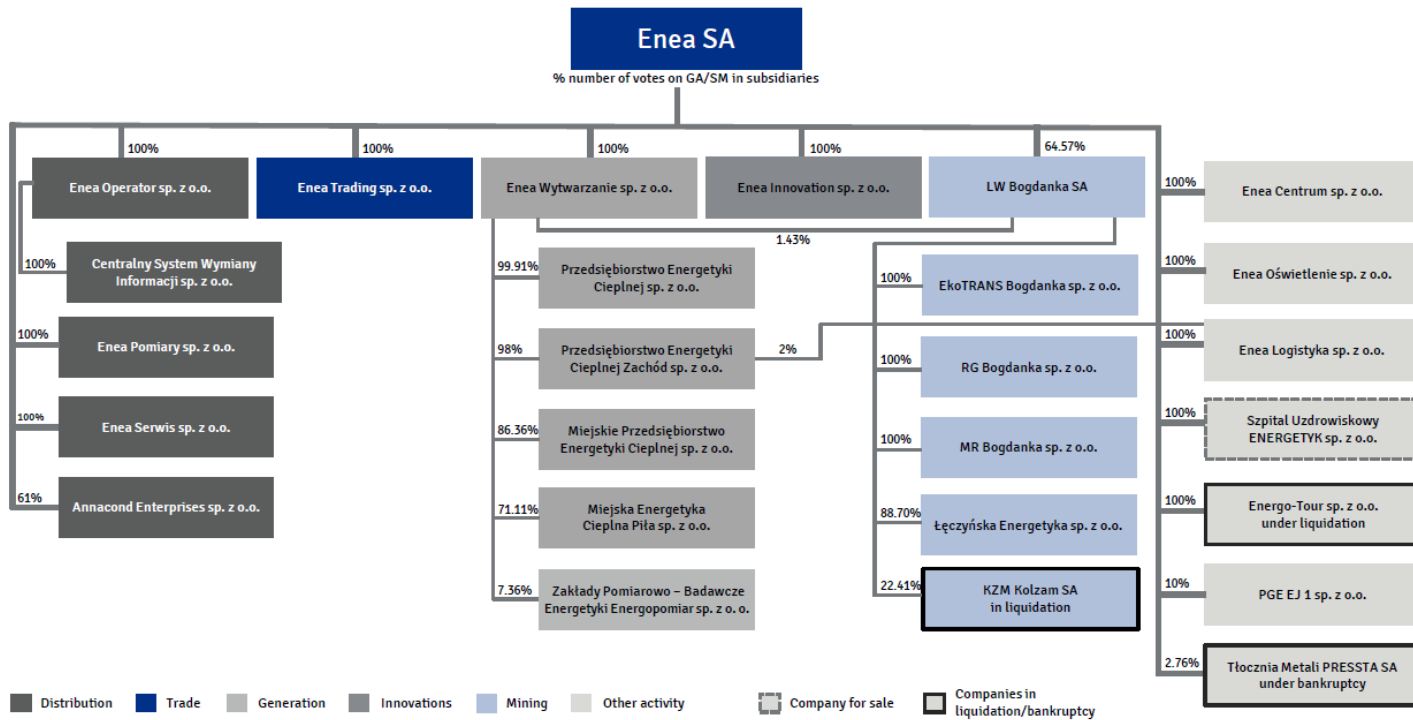
Enea Group

Structure of the Enea Group

Enea Group consists of Enea parent company and thirteen direct subsidiaries.

Within the Enea Group, there are 5 leading companies, i.e. **Enea SA** (electricity trading), **Enea Operator Sp. z o.o.** (distribution of electricity), **Enea Wytwarzanie Sp. z o.o.** (production of electricity and thermal energy, including renewable energy), **Energa Trading Sp. z o.o.** (wholesale of electricity) and since 2015 **LW Bogdanka SA** (extraction). Other entities provide supporting activities.

GROUP'S STRUCTURE



Go to [our corporate website](#), to find a brief description of the company.

On April 15, 2015, the Enea Group acquired from PGE 10 per cent stake in PGE EJ 1, which will act as the operator of the first Polish nuclear power plant. This project also involves KGHM Polska Miedz and Tauron Polska Energia. These companies have acquired 10 per cent stake in PGE EJ 1. The fundamental decision on the construction of a nuclear power plant in Poland is to be made in 2017.

In February 2015, the company Energo-Tour was put in liquidation.

In December 2015, Enea sold Hotel Edison to another entity.

A detailed description of the Enea Group as at 31 December 2015 may be found in the [annual report](#).

New management model

In 2013, the Enea Group started the process of creating a new model of organization management, the intensification of the work fell on 2014-2015.

Our new management model is a **transparent, planned, consistent and formally and legally safe decision-making mechanism** within the Group by the competent corporate bodies ensuring the selection of the best business decisions.

Currently, there are six Committees of the Enea Group: **Compliance, Management, Investment, Risk, Finance and IT as well as Trade and Promotion**, that, within the framework to their powers and competences, enhance decision-making process within the Group.

The aim of a wide project “Corporate governance - Enea Capital Group Management Plan” was to create a strong pillar of the Group.

Simplifying the Group's structure and focusing on its core business is the most significant. The development of the **Shared Services Centre** providing services to, among others, human resources, finance and accounting, IT, logistics, legal services and Client service is the milestone in this direction.

The benefits of implementing a new organizational governance within the Enea Group

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



To increase the efficiency of our processes, the Group's operations are supported by IT systems, such as SAP, Electronic Document Flow (EDF) or the Comprehensive Customer Service System (CCSS).

In 2015 Enea Group saved **PLN 352 mln**

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

Code of the Enea Group

The new management model functioning in the Enea Group is defined in the Code of the Enea Group, that is a specific constitution of the Group. The document obliges all companies within the Enea Group to work together to implement the strategy and mission of the Group, create its value as a whole and maintain consistency.

Our business is complex and exposed to a number of risks, i.e. financial, market. That is why we have introduced an **integrated risk management system**. It covers such areas as: corporate, liquidity, currency, credit, commodity and interest rate risk. Click [the Report of the Management Board of the Capital Group Operations](#), if you wish to learn more on the risk management process.

Capital Group management

The Management Board of Enea consists of four persons.
Composition of the Management Board as of 15.06.2016

President of the Board	Vice-President of the Management Board for Corporate Affairs	Vice-President of the Management Board for Commercial Affairs	Vice-President of the Management Board for Financial Affairs
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Mirosław Kowalik
Prezes Zarządu



Wiesław Piosik
Wiceprezes Zarządu ds. Korporacyjnych



Piotr Adamczak
Wiceprezes Zarządu ds. Handlowych



Mikołaj Franzkowiak
Wiceprezes Zarządu ds. Finansowych

Enea is supervised by the Supervisory Board comprising of nine persons.

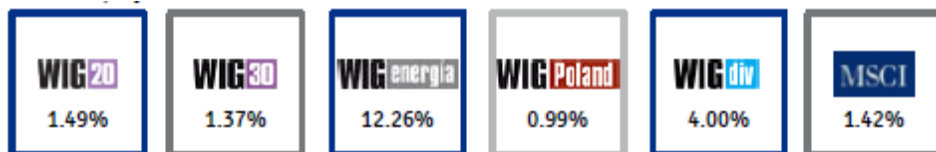
Corporate social responsibility report of Enea Capital Group 2015

Click the [link](#), if you want to see the detailed biographies of the members of the Management Board and the Supervisory Board. Rules of the Management and Supervisory Board are available [here](#).

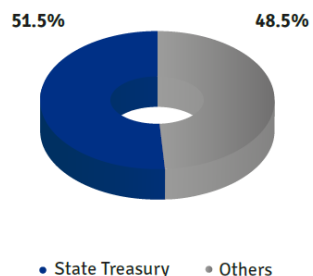
Enea on exchanges

Enea company is listed on the **Warsaw Stock Exchange**.

The share of the company's shares in the Indices at the end of 2015:



Enea SA's shareholding structure



PLN 17.48 - the maximum rate in 2015

PLN 10.56 - the minimum rate in 2015

PLN 4,988.30 mln - capitalization at the end of the period

Vision and strategy

In 2015, the Corporate Strategy of the Enea Group was updated.

Updating our strategy was associated with dynamic market and regulatory changes shaping power sector in Poland. The mission and the vision remained unchanged. The objectives of the strategy and scope of actions implementing it were updated.



Updating the Corporate Strategy of the Enea Group for the years 2014 – 2020

<ul style="list-style-type: none"> ▪ The construction of the block with a capacity of 1,075 MW in Koziencice Power Station. ▪ Environmental investments enabling the continuation of the work of generation assets after 2015. ▪ Development of RES. ▪ Development of co-generation sources of heating networks. ▪ Implementation of the program to improve reliability and reduce network failure. ▪ Implementation of the program of development of smart grids. ▪ Measures aimed at reducing the volume of electricity required to cover the losses in the energy balance. ▪ The increase in the volume of electricity sales while increasing the margin. 	<p>The implementation of the challenges of the Enea Group will increase its competitive advantage:</p> <ul style="list-style-type: none"> ▪ Optimisation of costs. ▪ Stabilization of the functioning of the Shared Service Centre. ▪ Building the effective organization capable of sourcing, evaluation and implementing innovation within the Enea Group. ▪ Improving service processes of internal and external clients. ▪ Focus on core business. ▪ Restructuring non-core entities.
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<ul style="list-style-type: none">▪ Development of new product offerings.▪ Expansion of remote channels of customer service.▪ Securing customer loyalty.	
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In the current 2015 strategy, three new elements were included:

1. **Securing fuel supplies for own generation assets** - the Enea Group detains generation assets mainly based on coal. The profitability of power generation from hard coal is currently under a lot of pressure. Energy companies therefore need to adjust the purchase of coal from mining assets in order to reduce the cost and improve the competitiveness of production based on coal.
2. **Innovation** - Implementation of innovation and new technologies is one of the main factors affecting the competitiveness of companies on the market. Innovative activities of the Enea Group are strongly oriented to customers' needs and improving the internal efficiency of the organization. The group, as a beneficiary of implemented innovations, will build competitiveness and improve operational efficiency.
3. **Extended staff policy of the Enea Group** - It will ensure the implementation of the objectives and tasks of the Enea Group and at the same time satisfy the ambitions and aspirations of the employees. In terms of human resource management we will focus on increasing efficiency of work through the formulation and implementation of policy of management of performance and pay for performance as well as management of competence, expertise and employee development.

In 2016, the work began on the new corporate strategy.

Ethical standards

Corporate values

Together with our employees we have developed four key corporate values on which we base our business. These are: **honesty, competence, responsibility, safety**.

The year 2015 has been proclaimed “Year of the Enea Capital Group values”.

In order to show the practical application and daily dimension of our corporate values, we invited to cooperation the undisputed authority in the field of ethics, the originator and initiator of the project Szlachetna Paczka (Noble Pack), Fr. Jacek Stryczek. As the aftermath of the meeting, we published the message of Fr. Stryczek contained in the short films forming a series of four mini-lectures. The series is available on our intranet.

Code of Ethics

Goodwill and standards of professional conduct of employees are included in [the “Code of ethics of the Enea Capital Group.”](#)

The Code specifies the expected attitudes and thus commitment towards co-workers and business partners.

In January 2014, all employees received the Code in print, and its implementation was supported by series of **e-learning** available on the intranet. Already from 2013, Enea SA has been conducting training for each new employee.

Click to see the [series of short movies](#) promoting the Code.

Each episode covers a different ethical principle included in the Code.

Reporting irregularities

Any doubts and irregularities can be reported to the **Committee for Code of Ethics**. The Committee comprises of three persons elected by the employees by means of general election.

The **Committee for Code of Ethics** can be contacted in two ways:

- by e-mail: etyka@enea.pl
- or through the form for reporting ethical concerns and violations of the Code of Ethics available on the website www.enea.pl
<https://www.enea.pl/pl/grupaenea/odpowiedzialny-biznes/kodeks-etyki/kontakt-z-komisja-etyki>

Investments

Investments completed in 2015

Consistently implemented investment plan

Within the most important investments of Enea in 2015, there are the acquisition of the company Lubelski Węgiel Bogdanka and the construction of Block 11 in the Koźienice Power Station, which will significantly increase the production capacities of Enea.

- In October 2015, Enea SA acquired a controlling stake of the Lubelski Węgiel Bogdanka, which is the most efficient mining company in the country and the largest supplier of fuel for the key carbon sources of energy production in Koźienice Power Station.
- Most of the funds were devoted to the generation. This involves the **investment of Block 11** implemented according to the schedule in the Koźienice Power Station and the **purchase of wind farms**. The remaining funds were allocated to distribution and support area.

Unit 11 means...

- Europe's largest coal-fired power unit.
- The entirely independent unit with its own infrastructure.
- Increasing by 1/3 power of the Koźienice power station.
- Low operating costs, low failure rate.
- Compliance with stringent emission standards.
- Precisely planned works carried out according to plan.

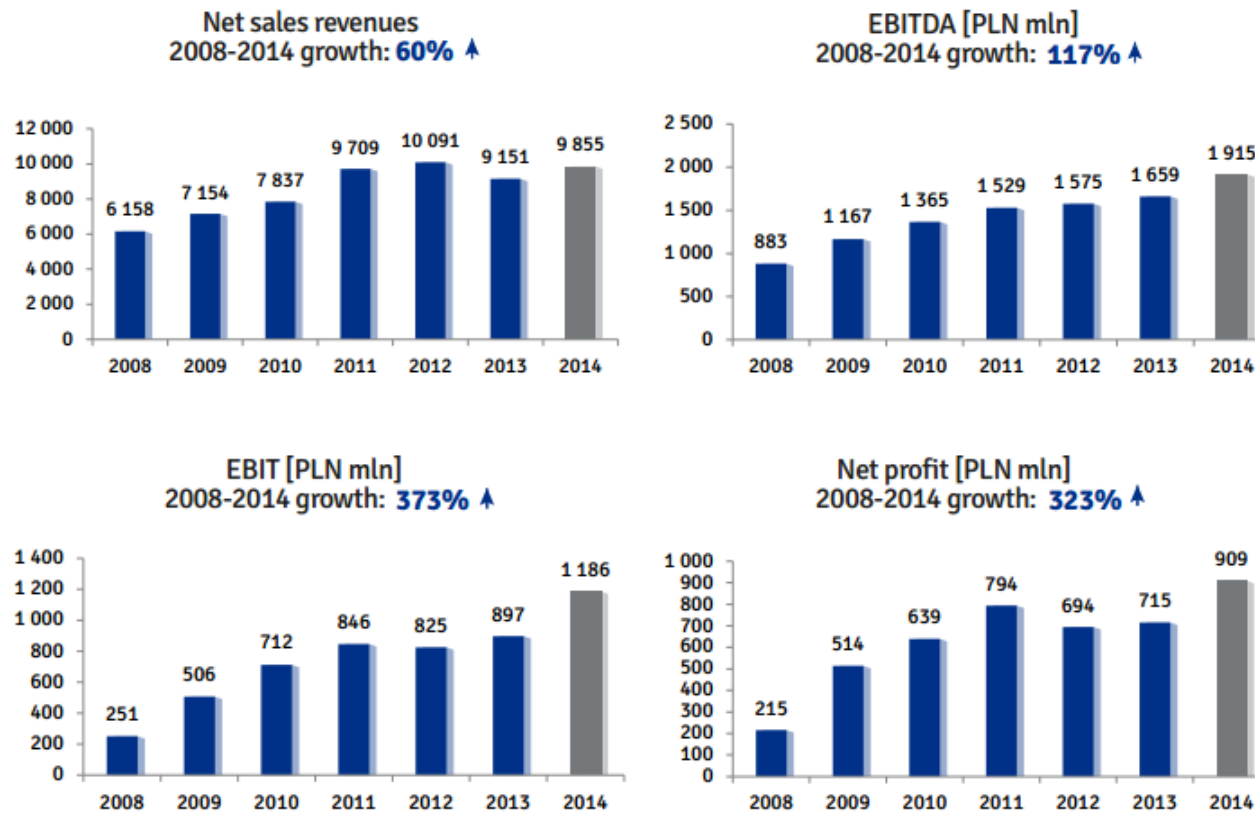
In the years 2015-2020, we plan to carry out investments in the total amount of approx. 17 billion PLN, which will be covered from our own funds and obtained debt financing.

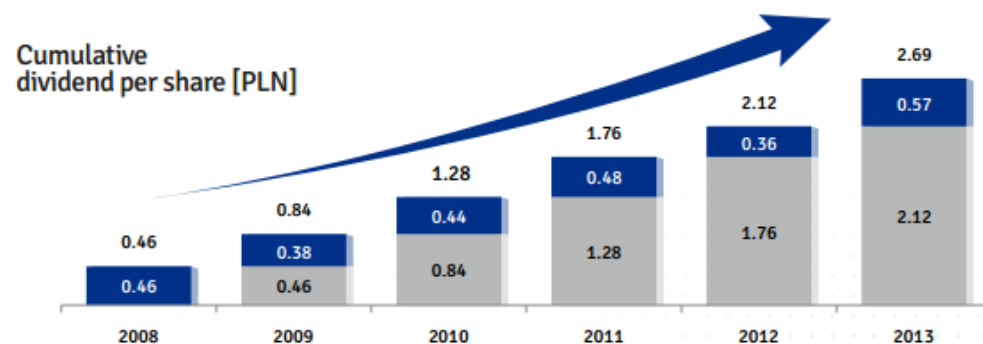
Selected investments planned for 2016.

Generation	Distribution	Retail trade	Customer Service	Wholesale trade
<ul style="list-style-type: none"> • Construction of unit 11. • Construction of rain-industrial effluents treatment plant. • Modernization of the cooling water intake - the stabilizing checkdam on the Vistula River. • Construction of the Baczyzna wind farm 14.1 MW (ended in May 2016). http://investors.enea.pl/en/pr/316020/baczyna-enea-s-new-wind-farm?changeLocale=en • The project of expansion of the wind farm <u>Bardy</u> by maximum 10 MW (project Bardy II). http://investors.enea.pl/en/pr/299285/enea-s-new-wind-farm?changeLocale=en 	<ul style="list-style-type: none"> • Implementation of the program for the development of smart grid solutions (AMI). • Implementation of the program to improve the reliability of the network. • Implementation of the project Network Information System. • Implementation of the system of digital dispatch communication in the TETRA standard. 	<ul style="list-style-type: none"> • Optimization of sales channels, including the launch of e-commerce platform. • Development and optimization of product offerings. • Continuation of the marketing campaigns for clients. • Activation of promotional activities at sponsored events. • Development of analytical and operational systems for sales support. 	<ul style="list-style-type: none"> • Completion of the migration of customer data to the central billing system – CCSS-T, CCSS-D. • Launch of new electronic channels of Customer Service – e-CSC, e-Invoice for customers from the entire region. • Launch of new subservices for all companies of the Enea Group on the Enea Group’s website. • Optimization of Customer Service Centres (CSCs), visualisation of the selected CSCs. • Further development of Contact Centre. • Building Centres of Competence in Division of Support and Settlements. 	<ul style="list-style-type: none"> • Improvement of tools and methods for portfolio management and hedging in the framework of the full value added chain in the field of electricity, derived products and natural gas trading. • Development of trading systems and their integration with systems used within the Enea Group. • Development of a comprehensive strategy for the security of property rights portfolio of renewable energy sources for Enea CG. • Continuation of the project Trade and Fuels Logistics. • Continuation of the development of competence in the German market.

Financial results

Fitch Ratings confirmed the company's long-term rating of BBB (internationally) and A (nationally) in April 2015. In the same year, in October, Fitch Ratings affirmed the ratings of Enea in connection with the acquisition of LW Bogdanka. Also, the agency EuroRating confirmed in April 2016 years long-term rating of BBB of the company and the rating outlook as stable.





In 2015, Enea paid to ten customers compensation for non-compliance with laws and regulations concerning the provision and use of products and services of the total amount of 45,048.17 PLN.

On December 31, 2015, the Office of Competition and Consumer Protection (UOKiK) issued a decision No. RWA-28/2015 stating that Enea SA had applied in the previous year the practice of misleading consumers with regard to electricity prices: without taking into account the tax on goods and services. UOKiK said, however, that this practice was discontinued on April 1, 2014. Therefore, no fine was imposed on Enea.

Detailed financial results for 2015 - go to the [annual report](#).

Awards

Best service

Best Service and Pride of the Region - these are the categories of the Wielkopolska edition of the economic rating "Proud of You", in which Enea has won.

Patron of Innovation

Our active and responsible participation in building the ecosystem of innovation in Poland has been noticed and awarded in INNOWATORY competition organized by Wprost. We received the title of Patron of Innovation “for understanding the importance of effective exploration and implementation of innovative projects that contribute to the development of the energy sector and the entire economy.”

Energy World Leader

We were also the winner of the “World Energy Leaders” in the category “Producer of the Year” organized in the framework of the EUROPOWER Congress. The jury granted us an award for one of the most important and the most advanced manufacturing investments in the Polish energy sector - the construction of the country's largest modern power unit with a capacity of 1,075 MW.

Contact

We invite you to contact us:

Joanna Maderska

Corporate Social Responsibility Office

Department of Public Relations and Communications

email: csr@enea.pl

Information on the strategic objectives of corporate social responsibility and respective activities, including earlier reports are available at [page](#):

<http://www.enea.pl/pl/grupaenea/odpowiedzialny-biznes/raportowanie-csr>