



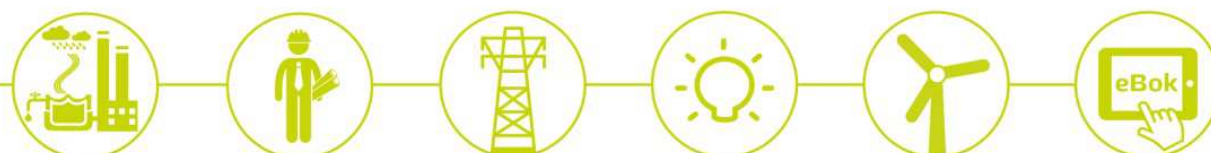
Management Board Report on the activity of ENERGA SA for the year ended 31 December 2013

Gdańsk, 6 March 2014



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BASIC STANDALONE FINANCIAL DATA OF ENERGA SA FOR 2013

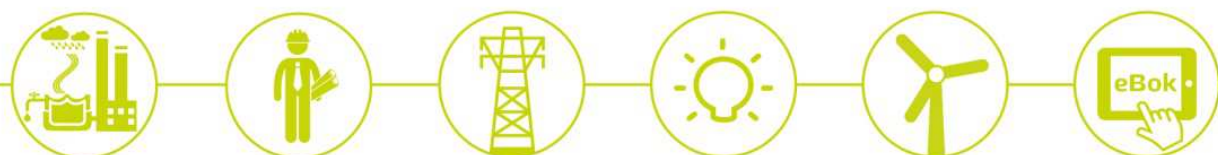
	Year ended	Year ended	Year ended	Year ended
	31 December	31 December	31 December	31 December 2012
	PLN 000s		EUR 000s	
Sales revenue	80,996	55,135	19,235	13,210
Operating profit	(98,392)	(81,688)	(23,366)	(19,573)
Profit before tax	503,467	520,822	119,560	124,790
Net profit	499,049	545,595	118,511	130,725
Comprehensive income	525,626	547,136	124,822	131,094

	Year ended	Year ended	Year ended	Year ended
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	PLN 000s		EUR 000s	
Net cash from operating activities	(96,704)	(101,758)	(22,965)	(24,381)
Net cash from investment activities	(348,797)	(659,796)	(82,830)	(158,088)
Net cash from financing activities	474,733	1,314,860	112,736	315,042
Net change in cash and cash equivalents	29,232	553,306	6,942	132,573
Earnings per share, basic and diluted (PLN/EUR per share)	1.21	1.32	0.29	0.32
Number of shares used to calculate basic earnings per share	414,067,114	414,067,114	414,067,114	414,067,114

	Balance as at		Balance as at	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	PLN 000s		EUR 000s	
Non-current assets	10,465,281	9,341,013	2,523,457	2,284,872
Current assets	1,099,806	1,024,425	265,192	250,581
Total assets	11,565,087	10,365,438	2,788,649	2,535,453
Non-current liabilities	4,988,638	3,148,649	1,202,893	770,180
Current liabilities	516,431	1,185,516	124,525	289,985
Equity	6,060,018	6,031,273	1,461,231	1,475,288
Share capital	4,521,613	4,968,805	1,090,281	1,215,402
Book value per share (in PLN/EUR per share)	14.64	1.21	3.53	0.30
Number of common shares at the end of the period	414,067	4,968,805	414,067	4,968,805

The above financial data for the years ended 31 December 2013 and 31 December 2012 were converted into EUR according to the following rules:

- individual items of the statement of financial position – at the average EUR exchange rate set by the National Bank of Poland: PLN 4.1472 on 31 December 2013 and PLN 4.0882 on 31 December 2012.
- individual items of the statement of profit or loss, the statement of comprehensive income and the cash flow statement – at the exchange rate calculated as the arithmetic mean of the average EUR exchange rates set by the National Bank of Poland on the last day of each month of the financial period: PLN 4.2110 for the period from 1 January to 31 December 2013 and PLN 4.1736 for the period from 1 January to 31 December 2012.



INFORMATION ON THE COMPANY AND THE ENERGA CAPITAL GROUP

ENERGA SA's structure

As at 31 December 2013, ENERGA SA ("Company", "Issuer") is a parent company of the ENERGA Capital Group ("ENERGA Group", "Group"), which in addition to parent company ENERGA SA consisted of 56 subsidiaries and two affiliated companies. The parent entity was established on 6 December 2006 for an unlimited duration by the State Treasury, Koncern Energetyczny ENERGA SA (currently: ENERGA-OPERATOR SA) and Zespół Elektrowni Ostrołęka SA (currently: ENERGA Elektrownie Ostrołęka SA). The company was registered in the National Court Register on 8 January 2007.

Fig. 1: ENERGA SA's organizational chart

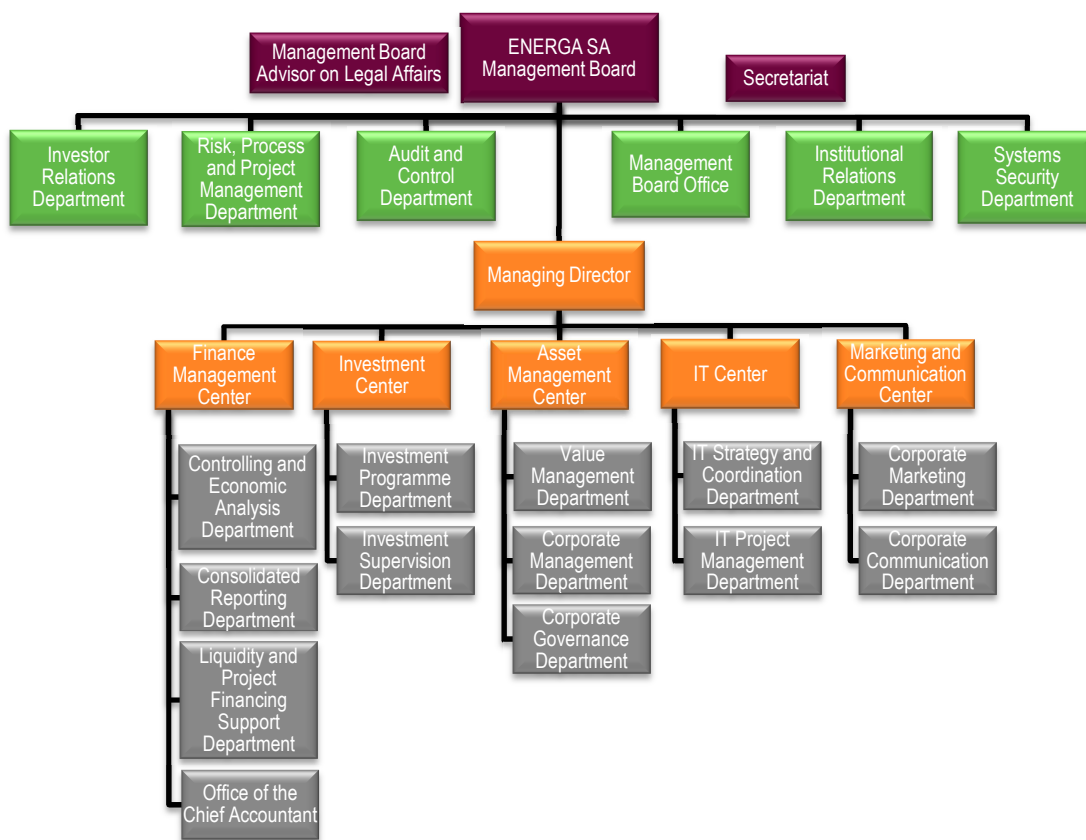
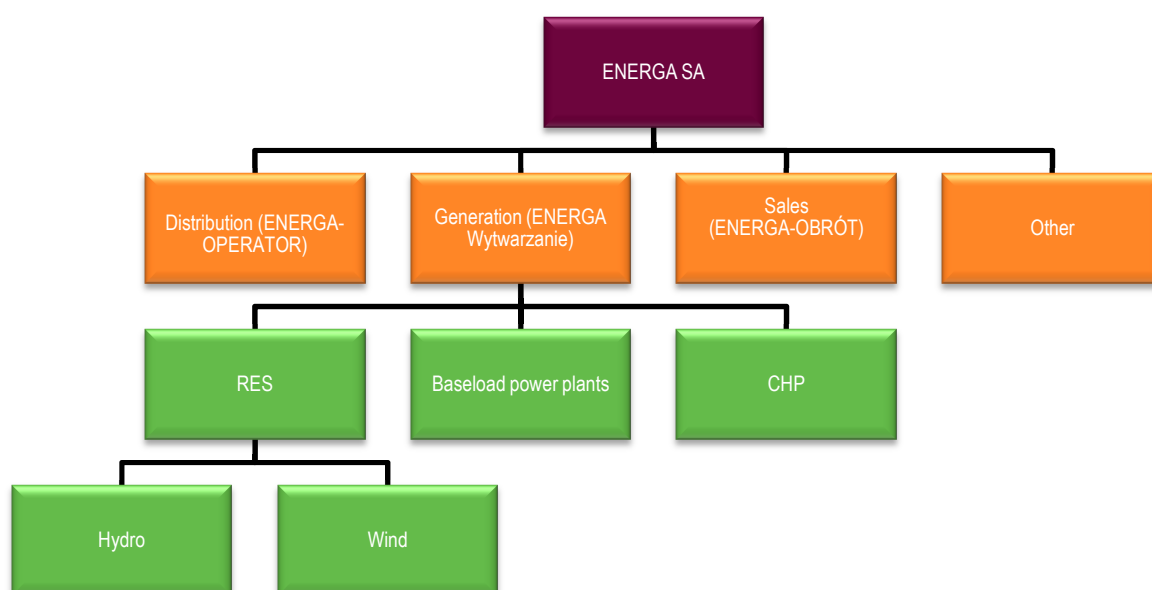


Fig. 2: Simplified organizational structure chart of the ENERGA Capital Group.



The full composition of the ENERGA Group as at the end of the reporting period, organizational and/or capital ties as well as chronological list of formal and legal changes are included in note no. 2.1 to the Consolidated financial statements for 2013.

Activity of ENERGA and the Capital Group

The ENERGA Group is the third distribution system operator (DSO) in Poland in terms of the volume of electrical energy supplied to end users, with a leading position on the Polish market in terms of electricity distribution as a percentage of EBITDA. The Group's core business entails distribution, generation and sales of electrical energy. Among Poland's largest utilities it also holds a leading position in terms of the generation of energy in hydro power plants and the percentage of electrical energy originating from renewable energy sources (RES) in the total volume of electrical energy generated and distributed. The Group is third largest electricity supplier in Poland in terms of the volume of electricity sold to end users.

The business of the ENERGA Group is focused on the following key business areas:

1. *Distribution Segment of electrical energy* – entails activity involving the distribution of electrical energy by the DSO – ENERGA-OPERATOR SA (Segment Leader), as well as activity directly connected to the distribution activity conducted by other Group companies
2. *Generation Segment* – primarily entails the generation of electrical energy from renewable energy sources and generation activity in conventional power plants and combined heat and power plants as well as the distribution of heat – ENERGA Wytwarzanie Sp. z o.o. (formerly ENERGA Hydro Sp. z o.o.) – Segment Leader
3. *Sales Segment* – consists of activity related to the sales of electrical energy and customer service conducted by ENERGA-OBROT SA (segment leader) and ENERGA Obsługa i Sprzedaż Sp. z o.o. as well as street and road lighting services provided by ENERGA Oświetlenie Sp. z o.o.

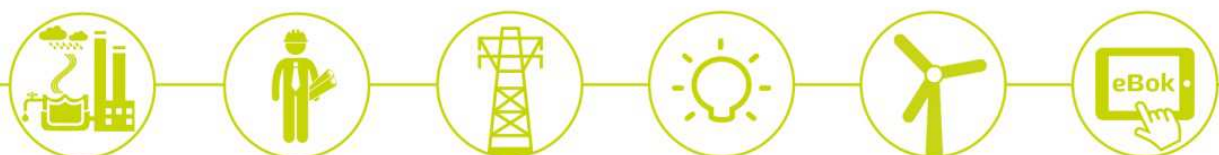
The activity supporting the Group's three principal operational segments is consolidated within the 'Other' Segment managed by ENERGA as the Group's holding company. The companies, which provide the support services for the major operational segments, include primarily shared services centers providing accounting, HR, payroll, administrative and ICT support services.

ENERGA Group's management model

Since 17 December 2013, the organization and management of the ENERGA Capital Group has been done on the basis of an internal regulation named Organizational Governance, which replaced the previously prevailing Holding Agreement. The changed concept is the result of the ENERGA Group's efforts to build a commercial organism whose operations will be firmly based on market principles and competitive strategies. Thanks to this, the Group will be better prepared to face the challenges of the ever-changing market and regulatory environment.

Responsibility for operational effectiveness and efficiency as well as the financial performance is consistently born by the individual Segments. ENERGA SA performs strategic and control functions. Such vision of Governance supports the Group's development based on organic growth and assets held by the Group, and it prepares it well for participation in merger and acquisition processes. Organizational Governance regulates the following areas: corporate governance, financial policy, investments, HR policy, IT, legal service, market and regulatory environment, and investor relations.

ENERGA SA defines the Group's Business Model based mostly on management of Segments, while Segment Leaders still maintain their independence in achievement of business objectives and carrying out market activities. The holding company outlines the Segments in the Group and defines their objectives, and it is responsible for strategic and directional decisions and activities. ENERGA SA is responsible for monitoring and control of Segments' operations, and for management of strategic risk throughout the ENERGA Group. It also supervises the Segment Leader, which conducts activities on the operational level and manages the Segment on the basis of the Group's Business Model, defines and enforces the achievement of the goals of the Segment's companies and it is fully responsible for the Segment's performance, and it is responsible for the Segment's ability to generate dividend for the owner. The activities are effective on the level of the Group, the Segment as well as individual entities. Particular emphasis is placed on development of the Group's management team and its competences, and observance of values by managers of ENERGA SA and the individual Segments, who contribute to achievement of the Group's objectives.



DESCRIPTION OF BUSINESS ACTIVITY OF ENERGA AND ENERGA GROUP

Key events and achievements of ENERGA and ENERGA Group

The most important events of 2013, which exerted and will exert influence on the activity of the ENERGA Capital Group, include the following:

ENERGA SA's IPO on the WSE

The IPO of ENERGA SA, carried out on 11 December 2013, was the largest in more than two years initial public offering of shares on the Warsaw Stock Exchange. Its value was PLN 2.4 billion. The final number of offered shares and stabilizing shares was 141,522,067 (series AA shares). The Company market capitalization at the opening of trading was PLN 7.02 billion. The State Treasury's offer was a huge success, and average reduction in both tranches of individual investors was the same, i.e. 55.9%.

Payment of dividend by the Company for 2012

On 23 April 2013, the Ordinary General Meeting adopted a resolution to earmark an amount of PLN 496,881 thousand for payment of dividend to the Company's shareholder, which makes up PLN 0.10 per share (if we used for the calculation the number of shares after the reverse split made in September 2013, the dividend per share would be PLN 1.20). The dividend was paid out of the net profit generated by the Company in 2012.

ENERGA Group's Strategy for 2013–2020

The ENERGA SA Management Board on an on-going basis reviews and adapts the strategy to the current market conditions and other factors important for the industry. After verification of the strategy presented in current report no. 20/2013 on 13 September 2013, the Company replaced in full the previous versions of the strategy.

The Company's overriding objective is to create value for shareholders and other stakeholders through growth of the Group as an efficient and innovative entity which flexibly adapts to market conditions, maintains a profile of activity with a low business risk and safe capital structure, becoming an increasingly reliable distributor, preferred supplier and environment-friendly generator of electricity.

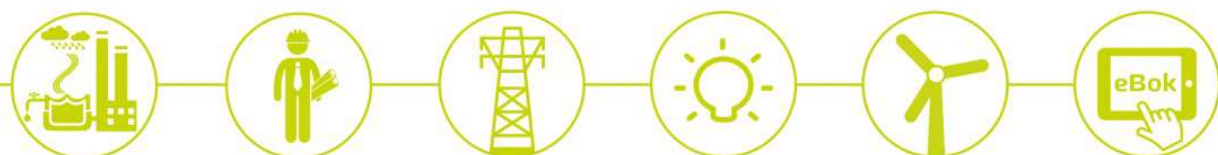
The strategy of the ENERGA Group assumes defending the leading position among Polish utilities and further increase of efficiency and quality of the offered services. It is based on three main pillars: (i) growth of distribution activity, (ii) minimizing environmental impact, and (iii) constant concentration on customer service.

In distribution activity the priority will be to enhance profitability, improve the quality and reliability of services and further connection of new customers and renewable sources of energy to our grid. These objectives will be attained in particular through modernization and expansion of the distribution grid and improvement of operation efficiency.

The ENERGA Group will reduce its impact on the natural environment thanks to growth of environment-friendly energy sources, including investments in renewable energy sources and support of efficient energy consumption. To this effect the Group uses tested technologies and processes reducing greenhouse gas emissions in the generation and distribution process.

The ENERGA Group's constant concentration on customer service will enable us to improve their satisfaction with the quality of services and maintain strong long-term ties. The Group will provide its customers with high quality products and services delivered in a reliable and cost-efficient manner.

One of the core tools for execution of the strategy is the Investment Program. The Group carries out careful financial analyses to ensure that its investment projects reach and exceed the minimum thresholds of the internal



rate of return on investments. ENERGA evaluates and undertakes investments and manages business risk in a prudent manner, while observing safety of the capital structure. Currently the Group pursues the following financial objectives: (i) maintaining the credit ratings on the investment level; (ii) limiting the amount of expenditures on individual projects to a figure no higher than the Group's annual EBITDA; and (iii) maintaining a safe level of financial ratios – our objective is to maintain the Net Debt/EBITDA ratio at no more than 2.5.

Long-term Strategic Investments Program (WPIS)

On 20 September 2013, the ENERGA SA Supervisory Board approved the Long-term Strategic Investments Program ("WPIS") of the ENERGA Group for 2013-2021 (second edition). WPIS has the status of an executive document regulating the planning activity in the area of investments in the ENERGA Group. The investments program for 2013-2021 encompasses potential investments worth approx. PLN 19.7 billion and focuses on the Distribution Segment and production of electricity from RES, which makes the Group stand out among other large Polish energy groups. Approx. PLN 15.9 billion of this amount are investments in projects perceived as important from the standpoint of execution of the strategy, which depend on external factors such as, in particular, regulatory changes or market conditions only to a small extent. These are in most cases projects stimulating increase of efficiency of the distribution segment and the Group's production capacity regarding RES and co-generation, with the total expenditures on distribution of approx. PLN 12.5 billion, on RES – approx. PLN 1.7 billion, on the baseload power plant and CHP – approx. PLN 1.1 billion, and other investments – approx. PLN 0.6 billion. The remaining projects with the expenditures of approx. PLN 3.8 billion, with an 82% share of RES, comprise optional investment projects depending on the market and regulatory conditions, whose implementation in each case will depend on the results of feasibility studies and analyses of cost-efficiency and risks associated with their execution. Thus one cannot rule out that only some or none of them will be executed.

The investment program broken down into principal and additional projects

	Distribution	Generation			Sales and others	Total
		RES	Baseload	CHP		
(in millions of PLN)						
Principal investment projects	12,463	1,742*	498	620	580	15,903
Additional investment projects	-	3,105	234	452	-	3,791

* Takes into account acquisition of wind assets from Dong Energy and Iberdrola.

Investment commitments

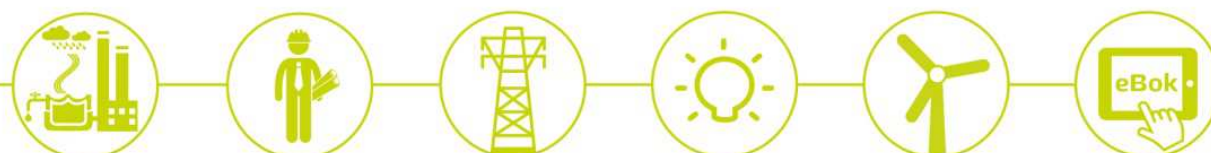
On 24 June 2013, ENERGA SA signed an agreement with Infovide-Matrix S.A. for the development and implementation of the sales support system, including billing and customer relationship management system in the ENERGA Group and on the provision of warranty and repair services for that system. Under that agreement, the Company undertook to incur the expenditures for property, plant and equipment and intangible assets in the amounts of PLN 5,494 thousand and PLN 63,197 thousand, respectively.

Assessment of the capacity to execute investment plans

Strategic investments and their financing are managed centrally on the Company level. On the basis of the analyses conducted, the Company's Management Board determined that the ENERGA Group was able to finance the current and future investment projects with funds generated from the operating activity and through obtaining debt financing.

Material factors relating to the development of ENERGA SA

In the opinion of the Company's Management Board, a factor material to the Company's development is the possibility of collecting dividends from subsidiaries, whose performance and activity in the perspective of at least the next quarter of 2014 will be affected by the following:



- level of demand for electricity and heat,
- electricity prices at the wholesale and retail market,
- prices of property rights and URE's policy as regards the granting of property rights for biomass co-firing,
- prices of fuels used for production of electricity and heat, especially prices of hard coal and biomass,
- macroeconomic environment, in particular the level of interest rates and FX rates,
- availability and prices of CO₂ allowances,
- changes to the legal environment,
- weather and hydrometeorological conditions,
- outcomes of pending lawsuits.

In longer term, the external factors referred to above will also accelerate the implementation of the ENERGA Group's Investment Program for 2013-2021, which was described earlier.

Information on concluded agreements and material transactions

Material contracts

According to the adopted *Information policy concerning the investor relations in the ENERGA Group*, the Company adopted the 10% equity threshold as the criterion allowing the proper assessment of the significance of the concluded agreement. According to the foregoing criterion, in the period covered by the report the Company did not conclude significant agreements.

Credit and loan agreements

On 26 June 2013, ENERGA SA and its subsidiary ENERGA-OPERATOR SA and the European Bank for Reconstruction and Development (EBRD) concluded a loan agreement for PLN 800 m, i.e. exceeding 10% of the Issuer's equity, under which EBRD provided PLN 400 m, and the remainder will be taken up by a consortium of two commercial banks: PKO Bank Polski Spółka Akcyjna ("PKO BP") and ING Bank Śląski SA. Funds received under the agreement will be earmarked to finance the investment program of ENERGA – OPERATOR SA for 2012-2015, which assumes, among others, the development of the distribution network and improvement of its effectiveness, including the implementation of advanced meters, as a part of a new *Smart Grid* solution. The final maturity of the loan is 18 December 2024. The loan is unsecured and based on customary contractual clauses.

On 10 July 2013, ENERGA SA and ENERGA – OPERATOR signed a financing agreement for PLN 1 billion with the European Investment Bank ("EIB"). The funds obtained from the Agreement will be earmarked for financing the aforementioned investment program of ENERGA-OPERATOR. The period of the loan availability expires on 10 May 2016. The maturity is 15 years from the date of drawing each tranche. The loan is unsecured and based on customary contractual clauses. The Agreement is governed by the Laws of England and Wales.

Credit and loan agreements were described in Standalone financial statements for the financial year ended 31 December 2013, in note 31.5 "Available external financing".

Domestic bond issue program

On 21 September 2012, ENERGA SA concluded with Pekao SA and BRE Bank SA an issue agreement establishing a domestic bond issue program in the amount of PLN 4 billion. The first bond issue under the program in the amount of PLN 1 billion took place on 19 October 2012, with the redemption date of 18 October 2019. The issue was addressed to Polish institutional investors. The structure of the bond issue by investors was as follows: Open-End Pension Funds – 82%, insurance companies – 6% and Mutual Fund Companies – 12%. On 19 November 2012, the bonds were floated on one of the Catalyst markets – on the Alternative Trading System (ASO) platform which is operated by BondSpot S.A. On 20 December 2013, ENERGA SA filed with the Polish Financial Supervision Authority (KNF) a prospectus prepared in connection with the intention to apply for admission



and floating of 100 thousand series A bearer bonds with par value of PLN 10 thousand each on the regulated market operated by BondSpot S.A. On 17 January 2014, the prospectus was approved by the KNF, and on 29 January 2014 the bonds issued by ENERGA SA were floated on the regulated market operated by BondSpot S.A.

The ENERGA Group performs private bond issues under the agreements between ENERGA SA and PKO BP. Detailed information about this matter are presented in note 31.5 "Available external financing".

Eurobond issue program

On 19 March 2013, as part of the Eurobond Issue Program ("EMTN Program"), the first eurobond issue with the value of EUR 500 m was carried out by ENERGA Finance AB(publ), a 100% subsidiary of ENERGA SA. The EMTN Program was assigned a BBB investment rating from Fitch and Baa1 from Moody's Investors Service. The first issue under the program comprised 5,000 bonds with the value of EUR 100 thousand each, with a 7-year maturity and with an annual coupon of 3.250%. The Eurobonds are listed at the Luxembourg exchange. The funds obtained from the issue of Eurobonds were earmarked for execution of the Investment Program and the operating expenditures.

Loans received

On 21 and 25 March 2013, ENERGA Finance AB (publ), a subsidiary of ENERGA SA, granted ENERGA SA two loans for total amount of EUR 499,000 thousand. Loan agreements were concluded for the purpose of financing the capital and operating expenditures, and the funds came from the EUR 500,000 thousand Eurobonds issue concluded by ENERGA Finance AB (publ) on 19 March 2013. The maturity date of both loans is 18 March 2020. Interest of the loans was determined on the basis of fixed interest rate.

Guarantees and sureties given

Guarantees and sureties given were described in Standalone financial statements for the financial year ended 31 December 2013, in note 30 "Assets, contingent liabilities and granted guarantees".

Significant transactions with affiliated entities on non-market terms

All the Company's transactions with affiliated entities are concluded on market terms. Detailed information on the transactions with affiliated entities is presented in note 28 to the Standalone financial statements for the financial year ended 31 December 2013.

Risk management in ENERGA

Corporate risk management in ENERGA SA is carried out by the Management Board, the management staff and the employees to identify potential events which may influence the organization and the ability to keep the risk within the prescribed limits, and to ensure the achievement of business objectives. It is a part of the Integrated Risk Management System encompassing business processes, projects and initiatives carried out on the level of the Group, Segments and Companies. The entity responsible for the course of the process and compliance with risk management system in the Company and the Group is the Risk Department at ENERGA SA, and uniform approach to risk management is provided by the joint Risk Management Policy defining the principal terms, roles and rules for delegating and escalating responsibilities.

Integration of risk management with the processes, according to the authorizations and scopes of responsibility, ensures that the system will correspond to the degree of significance:

- Managerial, through defining by the Management Board of the acceptable level of risk on the basis of its profile and exposure,



- Management, through management of risk within the set tolerance level, and exercise of management of control factors and mechanisms by the managers who are the owners of business processes whose objectives are affected by the given risks,
- Employee, through usage of control mechanisms, such as internal procedures and regulations.

Within the framework of the system, risk inspections are carried out twice a year, as a result of which the risk exposure is updated, the control mechanisms are evaluated, and the acceptable risk level and action plans are validated.

Risk management process employs techniques and tools used in the analysis, evaluation and visualizations of risk, as well as acquisition, processing and archiving of information and internal and external communication. The used risk model classifies risks into four areas:

- strategic, encompassing the risks associated with achievement of strategic objectives, including planning and execution of investments or corporate governance,
- financial, encompassing the risks associated with management of finances, including financial liquidity, solvency or reporting,
- operating, encompassing the risks associated with achievement of operating objectives, including in relation to infrastructure, processes or resources,
- regulatory and legal, including the risks associated with compliance with the prevailing laws and regulations.

The principal risks in the individual areas include:

Strategic area

Reputation risk – associated with the company's credibility and the trust of key stakeholders, clients and the surroundings. In order to mitigate that risk, the Company builds relations with the surroundings through credibility of reporting and transparency of actions.

Risk of corporate governance – associated with the fact that Polish law does not contain comprehensive regulations on capital groups and the dependencies among the Group's organizational units, which would allow to achieve the assumed strategic and business objectives more effectively.

In 2013, exposure to risk of corporate governance was reduced through adoption of Organizational Governance of the ENERGA Group, unifying the formal and legal documents within the ENERGA Group, i.e. articles of association of the companies, management contracts, and dividing the Group into three Segments: Generation, Distribution and Sales.

Investment risk – associated with investment priorities, incorrect planning assumptions, and ENERGA SA's central coordination and management of strategic investments.

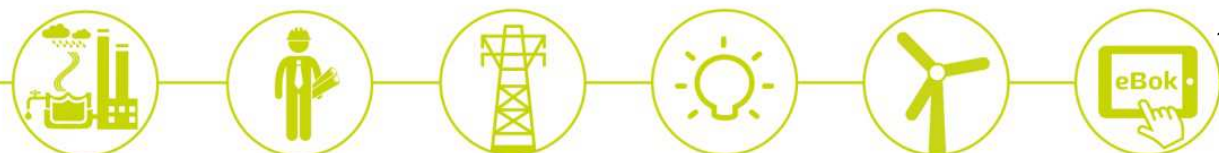
In order to mitigate that risk, the tools allowing multi-scenario planning and management of investment projects are used.

Finance area

Risk of current financial liquidity – associated with the possibility of losing the ability to pay liabilities on time or losing possible benefits resulting from over-liquidity.

Due to centralization of the debt-related activity in ENERGA SA, this entity conducts ongoing monitoring of fulfillment of the covenants and their forecasts in long-term periods, which makes it possible to define the Group's capability to incur debt, determines its investment capacity and affects its ability to pay liabilities on time in longer time horizon.

As at 31 December 2013, the current assets to current liabilities (financial liquidity) ratio was 2.1, which means that the Company is able to pay liabilities on time and that it efficiently manages its financial liquidity.



Risk of solvency – associated with the possibility of losing the ability to pay liabilities in long time horizon. The main factors increasing the significance of this risk result from unfavorable changes in the value and structure of assets, the level and structure of long-term liabilities, and the level of obligatory capital expenditures.

At the Group level, risk is managed through centralization of debt activity in ENERGA SA and usage of joint Group's Financial Policy, monitoring, regular updating and testing of the Group's long-term financial model from the standpoint of maintaining the investment rating and the required levels of covenants, planning and regular reporting of liquidity of the main Group companies, and diversification of markets from which the financing is obtained.

As at 31 December 2013, the ENERGA Group's net debt-to-EBITDA ratio, which determines the degree of solvency, was 1.49, which means that the Group is able to pay liabilities in long time horizon. The ENERGA Group's ability to obtain long-term debt financing is confirmed by its ratings.

Currency risk – associated with incurring and servicing ENERGA Group's debt liabilities in foreign currencies, mostly under the EMTN Eurobond Issue Program.

As at 31 December 2013, ENERGA Finance AB (publ) issued Eurobonds with total nominal value of EUR 500 m.

ENERGA monitors the currency risk and manages it primarily through implementation of Hedge Accounting and CCIRS transactions.

Interest rate risk – exposure to risk of interest rate market fluctuations is related to current and potential long-term debt. According to the policy applicable to this case, risk of variation in interest rates is mitigated by maintaining a portion of debt with fixed interest rate.

As at 31 December 2013, 40% of the Company's financial debt (according to book value) was the debt with fixed interest rate.

In connection with implementation of hedge accounting, the Company also identifies the interest rate risk related to the concluded CCIRS hedging transaction. Changes in pricing related to changes of future interest rates for EUR and PLN are posted to other comprehensive income and do not encumber the results (results are encumbered only by the difference between the interest accrued according to fixed interest rate for PLN and EUR).

Operating area

Risk of security of information and IT systems – related to reliability and functionality of the IT systems used, and the security of data gathered in them.

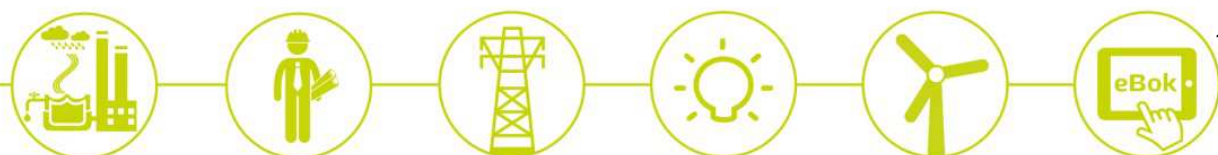
Significant factors of that risk may include unauthorized actions aiming at breaching the security of IT systems, natural disasters, acts of terror and other incidents which may result in interruptions of power supply to the infrastructure.

In order to mitigate that risk, the functioning of ICT applications and infrastructure is monitored on an ongoing basis, along with the quality, architecture, efficiency and correctness of operation of IT systems and services. Internal organizational solutions were also implemented, which provide user rights management in the systems, access control and supervision over the systems, as well as internal regulations on safety and security of information.

Because the power industry is strongly dependent on the IT systems, and these systems gather and process large volumes of data, this risk is very significant, however, in 2013 the control mechanisms in place prevented the breach of ICT security.

Regulatory and legal area

Risk of regulatory environment – related to the impact of the regulatory environment on ENERGA's functioning and financial performance.



Risk mitigation is carried out within the framework of the Group's Team on Power Regulation composed of the representatives of ENERGA SA and Segment Leaders.

HR and payroll situation

Headcount

Average annual headcount and headcount at the end of the year with split into production and non-production employees in the Company is presented in the following table.

Headcount in the company as at 31 December 2013 and 31 December 2012^{*)}

Headcount (persons) as at 31 December 2012	including laborers as at 31 December 2012	Average annual headcount in FTEs in 2012	Headcount (persons) as at 31 December 2013	including laborers as at 31 December 2013	Average annual headcount in FTEs in 2013
143	0	174.42	135	0	137.24

^{*)} Headcount takes into account employees on unpaid leaves of absence.

Remuneration system

The Company's remuneration system is described in the Rules for remunerating ENERGA SA employees approved by Resolution No. 46/II/2007 adopted by the ENERGA SA Management Board on 25 July 2007. Due to acquisition of employees through a trilateral agreement (agreement between work establishments), certain remuneration components also contain the regulations of:

- 1) Inter-Company Collective Bargaining Agreement for Power Industry Employees,
- 2) Remuneration Rules of ENERGA-OPERATOR SA,
- 3) Company Collective Bargaining Agreement of ENERGA-OPERATOR SA Branch in Gdańsk,
- 4) Company Collective Bargaining Agreement of ENERGA-OPERATOR SA Branch in Płock,
- 5) Company Collective Bargaining Agreement of ENERGA-OPERATOR SA Branch in Kalisz,
- 6) Company Collective Bargaining Agreement of ENERGA Kogeneracja Sp. z o.o.

In 2013, average gross remuneration paid from the remuneration fund was PLN 14,494.45. This represents a 4.8% increase from 2012 (PLN 13,836.50). The increase of average remuneration in 2013 is attributed to changes in employment. In addition, during the year certain Directors changed their method of employment from employment contract to employment on the basis of a management contract, and their remunerations are not paid from the remuneration fund. As at 31 December 2013, the Company's Management Board (3 people), Managing Director and 6 other Directors were employed on the basis of management contract.

As at 31 December 2013, 135 employees were covered by the social agreement, and also 34 people were covered by employment guarantee.

Important information influencing the Company's HR and payroll situation

a) Employee benefits

ENERGA SA has in place an extensive employee benefits system, of which the most important elements include:

- Annual bonus constituting 8.5% of the annual remuneration fund from last year, paid out pro rata to the length of employment;
- "Employee electricity tariff";
- Holidays gift certificates issued to employees for the Easter Holiday, the Power Industry Employee's Day and Christmas;
- The Employer remits funds to the Employee Pension Plan in the amount of 7% of employees' remuneration;



- Cash equivalent of coal allowance;
- Benefit for work in hazardous conditions;
- Addition to basic remuneration depends on seniority;
- Jubilee award;
- Additional Medical Care Program under the agreement concluded with AXA Życie Towarzystwo Ubezpieczeń SA. All employees have the right to receive additional medical benefits under the Financial Package funded by the employer;
- The company social benefits fund authorizing to make charges in the amount three times of the basic charge defined in the Act on Company Social Benefits Fund.

The Company offers its employees training packages and other forms of development to prepare the employees to perform their duties, improve their efficiency, and increase their knowledge, motivation and commitment to work. In 2013, training activities were focused on increasing the employees' qualifications in specialized areas. Some of the employees took advantage of more than one form of increasing their professional qualifications. The main areas, in which the employees increased their qualifications, included:

- risk and finance management
- reporting duties of listed companies
- internal audit and control
- Project management
- MBA studies
- advanced English language classes
- soft training in public speaking and techniques of exerting influence
- scientific conferences and symposiums of the power industry.

b) Changes of employment conditions

In 2013, there were no significant changes in the prevailing Company Collective Bargaining Agreements.

c) Group layoffs

In 2013, the Company did not carry out any group layoffs.

d) Collective disputes

As at 31 December 2013, union membership in the Company was approx. 5%. The following five union organizations operate in the Company:

1. Inter-Company Trade Union NSZZ Solidarność ENERGA-OPERATOR SA Branch in Gdańsk,
2. Inter-Company Trade Union of the ENERGA Capital Group Employees,
3. Inter-Company Trade Union of Employees of Koncern Energetyczny ENERGA SA, Energetyka Kaliska Branch in Kalisz,
4. Trade Union of Engineers and Technicians of MOZ in the ENERGA SA Capital Group, Branch in Gdańsk,
5. Independent Trade Union of the ENERGA Capital Group Employees.

The overall analysis of the social situation in the Company indicates that there are no conflict situations. In 2013, the Employer was not a party to collective disputes with trade unions. On 23 January 2013, trade unions sent a demand to ENERGA SA to maintain current level of employment, guarantee continued employment and secure the employees' interests acquired during the restructuring process, and also to determine the wage increases for 2013. The Employer did not accept that demand and did not report a collective dispute because the presented demands could not constitute grounds for launching a collective dispute because they did not comply with the regulations.





ANALYSIS OF THE FINANCIAL AND PROPERTY SITUATION OF ENERGA SA

Description of the rules for preparation of financial statements of ENERGA SA

The standalone financial statements of ENERGA SA for the financial year ended 31 December 2013 were prepared in accordance with International Financial Reporting Standards as approved by the European Union ("IFRS EU").

The standalone financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value through profit or loss and hedging derivatives.

The standalone financial statements were prepared under the assumption of ENERGA SA's being a going concern for the foreseeable future and there are no circumstances indicating a threat to continuing operations.

The accounting (policy) principles applied to prepare the standalone financial statements were presented in note 8 to the standalone financial statements of ENERGA SA consistent with IFRS EU for the financial year 2013.

Discussion of the key economic and financial numbers of ENERGA SA disclosed in the financial statements for the financial year 2013

Statement of profit or loss

PLN 000s	2013	2012	Change	Change (%)
Sales revenue	80,996	55,135	25,861	47%
Cost of sales	(84,569)	(61,662)	(22,907)	37%
Gross loss on sales	(3,573)	(6,527)	2,954	-45%
Other operating income	7,588	7,284	304	4%
General and administrative expenses	(97,864)	(79,754)	(18,110)	23%
Other operating expenses	(4,543)	(2,691)	(1,852)	69%
Operating loss	(98,392)	(81,688)	(16,704)	20%
Financial income	942,948	995,776	(52,828)	-5%
Financial costs	(341,089)	(393,266)	52,177	-13%
Profit before tax	503,467	520,822	(17,355)	-3%
Income tax	(4,418)	9,354	(13,772)	-147%
Net profit on continuing operations	499,049	530,176	(31,127)	-6%
Net profit on disposal of non-current assets classified as held for sale	-	15,419	(15,419)	-100%
Net profit for the financial year	499,049	545,595	(46,546)	-9%

ENERGA SA's operating income is largely related to the services, which the Company provides to other Group companies. Growth of income in 2013 resulted primarily from significant increase of income on account of reinvoices and transfer of costs of tasks performed in 2013. The most important activities include, among other things, obtaining the financing (launching a Eurobonds issue program, concluding loan agreements with the European Bank for Reconstruction and Development and the European Investment Bank for financing ENERGA-OPERATOR SA's investment program for 2012 - 2015), and acquisition activities related to purchase of wind assets from the DONG Group and the Iberdrola Group.

Increase of general and administrative expenses by 23% was primarily attributed to the costs related to the Company's IPO on the Warsaw Stock Exchange.

In 2013, as in 2012, the main source of the Company's financial income was dividend income. Lower than last year dividend income (-PLN 136,068 thousand) and increase of net interest costs (PLN 13,996 thousand) were largely offset by lower level of revaluation charges for financial assets established in 2013 and dissolution of revaluation charges established in previous years. Consequently, net financial income decreased by PLN 651 thousand.



Accordingly, the ENERGA SA's net result reached PLN 499,049 thousand, which was 9% less than the net profit earned during 2012. In addition to the aforementioned factors, the net result was significantly affected by change of income tax.

Statement of financial position

PLN 000s	2013	2012	Change	Change (%)
ASSETS				
Non-current assets				
Property, plant and equipment	10,962	7,256	3,706	51%
Investment property	11,079	11,736	-657	-6%
Intangible assets	25,680	26,987	-1,307	-5%
Shares in subsidiaries and associates measured at purchase price	6,170,698	5,953,106	217,592	4%
Other investments	-	551	-551	-100%
Bonds	4,104,817	3,147,730	957,087	30%
Deferred tax assets	-	10,653	-10,653	-100%
Hedging derivatives	13,017	-	13,017	-
Other non-current assets	129,028	182,994	-53,966	-29%
	10,465,281	9,341,013	1,124,268	12%
Current assets				
Inventories	467	496	-29	-6%
Current tax receivables	-	1,380	-1,380	-100%
Trade and other receivables	39,864	22,600	17,264	76%
Interest and shares	1,000	11,119	-10,119	-91%
Bonds	335,787	232,941	102,846	44%
Cash and cash equivalents	710,399	688,261	22,138	3%
Other current assets	12,289	67,628	-55,339	-82%
	1,099,806	1,024,425	75,381	7%
TOTAL ASSETS	11,565,087	10,365,438	1,199,649	12%
EQUITY AND LIABILITIES				
Net assets attributable to owners				
Equity				
Share capital	4,521,613	4,968,805	-447,192	-9%
Supplementary capital	521,490	471,235	50,255	11%
Reserve capital	447,192	-	447,192	-
Cash flow hedge reserve	26,539	-	26,539	-
Retained earnings	543,184	591,233	-48,049	-8%
Total equity	6,060,018	6,031,273	28,745	0%



PLN 000s	2013	2012	Change	Change (%)
Non-current liabilities				
Loans and borrowings	3,866,077	2,000,547	1,865,530	93%
Bonds issued	1,059,781	1,079,219	-19,438	-2%
Non-current provisions	723	908	-185	-20%
Deferred tax liabilities	-	-	-	-
Deferred income and government grants	62,057	67,975	-5,918	-9%
	4,988,638	3,148,649	1,839,989	58%
Current liabilities				
Trade payables and other liabilities	23,468	23,911	-443	-2%
Current loans and borrowings	266,545	349,491	-82,946	-24%
Bonds issued	16,598	580,212	-563,614	-97%
Deferred income and government grants	8,251	8,611	-360	-4%
Accruals	7,949	4,353	3,596	83%
Provisions	144	162	-18	-11%
Other current liabilities	193,476	218,776	-25,300	-12%
	516,431	1,185,516	-669,085	-56%
Total liabilities	5,505,069	4,334,165	1,170,904	27%
TOTAL EQUITY AND LIABILITIES	11,565,087	10,365,438	1,199,649	12%

As at 31 December 2013, the total assets of the Company reached PLN 11,565,087 thousand and were PLN 1,199,649 thousand (12%) higher than on 31 December 2012. The most significant change was recorded in the liabilities under credits and borrowings line item, which results from the loan granted to the Company by Eurobonds issuer ENERGA Finance AB. Accordingly, in connection with transferring some of the obtained funds within the Group, the balance of purchased bonds increased from PLN 3,380,671 thousand to PLN 4,440,604 thousand as at 31 December 2013.

A significant change was also recorded in liabilities under bonds issued, whose total balance decreased by PLN 583,052 thousand. This is the result of buyback of short-term bonds worth PLN 580,000 thousand, which had been issued within the Group.

The most significant change in equity was a reclassification between share capital and reserve capital, and is a result of the reverse split of the Company's shares and reduction of share capital from PLN 4,968,805 thousand to PLN 4,521,613 thousand. The amount obtained from reduction of share capital, i.e. PLN 447,192 thousand was earmarked for reserve capital. In addition, the Company allocated PLN 496,881 thousand to dividend paid to shareholders. As at 31 December 2013, the equity covered 52% of the Group's assets, while the same ratio at the end of 2012 was 58%. The Company's net debt increased by PLN 1,177,394 thousand up to PLN 4,498,602 thousand.

Cash flow statement

PLN 000s	2013	2012	Change	Change (%)
Net cash flow from operating activities	(96,704)	(101,758)	5,054	-5%
Net cash flow from investing activities	(348,797)	(659,796)	310,999	-47%
Net cash flow from financing activities	474,733	1,314,860	(840,127)	-64%
Net increase / (decrease) in cash and cash equivalents	29,232	553,306	(524,074)	-95%
Cash and cash equivalents at the end of the period	706,805	677,573	29,232	4%

As at 31 December 2013, the balance of the Company's cash was PLN 706,805 thousand and was PLN 29,232 thousand, i.e. 4% higher than last year.

The total net cash flows from Company's operating, investing and financing activities in 2013 were PLN 29,232 thousand, compared to PLN 553,306 thousand in 2012.

Cash flows from operating activity were on a quite stable level and were related to the costs of Company's operations.

Growth of net cash flows on Company's investing activity was attributed mostly to lower net expenditures related to the purchase of bonds issued by other Group entities (decrease by PLN 399,458 thousand), which was partly offset by lower proceeds from dividends received (a drop of PLN 136,068 thousand).

Lower net proceeds from financing activity were associated primarily with lower proceeds on account of taking out loans (a drop of PLN 212,936 thousand) and higher expenditures for their repayment (a growth of PLN 707,140 thousand).

Projected financial results

ENERGA SA's Management Board has not published projections of standalone or consolidated financial results for the financial year 2013.

Ratings

On 10 October 2013, Fitch Ratings affirmed the Company's long-term ratings at the previous level of BBB (foreign rating) and A(pol) (local rating). The outlook for the ratings is stable. The Agency stated that the affirmation of the Company's ratings reflected the high share of the regulated distribution business in Energa's EBITDA, which contributed to cash flow predictability. The agency also determined that significant progress was made in obtaining external sources of financing for capital expenditures and for ensuring sufficient liquidity. It also pointed to additional factors, in the form of a relatively stable regulatory environment and acceleration of the development of generation capacity from renewable energy sources by the Company.

On 16 December 2013, Moody's Investors Service rating agency affirmed the Company's ratings: investment – at the Baa1 level, for unsecured debt – Baa1, and temporary at (P)Baa1 level awarded for the EMTN Program of the subsidiary ENERGA Finance AB (publ) with a total value of EUR 1 billion, guaranteed by ENERGA. The rating outlook was changed from negative to stable.

Confirmation of the Company's ratings by Moody's resulted from high share of regulated distribution activity, which is the basic source of the ENERGA Group's cash streams under the conditions of persevering low wholesale prices of electricity. Moody's predicts that despite limiting the weighted average cost of capital in 2014, the results of the Distribution Segment will remain strong as a result of the asset base growth driven by the investment program.

Change of rating outlook to stable occurred after the Company's IPO, which resulted in decrease of the State Treasury's shareholding from 84.2% to more than 50%. Considering the fact that the State Treasury is still a dominating shareholder (rating for Poland at A2 level with stable outlook), Moody's takes into consideration slight possibility of government's support in the situation of financial threat to the Company's rating. Accordingly, Baa1



rating takes into account a one-point improvement of the Company's credit rating expressed by Moody's in its basic credit assessment (BCA) at the baa2 level. Stable outlook also reflects the agency's expectation that the Company will manage its financial profile in accordance with the guidelines determined for the current ratings.

Ratings assigned

	Moody's	Fitch
Company's long-term rating	Baa1	BBB
Rating outlook	Stable	Stable
Date of assigning the rating	23 December 2011	19 January 2012
Date of most recent change of rating		12 October 2012
Date of most recent confirmation of	16 December 2013	10 October 2013

Evaluation of financial resources management

During the financial year, ENERGA had at its disposal cash guaranteeing timely service of all current and planned expenditures related to conducted operating and investing activity. Cash on hand as well as available credit facilities ensure that the liquidity management policy may be conducted in a flexible manner.

The Company monitors the liquidity risk using a periodic liquidity planning tool. The tool takes into account the payment due/maturity dates both for investment liabilities and financial assets and liabilities and forecasted cash flows from operating activity.

The objective is to maintain balance between continuity and flexibility of financing through the use of various sources of financing, such as current account overdrafts, working capital loans, investment loans and bonds.

In order to optimize financial surpluses, ENERGA Trading SFIO money market fund is utilized. ENERGA SA has an active program of issuing short-term bonds which may be subscribed for by the subsidiaries. This constitutes an optimal tool for management of the ENERGA Group's surpluses.

Information about the audit firm auditing the financial statements

The entity authorized to audit the Financial Statements of ENERGA SA and the ENERGA Capital Group is KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa ("KPMG").

The agreement between ENERGA and KPMG was concluded on 15 October 2013. The object of the agreement is to audit the Company's financial statements and the consolidated financial statements for 2013.

Auditor's fee for services provided to the Company

PLN 000s	Year ended 31 December 2013	Year ended 31 December 2012
Compulsory audit	40	57
Other assurance services	3,349	750
Total	3,389	807

SHARES AND SHAREHOLDING STRUCTURE

ENERGA SA's shareholding structure

On 3 September 2013, the Extraordinary General Meeting of ENERGA SA adopted resolutions on a reverse split of ENERGA SA shares and reduction of the Company's share capital. The reverse split was effected with a proportional reduction of the total number of the Company's series A, B and C shares from 4,968,805,368 to 414,067,114. The reduction of the share capital was effected through reduction of the par value of all existing shares in the Company from PLN 12 (which was the new par value of the shares following from the reverse split) to PLN 10.92 each. The decrease of the share capital was carried out without any distributions to shareholders, including to the State Treasury, and resulted in shifting the funds from the share capital to supplementary capital.

The end of 2013 marked a significant change in ENERGA SA's shareholding structure. The State Treasury, which had been the dominating shareholder until then, made a decision to carry out the Company's Initial Public Offering. Prior to sale of shares in ENERGA SA, the State Treasury held 348,562,067 shares in the Company representing 84.18% of ENERGA SA's share capital and entitling to 493,490,067 votes at the General Meeting, which constituted 88.28% of the total number of votes.

As at 31 December 2013 and the date of preparing this Report, the Company's share capital according to an entry in the National Court Register was PLN 4,521,612,884.88 and was divided into 414,067,114 shares with par value of PLN 10.92 each, including: 269,139,114 series AA ordinary bearer shares and 144,928,000 series BB registered shares preferred in terms of voting at the General Meeting in such a way that one share entitles the holder to 2 votes at the General Meeting.

Issuer's shares by series and types

Series	Type of action	Shares	(%)	Votes	(%)
AA	ordinary bearer shares	269,139,114	65.00	269,139,114	48.15
BB	registered preferred	144,928,000	35.00	289,856,000	51.85
Total		414,067,114	100.00	558,995,114	100.00

* One preferred share entitles its holder to two votes at the General Meeting. The owner of these shares is the State Treasury.

Shareholding structure of ENERGA (as at 12 December 2013)

Shareholder's name	Company's shareholding structure			
	Shares	(%)	Votes	(%)
State Treasury*	207,040,000	50.00	351,968,000	62.96
Others	207,027,114	50.00	207,027,114	37.04
Total	414,067,114	100.00	558,995,114	100.00

* According to the shareholder's notification of 12 December 2013, on 6 and 10 December 2013 the State Treasury concluded share purchase transactions for a total of 141,522,067 shares in the Company. The State Treasury holds 144,928,000 series BB registered shares preferred in terms of voting at the General Meeting in such a way that one share entitles the holder to 2 votes at the General Meeting.

Shareholding structure of ENERGA (as at 31 December 2013 and the date of preparing this Report)

Shareholder's name	Company's shareholding structure			
	Shares	(%)	Votes	(%)
State Treasury*	213,326,317	51.52	358,254,317	64.09
Others	200,740,797	48.48	200,740,797	35.91
Total	414,067,114	100.00	558,995,114	100.00

* As at 31 December 2013, the State Treasury owned 207,040,000 shares of the Company, constituting 51.52% of its share capital and entitling to exercise 351,968,000 votes at the General Meeting, which makes up 64.09% of the total number of votes at the General Meeting (including 144,928,000 registered series BB shares, preferred in terms of voting right at the General Meeting in such a way that one series BB share entitles the holder to two votes at the General Meeting). On 27 January 2014, State Treasury Minister informed the Company that as a result of return transfer of 6,286,317 series AA



ordinary bearer shares of the Company outside the regulated market by one of stabilizing managers (stabilization activities were completed in December 2013), the State Treasury's shareholding in ENERGA SA increased. The State Treasury holds 144,928,000 series BB registered shares preferred in terms of voting at the General Meeting in such a way that one share entitles the holder to 2 votes at the General Meeting.

Agreements pertaining to potential changes in the shareholding structure

The Management Board is unaware of existence of any agreements (including any agreements which may have been concluded after the date of the financial statements) which may result in future changes to the proportions of shares held by the current shareholders and bondholders.

Proceeds from securities issues

In the period covered by this Report, ENERGA SA issued bonds described in part "Information on concluded agreements and significant transactions".

In connection with the IPO, in 2013 the Company did not receive any proceeds from sale of shares by the State Treasury.

Purchase of treasury stock

In 2013, the Company did not purchase any treasury stock.

Employee stock ownership programs

In 2013, the Company had no employee stock ownership programs.

Company listings on the Warsaw Stock Exchange

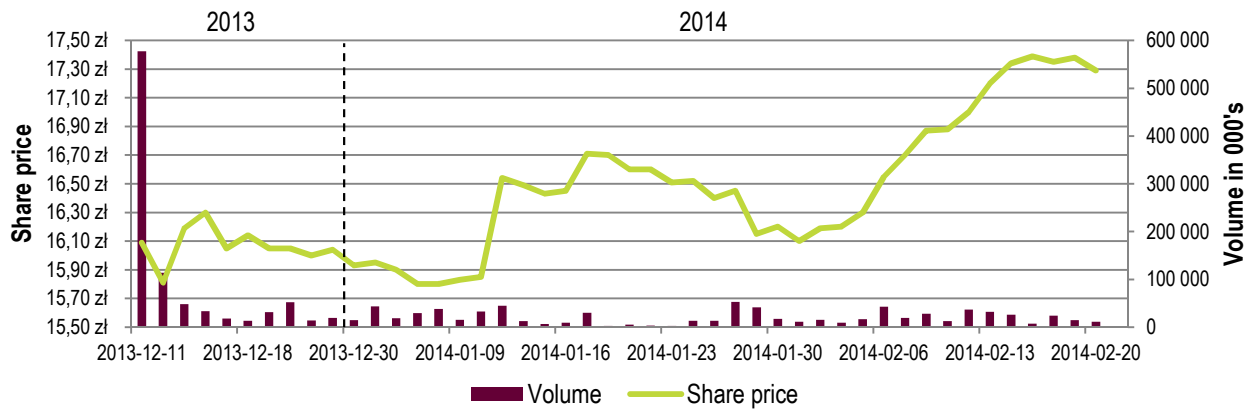
Data for ENERGA as at 31 December 2013

Data	Value
Issue Price	PLN 17.00
Number of shares	414,067,114
Minimum	PLN 15.30
Maximum	PLN 16.95
Stock price at the end of the period	PLN 15.93
Minimum at closing	PLN 15.80
Maximum at closing	PLN 16.71
Average turnover	84,939,000
average volume	5,216,985
Average number of trades	3,712

Source: In-house study based on the data from gpwinfostrefa.pl

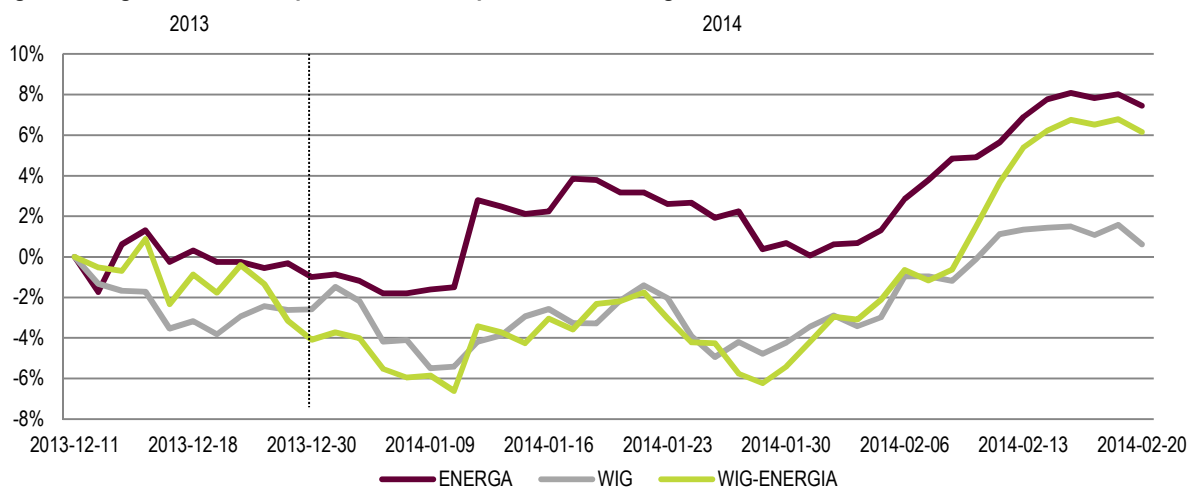
In the period from 11 December 2013 (i.e. date of IPO) to 31 December 2013, the list price of ENERGA SA ranged from PLN 15.30 to 16.95. At the end of the period, the list price was PLN 15.93 and was approx. 6.3% lower than the list price at IPO and approx. 1% lower than the closing price at the beginning of the period. The maximum price of Company's shares was PLN 16.95, and the minimum price of PLN 15.30 was recorded on the IPO date. During that period, WIG dropped by approx. 2.6% and WIG-Energia sectoral index dropped by 4.1%. From 1 January 2014 to 20 February 2014, the maximum price of Company's shares was PLN 17.39, and minimum – PLN 15.80.

Fig. 3: ENERGA SA quotations from the date of IPO to 20 February 2014



Source: In-house study based on the data from gpwinfostrefa.pl

Fig. 4: Changes in ENERGA quotations in comparison with changes in WIG and WIG-ENERGIA indices



Source: In-house study based on the data from gpwinfostrefa.pl

As at 31 December 2013, the Company comprised the following stock market indices:

- **WIG** - The WIG index includes all companies listed on WSE Main Market, which meet the base criteria for participation in the indices
- **WIG-Energia** – WIG-Energia index is an industry index, which is comprised of companies which participate in the WIG index and are at the same time categorized as "power sector" companies
- **WIG-Poland** – the index is comprised only of shares of domestic companies listed on WSE Main Market, which meet the base criteria for participation in the indices.

On 10 February 2014, a memo was posted on the website of the Warsaw Stock Exchange, advising that after the 21 March 2014 session the Company was included in mWIG40 index.

Investor relations in ENERGA SA

In connection with the Ministry of Treasury's intention to privatize ENERGA SA, at the beginning of 2013 the preparations for that process were resumed in the Company. Within the organizational structure, the Investor Relations Office was established, reporting directly to Executive Vice-President of the Management Board, Chief Financial Officer. At the first stage of its activity, the Office carried out a series of training sessions and workshops for the employees of the Company and all companies from the ENERGA Group, and it drafted internal regulations. This also included oversight over the content of the investor relations sub-site on the Company's corporate website dedicated to investors and analysts, which was launched in March. Since the date of the IPO, the investor relations

sub-site has been fully operational. In 2013, ENERGA SA also began to publish the financial results according to the scope of financial reporting required of public companies.

The Company communicates with the capital market participants through an increasing number of communication tools, including the following:

- Current and periodic reports as part of the performance of reporting duties,
- One-on-one meetings in the Company's office and outside of it, and teleconferences and videoconferences which are an alternative to one-on-one meetings,
- Quarterly presentations of financial performance for the investors, analysts and financial media, made directly or through interactive webcasts and teleconferences, starting from the annual report for 2013,
- Quarterly presentations for the investors,
- Ongoing contact via phone and e-mail (via the address investor.relations@energa.pl dedicated specifically to the investors with possibility of direct contact with Company employees responsible for investor relations)
- Bilingual investor relations sub-site (www.ir.energa.pl) on the Company's corporate website (www.grupa.energa.pl), which is updated on an ongoing basis,
- Investor chats (addressed mainly at individual investors)
- Meetings with individual investors during a specially organized Investor's Day,
- Participation in domestic and foreign investor's conferences,
- Roadshows with institutional investors, at least once a year, after publication of annual report,
- Participation in the "Citizen Shareholders. Invest Knowingly" program,
- Other tools depending on needs, such as short video presentations and video comments of Management Board representatives to financial results and other events important to the Company, and *factsheet* of the reporting period posted on the website after publication of financial results.

In order to create the basis for effective communication with capital market participants, the Office drafted internal regulations, including also informational policy applicable to investor relations, which is posted on the website. The persons, to whom the Policy is addressed, may familiarize themselves with the rules applied by the Company in investor relations.

Despite the fact that the Company has been listed on the WSE only for a short period of time, the investor relations are fully operational. Recently, the Company undertook a regular dialog with equity analysts who issue investment recommendations for their clients.

Recommendations for the shares in the Company

After the balance sheet date, the analysts of brokerage houses and investment banks issued the following recommendations for ENERGA SA shares:

Recommendations issued for the shares of ENERGA

Date	Institution	Recommendation	Target price	Listing on the date of issuing the recommendation
13 Jan 2014	JP Morgan	Overweight	PLN 19.00	PLN 16.54
13 Jan 2014	PCBs	Buy	PLN 17.50	PLN 16.54
13 Jan 2014	BofA Merrill Lynch	Buy	PLN 18.00	PLN 16.54
13 Jan 2014	UniCredit	Buy	PLN 17.90	PLN 16.54
17 Jan 2014	PKO Dom Maklerski	Buy	PLN 18.20	PLN 16.71
23 Jan 2014	mDom Maklerski	Buy	PLN 19.90	PLN 16.60
7 Feb 2014	Citigroup	Buy	PLN 19.00	PLN 16.55



REPRESENTATION ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

On 28 November 2013, ENERGA SA joined the Electronic Information Relay System ("ESPI") and started to send the information through that system according to the requirements stipulated in the relevant regulations. Next, the Management Board of Warsaw Stock Exchange, pursuant to Resolution No. 1426/2013 of 10 December 2013, resolved to float series AA shares of the Company as of 11 December 2013 following the regular procedure on the WSE's main market. As of 11 December 2013, ENERGA SA became a public company.

This Representation on the Company's application in 2013 of corporate governance principles included in document entitled "Code of Best Practice for WSE Listed Companies" was prepared on the basis of § 91 sec. 5 item 4 of Regulation issued by the Finance Minister on 19 February 2009 on the Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent (Journal of Laws of 2009 no. 33, item 259) and on the basis of § 29 sec. 5 of WSE Bylaws, and it constitutes a separate part of the Management Board's Report on the Issuer's activity in 2013, which is a part of ENERGA SA's Annual Report.

The Company and its authorities are subject to corporate governance rules, which are described in the set adopted by Resolution No. 19/1307/2012 of the WSE Board on 21 November 2012 as "Best Practice for WSE Listed Companies" ("Corporate Governance Rules", "Best Practice" or "DPSN") and were posted on WSE's website (<http://corp-gov.gpw.pl>) and the Company's website in the "Investor Relations" tab. The Company has not decided to adopt other corporate governance rules than those indicated above.

Corporate governance rules not used in the Company

- 1) I. 12, II item 1 sub-item 9a and IV.10 of DPSN – until this day the Company was not broadcasting the General Meeting via the Internet, it was not recording the meeting, and it was not posting it on its website.

Pursuant to part I item 1 of Best Practice, the Company should conduct a transparent and effective information policy using traditional methods and modern technology and the most modern means of communication to procure speed, safety and effective information access. By utilizing these methods to the greatest possible extent the Company should in particular: (...) provide for the appropriate communication with investors and analysts by utilizing modern methods of web-based communication for this purpose.

Pursuant to part II item I sub-item 9a of DPSN, the Company should post the audio or video recording of the General Meeting on the corporate website.

Pursuant to part IV item 10 of Best Practice, the Company should provide the shareholders with a possibility of participation in the General Meeting using the means of electronic communication involving live broadcast of the General Meeting and two-way communication in real time, as part of which the shareholders may take the floor during the General Meeting while being in a place other than the location of the General Meeting.



With respect to the foregoing rules, the Company's Management Board points out that at the moment the Company's Articles of Association do not envisage the possibility of participation in the General Meeting via means of electronic communication as defined by the Commercial Company Code.

ENERGA SA advises that in 2013, since it was not a public company, it did not follow that recommendation, however it does not rule out the possibility of following it in the future. The Issuer believes that the rules of participation in and exercising of the voting right at the General Meeting, prevailing in the Company, allowed proper and efficient exercising of voting rights attached to Company shares, however due to the fact that technologies have been developed and are available, which allow to exercise the voting right in person or via the proxy during the Shareholder Meetings in the location other than the place of holding the General Meeting using the means of electronic communication, the Company is analyzing the possibility of implementing that recommendation while first and foremost taking into account the adequate level of information security.

It should be added that the current General Meeting Bylaws envisage recording of the General Meeting provided that the General Meeting expresses its consent for it and with the reservation that every person, whose presentation or statement is recorded in such way, may ask for his/her presentation or statement not to be distributed or published.

2) I.9 of DPSN – equal representation of women and men in the Management Board and the Supervisory Board.

The Company clarifies that it provides equal opportunities for women and men to be appointed to the positions in the Management Board and the Supervisory Board, however at the present moment there is no equal representation of women and men in ENERGA SA's managing and supervisory authorities. The Company's Supervisory Board is composed of both men and women. In 2013, there were two women in the Supervisory Board: Ms. Agnieszka Poloczek and Ms. Iwona Zatorska-Pańtak. Last year, there were no women on the Company's Management Board.

Selection of candidates for relevant positions in the Company is preceded by detailed analysis of experience, competences, skills and substantive preparation of each candidate. These are the only criteria (besides the commonly binding regulations in that respect), which are taken into consideration in the recruitment procedure for positions in the Management Board.

Irrespective of the above, the Issuer makes every effort to maintain equal representation of women and men in the management staff, which is subordinated directly to the Issuer's Management Board. In 2013, the share of women on the management staff was 62%.

The Issuer also would like to advise that the Ministry of Treasury ("MoT") drafted the Supervision Professionalization Program, which outlines expectations and standards to be followed by supervisory board members representing the State Treasury. The program contains Best Practices related to providing equal representation of women and men in the companies' authorities (introduced in March 2014), with the aim of uniform utilization of the potential of the entire population in the interest of entrepreneurs, in particular companies with a State Treasury shareholding.

In addition, the Company's Management Board declares that the Company will make every effort to ensure equal representation of women and men because it believes that mixed teams are more effective.

3) c) III.8 DPNS – to the extent it refers to existence of Supervisory Board's committees whose tasks and operation should be governed by Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors.

The Company does not have any committees indicated in Annex I to Commission Recommendation of 15 February 2005, i.e. the Nomination Committee and the Remuneration Committee. Since March 2013, the Audit Committee has been operating within the framework of the ENERGA SA Supervisory Board, which is composed of three Supervisory Board members. At the same time the Issuer does not rule out the possibility

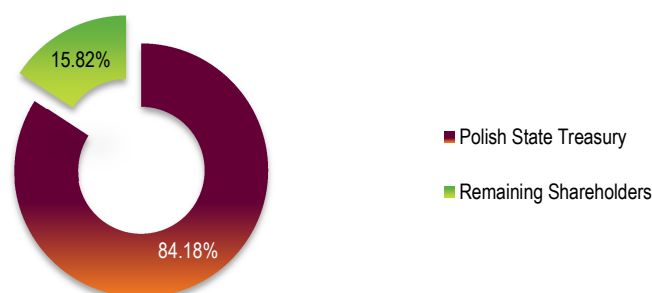


of establishing the nomination and remuneration committee to ensure the execution of this practice in its entirety.

Shareholders holding significant blocks of shares

The end of 2013 marked a significant change in ENERGA SA's shareholding structure. The State Treasury, which had been the dominating shareholder until then, made a decision to carry out the Company's Initial Public Offering on 11 December.

Fig. 5: Shareholding structure on the date preceding the IPO (as at 10 December 2013)



Shareholding structure of the Company (as at 12 December 2013)

Shareholder's name	Company's shareholding structure			
	Shares	(%)	Votes	(%)
State Treasury*	207,040,000	50.00	351,968,000	62.96
Others	207,027,114	50.00	207,027,114	37.04
Total	414,067,114	100.00	558,995,114	100.00

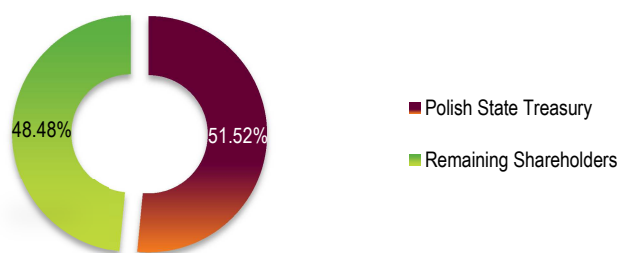
* according to the shareholder's notification of 12 December 2013, as a result of transactions involving sale of a total number of 141,522,067 Company's shares, carried out on 6 and 10 December, the State Treasury held 144,928,000 series BB registered shares preferred in terms of voting at the General Meeting in such a way that one share entitles the holder to 2 votes at the General Meeting.

Shareholding structure of the Company (as at 31 December 2013 and the date of preparing the Representation)

Shareholder's name	Company's shareholding structure			
	Shares	(%)	Votes	(%)
State Treasury*	213,326,317	51.52	358,254,317	64.09
Others	200,740,797	48.48	200,740,797	35.91
Total	414,067,114	100.00	558,995,114	100.00

* As at 31 December 2013, the State Treasury owned 207,040,000 shares of the Company, constituting 51.52% of its share capital and entitling to exercise 351,968,000 votes at the General Meeting, which makes up 64.09% of the total number of votes at the General Meeting (including 144,928,000 registered series BB shares, preferred in terms of voting right at the General Meeting in such a way that one series BB share entitles the holder to two votes at the General Meeting). On 27 January 2014, State Treasury Minister informed the Company that as a result of return transfer of 6,286,317 series AA ordinary bearer shares of the Company outside the regulated market by one of stabilizing managers (stabilization activities were completed in December 2013), the State Treasury increased its involvement in ENERGA SA. In addition, the State Treasury held 144,928,000 series BB registered shares preferred in terms of voting at the General Meeting in such a way that one share entitles the holder to 2 votes at the General Meeting.

Fig. 6: Shareholder structure of ENERGA SA as at the date of preparing this Representation



Holders of securities giving special rights of control and description of these rights

According to the information presented in item *Shareholders holding significant blocks of shares*, the State Treasury is the holder of the majority bundle of shares and votes at the General Meeting.

Since the date of floating the Company's shares on the regulated market, the State Treasury has the right to receive:

- 1) information on the Company and the Capital Group in the form of a quarterly report in accordance with the guidelines of the State Treasury Minister, subject to relevant provisions on disclosure of confidential information,
- 2) copies of announcements, which must be published in the Court and Economic Monitor,
- 3) set of documents, which are to be examined at the General Meeting pursuant to Article 395 § 2 of the Commercial Company Code ("CCC"), i.e. financial statements (consolidated financial statements of the Capital Group), Management Board's report on the Company's activity (Management Board's report on the activity of the Capital Group) for the previous financial year, auditor's opinion and report from the audit of the financial statements (consolidated financial statements of the Capital Group), Supervisory Board's report, and the Management Board's motion on distribution of profit and coverage of loss,
- 4) uniform text of the Articles of Association, within four weeks from the date of entering the amendments to the Articles of Association in the business register.

In addition, the State Treasury has the personal right to appoint and dismiss members of the Company's Supervisory Board, and indicate the Supervisory Board Chairman. Detailed information in that regard is included in item *Rules for appointing and dismissing Supervisory Board members*.

Restrictions regarding the exercise of voting rights

The Company's Articles of Association contain a restriction on the voting rights of shareholders, users and pledgees holding shares giving more than 10% of total number of votes at the General Meeting, as at the date of holding the General Meeting. On 17 February, the Extraordinary General Meeting of ENERGA SA approved, upon the request of the shareholder – the State Treasury, the amendment consisting in that 10% of total number of votes was increased to 20% of total number of votes at the General Meeting. As at the date of preparation of the Report, the amendment to the Articles of Association has not yet been registered in the Business Register of the National Court Register.

For the purposes of restricting the voting right, the votes of the shareholders connected by a parent or subsidiary relationship within the meaning of the following provisions are added up:

- 1) Commercial Company Code,

- 2) Competition and Consumer Protection Act of 16 February 2007 (Journal of Laws of 2007 No. 50, item 331, as amended),
- 3) Accountancy Act of 29 September 1994 (consolidated version: Journal of Laws of 2013, item 330, as amended),
- 4) Act on Transparency of Financial Relations between Public Authorities and Public Enterprises and Financial Transparency of Certain Enterprises of 22 September 2006 (Journal of Laws of 2006, No. 191, item 1411),
in such a way that the number of votes of such shareholders is added.

If as a result of accumulation it becomes necessary to restrict the voting rights in the manner described above, this will be made by pro rata reduction of the votes of all shareholders connected by a parent or subsidiary relationship, and the votes of the shareholder with the largest bundle of shares will be rounded up or down. If it is not possible to round up or down because two or more shareholders hold the same number of votes, the Management Board will randomly select a shareholder, whose votes will be rounded up or down. The reduction cannot lead to depriving the shareholder of the voting rights in their entirety.

Each shareholder, to which it applies, is obligated to notify the Management Board or the Chair of the General Meeting of the existence of a parent or subsidiary relationship, if it intends to participate in the General Meeting.

A person who failed to perform or inadequately performed the reporting duty referred to in the preceding sentence may exercise the voting right only on one share until the omission in performing the reporting duty is remedied; exercise of the voting right by such person on the remaining shares is ineffective. These provisions do not apply to the State Treasury and to the shareholders acting with the State Treasury based on agreements on joint exercise of voting rights ensuing from the shares.

According to the Articles of Association, the foregoing restrictions do not contravene the requirements concerning the purchase of significant blocks of shares according to the Act on Public Offerings and the Terms and Conditions for Introducing Financial Instruments into an Organized Trading System and on Public Companies of 29 July 2005 (i.e. Journal of Laws of 2013, item 1382) (hereinafter referred to as "Act on Public Offering"). In similar fashion, these provisions do not apply to the case of determining the obligations of entities, which are purchasing or are about to purchase significant blocks of shares. Besides the foregoing mechanism and the mechanisms defined in the commonly prevailing regulations, including the Commercial Company Code, there are no additional mechanisms which would specifically restrict the exercising of voting rights.

Restrictions on the transfer of ownership title to securities

As at the date of preparation of this Representation, there are no restrictions on the transfer of ownership title to Issuer's securities.

Rules for amending the Company's Articles of Association

The amendments to the Articles of Association require a resolution adopted by the Company's General Meeting and an entry in the business register. The Company's General Meeting may authorize the Supervisory Board to agree upon the uniform text of the Company's amended Articles of Association or introduce such other editorial changes as may be specified in a resolution of the General Meeting. The amendments to the Company's Articles of Association go into effect as of the moment of entry in the business register.

On 3 September 2013, the Extraordinary General Meeting of ENERGA SA was held, which adopted, among other things, the resolutions to amend the Articles of Association. Their purpose was primarily to prepare the Company's IPO and adjust to the requirements applicable to public companies. In addition, the scope of State Treasury's powers described in item 3.2. of this Representation was changed. Amendments to the Articles of Association also included the reverse split of the Company's shares, share capital reduction and turning some of the shares into preferred shares.



The foregoing amendments to the Articles of Association were entered in the Business Register of the National Court Register on 9 September 2013.

In 2013, four Shareholder Meetings of ENERGA SA were held on the following dates: 27 March, 23 April, 3 and 9 September (after the meeting was adjourned on 3 September 2013).

The most important matters examined by the General Meeting in the financial year 2013 included:

- 1) expressing the consent for acquisition of fixed asset components in the form of long-term bonds issued by ENERGA Hydro Sp. z o.o.,
- 2) expressing the consent for acquisition of fixed asset components related to development and deployment of the Sales Support System encompassing the billing system and the CRM system in the ENERGA Capital Group,
- 3) approval of standalone and consolidated financial statements for the financial year 2012, with distribution of profit and exonerating Management Board members and Supervisory Board members on the performance of their duties,
- 4) making a decision on amendments to the Company's Articles of Association in connection with the Company's IPO and the process of floating the Company shares on the regulated market at the Warsaw Stock Exchange,
- 5) making a decision on a reverse split of Company's shares, amendments to the Company's Articles of Association and authorizing the Company or the Company's subsidiary to purchase Company's shares in accordance with Article 362 § 1 item 8 of the Commercial Company Code in connection with Article 362 § 4 of the Commercial Company Code,
- 6) making a decision in the matter of reduction of the Company's share capital through reduction of the nominal value of the Company's shares,
- 7) making a decision to determine the series of Company's shares,
- 8) making a decision in the matter of dematerialization of Company's shares, registration of Company's shares in the securities depository, authorizing the Company's Management Board to conclude an agreement with Krajowy Depozyt Papierów Wartościowych SA (KDPW) for registration of shares, and seeking admission and floating of the Company's shares on the regulated market operated by WSE.

On 17 February 2014, the Extraordinary General Meeting of ENERGA SA was held, which adopted, among other things, a resolution to amend the Articles of Association consisting in that 10% of total number of votes was increased to 20% of total number of votes at the General Meeting. As at the date of preparation of the Report, the amendment to the Articles of Association has not yet been registered in the Business Register of the National Court Register.

Company's corporate bodies

General Meeting

Rules of operation of the Company's General Meeting are regulated by the Commercial Company Code and the Company's Articles of Association. Additional issues related to functioning of the General Meeting are defined in the General Meeting Bylaws prevailing in the Company.

The General Meeting is held in Warsaw or in the Company's registered office in Gdańsk.

Ordinary General Meeting should be held within 6 months from the end of the Company's financial year. The following matters should be examined by the General Meeting:

- 1) reviewing and approving the Management Board report on the Company's activity and the financial statements for the previous financial year
- 2) adopting a resolution on distribution of profit or coverage of loss and
- 3) discharging the members of the Company's governing bodies on the performance of their duties.



The Extraordinary General Meeting is convened in cases specified in the Commercial Company Code.

Manner of convening the General Meeting

The General Meeting is convened through announcement made on the Company's website and in the manner specified for publication of current information according to the Act on Public Offering, i.e. in the form of current reports. The announcement should be made at least twenty six days before the date of the General Meeting, according to the regulations set forth in the Commercial Company Code. By principle, the properly convened General Meeting is valid irrespective of the number of shares represented thereat. A resolution in matters not included in the agenda of the General Meeting may not be adopted, unless the Company's entire share capital is represented at the General Meeting and none of the persons present raised an objection to adopt a resolution.

Pursuant to the Articles of Association, the General Meeting is convened by the Management Board at its own initiative, at the written request of the Supervisory Board or at the request of a shareholder or shareholders representing at least one-twentieth of share capital, or at the request of the State Treasury for as long as it is a Company shareholder.

In addition, pursuant to the Commercial Company Code, shareholder or shareholders of the Company representing at least one-twentieth of the Company's share capital may request convening an Extraordinary General Meeting and placing certain matters on the agenda of that meeting.

If, within two weeks of the date of filing the request with the Management Board, the Extraordinary General Meeting is not convened, the court of registration may authorize the shareholders who made such request to convene the Extraordinary General Meeting. The court shall appoint the chairman of the General Meeting.

Pursuant to the Commercial Company Code, a shareholder or shareholders of the Company representing at least one-twentieth of the Company's share capital may request placing certain matters on the agenda of the closest General Meeting. The request should contain a justification or draft resolution pertaining to the proposed item on the agenda and be submitted to the Management Board no later than twenty one days before the set date of a General Meeting. The Management Board is obligated to announce changes to the agenda made upon request of the shareholders immediately, but no later than eighteen days before the set date of a General Meeting. The announcement is made on the Company's website and in the manner specified for publication of current information according to the Act on Public Offering, i.e. in the form of current reports.

Pursuant to the Commercial Company Code, a shareholder or shareholders of the Company representing at least one-twentieth of the Company's share capital may submit to the Company – before the date of the General Meeting – the draft resolutions concerning the items included in the agenda of the General Meeting or the items which will be included in the agenda, in writing or using the means of electronic communication. The Company will immediately post the draft resolutions on the website. Any Company shareholder may, during the General Meeting, submit draft resolutions on issues included in the agenda.

Participating in and exercising the voting rights at the General Meeting

Only the persons who are Company's shareholders sixteen days before the date of a General Meeting (date of registration of participation in a General Meeting – "record date") have the right to participate in the General Meeting.

Company's shareholders may participate in the General Meeting and exercise their voting right in person or by proxy. A shareholder, who intends to participate in the General Meeting via the proxy, must give that proxy the power-of-attorney in writing (without the pain of invalidity) or in the electric form; the power-of-attorney in the electronic form does not have to be provided with secure electronic signature verified through a valid qualified certificate. In addition, the Company should be notified about granting the power-of-attorney in the electronic form using the means of electronic communication specified in the announcement on convening a General Meeting.



If the proxy at the General Meeting of is a Management Board member, a Supervisory Board member, a liquidator, a Company employee, or member of governing bodies or employee of the company or cooperative which is the Company's subsidiary, the power-of-attorney may give the right of representation only at one General Meeting. The proxy is obligated to disclose to the shareholder any circumstances indicating the existence or the possibility of a conflict of interest. No further powers-of-attorney may be granted. The proxy, who is a Management Board member, a Supervisory Board member, a liquidator, a Company employee, or member of authorities or employee of the company or cooperative which is the Company's subsidiary, will vote according to the instructions given by the Company shareholder.

A Company's shareholder may not, either personally or by proxy or while acting in the capacity of a proxy of any other person, vote on resolutions concerning his/her liability towards the Company on whatever account, including exonerating on the performance of his/her duties, being released from any of his/her liabilities towards the Company, or any dispute between him/her and the Company. A shareholder of a public company may vote as the proxy when adopting resolutions concerning him/her, as mentioned above.

Pursuant to the Company's Articles of Association, the voting rights of the shareholders and the voting rights of the users and pledgees of shares is subject to restrictions described in detail in item 3.3. Representations. In addition, information concerning the preference of series BB shares is found in item 3.1. of this Representation.

Votes shall be cast in an open ballot. Secret ballot shall be ordered during the elections and when voting on motions to dismiss members of the Company's bodies or liquidators to hold them liable as well as in the case of personal matters. Furthermore, a secret ballot should be ordered at the request of at least one shareholder from among those present or represented at the General Meeting.

Pursuant to the Commercial Company Code, resolutions of the General Meeting are adopted with the absolute majority of votes cast, unless the Commercial Company Code or the Articles of Association provide otherwise.

According to the Articles of Association, the resolutions of the General Meeting for the following:

- 1) introduction of shares of various types, establishment of shares of new type,
 - 2) changing of the preference of shares,
 - 3) merger of the Company through establishment of a new company or through acquisition by another company,
 - 4) split-up of the Company, except for split-up through spinning-off,
 - 5) dissolution of the Company, transfer of the registered office or main plant abroad,
 - 6) transformation of the Company,
 - 7) reduction of share capital through redemption of part of shares unless the reduction takes place simultaneously with increase of share capital,
- require a majority of four-fifths of votes cast.

The resolution on significant change of the Company's line of business may be adopted without buyout of shares held by shareholders who oppose such change.

Powers of the General Meeting

The General Meeting is authorized to make decisions, by way of resolutions, in the matters concerning the Company's organization and functioning. The most important powers of the General Meeting defined by the Commercial Company Code and the Articles of Association include in particular:

- 1) reviewing and approving the Management Board's report on the Company's activity and the financial statements for the financial year ended, and exonerating members of the Company's authorities on the performance of their duties,
- 2) making a decision on distribution of profit or coverage of loss,
- 3) changing the Company's line of business,
- 4) making a decision to amend the Company's Articles of Association,



- 5) making a decision to increase or decrease the Company's share capital,
- 6) making a decision to authorize the Management Board to purchase treasury stock for redemption,
- 7) adopting resolutions on merger, split-up or transformation of the Company,
- 8) adopting resolutions on dissolution or liquidation of the Company,
- 9) making a decision on issuing convertible bonds or bonds with a pre-emptive right, and on issuing subscription warrants,
- 10) adopting resolutions on selling or leasing a business or an organized part thereof and establishing a limited material right thereon,
- 11) making a decision to create, use and liquidate the Company's capitals and funds;
- 12) appointing or dismissing Supervisory Board members,
- 13) making a decision to deprive current Company shareholders of their pre-emptive rights, in whole or in part,
- 14) Company's purchase of treasury stock,
- 15) making a decision on setting the amount of remuneration of Supervisory Board members,
- 16) making any decisions concerning claims to remedy damages incurred during the establishment of the Company or in its management or oversight,
- 17) making decisions in matters related to the Company concluding a credit, loan, surety or other similar agreement with a Management Board member, a Supervisory Board member, a general proxy or a liquidator, or in favor of any such person,
- 18) making decisions in matters related to the Company's subsidiary concluding a credit, loan, surety or other similar agreement with a Management Board member, a general proxy or a liquidator of the Company, or in favor of any such person,
- 19) making the decisions in matters related to usage of supplementary capital,
- 20) purchasing real property, perpetual usufruct or share in real property or in perpetual usufruct, the value of which exceeds PLN 20 m,
- 21) purchase of fixed asset components, except for real estate or right of perpetual usufruct, and except for purchase and subscription for shares in other companies, worth more than PLN 20 m,
- 22) disposal of fixed asset components, including real estate, right of perpetual usufruct, or share in real estate or right of perpetual usufruct, except for shares in other companies, worth more than PLN 20 m,
- 23) changing the dividend date, indicating the dividend date or spreading the payment of dividend into installments.

Supervisory Board

Personnel composition

In financial year 2013, the ENERGA SA Supervisory Board was composed of the following persons:

- Zbigniew Wtulich - Supervisory Board Chairman,
- Marian Gawrylczyk - Supervisory Board Deputy Chairman,
- Agnieszka Poloczek - Supervisory Board Secretary,
- Iwona Zatorska-Pańtak - Supervisory Board Member,
- Roman Kuczkowski - Supervisory Board Member,
- Mirosław Szreder - Supervisory Board Member.

As of 16 January 2014, Bogusław Nadolnik was appointed to the Supervisory Board by the State Treasury Minister.

Zbigniew Wtulich graduated from Warsaw University of Life Sciences (Faculty of Drainage and Water Engineering), and completed postgraduate studies in real estate valuation. His professional career is as follows: worked in the Office of Water and Drainage Projects in Warsaw (1984-1988), in the Regional Drainage Projects Enterprise in Mińsk Maz. (1988-1991) as construction engineer, in "Amrak" International Company as engineer, and in the Agricultural Property Agency of the State Treasury (1994-1997). Then he worked on different positions in



the Ministry of Treasury, including Assets Recordkeeping Department and Reprivatization and Releasing Department. In 2008-2010 he served as supervisory board deputy chairman of PGE Górnictwo i Energetyka S.A. From 2010 until present time he has been the head of sub-department in the State Treasury's Department of Assets. Served on the ENERGA SA Supervisory Board since March 2011, initially as Deputy Chairman and now as Chairman.

Marian Gawrylczyk graduated from the University of Gdańsk (Faculty of Economy and Transportation). Worked as President of the Management Board at Odralogistics Sp. z o.o., and at Warszawskie Zakłady Fotochemiczne FOTON S.A. (2000-2001), in Polska Żegluga Śródlądowa Sp z o.o. (2004-2005), in Mistral Energia Sp. z o.o. (2005-2006), in ABBEYS Europejskie Doradztwo Finansowe Sp. z o.o. (2007-2008) and in Polskie Towarzystwo Ubezpieczeniowe S.A. as advisor to the management board (2010-2011). In 1994-2013, he served as Vice President of the Foundation for Promotion of Polish Municipalities. Currently, he is the CEO of Sigma Real Estate Sp. z o.o. (since 2009), Signum Corporate Finance Sp. z o.o. (since 2008), advisor to the President of Polish Tourism Organization, and management board's proxy on strategy and development at PKP Cargo S.A. Serves on the supervisory boards of the following companies: EGESA Grupa Energetyczna S.A. (since August 2012), Vitosilicon S.A. (since 2012) and leadbulet S.A. (since 2010).

Agnieszka Poloczek graduated from Maria Curie-Skłodowska University in Lublin (Faculty of Law and Administration), and completed postgraduate studies at Kozmiński University in Warsaw (accounting and finance of enterprises). After completion of legal training as a judge finalized with examination to become a judge, she was entered in the list of attorneys kept by the Bar Association in Warsaw. In 1998-2008, she worked in the Court Representation Department and the Legal and Trial Department of the Ministry of Treasury. Before assuming the duties of the ENERGA SA Supervisory Board Secretary, she served in the supervisory boards of: Międzynarodowa Korporacja Gwarancyjna Sp. z o.o. as chairwoman and Przedsiębiorstwo Komunikacji Samochodowej w Nysie Sp. z o.o.

Iwona Zatorska-Pańtak graduated from the Nicolaus Copernicus University in Toruń (Faculty of Economic Sciences and Management) and the University of Warsaw's Postgraduate European Studies. Since 2000 she has been an employee of the Ministry of Treasury, having worked in: Capital Funds Department, Financial Institutions Department, Corporate Governance and Privatization II Department and Key Companies Department. Currently she is the sub-department head at the Strategic Projects Department. Has many years of experience in serving on supervisory boards of companies with a State Treasury shareholding (including Krajowa Spółka Cukrowa S.A. in Toruń, Zakłady Chemiczne "ALWERNIA" S.A. in Alwernia, Górnośląskie Przedsiębiorstwo Wodociągów S.A. in Katowice, Zakłady Urządzeń Galwanicznych i Lakierniczych "ZUGIL" S.A. in Wieluń, Tomaszowskie Przedsiębiorstwo Budowlane "TOMBUD" S.A. in Tomaszów Maz.). Currently, in addition to the Supervisory Board of ENERGA SA, she also serves on the supervisory board of KGHM Polska Miedź S.A.

Mirosław Szreder graduated from the University of Gdańsk (Faculty of Economic Cybernetics and IT), and is the professor of economics. In 2001-2008, he served as Vice President of the Main Board of Polish Statistical Association. In 2002-2008, he served as Dean of the University of Gdańsk's Faculty of Management, and in 2007-2012 he also served as Secretary of the Committee on Statistics and Econometrics of the Polish Academy of Sciences. Was the editor-in-chief of "Przegląd Statystyczny" scientific quarterly (2008-2012). In 2012, he was elected Vice Rector on Development and Finance of the University of Gdańsk for the 2012-2016 term. Is the member of International Association for Statistical Education. Lectures on statistical analysis, marketing and probability theory. Had many lectures at the University of Leicester (UK). Mirosław Szreder has been the Company Supervisory Board member since 2008.

Roman Kuczkowski graduated from the University of Engineering in Bydgoszcz (holds the diploma in electrical engineering), and completed postgraduate studies on organization and management at the Nicolaus Copernicus University in Toruń. Worked for Toruń Power Company (1964-1974 and 1989-2004) and Power Companies of Northern Region in Bydgoszcz (1974-1989), where he was the deputy director on employee matters, and then the

director on investment projects. Since 1989 he worked as director and then President of Toruń Power Company. Prior to retirement in August 2006, he was the department director at Koncern Energetyczny ENERGA SA. He also served as member of the Coordination and Preparatory Task Force on Restructuring of Power Sector at the Minister of Industry, and member of the Transfer Prices Council at the Minister of Industry, and then at the Minister of Economy (1992-1998). Has been the ENERGA SA Supervisory Board member since February 2008.

Bogusław Nadolnik graduated from the Warsaw School of Economics (Management and Marketing), and completed postgraduate studies in internal audit and control at ORGMASZ Organization and Management Institute in Warsaw and Międzynarodowe Centrum Szkolenia i Doradztwa Sp. z o.o. In 1990–1992, he completed the Small Business Management Program at Georgetown University, Washington, DC, USA. After returning to Poland in 1994, we worked as senior specialist in the Organizational Department of the Prime Minister's Cabinet, and then acting Director of the Prime Minister's Cabinet in the Ministry of Agriculture and Food Economics. In 1996–2006, he worked in the Ministry of Treasury as deputy director of the State Treasury Finance Department, deputy director of the Budget and Finance Department, and acting director of the Public Aid Department. In 2007–2008, he served as Secretary of Legionowo County in the Legionowo County Office. In 2008, he transferred to the Ministry of Agriculture and Rural Development, where he served as Undersecretary of State. Until 2013, he was Vice President of the Agriculture Modernization and Restructuring Agency. Served on supervisory boards of many companies with a State Treasury shareholding. Currently, he is the Director of Post-Privatization Activities Department in the Ministry of Treasury.

The current term of the Supervisory Board ends on 27 April 2014.

Rules for appointing and dismissing Supervisory Board members

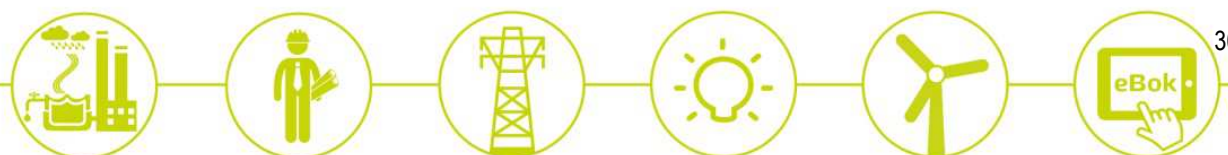
The Supervisory Board may consist of five to twelve persons. According to the Articles of Association, the number of Supervisory Board members is determined by the General Meeting. Supervisory Board members are appointed and dismissed by the General Meeting, and the State Treasury is entitled to appoint and dismiss Supervisory Board members according to the following rules:

- 1) if the General Meeting decides that the Supervisory Board will have an even number of members, the State Treasury will appoint one-half of Supervisory Board members plus one Supervisory Board member,
- 2) if the General Meeting decides that the Supervisory Board will have an odd number of members, the number of Supervisory Board members appointed by the State Treasury will be calculated in the following way: (a) divide the number of Supervisory Board members by two, and then (b) round up to the closest whole number, so that the State Treasury will have an absolute majority of votes in such Supervisory Board,
- 3) Supervisory Board members will be appointed and dismissed through written representation of the State Treasury submitted to the Management Board. The representation will be considered to be submitted as at the moment of its delivery.

In addition, the State Treasury has the right to name one Supervisory Board member from among the members of the Supervisory Board appointed by the State Treasury, who will serve as Supervisory Board Chairman. The foregoing right applies also if the Supervisory Board is elected by separate group voting following the procedure set forth in Article 385 of the Commercial Company Code. Supervisory Board Chairman will be named by way of a written representation submitted to the Management Board, which will be considered to be submitted as at the moment of its delivery.

State Treasury's personal rights, referred to above, will expire on the date on which the State Treasury's share in the share capital is lower than 10%.

In the period in which the State Treasury is the Company shareholder, only the persons who passed the exam referred to in Article 12 sec. 2 of the Commercialization and Privatization Act of 30 August 1996 (uniform text: Journal of Laws of 2013 No. 216) may be appointed as Supervisory Board members representing the State Treasury. Supervisory Board member submits resignation to the Company's Management Board.



The Supervisory Board appoints from amongst its members the Supervisory Board Deputy Chairman and Secretary and dismisses him/her. The Supervisory Board Deputy Chairman and Secretary should be elected during the first meeting of the Supervisory Board of the new term. According to the Supervisory Board Bylaws, Supervisory Board Chairman convenes, organizes and chairs Supervisory Board meetings, represents the Supervisory Board before third parties and submits representations of will on its behalf.

According to the Articles of Association, Supervisory Board members may not perform activities which would collide with their duties or could arouse suspicion that they are biased or self-interested. During the period, in which the Company's shares are listed on the regulated market operated by the WSE, at least two Supervisory Board members should satisfy the criteria envisaged for independent supervisory board members within the meaning of the 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 (2005/162/EC), taking into account the requirements following from the Code of Best Practices for Warsaw Stock Exchange Listed Companies ("Independent Supervisory Board Members"). These criteria are met by the following persons: Miroslaw Szreder, Roman Jacek Kuczkowski and Marian Gawrylczyk. A candidate for an independent Supervisory Board member will submit to the Company, before being appointed to the Supervisory Board, a written representation on meeting the independence criteria. If circumstances occur in which the independence requirements are not satisfied, the Supervisory Board member will be obligated to immediately inform the Company thereof. The Company will publish information about the current number of independent Supervisory Board members. Without prejudice to the State Treasury's right to appoint Supervisory Board members, if the number of Supervisory Board members decreases as a result of expiry of the mandate of a Supervisory Board member or if at least two Supervisory Board members do not meet the requirements of independent Supervisory Board members, the Company's Management Board will be obligated to immediately convene the General Meeting with an item on the agenda concerning the supplementation or change of the composition of the Supervisory Board. Until the changes in the composition of the Supervisory Board, consisting in adjusting the number of independent members to the requirements of the Articles of Association, are made, the Supervisory Board and its members will continue their operation in previous composition and will retain the ability to hold meetings, adopt resolutions and take any other factual and legal actions.

In the period from 1 January to 31 December 2013, the ENERGA SA Supervisory Board held 12 meetings and adopted 87 resolutions. The Supervisory Board also adopted resolutions by voting using remote means of direct communication. Among other things, it issued opinions on matters forwarded by the Management Board to the General Meeting of the Company, determined the manner of exercising the voting rights during the meetings of subsidiaries in the scope resulting from the Company's Articles of Association, and evaluated standalone and consolidated financial statements for the financial year 2012 with the motion to distribute profit. Important issues, which the Supervisory Board dealt with in 2013, included the following:

- 1) approval of the material and financial plan, and analysis of the current economic and financial situation,
- 2) approval of the plan of sponsorship activities for 2013 and analysis of its fulfillment,
- 3) analysis of work related to development and deployment of the Sales Support System encompassing the billing system and the CRM system in the ENERGA Capital Group,
- 4) selection of an auditor authorized to audit the Company's and Group's financial statements for financial years 2013 and 2014,
- 5) analysis of the level of salaries in the ENERGA Group as compared to the rest of the industry, and analysis of salaries,
- 6) acquisition projects concerning purchase of shares in Iberdrola Renewables Polska Sp. z o.o. as well as inland wind assets of DONG Energy Wind Power A/S in Poland,
- 7) analysis of investment programs executed and planned in the ENERGA Capital Group,
- 8) analysis of benefits from cost optimizing activities carried out in the ENERGA Group,
- 9) overseeing the Eurobonds issue process,



- 10) opining the "Long-term Strategic Investments Plan of the ENERGA Group for 2013-2021",
- 11) opining the ENERGA Group's Strategy for 2013–2020,
- 12) approval of the ENERGA SA Management Board Bylaws – edition III,
- 13) amendment to the Supervisory Board Bylaws,
- 14) defining the conditions and economic parameters for granting annual bonuses for 2013 to ENERGA SA Management Board members, and granting the bonuses for 2012,
- 15) appointing the Audit Committee in the Company, and adopting the Audit Committee bylaws defining the rules of its functioning,
- 16) analysis of efforts aiming at achieving the optimal structure of the ENERGA Capital Group, and improving the Group's profitability,
- 17) analysis of changes in the authorities of ENERGA SA's subsidiaries,
- 18) analysis of the status of deployment of smart grid elements (AMI) in the ENERGA Group.

ENERGA SA Management Board members are invited to each Supervisory Board meeting. In addition, Company employees substantively responsible for the discussed issues participate in the meetings.

Supervisory Board's powers

According to the Articles of Association, the Supervisory Board's powers include in particular the following:

- 1) evaluation of the Management Board's reports on the Company's activity and the activity of the Capital Group, and the financial statements for the previous financial year and the consolidated financial statements of the Capital Group in terms of their compliance with the accounting ledgers and documents as well as the actual state of affairs, and the evaluation of the Management Board's motion on the distribution of retained earnings,
- 2) submitting written reports to the General Meeting on the results of the activities referred to in item 1,
- 3) submitting the reports in connection with exercising the supervision over the Management Board's execution of investments, and the supervision over the correctness and effectiveness of spending funds on the investments,
- 4) preparing, at least once a year, along with the report from assessment of the annual financial statements and the consolidated financial statements of the capital group, the Supervisory Board's opinion on the issue of economic justification for the Company's capital exposure to other commercial companies, made in the given financial year,
- 5) once a year preparing and presenting to the Ordinary General Meeting a concise assessment of the Company's standing, including an evaluation of the internal audit system and the significant risk management system,
- 6) reviewing and opining the issues to be included in the resolutions of the General Meeting,
- 7) selecting an auditor to audit the financial statements,
- 8) defining the scope and deadlines for the Management Board to submit annual/long-term material and financial plans, other long-term plans and strategies of the Company and its Capital Group,
- 9) approving the strategy of the Company and its Capital Group,
- 10) approving the annual/long-term material and financial plans and investing activity plans of the Company and its Capital Group,
- 11) adopting bylaws defining in detail the Supervisory Board's functioning,
- 12) approving the Management Board bylaws,
- 13) approving the organizational bylaws of the Company's enterprise,
- 14) approving the rules for sponsorship activity conducted by the Company,
- 15) setting the rules and remuneration of the President and Management Board members, subject to absolutely binding provisions of law,
- 16) seconding Supervisory Board members to temporarily perform the duties of Management Board members who are unable to perform their duties, and determining their remuneration, with the reservation that total remuneration collected by the seconded Supervisory Board member together with remuneration for being



seconded to temporarily perform the duties of a management board member cannot exceed the remuneration of a Management Board member in place of whom a Supervisory Board member was seconded.

The Supervisory Board's duties also include several other tasks described in detail in the Company's Articles of Association posted on the corporate website.

Manner of the Supervisory Board's functioning

The Supervisory Board conducts constant oversight over the Company's operations in all areas of its activity. The detailed manner of the Supervisory Board's functioning is outlined in the Supervisory Board Bylaws.

By principle, the Supervisory Board adopts resolutions at its meetings. The Supervisory Board will hold its meetings no less frequently than once per two months. The Supervisory Board meetings are convened by the Chairman or authorized Supervisory Board member by presenting the detailed agenda. In addition, the meeting should be also convened at the request of each Supervisory Board member or at the request of the Management Board. All Supervisory Board members must be invited at least seven days prior to the meeting in order for the Supervisory Board meeting to be effectively convened, however for valid reasons the Chairman may shorten that period to two days while at the same time immediately notifying Supervisory Board members about convening the meeting on shorter notice via relevant means of communication. Moreover, according to the Supervisory Board Bylaws, Supervisory Board members may participate in the meeting and vote on resolutions adopted during that meeting using remote means of direct communication, such as teleconferences and videoconferences, with the reservation that there is at least one Supervisory Board member present at location specified by the person convening the meeting and there exists a technical possibility of ensuring a secure connection.

Pursuant to the Articles of Association, the Supervisory Board adopts resolutions in matters envisaged by the agenda if at least one-half of its members is in attendance at the meeting and all members have been invited to the meeting. Change may be made to the agenda if all Supervisory Board members are in attendance at the meeting and nobody objects the change. Supervisory Board resolutions are adopted with the absolute majority of votes, and if the number of votes is equal, the vote cast by the Chairman will be decisive. Supervisory Board may adopt resolutions by following a written procedure or via remote means of direct communication, including in particular via e-mail. A resolution will be valid if all Supervisory Board members have been notified of the content of the draft resolution. If a Supervisory Board member does not provide his/her opinion by the deadline set by the Supervisory Board Chairman, the resolution will not be adopted. Resolutions adopted pursuant to that procedure will be presented at the next Supervisory Board meeting together with the outcome of the vote. By principle, the Supervisory Board adopts resolutions in an open ballot, however a secret ballot will be ordered on the motion of a Supervisory Board member and in personal matters. If secret ballot is ordered, it will not be possible to adopt resolutions by following a written procedure or via remote means of direct communication.

Audit Committee

According to the Articles of Association, during the period when the Company's shares are listed on the regulated market operated by the WSE, the Supervisory Board elects the Audit Committee from amongst its members. Pursuant to the Act on Auditors and the Articles of Association, the Audit Committee is composed of at least three members, including at least one member who satisfies the independence criteria and holds accounting or financial audit qualifications within the meaning of the Act on Auditors. According to the Articles of Association, this person should meet the requirements envisaged for independent Supervisory Board members. If the Supervisory Board consists of no more than five members, the tasks of the Audit Committee will be performed by the Supervisory Board members.

On 20 March 2013, the following persons were appointed to the first Audit Committee:

- 1) Mr. Mirosław Szreder,
- 2) Ms. Iwona Zatorska-Pańtak,
- 3) Mr. Marian Gawrylczyk.



Committee members elected Mirosław Szreder as the Chairman. Mirosław Szreder meets the criteria contemplated in the Act on Auditors as well as the Commission Recommendation of 15 February 2005.

Until 31 December 2013 and until the moment of preparing this information, the composition of the Committee has not changed.

The principles of the Audit Committee's operation are set forth in the Articles of Association of ENERGA SA and the Audit Committee Bylaws approved by the Supervisory Board. The tasks of the Audit Committee include in particular the following:

- 1) monitoring the financial reporting process,
- 2) monitoring the reliability of financial information presented by the Company,
- 3) monitoring the effective operation of internal control, internal audit and risk management systems in place in the Company,
- 4) monitoring the performance of financial audit activities,
- 5) monitoring whether the auditor and the entity authorized to audit financial statements are independent and objective, including if they provide services other than financial review,
- 6) recommending an entity authorized to audit financial statements and to conduct financial review activities to the Supervisory Board.

In 2013, the Committee held four meetings with all members in attendance, and it carried out the foregoing tasks.

In the course of performance of their duties, Members of the Audit Committee hold meetings with participation of the auditor auditing standalone and consolidated financial statements, and the Company employees responsible for risk management and internal audit areas.

Management Board

Personnel composition

In 2013, the Company's Management Board was composed of the following persons:

- Mirosław Bieliński – President of the Management Board,
- Roman Szyszko – Executive Vice President of the Management Board, Chief Financial Officer
- Wojciech Topolnicki – Executive Vice President of the Management Board, Strategy and Investments



Mirosław Bieliński graduated from the University of Gdańsk (Faculty of Production Economics) and postgraduate studies of finance and accounting of the University of Gdańsk. He started his professional career in one of the first consulting firms in Poland, i.e. Doradca Consultants Ltd. Sp. z o.o. as a consultant and then as partner. Since 2002, he participated in carrying out large projects combining consulting and management. In 2002-2003, he was the management board member of Ratusz Dom Inwestycyjny Sp. z o.o. (later BIK Service Sp. z o.o.), and then management board member and partner of TPS Sp. z o.o., and in 2005-2008 the President of the Management Board of Pharmag S.A. and MP59 Sp. z o.o. (2006-2008). Since 2008, he served as the President of the Management Board of ENERGA SA, a company managing the ENERGA Group. In May 2012, he was appointed by the Company's Supervisory Board as the President of the Management Board for the third term in a row. Is a supervisory board member of ENERGA-OPERATOR SA, ENERGA-OBRÓT SA, ENERGA Wytwarzanie Sp. z o.o. and Towarowa Gielda Energii S.A.



Roman Szyszko graduated from the University of Gdańsk (Faculty of Economics and Social Sciences) and the Finance Department of the University of Strathclyde (UK). After writing the scientific research paper in the Market Economy Research Institute in Gdańsk, in 1999-2001 he was the Management Board member of Bank Komunalny S.A. (Nordea Bank Polska), where he managed capital investments and operations on bank money market. Next, he served as the



President of the Management Board of Ebroker and provided advice in long-term financial planning. In 2005-2008, he was a management board member of Dexia Kommunalcredit Polska SA bank, where he was responsible for organizing the sales of long-term financial products to local government entities and enterprises providing public utility services. Since 2008, he has been the Executive Vice President of the Management Board, Chief Financial Officer at ENERGA SA. In May 2012, he was appointed by the Company's Supervisory Board for the third term. He is the Supervisory Board member of ENERGA-OBRÓT SA, ENERGA-OPERATOR SA and ENERGA Wytwarzanie Sp. z o.o..



Wojciech Topolnicki graduated from the Gdańsk University of Technology (Faculty of Management and Economics) and L'université de Rouen (France). In 1998, he began working in the asset management department of Credit Commercial de France bank in Lyon (France). After gaining experience in audit and business consulting in Arthur Andersen Sp. z o.o., since 2002 he was the deputy financial director and financial controller in EADS PZL Warszawa-Okęcie S.A. In 2006-2008, he ran his own business activity and was involved in renewable energy projects. From 2008 to 2011 he served as Executive Vice President of the Management Board for Finance and Development at PGE Polska Grupa Energetyczna S.A., where he was responsible for, among other things, drafting the group's investment program and the company's IPO on the WSE. In May 2012, he was appointed by the Supervisory Board as the Executive Vice President of the Management Board, Strategy and Investments of ENERGA SA. Is the member of the supervisory boards of ENERGA Wytwarzanie Sp. z o.o., ENERGA-OPERATOR SA, ENERGA-OBRÓT SA and EPW Energia Sp. z o.o.

The current term of the Management Board ends on 31 May 2015.

All the Management Board members work in the Company's registered office at al. Grunwaldzka 472, 80-309 Gdańsk.

Rules for appointing and dismissing Management Board members

The Management Board may be composed of one to five members, including the President of the Management Board and one to a few Executive Vice Presidents of the Management Board. According to the Articles of Association, Management Board members are appointed by the Supervisory Board for a joint three-year term, and it designates one of those members as President of the Management Board and one or more of them as Executive Vice President of the Management Board. According to the Articles of Association, when the State Treasury has one-half of shares in the Company or less, Management Board member may be:

- 1) dismissed or suspended also by General Meeting,
- 2) suspended in performance of his/her duties by the Supervisory Board for important reasons.

Management Board member submits resignation to the Supervisory Board. Representation on resignation should be made in writing.

The Supervisory Board may also second Supervisory Board members to temporarily perform duties of Management Board members.

For as long as more the one-half of shares in the Company is owned by the State Treasury or other state-owned legal entities, the Supervisory Board will appoint Management Board members after completing a qualification procedure on the basis of the Council of Minister's regulation on qualification procedures for management board members in certain commercial companies of 18 March 2003 (Journal of Laws of 2003, No 55, item 476, as amended).

Management Board's powers

The Management Board runs the Company's affairs and represents it. Two Management Board members acting jointly or one Management Board member acting jointly with a general proxy are authorized to submit representations of will and sign them on the Company's behalf.



The powers of the Management Board comprise all the Company's matters which are not reserved by the regulations of law or the Company's Articles of Association for the authorities. The Management Board's organization and operation, including detailed method of adopting resolutions, are determined by the Management Board Bylaws approved by the Supervisory Board.

According to Articles of Association, without prejudice to exceptions indicated therein, each Management Board member may conduct the Company's matters in the scope of his/her powers set forth in the Management Board Bylaws without prior resolution of the Management Board. If, however, before handling such matter, at least one of the remaining Management Board members objects to the handling thereof, a prior Management Board resolution will be required.

The powers of the individual Management Board members were divided into processes constituting the supplementation of the organizational structure, where each member is the leader. In particular:

- 1) The President of the Management Board exercises functional oversight over the processes defined as:
 - a) Management of the Capital Group,
 - b) Management of the Capital Group's brand,
 - c) Management of the organizational governance,
 - d) Audit and control,
 - e) Security management.
- 2) The Executive Vice President of the Management Board, Chief Financial Officer exercises functional oversight over the processes defined as:
 - a) Management of finances and financial controlling,
 - b) Management of risks, processes and projects.
- 3) The Executive Vice President of the Management Board, Strategy and Investments exercises functional oversight over the processes defined as:
 - a) Management of the ENERGA Capital Group's investments,
 - b) IT management.

Manner of the Management Board's functioning

By principle, the Management Board resolutions are adopted at the meetings. The meetings are held on the set date as needed, but no less frequently than once every two weeks. According to the Management Board Bylaws, the Management Board meeting is convened by the President of the Management Board or a Management Board member. Meetings held according to a fixed schedule adopted by a Management Board resolution do not require notifications. In addition, the Management Board meeting convened at the written request of a Management Board member or Supervisory Board member should be convened within four days from the date of submitting the request to the President of the Management Board. By principle, the meetings are chaired by the President of the Management Board. According to the Management Board Bylaws, the Management Board meetings are held in the Company's registered office or at another location indicated by the person convening the Management Board meeting. Moreover, the Management Board Bylaws admit the possibility of Management Board members' participation in the meeting and voting on resolutions adopted during that meeting using remote means of direct communication, such as teleconferences and videoconferences, with the reservation that there is at least one Management Board member present at location specified by the person convening the meeting and there exists a technical possibility of ensuring a connection.

Management Board resolutions are adopted by an absolute majority of votes. If an equal number of votes is cast, the Management Board President's vote will prevail. In order for the resolutions to be valid, all the Management Board members must be correctly notified about the meeting, and more than one-half of the members must be in attendance if the Management Board is composed of at least three persons. If the Management Board is composed of two persons, all the Management Board members must be in attendance in order for the resolutions



to be valid. By principle, votes are cast in an open ballot, however a secret ballot will be ordered on the motion of a Management Board member.

In urgent situations it is permitted to adopt resolutions following the written procedure or by using remote means of direct communication such as fax or e-mail on the condition that all Management Board members express their consent for it. The resolution will be valid if all Management Board members have been notified of the content of the draft resolution following the written procedure or by using remote means of direct communication.

In 2013, the Management Board held 52 meetings during which 371 resolutions were adopted.

Key activities and decisions of the Management Board in 2013 included:

- 1) floating the Company's shares on the regulated market operated by the WSE,
- 2) adoption of the ENERGA Group's Strategy for 2013-2020,
- 3) continuation of the Sales Service System Business Model project in the ENERGA Group encompassing the billing system and the CRM system in the ENERGA Capital Group, taking into account the best solutions in the power sector,
- 4) acquisition of attractive renewable energy projects, including in relation to wind energy,
- 5) continuation of the process of reorganizing and tidying up the structures of the ENERGA Capital Group,
- 6) continuation of the execution of the key investment projects in the ENERGA Capital Group, i.e.
 - a) ENERGA-OPERATOR SA's investment program involving expansion and modernization of the distribution network, including implementation of the *Smart Grid*,
 - b) ENERGA ProGaz program, whose purpose is to develop generating assets based on natural gas,
 - c) ENERGA CHP program – construction of co-generation power units fired with biomass, natural gas and coal,
 - d) ENERGA WIND program – development of wind power industry,
 - e) construction of a barrage on the Wisla river.

Level of remuneration for persons discharging executive and supervisory functions

Management Board

ENERGA SA's rules of remunerating Management Board members are defined in Resolution No. 85/III/2012 adopted by the Company's Supervisory Board on 14 September 2012. According to a resolution referred to above, agreements for provision of services related to management of the Company are concluded with the Management Board members provided that a Management Board member runs a business activity on the basis of an entry in business activity records and takes out management liability insurance at his/her own expense. Individual remunerations of the Company's Management Board members in 2013 are presented in the table below.

Remunerations of persons comprising the ENERGA SA Management Board in the period from 1 January to 31 December 2013

Full name	Position	Remuneration ⁽¹⁾	Bonus ^{(1),(2)}	Other perks	Total
Mirosław Bieliński	President of the Management Board	960,000.00	220,680.13	3,360.00	1,184,040.13
Roman Szyszko	Executive Vice President of the Management Board, Chief Financial Officer	885,975.61	210,861.87	4,560.00	1,101,397.48
Wojciech Topolnicki	Executive Vice President of the Management Board, Strategy and Investments	900,000.00	161,761.10	14,935.18	1,076,696.28
Total					3,362,133.89



⁽¹⁾ without charges, paid out, includes remunerations on account of serving in the supervisory authorities of the companies of the ENERGA Capital Group; ⁽²⁾ bonus may be granted by the Supervisory Board by way of a separate resolution if the manager achieves the objectives of particular importance to the Company. The Supervisory Board may grant the manager the annual bonus in the amount of up to 50% of the annual basic salary.

Agreements concluded with managers, which include compensation

Agreements concluded between the Company and the managers contain the provision on payment of no-competition damages for 12 months from the last day of employment. These agreements also specify a 3-month termination notice period if the manager is dismissed for the reasons not attributable to the manager and if the management agreement is terminated. The manager will remain at the Company's disposal to hand over the duties for three months from the date of the elapse of the term of employment and expiration of the contract. On that account, the manager will be entitled to remuneration for each month of remaining at the Company's disposal.

Supervisory Board

According to the Articles of Association, Supervisory Board members are entitled to monthly remuneration in the amount specified by the General Meeting. The Company will also cover the costs incurred in connection with performance of the functions entrusted to Supervisory Board members, in particular the costs of transport to the Supervisory Board meeting, costs of exercise of personal oversight, and costs of food and lodging.

The amount of remuneration of Supervisory Board members is stated in the General Meeting resolution no. 2 of 29 January 2007. According to the aforementioned resolution, the amount of monthly remuneration of Supervisory Board members is equal to one average monthly salary in the corporate sector without profit-sharing in the fourth quarter of the previous year, as announced by the President of the Central Statistical Office, regardless of the function in the Supervisory Board. The remuneration will not be due for the month, in which the Supervisory Board member did not attend any of the formally convened meetings for unjustified reasons. Remunerations of the ENERGA SA Supervisory Board members in 2013 are presented in the table below.

Remunerations of persons comprising the ENERGA SA Supervisory Board in the period from 1 January to 31 December 2013

Full name	Position	Remuneration	Other benefits	Total
Zbigniew Wtulich	Supervisory Board Chairperson	41,454.96	0	41,454.96
Marian Gawrylczyk	Supervisory Board Deputy Chairperson	41,454.96	0	41,454.96
Agnieszka Poloczek	Supervisory Board Secretary	41,454.96	0	41,454.96
Mirosław Szreder	Supervisory Board member	41,454.96	0	41,454.96
Roman Kuczowski	Supervisory Board member	41,454.96	0	41,454.96
Iwona Zatorska-Pańtak	Supervisory Board member	41,454.96	0	41,454.96
Bogusław Nadolnik*	Supervisory Board member	0	0	0
Total		248,729.76	0	248,729.76

*Mr. Bogusław Nadolnik was appointed to the Supervisory Board as of 16 January 2014.

The number and nominal value of the Company's shares and shares in the Company's related parties held by persons discharging management and supervisory functions

As at 31 December 2013 and as at the date of preparing this Report, persons discharging management and supervisory functions in the Company held the following amounts of shares in the Company and shares in Company's affiliated entities:

Number of Company shares and shares in related entities held by persons discharging management functions

Full name	ENERGA shares		Shares in entities related to ENERGA	
	Number of shares	Nominal value in PLN	Number of shares	Nominal value in PLN



as at 31 December 2013 and the date of this report				
Mirosław Bieliński	1,775	19,383	0	0
Roman Szyszko	0	0	0	0
Wojciech Topolnicki	0	0	0	0



Number of Company shares and shares in related entities held by persons discharging supervisory functions

Full name	ENERGA shares		Shares in entities related to ENERGA	
	Number of shares	Nominal value in PLN	Number of shares	Nominal value in PLN
as at 31 December 2013 and the date of this report				
Zbigniew Wtulich	0	0	0	0
Marian Gawrylczyk	0	0	0	0
Agnieszka Poloczek	0	0	0	0
Iwona Zatorska-Pańtak	0	0	0	0
Roman Kuczkowski	8,795	96,041.4	0	0
Mirosław Szreder	0	0	0	0
Bogusław Nadolnik*	0	0	0	0

* Mr. Bogusław Nadolnik was appointed to the Supervisory Board as of 16 January 2014 on the basis of the representation of the State Treasury Minister.

Primary attributes of the internal control and risk management systems in reference to preparing financial statements

The purpose of an effective internal control system in the financial reporting process is to ensure adequacy and correctness of financial information contained in periodic reports.

The financial data, which are the basis of financial reports and Management Board's reports as well as ENERGA SA's monthly management and operational reporting, come from the Company's financial and accounting system. After the performance of all the pre-determined ledger closing processes at the end of each month, detailed financial and operational managerial reports are prepared. These reports are drafted with co-participation of middle and senior management of the individual organizational cells. As far as closed reporting periods are concerned, the Company's financial results are analyzed in detail and compared to the budget assumptions, and the identified deviations are properly explained.

The financial reporting and the management reporting of the Company and the ENERGA Group are carried out on the basis of the accounting policy (according to International Financial Reporting Standards), which is adopted by a resolution of the Company's Management Board and updated as needed. The current edition of the Group's Policy was approved and introduced into usage in July 2013, and the applied edition of the Company's Policy is dated November 2012.

Annual reviews of strategies and economic and financial plans are carried out in the Company. The process of detailed planning and budgeting, which includes all the areas of the Company's functioning, involves middle and senior management. The economic and financial plan is accepted by the Company's Management Board and approved by the Supervisory Board.

An important element of the internal control system is the internal audit function. The Company has an internal audit cell, which carries out the audit and control tasks and provides consulting services to the ENERGA Group. These tasks are carried out according to the Rules for conducting audits in the ENERGA Capital Group. The internal audit function helps the organization maintain effective and efficient control mechanisms through their evaluation and promotion of constant improvements while following international standards of internal audit practices.

The external advisor's report from the evaluation of the internal control system for 2013 identified the following best practices in the accounting and finance area:

- Existence of the approved prevailing accounting policy and the process of updating it.

- Controls in the process of consolidation of the financial statements (verification of completeness of received information, verification of mathematical correctness of the consolidation and exclusions, usage of dedicated tool).
- Process of acceptance of the Company's financial statements by the Company's Management Board.

The Supervisory Board is responsible for selecting an auditor to audit standalone and consolidated financial statements of ENERGA SA. The auditor authorized to audit the Company's financial statements is the entity specified in the Act of 7 May 2009 on Auditors, their Self-Regulatory Authority, Entities Authorized to Audit Financial Statements and Public Oversight (Journal of Laws No. 77, item 649).

The Company does not have a specific rule regarding an entity authorized to audit financial statements. According to § 23a of the Company's Articles of Association, the Audit Committee recommends to the Supervisory Board the entity authorized to perform the financial review of the Company, and the Supervisory Board chooses and changes such entity. In the past, the Company did not cooperate with any of the three entities authorized to audit the Company's financial statements for more than five years in a row. The ENERGA SA Management Board intends to submit to the Supervisory Board's Audit Committee the proposal to adopt a rule of changing the auditor of the Company's financial statements every five years.

The Company also meets the requirements of "Corporate governance principles for companies with a State Treasury shareholding" (Directive no. 19 issued by the State Treasury Minister on 19 March 2010), concerning the selection of independent and unbiased auditor to audit the financial statements of the companies with a State Treasury shareholding. The entire auditor selection procedure is conducted by the Supervisory Board's Audit Committee, and it encompasses determining the auditor selection criteria, conducting the selection procedure and authorizing the Management Board to conclude with it an agreement to audit the financial statements. The Supervisory Board selects the proposal for auditing the financial statements after carrying out the procedure, whose aim is to select an independent auditor and the proposal whose price that takes into account the auditor's efforts, the auditor's position on the market of auditing services, and knowledge of the industry in which the Company operates. The auditor selection procedure and concluding suitable agreements with it must be made in the third quarter of the year preceding the year for which the Company will prepare the financial statements.

The auditor's opinion with a report is presented to the Management Board, the Audit Committee and the Supervisory Board. After the annual audit, the auditor sends to the Company the so-called Letter to the Management Board, which lists the failures and shortcomings found during the audit that have no material influence on the reliability and correctness of the financial statements prepared.

The Company's Management Board plays the key role in the risk management process executed in the ENERGA Group within the framework of the Integrated Risk Management System, by overseeing its course and accepting the assumptions for management of corporate risk in the Group.

ENERGA SA manages the classified risk according to the adopted Risk Model in the four areas: strategic, operational, financial, and regulatory and legal. The risks of tax settlements and the risk of management reporting and management information managed by the Director of the Finance Management Center, which were identified in the financial area, are subject to strong control mechanisms allowing to keep those risks at a safe and acceptable level.

The risks affecting the achievement of business objectives are analyzed on continuous basis. According to the Risk Management Policy adopted by the ENERGA SA Management Board, periodic risk reviews are carried out twice a year. The results of the analyses are reported to the Management Board which determines the risk management strategy on the basis of the Risk Department's recommendations. Changes in the Company's and the ENERGA Group's exposure to risk and the decisions concerning the direct risk mitigation activities are reported to the Supervisory Board via the Audit Committee. Such reporting procedures in the ENERGA Group support the achievement of the Group's business objectives.



NOTES AND EXPLANATIONS

Proceedings pending before the court, arbitration bodies or public administration bodies

As at 31 December 2013, the ENERGA Group was a party to 3,929 court procedures, and their total value did not exceed 10% of ENERGA SA's equity. The Group was a plaintiff in 2,214 cases whose total value of the subject matter of the dispute was approx. PLN 112.3 m. We were the defendant in 1,714 cases whose total value of the subject matter of the dispute was approx. PLN 398.9 m.

As at 31 December 2013, the total value of claims related to placement of electric power devices on third party's real properties without the legal title, awarded by a legally binding court ruling, was PLN 6.8 m (there were 1,164 cases). The value of the subject matter of the dispute in 1,912 pending court cases was PLN 262.6 m. On the basis of the available data regarding the currently pending procedures, we assume that the amount to be paid after the foregoing disputes are resolved may be PLN 77.04 m, with the reservation that that amount may change if new court cases related to placement of electric power devices on third party's real properties without the legal title are commenced against ENERGA-OPERATOR.

Proceedings initiated by FORTA Sp. z o.o.

On 3 September 2013, the Extraordinary General Meeting ("ESM") of the Company adopted, among others, resolution no. 23 in the matter of reduction of the Company's share capital ("Resolution on Share Capital Reduction") and resolution no. 24 in the matter of defining the series of Company's shares and amending the Company's Articles of Association ("Resolution on Preferred Shares "). Pursuant to Resolution on Share Capital Reduction, the Company's share capital was reduced to PLN 4,521,612,884.88, i.e. by PLN 447,192,483.12 by way of reducing the par value of every share. Pursuant to the Resolution on Preferred Shares, preference in respect of voting rights of series BB shares was introduced to the Articles of Association. On 16 October 2013, the Company was served with a statement of claim filed by shareholder FORTA Sp. z o.o. to: (i) repeal the Resolution on Share Capital Reduction, as a resolution allegedly adopted in violation of good customs hurting the Company's interest and aimed at harming a shareholder FORTA Sp. z o.o., and (ii) rule on invalidity of the Resolution on Preferred Shares or to repeal it, as a resolution allegedly adopted in violation of good customs hurting the Company's interest and aimed at harming a shareholder FORTA Sp. z o.o. In rejoinder to the statement of claim, the Company petitioned to dismiss the statement of claim in its entirety, stating that there were no grounds to repeal the resolutions adopted by the Company's Extraordinary General Meeting or to assert the invalidity of the Resolution on Preferred Shares. On 28 November 2013, the Company was served with the excerpt of the pleading of FORTA Sp. z o.o. containing the company's representation on withdrawal of the statement of claim in the part concerning the demand to repeal the Resolution on Share Capital Reduction. The Company believes that plaintiff FORTA Sp. z o.o. effectively withdrew the statement of claim on repealing the Resolution on Share Capital Reduction, and, accordingly, the court will only examine the statement of claim to assert invalidity or to repeal the Resolution on Preferred Shares. The date of the court session in that case was set at 12 March 2014.

ENERGA Group's activity related to corporate social responsibility

The adoption by the Company's Management Board of the Strategy of sustainable development and corporate social responsibility in the ENERGA Capital Group ("CSR Strategy") was an important element of the activities, which in 2013 focused mostly on tidying up and coordinating the efforts related to corporate social responsibility. The basic assumption of the CSR Strategy is the support for achievement of the Group's predefined business objectives outlined for 2013-2020 and strengthening the Group's position in relations with the stakeholders.

The CSR Strategy focuses on the four main areas of the Group's operation, such as: Service and Sales, Distribution, Production and Cooperation. The task of the Group companies is to monitor the most important areas, in which they conduct their activity and over which they have influence, in a credible manner and in accordance



with the set ratios. The purpose of the priorities set within the Group is to motivate the individual companies to set ambitious goals for themselves – taking into account the specificity of their operations – to reduce the negative consequences of their activity and to maximize benefits from activities undertaken for the benefit of the community and the environment. The companies execute the CSR Strategy on the basis of internally accepted plans, and they report progress in their performance through the designated coordinators. The Team on coordination of CSR-related activities within the Group, which was established upon ENERGA SA's initiative, monitors the activities related to corporate social responsibility and plans the priorities for the given year.

Such approach strengthens the reporting of non-financial data in the Group, and allows to include as many as 15 Group's key companies in the process. At present, the work on publication of the third CSR Report of the ENERGA Capital Group for 2013 is very advanced. In line with current practice, the report will be prepared according to guidelines of GRI (*Global Reporting Initiative*), which outline the rules for measurement and reporting of economic, environmental and social aspects of operations. This year, the Report will be verified from the standpoint of implementation of GRI guidelines to confirm that the required scope of standard information and ratios was presented for the given reporting level. The credibility of the 2013 CSR Report will be additionally confirmed by verification performed by an independent external audit firm, which will evaluate the data reporting process from the qualitative standpoint.

We will present the actions taken, best practices and the achieved results in the ENERGA Group's Sustainable Development Report for 2013, which will be posted on the ENERGA Group's corporate website at www.grupaenerga.pl in "For Community" tab.

Prizes and distinctions received by the ENERGA Group in 2013

In 2013, ENERGA and other entities from the Group received several valuable prizes and market recognitions. In February, during the formal meeting of the participants of the Polish Power Exchange and the Warsaw Commodity Clearing House, ENERGA-OBRÓT received three prestigious prizes:

- "Platinum Megawatts 2012" – for being the most active entity in international trade in 2012,
- Paweł Gorczyński, Director of the Energy Trade Department, was awarded the title of the Broker of the Year for the highest number of executed orders on the Next-Day Market and Current-Day Market in 2012,
- "Clearances 2012" – for the most effective management of non-pecuniary collaterals.

In March 2013, the ENERGA Foundation was awarded the "SUMMA BONITAS" statuette granted by the "Help the Children" Foundation with its registered office in Warsaw, and the title of the Honorary Philanthropist of the Hospice Foundation and Hospice priest E Dudkiewicz SAC for benevolence and helping other human beings.

In the same month, during the Women's Day concert in the National Philharmonic Hall in Sopot, the city mayor Jacek Karnowski granted the ENERGA Group the 2012 Patron of Culture title.

In April, ENERGA Elektrownie Ostrołęka SA ranked fourth in the 2012 Pillars of Polish Economy in Mazowieckie voivodship, which ranks economically stable companies which are important employers working for development of local communities and entrepreneurship.

During the jubilee gala of the KTR Polish Advertising Contest, which recognized the best advertising projects in 2012, ENERGA SA received the KTR prize for campaign "ENERGA. Just turn it on", and the prize in the TV and cinema category went to the Company's advertising spot, in which a canary, a dog and a cat encourage to save electricity and use the services of the most environmentally-friendly power supplier in Poland.

In May 2013, the employees of the ENERGA Group, who developed an innovative technology of generating heat and electric power in municipalities, received the Prime Minister's prizes for outstanding scientific and technological achievements. Jointly with the scientists from the team of Professor Jan Kiciński from the Institute of Fluid-Flow Machinery of the Polish Academy of Sciences in Gdańsk they are implementing in the municipality of Żychlin the

concept of a municipality which is self-sufficient from the energy standpoint. Prizes were awarded during the formal ceremony held in the Prime Minister's Office.

ENERGA-OPERATOR was recognized for being the most effective and the most innovative Polish power grid operator in 2013. This was confirmed by the Operator of the Year 2013 title granting to it in the Energy World Leaders Contest.

The ENERGA Group was the recipient of the CSR Silver Leaf prize for 2012, for, among other things, striving for corporate governance, human rights, jobs, consumers, the market and social involvement. The distinction is granted to the enterprises from the list of 500 largest companies of "Polityka" weekly, which display responsible and sustainable approach to business activity conducted.

In June 2013, ENERGA received for the second time the title of the High Reputation Brand in the PremiumBrand survey, which is the largest research project on the Polish market, and which comprehensively analyzes the attitudes of consumers and the business environment to the individual brands. The contest was organized by the MMT Management group, and Dom Badawczy Maison carried out the project. The brands participating in this year's edition of the PremiumBrand project were analyzed according to 7 categories: Energy, Construction materials, Finance, Commerce, Telecommunication, Number games and Food.

According to the first June report on the subject of the enterprises' role in development of voivodships, prepared by PKPP Lewiatan, ENERGA was considered the "Most valuable company of Pomorskie voivodship", and it was ranked highest in terms of headcount, capital expenditures and net profit.

ENERGA-OPERATOR Techniczna Obsługa Odbiorców Sp. z o.o. ranked third in Gazeta Finansowa's "Ranking 200", which ranks the most dynamic companies.

In October, the ENERGA Group's "Emisja" bulletin was recognized in the contest of "Company Bulletins 2013" organized by Agape consulting and publishing agency. In the same month, the ENERGA Foundation was granted the Lions Club Gdańsk Amber's "Amber heart" statuette in recognition of its support for the scholarship program for talented youth from low-income families attending schools of Pomorskie voivodship.

In December 2013, the ENERGA Group received the Special Prize of the Economic Forum awarded by the Forum's Program Council for carrying out the largest in more than two years initial public offering of shares on the Warsaw Stock Exchange, whose value was PLN 2.4 billion.

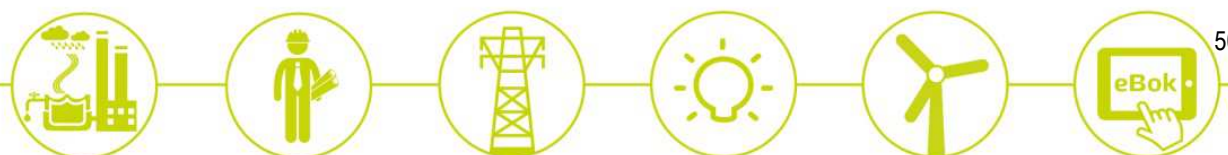
Gdańsk, 6 March 2014

Signatures of ENERGA SA Management Board Members

Mirosław Bieliński
President of the ENERGA SA Management Board

Roman Szyszko
Executive Vice President of the ENERGA SA Management Board, Chief Financial Officer

Wojciech Topolnicki
Executive Vice President of the ENERGA SA Management Board, Strategy and Investments



MANAGEMENT BOARD'S REPRESENTATION

The ENERGA SA Management Board hereby represents that:

- according to the best knowledge, the annual financial statements and the comparative data were prepared in line with the accounting principles, and reflect, truly, reliably, and clearly, the asset and financial position of ENERGA SA and its financial result. The Management Board report on the activity of ENERGA SA contains a true presentation of developments, achievements and situation of the Company, including a description of key risks and threats;
- KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa, an entity authorized to audit the financial statements, which audited the financial statements of ENERGA SA for the financial year ended 31 December 2013, was selected in accordance with the applicable regulations. That entity as well as the auditors who audited the aforementioned financial statements satisfied the conditions for expressing an unbiased and independent opinion about the audit of the financial statements as required by the binding regulations and professional norms.

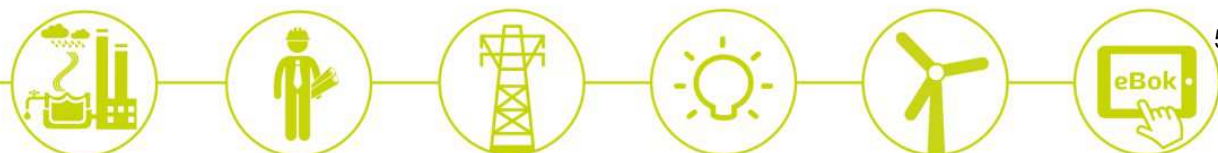
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Gdańsk, 6 March 2014



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Glossary of terms and abbreviations

ATS	Alternative Trading System organized by BondSpot S.A., one of the Catalyst trading platforms
BASE	Contract for the supply of 1MWh during every hour of the day
Billing	Itemized bill, statement of all fees for added services which a subscriber uses in a given settlement period
Biomass	Solid or liquid, biodegradable substances of plant or animal origin, originating from products, waste and remnants of agricultural and forestry production, the industry processing their products, and also a portion of other biodegradable waste, and especially agricultural raw materials
BondSpot S.A.	Subsidiary of the Warsaw Stock Exchange running a regulated over-the-counter market and electronic trading platforms for securities and financial instruments, also on an unregulated market
CAGR	Compound Annual Growth Rate
CAPEX	Capital expenditures
Catalyst	The Catalyst bond market is run on the transaction platforms of the Warsaw Stock Exchange and BondSpot.
CIRS, CCIRS (Currency Interest Rate Swap, Cross-Currency Interest Rate Swap)	Currency Interest Rate Swap transactions, as part of which payments will be made in two different currencies (CIRS) or more currencies (CCIRS) on the basis of variable interest rates for the set period of time and in the set frequency
CRO	Settlement prices of the deviations
CO ₂	Carbon dioxide
CRM, Customer Relationship Management	System to manage customer relationships
EIB	European Investment Bank
EBIDTA (Earnings before interest, taxes, depreciation and amortization)	ENERGA SA defines and calculates EBITDA as operating profit /(loss) (calculated as the net profit /(loss) on continuing operations for the financial period/year, adjusted by (i) income tax, (ii) the share of profit of the associate, (iii) financial income and (iv) expenses) adjusted by depreciation (posted to profit and loss account). EBITDA has not been defined by IFRS and it should not be treated as an alternative for measures and categories consistent with IFRS. In addition, EBITDA does not have a single definition. The method of calculating EBITDA by other companies may significantly differ from the method in which ENERGA SA calculates it. As a result, EBITDA presented herein cannot be compared to EBITDA presented by other companies.
EBIT	Earnings before interest and taxes
EBRD	European Bank for Reconstruction and Development
ENERGA SA, ENERGA, Company	Parent company in the ENERGA Capital Group
EMTN	Program to issue Euro Medium Term Notes
EU	European Union
EUA	European Union emission allowance
EU ETS (European Union Greenhouse Gas Emission Trading Scheme)	EU emissions trading scheme. The rules governing its operation are stated in ETS Directive.
EUR	Euro, currency used in countries belonging to the European Union's Eurozone
WSE	Warsaw Stock Exchange S.A.
ENERGA Capital Group, ENERGA Group, Group	Capital Group dealing with the distribution, supply and generation of electrical and thermal energy. It also conducts activity related to street lighting, design, procurement of materials, grid-related services, specialized transport, hotel and IT services



Tariff group	Group of customers off-taking electrical energy or heat or using electricity or heat supply services with respect to which a single set of prices or fee rates along with their terms and conditions are applicable
GUS	Central Statistical Office
GW	Gigawatt, unit of power in the International System of Units, 1 GW = 109 W
GWe	Gigawatt of electrical power
GWh	Gigawatt hour
IBnGR	Market Economy Research Institute
IPO	Initial Public Offering
IRGIT	Izba Rozliczeniowa Gield Towarowych S.A. (Clearing House of Mercantile Exchanges)
KNF	Polish Financial Supervision Authority
Cogeneration, CHP	Technological process of simultaneous combustion of heat and electrical or mechanical energy in the course of the very same technological process
Covenants	Contractual clauses providing safeguards
KRS	National Court Register
KTR	Krajowe Towarzystwo Reklamowe (National Advertising Association)
kWh	Kilowatt hour, unit of electrical energy generated or used by equipment with 1 kW of power in an hour; 1 kWh = 3,600,000 J = 3.6 MJ
MoT	Ministry of Treasury
MW	Unit of power in the International System of Units, 1 MW = 106 W
MWe	Megawatt of electrical power
MWh	Megawatt hour
MWt	Megawatt of thermal power
NBP	National Bank of Poland, central bank in Poland
Off-peak	Contract for the supply of 1MWh of energy in low demand hours from 0:00-7:00 and 22:00-24:00
Renewable Energy Sources, RES	Sources converting the energy of the wind, solar radiation, geothermal energy, waves, currents and marine tides, run of rivers and energy obtained from biomass, garbage dump biogas as well as biogas ensuing from waste removal or treatment processes or the degeneration of stored plant and animal remains to generate electricity.
Distribution System Operator, DSO	Utility dealing with the distribution of gaseous fuels or electrical energy, responsible for grid operation in the gaseous distribution system or in the electrical energy distribution system, the current and long-term operational safety of this system, the operation, maintenance, refurbishment and required expansion of the distribution grid, including connections with other gaseous systems or other electrical energy systems
Transmission System Operator, Electrical power TSO, TSO	Utility dealing with the transmission of gaseous fuels or electrical energy, responsible for grid operation in the gaseous transmission system or in the electrical energy transmission system, the current and long-term operational safety of this system, the operation, maintenance, refurbishment and required expansion of the transmission grid, including connections with other gaseous systems or other electrical energy systems
OTC	Over-the-counter market
OZEX_A	Volume-weighted average price using all transactions pertaining to the PMOZE_A contract on an exchange session
PEAK	Contract for the supply of 1MWh of energy during every peak hour 7:00- 22:00
PGE	PGE Polska Grupa Energetyczna SA
GDP	Gross Domestic Product
PLN	Polish zloty, national currency
PMOZE_A	Property rights to certificates of origin for electrical energy generated in RES whose period of generation, as specified in the certificate of origin, commenced after 1 March 2009
pp.	Percentage point
Property rights	Negotiable rights constituting a commodity arising from certificates of origin for energy generated from renewable energy sources and cogeneration
Vertically-integrated utility	Utility or group of utilities whose reciprocal relationships are prescribed by Article 3 sec. 2 of the Regulation on the Control of Concentrations, dealing with (i) in respect of gaseous fuels: transmission or distribution, or storage, or condensation and generation or the sale of these fuels, or (ii) in respect of electrical energy: transmission or distribution and generation or the



	sale of this energy
PSE	Polskie Sieci Elektroenergetyczne Spółka Akcyjna with its registered office in Warsaw, entered in the register of entrepreneurs of the National Court Register under file number KRS 0000197596; company designated by ERO President decision No. DPE-47-58(5)/4988/2007/BT of 24 December 2007 to be the electrical power transmission system operator in the Republic of Poland for the period from 1 January 2008 until 1 July 2014
MPC	Monetary Policy Council
y/y	Year to year
SAIDI	System Average Interruption Duration Index
SAIFI System Average Interruption Frequency Index)	System Average Interruption Frequency Index
SFIO	Specialized Open-end Mutual Funds
Smart Grid	Electric power system intelligently integrating the actions of all the participants in the processes of generation, transmission, distribution and usage to deliver electricity in an economical, reliable and safe manner. It entails comprehensive energy solutions making it possible to combine, facilitate reciprocal communication and control in an optimum way elements of power grids that have been diverse to date
SPOT	Day-Ahead Market (DAM) – energy market operating in the “day ahead” time interval (DA) providing for energy supply on day D
Certificate of origin	Certificate of origin from renewable sources and certificate of origin from cogeneration
Certificate of origin from co-generation	Document issued by the ERO President pursuant to art. 9l of the Energy Law confirming the generation of electrical energy in highly-efficient cogeneration generated in: (i) a cogeneration unit fired with gaseous fuels or with the total installed electrical capacity at source being under 1 MW (known as a yellow certificate), (ii) a cogeneration unit fired with methane released and drained in the course of underground mining activity in hard coal mines that are active, that are being shut down or that have been shut down or with gas obtained by processing biomass (known as a purple certificate), or (iii) some other cogeneration unit (known as a red certificate)
Certificate of origin from renewable energy sources, green certificate	Document issued by the ERO President pursuant to art. 9e of the Energy Law confirming the generation of electrical energy in a renewable energy source (known as a green certificate)
Tariff G	Tariff group for individual customers – households
Polish Power Exchange, TGE	Polish Power Exchange S.A., a mercantile exchange on which commodities admitted to be traded on the exchange are traded, i.e. electrical energy, liquid and gaseous fuels, mine gas, pollution emission limits and property rights ensuing from certificates of origin whose price is directly or indirectly dependent on the price of electrical energy, liquid or gaseous fuels and the quantity of pollution emissions
TWh	Terawatt hour, a multiple unit of electrical energy in the International System of Units. 1 TWh is 109 kWh
EU	European Union
Unbundling	Process of legally and organizationally splitting distribution activity (electricity distribution services performed by a distributor) from generation activity (generation of electricity by power plants) and electricity supply and sales activity (sellers)
UOKiK	Office of Competition and Consumer Protection
ERO	Energy Regulatory Office
WACC	Weighted average cost of capital
WIBOR Warsaw Interbank Offered Rate)	Warsaw Interbank Offered Rate
Cofiring	Generation of electricity or heat using a process of simultaneous and joint combustion of biomass or biogas with other fuels in a single device; a portion of the energy generated in this manner may be deemed to be energy generated in a renewable energy source

