

# Management Report on the activities of Centrum Medyczne ENEL-MED S.A. in 2013

Warsaw, dated March 19, 2014



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# 1. BASIC INFORMATION ABOUT CENTRUM MEDYCZNE ENEL-MED S.A.

## 1.1. Management Board and Supervisory Board

### The Management Board of Centrum Medyczne ENEL-MED S.A.



Adam Rozwadowski - President of the Management Board

He has been the President of the Management Board since 2006. A graduate of the Technical University of Gdańsk. In the years 1972-1985, he worked at STOEN as the manager of the general technical department, and in the years 1985-1995, he worked as the Director of the Office of Design and Implementation of Investments. Since 1993, he has been managing Centrum Medyczne ENEL-MED, first as the General Director and then as the President of the Management Board. In addition, he is the Deputy President of the National Association of Private Hospitals [*Ogólnopolskie Stowarzyszenie Szpitali Prywatnych*] and a Member of the Management Board of Polish Union of Private Healthcare Employers [*Ogólnopolski Związek Pracodawców Prywatnej Służby Zdrowia*].



Jacek Rozwadowski - Deputy President of the Management Board, CEO

He has been performing the duties of the Deputy President of the Management Board since 2009. He has been working for the company since 2002, and he is its CEO since 2008. A graduate of the School of Business and Administration in Warsaw. Before joining the medical sector, he had been working in the automotive industry. In the period 1999–2002, he dealt with marketing and sales at DAF Trucks Polska Sp. z o.o. Before that, he worked for a year for DAF Trucks NV Holland where he was responsible for sales in Poland. In the years 1996–1998, he was a project manager in Elektrim S.A.

As at 19 March 2013, the composition of the Management Board had not changed.

### Supervisory Board of Centrum Medyczne ENEL-MED S.A.

- Anna Rozwadowska - Chairperson of the Supervisory Board
- Anna Piszcz - Member of the Supervisory Board
- Janusz Jakubowski - Member of the Supervisory Board
- Adam Ciuhak - Member of the Supervisory Board
- Zbigniew Okoński - Member of the Supervisory Board

As at 19 March 2013, the composition of the Supervisory Board had not changed.

## 1.2. Shareholding structure

As at the date of publishing this Management Report on the activities of the Company, the initial capital amounted to PLN 23,566,900.00 and was divided into 23,566,900 shares with a nominal value of PLN 1.00 each.

In 2013, PZU joined the group of Shareholders holding significant share packages. Pursuant to the notification received from PTE PZU S.A., the Company obtained the information about the increase in the share of Otwarty Fundusz Emerytalny PZU "Złota Jesień" ("OFE") and Dobrowolny Fundusz Emerytalny PZU ("DFE") in the Issuer's shareholding structure. As a result of concluding the purchase transaction related to the Company's shares on the Warsaw Stock Exchange by OFE and DFE funds on February 7, 2013, the number of shares and the number of votes controlled by PZU increased to 1.186.229 shares and votes at the General Meeting of Shareholders of the Company, which constituted 5.03% of the capital and 5.03% of the votes at the General Meeting of Shareholders of the Company. Before concluding the transaction, the Insurance Company held 1,177,685 shares and votes, which constituted 4.997% of the capital and 4.997% of the number of votes at the General Meeting of Shareholders of the Company. Then, as a result of receiving the list of shareholders entitled to participate in the Ordinary General Meeting convened on May 23, 2013, from Krajowy Depozyt Papierów Wartościowych [hereinafter "KDPW", the National Depository for Securities], the Company obtained the information about the increase in the share of PZU to 1,200,000 votes and shares. Then, after the announcement convening the Extraordinary General Meeting on October 2, 2013, the Company received from KDPW the list of shareholders pursuant to which Otwarty Fundusz Emerytalny PZU "Złota Jesień" increased its share to 1,400,000 shares and votes at the General Meeting of Shareholders, which constituted 5.94% of the capital and 5.94% of the number of votes at the General Meeting of Shareholders of the Company. Then, in connection with the announcement convening the Extraordinary General Meeting on February 28, 2014, the Company received from KDPW the list of shareholders entitled to participate in the General Meeting pursuant to which Otwarty Fundusz Emerytalny PZU "Złota Jesień" increased once again the number of held shares and votes at the General Meeting of Shareholders to 1,680,000, which constituted 7.13% of the capital and 7.13% of the number of votes at the General Meeting of Shareholders of the Company.

As at the date of publishing this Management Report, the shareholding structure was as follows:

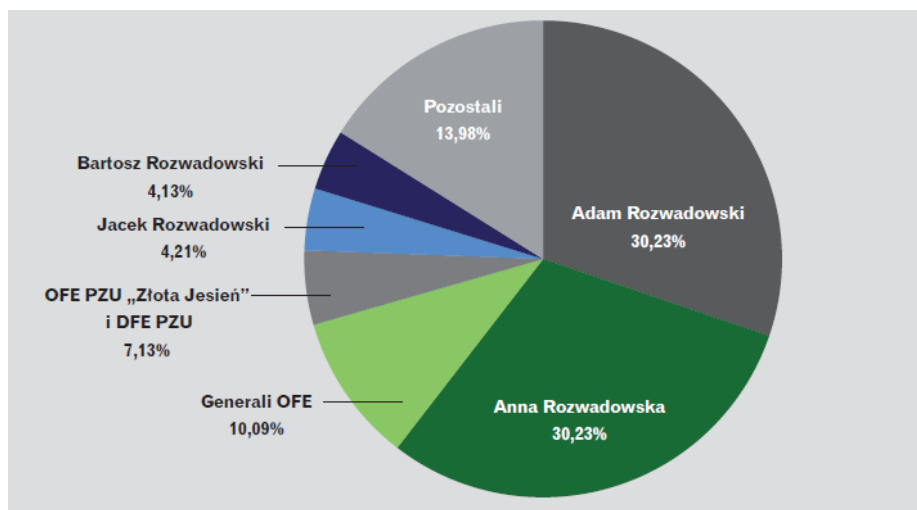
Shareholder	Number of shares	% of capital	Number of votes	% of votes
Adam Rozwadowski*	7,124,000	30.23	7,124,000	30.23
Anna Rozwadowska**	7,123,950	30.23	7,123,950	30.23
Generali OFE	2,377,000	10.09	2,377,000	10.09
OFE PZU, "Złota Jesień" and DFE PZU	1,680,000	7.13	1,680,000	7.13
Jacek Rozwadowski***	992,800	4.21	992,800	4.21
Bartosz Rozwadowski****	972,650	4.13	972,650	4.13
Pozostali akcjonariusze	3,296,500	13.98	3,296,500	13.98

\* through Koremia Investments Ltd., registered in Larnaca (Republic of Cyprus)

\*\* through Versinus Ltd., registered in Larnaca (Republic of Cyprus)

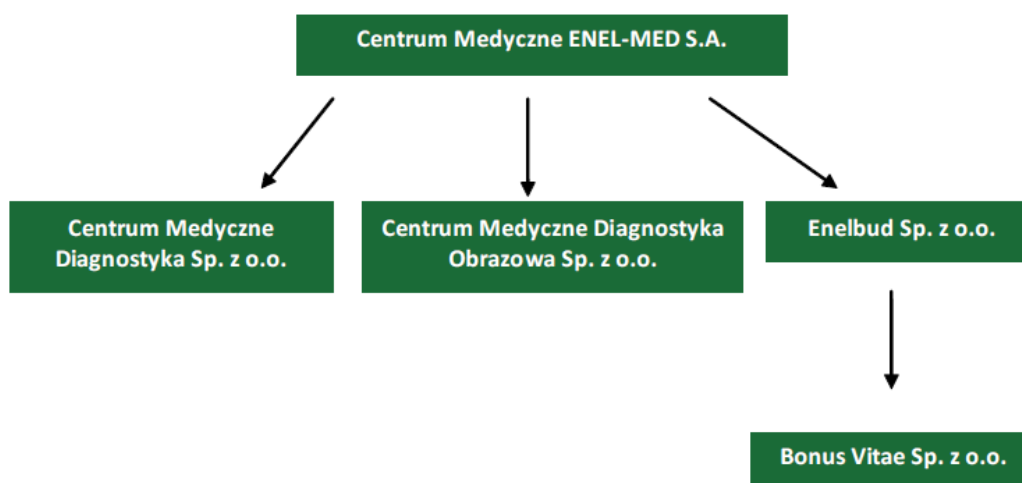
\*\*\* through Smerona Holdings Ltd., registered in Larnaca (Republic of Cyprus)

\*\*\*\* through Elvestra Ltd., registered in Larnaca (Republic of Cyprus)



### 1.3. Description of the structure of the Capital Group

Centrum Medyczne ENEL-MED S.A. is a part of the Capital Group comprising Centrum Medyczne ENEL-MED S.A. being the parent company and the following subsidiaries: Enelbud Sp. z o.o., Centrum Medyczne Diagnostyka Sp. z o.o., Centrum Medyczne Diagnostyka Obrazowa Sp. z o.o. and Bonus Vitae Sp. z o.o.



**Enelbud Sp. z o.o.** - the company was established in 2006 (its business name was changed in 2013 from Centrum Nieruchomości Enel-Med Sp. z o.o.). The Company is engaged in real property investments in the healthcare sector. The parent company - Centrum Medyczne ENEL-MED S.A. - holds 80 of shares in this subsidiary. It accounts for 80% of the subsidiary's initial capital.

**Centrum Medyczne Diagnostyka Sp. z o.o.** - the company was established in the third quarter of 2013. The issuer took up 50 shares in the subsidiary being 100% of the initial capital of this company. On February 28, 2014, the Extraordinary Meeting of Shareholders of Centrum Medyczne Diagnostyka Sp. z o. o. adopted the resolution on increasing the initial capital of this company from the amount of PLN 5,000.00 to the amount of PLN 500,000.00, that is by the amount of PLN 495,000.00, through creating 4,950 new shares of nominal value of PLN 100.00 each. On February 28, 2014, all newly created shares were taken up by the Company and were covered in full by in-kind contribution in the form of a set of tangible and intangible assets separated organisationally and financially used to carry out the business activity in the scope of diagnostic imaging at the following facilities: Bielany Diagnostic Centre in Warsaw, Magnetic Resonance Laboratory in Konin, Magnetic Resonance

Laboratory in Mielec, Computed Tomography Laboratory in Poznań, Magnetic Resonance Laboratory in Łomża, Computed Tomography Laboratory in Wołomin, and Diagnostic Laboratory in Lublin, constituting an organised part of the enterprise with capacity of operating as an independent enterprise. The Issuer holds 100% of shares in the initial capital of Centrum Medyczne Diagnostyka sp. z o.o. As at the publication date of this Management Report, the subsidiary with the business name of Centrum Medyczne Diagnostyka sp. z o.o. did not carry out any operating activities. The planned principal operating activities include the activities in the scope of diagnostic imaging.

**Centrum Medyczne Diagnostyka Obrazowa Sp. z o.o.** - the company was established in the fourth quarter of 2013, and the issuer holds 50 shares of total nominal value of PLN 5,000.00, which constitutes 100% of the initial capital of this company. As at the publication date of this Management Report, the subsidiary with the business name of Centrum Medyczne Diagnostyka Obrazowa sp. z o.o. did not carry out any operating activities. In the future, Centrum Medyczne ENEL-MED S.A. will contribute 100% of shares in Centrum Medyczne Diagnostyka sp. z o.o. to Centrum Medyczne Diagnostyka Obrazowa sp. z o.o., which will constitute the stage of preparation to possible acquisition of external investor or sale of shares in Centrum Medyczne Diagnostyka Sp. z o.o.

**Bonus Vitae Sp. z o.o.** - the company was established in the fourth quarter of 2013 by the Issuer's subsidiary, that is Enelbud Sp. z o.o., and JH Group AG with its registered office in St. Gallen (Swiss Confederation), in which the Issuer's subsidiary took up 50 shares of nominal value of PLN 50.00 each, of total nominal value of PLN 2,500.00. The remaining 50 shares of nominal value of PLN 50.00 each, of total nominal value of PLN 2,500.00, were taken up by JH Group AG. Then, on February 4, 2014, JH Group AG concluded the agreement on sale of shares in the initial capital of Bonus Vitae Sp. z o.o. with Planet Group Investment GmbH with its registered office in Austria (Vienna). As a consequence of the concluded agreement, JH Group AG transferred the shares in Bonus Vitae Sp. z o. o. to Planet Group Investment GmbH holding 100% of shares in the initial capital of JH Group AG. The share of Enelbud Sp. z o.o., a subsidiary of Centrum Medyczne ENEL-MED S.A., was not changed.

The Issuer did not draw up consolidated financial statements as at December 31, 2013, under the exemption arising from Article 58 of the Accounting Act. The subsidiaries were not included in the consolidated financial statements due to the fact that their financial data is not material to give a fair and clear view of the Group's material and financial position and its financial result.



## 2. CHARACTERISTICS OF ACTIVITIES OF CENTRUM MEDYCZNE ENEL-MED S.A.

### 2.1. Description of activities of Centrum Medyczne ENEL-MED

Centrum Medyczne ENEL-MED S.A. operates on the national market of medical services and is the third largest private medical services operator in Poland taking into account revenues, present on the Polish market of health care services since 1993.

The Company operates 27 healthcare facilities, of which eighteen multi-profile clinics (together with six in-company clinics), ten diagnostic facilities, and two hospitals located in Warsaw.

Multi-profile clinics are situated in attractive localisations (for example in shopping malls and office buildings) in six big cities: in Warsaw (the Centres of Zacisze, Atrium, Blue City, Arkadia, Puławska, Domaniewska, Centrum), Cracow (Galeria Krakowska Centre), Poznań (Kupiec Poznański Centre), Łódź (Manufaktura Centre), Gdańsk (Grunwaldzka Centre) and Wrocław (Arkady Wrocławskie Centre). In-company clinics, that is small branches situated on corporate client's premises, offering a basic range of services only to the employees of a given client, are located in Warsaw, Piła and Łódź. The only exclusion is the facility located in the Special Economic Zone, the Sub-Zone of Wrocław-Kobierzyce, which is used by the employees of companies belonging to the LG Cluster together with their families, as well as individual patients not employed in the companies with which ENEL-MED signed agreements concerning the provision of medical services. In addition, the Company cooperates with over 1,250 partner facilities whose clinics are located in localities where the Issuer does not have its own medical facilities.

ENEL-MED also runs ten diagnostic facilities located in seven voivodeships: in Warsaw (Bielany, Zacisze, Centrum), Wołomin, Konin, Łomża, Lublin, Mielec, Poznań and Gdańsk.

Moreover, the Issuer operates two hospitals situated in Warsaw: the multi-specialisation 19-bed Zacisze Hospital and the 33-bed Centrum Hospital located at Aleja Solidarności 128.

#### **The medical services provided by the Company include but are not limited to:**

- primary and specialised outpatient care, including rehabilitation and surgical procedures at outpatient clinics,
- dental health care,
- diagnostic imaging tests (including tests performed using computed tomography and magnetic resonance, ultrasonography and X-ray),
- hospitalisation, including surgical procedures and surgeries in selected specialisation areas, scheduled at the Zacisze Hospital and Centrum Hospital,
- off-site medicine and emergency home visits, as well as medical care in case of sudden illness.

The Company provides a wide range of medical services (58 specialisations in total) both to corporate clients with prepaid medical care packages, and to individual clients using it within the medi-care health insurance, against the payment or under the contract concluded by ENEL-MED with the National Health Fund. Furthermore, Centrum Medyczne ENEL-MED has signed medical services contracts with numerous insurance companies, such as Allianz, PZU Pomoc, Generali, Inter Polska, Signal Iduna, and Uniqa. The Company's settlements with insurance companies are effected on a fee-for-service basis.



## 2.2. Multi-profile clinics

Centrum Medyczne ENEL-MED runs eighteen multi-profile clinics situated in attractive and prestigious locations (including shopping malls and office buildings), in six large and important cities: Warsaw, Cracow, Poznań, Łódź, Gdańsk, and Wrocław.

The ENEL-MED clinics offer comprehensive medical care services, including primary, as well as specialist ambulatory care, together with dental health care and rehabilitation.



**Łódź** - Manufaktura Centre  
**Kraków** - Galeria Krakowska Centre  
**Gdańsk** - Grunwaldzka Centre  
**Wrocław** - Arkady Wrocławskie Centre  
**Poznań** - Kupiec Poznański Centre

**Warsaw:**  
Atrium Centre  
Arkadia Centre  
Blue City Centre  
Puławska Centre  
Domaniewska Centre  
Zacisze Centre  
Centrum Centre

In Warsaw, there are 7 centres in total: clinics in office buildings of Atrium Plaza and Trinity Park III (Atrium Centre and Domaniewska Centre), clinics at prestigious shopping malls such as Arkadia (Arkadia Centre) or Blue City (Blue City Centre), clinic on Puławska Street (Puławska Centre) and the clinic operating on the premises of the company's hospital on Gilarska Street (Zacisze Centre). Additionally, the Centrum Hospital fulfils the function of a clinic, where specialist consultations are held. In the first half-year of 2014, ENEL-MED will open the next multi-profile clinic in Warsaw located in the prestigious Promenada Shopping Mall.





The medical clinics of the Company located in Cracow, Poznań, Łódź and Wrocław are situated in shopping malls. In Poznań, the Issuer's clinic is located in the Kupiec Poznański Shopping Mall (Kupiec Poznański Centre), in Łódź - in the Shopping Centre of Manufaktura (Manufaktura Centre), in Wrocław - the Arkady Wrocławskie Shopping Mall (Arkady Wrocławskie Centre), in Cracow - in the Galeria Krakowska Shopping Mall, while in Gdańsk - in the office building of Office Island (Grunwaldzka Centre).







### 2.3. In-company clinics

ENEL-MED runs six in-company clinics that is small branches situated on corporate client's premises, offering a basic range of services only to employees of a given client. Two in-company clinics are located in Warsaw – on the premises of the National Bank of Poland and Bank Millennium (Żaryna in-company clinic and Plac Powstańców in-company clinic). Other branches are located in Łódź – on the premises of Sonoco Poland Packaging Services and Rossmann SDP, in Piła – at the premises of Philips Lighting Poland, and in the Special Economic Zone, Wrocław-Kobierzyce Sub-Zone – on the premises of LG Display Poland. Services offered by the clinic located on the premises of LG can be used not only by the employees of companies from the LG Cluster with their families, but also by commercial clients.

### 2.4. Hospital services

In 1998, Centrum Medyczne ENEL-MED started offering hospital services as it opened a multi-specialisation hospital in Warsaw on Gilarska Street. The hospital has 19 beds, two operating rooms, as well as the anaesthesia consultation room, diagnostic and treatment room, and other. At the same location but within a separate space, there is also a multi-profile clinic (Zacisze Centre) and diagnostic laboratory.



The Zacisze Hospital offers services in the fields of general surgery, paediatric surgery, vascular surgery, plastic surgery, laryngology, gynaecology, ophthalmology, and urology.

In 2012, the Issuer opened the second hospital in Warsaw - the Centrum Hospital at Al. Solidarnosci 128. The newly opened hospital has 28 beds, two operating rooms and one postoperative recovery room. The hospital also houses a modern diagnostic imaging facility that offers a wide range of diagnostic tests. Additionally, the hospital fulfils the function of a clinic providing specialist consultations. Moreover, emergency orthopaedic care is available 24 hours a day, 7 days a week. The Centrum Hospital offers the services in the area of neurosurgery, orthopaedics and hand surgery.

Patients may use hospital services against a payment or under the contract with the National Health Fund concluded by the Company and concerning a selected group of treatments and surgeries (services are free-of-charge from the patient's point of view). The contract for hospital services concluded with the National Health Fund, pertaining to scheduled operations, includes the following groups of services:

- a) orthopaedics,
- b) neurosurgery,
- c) vascular surgery,
- d) general surgery,
- e) ophthalmology,
- f) otolaryngology.

Given the considerable potential of the Company that exceeds the limits ensured by the contract with the National Health Fund, the Issuer offers a wider range of services within the commercial operations which are not covered by the contract with the NHF.

## 2.5. Diagnostic laboratories and centres



ENEL-MED has two diagnostic centres in Warsaw: Centrum Centre and Bielany Centre, as well as eight diagnostic laboratories located in Warsaw, Wołomin, Łomża, Lublin, Gdańsk, Mielec, Konin, Poznań. Magnetic resonance or computed tomography tests may be provided at some facilities of the Company within the prepaid medical care package, insurance policy, against payment, or under the contract with the National Health Fund.

The use of high quality equipment for the purposes of diagnosing various disorders is becoming more and more popular among physicians and patients. It should be noted that an increasing number of public hospitals entrusts carrying out diagnostic tests to private centres.

The network of diagnostic centres and facilities of the Company offering magnetic resonance (MR) and computed tomography (CT) services:

**Warsaw**

Centrum Diagnostic Centre (MR + CT)

Bielany Diagnostic Centre (MR + CT)

Zacisze Diagnostic Laboratory (MR + CT)

**Wołomin**

Wołomin Diagnostic Laboratory (CT)

**Mielec**

Mielec Diagnostic Laboratory (MR)

**Lublin**

Lublin Diagnostic Laboratory (MR + CT)

**Poznań**

Poznań Diagnostic Laboratory (CT)

**Łomża**

Łomża Diagnostic Laboratory (MR)

**Konin**

Konin Diagnostic Laboratory (MR)

**Gdańsk**

Gdańsk Diagnostic Laboratory (MR)

In addition to CT and MR scanners, the diagnostic centres and laboratories use state-of-the-art X-ray machines, ultrasound scanners and mammography systems.

In 2003, ENEL-MED introduced teleradiology to its offer. Teleradiology is a branch of telemedicine focused on transmitting diagnostic images from the place of test performance to the centre where it is interpreted. It combines the elements of telecommunications, information technology and medicine, especially radiology.

The advantages of teleradiology are as follows:

- reduced costs of functioning of hospitals and other health care facilities
- possibility of using the experience of the best experts, irrespective of their location
- improved standard of tests
- fast access to correct diagnosis.

The Company signs contracts for interpretation of diagnostic tests, including computed tomography tests, magnetic resonance tests or X-rays, with public and private entities. The tests are interpreted 24 hours a day, 7 days a week. ENEL-MED prepares more than 3,000 of test descriptions a month.

## 2.6. Partner facilities

In order to ensure its clients the access to medical services throughout the country, in the cities, where ENEL-MED does not have its own facilities, the Issuer uses the support of partner facilities acting as subcontractors. When it is necessary to start cooperation with a new medical facility, an employee from the Corporate Client Service Department carries out an initial interview and verifies the scope of services of a given facility and the manner of provision of medical services based on the Medical Care Organisation Standards developed by the Company. After the negotiation process is completed and the contract is signed, the partner facility receives the updated lists of patients covered by Enel-Care programme together with the scope of medical services to which each patient is entitled. The Company cooperates with almost 1.250 medical facilities all over the country.

## 2.7. Basic patient types depending on the settlement method

Medical services provided by Centrum Medyczne ENEL-MED can be used on the following bases:

**Enel-Care** - is a kind of a package of medical services (so-called prepaid medical care package); its monthly costs depend on the scope of services, spatial distribution of persons covered by it, the size of a group; its cost is covered by a company that have signed an agreement with us, and its employees have the possibility of making additional payments to get partner or family packages.

**medi-care** - it is a so-called health insurance for the predetermined scope of services dedicated to individual patients, offered as a part of cooperation between the Company and InterRisk insurance company. However, the settlements between InterRisk and the Company are carried out based on the fixed per capita rate, and consequently, from the point of view of the Company, the medi-care product is similar to the Enel-Care prepaid medical care packages.

**Fee For Service (FFS)** - this form of sale of services means that a payer (corporate client, insurance company) pays every time a medical service is provided. The FFS system applies to three key groups of clients: individuals, customers of insurance companies, and a group of companies making the settlements with the Company on the FFS basis.

**National Health Fund** - in order to meet customer needs, it is also possible to refer a patient to receive particular hospital or diagnostic services under the contract between the Company and the National Health Fund. In this case, the cost of services is covered from public funds without any additional payments made by a patient.

Amount of revenues per the settlement method

Type of revenues	Amount	Structure
Enel-care	107,304,252	53.7%
medi-care	6,235,281	3.1%
FFS	69,320,099	34.7%
NFZ	16,859,111	8.4%
other	40,801	0.0%

## 2.8. Information on basic services, as well as their values and quantities, and shares in sales

Centrum Medyczne ENEL-MED operates on the national market of medical services. The activities of the Company are focused on four key market sectors (outpatient clinics, hospitalisation, diagnostics, dental care).

Value and structure of revenues by Medical Services

Medical Service	SALES				
	2012	share	2013	share	increase
DIAGNOSTICS *	31,624,638	17.5%	35,902,984	18.0%	13.5%
HOSPITAL *	11,777,339	6.5%	10,742,862	5.4%	-8.8%
DENTAL CARE	22,608,296	12.5%	23,776,599	11.9%	5.2%
CLINICS + ENEL-CARE	115,719,957	64.0%	129,337,100	64.7%	11.8%
Adjustment for sales - NHF	-944,434	-0.5%		0.0%	
TOTAL	180,785,795	100.0%	199,759,544	100.0%	10.5%

\* together with internal settlements

## 2.9. Information on sales markets

The Company operates throughout Poland and does not depend on any client or supplier. None of the suppliers or clients accounts for more than 10% of total sales revenues. The National Health Fund is still the biggest individual business partner of the Company but its share in revenues decreased. In 2013, it was equal to 8.4%.

## 2.10. Description of significant agreements

The agreements presented below are the agreements significant for the Company's activities in the opinion of the Management Board.

### **Agreement for the provision of medical services with another company from the LG Cluster**

Conclusion of the agreement with the next company from the LG Cluster: LG Electronics Wrocław Sp. z o.o. - the subject matter of the agreement is the provision of medical services to the employees of that company and their families. The services are provided in the Branch of Centrum Medyczne ENEL-MED - the In-Company Clinic of LG Display Poland, centres of Centrum Medyczne ENEL-MED, and at other medical centres cooperating with the Service Provider. The agreement was concluded for the period of two years from January 4, 2013, to December 31, 2014, and its value depends on the number of persons covered by medical packages in a given month and may amount to approximately PLN 1,440,000 during the term of the agreement.

### **Agreement for the provision of medical services with companies of the PGE Group**

Conclusion of the agreements with the companies of the PGE Group: an agreement with PGE Polska Grupa Energetyczna S.A. signed for the term of 3 years from March 1, 2013; an agreement with PGE Obrót S.A. for the provision of services in the field of occupational medicine for the term of 2 years from March 1, 2013; another agreement with PGE Obrót S.A. - for the provision of other medical services for the term of 3 years from March 1, 2013, and an agreement with PGE Systemy S.A. signed



on February 27, 2013, for the term of 3 years from March 1, 2013. The subject matter of the concluded agreements is the provision of medical services to employees of the PGE Group and their families. The services provided as a part of the prepaid medical care packages are rendered at Centrum Medyczne ENEL-MED S.A.'s own facilities and at partner facilities throughout the country. The total value of the agreements concluded with the companies belonging to the PGE Group depends on the number of persons covered by medical packages in a given month and may amount to approximately PLN 4,544,028.00 net during the term of the agreements.

#### **Agreement for the provision of medical services with Ruch S.A.**

Conclusion of the agreement with Ruch S.A for the provision of medical services to employees, persons cooperating with the company and their families. The agreement was concluded for an indefinite term from April 1, 2013, and its value depends on the number of persons covered by medical packages in a given month and may amount to a minimum of PLN 1,500,000 in the period of five years.

#### **Extension of cooperation with UNIQA Towarzystwo Ubezpieczeń S.A.**

Conclusion of the agreement with UNIQA Towarzystwo Ubezpieczeń S.A. for the provision of medical services to employees, contractors and their families. The agreement was concluded for indefinite term from May 1, 2013, and its value depends on the number of persons covered by medical packages in a given month, and might amount to approximately PLN 3,200,000 in the period of five years. The concluded agreement extends the scope of cooperation with UNIQA. Until now, the cooperation included the provision of medical services to the insurer's clients who have purchased insurance policies covering medical services. From May 1, 2013, the cooperation is extended to the provision of medical services to employees, contractors and their families.

#### **Agreement for the provision of medical services with the National Bank of Poland**

Conclusion of the agreement for the provision of medical services with the National Bank of Poland (NBP) Medical services in the scope of occupational medicine and preventive care are provided to the employees of the National Bank of Poland and their families. The services provided as a part of the purchased prepaid medical care packages are rendered at the in-company facility located at the Head Office of the National Bank of Poland in Warsaw, at own facilities of Centrum Medyczne ENEL-MED, and at partner facilities throughout the country. The agreement was concluded for 24 months from the date of signing the agreement but not before September 1, 2013, with an option of its extension by the Contracting Authority for additional 12 months. The value of this agreement depends on the number of persons covered by medical packages and may amount to approximately PLN 7,588,992.00 gross in the period of 24 months.

#### **Agreement for the provision of medical services with Raiffeisen Bank Polska**

Conclusion of an annex to the agreement with Raiffeisen Bank Polska extending the number of persons covered by medical packages to the employees of Polbank (a company merged with Raiffeisen Bank Polska).

The subject of the annex is the provision of medical services, including occupational medicine services, preventive care and other medical services, to the employees of Raiffeisen Bank Polska and their families.

The annex to the agreement was concluded for 17 months without the possibility of earlier termination, with an option of automatic extension for the next 19 months, and its value depends on the number of persons covered by medical packages, and may amount to approximately PLN 6,455,462.00 in the period of 17 months.

#### **Agreements with the National Health Fund**

- conclusion of an annex to the agreement concluded with the National Health Fund (NHF) – the Mazowieckie Voivodeship Branch in Warszawa, which specifies the terms of financing of diagnostic services for the year 2013. The signed annex caused that the total value of the agreements concluded by and between the Company and the National Health Fund in the period from the publication of current report No. 26/2012 amounted to PLN 8,245,602.30 net. The value of the largest agreement concluded with the National Health Fund in this period amounted to PLN 5,170,149.00 net, and its subject matter is the provision by the Company of health-care services in the form of outpatient specialist care in the field of computed tomography, magnetic resonance, gastroscopy and colonoscopy in diagnostic laboratories and centres in the Mazowieckie Voivodeship (Zacisze, Bielany in Warsaw, Wołomin). The agreement was concluded for the period from January 1, 2011, to December 31, 2013, (as an annex to the long-term agreement specifying the contract value for the year 2013), and its value in the settlement period, that is from January 1, 2013, to June 30, 2013, may reach the maximum amount of PLN 2,585,169.00 net, and PLN 2,584,980.00 net from July 1, 2013, to December 31, 2013, which gives the total of PLN 5,170,149.00 net.

- conclusion of an annex to the agreement concluded with the National Health Fund (NHF) – the Mazowieckie Voivodeship Branch in Warszawa, which specifies the terms of financing of healthcare services in the scope of hospital treatment for the year 2013. As a result of the aforementioned annex, the total value of agreements concluded by and between Centrum Medyczne ENEL-MED S.A. and the National Health Fund from the publication of the current report (referred to hereinabove) reached PLN 7,808,445.50 net. In the period analysed, the largest agreement concluded with the National Health Fund was an annex to the significant agreement of value of PLN 5,130,580.00 net and its subject matter was the provision of healthcare services in the scope of hospital treatment in the area of neurosurgery, orthopaedics, general surgery, otolaryngology, ophthalmology and vascular surgery. The aforementioned medical services were provided in two hospitals of Centrum Medyczne ENEL-MED located in Warsaw: the Centrum Hospital (neurosurgery and orthopaedics) and the Zacisze Hospital (other areas). The agreement was concluded for the period from February 20, 2012, to December 31, 2016 (as an annex to the long-term agreement specifying the contract value for the year 2013), and its value in the settlement period, that is from January 1, 2013, to June 30, 2013, may reach the maximum amount of PLN 2,565,368.00 net, and PLN 2,565,212.00 net from July 1, 2013, to December 31, 2013.

#### **Annex to the agreement for the space lease for the purposes of multi-profile clinic in Poznań**

Conclusion of an annex to the agreement with Kupiec Poznański REAL ESTATE Sp. z o.o. concerning the lease of commercial space in the “Kupiec Poznański” commercial and office building. Commercial space is leased for the purposes of the ENEL-MED multi-profile clinic where the Company’s own facility has been operating since 2006. The concluded annex amended the financial provisions of the agreement concluded earlier which would expire on February 29, 2016, to the benefit of the Company. The annex resulted in reduction of the monthly rent rate for the period from August 1, 2013, to December 31, 2013 and extended the lease period by 5 years, that is by February 28, 2021,

on terms that are more favourable to the Company in the opinion of the Management Board. Additionally, the lessor has undertaken to carry out the works aimed at refurbishing the space leased and adjusting it to the current needs. The budget for space refurbishment works was equivalent to EUR 100,000.00 pursuant to the average exchange rate announced by the National Bank of Poland as at the date of incurring the refurbishment expenses. The annex to the agreement was concluded for the period from August 1, 2013, to February 28, 2021. The value of rent for the term of the annex may amount to approximately EUR 2,804,518.08 gross (rent rate will be subject to indexation), paid in Polish zloty based on the EUR selling exchange rate of Bank Millennium S.A. as at the date of issuing the invoice, while payments due to service charges may amount to approximately PLN 3,680,929.98 gross.

#### **Agreements with Bank Millennium S.A.**

- conclusion of two agreements with Bank Millennium S.A.: an agreement for a multi-product line and an agreement for a corporate mortgage credit. The Company concluded these agreements with Bank Millennium S.A. in order to replace the current credits. The agreement concerning the corporate mortgage credit in the amount of PLN 5,222,000 is granted for the period from March 25, 2013, to May 24, 2017. The interest rate is based on a variable WIBOR 1M interest rate plus margin. The credit is secured by a mortgage up to the amount of PLN 8,877,400 on the property located in Warszawa at Gilarska 86C which is owned by Centrum Medyczne ENEL-MED S.A., with the assignment of rights arising from the insurance agreement. According to the second agreement concluded with the Bank, i.e. the agreement for a multi-product line (including bank guarantees, sureties and documentary letters of credit), the Bank grants the Company a global limit in the amount of PLN 20,000,000 for the period from March 25, 2013, to March 24, 2014. The interest rate on the credit is based on a variable WIBOR 1M interest rate plus margin. The multi-product line is secured by a blank promissory note with a promissory note agreement, mortgage up to the amount of PLN 34,000,000 on the property located in Warszawa at Gilarska 86C which belongs to Centrum Medyczne ENEL-MED S.A., with assignment of rights arising from the insurance agreement, and assignment of receivables arising from contracts.

- conclusion of the next annex to credit agreement with Bank Millennium S.A. The said annex to the agreement for corporate mortgage credit increased the amount of the long-term credit granted earlier by the amount of PLN 5,000,000 and the total amount equals PLN 9,600,000. The ultimate repayment date of the credit has not changed in comparison to the original agreement and it is May 24, 2017.

The increase in the amount of the long-term credit is aimed at partial replacement of the loans bearing higher interest rate and the partial replacement of short-term financing with long-term one. The credit is secured by a mortgage up to the amount of PLN 16,320,400 on the property located in Warszawa at Gilarska 86C which is owned by Centrum Medyczne ENEL-MED S.A., with the assignment of rights arising from the insurance agreement, unconfirmed assignment of receivables from the contracts concluded with the National Health Fund, and a civil code guarantee made by Centrum Medyczne Diagnostyka Sp. z o.o., a subsidiary of the Issuer, which expires upon the sale of the shares by the Borrower. The remaining provisions of the agreement were not amended.

In connection with the conclusion of agreements with Bank Millennium S.A., the Company terminated the multipurpose credit facility agreement for PLN 15,000,000 with Credit Agricole Bank Polska S.A.

### **Agreement obliging to make contribution of an organised part of the enterprise to Centrum Medyczne Diagnostyka sp. z o.o. - a subsidiary of the Issuer**

Conclusion of the agreement obliging Centrum Medyczne ENEL MED S.A. to make a contribution to the subsidiary under the name of Centrum Medyczne Diagnostyka sp. z o.o. in the form of an organised part of the enterprise of Centrum Medyczne ENEL-MED S.A., consisting of a set of tangible and intangible assets used to conduct business activity in the field of diagnostic imaging at the following facilities: Bielany Diagnostic Centre in Warsaw, Magnetic Resonance Laboratory in the Grunwaldzka Centre in Gdańsk, Magnetic Resonance Laboratory in Konin, Magnetic Resonance Laboratory in Mielec, Computed Tomography Laboratory in Poznań, Magnetic Resonance Laboratory in Łomża, Computed Tomography Laboratory in Wołomin and Diagnostic Laboratory in Lublin (hereinafter referred to as the Organised Part of the Enterprise). Pursuant to the aforementioned agreement, Centrum Medyczne ENEL-MED S.A., as the sole shareholder of the subsidiary under the name of Centrum Medyczne Diagnostyka sp. z o.o., undertook to increase the initial capital of the subsidiary and to make an in-kind contribution in the form of the Organised Part of the Enterprise to the subsidiary under the name of Centrum Medyczne Diagnostyka sp. z o.o. in return for taking up 100% of shares in the increased initial capital of this subsidiary. However, on January 31, 2014, the Company's Management Board decided to exclude the Magnetic Resonance Laboratory at the Grunwaldzka Centre in Gdańsk from the organised part of the enterprise which would be contributed to the subsidiary under the name of Centrum Medyczne Diagnostyka sp. z o.o., and the Extraordinary Meeting of Shareholders of the Company held on February 28, 2014, gave its consent to it.

### **Agreement with Proscan Sp. z o. o.**

The Company concluded a number of agreements with Proscan Sp. z o. o and their subject matter is the provision of cleaning services at the facilities of Centrum Medyczne ENEL-MED and the provisions of physical security in the scope of people and property.

Effective agreements:

1) an agreement for the provision of cleaning services and daily maintenance with respect to the centres belonging to the organised part of the enterprise of the Company being a set of tangible and intangible assets organisationally and financially separated within the existing enterprise of the Company and intended for carrying out activities in the field of diagnostic imaging at the following facilities: Bielany Diagnostic Centre in Warsaw, Magnetic Resonance Laboratory in the Grunwaldzka Centre in Gdańsk, Magnetic Resonance Laboratory in Konin, Magnetic Resonance Laboratory in Mielec, Computed Tomography Laboratory in Poznań, Magnetic Resonance Laboratory in Łomża, Computed Tomography Laboratory in Wołomin and Diagnostic Laboratory in Lublin (hereinafter referred to as the Organised Part of the Enterprise) that is to be contributed to a subsidiary with the business name of Centrum Medyczne Diagnostyka sp. z o.o. with its registered office in Warsaw. The agreement was concluded for an indefinite term and shall enter into force on the day of its signature, with the provision that at the date of making the in-kind contribution in the form of the Organised Part of the Enterprise to the Subsidiary, the aforesaid agreement will be continued by the Subsidiary and all the rights and obligations of the Company hereunder and payable by the Company as of the day of making the in-kind contribution of the Organised Part of the Enterprise to the Subsidiary will be performed by the Subsidiary. The value of the agreement during the period of 5 years amounts to PLN 728,113.80 net.

and

2) an agreement for the provision of cleaning services and daily maintenance with respect to the facilities that do not form a part of the Organised Part of the Enterprise, concluded for an indefinite term, and the value of the agreement during the period of 5 years amounts to PLN 7,365,424.20 net.

The total value of the two agreements during the period of 5 years amounts to PLN 8,093,538.00 net.

**Agreement concluded by Enelbud Sp. z o. o. - the Issuer's subsidiary**

Conclusion of the agreement by and between Enelbud Sp. z o. o., the Issuer's subsidiary, and POL-K ITALIAN Sp. z o. o.; the subject matter of the agreement is the performance - by Enelbud based on the order from POL-K ITALIAN - of the works in the scope of alteration of part of the rooms on the seventh floor of the Atrium Promenada Shopping Centre located at Ostrobramska 75C in Warsaw which will be used by ENEL-MED clinics. The amount of the lump-sum remuneration under the agreement for the proper performance of the subject matter of the agreement, together with the correction of any defects, equalled PLN 6,912,780.67 net.

**Formation of Bonus Vitae Sp. z o.o.**

Enelbud Sp. z o.o. - the Issuer's subsidiary, formed with JH Group AG a company under the business name of Bonus Vitae Sp. z o. o. in which it took up 50 shares of total nominal value of PLN 2,500.00 constituting 50% of the initial capital of the Company. In 2014, JH Group AG sold its shares in Bonus Vitae Sp. z o.o. to Planet Group Investment GmbH holding 100% of shares in the initial capital of JH Group AG. The share of Enelbud Sp. z o.o., the Issuer's subsidiary, has not changed. The objectives of the Company's business activity will be long-term medical care for the elderly.

### 3. PRIVATE HEALTH CARE MARKET IN POLAND

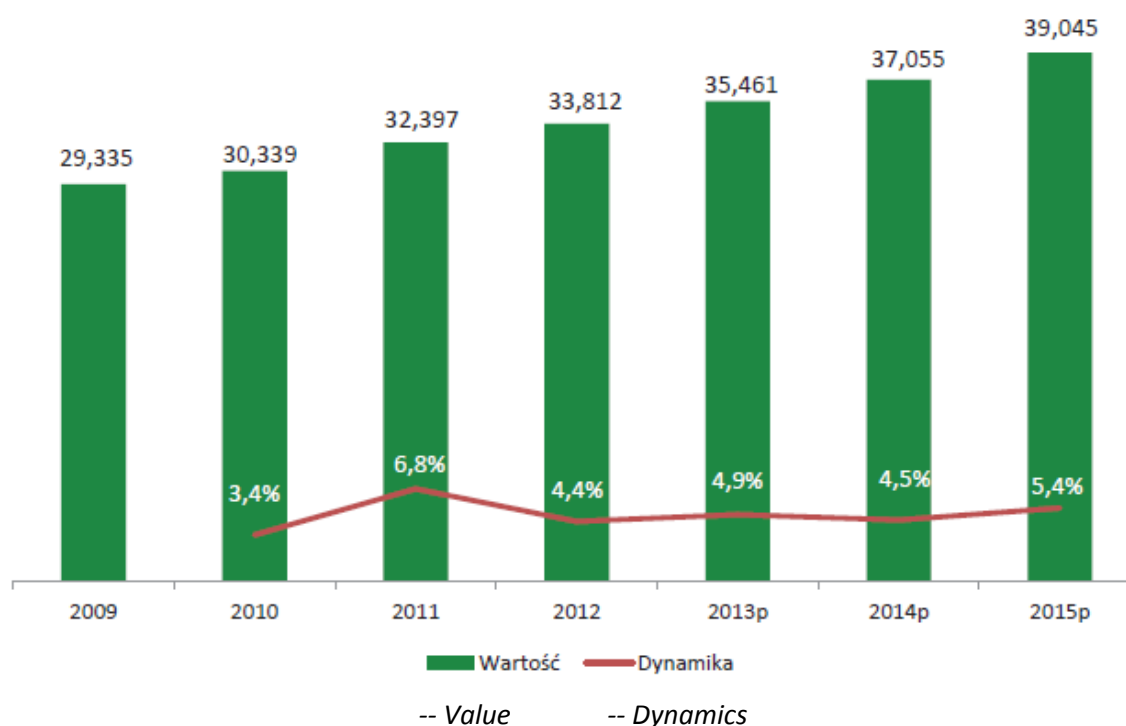
#### 3.1. Description of private health care market in Poland<sup>1</sup>

In recent years, both in the sector of prepaid medical care packages and additional health insurance, it was possible to observe the growth of expectations and requirements of customers who demonstrated more informed approach to health expenditures. Customers more and more precisely set the scope of contracted medical care (they expect more diversified products, usually tailor-made, with a wide offer of preventive services) and the expected standard of accessibility of services to be sure that they receive top-quality services.

In the sector of private health care, the most saturated market is the market in Warsaw and the vicinity where private medical companies and insurance companies operate.

In the years 2013-2015, the market will grow at a rate of approximately 5% a year on average (CAGR). The growth dynamics will be similar in each year, and - in connection with the gradual improvement in the general economic situation - it will be the highest in 2015. In 2015, the value of the market will exceed PLN 39 billion.

#### Value of private health care market in Poland (in PLN billion) and dynamics (%), 2009-2015



Source: PMR report. Rynek prywatnej opieki zdrowotnej w Polsce 2013 [*Private health care market in Poland in 2013*]. Prognozy rozwoju na lata 2013-2015 [*Development forecasts in the years 2013-2015*].

The factor behind the development of private health care is a long waiting time for guaranteed health benefits. Pursuant to the WHC Barometer, the longest waiting time of about a year occurs in the case of benefits in the scope of orthopaedics and traumatology of motor organs as the waiting

<sup>1</sup> PMR report. Skonieczna A., Stefańczyk M., Rynek prywatnej opieki zdrowotnej w Polsce 2013 [*Private health care market in Poland in 2013*]. Prognozy rozwoju na lata 2013-2015 [*Development forecasts in the years 2013-2015*]

time for endoprosthesis surgery of hip joint equals 32 months, and endoprosthesis surgery of knee joint - about 29.5 months. In the case of benefits in the scope of endocrinology, the average waiting time increased significantly in the first quarter of 2013. The waiting time for the appointment with an endocrinologist equals 7 months, and for the biopsy of thyroid tumours - more than 6 months.

### **3.2. Market of prepaid medical care packages<sup>2</sup>**

In Poland, there are several dozen private companies offering prepaid medical care packages. Each of them offers at least three different types of medical care packages, and majority of them - to both corporate and individual clients. The prices for prepaid medical care packages vary from several dozen zlotys a month for a basic package (including e.g. access to an internist and basic laboratory tests) to even more than PLN 1,000 for the most advanced packages including also hospital treatment.

Both big state companies and foreign concerns are more and more interested in opening in-company clinics. The first ones - running them for a long time - delegate their management to private medical companies to minimise the costs. Medical care in foreign corporations, also in a form of in-company clinic, is an important element of incentive plans for employees. Pursuant to the survey by Antal International, medical care is also the most wanted benefit outside payroll in Poland.

In recent years, in the sector of prepaid medical care packages, it has been possible to observe the development of preventive care packages which enable the control of health condition within 1-2 days the most often. The most often, they include basic laboratory tests, diagnostic imaging tests (e.g. lung X-ray, abdominal ultrasound scan), other diagnostic tests, (e.g. ECC, cervical smear), as well as the appointment with an internist and a dental check-up.

Similarly to the preceding years, the growth of the market was still driven by the same factors including but not limited to the lack of mature market of private insurance, which enabled the development of medical companies, very good marketing and technical facilities of medical companies that managed to reach the most important prospective clients (employers) more effectively than insurance companies, as well as increasing health awareness in the society.

Pursuant to the PMR analysts, in the years 2013-2015, no legal solutions will become effective which would be definitely advantageous to the sector of additional health insurance and would have negative consequences for the sector of prepaid medical care packages. It should be emphasised that even if such solutions become effective, private medical companies will remain the main providers of medical services for holders of medical insurance policies. The rate of development of cooperation between insurance companies and private medical companies (which act as an agent in the scope of selling the policies and a provider of medical services) will depend on the rate of development of sectors of prepaid medical care packages and additional health insurance. Both groups of entities operate partially on the basis of competition, and partially on the basis of partnership. It will be also influenced by the decisions made by the clients who - given the entire market - have at present the possibility of choosing both products but they do not select any of them more often. Given the increasing maturity, the market will evolve towards competition in terms of quality of services and not the price for such products.

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<sup>2</sup> PMR report. Skonieczna A., Stefańczyk M., Rynek prywatnej opieki zdrowotnej w Polsce 2013 [*Private health care market in Poland in 2013*]. Prognozy rozwoju na lata 2013-2015 [*Development forecasts in the years 2013-2015*].



### 3.3. Market of private health insurance<sup>3</sup>

The market of private health insurance in Poland is still very immature in comparison with markets in western countries and the last year did not bring about many changes in this scope. Legal acts that would provide the basis for the development of the existing system are still missing. Due to lack of proper legislative solutions, insurance companies still fulfil the supporting role in relation to medical companies offering so-called quasi-insurance prepaid medical care packages.

At present, the companies offering prepaid medical care packages and insurance companies co-exist in the Polish market of private health care, which is dictated by the existing conditions. Currently, the market of private insurance is developing based on the weaknesses of public health care in sectors where the public system is inefficient

#### The rules of cooperation between insurance companies and partner medical facilities in Poland in 2013

Only the services from our network of service providers are accepted and the invoices issued by the facilities that do not belong to this network are not accepted

Regardless of the preferred own network of service providers, we accept the invoices from other facilities that do not belong to this network

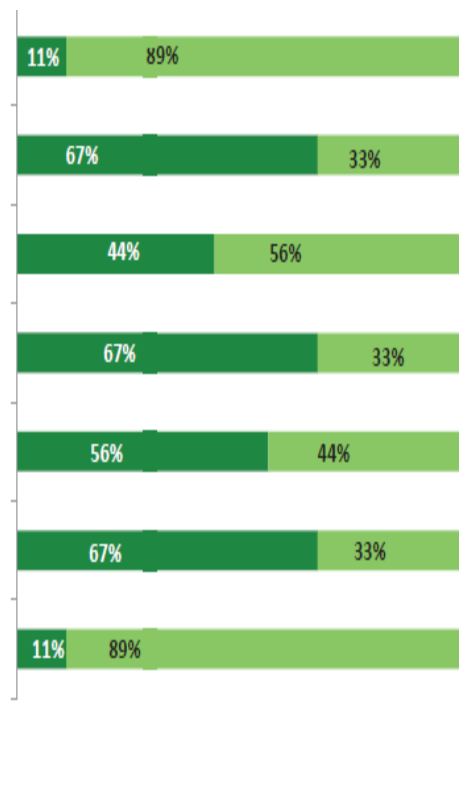
Cooperation with individual service providers (e.g. private medical practice)

Cooperation with an entity organising and providing medical services to a company (Third Party Administrator)

Cooperation with small local groups of service providers

Cooperation with large medical care group (or several ones)

Own medical facilities



Source: PMR report. Rynek prywatnej opieki zdrowotnej w Polsce 2013 [*Private health care market in Poland in 2013*]. Prognozy rozwoju na lata 2013-2015 [*Development forecasts in the years 2013-2015*].

Pursuant to the PMR analysts, in the next years, the market of additional health insurance will develop in less saturated sectors, mainly based on hospital treatment policies. It is a very developmental direction in the field of additional health insurance as there are not many Poles who can afford financing the hospital treatment with their own funds. In addition, the development will proceed based on the weakness and inefficiency of the public sector.

<sup>3</sup> PMR report. Skonieczna A., Stefańczyk M., Rynek prywatnej opieki zdrowotnej w Polsce 2013 [*Private health care market in Poland in 2013*]. Prognozy rozwoju na lata 2013-2015 [*Development forecasts in the years 2013-2015*].

Pursuant to PMR, there will be no important legal amendments significant to the sector of additional insurance in the forecast period (i.e. 2013-2015). The rate of growth will be however faster than in the case of prepaid medical care packages mainly due to low base value. As the market develops, without an institutional support, the dynamics of its growth will however slow down up to 18% in 2013 and more than 12% in 2015. The anticipated economic boom and acceleration in the rise of wages and salaries will not be sufficient to prevent this trend.

### 3.4. Non-public hospitals<sup>4</sup>

Pursuant to the data by Magellan, as at the end of 2012 in Poland, there were about 270 multi-specialist non-public hospitals - private and after reorganisation (some of the reorganised hospitals were privatised, that is they are managed by the companies with the majority participation of private capital). The highest number of non-public hospitals are located in Śląskie, Mazowieckie and Dolnośląskie voivodeships. Private hospitals often offer both commercial services and those under the contract with the NHF.

In 2012, six largest networks of private hospitals made investment outlays in the amount of PLN 200 million in comparison to PLN 180 million in the preceding year - pursuant to the data by OSSP. In the last 10 years, those networks invested the total of PLN 1.3 billion.

### 3.5. Facilities offering diagnostic imaging<sup>5</sup>

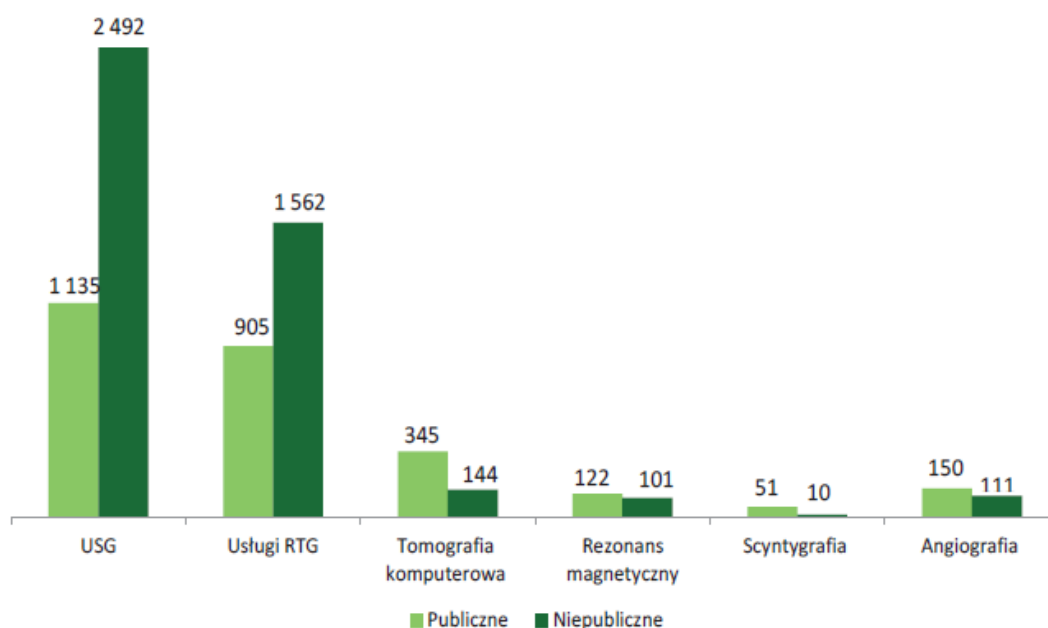
More than three-fourth of facilities offering ultrasound tests, and more than 70% of facilities offering X-ray tests, and almost two-third of facilities offering magnetic resonance imaging are non-public facilities. In the field of angiography and magnetic resonance, the number of public and non-public facilities is similar, while the number of public facilities offering computed tomography and scintigraphy is still higher than of non-public facilities offering these services.

**Number of public and non-public facilities providing diagnostic imaging services in Poland, June 2013,**

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<sup>4</sup> PMR report. Skonieczna A., Stefańczyk M., Rynek prywatnej opieki zdrowotnej w Polsce 2013 [*Private health care market in Poland in 2013*]. Prognozy rozwoju na lata 2013-2015 [*Development forecasts in the years 2013-2015*].

<sup>5</sup> PMR report. Skonieczna A., Stefańczyk M., Rynek prywatnej opieki zdrowotnej w Polsce 2013 [*Private health care market in Poland in 2013*]. Prognozy rozwoju na lata 2013-2015 [*Development forecasts in the years 2013-2015*].



*Ultrasonography X-rays Comp. tomography Magn. resonance Scintigraphy Angiography*  
 -- Public -- Non-public

The sector of diagnostic imaging in Poland largely depends on financing from the National Health Fund, especially with respect to the most expensive tests, i.e. positron emission tomography, computed tomography and magnetic resonance imaging.

A factor stimulating the development of diagnostic imaging market may include the changes in the structures of expenditures on health. In Poland, we can observe slow increase in significance of such areas as testing/examination monitoring the health condition of society, diagnostics, and anticipation. The expenditure on treatment are to be considerably reduced within the next years but will still remain the largest part of expenditures on health.

The opportunities for non-public diagnostic imaging laboratories arise from very long waiting times for tests. For example, the waiting time for magnetic resonance tests in March 2013 was on average 17 days for urgent cases (the shortest time in the Zachodniopomorskie Voivodeship - 8 days, the longest in the Śląskie Voivodeship - 37 days) and 61 days for stable cases (34 days in the Świętokrzyskie Voivodeship and 101 days in the Śląskie Voivodeship). In total, in March 2013, almost 116 thousand patients waited for magnetic resonance tests.

## **4. RISK FACTORS AND THREATS**

### **4.1. Risk arising from the deterioration of the financial situation of the Company's clients**

The sale of prepaid medical care packages to corporate clients constitutes a significant source of revenues for the Issuer. There is a risk that if the financial situation of a client deteriorates significantly, the client could resign from offering medical care to its employees, which is directly connected with the termination of the agreement with the Issuer or reduction of the range of provided services. Another form of potential risk is the reduction of employment at the client's company, which could lead directly to a decrease in the related revenue. Still, the Company provides services to more than 1,800 companies and thus the resignation of one client or reduction of employment in a given company would not have a significant influence on the Company's revenues.

### **4.2. Risk arising from becoming dependent on clients and distribution channels**

The main groups of the Company's clients include corporate clients using prepaid medical care packages, patients of insurance companies (the Issuer provides medical services to the clients of such companies as Allianz, PZU Pomoc, Generali, Inter Polska, Signal Iduna, and Uniqa) as well as individuals. There is a risk that the share of a given client or a given distribution channel in the Company's revenues becomes so significant that the Company's financial results may deteriorate in the case of a loss of such a client or decrease in the sales in a given channel. Given the above, and in order to minimize the risk of becoming dependent on one particular client or distribution channel, the Company consistently pursues the policy of diversifying its sources of revenue.

### **4.3. Risk of change in the contracting policy of the National Health Fund**

The Company has many years' experience in cooperation with the National Health Fund as it has been concluding the contracts with it since 2004. However, there is always a risk of changes in the National Health Fund's contracting policy, which may contribute to a reduction in the related revenue. It should be noted that the sales to the NHF in 2013 made up 8.4%. Additionally, in order to minimise the risk, the Company has intensified commercial sales of hospital services and thus it will gradually become independent of the NHF. In 2013, ENEL-MED noted 28% increase in this area in comparison with 2012.

### **4.4. Risk of medical malpractice in relation to the Company's patient**

Every year, the Issuer provides a considerable number of medical services, including consultations, tests, and operations. There is a risk that the Company's medical personnel will commit an act of medical malpractice in relation to a patient. As a result of such an act of malpractice, the Company may be charged the costs of compensation, and it may experience significant damage to its image and reputation. In order to minimize the risk, the Company has implemented management and patient service procedures in such situations. A separate unit has been established in the Issuer's organisational structure which is responsible for the quality of medical services, and for the compliance of medical processes with the developed standards and procedures. Additionally, both the Company and the physicians have taken out medical malpractice insurance policies.

#### **4.5. Risk of a pandemic or epidemic**

The Company provides medical services to a wide range of patients all over Poland. There is a risk that in the event of a pandemic or epidemic, the Issuer will be forced to provide services to a significantly larger number of patients, which may negatively influence the Company's financial performance and the effectiveness of its operations. In order to minimise the risk, ENEL-MED has developed relevant procedures and standards of conduct to be followed in case of the above-mentioned risk (the so-called pandemic plan), which were to some extent used in 2009 when facing the threat caused by the A/H1N1 virus. The main rules of the developed pandemic plan provide for preparing the method of dealing with the patients suspected to have an infection, changing the department's work organisation, conducting the campaigns that promote pro-health behaviour and minimize the risk of infection, introducing quick diagnostic tests thanks to which viral infections may be differentiated, shortening the time spent on one visit during the period of increased number of visits.

#### **4.6. Risk arising from the lack of effective protection of sensitive data**

In connection with keeping patients' medical records, the Company has access to particularly protected sensitive data. There is a risk that an unintentional disclosure of sensitive data may occur in the course of operating activities. In order to minimise the risk, the Issuer has developed and implemented the principles of the personal data protection policy. In their daily work, all employees and partners of the Company must strictly follow the policy. The data protection policy functions as the procedure being a part of the quality management system certified for compliance with ISO 9001:2008 standard. The correct course of the process of safe personal data processing is constantly monitored by the Chief Information Security Administrator at the registered office of the Issuer, as well as by local Information Security Administrators, who are subordinated to him/her and functioning as the managers of branches and coordinators of diagnostic laboratories. Each and every employee and partner must report to the Administrator any information about suspected cases of non-compliance with the personal data protection policy. The role of the Information Security Administrator is to immediately analyse reasons of breaches and take measures aimed at avoiding similar situations in the future.

#### **4.7. Risk of significant change in the macroeconomic situation in Poland**

The Company carries out its business activities on the national market of medical services. For that reason, the financial results achieved by the Issuer are also indirectly connected with such macroeconomic indicators as the GDP growth, the level of unemployment, the growth dynamics of salaries, and the level of inflation and interest rates. These factors indirectly influence the demand for medical services among corporate and individual clients as well as among insurance companies. They also influence the level of the budget of the National Health Fund, which is the largest individual client of the Company.

In the first half of 2013, the Monetary Policy Council raised interest rates and then reduced them five times - each time by 25b.p. At the end of June, they were at the lowest level ever. It was possible thanks to clear drop in inflation rate. The reduction of interest rates is aimed at supporting the economic development through decreasing the costs of credit and reducing the profitability of keeping bank deposits.

According to most forecasts, it is expected that the economic growth rate will continue to increase, yet, the dynamics growth rate will not be significant. The preliminary data for the fourth quarter of 2013 shows the increase in quarterly GDP by 2.7% per annum. Not later than in the second quarter, 3% should be exceeded. It will mean that the level of structural unemployment will be stabilised and it may even slightly decrease. The situation on the labour market will influence the level of wages and salaries. The analysts expect that the real gross salaries and wages will be slightly raised in the next few months. Thus, the situation of the society will improve, yet only slightly.

The influence of the changes in the GDP growth rate, unemployment, and real gross wages and salaries should not have any significant influence on the Company's financial situation. It should be emphasized that the Company's revenue is mainly dependent on long-term contracts. Moreover, the Company's services are used by individuals who earn more and who will be able to afford to maintain the current expenditure structure even in the situation of a slowdown in the growth of rates of salary - as it was in 2012 and 2013.

A better economic situation in Poland is related mainly to the upturn in the euro zone, the increase in export to other markets, and the increase in consumption as a result of more optimistic expectations of consumers in the scope of their situation in the future, as well as low interest rates. An improved situation is also noticeable in the area of investments by enterprises. In December 2013, the inflation rate reached the level 0.7% year/year in comparison with 2.4% year/year in December 2013. The drop in inflation rate resulted primarily from the economic slowdown (domestic demand decrease). No considerable increase in inflation rate is expected in the next months. According to forecasts, it will be significantly below the inflation target, that is 2.5% year/year.

It should be emphasised that the last months brought about a significant increase in political risk connected with unfavourable development of international situation. The events in Ukraine and exacerbated Russian-Ukrainian relation may significantly influence the Polish economy and financial markets. A possible escalation of the conflict may lead to the weakening of Polish currency, drops in the stock exchange, or the increase in profitability of treasury bonds. If economic sanctions are imposed against Russia, it will affect the Polish export and may mean problems with obtaining energy sources. In turn, it will mean the economic slowdown, which will obviously influence the situation of the society. Slower economic growth or fluctuations in the PLN exchange rate influence the Company's situation. Yet, upon writing this report, it is difficult to assess the probability of occurrence of different scenarios of development of political situation.

#### **4.8. Risk of significant foreign exchange fluctuations**

Foreign exchange fluctuations have an influence on the Issuer's operating activities, given the rent payments (which in most cases are denominated in EUR) and payments made for medical equipment (which are usually also denominated in EUR). Rent payments are made in PLN at the exchange rate of the National Bank of Poland. If there are significant deviations of the actual exchange rate from the assumed level, the Issuer may record a gain or loss on foreign exchange differences. The Company constantly monitors the changes in foreign exchange rates. It should be emphasised that, according to most forecasts, the exchange rate of PLN -EUR is expected to stabilize or grow, which means that the charges related to payments will be lower. However, it should be noted that the analysts expect significant short-term fluctuations in exchange rate of PLN to most important currencies. Such a situation may be connected with withdrawal from quantitative easing policy in the US, unstable

political situation in countries of emerging markets, e.g. in Turkey, and difficult situation in public finance in Argentina.

#### **4.9. Risk of significant changes in interest rates**

The Issuer finances its activities using external funds, including credits and loans as well as purchases medical equipment under finance leases. The finance charges related to the servicing of external financing are directly dependent on the level of the WIBOR rate. If the level of interest rates changes, the Company's financial results may be different than those assumed. At the end of 2012, the Monetary Policy Council started a cycle of interest rates' reductions. At present, it is expected that the interest rates will be raised not earlier than in the fourth quarter of 2014. The analysts make such conclusions on the basis of e.g. last projections of inflation rate prepared by the National Bank of Poland.

#### **4.10. Risk of changes in legal regulations and their interpretations**

The changes introduced or planned to be introduced to regulations, in particular to economic, tax and labour law, may constitute a risk factor causing negative consequences for the Company. Similar consequences result from the changes in interpretation of binding laws, in particular in relation to tax law regulations. The Issuer's activity is also indirectly influenced by the regulations concerning the public health care sector, including the regulations stipulating the methods and rules of its financing, as well as defining the scope in which commercial patients may be admitted to public sector facilities. Depending on the nature of introduced changes, they may have a positive or a negative influence on the activity of the Issuer and other entities in the sector.

#### **4.11. Risk of more intense domestic and foreign competition in the market**

Considerable attractiveness of the Polish market of private medical services and good prospects for further development may result in an increase in the competition from both Polish and foreign companies, which could have been noticed after the last transactions in the Polish market. There is a risk that as a result of a more intense competition, the Company's revenues and profits may decrease. However, ENEL-MED has been operating in the competitive environment for many years and has been maintaining sales dynamics all the time.



## 5. BASIC ECONOMIC AND FINANCIAL RATIOS. THE COMPANY'S DEVELOPMENT PROSPECTS

### 5.1. Selected financial data

The year 2013 was a very good year for the Company both in terms of increase in revenues and of significantly improved effectiveness. Considerable increases in sales occurred in the field of Clinics (sales of prepaid medical care packages, services provided to individual clients and insurance companies), and in the Diagnostics area.

Activity area	Sales - 2012	Sales 2013	Growth
Clinics *	142,836	158,511	11%
Diagnostic	27,720	31,325	13%

\* Medical and dental clinics

High growth of sales in the Diagnostics area results, inter alia, from the contract signed with the National Health Fund for magnetic resonance tests in Gdańsk, and the increase in revenues from individual patients who readily used the state-of-the-art diagnostic infrastructure of ENEL-MED. Good location, qualified personnel, and the state-of-the-art diagnostic equipment caused that new facilities have been increasingly more popular.

The increase in revenues from clinics is mainly the result of intensive sales of prepaid medical care packages, the development of cooperation with insurance companies, and high quality of services provided in our facilities which have been also appreciated by individual patients.

### 5.2. Financial factors and events influencing achieved financial results

The years 2011-2012 were the period of intensive investments which resulted in opening of five new medical facilities: a multi-profile clinic with diagnostic laboratory in Gdańsk, Diagnostic Centre with the Centrum Hospital in Warsaw, and diagnostic laboratory in Konin.

In 2013, the Company focused its efforts on filling in the potential acquired as a result of earlier investments and gradually increased the use of its possibilities. Increased sales causing better use of the infrastructure in connection with considerable savings of costs translated into significant improvement of the Company's financial result.

### 5.3. Prospects of business activity development. Company's development strategy for the years 2014-2016

In November 2013, the Management Board of Centrum Medyczne S.A. passed the resolution on approval of the Company's Strategy for the years 2014-2016. In the next years, ENEL-MED plans to expand the scale of activities to new areas and to increase the effectiveness of sales of offered services.

The Company's strategy assumes the increase in effectiveness of sales of prepaid medical care packages, including the development of business activities in the markets of the Śląskie and Zachodniopomorskie Voivodeships, and - as the potential is filled in - the development of clinics in selected locations. Pursuant to the adopted strategy, the Management Board of ENEL-MED also plans the establishment of two new highly specialist profiled facilities in Warsaw as well as the increase of share of dental services in the portfolio through gradual increase in the number of dental

surgeries. An important element in the Strategy includes the activities in the area of long-term medical care for the elderly. For this purpose, Enelbud Sp. z o. o., the Issuer's subsidiary, formed a subsidiary of Bonus Vitae Sp. z o. o. with JH Group AG, a company with its registered office in St. Gallen (Swiss Confederation). (The shareholder was changed in 2014. JH Group AG transferred the shares in Bonus Vitae Sp. z o. o. to Planet Group Investment GmbH holding 100% of shares in the initial capital of JH Group AG. The share of Enelbud Sp. z o. o., the Issuer's subsidiary, has not changed).

The establishment of specialist profiled facilities is aimed at the development of commercial services for individual clients in selected specialities such as orthopaedics with rehabilitation, aesthetic medicine, etc. The first facilities will be established in Warsaw and the expected time of return on investment equals two years.

Dental services are an important element in the activities of Centrum Medyczne ENEL-MED. It should be emphasised that the Company started its business activities in 1993 from the provision of dental services at the highest level. In the next years, it is planned to intensively develop this area e.g. through increasing the number of dental surgeries and different positioning of dental services. The Company intends to obtain a significant increase in sales of commercial services in this area and win the leading position in the Warsaw market.

Simultaneously, the Company intends to continue the development of hospital services continuing the activities aimed at increasing the sales of commercial services. For this purpose, the Issuer intends to facilitate the procedure of winning external patients and also create a team of doctors serving the procedure "from consultations to operation".

The fulfilment of investments planned by ENEL-MED in the years 2014-2015 requires the investment outlays in the amount of PLN 50 million. The Company considers two sources of financing the investment - through the sale of a separated part of the enterprise with diagnostic centres or through the provision of additional capital by a financing and sectoral investor or an insurance company. All new investments will be carried out with the maintenance of the financial security of the Company.

The implementation of the approved strategy will enable dynamic development and strengthen the market position of Centrum Medyczne ENEL-MED in the next years.

## **6. ADDITIONAL INFORMATION:**

### **6.1. Information on organisational or capital relationships of Centrum Medyczne ENEL-MED S.A. with other entities, as well as its domestic and foreign investments**

The shareholders of Centrum Medyczne ENEL-MED S.A. include the following companies registered in Larnaca (Republic of Cyprus):

- Koremia Investments Ltd. (100% of its shares are held by Adam Rozwadowski) - 30.23% of the share capital of Centrum Medyczne ENEL-MED S.A.
- Versinus Ltd. (100% of its shares are held by Anna Rozwadowska) - 30.23% of the share capital of Centrum Medyczne ENEL-MED S.A.
- Smerona Holdings Ltd. (100% of its shares are held by Jacek Rozwadowski) - 4.21% of the share capital of Centrum Medyczne ENEL-MED S.A.
- Elvestra Ltd. (100% of its shares are held by Bartosz Rozwadowski) - 4.13% of the share capital of Centrum Medyczne ENEL-MED S.A.

Additionally, Centrum Medyczne ENEL-MED holds 80 shares making up 80% of the initial capital of the subsidiary - Enelbud Sp. z o.o. (in 2013, the name of the Company was changed from Nieruchomości Enel-Med Sp. z o.o.), and Enelbud Sp. z o. o. holds 50 shares making up 50% of the initial capital in Bonus Vitae Sp. z o.o.

Additionally, the Issuer took up 50 shares making up 100% of the initial capital of Centrum Medyczne Diagnostyka Sp. z o.o. On February 28, 2014, the Extraordinary Meeting of Shareholders of Centrum Medyczne Diagnostyka Sp. z o. o. adopted the resolution on increasing the initial capital of that company from the amount of PLN 5,000.00 to the amount of PLN 500,000.00, that is by the amount of PLN 495,000.00, through creating 4,950 new shares of nominal value of PLN 100.00 each. On February 28, 2014, all newly created shares were taken up by the Company and were covered in full by in-kind contribution in the form of a set of tangible and intangible assets separated organisationally and financially used to carry out the business activity in the scope of diagnostic imaging at the following facilities: Bielany Diagnostic Centre in Warsaw, Magnetic Resonance Laboratory in Konin, Magnetic Resonance Laboratory in Mielec, Computed Tomography Laboratory in Poznań, Magnetic Resonance Laboratory in Łomża, Computed Tomography Laboratory in Wołomin, and Diagnostic Laboratory in Lublin, constituting an organised part of the enterprise with capacity of operating as an independent enterprise. The Issuer holds 100% of shares in the initial capital of Centrum Medyczne Diagnostyka sp. z o.o.

The Issuer also took up 50 shares making up 100% of the initial capital of Centrum Medyczne Diagnostyka Obrazowa Sp. z o.o.

No domestic or foreign equity investments took place in 2013.

### **6.2. Information on significant transactions concluded by the Company or its subsidiaries with related undertakings pursuant to non-arm's length conditions**

Neither the Company nor its subsidiary concluded transactions with related undertakings pursuant to non-arm's length conditions.

### 6.3. Information on concluded and terminated credit and loans agreements

(Business) name	Type of credit/loan	Amount of credit loan acc. to the agreement	Currency	Interest rate conditions	Repayment date
Millennium Bank SA	corporate mortgage credit	10,125,000.00	PLN	WIBOR1M+ 1% margin	24.05.2017
Millennium Bank SA	multi-product line - global limit	20,000,000.00	PLN	WIBOR1M+ 0.9% margin	granted credit limit in current account up to 24.03.2014
Siemens Finance Sp. z o.o.	loan	191,541.20	PLN	WIBOR1M+ 2.0% margin	15.04.2018
Siemens Finance Sp. z o.o.	loan	234,681.13	PLN	WIBOR1M+ 2.0% margin	15.01.2018
Siemens Finance Sp. z o.o.	loan	143,283.17	PLN	WIBOR1M+ 2.0% margin	15.07.2018

In connection with the conclusion of agreements with Bank Millennium S.A., the Company terminated the multipurpose credit facility agreement for PLN 15,000,000 with Credit Agricole Bank Polska S.A. - the Company informed about it in current report No. 17/2013.

### 6.4. Information on granted loans, especially the loans granted to related undertakings

In 2013, the Company concluded annexes to loan agreements concluded in the years 2006-2011 with Centrum Medyczne ENEL-MED Sp. z o.o.

Date [dd.mm.yyyy] and number of annex	Amount	To be repaid (principal + interest)	Type	Interest rate	Currency	Repayment date
Annex No. 1 dated 1.04.2013 to loan agreement dated 4.10.2006 *	600,000	146,178.81	loan agreement	4% per annum	PLN	31.12.2015
Annex No. 2 dated 1.04.2013 to loan agreement dated 15.02.2011	1,436,800.88	1,672,664.57	loan agreement	4% per annum	PLN	31.12.2015
Annex No. 2 dated 1.04.2013 to loan agreement dated 1.04.2010	1,685,300	1,803,324.42	loan agreement	4% per annum	PLN	31.12.2015
Annex No. 2 dated 1.04.2013 to loan agreement dated 4.03.2010	350,000	429,215.23	loan agreement	4% per annum	PLN	31.12.2015

\* the agreement was originally concluded with Mr Adam Rozwadowski running business activity under the business name of Centrum Medyczne ENEL-MED Niepubliczny Zakład Opieki Zdrowotnej. The rights and obligations under the described agreement were transferred to Centrum Medyczne ENEL-MED S.A.

## **6.5. Information on warranties and guarantees granted and received**

On March 25, 2013, the Company concluded two agreements with Bank Millennium S.A.: an agreement for a multi-product line and an agreement for a corporate mortgage credit. The corporate mortgage credit for the amount of PLN 5,222,000 is secured by a mortgage up to the amount of PLN 8,877,400 on the property located in Warszawa at Gilarska 86C which is owned by Centrum Medyczne ENEL-MED S.A., with the assignment of rights arising from the insurance agreement. The multi-product line (global limit in the amount of PLN 20,000,000) is secured by a blank promissory note with a promissory note agreement, mortgage up to the amount of PLN 34,000,000 on the property referred to hereinabove which belongs to Centrum Medyczne ENEL-MED S.A., with assignment of rights arising from the insurance agreement, and assignment of receivables arising from contracts. Then, on October 23, 2013, an annex to the aforementioned agreement for corporate mortgage credit was concluded which increased the amount of the long-term credit granted earlier by the amount of PLN 5,000,000 and the total amount equals PLN 9,600,000. The credit is secured by a mortgage up to the amount of PLN 16,320,400 on the property located in Warszawa at Gilarska 86C which is owned by Centrum Medyczne ENEL-MED S.A., with the assignment of rights arising from the insurance agreement, unconfirmed assignment of receivables from the contracts concluded with the National Health Fund, and a civil code guarantee made by Centrum Medyczne Diagnostyka Sp. z o.o., a subsidiary of the Issuer, which expires upon the sale of the shares by the Borrower. In addition, Centrum Medyczne Diagnostyka Sp. z o.o., the Issuer's subsidiary, granted the warranty to the Bank for the liabilities of Centrum Medyczne ENEL-MED S.A. (corporate mortgage credit) in the amount of PLN 9,600,000. This warranty will automatically expire in the case of sale of shares in Centrum Medyczne Diagnostyka Sp. z o.o.

Furthermore, Bank Millennium S.A. issued - pursuant to the order of Centrum Medyczne ENEL-MED S.A. - the guarantee to secure the timely rent payments and other charges of Centrum Medyczne ENEL-MED S.A. arising from the lease agreement dated January 18, 2006 (the Company signed an annex to this agreement - this information was included in current report No. 26/2013 dated August 8, 2013) concluded with Kupiec Poznański Real Estate Sp. z o.o. The guarantee is for the maximum amount of PLN 563,434.61.

## **6.6. Explanation of differences between financial results published in the annual report and previously announced annual forecasts for a given year**

The Company did not publish any new financial forecasts for the year 2013.

## **6.7. Evaluation of financial resources management**

Debt ratios are monitored by the Company on an on-going basis. As a result of debt reduction, they significantly improved in the last year. Debt ratio dropped at the end of 2013 to the safe level of 0.6. During the year, the Company also changed credit equal to PLN 5 million from short-term to long-term one. The liabilities are paid on time. The collection of receivables was also significantly improved. The receivables turnover in days equals 20 days.

## **6.8. Evaluation of potential implementation of investment projects**

In 2014, the Company will complete the investment connected with opening the multi-profile clinic in the Promenada Shopping Mall in Warsaw. The Company also plans to open facilities in Katowice and Wrocław, and to replace one of the resonance devices. The Issuer plans to finance those investments from the means generated from operating activities with possible support with investment credit. The Company does not plan any capital investments in the nearest future.

## **6.9. Evaluation of factors and non-standard events influencing the result from activities**

In 2013, the contract with the National Health Fund concerning hospital treatment was decreased by 28.7% in comparison with 2012. However, in the analogous period, the Company noted the increase in the contract with the NHF for diagnostic imaging tests. It equalled 6.8%.

## **6.10. Description of external and internal factors material for the development of the enterprise and description of the development prospects of the Company's business activity**

The description of factors material for the development of the enterprise is presented in point 4 of this report which presents risk factors and threats to the Company. Additionally, the Issuer's development prospects are presented in point 5.3.

## **6.11. Changes in basic principles governing the management of the enterprise of the Company and its capital group**

In 2013, the structure in the Division of Prepaid Packages and Health Insurance changed. The existing structure of three departments (Corporate Client Service Department, Insurance Department, Sales Department) was optimised in such a way that the process of administrative services related to both insurance and prepaid packages are managed by one person and the procedures of sales to new and existing clients by another person. In such a way, the costs and procedures were optimised. The corporate client management process was improved, which positively influenced the costs of the department, the effectiveness of keeping the clients with prepaid packages, as well as the sales of prepaid medical care packages. The aforementioned changes resulted in increase in sales in comparison with the one planned in the budget of the Division for 2013.

In 2013, the unit for service procedures was established which was transformed into the Operations Department in 2014. This unit was formed to supervise the service procedures in all branches of Centrum Medyczne ENEL-MED, independently of the Division. It also dealt with the supervision over costs related to treatment of patients with prepaid packages, which was reflected in the generated financial result. In addition, the management of admission schedules was covered by the procedure at the central level, and a number of IT tools was implemented to adjust more flexibly the supply of hours to changing demand.

Moreover, the Company started the renegotiation of rates with subcontractors. As a result of negotiations, the costs of multi-field clinics decreased by reducing the rent by PLN 500,000.00 in 2013. In addition, the Company optimised the costs of electricity.

In 2013, the Management Board of Centrum Medyczne ENEL-MED increased the budget discipline in connection with the failure to meet the budget in 2012. The undertaken activities contributed to the improvement of results of each division and of the entire Company.

The year 2013 was the year of sales, optimisation of processes but it was not a year of investments. The Company's Management Board published a 3-year strategy for the Company for the years 2014-2016.

In the Diagnostics Division, the optimisation of costs of operating activities was carried out in parallel with maintaining high quality of provided services.

A re-certification audit held during the presented period confirmed that Centrum Medyczne ENEL-MED keeps the quality management system complying with the requirements of ISO 9001:2008 standard. The auditors from Bureau Veritas Certification highly assessed the functioning and maturity of the system, the effectiveness of implementation of the policy aimed at achieving the objectives of the organisation, as well as the correctness of key mechanisms for monitoring and continued improvement. The certificate of compliance with ISO 9001 standard was prolonged for the next three years.

In 2013, the Finance Director was changed. From April 2013, the person responsible for the Company's finances is Zbigniew Nasiłowski who is much experienced in managing listed companies. Earlier, he was the finance director of Drosed, and then a member of the management board responsible for finance in Grajewo S.A., and then the President of the Management Board in Animex S.A. At those companies, he conducted, among others, acquisitions of competitors, capital increases, cost optimisations, and introduced strategies to raise their value. He was also the CFO for the Central Europe Region at SAP. In addition, he was a member of the Management Board of P4 (PLAY) and the finance director of TVP.

In 2013, a subsidiary under the business name of Centrum Medyczne Diagnostyka sp. z o.o. was formed and the Company took up 100% of shares in its initial capital. The Company also started the activities aimed at contributing an organised part of the enterprise being a set of tangible and intangible assets organisationally and financially separated within the existing enterprise of the Company and intended for carrying out activities in the field of diagnostic imaging in return for taking up the shares in the increased initial capital of Centrum Medyczne Diagnostyka Sp. z o. o. Pursuant to resolution No. 3 dated October 2, 2013, the Extraordinary General Meeting of Shareholders of the Company decided to express its consent that the Company contributed to that subsidiary the organised part of the enterprise, organisationally and financially separated within the existing enterprise, including tangible fixed assets and intangible assets assigned for carrying out diagnostic imaging activities at the following facilities: Bielany Diagnostic Centre in Warsaw, Magnetic Resonance Laboratory in the Grunwaldzka Centre in Gdańsk, Magnetic Resonance Laboratory in Konin, Magnetic Resonance Laboratory in Mielec, Computed Tomography Laboratory in Poznań, Magnetic Resonance Laboratory in Łomża, Computed Tomography Laboratory in Wołomin and Diagnostic Laboratory in Lublin. In connection with the fact that the NHF - the Pomorskie Voivodeship Branch did not give its consent to the transfer of the obligations under the agreement of health care services provision - specialised outpatient care (cost-consuming outpatient diagnostic services), the Management Board of the Company - on January 31, 2014 - decided to exclude the Magnetic Resonance Laboratory at the Grunwaldzka Centre in Gdańsk from the organised part of the enterprise which is to be transferred to the aforementioned subsidiary. The Extraordinary Meeting of Shareholders of the Company convened on February 28, 2014, passed a resolution on expressing the consent to the contribution of the organised part of the enterprise to the subsidiary, excluding the Magnetic Resonance Laboratory at the Grunwaldzka Centre in Gdańsk. On February 28, 2014, the



Extraordinary Meeting of Shareholders of Centrum Medyczne Diagnostyka Sp. z o. o. adopted the resolution on increasing the initial capital of that company from the amount of PLN 5,000.00 to the amount of PLN 500,000.00, that is by the amount of PLN 495,000.00, through creating 4,950 new shares of nominal value of PLN 100.00 each. On February 28, 2014, all newly created shares were taken up by the Company and were covered in full by in-kind contribution in the form of a set of tangible and intangible assets separated organisationally and financially used to carry out the business activity in the scope of diagnostic imaging at the following facilities: Bielany Diagnostic Centre in Warsaw, Magnetic Resonance Laboratory in Konin, Magnetic Resonance Laboratory in Mielec, Computed Tomography Laboratory in Poznań, Magnetic Resonance Laboratory in Łomża, Computed Tomography Laboratory in Wołomin, and Diagnostic Laboratory in Lublin, constituting an organised part of the enterprise with capacity of operating as an independent enterprise. The Issuer holds 100% of shares in the initial capital of Centrum Medyczne Diagnostyka sp. z o.o.

In 2013, a subsidiary under the business name of Centrum Medyczne Diagnostyka Obrazowa sp. z o.o. was formed and Centrum Medyczne ENEL-MED S.A. took up 100% of shares in its initial capital. In the future, Centrum Medyczne ENEL-MED S.A. will contribute - to this subsidiary - 100% of shares in the initial capital of Centrum Medyczne Diagnostyka sp. z o.o. as a contribution to the increased initial capital. The contribution of 100% of shares in Centrum Medyczne Diagnostyka sp. z o.o. to Centrum Medyczne Diagnostyka Obrazowa sp. z o.o. will be preceded with the contribution of the organised part of the enterprise intended for carrying out activities in the field of diagnostic imaging by Centrum Medyczne ENEL-MED. The formation of a subsidiary under the business name of Centrum Medyczne Diagnostyka Obrazowa sp. z o.o., to which 100% of shares in a subsidiary under the business name of Centrum Medyczne Diagnostyka sp. z o.o. will be contributed, constitutes the stage of preparation to possible acquisition of external investor or sale of shares in Centrum Medyczne Diagnostyka Sp. z o.o.

### **6.12. Agreements concluded between the Company and managing persons providing for compensation in the case of their resignation or termination of employment on a particular position without important reason, or when they are recalled as a result of the merger of company by acquisition**

The Company did not conclude any agreements with managing persons providing for compensation in the case of their resignation or termination of employment on a particular position.

### **6.13. Value of remuneration, rewards or benefits of persons managing and supervising the Company**

The value of remuneration, rewards or benefits of managing and supervising persons are given in Note 11 to the Company's financial statements for the period from January 1, 2013, to December 31, 2013.

Information about the Issuer's subsidiaries

The table below shows the value of remuneration, provided services, rewards or benefits of the Management Board of Enelbud Sp. z o. o., a subsidiary of Centrum Medyczne ENEL-MED S.A, in 2013.

Remuneration of members of the Management Board of Enelbud Sp. z o. o. in 2013 (in PLN thousand)	
First name and surname	Remuneration/provided services

Janusz Jakubowski	281,160.00
Total	281,160.00

The remaining members of the Management Board, that is Adam Rozwadowski, the Deputy President of the Management Board, Anna Rozwadowska, a Member of the Management Board, did not receive the remuneration from the Company in 2013.

Adam Rozwadowski and Jacek Rozwadowski did not receive any remuneration in 2013 from the Issuer's following subsidiaries: Centrum Medyczne Diagnostyka Sp. z o.o. and Centrum Medyczne Diagnostyka Obrazowa Sp. z o.o.

#### **6.14. Information on the total number and nominal value of all shares and shares in related undertakings held by persons managing and supervising the Company**

Shares in the parent undertaking - Centrum Medyczne ENEL-MED S.A.

	Number of shares in Centrum Medyczne ENEL-MED. S.A.	Nominal value of all shares (PLN)
Adam Rozwadowski	7,124,000	7,124,000
Jacek Rozwadowski	992,800	992,800
Anna Rozwadowska	7,123,950	7,123,950

Shares in the subsidiary - Enelbud Sp. z o. o.

	Number of shares in Enelbud Sp. z o. o.	Nominal value of all shares (PLN)
Janusz Jakubowski	20	10,000

#### **6.15. Information on changes to agreements known to the Company that might in the future result in changes of proportions of shares held by existing shareholders and bondholders**

In 2013, the Company did not conclude any agreements that might in the future result in changes of proportions of shares held.

#### **6.16. Information on the system of control over employee shares**

There is no employee share plan functioning at the Company

#### **6.17. Information about pending proceedings before courts, arbitration bodies or public administration bodies with regard to liabilities or receivables**

The Company did not take part in any proceedings held before any court, arbitration body or public administration body with regard to the Company's liabilities or receivables in the amount equal to at least 10% of equity.

The total amount of claims in all proceedings pending with reference to the Company's liabilities did not exceed 10% of the Issuer's equity.

The total amount of claims in all proceedings pending with reference to the Company's receivables did not exceed 10% of the Issuer's equity as well.

## **6.18. Objectives and methods of financial risk management**

The Company is exposed to the following types of financial risk:

1. Interest rate risk.
2. Foreign exchange risk.
3. Credit risk.

The objective of risk management is to minimise its influence on financial results of the Company and to ensure the financial liquidity of the Company.

The Company manages the financial liabilities in a way allowing minimisation of financial costs related to debt service. Thanks to long cooperation with financial institutions, it negotiates advantageous interest rates. Last year, the Company started cooperation with Bank Millennium being one of the main clients in the scope of prepaid packages that became also the main partner financing the Company's activities.

The Management Board pays significant attention to ensuring financial flows for the Company which allow payment of financial liabilities in accordance with signed agreements. The Company assumes that possible increase in interest rates will occur as late as towards the end of 2014 and therefore it will scarcely influence the amount of interest paid in 2014.

The Company is exposed to the risk of changing foreign exchange rates on account of costs of renting the space. The foreign exchange risk arises directly from the rates for rent determined in foreign currency converted into PLN. In order to minimise the influence of changing foreign exchange rates on the financial results of the Company, the Management Board monitors the market rental rates with taking into account the current foreign exchange rates on an on-going basis. The Company expects that it is more probable that the Polish currency will strengthen in 2014 than depreciate, and therefore the influence of the foreign exchange risk should be advantageous to the Company in the current year.

The Company is also theoretically exposed to the risk that the financial institutions withdraw from financing the activities of the Company.

To mitigate the risk, the Company makes every effort to improve its effectiveness and thus its financial results, which results in maintaining appropriate bank ratings.

The Company also pays considerable attention to building partner and long-term relations with financial partners by fulfilling its obligations and ensuring the transparency of provided financial information.

In addition, the Company also applies diversification of financing forms (credits, leases, financing by suppliers) and of financing institutions and therefore the Company is not dependent on one financing partner.

Taking into consideration the aforementioned, the Management Board considers this risk as not very probable.

## 7. ENTITY ENTITLED TO AUDIT FINANCIAL STATEMENTS

On February 12, 2013, the Company concluded an agreement with an entity entitled to audit the separate annual financial statements of the Company prepared as at December 31, 2013, that is the Company under the business name of PKF Consult Sp. z o. o. (in 2013, the companies from the PKF group merged; previously, the Issuer concluded agreement with PKF Audyt Sp. z o. o.) entered into the list of entities entitled to audit financial statements under number 477. The parties agreed that the time-limit for audit was from the date of signing the agreement to March 13, 2014.

The agreement concerning the audit of interim separate financial statements of the Company drawn up as at June 30, 2013, was concluded with PKF Audyt Sp. z o. o. entered into the list of entities entitled to audit financial statements under number 548. The parties agreed that the time-limit for audit was from the date of signing the agreement to August 16, 2013.

Moreover, Centrum Medyczne ENEL-MED S.A. concluded with PKF Audyt Sp. z o. o. the following agreements:

- Agreement for auditing the separate financial statements of the Company drawn up as at June 30, 2012, was concluded on July 27, 2012. The parties agreed that the time-limit for audit was from the date of signing the agreement to August 24, 2012.
- Agreement for auditing the separate annual financial statements of the Company drawn up as at December 31, 2012, was concluded on November 30, 2012. The parties agreed that the time-limit for audit was from the date of signing the agreement to March 15, 2013.

The table below shows the remuneration of the entity entitled to audit the financial statements:

in PLN thousand (net)	2013	
Remuneration of PKF Consult Sp. z o.o., of which:		
Audit of the annual financial statements	25,000	
Other assurance services, including the review of the financial statements	-	
Tax advisory services	-	

in PLN thousand (net)	2013	2012
Remuneration of PKF AUDYT Sp. z o.o., of which:		
Audit of the annual financial statements	-	28,000
Other assurance services, including the review of the financial statements	17,000	17,000
Tax advisory services	-	-

## **8. CORPORATE GOVERNANCE**

### **8.1. Corporate governance principles**

Corporate governance principles that the Company follows are included in the “Code of Best Practice for WSE Listed Companies” (hereinafter Best Practice). Best Practice was adopted pursuant to resolution No. 17/1249/2010 of the Board of the Stock Exchange dated May 19, 2010. Then, the Stock Exchange amended Best Practice on August 31, 2011, and October 19, 2011. Since January 1, 2013, the “Code of Best Practice for WSE Listed Companies” has been applicable in a wording approved on November 21, 2012, by the Board of the Warsaw Stock Exchange by resolution No. 19/1307/2012. The text of corporate governance principles is generally available on a website of [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl), i.e. the official website of the Warsaw Stock Exchange pertaining to corporate governance at companies listed on the Stock Exchange.

### **8.2. Information on withdrawing from the application of corporate governance principles**

In 2013, the Company applied and complied with all of the rules set forth in the “Code of Best Practices for WSE Listed Companies”, excluding the following rules:

- The Company did not broadcast the General Meetings of Shareholders with the use of the Internet. The Company pursues a transparent and effective information policy. It maintains a company website based on the model investor relations service, uses modern methods of Internet communication, yet in 2013, it did not broadcast the General Meeting with the use of the Internet. Bearing in mind the shareholding structure of the Company, the General Meeting was attended by a significant number of shareholders representing more than 70% of the total number of votes, and therefore the Company did not broadcast the General Meeting and did not publish it on its website. Moreover, the General Meeting was held in a place enabling the participation of the biggest possible number of shareholders, that is in Warsaw, in the Company’s registered office.
- The Company did not publish on its website the shareholders’ questions on issues on the agenda submitted before and during the General Meeting. The Company takes the view that since a notary public took the minutes of the General Meeting, it was not necessary to publish such records. All resolutions adopted by the General Meeting were published in the ESPI system and on the Company’s website.
- “The Company did not enable its shareholders to exercise the voting right during the General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means.” The application of the aforementioned rule was not possible in 2013 because the Company’s Articles of Association do not include relevant provisions in this scope (Art. 406(5) § 2 of the Code of Commercial Partnerships and Companies). Thus, the change of this condition would require the adoption of a resolution on the amendment of the Articles by the shareholders of the Company and the entry of such an amendment into the register of entrepreneurs of the National Court Register. Regardless of the aforementioned, the Company enables its shareholders to exercise the voting rights either in person or through a plenipotentiary. It is important that the General Meeting of Shareholders was held in the registered office of the Company in Warsaw, which made it easy for the shareholders or their plenipotentiaries to be present at the venue of the General Meeting. The shareholders who were not present at the General Meeting of Shareholders were informed about essential points of the course of the General Meeting

of Shareholders immediately after its closing. It happens so because the Company fulfils the reporting obligations imposed by the provisions of law and not later than within 24 hours of closing the General Meeting of Shareholders, it provides - in the form of current reports - the information about the content of adopted resolutions, results of voting, and the information about possible objections - analogous information is also published on the Company website, which happened in 2013. It should be also emphasised that the application of this rule poses a threat of technical and legal nature due to little experience in the market in the scope of organisation of General Meetings of Shareholders with the use of electronic communication means.

Yet, the Company does not exclude the possibility of applying this rule in the future.

- In 2013, the Company operated a corporate website but it did not publish on it the record of the General Meeting in audio or video format. The aforementioned rule was not applied by the Company as - according to the experience thus far - there is no need of recording the General Meeting of Shareholders in audio or video format. Pursuant to the assessment of the Company, the fulfilment of the reporting obligations imposed by the provisions of law through providing current reports including the information about the content of adopted resolutions, results of voting, and the information about possible objections, and publishing such information on the Company website, enables the investors to get informed about the essential points of the course of the General Meeting of Shareholders. Furthermore, the decision of the Company about the non-fulfilment of this rule secures the Company against possible claims filed by the shareholders who may not give their consent to the publication of their image or publishing of their statements. The Company does not exclude the application of this rule in the future.

- The Company did not provide the shareholders with the possibility of participating in the General Meeting with the use of electronic communication means in a form of the real-life broadcast of General Meeting and real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting. The application of the aforementioned rule was not possible in 2013 because the Company's Articles of Association do not include relevant provisions in this scope. Pursuant to the provisions of Article 406 (5) §1 of the Code of Commercial Partnerships and Companies, the real-life broadcast of General Meetings and real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting are possible if the Company's Articles of Association include the provisions which permit it. Thus, the change of such a condition would require the adoption of a resolution on the amendment of the Articles by the shareholders of the Company and the entry of such an amendment into the register of entrepreneurs of the National Court Register. Regardless of the aforementioned, it should be indicated that the Company enables its shareholders to participate in the General Meeting of Shareholders either in person or through a plenipotentiary. It is important that the General Meetings of Shareholders are held in the registered office of the Company in Warsaw, which makes it easy for the shareholders or their plenipotentiaries to be present at the venue of the General Meeting. The shareholders who were not present at the General Meeting of Shareholders were informed about essential points of the course of the General Meeting of Shareholders immediately after its closing. It happens so because the Company fulfils the reporting obligations imposed by the provisions of law and not later than within 24 hours of closing the General Meeting of Shareholders, it provides - in the form of current reports - the information about the content of adopted resolutions, results of voting, and the information about possible objections - analogous information is published on the Company website. Thus, pursuant to the

assessment of the Management Board, the rules arising from the provisions of law, the Company's Articles of Association and the Regulations of the General Meeting of Centrum Medyczne ENEL-MED S.A. with its registered office in Warsaw are sufficient to enable the shareholders to participate in the General Meeting either in person or through a plenipotentiary and to exercise their voting rights in this scope. Therefore, incurring additional and significant costs by the Company in order to ensure the real-time broadcast of General Meetings and real-time bilateral communication seems to be unjustified. Incidentally, it should be noted that the application of this rule poses a threat of technical and legal nature due to little experience in the market in this scope. Yet, the Company does not exclude the possibility of applying this rule in the future.

### **8.3. Description of key features of internal control system and risk management system used at the Company with respect to the process of drawing up the financial statements**

The Management Board of the Company is responsible for the internal control system at the Company and its effectiveness in the process of drawing up the financial statements and periodic reports prepared and published pursuant to the Regulation of the Minister of Finance dated February 19, 2009, on the current and periodic reporting by the issuers of securities.

During the year, the Company's Management Board analyses the financial results on an on-going basis by comparing them with the adopted budget, using the management reporting applied in the Company developed on the basis of the Company's accounting policy adopted by the Company and taking into account the format and level of details of financial data presented in periodic financial statements of the Company. Preparation of financial statements, periodic financial statements and reports and current management reporting of the Company is the responsibility of the Financial Department of the Company which is currently managed by the Finance Director. Financial statements and periodic reports of the Company are drawn up by the Chief Accountant based on the financial data included in periodic management reports after their approval by the Finance Director, with taking into account other supplementary data provided by certain employees from other departments. After closing the books for each month, the medium and top management of the Company's Financial Department led by the Finance Director jointly analyses the Company's financial results in comparison with assumptions, and taking into account business sectors. Identified errors are adjusted on an on-going basis in account books of the Company and in the reporting system in accordance with the adopted accounting policy. The process of drawing up the financial statements and periodic reports begins after the Finance Director approves the results for the closed period.

Semi-annual and annual financial statements are verified by an independent auditor. The results of the annual audit are presented by the auditor during the meetings summarising the audit and to the Supervisory Board fulfilling the tasks of the Audit Committee. After the auditor completes the audit, the financial statements and periodic reports are submitted to members of the Company's Supervisory Board. Before the Management Board and Supervisory Board approve the periodic financial statements and reports for publishing, the meeting of the Supervisory Board fulfilling the tasks of the Audit Committee is held. During that meeting, the Finance Director presents material aspects of the annual financial statements - in particular the possible changes in accounting principles, major estimates and accounting judgements, material disclosures and business transactions. As a body fulfilling the tasks of the Audit Committee, the Supervisory Board carries out the reviews of periodic financial statements and reports taking into account the information

presented by the Company's Management Board and the independent auditor - approval of the financial statements and reports by the Supervisory Board depends on the results of this review.

The statutory auditor is selected by the Company's Supervisory Board in accordance with the Articles of Association. Material issues related to periodic statements and reports that are not verified by the auditor are consulted with the auditor in order to avoid potential material adjustments in subsequent reports. The Company maintains its account books in the Exact system. The system is password-protected against unauthorised access. A carefully selected group of employees participate in the process of drawing up the financial statements; other persons do not have the access to the data providing the basis for their preparation. Account books, accounting documents and the documentation of the bookkeeping methods, as well as approved financial statements of the Company are stored in accordance with the provisions of the Accounting Act.

## 8.4. Significant share packages

### Shareholders holding significant share packages as at December 31, 2013.

Shareholder	Number of shares	% of capital	Number of votes	% of votes
Adam Rozwadowski *	7,124,000	30.23	7,124,000	30.23
Anna Rozwadowska **	7,123,950	30.23	7,123,950	30.23
Generali Otwarty Fundusz Emerytalny	2,377,000	10.09	2,377,000	10.09
Otwarty Fundusz Emerytalny PZU „Złota Jesień” and Dobrowolny Fundusz Emerytalny PZU	1,400,000	5.94	1,400,000	5.94

\* through Koremia Investments Ltd., with its registered office in Larnaca (Republic of Cyprus)

\*\* through Versinus Ltd., with its registered office in Larnaca (Republic of Cyprus)

Pursuant to the information obtained from KDPW (the National Depository for Securities) in connection with convening the Extraordinary General Meeting on February 28, 2014, the shareholding structure of the Company in 2014 changed. Otwarty Fundusz Emerytalny PZU „Złota Jesień” increased once again the number of held shares and votes at the GM of Shareholders to 1,680,000, which constitutes 7.13% of the capital and 7.13% of the number of votes at the GM of Shareholders of the Company.

As at the publication of this annual report, the Shareholders holding significant share packages were as follows:

Shareholder	Number of shares	% of capital	Number of votes	% of votes
Adam Rozwadowski *	7,124,000	30.23	7,124,000	30.23
Anna Rozwadowska **	7,123,950	30.23	7,123,950	30.23
Generali Otwarty Fundusz Emerytalny	2,377,000	10.09	2,377,000	10.09
Otwarty Fundusz Emerytalny PZU „Złota Jesień” and Dobrowolny Fundusz Emerytalny PZU	1,680,000	7.13	1,680,000	7.13

\* through Koremia Investments Ltd., with its registered office in Larnaca (Republic of Cyprus)

\*\* through Versinus Ltd., with its registered office in Larnaca (Republic of Cyprus)



## **8.5. Special control rights**

The shares of the Company are bearer ordinary shares listed on the Warsaw Stock Exchange. No shares of the Company are preferred, each share gives the right to one vote at the General Meeting of Shareholders.

## **8.6. Limitation of voting rights from existing shares**

The Articles of Association of Centrum Medyczne ENEL-MED S.A. do not impose any limitations of voting rights. Pursuant to Article 413 § 1 with reference to Article 413 § 2 of the Code of Commercial Partnerships and Companies, a shareholder may not vote in person on resolutions concerning this shareholder's accountability to the Company on whatever account, including granting of the vote of acceptance to this shareholder, the release of this shareholder from an obligation towards the Company, or a dispute between this shareholder and the Company.

## **8.7. Limitations with respect to transferring the title to securities**

The Articles of Association of Centrum Medyczne ENEL-MED S.A. do not introduce any limitations with respect to the transfer of the title to securities

## **8.8. Principles for appointing and recalling members of the Management Board and their rights, in particular the right to make decision about issue or buy-out of shares**

Pursuant to the Articles of Association of Centrum Medyczne ENEL-MED S.A., The Management Board is composed of 1 (one) to 5 (five) members appointed by the Supervisory Board. The Supervisory Board may appoint the President or the Deputy President from among the Management Board members. The Management Board members are appointed by the Supervisory Board for a three-year common term of office. The Supervisory Board has the right to appoint and recall the Management Board members.

The rights of the Management Board are described in point 8.11.

## **8.9. Principles for amending the Company's Articles of Association**

The principles for amending the Company's Articles of Association arise from the provisions of Articles 430-443 and Articles 455-458 of the Code of Commercial Partnerships and Companies. The Company's Articles of Association do not introduce different provisions in this scope provided that any change of the objectives of the Company may be introduced without the obligation to purchase the shares from the shareholders who do not express their consent for such change subject to relevant provisions of the law.

## **8.10. Manner of operation of the Company's General Meeting and its fundamental rights, shareholders' rights and the manner of their exercising**

The General Meeting of Shareholders is convened and prepared in accordance with the provisions of the Code of Commercial Partnerships and Companies, the Company's Articles of Association and the Regulations of the General Meeting of Shareholders. The Articles of Association and the Regulations of the General Meeting of Shareholders are available on the investor relations website of the Company, at: [www.inwestor.enel.pl](http://www.inwestor.enel.pl).

General Meetings can be held as ordinary or extraordinary. An ordinary General Meeting (GM) is convened by the Management Board not later than within six months of the end of each financial

year. The Supervisory Board may convene the ordinary general meeting if the Management Board does not convene it within the aforementioned deadline. The Supervisory Board may also convene the extraordinary general meeting if the Management Board considers it as advisable. Additionally, the shareholders representing at least half of the initial capital or at least half of total votes have the right to convene the General Meeting. At the same time, a shareholder or shareholders representing at least one-twentieth of the initial capital may request the Management Board to convene the extraordinary General Meeting and put certain matters on the agenda.

A shareholder that is a natural person may participate in the General Meeting and exercise their voting right in person or by proxy. A shareholder that is not a natural person may participate in the General Meeting and exercise their voting right by a person authorised to represent this shareholder or by a proxy. The proxy to participate in the General Meeting should be drawn up in writing, otherwise null and void, or should be granted in an electronic form and appended to the minutes of the General Meeting.

The General Meeting is opened by the Chairperson of the Supervisory Board or another person appointed thereby. If such persons are absent, the General Meeting is opened by the President of the Management Board or a person appointed by the Management Board, whereupon the Chairperson of the General Meeting is immediately elected from among those entitled to participate in the General Meeting.

The General Meeting may elect the Vote-Counting Commission from among the candidates put up by the participants in the General Meeting. The duties of the Vote-Counting Commission include the supervision of proper course of each voting as well as determination and announcement of voting results.

A shareholders or shareholders representing at least one-twentieth of the initial capital may request that the specific items be put on the agenda provided that such a request cannot be made later than twenty-one days before the set date of the General Meeting.

A shareholder may cast different votes from each share held by a given shareholder.

In general, the voting on resolutions is open. The Chairperson of the General Meeting orders secret voting on elections and on motions concerning the recalling of members of corporate bodies or liquidators or calling them to account, as well as on personal matters. Furthermore, the Chairperson of the General Meeting orders secret voting should at least one shareholder present or represented at the General Meeting so require. The General Meeting may adopt a resolution on waiving the secrecy of voting on matters concerning the election of Vote-Counting Commission.

The General Meeting adopts the resolutions provided for in the provisions of the Code of Commercial Partnerships and Companies, and in particular:

- appoints and recalls the members of the Supervisory Boards
- sets the manner of remunerating and the amount of remuneration of the members of the Supervisory Board, but the manner of remunerating and the amount of remuneration of the members of the Supervisory Board for independent performance of certain supervisory activities is set by the Supervisory Board
- decides on issuing convertible or preference bonds

- decides on acquiring own shares in the case determined in Article 362 § 1 (2) of the Code of Commercial Partnerships and Companies
- resolves other matters reserved for powers of the General Meeting in accordance with the provisions of the Company's Articles of Association and peremptory laws.

### **8.11. Composition and description of the manner of acting of the Company's management and supervisory authorities and its committees**

The principles for the activities of the Management Board of Centrum Medyczne ENEL-MED S.A. are set in the Company's Articles of Association and the Regulations of the Management Board. Both documents are available on the Company's investor relations website, at: [www.inwestor.enel.pl](http://www.inwestor.enel.pl).

In accordance with the Company's Articles of Association, the Management Board consists of one to five members appointed by the Supervisory Board for a 3-year common term of office.

The composition of the Management Board of Centrum Medyczne ENEL-MED S.A. in 2013 was as follows:

First name and surname	Function held
Adam Stanisław Rozwadowski	President of the Management Board
Jacek Jakub Rozwadowski	Deputy President of the Management Board, CEO

In 2013, there were no personal changes in the composition of the Company's Management Board.

The Management Board manages the Company's affairs. The President of the Management Board manages the work of the Management Board, chairs the meetings of the Management Board, and coordinates the fulfilment of tasks assigned to other Management Board members.

The scope of acts of the President of the Management Board include in particular:

- coordinating and managing the works of the Management Board
- informing the Management Board members about significant and current affairs and issues related to the Company's operation
- issuing the orders in the scope stipulated in the Regulations of the Management Board.

The meetings of the Management Board are held depending on the needs, however at least once a quarter. The meetings of the Management Board are convened by the President of the Management Board or at a written request of any Management Board member. The meeting should be convened within 7 days of filing the request. The notice of the meeting of the Management Board is given to the Management Board members on the day preceding the meeting at the latest. At the meeting of the Management Board, before approving the agenda, the Management Board members may file with the President the request for making additions or amendments to the agenda, including the proposal of a resolution to be adopted. The meeting of the Management Board may be held without being formally convened if all its members agree to it no later than on the date of the meeting and confirm it in writing or sign the attendance list. The meetings of the Management Board are opened by the President of the Management Board who manages its work. At the request of any Management Board member, the meetings of the Management Board may be also attended by non-members of the Management Board. The resolutions of the Management Board are passed with a

majority of votes of the entire composition. In the event of equality of votes, the President of the Management Board has the casting vote. The resolutions of the Management Board are passed in open voting. The resolutions of the Management Board are kept in the form of a register of resolutions in the registered office of the Company. The meetings of the Management Board are recorded in the minutes.

**The composition of the Supervisory Board of Centrum Medyczne ENEL-MED S.A. in 2013 was as follows:**

First name and surname	Function held
Anna Maria Rozwadowska	Chairperson of the Supervisory Board
Anna Piszcz	Member of the Supervisory Board
Janusz Ryszard Jakubowski	Member of the Supervisory Board
Adam Augustyn Ciuhak	Member of the Supervisory Board
Zbigniew Wojciech Okoński	Member of the Supervisory Board

The new members of the Supervisory Board were appointed on May 25, 2012, pursuant to §15 (4) of the Company's Articles of Association, for a common 3-year term of office and their terms of office shall expire on the day of holding the Ordinary General Meeting approving the financial statements for the year 2014.

In 2013, there were no personal changes in the composition of the Supervisory Board of the Company.

The Board operates based on the Code of Commercial Partnerships and Companies, the Company's Articles of Association, resolutions of the General Meeting of Shareholders, the Regulations of the Supervisory Board, and the regulations of other corporate bodies within the scope related to the role, function, acts or omissions of the Supervisory Board and its individual members, as well as based on other regulations binding at the Company. The Supervisory Board supervises the activities of the Company in all areas of its operations. The General Meeting of Shareholders is authorised to appoint members of the Supervisory Board.

The Supervisory Board is composed of 5 (five) to 9 (nine) members, including its Chairman elected by the members of the Board from among themselves. The General Meeting of Shareholders in each case sets the number of members of the Supervisory Board. The common term of office of the Supervisory Board equals three years.

The powers of the Supervisory Board include in particular:

- evaluating financial statements, reports, Management reports and the recommendations of the Management Board related to profit distribution or covering of loss, and submitting the reports on the results of such audits to the General Meeting
- expressing the opinions on the Company's work programmes developed by the Management Board
- approving the regulations of the Management Board

- approving the financial plan for each year and the regulations for managing special purpose funds of the Company
- appointing and recalling the members of the Management Board
- setting the principles for remunerating the members of the Management Board, including the President of the Management Board
- selecting the statutory auditor to audit the financial statements of the Company
- expressing the consent to the Management Board of the Company to establish companies or subsidiaries or to establish or invest funds of the Company in other companies or business entities
- approving the framework principles of cooperation binding the Company with its business partners
- appointing the members of the Management Board
- passing the Regulations of the Supervisory Board.

The Supervisory Board fulfils its duties collectively but it may authorise its members to independently carry out individual supervisory duties, including participating, when necessary, in meetings and works of the Management Board. The members delegated to independently carry out individual supervisory duties receive separate remuneration. These members are bound by the non-competition clause which is imposed on members of the Management Board.

The Supervisory Board adopts the resolutions by absolute majority of votes of members present provided that all members were invited to the meeting. The resolutions may be passed when each member of the Supervisory Board has been correctly notified in writing of the meeting of the Supervisory Board at least 14 days before the meeting. In the event of equality of votes, the Chairperson shall have the casting vote. If the number of members of the Supervisory Board is reduced during the term of office due to resignation, death or any other important reasons below the number of members of the Supervisory Board set for a given term of office by the General Meeting of Shareholders, then the Supervisory Board is authorised to appoint a new member by a resolution on co-opting.

The members of the Supervisory Board may participate in adopting the resolutions of the Supervisory Board by voting in writing through another member of the Supervisory Board subject to Article 388 of the Code of Commercial Partnerships and Companies. Resolutions may be passed by the Supervisory Board by voting in writing, by fax or electronic mail, subject to Article 388 of the Code of Commercial Partnerships and Companies. The Supervisory Board may establish committees (including the Audit Committee). In case of establishing a committee, the Supervisory Board appoints and recalls its members as well as sets the method of its organisation.

In 2013, the Supervisory Board did not appoint any committees. Given that the Supervisory Board is comprised of 5 members, the tasks of the Audit Committee were entrusted to the Supervisory Board (pursuant to Article 86 (1) in connection with Article 86 (3) of the Act dated May 7, 2009, on Statutory Auditors, their Self-Government Organisation, Entities Authorised to Audit Financial Statements, and on Public Oversight).

A member of the Supervisory Board should have proper knowledge and experience, and be able to allocate sufficient time for the performance of their duties. The members of the Board should

participate in General Meetings in a manner allowing provision of meaningful answers to questions asked at the General Meeting.

The meetings of the Supervisory Board may be ordinary or extraordinary. Ordinary meetings should be convened at least three times a year. Extraordinary meetings of the Board can be convened when necessary, at any time.

## 9. EVENTS AFTER THE BALANCE SHEET DATE

In 2014, Centrum Medyczne ENEL-MED concluded contracts with the National Health Fund for provision of medical services. The most considerable contracts/agreements concluded in this period include the ones for diagnostic tests and hospital treatment provided in the Mazowieckie Voivodeship. An annex to the contract for hospital treatment covers neurosurgery, orthopaedics, general surgery, otolaryngology, ophthalmology and vascular surgery. Those medical services will be provided in two hospitals of Centrum Medyczne ENEL-MED located in Warsaw: the Centrum Hospital (neurosurgery and orthopaedics) and the Zacisze Hospital (other areas). The agreement was concluded for the term from February 20, 2012, to December 31, 2016 (it is an annex to the long-term agreement specifying the contract value for the year 2014), and its value in the period from January 1, 2014, to December 31, 2014, may reach the maximum amount of PLN 5,089,344.00 net, excluding the services in the scope of vascular surgery where the financial amount was specified for the period from January 1, 2014, to June 30, 2014. While the annex to the agreement for diagnostic services covers computed tomography, magnetic resonance, gastroscopy, and colonoscopy in the Zacisze diagnostic laboratory in Warsaw, computer tomography in the laboratory in Wołomin, and magnetic resonance and computed tomography in the Bielany Diagnostic Centre in Warsaw. The annex being the prolongation of long-term agreement concluded for the term from January 1, 2011, to December 31, 2014, specifies the contract value for the year 2014 as equal to the maximum amount of PLN 5,170,185.00 net.

In March 2014, the Issuer concluded an agreement with Kite Duo Sp. z o. o. for the lease of premises for the needs of the ENEL-MED multi-profile clinic in the building of Atrium Plaza located in Warsaw, Al. Jana Pawła II 29 where the Company has been running its own healthcare facility since 1999. Pursuant to the assessment by the Management Board, the concluded agreement amends - in a manner advantageous to the Company - the financial terms and conditions of the agreement concluded earlier whose term would expire in the fourth quarter of 2017. Pursuant to the concluded agreement, a monthly rate of the rent is reduced with simultaneous prolongation of the lease term. The agreement was concluded for the lease of premises A for the term of 10 years from March 1, 2014, and for the lease of premises B constituting around 1/5 of the leased area for the period of 9 years and 6 months from September 1, 2014. The value of the agreement in its term may amount to approximately PLN 12,049,206.48 gross (the rent rate is subject to indexation). The rent payments will be paid in PLN pursuant to the average EUR/PLN exchange rate of the National Bank of Poland effective on the date of issuing an invoice. The payments due to service charges in the term of the agreement may amount to approximately PLN 3,712,656.60 gross, and the total value of the agreement to approximately PLN 15,761,863.08 gross. Additionally, the lessor has undertaken to cover part of the costs of the Lessee's costs aimed at refurbishing the space leased and adjusting it to the current needs. The budget for the refurbishment equals about PLN 615,000 gross.

Furthermore, the Company's Management Board decided to exclude the Magnetic Resonance Laboratory at the Grunwaldzka Centre in Gdańsk from the organised part of the enterprise. The Extraordinary General Meeting of Shareholders of the Company that was convened on February 28, 2014, passed a resolution on expressing the consent to the contribution of the organised part of the enterprise to the subsidiary, excluding the Magnetic Resonance Laboratory at the Grunwaldzka Centre in Gdańsk. Thus, the Extraordinary General Meeting of Shareholders gave the consent that the following facilities would be contributed to the subsidiary within the organised part of the enterprise: Bielany Diagnostic Centre in Warsaw, Magnetic Resonance Laboratory in Konin, Magnetic

Resonance Laboratory in Mielec, Computed Tomography Laboratory in Poznań, Magnetic Resonance Laboratory in Łomża, Computed Tomography Laboratory in Wołomin and the Diagnostic Laboratory in Lublin. On February 28, 2014, the Extraordinary Meeting of Shareholders of Centrum Medyczne Diagnostyka Sp. z o. o., a subsidiary, adopted the resolution on increasing the initial capital of this company from the amount of PLN 5,000.00 (five thousand) to the amount of PLN 500,000.00 (five hundred thousand), that is by the amount of PLN 495,000.00 (four hundred and ninety-five thousand), through creating 4,950 (four thousand, nine hundred and ninety-five) new shares of nominal value of PLN 100.00 (one hundred) each. All newly created shares were taken up by the Issuer and were covered in full by in-kind contribution in the form of a set of tangible and intangible assets separated organisationally and financially used carry out the business activity in the scope of diagnostic imaging at the following facilities: Bielany Diagnostic Centre in Warsaw, Magnetic Resonance Laboratory in Konin, Magnetic Resonance Laboratory in Mielec, Computed Tomography Laboratory in Poznań, Magnetic Resonance Laboratory in Łomża, Computed Tomography Laboratory in Wołomin, and Diagnostic Laboratory in Lublin, constituting an organised part of the enterprise with capacity of operating as an independent enterprise. On February 28, 2014, the Company and its subsidiary operating under the business name of Centrum Medyczne Diagnostyka Sp. z o. o. concluded an agreement for transfer of the aforementioned organised part of the enterprise by the Company to the said subsidiary. The concluded agreement becomes effective and its provisions come into force at the end of April 30, 2014.

In 2014, the Company also obtained the information, on the basis of the list of shareholders entitled to participate in the Extraordinary General Meeting convened on February 28, 2014, received from KDPW (the National Depository for Securities), that Otwarty Fundusz Emerytalny PZU "Złota Jesień" increased the number of held shares and votes at the General Meeting of Shareholders. Pursuant to the obtained information, PZU holds 1,680,000 shares and votes, which constitute 7.13% of the capital and 7.13% of the number of votes at the General Meeting of Shareholders of the Company.