



**Additional information
to the extended consolidated
report of ENEA S.A.
for Q1 2022**

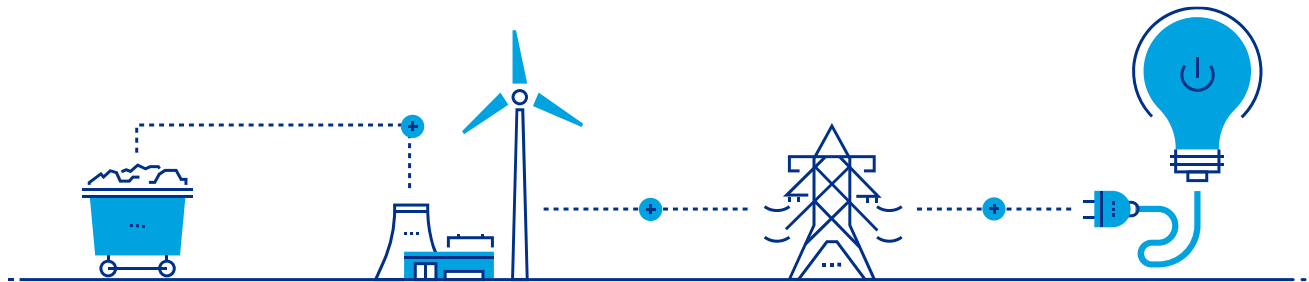
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ENEA Group in numbers

 ENEA has 17.4 thousand employees



MINING	GENERATION	DISTRIBUTION	TRADING
23.9%	6.3 GW	2.7 million	2.6 million
share in the steam coal market in Poland	total installed capacity	users of distribution services	customers
432 million tons	446 MW	121.5 thousand km	6.2 TWh
of mining potential 4 mining concession areas	installed RES capacity	distribution lines, including connections	sales of electricity and gaseous fuel to retail customers in Q1 2022
2.8 million tons	6.5 TWh	5.3 TWh	32
of net coal production in Q1 2022	net energy production in Q1 2022	electricity supplied in Q1 2022	Customer Service Offices

1. Operating summary of Q1 2022

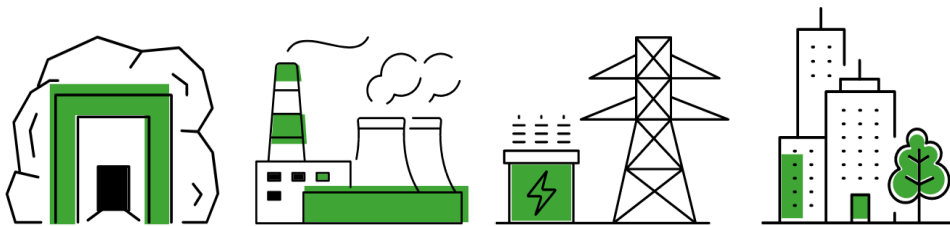
In Q1 2022, the ENEA Group generated EBITDA of PLN 1,059.3 million (up by PLN 131.7 million y/y).

The Generation Area posted EBITDA of PLN 620.1 million (up by PLN 252.9 million y/y). A significant increase in EBITDA was recorded in the System Power Plants Segment, by PLN 192.1 million y/y, driven down by the higher margin on generation (growth of unit CDS, increase in volume) and a rise in revenues from the Capacity Market, with a simultaneous drop in trading and Balancing Market margin (lower unit margins, decrease in volume). EBITDA of the RES Segment increased by PLN 40.4 million (an improvement in the Wind, Hydro Areas and in the Green Unit) and the Heat Segment increased by PLN 20.3 million y/y (mainly as a result of a higher unit margin).

The Mining area generated EBITDA of PLN 274.4 million, (up by PLN 105.8 million y/y). The higher EBITDA was driven mainly by the higher sales of coal, partially offset by increased costs of operating activities.

The Distribution area posted EBITDA of PLN 310.5 million (down by PLN 58.2 million y/y). The decrease in the result was caused by lower margins on licensed activities, greater operating expenses and a lower result on other operating activities.

The Trading area posted EBITDA of -86.2 million (down by PLN 133.2 million y/y). The decline in EBITDA is mainly due to lower realized margins on the retail market and the change in provisions related to onerous contracts, partially offset by the improved result on remeasurement of CO₂ contracts.



- The ENEA Group incurred CAPEX of PLN 494 million.
- Production of commercial coal was 2.8 million tons.
- Sales of commercial coal were 2.7 million tons.
- The Group generated 6.5 TWh of electricity.
- Sales of heat in the Generation Segment was 2.6 PJ.
- Sales of distribution services to end users were 5.3 TWh
- The sales volume of electricity and gaseous fuel to retail customers was 6.2 TWh.

+

Higher revenue from sales of electricity
Higher revenue from sales of coal
Higher revenue from sales of distribution services
Higher revenue from sales of goods and materials
Higher revenue from the Capacity Market

-

Higher costs of purchase of electricity and gas
Higher costs of consumption of materials and supplies
Higher employee benefit costs
Change in provisions related to onerous contracts
Lower revenue from sales of gas
Lower result on other operating activities

1.1. Key events in 2022

First quarter

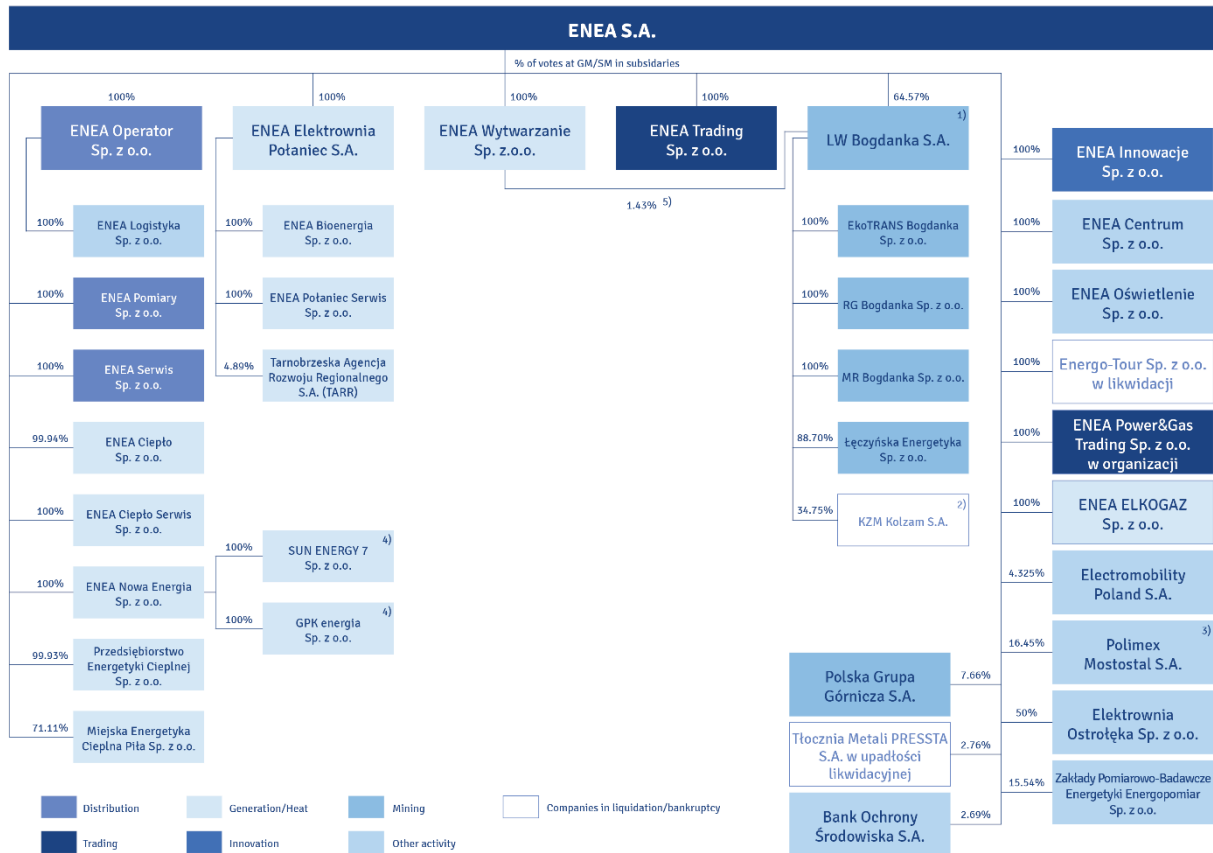
- On 19 January 2022, the ENEA S.A. Management Board adopted a resolution to initiate the process of increasing the Company's share capital by an amount of no less than PLN 1.00 and no more than PLN 88,288,515, i.e. up to the amount no greater than PLN 529,731,093, through the issue of no less than 1 and no more than 88,288,515 series D common bearer shares with a par value of PLN 1.00 each ("Series D Shares"), which will be addressed to investors satisfying the criteria defined in the resolution to increase the share capital through the issue of Series D Shares, excluding entirely the preemptive rights to all the Series D Shares for the Company's current shareholders. The purpose of the issue of the Series D Shares is to raise funds for the execution of investment projects in the Distribution Area of the ENEA Group (including the extension and modernization of high and medium voltage networks, the installation of remote reading meters and the connection of new customers to the network), to be executed by ENEA Operator Sp. z o.o., without the possibility of funding any coal-fired assets. The execution of such investment projects is consistent with the assumptions of the ENEA Group Strategy and aims to ensure energy security and the continuous and reliable electricity supply in the territory covered by the operation of ENEA Operator Sp. z o.o.
- On 21 January 2022, the ENEA S.A. Management Board submitted an application to the Prime Minister for the State Treasury to subscribe for the Series D Shares for a total amount not higher than PLN 899,659,967.85, in exchange for a cash contribution from the reprivatization fund referred to in Article 56 sec. 1 of the Act of 30 August 1996 on Commercialization and Certain Employee Rights. The Investment Agreement with the State Treasury was entered into after the balance sheet date, i.e. on 8 April 2022. Under the Investment Agreement, the State Treasury expressed the intention to subscribe for no more than 88,288,515 New Issue Shares for a cash payment of no more than PLN 899,659,967.85. On the other hand, the Company has undertaken in respect of the State Treasury to allocate all the above funds entirely to the execution, by the Company and its subsidiary (ENEA Operator Sp. z o.o.), of the following projects: (a) Expansion and modernization of the grid in the area of high and medium voltage stations; (b) Expansion and modernization of the grid in the area of high voltage lines; (c) Expansion and modernization of the grid in the area of the medium voltage network; (d) Remote-reading meters; and (e) Connections to the grid.
- On 31 January 2022, the ENEA S.A. Management Board obtained information from Elektrownia Ostrołęka Sp. z o.o. about the Company's termination of the contract implementing the capacity obligation contracted by the Company as a result of the outcome of the Capacity Market auction for 2023. The capacity contract was terminated upon indication to the operator – Polskie Sieci Elektroenergetyczne S.A. – of capacity contracts fulfilling the criteria provided for in the Capacity Market Act. The indication of the said capacity contracts has triggered the release of the financial security provided by the Elektrownia Ostrołęka Sp. z o.o. in the amount of PLN 36.6 million and the annulment of contractual penalties if they become due. The termination of the aforementioned capacity contract is a consequence of changing the plant fuel from coal to gas in the project aimed at the construction and operation of a new power plant in Ostrołęka.
- On 3 February 2022, the need to increase the provision for onerous contracts in the trading segment up to PLN 250.1 million was identified. The purpose of the increase in the provision to PLN 250.1 million is aimed at reflecting the impact of anticipated future losses to be incurred by the Issuer in connection with the performance of comprehensive contracts entered into with prosumers who, in compliance with the amendment to the Act on Renewable Energy Sources, have acquired the right to financial settlements, over a 15-year period, based on a discount support system (so-called 'net-metering'), on the condition that their micro-installations are connected to the grid by 31 March 2022. The amount of the provision will be updated quarterly.
- On 10 March 2022, the Extraordinary General Meeting of ENEA S.A. adopted a resolution under which Mr. Radosław Kwaśnicki was appointed to the ENEA S.A. Supervisory Board as of the same day.
- On 11 March 2022, ENEA S.A. signed a surety agreement with Powszechna Kasa Oszczędności Bank Polski S.A. to secure obligations of its subsidiary ENEA Trading Sp. z o.o. up to the amount of PLN 2,400,000,000. The liabilities cover the amounts payable to the Bank by the Subsidiary under the framework agreement on cooperation in the financial market entered into by and between the Bank and the Subsidiary, including in respect of foreign exchange hedging transactions and commodity price hedging transactions, in particular forward transactions related to CO₂ emission allowances executed by the Subsidiary. The surety is due to expire on 31 December 2024 or on the date when the Subsidiary ceases to be a member of the Issuer's Group as a result of a spin-off of the Group's selected assets.
- On 31 March 2022, the process of settlement of the Coal-Fired Project was completed under the contract for the construction of the Ostrołęka C Power Plant, with the EPC Contractor – a consortium established between GE Power Sp. z o.o. with its registered office in Warsaw (leader) and GE Steam Power Systems S.A.S. with its registered office in Boulogne-Billancourt, France. The final net value of receivables arising from the settlement was PLN 958 million and, accordingly, the total amount due the EPC Contractor, calculated as the difference between the above value and the amounts already covered, has already been paid in full by Elektrownia Ostrołęka Sp. z o.o.

1.2. Events after the reporting period

- On 8 April 2022, the Company received resignation of Mr. Paweł Szczeszek as President of the ENEA S.A. Management Board as of 10 April 2022. The reason for resigning was not specified.
- On 8 April 2022 – the Extraordinary Shareholder Meeting of ENEA S.A. adopted a resolution in the matter of increasing the Company's share capital by issuing Series D ordinary bearer shares, waiving all preemptive rights of all existing shareholders to all Series D Shares, amending the Company's Articles of Association, applying for admission and introduction to trading of Series D Shares and/or rights to Series D Shares on the regulated market operated by the Warsaw Stock Exchange and dematerialization of Series D Shares and/or rights to Series D Shares.
- On 8 April 2022, a share placement agreement was executed with Bank Polska Kasa Opieki Spółka Akcyjna and the private subscription bookbuilding process has been launched for up to 88,288,515 Series D ordinary bearer shares.
- On 8 April 2022, the ENEA S.A. Supervisory Board adopted the resolution to appoint Mr. Rafał Mucha, the Company's Management Board Member, as acting President of the Management Board as of 11 April 2022.
- On 12 April 2022, the ENEA S.A. Management Board adopted a resolution on the proposed distribution of the Issuer's net profit for the financial year 2021. According to the resolution, the Company's Management Board proposes to allocate the Issuer's net profit for the financial year covering the period from 1 January 2021 to 31 December 2021, in the amount of PLN 460,408,613.85 as follows: PLN 442,110,040.96 to increase the reserve capital to perform planned investment projects; PLN 18,298,572.89 to decrease the negative amount of the remaining capitals. The Supervisory Board issued a positive opinion on the Management Board's proposal.
- On 14 April 2022, the Company's Management Board set the issue price of Series D Shares at PLN 8.50 per Series D Share. The Company's Management Board also decided to offer selected investors, on the terms set forth in the Issue Resolution and in accordance with the rules of the subscription arranged thereunder, to subscribe for a total of 88,288,515 Series D Shares.
- On 20 April 2022, the Issuer's Supervisory Board adopted a resolution to appoint Mr. Paweł Majewski, effective as of 25 April 2022, to the position of President of the ENEA S.A. Management Board for the joint term of office commenced on the date of holding the Ordinary General Meeting of ENEA S.A. which approved the financial statements for 2018.
- On 28 April 2022, the Company's Management Board adopted a resolution to allocate 88,288,515 Series D Shares. The cash contributions to cover the Series D Shares were injected in their entirety. The issue price of the Series D Shares was PLN 8.50 per share. The Series D Shares and the rights to the Series D Shares will be the subject of the Company's application for admitting and introducing them to be traded on the regulated market operated by Warsaw Stock Exchange SA.
- On 6 May 2022, ENEA S.A. received Statement no. 400/2022 from the Central Securities Depository of Poland (KDPW S.A.) in the matter of entering into an agreement to register 88,288,515 rights to the Company's series D common bearer shares with a par value of PLN 1.00 each. Rights to Shares have been designated with ISIN code PLENEA000104. On the same day, the Management Board of the Warsaw Stock Exchange ("WSE") adopted resolution no. 427/2022 on admission and introduction into stock exchange trading on WSE's main market of 88,288,515 rights to the Company's series D common bearer shares with a par value of PLN 1.00 each, as of the date of registration of these rights to shares by the Central Securities Depository of Poland.
- On 9 May 2022, the Central Securities Depository of Poland issued communication on registration of 88,288,515 rights to the Company's series D common bearer shares with a par value of PLN 1.00 each.
- On 12 May 2022, in current report no. 31/2022, the Company announced publicly information summing up the completed subscription for series D common bearer shares.

2. Organization and activity of the ENEA Group

2.1. Structure of the ENEA Group



¹⁾ As at 31 March 2022, ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. jointly held 65.999% of votes at the general meeting. As at 18 May 2022, ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. jointly held 65.2367% of votes at the general meeting.

²⁾ Ruling on discontinuation of the bankruptcy proceedings/the company does not conduct business activity.

³⁾ As at 11 April 2022, the share of ENEA S.A. in the share capital of Polimex Mostostal S.A. increased to 16.48%.

⁴⁾ On 15 April 2022, the Extraordinary General Meetings of SUN Energy 7 Sp. z o.o. and GPK energia Sp. z o.o. were held on the merger by acquisition with ENEA Nowa Energia Sp. z o.o. (the surviving company). On 20 May 2022, the merger of the companies was registered in the National Court Register (KRS).

⁵⁾ As at 31 March 2022. As at 18 May 2022, the percentage of votes at the general meeting is nearly 0.67%.

There are 7 leading entities in the ENEA Group, namely ENEA S.A. (trading in electricity), ENEA Operator Sp. z o.o. (distribution of electricity), ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A. and ENEA Nowa Energia Sp. z o.o. (generation and sales of electricity), ENEA Trading Sp. z o.o. (wholesale of electricity) and LW Bogdanka S.A. (coal mining). Other companies carry out ancillary activity in relation to the operations of those listed above. The Group's structure includes also minority interests held by ENEA S.A. and the subsidiaries of ENEA S.A. and LW Bogdanka S.A.⁶⁾

⁶⁾ Further down in the document, the names of the companies may be presented without the abbreviation of their legal form.

2.2. Changes in the ENEA Group's structure

Asset restructuring

Following key organizational changes in Q1 2022, in addition to the initiatives associated with the planned changes, the ENEA Group did not carry out any major asset restructuring activities.

Equity divestments

In Q1 2022, no significant capital divestment activities were carried out.

Changes in the organization

In Q1 2022, the ENEA Group continued its endeavors aimed at pursuing the Group's Development Strategy.

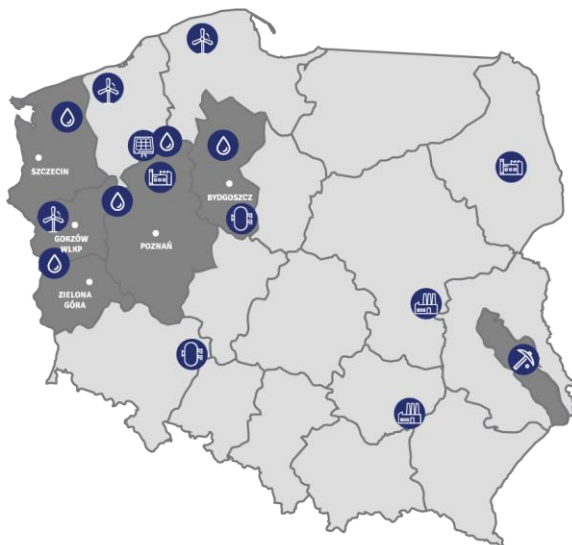
Equity investments

A detailed description of processes related to capital investments is included in the condensed interim financial statements for Q1 2022.

Events during the reporting period up to the date of the report

- On 23 February 2022, ENEA S.A. and Towarzystwo Finansowe Silesia Sp. z o.o., in connection with the executed Agreement on the share purchase option of 18 September 2017, entered into share purchase agreements within call 2 and call 3 options, as a result of which ENEA S.A. acquired 187,500 shares under call 2 option and 125,000 shares under call 3 option for the total amount of PLN 625,000. As a result of the executed transaction, the share of ENEA S.A. in the share capital of Polimex Mostostal S.A. rose to 16.45%.
- On 28 February 2022, the Extraordinary General Meeting of ENEA Innowacje Sp. z o.o., with its registered office in Warsaw, adopted Resolution no. 1 to increase the share capital by PLN 5,000,000.00, i.e. from PLN 30,860,000.00 to PLN 35,860,000.00 by creating 50,000 new shares with a par value of PLN 100 each. Registration of the capital increase in the KRS is pending.
- On 16 March 2022, ENEA S.A. established a special-purpose vehicle ENEA ELKOGAZ Sp. z o.o. with its registered office in Warsaw. The company's share capital is PLN 19,000,000.00. ENEA S.A. subscribed for 100% shares in the company. The company was registered in the National Court Register (KRS) on 12 May 2022.
- On 30 March 2022, ENEA S.A. established ENEA Power&Gas Trading Sp. z o.o. (in organization) with its registered office in Warsaw. The Company's share capital is PLN 3,200,000.00. ENEA S.A. subscribed for 100% shares in the company.
- On 11 April 2022, ENEA S.A. and Towarzystwo Finansowe Silesia Sp. z o.o., in connection with the executed Agreement on the share purchase option of 18 September 2017, entered into share purchase agreements within call 4 option, as a result of which ENEA S.A. acquired 187,500 shares under call 4 option for the total amount of PLN 375,000. As a result of the executed transaction, the share of ENEA S.A. in the share capital of Polimex Mostostal S.A. rose to 16.48%.
- On 15 April 2022, the Extraordinary General Meetings of SUN Energy 7 Sp. z o.o. and GPK energia Sp. z o.o. were held on the merger by acquisition with ENEA Nowa Energia Sp. z o.o. (the surviving company). On 20 May 2022, the merger of the companies was registered in the National Court Register (KRS).
- In ENEA Wytwarzanie Sp. z o.o., the process of selling 486,645 shares of LW Bogdanka S.A. held by the company is underway.
- On 12 May 2022, ENEA Elektrownia Połaniec S.A. entered into an agreement with the City of Tarnobrzeg, under which the city of Tarnobrzeg purchased from ENEA Elektrownia Połaniec S.A. 80 shares of Tarnobrzaska Agencja Rozwoju Regionalnego S.A. with its registered office in Tarnobrzeg for the price of PLN 40,000.00.

2.3 ENEA Group's Business Areas



Power Plants:
Kozienice, Połaniec

**Enea Ciepło, MEC Piła,
PEC Oborniki**

Wind farms: Bardy,
Darżyno, Baczyna

**21 hydroelectric
power plants**

**PV farm
Jastrowie**

Biogas power plants:
Gorzestaw, Liszkowo

LW Bogdanka

**Distribution area
of ENEA Operator**

Lublin coal basin

Distribution

- Supply of electricity
- Planning and ensuring expansion of the distribution network, also by connecting new Customers
- Operation, maintenance and repairs of the distribution grid
- Management of metering data

Generation

- Electricity generation based on bituminous coal, biomass, gas, wind, water, biogas and a photovoltaic farm
- Heat generation
- Heat transmission and distribution
- Electricity trading

Mining

- Production of bituminous coal
- Sales of bituminous coal
- Securing the Group's raw material base

Wholesale trading

- Optimization of wholesale contracts portfolio for electricity and gaseous fuel
- Operations on product markets
- Ensuring access to wholesale markets

Retail trading

- Trading in electricity and gaseous fuel on the retail market
- Product and service offering adjusted to customers' needs
- Comprehensive customer service

2.3.1. Mining

In the ENEA Group, the subsidiary involved in the mining business is LW Bogdanka, which is a leader on the bituminous coal market in Poland, standing out in comparison with its peers in terms of financial results, mining efficiency and investment plans including access to new deposits. The bituminous coal sold by LW Bogdanka is used predominantly for the production of electricity, heat and cement. LW Bogdanka's customers are chiefly industrial companies, especially ones operating in the power sector, located in eastern and north-eastern Poland.

Item	Q1 2021	Q1 2022	Change
Net production [000s of tons]	2,612	2,809	7.5%
Sales of coal [000s of tons]	2,383	2,716	14.0%
Inventories (at the end of the period) [000s of tons]	350	113	-67.7%
Excavation works [km]	5.3	8.6	62.3%

2.3.2. Generation

2.3.2.1. Generation assets of the ENEA Group

Item	Installed electricity generation capacity [MW _e]	Achieved electricity generation capacity [MW _e]	Installed heat generation capacity [MW _t]	Installed capacity in RES [MW _e]
Kozienice Power Plant	4,071.8	4,007.0	125.4	-
Połaniec Power Plant	1,879.0	1,899.0	130.0	230.0
Wind farms in Bardy, Darżyno and Baczyzna [Lubno I and Lubno II]	71.6	70.1	-	71.6
Photovoltaic (PV) power station in Jastrowie I	3.0	3.0	-	3.0
Liszkowo and Gorzesław biogas plants	3.8	3.8	3.1	3.8
Hydro power plants	58.8	55.8	-	58.8
MEC Piła	20.4	18.4	136.7	0.1
PEC Oborniki	-	-	27.4	-
ENEA Ciepło (Białystok CHP Plant, "Zachód" Heat Plant)	203.5	156.6	684.1	78.5
Total [gross]	6,311.9	6,213.7	1,106.7	445.8

2.3.2.2. Generation – installed capacity

Kozienice Power Plant

Unit	U1	U2	U3	U4	U5	U6	U7	U8	U9	U10	U11
Installed capacity [MW]	230	230	230	230	230	230	230	230	560	560	1,112
Planned shutdown year	2025	2025	2025	2025	2027	2027	2027	2027	2041	2042	2048

Note: The data presented above are for the baseline variant. The Company also has parallel technological variants that are equally as attractive, but feature a different technological configuration resulting in different times and different numbers of shutdowns of units U1-U8, which are required for the replacement of the production capacity.

The above data for U1-U8 were prepared on the basis of the currently expected replacement schedule for the production capacity, while data for other units were prepared on the basis of the current working schedule of the units and the generation unit shutdowns anticipated in the schedule. ENEA Wytwarzanie has completed the concept documentation and the feasibility study, which included analysis of the possibility and justification for the use of gaseous fuel (gas and steam unit) in the existing infrastructure of 200 MWe class units. Detailed information is provided in section 8.29.

Połaniec Power Plant

Unit	U1	U2	U3	U4	U5	U6	U7	GU
Installed capacity [MW]	200	242	242	242	242	242	239	230
Planned last year of production	2023	2034	2034	2034	2034	2034	2034	2042

The above data were prepared on the basis of the current working schedule of the units and the scheduled shutdowns of the generation units. Currently the work is underway on the project entitled "Adaptation of ENEA Elektrownia Połaniec to Capacity Market requirements after 1 July 2025" and on development of the modernization concept for Unit 1.

ENEA Nowa Energia

In Q1 2022, the Company had productive and non-productive assets: 21 water stages with auxiliary facilities on which hydroelectric power plants are located with installed capacity from 132 kW to 24.8 MW, Liszkowo Biogas CHP Plant with installed capacity of 2.1 MW, Wind Farms: Darzyno with installed capacity of 6.3 MW, Bardy with installed capacity of 50.0 MW and FW Lubno I and Lubno II with installed capacity of 7.6 MW each. The hydro power plants are located on the rivers: Brda, Wda, Gwda, Rega, Drawa, Myśla, Obra and Wełna. From 22 March 2022, electricity generation was started from the photovoltaic farm in Jastrów with the capacity of 3.0 MW, which is at the stage of commissioning.

ENEA Ciepło

Unit	U1	U2	U3	U4 ¹⁾	Water boilers	K1	K2	K3	K4	K5
Installed capacity [MW]	55	55	70	23.5	Installed capacity [MW]	0	0	0	0	0
Thermal capacity [MWt]	98.4	108	108	0	Thermal capacity [MWt]	33	35	35	40	40
Planned last year of production	2027	2045	2055	2040	Planned last year of production	-	-	-	-	-

¹⁾ Condensing turbine unit powered by discharges from the U1 unit

2.3.2.3. Data for the Generation Area

Item	Q1 2021	Q1 2022	Change
Total (net) electricity generation [GWh]	6,089	6,494	6.7%
Net generation from conventional sources [GWh]	5,568	5,936	6.6%
RES production [GWh]	521	558	7.1%
Gross heat production [TJ]	2,853	2,820	-1.2%
ENEA Wytwarzanie			
Total (net) electricity generation [GWh]	4,101	4,107	0.1%
Net generation from conventional sources [GWh]	4,101	4,107	0.1%
Unit 11 in the Kozienice Power Plant			
Net electricity production [GWh]	1,156	1,423	23.1%
Average monthly net load [MW]	679	751	10.6%
Gross heat production [TJ]	109	265	143.1%
ENEA Nowa Energia			
Total (net) electricity generation [GWh]	78	102	30.8%
RES production [GWh], including:	78	102	30.8%
hydro power plants	38	38	-
wind farms	38	62	63.2%
biogas plants	2	3	50.0%
PV farm ¹⁾	0	0.1	100%
ENEA Elektrownia Połaniec			
Total (net) electricity generation [GWh]	1,744	2,138	22.6%
Net generation from conventional sources [GWh]	1,348	1,739	29.0%
RES production (biomass firing – Green Unit) [GWh]	335	361	7.8%
RES production (biomass co-firing) [GWh]	61	38	-37.7%
Gross heat production [TJ]	576	640	11.1%
ENEA Ciepło			
Total (net) electricity generation [GWh]	147	136	-7.5%
Net generation from conventional sources [GWh]	100	79	-21.0%
– excluding biomass firing			
RES production – biomass firing [GWh]	47	57	21.3%
Gross heat production [TJ] (in combination with the “Zachód” Heat Plant)	1,762	1,552	-11.9%
PEC Oborniki			
Gross heat production [TJ]	56	49	-12.5%
MEC Piła			
Total (net) electricity generation [GWh]	18	11	-38.9%
Gross heat production [TJ]	350	314	-10.5%

¹⁾ From 22 March 2022, electricity generation was started from the photovoltaic farm in Jastrów with the capacity of 3 MW, which is at the stage of commissioning.

2.3.2.4. CO₂ emissions, allocation of free CO₂ emission allowances, costs of allowances

	CO ₂ emissions [t]	Allocation of free CO ₂ emission allowances [t]	Costs of allowances [PLN 000s]
Kozienice Power Plant			
Q1 2021	3,618,023	0	409,625
Q1 2022	3,648,607	0	847,562
MEC Piła			
Q1 2021	37,988	0	3,476
Q1 2022	22,516	6,923	6,792
Białystok – CHP plant			
Q1 2021	156,515	0	16,728
Q1 2022	123,578	0	24,160
Białystok – “Zachód” Heat Plant			
Q1 2021	14,007	0	1,591
Q1 2022	3,887	0	850
Połaniec Power Plant			
Q1 2021	1,398,026	0	139,590
Q1 2022	1,787,654	0	391,813
Łęczyńska Energetyka¹⁾			
Q1 2021	22,605	0	3,468
Q1 2022	19,059	0	6,208
Total Q1 2021	5,247,164	0	574,478
Total Q1 2022	5,605,302	6,923	1,277,385

¹⁾ Entity in the LW Bogdanka Group holding CO₂ emission allowances.

2.3.2.5. Fuel supply

The main fuel used in the Kozienice Power Plant and the Połaniec Power Plant to generate electricity is pulverized bituminous coal. The main fuels used in ENEA Ciepło – Białystok CHP Plant in Q1 2022 included: coal and biomass – mainly in the form of steam wood chips, steam willow and poplar wood chips, residues from agricultural production and the agricultural processing industry.

Coal deliveries

	Kozienice Power Plant	Połaniec Power Plant	ENEA Ciepło
Main coal suppliers in Q1 2022	LW Bogdanka (78%) PGG (11%), JSW (6%)	LW Bogdanka (46%) PGG (54%)	LW Bogdanka (95%) PGG (5%)
Main operator effecting deliveries in Q1 2022	PKP Cargo (approx. 100%)	Own transport (approx. 10%) PKP Cargo (approx. 88%)	LW Bogdanka (approx. 95%) CTL Logistics sp. z o.o. (approx. 5%)

Purchase of fuel

Fuel type	Generation Area			
	Q1 2021		Q1 2022	
	Quantity [000s of tons]	Cost [PLN million]	Quantity [000s of tons]	Cost [PLN million]
Bituminous coal	2,438	593	3,094	870
Biomass	432	76	547	198
(Heavy) fuel oil ¹⁾	4	6	5	14
(Light) fuel oil ²⁾	2	7	2	9
Natural gas [thous. m ³] ³⁾⁴⁾	7,023	8	3,222	7
Total		690		1,098

¹⁾ Light up fuel in U1-10 of the Kozienice Power Plant and U1-7 of the Połaniec Power Plant

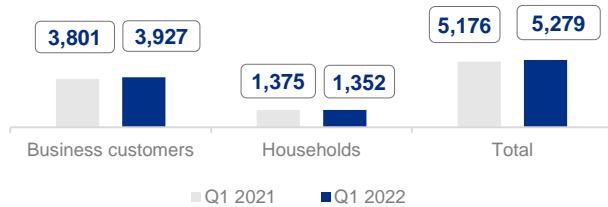
²⁾ Light up fuel in U11 of the Kozienice Power Plant and U9 of the Połaniec Power Plant

³⁾ Used for generation of electricity and heat in MEC Piła and heat in PEC Oborniki.

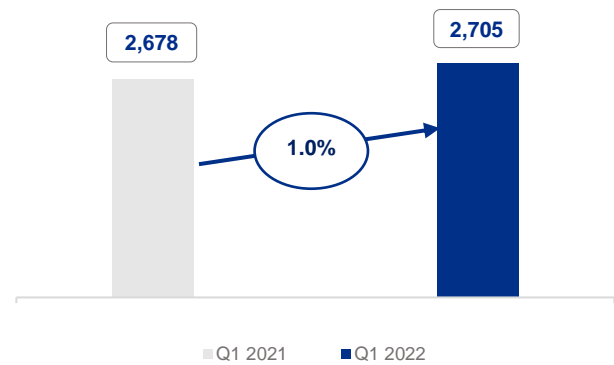
⁴⁾ Used for generation of heat in the “Zachód” Heat Plant; gas volume unit: thousand Nm³

2.3.3. Distribution

Sales of distribution services [GWh]



Number of customers [in thousands]



108.2 thous. km – Length of distribution lines

13.3 thous. km – Length of connections

39.0 thous. – Number of sub-stations

986.3 thous. – Number of connections

Connected RES sources in the operating area of ENEA Operator in the period from 2016 to Q1 2022

Year	Number of connected RES sources classified in connection groups II and III, cumulative [pcs.]	Number of connected micro-installations, based on the submitted reports and requests cumulative [pcs.]	Total capacity of connected RES sources classified in connection groups II and III, cumulative [MW]	Total capacity of connected micro-installations, based on the submitted reports and requests, cumulative [MW]
2016	350	2,479	1,220	17
2017	360	4,302	1,240	31
2018	400	6,910	1,280	50
2019	493	18,900	1,369	136
2020	593	61,990	1,614	435
2021	785	108,873	2,066	830
Q1 2022	853	124,849	2,137	971

Number and length of connections

Item	2021 ¹⁾		Q1 2022	
	Number	Length [km]	Number	Length [km]
Overhead	319,658	6,990	318,702	6,988
Cable	666,670	6,242	667,642	6,273
Total	986,328	13,232	986,344	13,261

¹⁾ Data for 2021 refer to the state of network infrastructure at the end of 2021, without division into quarters. Data on a quarterly basis year-to-year will be available at the end of 2023 compared to 2022.

Number of electrical substations

Item	2021 ¹⁾ Number	Q1 2022 Number
110 kV	249	249
MV	38,689	38,726
Total	38,938	38,975

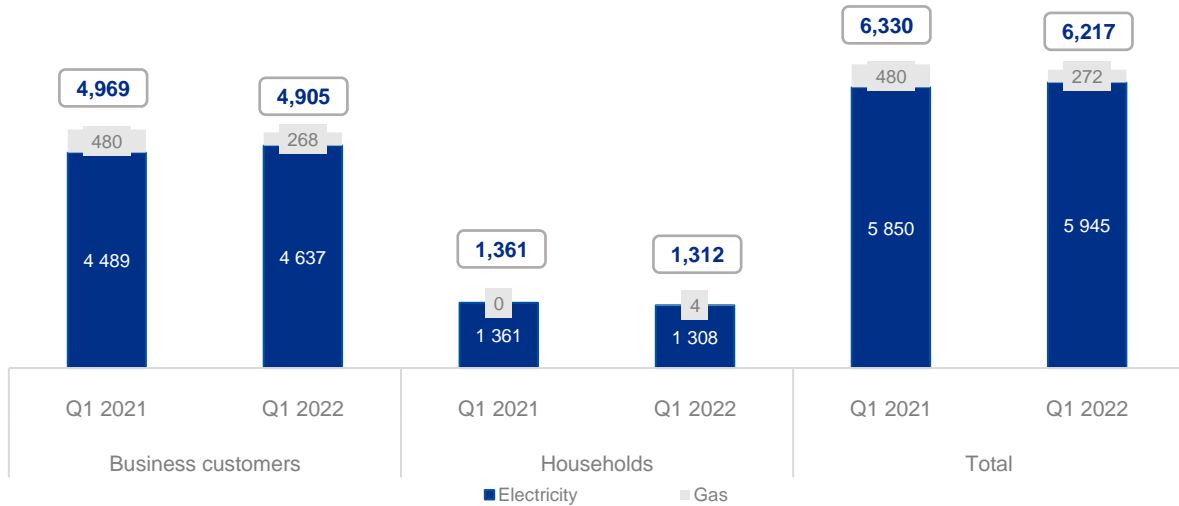
¹⁾ Data for 2021 refer to the state of network infrastructure at the end of 2021, without division into quarters. Data on a quarterly basis year-to-year will be available at the end of 2023 compared to 2022.

2.3.4. Trading

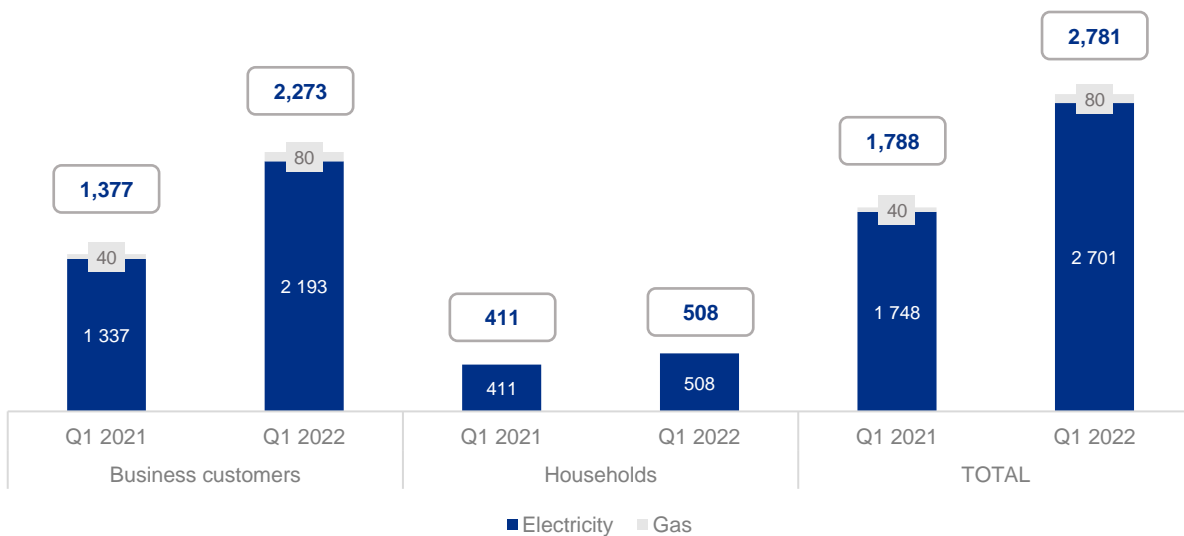
Sales of electricity and gaseous fuel to retail customers carried out by ENEA S.A.

In Q1 2022, compared to Q1 2021, the total sales volume of electricity and gaseous fuel were lower by 113 GWh, i.e. 1.8%. The decrease was caused by a change to customer portfolio. In the business customer segment, there was a decrease in the sales volume of gaseous fuel by 212 GWh, i.e. 44.2% y/y and an increase in the sales volume of electricity by 148 GWh, i.e. by 3.3%. On the other hand, in the household segment, a slight increase was observed in the sales volume of gaseous fuel and a decline in the sales volume of electricity by 53 GWh, or 3.9%. In Q1 2022, total revenue from sales of electricity and gaseous fuel increased by PLN 993 million, or approximately 55.5%, as compared to the corresponding period of 2021. This increase affected revenues both in both the business customer segment and in the household segment.

Sales of electricity and gaseous fuel to retail customers of ENEA S.A. [GWh]



Sales of electricity and gaseous fuel to ENEA S.A.'s retail customers [PLN million]



2.4 Development strategy

Due to abundant changes of a fundamental nature in the industry environment, in 2021 the ENEA Group's Strategy was updated in order to address challenges and circumstances affecting businesses operating in the power sector. On 15 December 2021, the Company accepted for implementation the "ENEA Group Development Strategy until 2030 with an outlook to 2040", which will enable ambitious, responsible and effective transition of the ENEA Group.

MISSION

ENEA, while carrying out the transformation of the Polish energy sector in a reasonable and efficient manner, provides reliable products and services to customers by building lasting relationships based on respect for the environment and shared values.

VISION

ENEA is a leading supplier of integrated products and services, setting new trends during energy transition.

The ENEA Group as a responsible entity operating in the power sector striving to meet other global challenges, intends to conduct its business in a manner that minimizing its impact on the natural environment. Acting in accordance with the assumptions adopted for the transformation of the power sector in Poland, the Group takes steps to spin off from its structures any assets related to the generation of electricity in conventional coal-fired units.

The ENEA Group intends to conduct its business in a sustainable manner while minimizing its impact on the natural environment. These development directions form a foundation which is used to define strategic objectives:

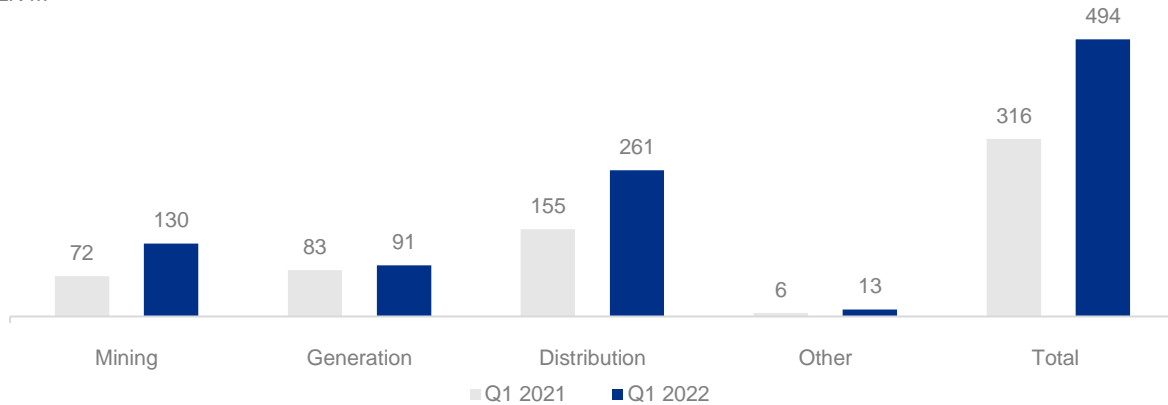


The ENEA Group, as one of the key entities on the energy market in Poland, co-responsible for the state's energy safety, observes global trends and understands the challenge posed by climate change. This is why it is actively involved in the development of the RES sector and as part of Enea's Transformation #TransformacjaEnei it wants to invest in zero-carbon technologies.

2.5 Actions and investments pursued

2.5.1. Capital expenditures (CAPEX)

PLN m



Capital expenditures (CAPEX) [PLN million]	Q1 2021	Q1 2022	Actuals Q1 2022 / Plan Q1 2022	Plan 2022
Mining	71.9	129.9	81.0%	679.0
Generation	82.8	91.1	94.6%	612.7
Distribution	155.4	260.5	94.8%	1,264.4
Other	6.3	12.6	4.2%	645.0
Total	316.4	494.1	59.5%	3,201.1

Environmental investment projects

Item	Actuals Q1 2022 [PLN million]
Adaptation to BAT conclusions (Polaniec Power Plant)	37.1
Other	1.0
Total environmental investments	38.1

2.5.2. Execution of other projects

Distribution Area – ENEA Operator

Name of investment	Value [PLN million]
Investments completed in Q1 2022:	
<ul style="list-style-type: none"> Construction and modernization of a number of grid infrastructure elements, such as high, medium and low voltage lines and transformer stations, related to the pursuit of the following objectives: fulfilling the public-legal obligation, ensuring energy security for the region, improving the reliability and quality of electricity supply – grid automation, change of the MV network structure from overhead to cable, activities aimed at achieving the "smart grid" standard; 	251.8
<ul style="list-style-type: none"> Development of the infrastructure area to support operations in terms of IT and telecommunications; 	6.1
<ul style="list-style-type: none"> Development of the infrastructure area to support operations in terms of buildings and tools; 	0.7
<ul style="list-style-type: none"> Development of the infrastructure area to support operations in terms of transport. 	1.1
Investments planned for 2022:	
<ul style="list-style-type: none"> Construction and modernization of a number of grid infrastructure elements, such as high, medium and low voltage lines and transformer stations, related to the pursuit of the following objectives: fulfilling the public-legal obligation, ensuring energy security for the region, improving the reliability and quality of electricity supply – grid automation, change of the MV network structure from overhead to cable, activities aimed at achieving the "smart grid" standard; 	897.5
<ul style="list-style-type: none"> Development of the infrastructure area to support operations in terms of IT and telecommunications; 	47.1
<ul style="list-style-type: none"> Development of the infrastructure area to support operations in terms of buildings and tools; 	39.3
<ul style="list-style-type: none"> Development of the infrastructure area to support operations in terms of transport. 	6.4

Generation Area – Kozenice Power Plant

Name of investment	Value [PLN million]
Investments completed in Q1 2022:	
<ul style="list-style-type: none"> Modernization of chimney no. 5 	1.0
Investment projects not completed in 2021; completion expected in 2022	
<p>Within the framework of modernization program for 2 x 500 MW units – continuation from 2018,</p> <ul style="list-style-type: none"> the Project "Installation of a catalytic flue gas denitrification system and modernization of electrostatic precipitators for AP-1650 boilers of units 9 and 10"; There were delays in the completion of the Subject Matter of the Agreement and arrangements/negotiations with the Contractor are underway with regard to the execution of Annex no. 7. 	2.2 (forecast)
<p>Under the program entitled "Modernization of the cooling water system in the Kozenice Power Plant", scheduled for execution in 2019-2023:</p> <ul style="list-style-type: none"> On 19 April 2022, the ENEA Wytwarzanie Management Board gave consent to requesting from the Investment Committee to agree to abandon and remove the project "Construction of draft cooling towers", being one of the three projects making up the "Modernization of the cooling water system" program. The discontinuation of the project resulted from a number of objective circumstances and in particular in view of the receipt of decision no. 221/SAAB/2022 issued by the Mazovian Voivode on 23 March 2022, setting a new date for demolition of the temporary check dam, i.e. 9 months from the date of the decision becoming final and non-appealable, provided that there are hydrological conditions conducive to completion of the demolition. Furthermore, the Company, to mitigate the risk of reduction of electricity production because of unfavorable hydrological conditions which may occur after the demolition of the temporary check dam, analyses the possibility of implementing an alternative technological solution, for example by constructing a permanent check dam on the Vistula river to replace the temporary check dam. 	59.3
Investments planned for 2022:	
<p>Modernization program included in ENEA S.A.'s List of Strategic Initiatives:</p> <ul style="list-style-type: none"> - Unit No. 6; - Unit No. 10; - Unit No. 11; - Restoration of generation capacity of 200 MW coal-fired units in ENEA Wytwarzanie based on the gaseous fuel combustion technology. 	38.9 42.2 62.6 9.5

Generation Area – Połaniec Power Plant

Name of investment	Value [PLN million]
Investments completed in Q1 2022:	
<ul style="list-style-type: none"> Adaptation of ENEA Elektrownia Połaniec to the BAT conclusions. 	37.1
Investments planned for 2022:	
<ul style="list-style-type: none"> Adaptation of ENEA Elektrownia Połaniec to the BAT conclusions; Adaptation of ENEA Elektrownia Połaniec to Capacity Market requirements after 1 July 2025 	20.8 6.3

Generation Area – ENEA Ciepło

Name of investment	Value [PLN million]
Investments completed in Q1 2022:	
<ul style="list-style-type: none"> Investments with co-funding – rebuilding existing heat distribution networks and hubs; Development investments – building new heat distribution networks, connections and hubs, telemetry; Amount of capital expenditures in the Head Office area; Construction of a biomass-fired cogeneration unit. Other capital expenditures in the Białystok CHP Plant area. 	0.2 0.5 1.6 0.1 0.4
Investments planned for 2022:	
<ul style="list-style-type: none"> Investments with co-funding – rebuilding existing heat distribution networks and hubs; Development investments – building new heat distribution networks, connections and hubs, telemetry; Modernization of coal-fired boilers in the Zachód Heat Plant to adapt them to the environmental requirements; Amount of capital expenditures in the Head Office area; Modernization of the emergency power supply (from a power generator); Replacement of the thermal insulation of district heating water at the CHP plant; Restoration of coal bunkers of boiler K7; Delivery and installation of the third batch of SCR installation catalysts K-7 and K-8; Replacement of controllers in DCS automation systems of and FSC security systems on units and off-unit systems; Replacement of chemical storage systems and regeneration systems SUW2; Replacement of the TZ4 turboset; Modernization of physiochemical measurements in unit water and steam circuits; Construction of a biomass-fired cogeneration unit. Other capital expenditures in the Białystok CHP Plant area. 	27.6 10.0 7.3 3.0 1.0 1.5 1.5 1.4 2.0 1.5 2.2 1.0 1.7 4.9

Generation Area – ENEA Nowa Energia

Name of investment	Value [PLN million]
Investments completed in Q1 2022:	
<ul style="list-style-type: none"> In the first quarter of 2022, none of the investments indicated below was commissioned for operation. 	
Investments planned for 2022:	
<ul style="list-style-type: none"> Facade of the Koronowo Hydro Power Plant building with a PV panel wall; 	2.0
<ul style="list-style-type: none"> Workshop; 	2.1
<ul style="list-style-type: none"> Power plant automation, modernization project, technological monitoring of a power plant; 	2.3
<ul style="list-style-type: none"> PV Likowo – 1 MW capacity, independent project, construction outsourced; 	2.7
<ul style="list-style-type: none"> PV Lubno I and II – 2x1MW capacity, independent project, construction outsourced; 	5.4
<ul style="list-style-type: none"> PV-FW Lubno I – 3 MW capacity, independent project, construction outsourced; 	6.9
<ul style="list-style-type: none"> PV Jastrowie I – 3 MW capacity, independent project, construction by ENEA Serwis; 	8.5
<ul style="list-style-type: none"> PV Krzęcin – 6.605 MW, after acquisition of GPK Energy and Sun Energy on 7 December 2021, the project is executed independently. 	18.8

Generation Area – Miejska Energetyka Ciepła Piła

Name of investment	Value [PLN million]
Investments completed in Q1 2022:	
<ul style="list-style-type: none"> Construction of the EC-Zachód source. 	39.5
Investments planned for 2022:	
<ul style="list-style-type: none"> Reconstruction of heating network – a project performed in 2021-2023 	11.1

Mining Area

Name of investment	Value [PLN million]
Investments completed in Q1 2022:	
Development investments:	
<ul style="list-style-type: none"> Purchase of finished goods, machinery and equipment. 	129.9
Operating investments:	
<ul style="list-style-type: none"> New mining pits and modernization of existing ones – in Q1 2022, 8.6 km of roadways were made. 	
Investments planned for execution in the subsequent quarters of 2022:	
Development investments:	
<ul style="list-style-type: none"> Purchase of finished goods, machinery and equipment. Purchase and installation of a longwall system. 	549.1
Operating investments:	
<ul style="list-style-type: none"> New excavations and upgrade of existing ones. 	

Trading Area

Area	Event
Retail and Customer Service Area	<ul style="list-style-type: none"> The functionality of ENEA Optima system was expanded by adding the possibility of reading meter data of electricity fed into the network of the Distribution System Operator from a RES generation source. Due to this, ENEA Optima's system makes it possible for Clients to monitor and analyze comprehensively both energy consumed from the network and energy generated by the Customer's sources. Continuation of work on introducing automation processes in the customer service area through, e.g., robotic process automation (RPA) that will translate into timely achievement of key indicators within the implemented processes, Continuation of the eCustomer Program, the purpose of which is to implement new technical and organizational solutions, increasing the level of digitalization of Customer contacts, develop modern and low-cost channels for reaching and servicing Customers and to develop modern service and sales channels: online execution of agreements, e-Applications, chatbots and voicebots, marketplace. Execution of the project of mobile Customer Service Offices, aimed at improving the quality and efficiency of sales of ENEA products and effectively reaching customers who live in smaller towns. The first mobile Customer Service Office has embarked on a service trip to 5 cities in the Greater Poland region, in which there is no stationary ENEA Customer Service Office. The implementation in the billing systems, as of 1 January 2022, of the changes resulting from the introduction of new tariffs and excise tax and VAT changes arising from the launch of the Government Anti-Inflation Shield. Work on adjusting billing systems and implementing a solution allowing for settlement of prosumers in accordance with the amendment to the RES Act, therefore on the basis of aggregated hourly balancing of energy consumed and fed into the grid. Work on implementing QR codes on hard copy invoices for actual consumption and invoice corrections, forecast invoices with payment slips and summonses for payment. Performance of the project for adjusting customer service systems of the ENEA Group to the changes to the Central Energy Market Information System (CSIRE). The purpose of the CSIRE is simplify the information exchange between energy market participants. Similarly to other participants, the ENEA Group is obligated to adapt its organization, processes and IT systems to the CSIRE by 1 July 2024.
Wholesale Area	<ul style="list-style-type: none"> Continuation of the project entitled "Adaptation of ENEA Group Companies to changes in the operation of the balancing market in Poland." Continuation of the project entitled "Development of biomass trading activity by ENEA Trading Sp. z o.o."

2.5.3. Executed contracts

Agreements of significance to ENEA Group's operations

In Q1 2022, ENEA Group companies executed no contracts of material importance, although the following contracts were signed in this period:

- Agreement no. 1-25-053-22 between ENEA Połaniec Power Plant and PKP CARGO S.A. for the transport of steam coal for ENEA Elektrownia Połaniec Power Plant in the period from 22 March 2022 to 21 March 2023.
- Agreement no. 1-25-054-22 between ENEA Połaniec Power Plant and PKP CARGO S.A. for the transport of steam coal for ENEA Elektrownia Połaniec Power Plant in the period from 22 March 2022 to 21 March 2023.

2.5.4. External financing – bonds and loans

ENEA S.A. finances its investment program by using financial surpluses from its business activities and external debt. The ENEA Group pursues an investment financing model whereby ENEA S.A. acquires funds from external sources and distributes them to its subsidiaries. In its subsequent activities, ENEA S.A. will focus on ensuring appropriate diversification of external sources of financing for investments planned in the “ENEA Group Development Strategy until 2030 with an outlook to 2040”, with a particular consideration given to the Distribution and RES segments. At the same time, considering the very limited possibilities for obtaining financing for the activity of the generation companies, the ENEA Group has taken steps to spin off from its structures any assets related to the generation of electricity in conventional coal- and lignite-fired units.

In Q1 2022, ENEA S.A. did not enter into any new loan agreements or issue bonds.

As at 31 March 2022, the nominal debt of ENEA S.A. arising from issued bonds and contracted loans totaled PLN 6,474 million, including PLN 1,656 million for long-term loans and PLN 4,818 million for bonds.

In the ENEA Group, some companies also have executed external financing agreements. As at 31 March 2022, the total nominal amount of external debt under the loans and borrowings (without ENEA S.A.) was PLN 46.6 million.

In Q1 2022, ENEA Group companies did not terminate any loan and borrowing agreements.

2.5.5. Sureties and guarantees granted

On 11 March 2022, ENEA S.A. signed a surety agreement with Powszechna Kasa Oszczędności Bank Polski S.A. (the “Bank”) to secure obligations of ENEA S.A.’s subsidiary, ENEA Trading Sp. z o.o. (“Subsidiary”), up to the amount of PLN 2,400,000,000. The liabilities cover the amounts payable to the Bank by the Subsidiary under the framework agreement on cooperation in the financial market entered into by and between the Bank and the Subsidiary, including in respect of foreign exchange hedging transactions and commodity price hedging transactions, in particular forward transactions related to CO₂ emission allowances executed by the Subsidiary. The surety covers the Subsidiary’s liabilities towards the Bank existing as at the date of the surety agreement and those that may arise in the future, and is due to expire on 31 December 2024 or on the date when the Subsidiary ceases to be a member of the Issuer’s Group as a result of a spin-off of the Group’s selected assets.

In this period, one bank guarantee of significant value was granted upon ENEA S.A.’s order (significance threshold being > PLN 5 million) in the amount of USD 2.4 million. The guarantee secures the liabilities of the subsidiary of ENEA Elektrownia Połaniec S.A. In accordance with the executed Agreement between the Issuer and ENEA Elektrownia Połaniec S.A. (the “Company”), the Company will reimburse the costs of granting this bank guarantee for the Issuer on the terms and conditions included in the Master Agreement for granting bank guarantees. In accordance with the Agreement for granting sureties and guarantees upon ENEA S.A.’s order, executed between the Parties, ENEA S.A. shall pay commission fee for liabilities of ENEA Elektrownia Połaniec S.A. to the Guarantor for granted bank guarantee, payable quarterly, and then the commission fee is re-invoiced by ENEA S.A. to the Company to refund the costs incurred by ENEA S.A.

The table below presents the largest bank guarantees extended upon orders from ENEA S.A. in the discussed period under the concluded bank guarantee agreements (significance threshold > PLN 5 million):

Security granting date	Security validity date	Secured entity	Purpose of the agreement	Security form	Extended security amount [USD million]
17 February 2022	16 June 2022	ARKAN IMPEX GENERAL TRADING LLC	Payment guarantee	under the guarantee facility up to PLN 350,000,000	2.4

The above guarantee concerns the purchase of biomass in the form of PKS (Palm Kernel Shell) for the power plant in Połaniec, which is a payer to ARKAN. With respect of the above guarantee, for the period from 17 February 2022 to 31 March 2022, commission fee was collected in the amount: USD 1,130.96, and for the period from 1 April 2022 to 16 June 2022, the commission fee will be USD 2,025.21. The amounts will be converted to PLN at the exchange rate from the date of charging commission fees, i.e. 1 August 2022.

As at 31 March 2022, the total value of corporate sureties and guarantees granted by ENEA S.A. to secure the liabilities of the ENEA Group companies was PLN 3,447 million, while the total value of bank guarantees issued at the request of ENEA S.A. and as collateral for liabilities of the ENEA Group companies was PLN 343.2 million.

2.5.6. Interest rate hedging transactions

In Q1 2022, ENEA S.A. did not enter into any new interest rate hedging transactions.

2.5.7. Intra-group financing – bonds

Currently, in the Generation and Distribution areas, ENEA S.A. has intra-group bond issue programs in place with a total initial par value of PLN 5,371 million. These programs have been fully utilized and are partly redeemed in installments. As at 31 March 2022, the total nominal exposure arising from intra-group bonds held by ENEA S.A. was PLN 3,105 million. In the previous years, ENEA S.A. also concluded intra-group bond issue program agreements with its subsidiaries, which are used to finance investments in the RES and Heat Segments. As at 31 March 2022, the total value of bonds issued and outstanding under these programs was PLN 12 million.

2.5.8. Intra-group financing – loans

In Q1 2022, ENEA S.A. did not enter into any new loan agreements with other ENEA Group companies or other companies in which it holds an equity stake. After the balance sheet date, in April 2022, ENEA S.A. executed annexes to loan agreements with Elektrownia Ostrołęka Sp. z o.o., under which the period for loan repayments granted by ENEA S.A. to Elektrownia Ostrołęka Sp. z o.o. was postponed to December 2022. The par value of the companies' debt as at 31 March 2022 was PLN 4,096 million. Detailed information on the loan agreements signed by ENEA S.A. and active in Q1 2022 and their utilization is presented in the table below:

Start date	Final maturity	Company	Value of agreements PLN million	Amount of loan contracted in Q1 2022 PLN million	Interest rate	Loan debt as at 31 March 2022 PLN million
March 2020	December 2026	ENEA Operator	2,040	0	Base rate + margin	1,600
September 2019	December 2022	Elektrownia Ostrołęka	199	0	Fixed	199
January 2020	September 2024	ENEA Wytwarzanie	2,200	0	Base rate + margin	1,782
February 2020	December 2024	ENEA Elektrownia Połaniec	500	0	Base rate + margin	500
June 2021	December 2031	Miejska Energetyka Ciepła Piła	15	0	Base rate + margin	15

The amounts presented in the above table in the columns "Value of agreements in PLN million" and "Loan debt as at 31 March 2022 in PLN million" refer to total values of all the signed agreements between ENEA S.A. and a given company and the total value of a given company's debt to ENEA as at 31 March 2022.

2.5.9. Related party transactions

In Q1 2022, ENEA S.A. and its subsidiaries did not enter into any related party transactions on a non-arm's length basis. Information on transactions with related parties entered into by ENEA S.A. or its subsidiaries is provided in note 24 to the "Condensed interim consolidated financial statements of the ENEA Group for the period from 1 January to 31 March 2022".

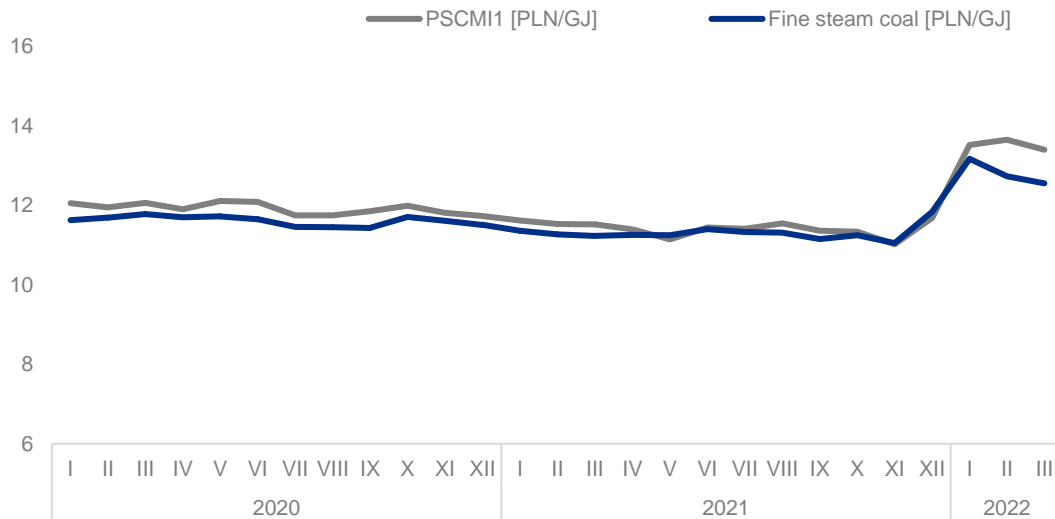
3. Risk management

ENEA Group's Risk Model

Risk Model	Core risks to which the ENEA Group is exposed, by category	Examples of risk mitigating measures, by category
Strategic	<ul style="list-style-type: none"> • Risk of losing pending lawsuits • Risk of a generation gap or loss of competence • Risk of improper management of information in a crisis situation • Risk of exceeding the parameters required by regulations and environmental permits 	<ul style="list-style-type: none"> • Granting powers-of-attorney to professional representatives • Organization of paid traineeships and apprenticeships, cooperation with endorsed schools • Ensuring a transparent, competitive and motivational remuneration system • Maintaining efficient communication channels with key business units • Ongoing monitoring of environmental indicators
Financial	<ul style="list-style-type: none"> • Risk of default on financing agreements • Risk of a rating downgrade • Liquidity risk • Risk of interest rate fluctuations • Risk of losses due to counterparty default (including credit risk) • Risk of adverse environment of the insurance market • Risk of a breach of stock exchange disclosure obligations, • Regulatory risk related to uncertainty of decisions of the ERO President regarding regulated revenue • Risk of failing to meet obligations and losing the incurred expenditures related to the construction of public charging stations 	<ul style="list-style-type: none"> • Monitoring banking covenants at the ENEA Group • Ongoing consultations with the credit rating agency • Ongoing consultations with banks and financial institutions • Cash flow planning in the current and strategic horizon • Conducting structured activities in the area of credit risk management and debt collection • Preparation of information on transformation of production sources and dialog with the insurance and reinsurance market • Ongoing review of information and events with a view to disclosure obligations • Analysis of new legislative acts and their impact on performance • Monitoring the progress of work on building public charging stations
Operational	<ul style="list-style-type: none"> • Risk of unavailability of employees due to the epidemic • Risk of loss of continuity of ICT environments and infrastructure • Risk of violation of ICT security • Risk of losing access to billing systems • Risk of deteriorating grid reliability ratio • Risk of errors related to reporting on the balancing market • Risk of losses in capacity caused by hydrologic conditions • Risk of disasters and industrial failures • Risk of unfavorable social climate • Risk of a personal data security breach • Risk of imbalance in revenues and costs of the purchase and sales of electricity • Risk of interruptions and damages caused by extreme weather events • Risk of climate hazards related to increased temperatures in the mining area 	<ul style="list-style-type: none"> • Ongoing implementation of nationwide recommendations concerning minimization of the risk of infections • Reviews of ICT infrastructure and creation of backup copies • Conducting an information campaign among employees, including induction and periodic training on, among others, rules of ICT security and personal data protection • Regular periodic reviews and assessment of systems to ensure personal data protection and ICT security • Maintaining high quality of operational inspections and preventive treatments • Maintaining active and regular dialog with the social stakeholder • Ongoing reviews of data consistency • Monitoring of weather and hydrological conditions • Monitoring of working conditions
Market	<ul style="list-style-type: none"> • Volumetric risk related to the hedging of open positions on electricity or gaseous fuel • Risk of commodity price volatility on the forward market, SPOT market and Balancing Market • Risk of non-continuity of fuel supplies • Volumetric risk for fuel and transportation • Risk of an increase in prices of raw materials for production of materials and equipment used by the Company • Risk of limited or no ability to landfill "rock" at the mining waste facility 	<ul style="list-style-type: none"> • Monitoring and projections and ongoing analysis of factors affecting prices • Continuous analysis of the fuel and energy market • Improving methods and tools to optimize commodity portfolios • Maintaining and developing competence to manage commodity risk • Daily monitoring of fuel inventory levels • Optimization of coal deliveries within the ENEA Group

4. Market environment

Coal prices on the Polish market

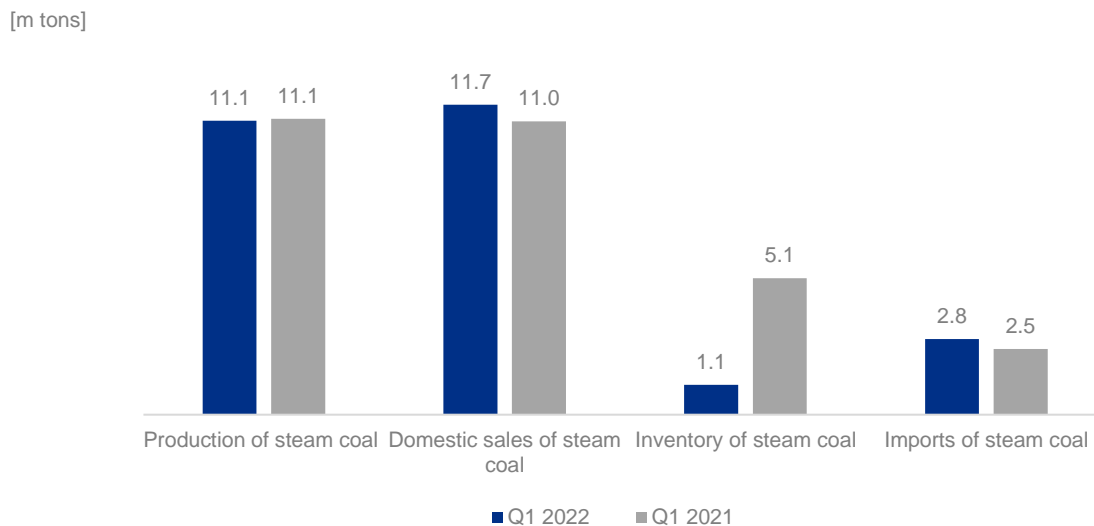


Data: Industrial Development Agency

PSCMI1: Average price of the PSCMI1 index in Q1 2022 was 13.52 PLN/GJ, which is 16.95% y/y up from the average quarter price of 11.56 PLN/GJ in 2021.

Fine coal fractions: The average price of fine steam coal sold to commercial power plants in Q1 2022 was PLN 12.82 per GJ and was 13.55% higher year-to-year. In March 2022, the cost of purchasing of one ton of fine steam coal was PLN 12.55 per GJ compared to PLN 11.23 per GJ in the previous year.

Production and sales of steam coal, low inventories, imports at approx. 2.8 million tons.



Data: Industrial Development Agency

In Q1 2022, Polish mines produced 11.1 million tons of coal, similarly to the previous year. Domestic sale of the coal slightly rose by 6.36% y/y and was 11.7 million tons. As at the end of Q1 2022 the inventories of steam coal were record low at 1.1 million tons, i.e. down by 78.43% y/y. In Q1 2022, 2.8 million tons of steam coal were imported i.e. 12.0% more than in the same period of 2021.

Situation in the domestic bituminous coal mining sector

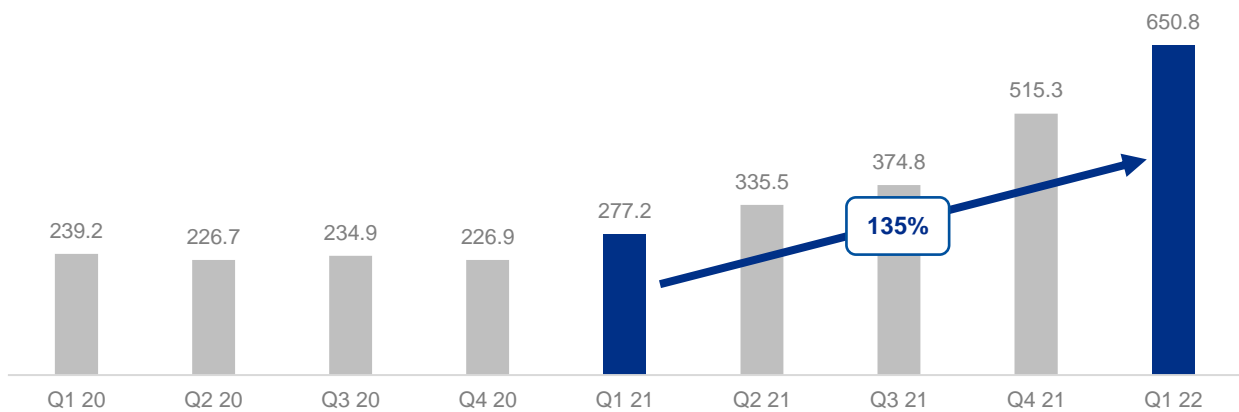
The demand-supply imbalance on the Polish coal market and the ban on coal imports from Russia mean an additional supply gap, which makes it necessary to purchase raw material on the international coal market at record prices reaching over 300 USD/t.

The high demand for coal among the fast-recovering economies following the global crisis caused by the Covid-19 pandemic, as well as the currently difficult geopolitical situation in Europe, have resulted in imbalances in almost all energy commodities markets, including the existing coal supply chain to Poland and price levels in forward and spot contracts.

The electricity price path is related to the costs of acquisition of generation fuel and the cost of purchasing CO₂ emission allowances, which are currently at their record high levels in excess of EUR 80.00 per ton, which generates additional risks related to the term contracting process.

Energy prices on the Polish market

BASE_Y_21/22/23 (PLN/MWh)



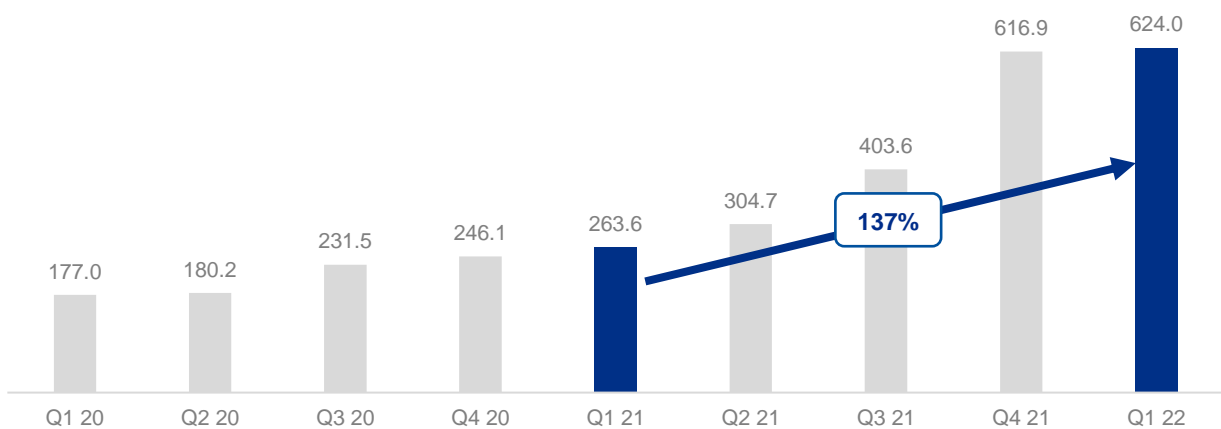
Source: POLPX, clearing prices

On the wholesale electricity forward market, the price of the BASE Y-23 product increased by 135%, to PLN 650.84 per MWh, compared to the corresponding product (i.e. BASE Y-22) in Q1 2021.

The market price of BASE Y-23 in Q1 2022 was highly volatile. At the beginning of the year, it hovered around PLN 592.90 per MWh, to increase to PLN 818.50 per MWh towards the end of the quarter (particularly in March).

The BASE Y-23 price in Q1 2022 was affected chiefly by changes in the prices of CO₂ emission allowances and changes in the fuel prices due to the conflict between Russia and Ukraine.

RDN BASE (PLN/MWh)



Source: POLPX, clearing prices

The average price of electricity on the spot market in Q1 2022 was 137% higher than in the corresponding period of 2021. This increase resulted mainly from the considerably higher valuation of all months in the quarter than in the corresponding period of 2021.

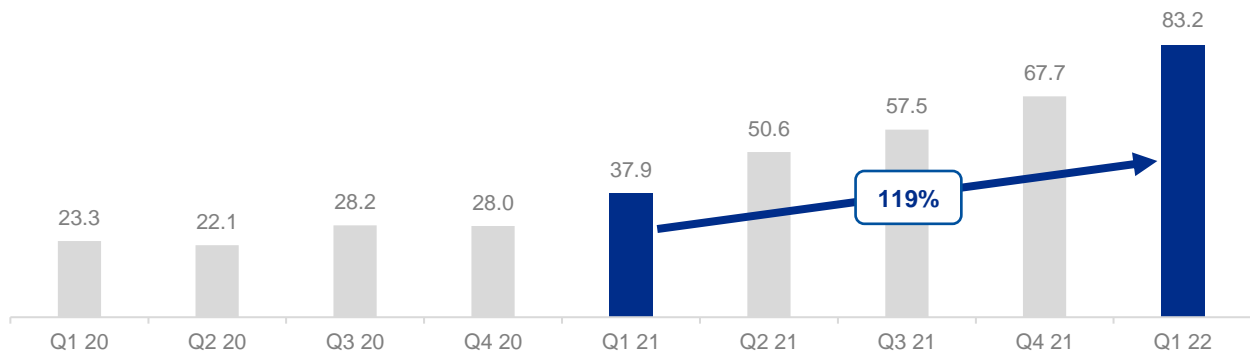
The level of electricity prices on the spot market in Q1 2022 was affected by:

- high prices of CO₂ emission allowances (price-increasing effect),
- high levels of power deficits in the Polish Power System (PPS) than planned (price-increasing effect),
- relatively high, for this time of year, wind generation (price-suppressing effect),
- relatively high air temperatures (price-suppressing effect),
- surplus of energy export over imports from neighboring countries (price-increasing effect).

In Q1 2022, the volume of trading in the annual frontal product BASE_Y-23, totaled 1,977 MW, signifying a major drop compared to Q1 2021, when transactions for a total of as much as 2,287 MW were executed under BASE_Y-22 contracting (down by 14% y/y). Importantly, the disproportion in terms of liquidity for the products in question deepened i.e. in Q1 2021 the average volume contracted at each session declined from 37 MW to 31 MW in Q1 2022.

Prices of CO₂ emission allowances and “green” property rights

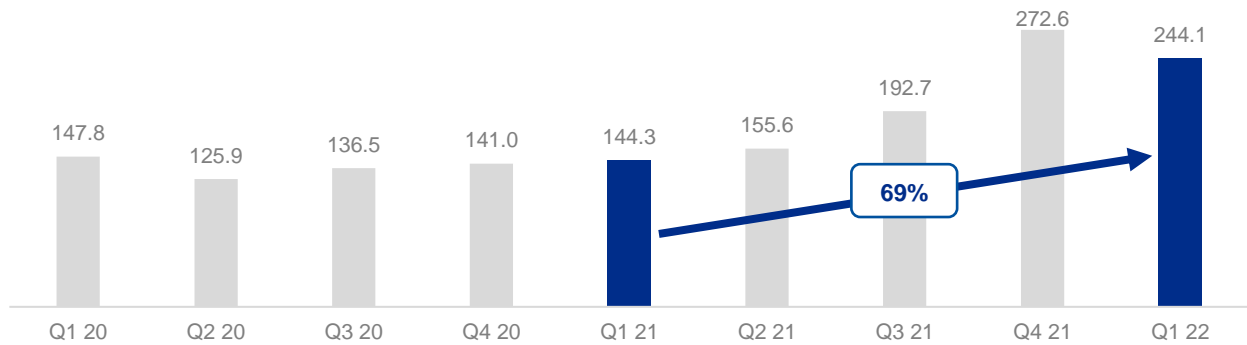
CO₂ emission allowances (Dec-22) (EUR/t)



Source: ICE, clearing prices

In the first days of January 2022 the prices of CO₂ emission allowances were in an upward trend. On the 5th of January they reached 87.58 EUR/t. In the current year the auction was resumed on 10 January 2022, and the prices significantly fell to 80.09 EUR/t. Subsequently, following a side trend, the prices started to rise in the second half of January 2022 to the level of around 89.00 EUR/t. In this period growing prices of raw materials, in particular gas could be observed, which was associated with information about the conflict between Russia and Ukraine. At the beginning of February 2022 the upward trend continued and reached a record level at 96.93 EUR/t on 8 February 2022. Then a downward trend in prices could be observed. At that time, there were reports about the proposal to tighten the price mechanism under Article 29a of the EU ETS Directive and about the start of the process of issuing free allowances for 2022 by certain Member States. On 24 February 2022, there was a reduction in the price of CO₂ emission allowances by approximately EUR 8.04/t compared to the previous day. The price was 87.03 EUR/t and the session was characterized by a large volume. The drop may have resulted from the sale of allowances due to the escalation of the Russian-Ukrainian conflict. In early March the downward trend continued and as a result, prices fell to as low as 58.30 EUR/t. After large reductions, the trend changed and from 8 March 2022 prices had risen steadily and then turned to the side trend at an average of 79.00 EUR/t. The important events from March 2022 included the adoption in voting by the ENVI Committee in the EP of the report on amendments to the MSR reform (including: doubling of allowances transferred to the reserve by 2030), as well as agreeing on the position of the finance ministers of the Member States on the CBAM border tax.

Prices of “green” property rights (PMOZE_A) (PLN/MWh)



Source: POLPX, session market indices

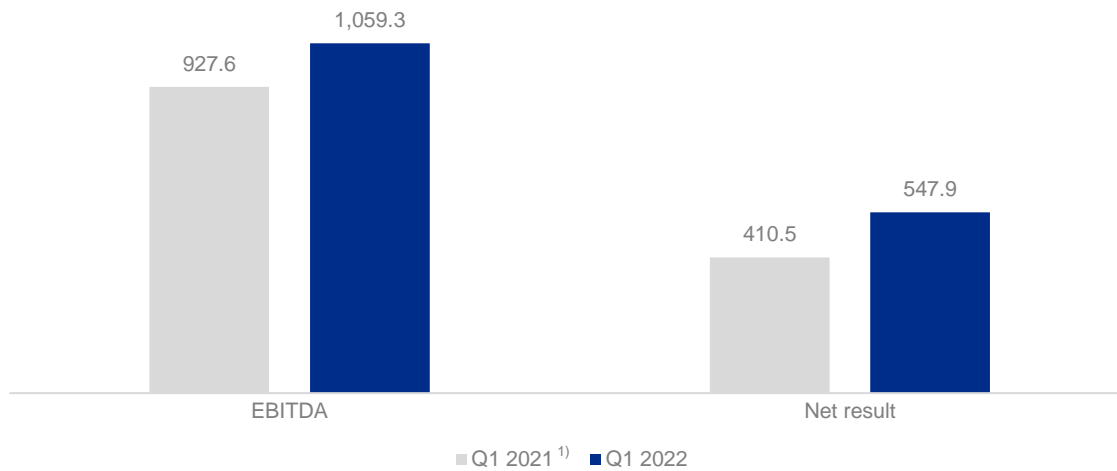
The session quotations of “green” property rights during two first months of the quarter showed a slight downward trend, starting from the first January session when the closing price of PMOZE_A reached 266.75 PLN/MWh, ending on the last February session when the price fell to 253.84 PLN/MWh. March showed much greater price volatility than the preceding months. In the third session the price reached the lowest level since November of the previous year, dropping to 206.86 PLN/MWh, which was followed by a successive increase to the maximum value of 250.39 PLN/MWh in the month. In the last two sessions, the price fell to around 230.00 PLN/MWh. This decrease can be linked to the publication of the “Draft Regulation of the Minister of Climate and Environment on the change of the quantity share of the total electricity resulting from the redeemed certificates of origin confirming the production of electricity from renewable energy sources in 2023”, which implies a change of the level of the obligation for renewable energy from 18.5% to 10%. In Q1, 6 TWh of property rights were redeemed, leaving 23.5 TWh of active allowances in the register, which is the lowest value for this period since 2017. Average price in Q1 2022 was 69% higher than the average price in the corresponding period of 2021.

5. Financial standing

5.1. Selected consolidated financial data

[PLN 000s]	Q1 2021 ¹⁾	Q1 2022	Change	% change
Revenue from sales and other income	5,064,528	7,246,366	2,181,838	43.1%
Operating profit / (loss)	553,069	679,954	126,885	22.9%
Profit / (loss) before tax	510,274	658,836	148,562	29.1%
Net profit / (loss) for the reporting period	410,538	547,895	137,357	33.5%
EBITDA	927,598	1,059,329	131,731	14.2%
Net cash flows from:				
operating activities	1,627,440	602,371	-1,025,069	-63.0%
investing activities	(481,663)	(923,291)	-441,628	-91.7%
financial activities	(170,763)	(158,309)	12,454	7.3%
Cash at the end of the period	2,916,568	3,674,324	757,756	26.0%
Net profit/(loss) attributable to shareholders of the parent company	388,287	494,982	106,695	27.5%
Weighted average number of shares	441,442,578	441,442,578	-	-
Net earnings/(loss) per share [PLN]	0.88	1.12	0.24	27.3%
Diluted earnings/(loss) per share [PLN]	0.88	1.12	0.24	27.3%

PLN m



[PLN 000s]	31 December 2021 ¹⁾	31 March 2022	Change	% change
Total assets	34,657,143	36,381,100	1,723,957	5.0%
Total liabilities	19,455,243	20,551,918	1,096,675	5.6%
Non-current liabilities	7,876,738	7,830,397	-46,341	-0.6%
Current liabilities	11,578,505	12,721,521	1,143,016	9.9%
Equity	15,201,900	15,829,182	627,282	4.1%
Share capital	588,018	588,018	-	-
Book value per share [PLN]	34.44	35.86	1.42	4.1%
Diluted book value per share [PLN]	34.44	35.86	1.42	4.1%

¹⁾ Presentation change in accordance with the condensed interim consolidated financial statements for 3 months of 2022

5.2. Key operating data and indicators for ENEA Group

	Unit	Q1 2021 ¹⁾	Q1 2022	Change	% change
Revenue from sales and other income	PLN 000s	5,064,528	7,246,366	2,181,838	43.1%
EBITDA	PLN 000s	927,598	1,059,329	131,731	14.2%
EBIT	PLN 000s	553,069	679,954	126,885	22.9%
Net profit / (loss) for the reporting period	PLN 000s	410,538	547,895	137,357	33.5%
Net profit/(loss) attributable to shareholders of the parent company	PLN 000s	388,287	494,982	106,695	27.5%
Net cash flows from operating activities	PLN 000s	1,627,440	602,371	-1,025,069	-63.0%
CAPEX	PLN 000s	316,426	494,056	177,630	56.1%
Net debt	PLN 000s	5,360,910	2,717,717	-2,643,193	-49.3%
Net debt / EBITDA ²⁾	-	1.67	0.72	-0.95	-56.9%
Return on assets (ROA) ²⁾³⁾	%	5.3%	6.0%	0.7 p.p.	-
Return on equity (ROE) ²⁾³⁾	%	12.1%	13.8%	1.7 p.p.	-
Trading					
Sales of electricity and gaseous fuel to retail customers	GWh	6,330	6,217	-113	-1.8%
Number of customers (Power Delivery Points)	000s	2,587	2,630	43	1.7%
Distribution					
Sales of distribution services to end users	GWh	5,176	5,279	103	2.0%
Number of users (closing balance)	000s	2,678	2,705	27	1.0%
Generation					
Total net generation of electricity, including:	GWh	6,089	6,494	405	6.7%
<i>from conventional sources</i>	GWh	5,568	5,936	368	6.6%
<i>from renewable energy sources</i>	GWh	521	558	37	7.1%
Gross heat generation	TJ	2,853	2,820	-33	-1.2%
Sales of electricity, including:	GWh	7,276	7,462	186	2.6%
<i>from conventional sources</i>	GWh	5,568	5,936	368	6.6%
<i>from renewable energy sources</i>	GWh	521	558	37	7.1%
<i>from purchase</i>	GWh	1,187	968	-219	-18.4%
Sales of heat	TJ	2,607	2,594	-13	-0.5%
Mining					
Net production	000s tons	2,612	2,809	197	7.5%
Coal sales	000s tons	2,383	2,716	333	14.0%
Inventories at the end of the period	000s tons	350	113	-237	-67.7%
Excavation works	km	5.3	8.6	3.3	62.3%

¹⁾ Presentation change in accordance with the condensed interim consolidated financial statements for 3 months of 2022

²⁾ Definitions of the ratios are presented on pages 60/61

³⁾ Ratio numerator i.e. net profit (loss) for the reporting period is annualized

5.3 Financial performance of the ENEA Group in Q1 2022

Consolidated statement of profit and loss in Q1 2022

[PLN 000s]	Q1 2021 ¹⁾	Q1 2022	Change	% change
Revenue from sales of electricity	3,545,216	5,600,996	2,055,780	58.0%
Revenue from sales of heat	152,290	161,391	9,101	6.0%
Revenue from sales of gas	156,357	108,015	-48,342	-30.9%
Revenue from sales of distribution services	810,191	856,705	46,514	5.7%
Revenue from certificates of origin	0	342	342	100.0%
Revenue from sales of goods and materials	25,367	49,967	24,600	97.0%
Revenue from sales of other products and services	42,777	55,986	13,209	30.9%
Revenue from sales of coal	114,873	181,669	66,796	58.1%
Revenue from the Capacity Market	212,952	226,392	13,440	6.3%
Net revenue from sales	5,060,023	7,241,463	2,181,440	43.1%
Revenue from leases and operating subleases	4,505	4,903	398	8.8%
Revenue from sales and other income	5,064,528	7,246,366	2,181,838	43.1%
Amortization and depreciation	371,171	379,325	8,154	2.2%
Employee benefit costs	534,224	586,440	52,216	9.8%
Consumption of materials and supplies and cost of goods sold	1,011,815	1,894,911	883,096	87.3%
Purchase of energy and gas for subsequent sale	2,097,133	3,121,420	1,024,287	48.8%
Transmission services	107,164	113,505	6,341	5.9%
Other third-party services	227,529	236,851	9,322	4.1%
Taxes and charges	119,835	130,287	10,452	8.7%
Tax-deductible expenses	4,468,871	6,462,739	1,993,868	44.6%
Other operating revenue	41,491	49,581	8,090	19.5%
Other operating costs	67,438	85,079	17,641	26.2%
Change in provision related to onerous contracts	-1,080	-50,994	-49,914	-4,621.7%
Profit/(loss) on change, sale and liquidation of property, plant and equipment and right-to-use assets	(12,203)	(17,131)	-4,928	-40.4%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	3,358	50	-3,308	-98.5%
Operating profit / (loss)	553,069	679,954	126,885	22.9%
Finance costs	58,796	69,115	10,319	17.6%
Finance income	22,482	15,760	-6,722	-29.9%
Impairment allowances/(reversal thereof) on financial assets measured at amortized cost	6,200	3,665	-2,535	-40.9%
Share in the results of associates and jointly controlled entities	-281	35,902	36,183	12,876.5%
Profit / (loss) before tax	510,274	658,836	148,562	29.1%
Income tax	99,736	110,941	11,205	11.2%
Net profit / (loss) for the reporting period	410,538	547,895	137,357	33.5%
EBITDA	927,598	1,059,329	131,731	14.2%

¹⁾ Presentation change in accordance with the condensed interim consolidated financial statements for 3 months of 2022

Key EBITDA drivers in the ENEA Group (up PLN 131.7 million):

(+) an increase in revenue from sales of electricity by PLN 2,056 million, driven mainly by a 59% increase in the average sales price
 (-) a decrease in revenue from sales of natural gas by PLN 48 million, driven mainly by a lower sales volume with the higher average sales price

(+) an increase in revenue from sales of distribution services by PLN 47 million as a result of a 103 GWh increase in the volume of distributed energy and higher rates in the approved 2022 tariff

(+) an increase in revenue from sales of goods and materials by PLN 25 million resulting from greater demand for goods from external buyers

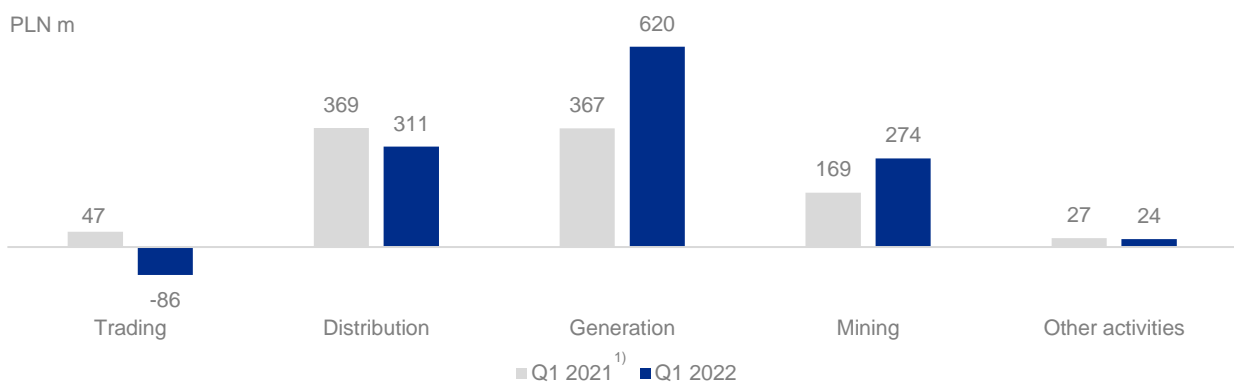
- (+) an increase in revenue from sales of other products and services by PLN 13 million resulting from greater demand for goods from external buyers
- (+) an increase in revenue from sales of coal by PLN 67 million driven by higher sales volume and an increase in the average sales price
- (+) an increase in the revenue from the Capacity Market by PLN 13 million
- (-) an increase in employee benefit costs by PLN 52 million driven mainly by higher payroll costs and payroll-related charges and a change in employee provisions
- (-) an increase in the costs of consumption of materials and supplies and cost of goods sold by PLN 883 million results from:
 - (-) higher costs of CO₂ emission allowances, coal consumption costs and costs of biomass consumption for the whole Generation Segment
 - (+) remeasurement of CO₂ contracts
- (-) an increase in the costs of purchasing electricity and gas by PLN 1,024 million results mainly from higher average sales prices with the lower sales volume
- (-) an increase in taxes and charges by PLN 10 million caused partly by a higher property tax and higher mining fees
- (-) In Q1 2022, the use of a portion of the provision in the amount of PLN 2.6 million was recognized and an update of this provision in the amount of PLN 53.6 million was recognized in expenses. The provision was recognized in expenses in December 2020 for the loss arising from the settlement of the distribution fee rebate regarding the electricity fed into the grid by prosumers amounting to PLN 50.8 million by ENEA S.A. as the offtaker of last resort and increased to PLN 250.1 million in December 2021 to reflect the impact of anticipated future losses to be incurred by the company in connection with the performance of comprehensive contracts entered into with prosumers who, in compliance with the amendment to the Act on Renewable Energy Sources, have acquired the right to financial settlements, over a 15-year period, based on a discount support system (so-called 'net-metering'), on the condition that their micro-installations are connected to the grid by 31 March 2022. In Q1 2021, the use of a portion of this provision in the amount of PLN 2.2 million was recognized and an update of this provision in the amount of PLN 3.3 million was recognized in expenses.
- (-) result on other operating activities down by PLN 14 million:
 - (-) provisions for potential claims up by PLN 8 million
 - (-) fixed assets accepted free of charge down by PLN 5 million
 - (-) loss arising from liquidation of property, plant and equipment up by PLN 5 million

Material changes affecting net result:

- (+) in Q1 2022, recognition of a PLN 31.1 million partial reversal of the provision for future investment commitments to Elektrownia Ostrołęka Sp. z o.o.

Financial performance of the ENEA Group in Q1 2022

EBITDA [PLN 000s]	Q1 2021 ¹⁾	Q1 2022	Change	% change
Trading	46,985	-86,178	-133,163	-283.4%
Distribution	368,759	310,520	-58,239	-15.8%
Generation	367,199	620,062	252,863	68.9%
Mining	168,661	274,424	105,763	62.7%
Other activities	27,123	24,145	-2,978	-11.0%
Unassigned items and elimination	-51,129	-83,644	-32,515	-63.6%
Total EBITDA	927,598	1,059,329	131,731	14.2%



¹⁾ Presentation change in accordance with the condensed interim consolidated financial statements for 3 months of 2022

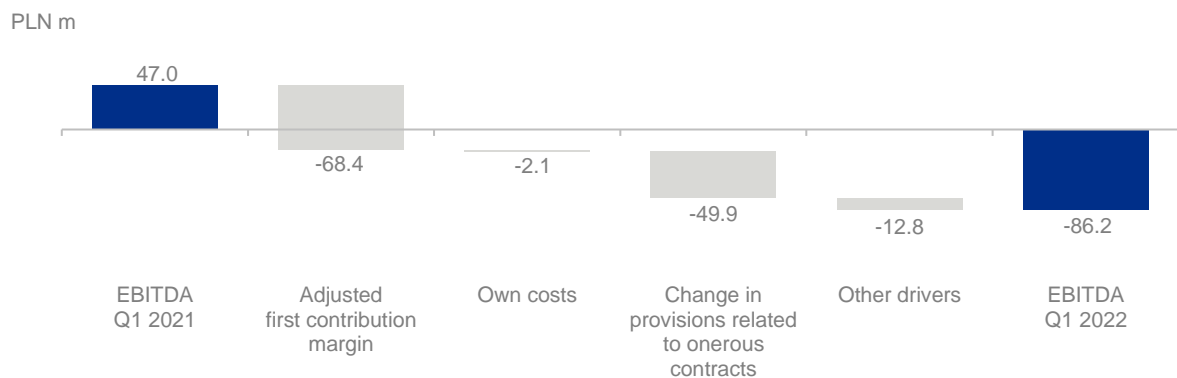
Trading Area in Q1 2022

Retail sales of electricity are carried out by ENEA S.A.

Wholesale trade is carried out by ENEA Trading.

[PLN 000s]	Q1 2021	Q1 2022	Change	% change
Revenue from sales and other income	2,359,587	3,383,813	1,024,226	43.4%
EBIT	46,121	-86,863	-132,984	-288.3%
Amortization and depreciation	864	685	-179	-20.7%
EBITDA	46,985	-86,178	-133,163	-283.4%
CAPEX ¹⁾	736	946	210	28.5%
Share of the segment's sales revenue in the Group's sales revenue	38%	39%	1 p.p.	-

¹⁾ without equity investments of ENEA S.A.



Key EBITDA drivers in Q1 2022:

Adjusted first contribution margin

- (-) average energy purchase price up by 64.0%
- (-) costs of environmental obligations up by 75.0%
- (-) lower result on trading in gaseous fuel
- (+) average energy sales price up by 52.1%
- (+) energy sales volume up by 1.6%
- (-) costs of provisions for claims under terminated RES property rights contracts up by PLN 2.5 million
- (+) remeasurement of CO₂ contracts, forward transactions for energy, gas and property rights

Own costs

- (-) general and administrative expenses up by PLN 6.4 million
- (+) direct selling costs down by PLN 4.3 million

Change in provisions related to onerous contracts

(-) In Q1 2022, the use of a portion of the provision in the amount of PLN 2.6 million was recognized and an update of this provision in the amount of PLN 53.6 million was recognized in expenses. The provision was recognized in expenses in December 2020 for the loss arising from the settlement of the distribution fee rebate regarding the electricity fed into the grid by prosumers amounting to PLN 50.8 million by ENEA S.A. as the offtaker of last resort and increased to PLN 250.1 million in December 2021 to reflect the impact of anticipated future losses to be incurred by the company in connection with the performance of comprehensive contracts entered into with prosumers who, in compliance with the amendment to the Act on Renewable Energy Sources, have acquired the right to financial settlements, over a 15-year period, based on a discount support system (so-called 'net-metering'), on the condition that their micro-installations are connected to the grid by 31 March 2022. In Q1 2021, the use of a portion of this provision in the amount of PLN 2.2 million was recognized and an update of this provision in the amount of PLN 3.3 million was recognized in expenses.

Other drivers

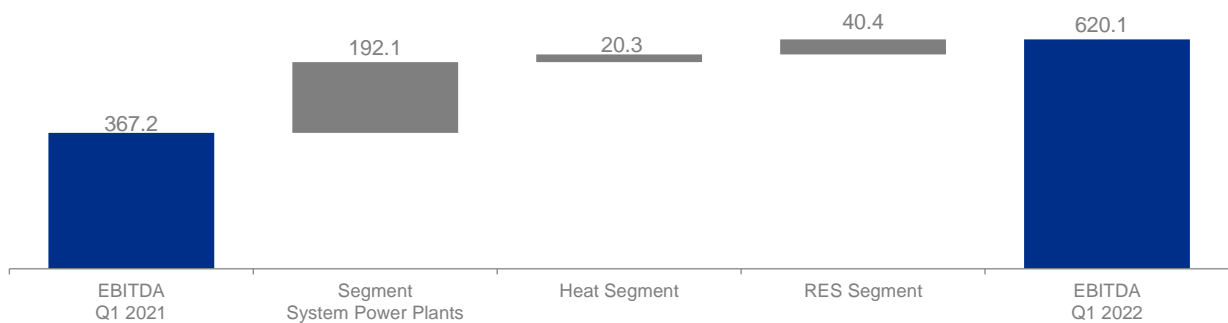
- (-) revenue from sales of services down by PLN 10.9 million
- (-) litigation costs up by PLN 3.1 million
- (-) revenues from licenses linked to the ENEA brand down by PLN 1.0 million
- (+) costs of provisions for anticipated losses and potential claims down by PLN 1.4 million
- (+) impairment losses for receivables down by PLN 1.3 million

Generation Area in Q1 2022

In the Generation area, the financial data of ENEA Wytwarzanie Sp. z o.o., MEC Piła Sp. z o.o., PEC Oborniki Sp. z o.o., ENEA Nowa Energia Sp. z o.o., ENEA Ciepło Sp. z o.o., ENEA Ciepło Serwis Sp. z o.o., ENEA Elektrownia Połaniec S.A., ENEA Połaniec Serwis Sp. z o.o. i ENEA Bioenergia Sp. z o.o. are presented. ENEA Wytwarzanie owns, among others, 11 high-efficiency and modernized power units in the Kozienice Power Plant. ENEA Elektrownia Połaniec owns 7 coal-fired units with the total maximum capacity of 1,674 MW and the world's largest biomass-fired unit with the total maximum capacity of 225 MW.

[PLN 000s]	Q1 2021	Q1 2022	Change	% change
Net revenue from sales	2,243,091	3,590,846	1,347,755	60.1%
<i>electricity</i>	1,801,314	3,062,166	1,260,852	70.0%
<i>Capacity Market</i>	212,952	226,392	13,440	6.3%
<i>certificates of origin</i>	67,481	121,161	53,680	79.5%
<i>heat</i>	149,576	157,833	8,257	5.5%
<i>other</i>	11,768	23,294	11,526	97.9%
Revenue from leases and operating subleases	183	200	17	9.3%
Revenue from sales and other income	2,243,274	3,591,046	1,347,772	60.1%
EBIT	267,448	509,097	241,649	90.4%
Amortization and depreciation	99,751	110,965	11,214	11.2%
EBITDA	367,199	620,062	252,863	68.9%
CAPEX	82,792	91,135	8,343	10.1%
Share of the area's sales revenue in the Group's net revenue from sales	37%	41%	4 p.p.	-

PLN m



Key EBITDA drivers in Q1 2022:

System Power Plants Segment – up by PLN 192.1 million

- (+) generation margin up by PLN 214.0 million
- (+) revenue from the Capacity Market up by PLN 13.8 million
- (+) revenue from Regulatory System Services up by PLN 3.2 million
- (-) trading and Balancing Market margin down by PLN 33.5 million
- (-) other drivers down by PLN 5.4 million

Heat Segment – up by PLN 20.3 million

- (+) margin on heat up by PLN 15.5 million
- (+) other drivers up by PLN 6.4 million
- (-) fixed costs up by PLN 1.1 million
- (-) revenue from the Capacity Market down by PLN 0.5 million

RES Segment – up by PLN 40.4 million

- (+) Biomass Area (Green Unit): PLN +15.0 million (of which PLN +1.3 million in ENEA Bioenergia sp. z o.o.): margin on renewable energy generation up by PLN +28.4 million, fixed costs down by PLN +0.9 million, Green Block's margin on sales of green certificates down by PLN -14.5 million, (-) variable costs up by -1.0 million
- (+) Wind Area (PLN +20.9 million): revenue from certificates of origin up by PLN +10.7 million, energy sales up by PLN +11.1 million, fixed costs up by PLN -1.0 million
- (+) Hydro Area (PLN +4.3 million): mainly: revenue from sales of energy up by PLN +5.3 million, fixed costs up by PLN -1.0 million
- (+) Biogas Area (PLN +0.3 million)

Distribution Area in Q1 2022

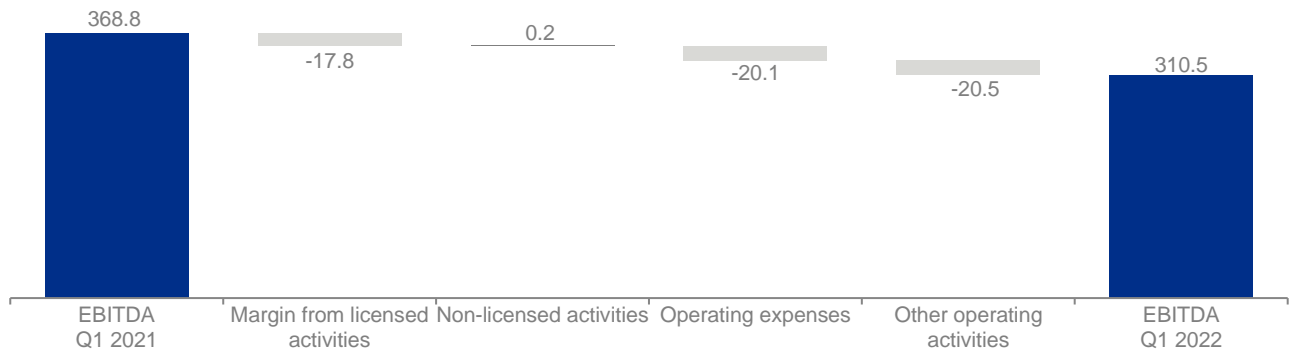
ENEA Operator is responsible for the distribution of electricity to 2.7 million Customers – in western and north-western Poland in the area of 58.2 thousand km². The key task of ENEA Operator is to provide energy in a continuous and reliable manner, while maintaining appropriate quality parameters.

The Distribution Area includes financial data of the following companies:

- ENEA Operator
- ENEA Serwis
- ENEA Pomiary
- ENEA Logistyka

[PLN 000s]	Q1 2021	Q1 2022	Change	% change
Net revenue from sales	839,507	908,877	69,370	8.3%
<i>distribution services to end users</i>	787,639	833,209	45,570	5.8%
<i>grid connection fees</i>	10,347	14,298	3,951	38.2%
<i>other</i>	41,521	61,370	19,849	47.8%
EBIT	204,265	139,954	-64,311	-31.5%
Amortization and depreciation	164,494	170,566	6,072	3.7%
EBITDA	368,759	310,520	-58,239	-15.8%
CAPEX	155,441	260,470	105,029	67.6%
Share of the segment's sales revenue in the Group's sales revenue	14%	10%	-4 p.p.	-

PLN m



Key EBITDA drivers in Q1 2022:

Margin from licensed activities

- (-) costs of purchasing electricity to cover the balancing difference (balance) up by PLN 61 million
- (-) costs of purchasing transmission and distribution services (balance) up by PLN 7 million
- (+) revenues from grid connection fees up by PLN 4 million
- (+) revenue from sales of distribution services to end users up by PLN 46 million

Operating expenses

- (-) employee benefit costs up by PLN 17 million
- (-) costs of taxes and charges up by PLN 8 million
- (+) other costs down by PLN 5 million

Other operating activities

- (-) fortuitous losses (balance) up by PLN 16 million
- (-) revenues from infrastructure collision down by PLN 6 million

Mining Area in Q1 2022

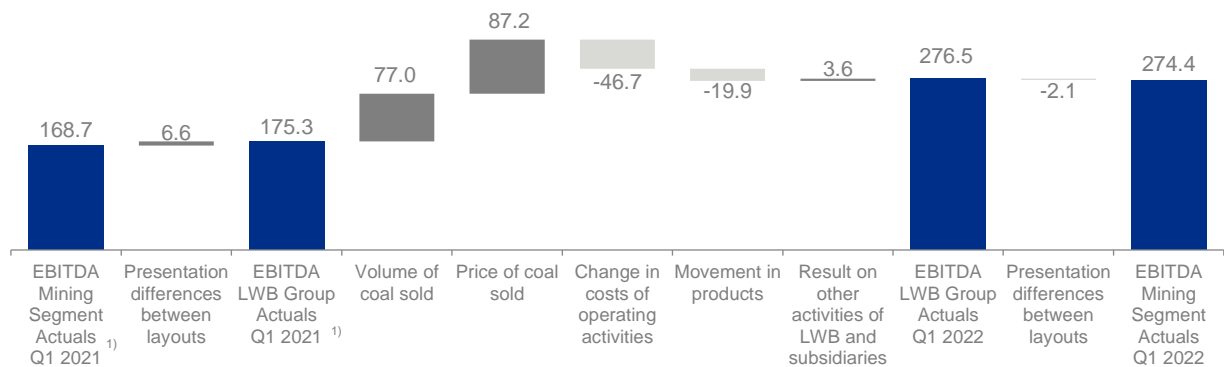
The Mining Area presents the financial results of the LW Bogdanka Group with the parent company – Lubelski Węgiel Bogdanka S.A. and its subsidiaries.

LW Bogdanka divides its product range into fine steam coal, which accounts for 99% of its output, pea and nut coal.

The main buyers are commercial and industrial energy sectors.

[PLN 000s]	Q1 2021 ¹⁾	Q1 2022	Change	% change
Net revenue from sales	560,289	729,767	169,478	30.2%
<i>coal</i>	547,432	711,611	164,179	30.0%
<i>other products and services</i>	9,593	12,078	2,485	25.9%
<i>goods and materials</i>	3,264	6,078	2,814	86.2%
Revenue from leases and operating subleases	2,142	1,972	-170	-7.9%
Revenue from sales and other income	562,431	731,739	169,308	30.1%
EBIT	77,151	187,653	110,502	143.2%
Amortization and depreciation	91,510	86,721	-4,789	-5.2%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	0	50	50	100.0%
EBITDA	168,661	274,424	105,763	62.7%
CAPEX	71,869	129,873	58,004	80.7%
Share of the area's sales revenue in the Group's revenue from sales	9%	8%	-1 p.p.	-

PLN m



¹⁾ Presentation change in accordance with the condensed interim consolidated financial statements for 3 months of 2022

Key EBITDA drivers in Q1 2022:

(+) Greater revenue from sales of coal in connection with the higher volume of coal sales (+333 thous. tons) with higher prices of steam coal in contracts which were affected by the increase in the coal prices on the global markets

(-) Higher mining cash cost – mining volume was up by 256 thous. tons (higher direct costs), higher costs of materials and energy and higher employee costs

There are differences in the way depreciation is presented in financial reports of the ENEA Group and the LW Bogdanka Group.

Other Activities Area in Q1 2022

[PLN 000s]	Q1 2021	Q1 2022	Change	% change
Net revenue from sales	125,322	136,486	11,164	8.9%
Revenue from leases and operating subleases	2,205	2,736	531	24.1%
Revenue from sales and other income	127,527	139,222	11,695	9.2%
EBIT	4,594	5,298	704	15.3%
Amortization and depreciation	19,171	18,847	-324	-1.7%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	3,358	0	-3,358	-100.0%
EBITDA	27,123	24,145	-2,978	-11.0%
CAPEX	5,589	11,253	5,664	101.3%
Share of the segment's sales revenue in the Group's sales revenue	2%	2%	-	-

The Other Activities Area consists of companies from the following areas:

- activities supporting other Group companies:

ENE A Centrum – the Shared Services Center in the Group in the field of accounting, human resources, ITC and customer service, collection, procurement and administration

ENE A Innowacje – deals with ventures that offer a chance to become, in the future, innovative and modern products offered by the Group

ENE A Badanie i Rozwój – responsible for research and experimental development on other natural sciences and engineering. On 12 April 2021, the Extraordinary General Meeting of ENE A Badania i Rozwój adopted a resolution on the merger with ENE A Innowacje through the acquisition of ENE A Badania i Rozwój by ENE A Innowacje, as a result of which an entry was made on 1 June 2021 in the National Court Register on the merger of ENE A Innowacje and ENE A Badania i Rozwój.

- accompanying activities:

ENE A Oświetlenie – a company specializing in indoor and outdoor lighting; it designs and builds road lighting, illumination for urban spaces, illumination for historic and public buildings, provides services of construction and comprehensive operation of photovoltaic power plants.

Ratio analysis

Definitions of the ratios are presented on pages 60/61

	Q1 2021 ¹⁾	Q1 2022
Profitability ratios		
ROE – return on equity ²⁾	12.1%	13.8%
ROA – return on assets ²⁾	5.3%	6.0%
Net profitability	8.1%	7.6%
Operating profitability	10.9%	9.4%
EBITDA profitability	18.3%	14.6%
Liquidity and financial structure ratios		
Current liquidity ratio	1.3	1.0
Coverage of non-current assets with equity	62.1%	68.6%
Total debt ratio	56.3%	56.5%
Net debt / EBITDA	1.67	0.72
Economic activity ratios		
Current receivables turnover in days ³⁾	53	45
Trade and other payables turnover in days ⁴⁾	54	59
Inventory turnover in days	33	21

¹⁾ Presentation change in accordance with the condensed interim consolidated financial statements for 3 months of 2022

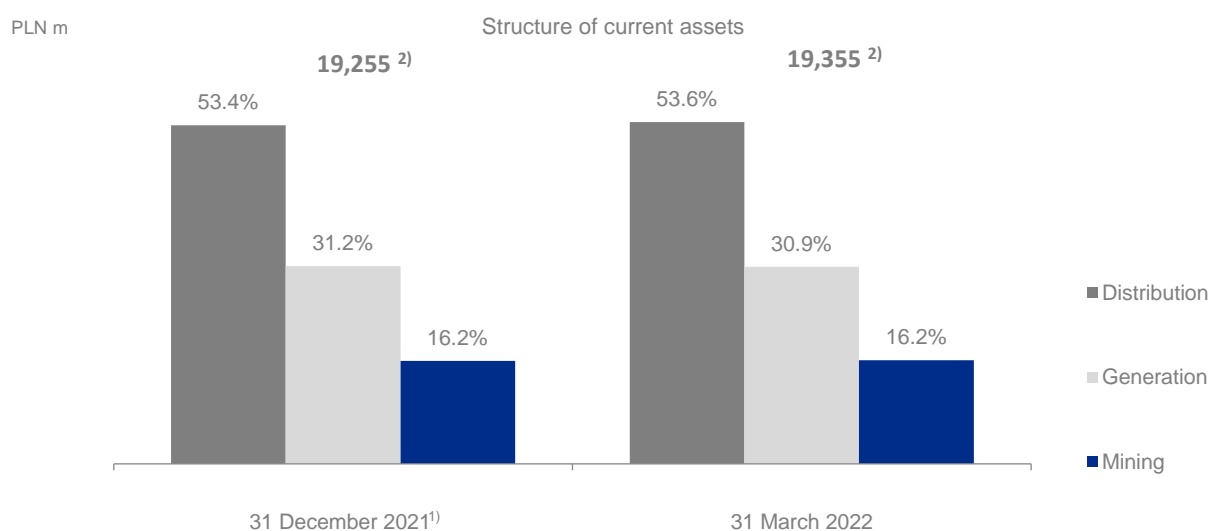
²⁾ Ratio numerator i.e. net profit (loss) for the reporting period is annualized

³⁾ Trade receivables – trade receivables, assets under contracts with customers and costs of concluding contracts

⁴⁾ Trade payables – trade payables, liabilities under contracts with customers

Financial position – structure of assets and liabilities of the ENEA Group

Assets [PLN 000s]	As at:			
	31 December 2021 ¹⁾	31 March 2022	Change	% change
Non-current assets	22,367,189	23,084,000	716,811	3.2%
Property, plant and equipment	19,254,971	19,354,555	99,584	0.5%
Right-of-use asset	774,099	809,433	35,334	4.6%
Intangible assets	350,188	342,675	-7,513	-2.1%
Investment property	20,282	19,887	-395	-1.9%
Investments in associates and jointly controlled entities	137,881	143,028	5,147	3.7%
Deferred tax assets	1,400,872	1,635,217	234,345	16.7%
Financial assets at fair value	195,031	314,787	119,756	61.4%
Trade and other receivables	74,434	307,383	232,949	313.0%
Costs incurred to obtain a contract	11,180	10,772	-408	-3.6%
Receivables under leases and finance subleases	580	512	-68	-11.7%
Funds accumulated in the Mine Liquidation Fund	147,671	145,751	-1,920	-1.3%
Current assets	12,289,954	13,297,100	1,007,146	8.2%
CO ₂ emission allowances	2,859,978	3,098,466	238,488	8.3%
Inventories	1,115,920	1,343,087	227,167	20.4%
Trade and other receivables	3,312,572	3,943,772	631,200	19.1%
Costs incurred to obtain a contract	11,652	11,198	-454	-3.9%
Assets arising from contracts with customers	412,908	523,157	110,249	26.7%
Receivables under leases and finance subleases	903	836	-67	-7.4%
Current income tax receivables	3,147	3,406	259	8.2%
Financial assets at fair value	419,321	448,564	29,243	7.0%
Other short-term investments	0	250,290	250,290	100.0%
Cash and cash equivalents	4,153,553	3,674,324	-479,229	-11.5%
Total Assets	34,657,143	36,381,100	1,723,957	5.0%



¹⁾ Presentation change in accordance with the condensed interim consolidated financial statements for 3 months of 2022
²⁾ of which elimination

Key change drivers for non-current assets (up by PLN 717 million):

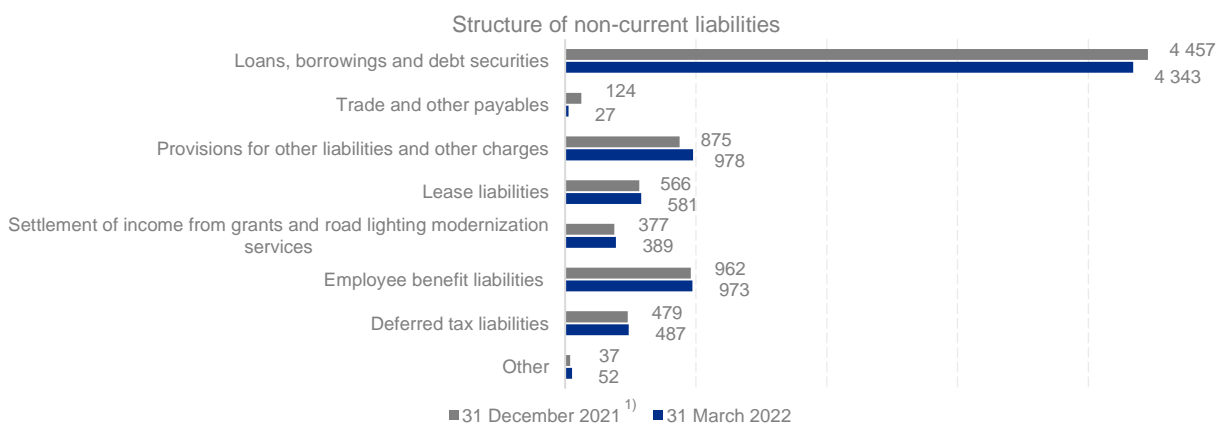
- PLN 234 million increase in deferred tax assets – mainly the effect of provisions on CO₂ emission allowances
- PLN 233 million increase in trade and other receivables – increase in the value of collateral margins related to the contracting of CO₂ emission allowances
- PLN 120 million increase in financial assets at fair value – mainly as a result of remeasurement of IRS financial instruments hedging against an increase in costs caused by changes in interest rates and remeasurement of forward contracts for the purchase of electricity, gas and property rights
- increase in property, plant and equipment by PLN 100 million – an increase in fixed assets by PLN 321 million, with a concurrent increase in accumulated depreciation by PLN 221 million
- PLN 35 million increase in the right-of-use asset – mainly the rights to underground parts of land

Key change drivers for current assets (up by PLN 1,007 million):

- PLN 631 million increase in trade and other receivables – mainly an increase in trade receivables and in the value of collateral margins related to the contracting of CO₂ emission allowances
- PLN 250 million of other short-term investments – deposits with maturity over 3 months
- PLN 238 million increase in the value of CO₂ emission allowances – mainly the purchase of allowances in 2022
- PLN 227 million increase in inventories – mainly an increase in inventories of coal and energy origin certificates
- PLN 110 million increase in assets arising from contracts with customers – largely due to a higher volume of non-invoiced electricity sales
- PLN 29 million increase in financial assets at fair value – mainly as a result of remeasurement of IRS financial instruments hedging against an increase in costs caused by changes in interest rates
- PLN 479 million decrease in cash and cash equivalents – chiefly due to a change in the amount of earmarked funds for trade in CO₂ emission allowances, change in restricted cash and establishment of term deposit (funds recognized in the balance sheet item “Other short-term investments”)

Equity and liabilities [PLN 000s]	As at		Change	% change
	31 December 2021 ¹⁾	31 March 2022		
Total equity	15,201,900	15,829,182	627,282	4.1%
Share capital	588,018	588,018	-	-
Share premium	2,692,784	2,692,784	-	-
Revaluation reserve – measurement of hedging instruments	108,917	188,304	79,387	72.9%
Retained earnings	10,636,605	11,131,587	494,982	4.7%
Non-controlling interests	1,175,576	1,228,489	52,913	4.5%
Total liabilities	19,455,243	20,551,918	1,096,675	5.6%
Non-current liabilities	7,876,738	7,830,397	-46,341	-0.6%
Current liabilities	11,578,505	12,721,521	1,143,016	9.9%
Total equity and liabilities	34,657,143	36,381,100	1,723,957	5.0%

PLN m

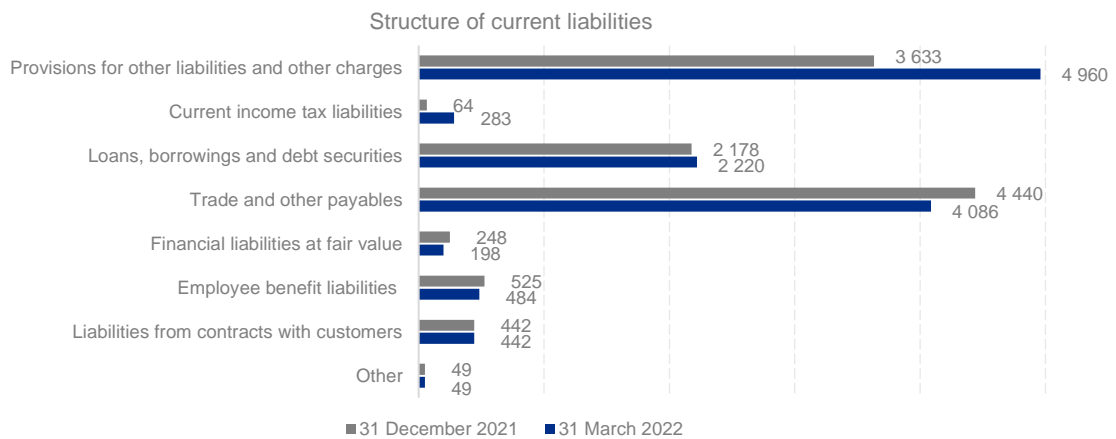


¹⁾ Presentation change in accordance with the condensed interim consolidated financial statements for 3 months of 2022

Key change drivers for non-current liabilities (down by PLN 46 million)

- decrease in the loans, borrowings and other debt securities item by PLN 114 million – mainly through redemption of bonds, reclassification of non-current liabilities to current liabilities and repayment of loan installments, with the concurrent increase in the value of interest
- PLN 97 million decrease in trade and other payables – mainly a decrease in liabilities related to deposits for futures transactions for CO₂ emission allowances
- increase in provisions for other liabilities and other charges by PLN 104 million – mainly the change in the provision for onerous contracts (an increase in the provision for the loss on the settlement of rebates for energy fed by prosumers into the grid) and an increase in the provisions for non-contractual use of land
- PLN 61 million increase in other non-current liabilities – mainly an increase in financial liabilities at fair value, an increase in lease liabilities, an increase in subsidy income settlements and road lighting modernization services, an increase in liabilities for employee benefits

PLN m



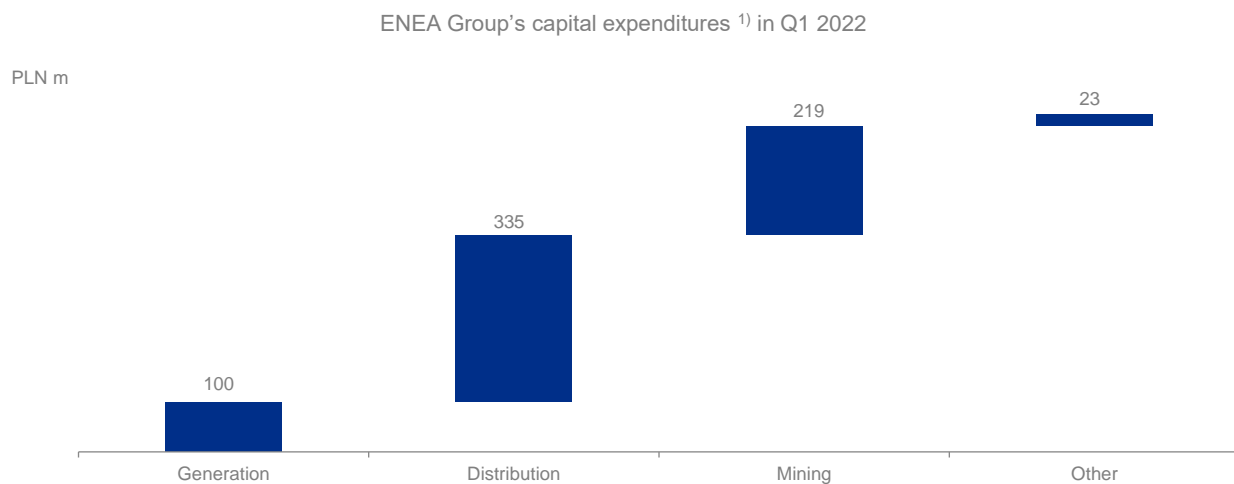
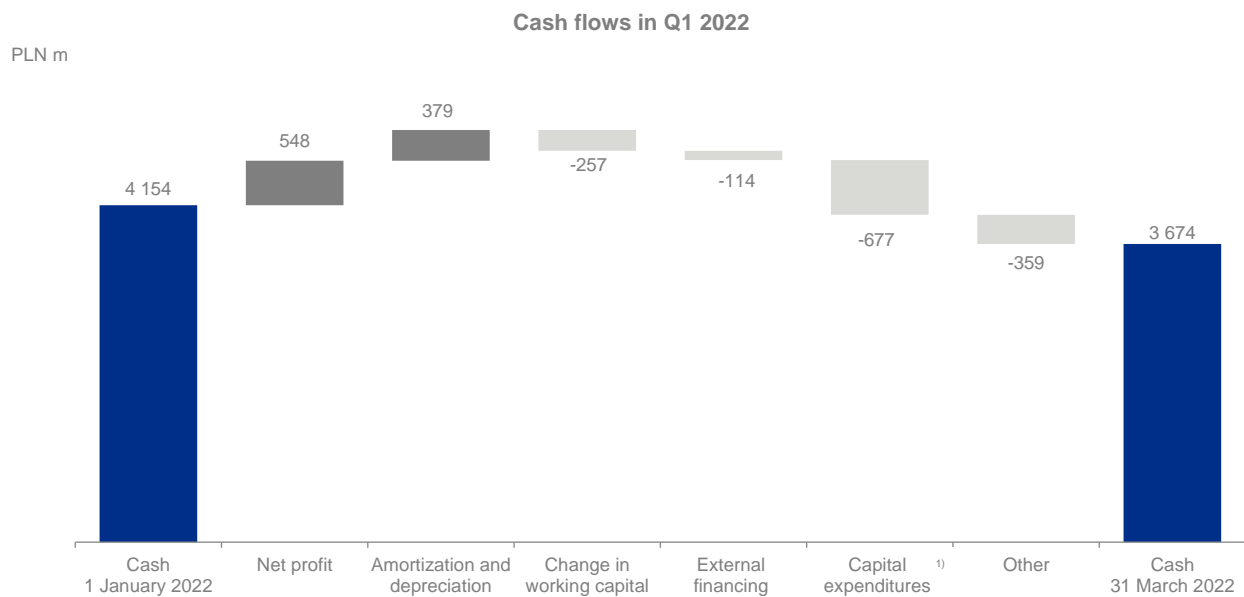
Key change drivers for current liabilities (up by PLN 1,143 million)

- PLN 1,327 million increase in provisions for other liabilities and other charges – mainly an increase in the provision for the purchase of CO₂ emission allowances and the provision for certificates of origin for energy
- PLN 219 million increase in current income tax liabilities – chiefly change in the CIT liabilities of the ENEA Tax Group
- increase in the loans, borrowings and other debt securities item by PLN 42 million – mainly reclassification of non-current to current liabilities
- PLN 353 million increase in trade and other payables – a decrease in investment liabilities and in liabilities related to the valuation of futures transactions for CO₂ emission allowances, with a concurrent increase in trade liabilities
- PLN 50 million decrease in liabilities measured at fair value – mainly due to an update in the valuation of forward contracts for the purchase of electricity, gas and property rights
- decrease in employee benefit liabilities by PLN 41 million – mainly a decrease in payroll liabilities

Cash position of the ENEA Group

Statement of cash flows [PLN 000s]	Q1 2021 ¹⁾	Q1 2022	Change	% change
Net cash flows from operating activities	1,627,440	602,371	-1,025,069	-63.0%
Net cash flows from investing activities	(481,663)	(923,291)	-441,628	-91.7%
Net cash flows from financing activities	(170,763)	(158,309)	12,454	7.3%
Increase / (decrease) in net cash	975,014	(479,229)	-1,454,243	-149.2%
Cash at the beginning of reporting period	1,941,554	4,153,553	2,211,999	113.9%
Cash at the end of reporting period	2,916,568	3,674,324	757,756	26.0%

¹⁾ Presentation change in accordance with the condensed interim consolidated financial statements for 3 months of 2022



¹⁾ Purchase of property, plant and equipment and intangible assets and purchase of subsidiaries, associates and jointly controlled entities, adjusted by acquired cash

6. Shares and shareholders

6.1. Equity and shareholding structure

As at 31 March 2022 and as at the publication date of this report, the share capital of ENEA S.A. is PLN 441,442,578 and is divided into 441,442,578 ordinary bearer shares with a par value of PLN 1 each. The total number of votes resulting from all outstanding shares of the Issuer corresponds to the number of shares, translating into 441,442,578 votes.

All shares in the Company are book-entry bearer shares registered in the Central Securities Depository of Poland.

Since the date of publication of the previous periodic report, no changes have been made to the Issuer's shareholding structure.

The table above presents the shareholding structure of ENEA S.A. as at the date of the periodic report for Q1 2022.

Q1 2022 saw the initiation of the process of increasing the Company's share capital by way of issue of 88,288,515 D series shares which were taken up by 67 entities, and the subscription value was PLN 750,452,377.50.

As at the date of this report the Company waits for the registration of the share capital increase in the Register of Commercial Undertakings of the National Court Register.

Detailed description of the above process of increasing share capital is included in item 1.1. and 1.2. of these financial statements and in Note 28 to the condensed interim consolidated financial statements of the ENEA Group for the period from 1 January to 31 March 2022.

Shareholder	Number of shares / number of votes at the General Meeting	Interest in the share capital / share in the total number of votes
State Treasury	227,353,628	51.5%
Others	214,088,950	48.5%
TOTAL	441,442,578	100.0%

6.2. ENEA S.A. stock prices on the Warsaw Stock Exchange

ENEA S.A. stock has been listed on the Warsaw Stock Exchange (WSE) since 17 November 2008.

In Q1 2022, the ENEA S.A. stock price fell from PLN 8.51 to PLN 6.31, that is by PLN 2.20, or 26%. The highest closing price of ENEA S.A. stock in Q1 2022 was recorded on 13 January 2022 (PLN 8.88), while the lowest price was recorded on 31 March 2022 (PLN 6.31).

Share of the Company's stock in stock exchange indices as at 31 March 2022:

WIG30	WIG40	WIGenergia	WIGPoland
0.63	2.29	12.2	0.7

Data	Q1 2022
Number of shares	441,442,578
Minimum [PLN]	6.31
Maximum [PLN]	8.88
Stock price at the end of the period [PLN]	6.31
Stock price at the end of the previous period [PLN]	8.51
Average trading volume	593,603

7. Company authorities

7.1. Composition of the ENEA S.A. Management Board

As at 1 January 2022		As at the publication date of the report for Q1 2022	
Name	Function	Name	Function
Paweł Szczeszek	President of the Management Board	Paweł Majewski	President of the Management Board
Tomasz Siwak	Management Board Member for Commercial Matters	Tomasz Siwak	Management Board Member for Commercial Matters
Tomasz Szczegielniak	Management Board Member for Corporate Matters	Tomasz Szczegielniak	Management Board Member for Corporate Matters
Marcin Pawlicki	Management Board Member for Operational Matters	Marcin Pawlicki	Management Board Member for Operational Matters
Rafał Marek Mucha	Management Board Member for Financial Matters	Rafał Marek Mucha	Management Board Member for Financial Matters
Lech Adam Żak	Management Board Member for Strategy and Development	Lech Adam Żak	Management Board Member for Strategy and Development

- On 8 April 2022 Mr. Paweł Szczeszek resigned from the position of the President of the Management Board as of 10 April 2022, and on the same day the ENEA S.A. Supervisory Board adopted the resolution to appoint Mr. Rafał Mucha as acting President of the Management Board as of 11 April 2022.
- On 8 April 2022 the Company's Supervisory Board resolved to appoint Mr. Rafał Mucha – Management Board Member for Financial Affairs as acting President of the Management Board, starting as of 11 April 2022 until the appointment of the President of the Management Board, however, no longer than for the term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018, with the concurrent performance of the duties of the Management Board Member for Financial Affairs.
- On 20 April 2022, the ENEA S.A. Supervisory Board adopted a resolution to appoint as of 25 April 2022 Mr. Paweł Majewski to the position of President of the ENEA S.A. Management Board for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018.

Apart from the changes during the reporting period and until the publication date of the report for the first quarter of 2022, there were no changes in the composition of the Company's Management Board.

7.2. Composition of the ENEA S.A. Supervisory Board

As at 1 January 2022		As at the publication date of the report for Q1 2022	
Name	Function	Name	Function
Rafał Włodarski	Chairman of the Supervisory Board	Rafał Włodarski	Chairman of the Supervisory Board
Roman Stryjski	Supervisory Board Deputy Chairman	Roman Stryjski	Supervisory Board Deputy Chairman
Michał Jaciubek	Supervisory Board Secretary	Michał Jaciubek	Supervisory Board Secretary
Paweł Korobłowski	Supervisory Board Member	Paweł Korobłowski	Supervisory Board Member
Maciej Mazur	Supervisory Board Member	Maciej Mazur	Supervisory Board Member
Piotr Mirkowski	Supervisory Board Member	Piotr Mirkowski	Supervisory Board Member
Mariusz Pliszka	Supervisory Board Member	Mariusz Pliszka	Supervisory Board Member
Dorota Szymanek	Supervisory Board Member	Dorota Szymanek	Supervisory Board Member
Tomasz Lis	Supervisory Board Member	Tomasz Lis	Supervisory Board Member
		Radosław Kwaśnicki	Supervisory Board Member

On 10 March 2022, the Company's Extraordinary General Meeting adopted a resolution by the power of which Mr. Radosław Kwaśnicki was appointed to the ENEA S.A. Supervisory Board of the 10th term of office.

Apart from the change during the reporting period and until the publication date of the report for the first quarter of 2022, there were no changes in the composition of the Supervisory Board.

In accordance with the provisions of the Rules and Regulations of the Supervisory Board, the following standing committees operate within the Supervisory Board: the Audit Committee, the Nominations and Remuneration Committee and the Strategy and Investment Committee.

As at the day of publication of this report, the Audit Committee operates in the following composition:

Audit Committee	
Name	Function
Tomasz Lis ^{1) 2) 3)}	Chairman
Dorota Szymanek ¹⁾	Member
Maciej Mazur ¹⁾	Member
Piotr Mirkowski ^{1) 3)}	Member
Mariusz Pliszka ^{1) 3)}	Member
Roman Stryjski ¹⁾	Member

¹⁾ An independent member within the meaning of Article 129(3) of the Act of 11 May 2017 on certified auditors, auditing firms and public supervision and within the meaning of the corporate governance principles included in the Best Practice for WSE Listed Companies 2021.

²⁾ Member with knowledge and skills in accounting or audit of financial statements, based on his/her education and previous professional experience.

³⁾ Member with knowledge and skills in the industry in which the issuer operates, based on his/her education and previous professional experience.

As at the publication date of this report, the Nominations and Remuneration Committee is composed of:

Nominations and Remuneration Committee	
Name	Function
Roman Stryjski ¹⁾	Chairman
Rafał Włodarski	Member
Michał Jaciubek ¹⁾	Member
Paweł Korobłowski ¹⁾	Member
Radosław Kwaśnicki ¹⁾	Member
Piotr Mirkowski ¹⁾	Member

¹⁾ An independent member within the meaning of the corporate governance principles included in the Best Practice for WSE Listed Companies 2021.

As at the publication date of this report, the Strategy and Investment Committee is composed of:

Strategy and Investment Committee	
Name	Function
Rafał Włodarski	Chairman
Dorota Szymanek	Member
Michał Jaciubek	Member
Paweł Korobłowski	Member
Tomasz Lis	Member
Maciej Mazur	Member
Mariusz Pliszka	Member

7.3. Number of shares and rights to ENEA S.A. shares held by members of the Management Board and Supervisory Board

Name	Function	Number of ENEA S.A. shares as at 23 March 2022	Number of ENEA S.A. shares as at 24 May 2022
Michał Jaciubek	Supervisory Board Member	5,020	5,020
Mariusz Pliszka	Supervisory Board Member	3,880	3,880

As at the date of this report, other members of the Management Board and Supervisory Board hold no shares in ENEA S.A. As at the date of this report, no members of the Management Board or Supervisory Board hold any rights to shares in ENEA S.A. As at the date of this report, no members of the Management Board or Supervisory Board hold any rights to shares in any ENEA S.A. subsidiaries.

8. Other information relevant to evaluation of the issuer's standing

Regulatory environment

The business of ENEA S.A. and its subsidiaries is conducted in an environment that is subject to special legal regulation, both at the national level and at European Union level (regulated economic activity). A number of legal regulations applicable to utility companies have been enacted based on decisions of a political nature. For this reason, these regulations are subject to frequent amendments that the Company is unable to foresee or predict their effects on its business. This notwithstanding, ENEA S.A. and its subsidiaries ("ENEA Group") are subject to legal regulation in the field of tax system, competition and consumer protection, employee law and environmental protection. It cannot be ruled out that changes in these areas arising from specific legislation or individual interpretations related to significant areas of the ENEA Group's business may become a source of potential risks for this economic activity.

8.1. Internal electricity market

The business of entities operating in the power sector is also governed by a number of EU regulations such as Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity, which is a part of the "Winter Package" and forms the basic legal act forcing the introduction of new solutions pertaining to electricity markets and system services, both in Poland and in other Member States of the European Union.

Moreover, on 21 December 2018, Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council, entered into force. This regulation has introduced the requirement to develop a national plan for energy and climate within the framework of implementation of the Energy Union comprising the following 5 dimensions: energy security, internal energy market, energy efficiency, reduction of emissions, as well as research, innovation and competitiveness. The main purpose of the Energy Union management mechanism is to enable achievement of the Energy Union goals, in particular the climate and energy policy goals by 2030.

In the reporting period and after the balance sheet date, there were no changes in material regulations governing the operation of the internal electricity market.

8.2. Demand for electricity

According to the document entitled "Development plan in terms of satisfaction of the current and future demand for electricity in 2021-2030", the projected total net demand for electricity in Poland will increase in the years 2020-2040 from 159.9 TWh to 204.2 TWh.¹⁾

¹⁾ https://www.gov.pl/documents/33372/436746/Wnioski_z_analiz_do_PEP2040_2018-11-23.pdf

8.3. Amendment to the Energy Law

On 18 June 2021, the Act of 20 May 2021 amending the Energy Law Act and certain other laws was published in the Journal of laws. It introduces a number of solutions that are important for the functioning of the members of the energy market. Key amendments include the roll-out of smart metering in Poland. This action will be deployed by distribution system operators, and thus also by ENEA Operator. The amended legislation contains a schedule for the installation of remote reading meters at electricity consumption points and stipulates that by 31 December 2028 such meters must be installed by at least 80% of end users. Moreover, the law provides that by 31 December 2023 there must be 15% of such users, by 31 December 2025 – 35%, and by 31 December 2027 – 65%.

The Act also introduces, among other things, changes in the scope of activity of the Negotiations Coordinator working for the ERO President, rules for entering into agreements with dynamic pricing, strengthens the existing customer rights and introduces new rights associated with the sales of electricity (new contractual terms, billing obligations, dispute resolution with the seller, disclosure obligations).

The amended law also provides for the appointment of the Energy Market Information Operator (OIRE), which function will be entrusted to PSE S.A. The Energy Market Information Operator will manage the Central Energy Market Information System (CSIRE), scheduled to be deployed within 3 years from the date of entry into force of the amended Energy Law, the uses of which will include the processing of data obtained from smart meters. The Central Energy Market Information System will usher in fundamental changes to the method of information exchange between energy market participants.

The amended law also contains solutions reinforcing the position of consumers and improving consumer protection on the energy and gaseous fuel market, and facilitating the operation of energy companies by creating a legal framework for the operation of closed distribution systems and energy storage facilities.

8.4. Electricity tariffs for 2022

The President of the Energy Regulatory Office approved the "Tariff for electricity distribution services" of ENEA Operator. The Decision of the ERO President no. DRE.WPR.4211.58.8.2021.KKu of 17 December 2021 was published in the ERO Industry Bulletin "Energia Elektryczna" (Electricity) No. 248 (3493) of 17 December 2021.

The new tariff has been approved for the period until 31 December 2022 and has been introduced for application as of 1 January 2022.

On 17 December 2021, the ERO President made a decision to approve the electricity tariff for Tariff Group G for ENEA S.A. for the period until 31 December 2022. The tariff entered into force on 1 January 2022. On 15 February 2022 the ERO President approved the change of the tariff in connection with the introduction of temporary exemption of the excise duty on the sales of electricity to the end customer, being the recipient of electricity in a household. The change of tariff has entered into force on 2 March 2022.

8.5. Financial markets (EMIR Refit)

The European Market Infrastructure Regulation (EMIR) is Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, along with Commission Delegated Regulations (EU) No. 148/2013 and 149/2013 of 19 December 2012, which entered into force on 16 August 2012, then on 17 June 2019 was amended by Regulation 2019/834 of 20 May 2019 (EMIR Refit) simplifying certain obligations especially for entities with low transaction values in financial instruments.

The regulation introduced requirements for the reporting of derivative transactions to “trade repositories”, risk mitigation techniques, in certain cases the obligation for central clearing of transactions by “central counterparties” (CCPs) and laid down sanctions for infringements of its provisions.

8.6 Capacity Market

In 2021, pursuant to the provisions of:

- the Capacity Market Act of 8 December 2017;
- the Capacity Market Regulations approved by the decision of the ERO President of 10 November 2021;
- the Regulation of the Minister of Energy:
 - of 18 July 2018 on performance of the capacity obligation, its settlement and demonstration, and execution of transactions on the secondary market;
 - of 3 September 2018 on financial collateral provided by power suppliers and participants of preliminary auctions;
- the Regulation of the Minister of Climate of 12 August 2021 on the parameters of the main auction for the supply year 2026 and the parameters of additional auctions for the supply year 2023.

Polskie Sieci Elektroenergetyczne S.A. conducted the following capacity market processes:

- general certifications;
- certifications for the main auctions for the years 2021-2026;
- certifications for the additional auctions for the years 2021-2023;
- main auctions for the years 2021-2026 and additional auction for 2021-2022.

As well as in 2022:

- additional auctions for 2023 – 17 March 2022.

8.6.1. Contracted capacity obligations of ENEA Wytwarzanie and ENEA Elektrownia Połaniec

[MW]	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1-year contract	-	-	-	-	1,004	-	-	-	-	-	-	-	-	-
5-year contract (modernized)	2,711	2,711	2,711	2,711	-	-	-	-	-	-	-	-	-	-
15-year contract (new)	915	915	915	915	915	915	915	915	915	915	915	915	915	915
Total	3,626	3,626	3,626	3,626	1,919	915	915	915	915	915	915	915	915	915

8.6.2. Estimated revenue from the capacity market of ENEA Wytwarzanie and ENEA Elektrownia Połaniec

[PLN million] ¹⁾	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1-year contract	-	-	-	-	402	-	-	-	-	-	-	-	-	-
5-year contract (modernized)	652	652	652	652	-	-	-	-	-	-	-	-	-	-
15-year contract (new)	220	220	220	220	220	220	220	220	220	220	220	220	220	220
Total	872	872	872	872	622	220	220	220	220	220	220	220	220	220

¹⁾ Non-indexed value.

ENEA Elektrownia Połaniec participated in all the aforementioned processes and, as a result, signed 2 capacity contracts for 5-year periods of 2021-2025, for units 2 and 7. This resulted from the ENEA Group’s strategy approved by decisions of the ENEA S.A. Management Board before each of the main auctions. At the same time ENEA Elektrownia Połaniec signed capacity contracts for 1-year period for the delivery year 2026 for units 2 and 4-7. The other units, except for unit 9, were notified for participation in the secondary market. ENEA Elektrownia Połaniec and ENEA Wytwarzanie executed a joint venture agreement in the area of the capacity market providing for the companies’ joint operation in the capacity market and mutual reservations.

ENEA Wytwarzanie participated in all the aforementioned processes and, as a result, signed:

- nine capacity contracts for 5-year supply periods of 2021-2025, for units 1-10 without unit 3,
- one capacity contract for a 15-year supply period of 2021-2035 for unit 11,
- 1-year supply contracts for 2021, 2022, 2023, 2024 and 2025, for three Capacity Market units from the RES Segment (hydro power plants) with a total capacity of approx. 37 MW were transferred to ENEA Nowa Energia.

ENEA Połaniec Power Plant in 2021 participated in the Capacity Auction for supply year 2026. As a result of which it signed 1-year capacity contracts for the delivery year 2026 for units 2, 4, 5, 6 and 7 with a total capacity of 1,004 MW, unit 3 is a backup for the above-mentioned units.

8.6.3. Contracted capacity obligations and estimated revenue from the capacity market of MEC Piła

MEC Piła participated in all the aforementioned processes on the capacity market and, as a result, concluded 2 quarterly capacity contracts in delivery year 2022 (6 MW for Q2 2022 and 6 MW for Q3 2022) and for the delivery year 2023 (6 MW for 2023). Estimated revenue from the capacity market of MEC Piła are PLN 1 million in 2022 and PLN 2 million in 2023.

8.6.4. Contracted capacity obligations of ENEA Ciepło

[MW]	2022				2023				2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4													
Quarterly contracts (existing)	34	-	-	22	38	-	-	23	-	-	-	-	-	-	-	-	-	-	-	-	-
Contract for 1 year (existing)	-	-	-	-	-	-	-	-	29	37 ¹⁾	-	-	-	-	-	-	-	-	-	-	-
Contract for 5 years (modernized)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15-year contract (new)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	34	-	-	22	38	-	-	23	29	37¹⁾	-	-	-	-	-	-	-	-	-	-	-

¹⁾ The capacity contract of ENEA Ciepło for 2025 is valid from 1 January 2025 to 30 June 2025.

8.6.5. Estimated revenue from the capacity market of ENEA Ciepło

[PLN million] ¹⁾	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Quarterly contracts (existing)	3	5	-	-	-	-	-	-	-	-	-	-	-	-	-
1-year contract (existing)	-	-	8	3 ²⁾	-	-	-	-	-	-	-	-	-	-	-
5-year contract (modernized)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15-year contract (new)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	3	5	8	3²⁾	-	-	-	-	-	-	-	-	-	-	-

¹⁾ Non-indexed value

²⁾ The capacity contract of ENEA Ciepło for 2025 is valid from 1 January 2025 to 30 June 2025.

ENEA Ciepło Sp. z o.o. participated in the aforementioned processes and, as a result, concluded two quarterly capacity contracts in delivery year 2021 (Q1 and Q4) for unit 2, two quarterly capacity contracts in delivery year 2022 (Q1 and Q4) for unit 2, two quarterly capacity contracts for delivery year 2023 (Q1 for unit 2 and Q4 for unit 3), and one 1-year capacity contract in delivery year 2024 for unit 3 and one 6-month contract in delivery period from 1 January 2025 to 30 June 2025 for unit 3.

This results from the documents entitled: "Strategy for participation of ENEA Ciepło CMU in the main auction of the capacity market" for delivery years 2024, 2025 and "Strategy for participation of ENEA Group CMU in additional auctions" for delivery years 2021, 2022, 2023 drawn up under the leadership of ENEA Trading and approved by decisions of the Management Board of ENEA Ciepło before the auctions. Unit 3 has been registered for participation in the secondary market for 2021 and 2022, units 1 and 4 were registered for 2023 and units 1, 2 and 4 were registered for 2024 and 2025.

8.6.6. Contracted capacity obligations of Enea Nowa Energia

[MW]	2021	2022	2023	2024	2025	2026
1-year contract (existing)	37	37	37	38	37	24
Total	37	37	37	38	37	24

8.6.7. Estimated revenue from the capacity market of Enea Nowa Energia

[PLN million]	2022	2023	2024	2025	2026
1-year contract (existing)	7	8	10	6	10
Total	7	8	10	6	10

Enea Nowa Energia (formerly: ENEA Wytwarzanie RES Segment) participated in all main auctions of the Capacity Market and, as a result, concluded one-year capacity contracts for deliveries:

- for the period 2021-2025, for three units with the average capacity of approx. 37 MW in a given delivery year,
- for 2026, for two units with a total capacity of 24 MW.

8.7. REMIT

REMIT is Regulation (EU) No. 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency. In accordance with this regulation, the electricity market is subject to specific restrictive rules governing the publication and disclosure of information that may affect the prices of energy products on the wholesale energy market, including an absolute prohibition of any market manipulation.

REMIT requires that every market participant be registered in the national register. Market participants are required to report data on the transactions they execute on wholesale energy markets, including any orders they place. REMIT also imposes the obligation to make public, by way of a formalized announcement, the so-called inside information concerning the capacity and use of facilities for production, storage, consumption or transmission of electricity, including concerning planned or unplanned unavailability of these facilities. REMIT prohibits manipulation or attempts to manipulate the market and prohibits the use of inside information for commercial activities. REMIT equips regulatory authorities with powers to conduct investigations, enforce the provisions of the regulation and establish penalties for failure to fulfill the obligations.

ACER (Agency for the Cooperation of Energy Regulators) has published an update of the following documents: Transaction Reporting User Manual (TRUM) ver. 5.0 with Annex II - Examples of transaction reporting, FAQ (13th edition) and Q&A (27th edition), all of them dated 31 March 2022.

8.8. EU Emissions Trading System (EU ETS)

The beginning of 2021 marked the launch of Phase IV of the EU ETS. The changes introduced as part of the EU ETS (e.g. Directive 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814 as regards the establishment of the Modernization Fund and Decision 2015/1814 of the European Parliament and of the Council of 6 October 2015 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC) will significantly affect the framework for the operation of entities covered by the EU ETS in Phase IV, that is in 2021–2030. The most important mechanisms within the EU ETS, which contribute to a decreased supply in the EU ETS market, is the linear reduction factor increased from the current 1.74% to 2.2% starting from 2021 and the market stability reserve functioning since the beginning of 2019.

In turn, the increased demand for EUAs is largely affected by announced and scheduled legislative initiatives of European Union institutions pursuing the objectives of the “European Green Deal” announced in 2019, including the draft amendment of the EU ETS Directive 2003/87/EC and Decision 2015/1814 on the Market Stability Reserve.

Accordingly, the European Commission published a broad package of legislative proposals under the name of “Fit for 55” on 14 July 2021. Detailed information on the package is provided in section 8.9. In this context, a strong upward trend in the quotations of greenhouse gas emission allowances has been observed since November 2020, continuing throughout 2021.

8.9. European Green Deal, “Fit for 55” Package and the EU Taxonomy

One of the priorities of the European Commission (EC) 2019-2024 is the so-called European Green Deal, which is an action plan for sustainable EU economy, which is supposed to materialize Europe’s aspiration for becoming the first climate-neutral continent. For this purpose, also in 2021, numerous legislation initiatives have been taken.

Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (“European Climate Law”). The key assumptions of the regulation included:

- The European Union as a whole commits to achieving climate neutrality by 2050;
- for the Union as a whole, a net greenhouse gas emission reduction target was set at no less than 55% by 2030, compared to 1990 levels;
- the commitment to raise the ambition of carbon sink while limiting the amount of absorbed emissions that can count towards the emission reduction target, meaning that the actual reduction target for 2030 will be 57%;
- the Union has been obligated to achieve negative emissions after 2050.

Then on 14 July 2021, the EC presented a broad package of legislative proposals under the name of “Fit for 55”. The package will include among others the following documents and propose the following changes:

- revision of Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading:

- increase of the emission reduction target in the sectors that are covered by the EU ETS (power, industry, intra-European aviation) to 61% by 2030 as compared to 2005;
- extension of EU ETS to new sectors: road and sea transport and construction;
- change in the rules for granting free-of-charge allowances – linking reference indicators to emission reductions – increasing the indicator to 2.5% per year from 2026 instead of the current 1.6% (in order to support breakthrough/innovative technologies);
- an increase in the level of the linear reduction factor (LRF) to 4.2% in the year following the effective date of the document’s revision, further strengthened by the introduction of a one-off reset of emission allowances;
- preventing the financing of investments in fossil fuels from the Modernization Fund;

- increasing the Modernization Fund as a result of increasing the allowance sales level in auctions by an additional 2.5%, in order to finance energy climate transition of the Member States whose GDP per resident was under 65% of the EU average in 2016-2018;
- Member States will have to use 100% of their revenue from sales of emission allowances for investments supporting emission reductions;
- increasing the Innovation Fund and introducing within its framework, as an additional instrument supporting climate-friendly investments, “Contracts for differences relating to carbon dioxide”
- introducing a 95% threshold for biomass combustion with the zero rating, after excess of which installations would be excluded from EU ETS;

- revision of Directive 2018/2001/EU on the promotion of the use of energy from renewable sources:

- modification of the definition of renewable fuel of non-biological origin and the definition of standard value, as well as addition of new definitions, such as: renewable fuel, market area, smart metering system, charging point, market actors, electricity market, battery for home use, electrical vehicle battery, industrial battery, battery health, its charging level, power setpoint, smart charging, regulatory authority, bi-directional charging, regular power charging point, industry;
- revision of the RES share target from 32% to 40%;
- increased annual RES consumption target in the district heating and cooling industry, by 1.1% until 2030;
- new EU indicative targets, according to which the share of renewable energy in the final energy consumption in buildings should reach 49% by 2030;
- tightening of the existing sustainability criteria for agricultural biomass production, also to include forest biomass;
- application of greenhouse gas reduction thresholds in electricity production, heating and cooling from biomass fuels also for existing installations, i.e. 70% by the end of 2025 and 80% from the beginning of 2026;
- obligating Member States to jointly determine, and agree to cooperate on, the amount of energy produced from marine renewable sources, which should be produced in each sea basin by 2050, and to set intermediate stages for 2030 and 2040;
- tightening of the terms of participation of biomass-fired installations in support systems, also through the proposed hierarchy of handling biomass;
- introduction, starting in 2027, of a rule not to support electricity production from forest biomass in electricity-only generation facilities;

- revision of Directive 2012/27/EU on energy efficiency (EED):

- Member States should set indicative contributions regarding their final and primary energy consumption, in order to achieve energy efficiency;
- a change of the definition of efficient heating and cooling systems by introducing progressively changeable minimum conditions that an installation must satisfy to be classified as efficient;
- an increase of the mandatory energy efficiency target to 36% by 2030. The contribution of member states to the achievement of the target will remain indicative;
- setting the total final energy consumption of all institutions at a minimum of 1.7% per year compared to the year the amended directive came into force;
- stipulating that at least 3% of the total heated or cooled floor area of buildings owned by public institutions should be renovated annually, with the goal of at least converting them to near-zero energy buildings;
- stipulating that construction supplies, services and works awarded under public procurement contracts should have very good energy parameters;
- reducing the period for achieving final energy consumption savings every year: from 2023 at 0.8% of the annual final energy consumption, averaged over the last three years before 1 January 2019 (with the exception Cyprus and Malta: 0.24%);
- implementing an energy management system for enterprises whose average annual energy consumption in the last three years, for all energy carriers, exceeded 100TJ or having these enterprises subjected to an energy audit;
- introducing seller's obligations towards final consumers and end users regarding the content of the contract and the rules governing its performance;

- revision of the Directive on taxation of energy products and electricity:

- maintaining the option of applying tax credits and reduced tax rates for RES electricity;
- maintaining the option of applying tax credits and reduced tax rates for electricity produced in cogeneration, meeting the definition of high-efficiency cogeneration under the EED;
- the proposal of minimal taxation rates for heating fuels is as follows: for natural gas and non-sustainable biogas: initially EUR 0.6 per GJ in 2023 and ultimately EUR 0.9 per GJ in 2033; for coal EUR 0.9 per GJ from 2023; for sustainable biogas: EUR 0.45 per GJ from 2023, for unsustainable forest biomass EUR 0.9 per GJ from 2023; and for sustainable forest biomass EUR 0.45 per GJ from 2023;

- revision of the Directive on taxation of energy products and electricity (ETD):

- expanding the catalog of energy products and setting minimum taxation for each product;
- possibility of applying reduced tax rates (as required by the directive) for RES electricity; electricity will have the lowest tax rates, regardless of its purpose;
- possibility of applying reduced tax rates for electricity produced in cogeneration, meeting the definition of high-efficiency cogeneration under the EED; The amendments to the directive do not provide an option of facultatively abolishing excise tax for co-generation. The directive does not offer a sufficiently precise stipulation for co-generation;
- a general shift in how energy sources are viewed, in order to discourage the use of fossil fuels and encourage the use of alternative sources – introduction of the minimum tax rates for individual energy products: the cleaner the energy source, the lower the taxation;

- reduction of all kinds of exemptions and discounts that lead to fragmentation of the internal market;
- an option to apply the minimum tax rate for heating fuels to vulnerable households for a transition period of 10 years;
- the proposal of minimum tax rates for heating fuels is as follows: for natural gas and non-sustainable biogas: initially EUR 0.6 per GJ in 2023 and ultimately EUR 0.9 per GJ in 2033; for coal EUR 0.9 per GJ from 2023; for sustainable biogas: EUR 0.45 per GJ from 2023, for unsustainable forest biomass EUR 0.9 per GJ from 2023; and for sustainable forest biomass EUR 0.45 per GJ from 2023;
- the proposal of the minimum tax rate for electricity is EUR 0.15 per GJ from 2023.
- harmonization with the new reduction targets of the Regulation on the inclusion of greenhouse gas emissions and removals resulting from activities related to land use, land use change and forestry (LULUCF Regulation).

All the above draft European legal acts are part of the “Fit for 55” package and are currently worked on by European Parliament committees.

The so-called EU Taxonomy is a tool, through which private investments should become the instrument for implementing the assumptions of the European Green Deal. On 2 February 2022, the European Commission approved the draft Delegated Regulation amending Delegated Regulation 2021/2139 of 4 June 2021 establishing the technical criteria for qualifying economic activity as contributing substantially to climate change mitigation and Delegated Regulation 2021/2178 of 6 July 2021 concerning the disclosure of information on environmentally sustainable economic activities by companies. This draft envisages the following amendments to the EU Taxonomy:

- establishing technical screening criteria for activities carried out in the natural gas and nuclear energy sectors, which must be satisfied for the project to be deemed sustainable;
- emphasizing the transitional character of accepting electricity generation or heat/cooling production or cogeneration from fossil gas as sustainable activities;
- non-financial companies conducting activities such as: electricity generation, high-efficiency cogeneration of electricity and heat/cooling and production of heat/cooling from fossil gases, as of 1 January 2023 will disclose information on which parts of their activities in the above sectors are consistent or inconsistent with the assumptions of the “Taxonomy”.

The draft also contains a declaration that RES will play a crucial role in the implementation of the EU’s climate and environmental goals and a postulate to increase investments in RES.

8.10. Electromobility and Alternative Fuels Act

The Electromobility and Alternative Fuels Act of 11 January 2018 requires distribution system operators to build publicly accessible charging points for electric vehicles in the areas of their operation installed in generally accessible charging stations (GACS). In the area of operation of ENEA Operator, this obligation involves the construction of 417 charging points located in publicly available charging stations in 4 townships: Poznań, Szczecin, Bydgoszcz and Gorzów Wielkopolski. The amendment to the Act on Electromobility and Alternative Fuels and certain other acts of 2 December 2021, implementing Directive (EU) 2019/944 of the European Parliament and of the Council into the Polish legal system, allows for constructing charging stations for electric vehicles if the relevant townships fail to complete the task. For this reason, ENEA Operator is currently carrying out a project entitled “Implementation of ENEA Operator’s statutory obligations related to electromobility under the Electromobility and Alternative Fuels Act”. The adopted amendment to the act repeals the provisions concerning the intervention scheme connected with the construction of GACS by DSOs and also introduces transitional provisions. These provisions make it possible to complete the already started investment projects.

8.11. Exemption from the duty to submit household electricity tariffs for approval

Pursuant to Article 49 of the Energy Law, the ERO President may exempt a utility company from the duty to submit tariffs for approval if the ERO President considers the company to operate in a competitive environment. A possible exemption from the duty to submit tariffs for approval may have a favorable impact on the electricity sales margin of ENEA S.A. in the future. The regulatory model, in which tariffs for buyers from tariff groups G must be submitted to the ERO President for approval, remains in effect in the current legal status. The administrative procedure is performed in the last quarter of the year preceding the introduction of the new tariff G based on the guidelines of the ERO President regarding the calculation of prices transferring justified costs while taking into account the model unit profit.

8.12. Regulatory changes in retail trading

On 17 December 2021, the Act amending the Excise Duty Act and Certain Other Acts of 9 December 2021 was published, which introduced exemption from excise duty on the sales of electricity to the end customer that is the recipient of electricity in a household in the period from 1 January 2022 to 31 May 2022.

On 20 December 2021, the Regulation of the Minister of Finance of 17 December 2021 was published, amending the Regulation on Goods and Services, which reduced the VAT rate to 5% for sales of electricity and 8% for gaseous fuel in the period from 1 January 2022 to 31 March 2022.

On 29 January 2022, a new law came into force, namely the Act of 26 January 2022 on Special Solutions for Protecting Customers of Gaseous Fuels in connection with the Situation on the Gas Market (Journal of Laws 2022, Item 202). The act introduced special protective solutions, which enable measures that mitigate the negative social and economic effects of a sudden, sharp rise in natural gas prices on the market. The amendments extend the list of entities covered by a tariff protection until 31 December 2023 and introduce a mechanism to compensate natural gas sellers for the effects of freezing prices for the protected entities.

On 1 February 2022, the Act of 13 January 2022 amending the VAT Act (Journal of Laws 2022, Item 196) came into effect. The act introduced a 5% VAT rate for electricity and 0% for gaseous fuel for the period from 1 February 2022 to 31 July 2022.

On 26 February 2022, the Act of 27 January 2022 amending the Act on renewable energy sources and the act amending the act on renewable energy sources and certain other acts (Journal of Laws 2022, Item 467) came into effect. This act permitted the

prosumers, who signed the agreement for the purchase, installation of a micro-installation or an agreement on co-funding of such installation with a local government unit by 31 March 2022 to operate under the previous net-metering billing scheme.

On 1 April 2022, the Act of 29 October 2021 amending the Act on renewable energy sources and certain other acts (Journal of Laws 2021, Item 2376) came into effect. That act introduced, among other things, the concepts of a virtual renewable energy prosumer (for an installation remote from a given point of energy consumption) and a collective renewable energy prosumer (for installations built within multi-unit buildings), along with mechanisms that allow prosumers to operate an installation not owned by them. In addition, the Act imposes on the Seller the obligation to ensure, as of 1 July 2022, the operation of an ICT system used to provide renewable energy prosumers, collective renewable energy prosumers or virtual renewable energy prosumers with detailed information relating to billing. In addition, the Act prolonged the possibility for prosumers to benefit from the existing net-metering billing scheme for micro-installations connected by 31 March 2022. The micro-installations connected after 1 April 2022, which will not be connected under the Act of 27 January 2022 amending the Act on renewable energy sources and the act amending the act on renewable energy sources and certain other acts (Journal of Laws 2022, Item 467), will be settled on the basis of net billing principles.

On 13 May 2022, the bill amending the VAT Act was forwarded to the Senate; among other things, it extends the reduction of/exemption from the excise tax for electricity from 31 May to 31 July 2022 and extends disclosure obligations of sellers regarding the reduction of/exemption from the excise tax from 31 October to 31 December 2022.

8.13. Significant trends in the Distribution area

Provisions of the European law, in particular the energy package named Clean Energy for All Europeans, have an increasing impact on the functioning of ENEA Operator. These include Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity and Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU. These regulations contribute to the achievement of the EU's goals of achieving a more competitive, secure and sustainable energy system and reducing greenhouse gas emissions by 2030. Commitments in this respect provide for a reduction of greenhouse gas emissions by at least 40% compared to 1990 levels while increasing energy efficiency by 32.5% and increasing the share of energy generation from renewable sources to 32% of final consumption. A consequence of the pursuit of these commitments will be a steady, as has already been observed, increase in installed capacity from renewable energy sources, which has created room for new energy market participants, led to a change in the manner of the power grid management and changed the roles of existing participants, including DSOs.

This effect will be strengthened by "Fit for 55", a legislative package on climate and energy announced by the European Commission on 14 July 2021, which includes, among others, proposals for further reduction of greenhouse gas emissions by 55% by 2030 and, which is particularly important from the DSO point of view, a revision of the RED II directive, which features the assumption that the share of RES in electricity consumption would rise to 40% in 2030, or a revision of the energy efficiency directive. All the member states will have to contribute to the achievement of these goals. "Fit for 55" is a key element of the European Green Deal, adopted in December 2019, which aims to transform member states' economies to adjust them to the largest climate and energy reform in the European Union's history. The package will now be negotiated between the EU bodies and its member states and will then be subject to approval by the Council of the European Union and the European Parliament. It is estimated that the new legal solutions will come into effect in 2024.

The rapid development of distributed energy sources combined with new technologies, including ICT (Information and Communication Technologies), has had a significant impact on the distribution network, while shaping the new role of DSOs on the energy market. New challenges in this area for ENEA Operator Sp. z o.o. include: the new role of DSOs as entities supporting market development (local markets in particular), tapping into the flexibility of distributed energy sources, data management, cooperation with TSOs/DSOs, new IT and ICT technologies, development of smart grids, transformation of a passive (unidirectional) grid into an active one (bi-directional), activation of customers, dynamic increase in the number and capacity of dispersed energy sources, in particular micro-installations, emergence of energy communities (energy clusters and cooperatives, local balancing areas, owners of energy storage, electric cars and car charging stations), cyber security and development of research and development and innovation activities.

It should be also noticed that the amendment to the Energy Law Act, which came into force on 3 July 2021, imposed on the Company the duty to install, by 31 December 2028, AMI meters at no fewer than 80% of end users connected to at most a 1 kV grid and, consequently, to install AMI meters at 15% of such users by the end of 2023, at 35% of such users by the end of 2025, and at 65% of such users by the end of 2027.

The main consequence of changes on the energy market will be the gradual decline in the volume of energy distributed through DSO's grids. On the other hand, the quantity of energy produced by end users for their own needs, especially by prosumers, will increase. The changing model of the energy market and the consequences for its current players, such as distribution system operators, will also require transformation of the current regulatory model.

8.14. Grid codes in ENEA Operator's activity

An increasingly more important role in the operation of ENEA Operator Sp. z o.o. as a DSO is played also by grid codes, which are developed by ENTSO-E (European Network of Transmission System Operators) and adopted by the European Commission as its regulations. These codes are specific tools for implementation of a single energy market in the EU. They contain common rules of operation and management of energy systems and aim to eliminate the technical barriers impeding further market integration.

Since 1 January 2021, RES producers from across Poland have been bound by new laws concerning the sending of data about electricity produced and fed into the power grid, following from the System Operation Guideline (SO GL) for the operation of the electricity transmission system. The process of sending of the information obtained from producers to PSE is achieved via distribution system operators, with ENEA Operator Sp. z o.o. being one of them. Experts of this company decided to share their knowledge and experience to make it easier for undertakings producing electricity from renewable sources to adapt to the new

obligations already at the very beginning of their application. A webinar was prepared for generators to clarify the purpose of the Guideline and the manner of complying with it. On the Company's website, the tab <https://www.operator.enea.pl/dlawytworcow> contains, among others, templates of forms for entering the data arising from SO GL. ENEA Operator's experts also respond to questions and doubts of RES producers under the dedicated email address: wytworcey@operator.enea.pl. The Portal for Producers was launched, through which the producers provide planning data for SO GL purposes and they also communicate with ENEA Operator and may view their metering data.

8.15. ENEA Operator's Distribution System User Nondiscriminatory Treatment Assurance Program

During the reporting period, the Company complied with the provisions of the Compliance Program – ENEA Operator's Distribution System User Nondiscriminatory Treatment Assurance Program (hereinafter referred to as "Compliance Program") to fulfill the obligation arising from Article 9d sec. 4 of the Energy Law. Projects undertaken and executed by ENEA Operator in accordance with the Compliance Program during the reporting period gave the system users and the potential system users an equal access to the distribution system and enabled them to use the electricity distribution services on equal rules.

The monitoring of the implementation and execution of the Compliance Program is the responsibility of the Compliance Inspector, whose duties also include operational supervision of the Compliance Program's execution. The implementation and execution of the Compliance Program are supervised by the ENEA Operator Management Board as well as managers of organizational units and cells of ENEA Operator, who are responsible for implementing and supervising the observance and performance of the Compliance Program in the units managed by them. Detailed measures taken to perform the Compliance Program are found in annual reports on the performance of the Compliance Program sent to the ERO President.

8.16. Model of quality regulation

An important component affecting ENEA Operator Sp. z o.o.'s activity is the quality regulation introduced by the ERO President. At present, its rules are specified in the "Quality Regulation in 2018-2025 for Distribution System Operators" in its wording of 29 May 2019. The key performance indicators that directly affect ENEA Operator's regulated revenue in the part concerning return on capital, in the period from 2018 to 2025, were described in detail in ENEA Group's periodic report for 2021.

A key element affecting the DSO's activity is the document entitled "the Method of determining regulatory asset base and return on capital for Distribution System Operators for Electricity which separated their activity as of 1 July 2007," whose provisions were prepared jointly by the DSO and the Energy Regulatory Office. Due to the document, the level of substantiated return on capital is determined by the ERO President. The level is determined mainly on the basis of the product of RAB (regulatory asset base) and WACC (weighted average cost of capital).

8.17. Research and development and innovation carried out in ENEA Operator

ENEA Operator executed numerous research & development projects in Q1 2022:

1. The project entitled "System of power and energy balancing and monitoring the quality of electricity supply of distributed energy sources and storage facilities" executed together with the AGH University of Science and Technology. The project has received co-funding from the National Center for Research and Development as part of Measure 1.2: "Sector R&D Programs" of Operational Program Smart Growth 2014–2020.
2. The project entitled "A flexible system of increasing competences of employees of technical services using virtual reality technology", performed jointly with the Poznań University of Technology and the Poznań University of Economics and Business. The project has received co-funding from the National Center for Research and Development as part of Measure 2/1.1.1/2018 "Quick Path" of Operational Program Smart Growth 2014–2020.
3. The project entitled "eNeuron: greEN Energy hUbs for local integRated energy cOmmunities optimizatioN" carried out under the Horizon 2020 program. The goal of the project is to develop innovative tools to optimize the process of designing and operating local power systems with the main purpose of effectively integrating distributed energy sources. The outcome is to ensure effective, economical and sustainable solutions offered to entities potentially interested in implementing such systems, including, among others, distribution network operators, local communities and individual prosumers.
4. The project entitled "DRES2Market: Technical, business and regulatory approaches to enhance the renewable energy capabilities to take part actively in the electricity and ancillary services markets", executed as part of the Horizon 2020 program. The primary goal of the DRES2Market project is to prepare a comprehensive and cost-efficient approach to facilitate the effective participation of distributed generation based on renewable energy in electricity markets and to enable the provision of balancing and storage services in accordance with market criteria.
5. The project entitled "Development of a smart unmanned system for stabilizing the operation of distribution power grids based on modular installations of a hydrogen energy buffer with prospects for commercial use of hydrogen" executed under the Smart Development Operational Program, Action: Research and development works – National Center for Research and Development. The project is executed in an industrial and scientific consortium in collaboration with the West Pomeranian University of Technology in Szczecin and the University of Szczecin.

Changes occurring in the energy market force market participants to implement a number of innovative solutions. ENEA Operator is following the same path. For this reason, ENEA Operator has in place a framework enabling both employees and external entities to suggest and jointly execute various pilot and innovative projects with the Company. The pursuit of such initiatives will provide the opportunity to jointly develop or test new innovative technical and technological solutions in real-life conditions. Such actions permit a reliable assessment of new solutions regarding technological maturity, development prospects, benefits and costs, as well as risk factors. This way ENEA Operator appreciates the potential of its employees and establishes cooperation with successive external entities. Through innovative activities and execution of research and development projects, ENEA Operator also cooperates with numerous research institutions.

8.18. Membership of ENEA Operator in international organizations

ENEA Operator is involved in international cooperation with two entities operating within the EU. One is E.DSO, or European Distribution System Operators. It is an organization that associates 39 leading distribution system operators for electricity (DSOe) from 24 European countries, operating within the EU structures as a voluntary association of DSOes (there are no members that are DSOs). Its purpose is, on the one hand, to influence European regulations pertaining to electricity, while on the other hand, to provide European DSOs with the possibility of mutual exchange of information and cooperation in legal, technical, technological or R&D and innovation issues.

The other is the EU DSO Entity. The organization was established by Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity; it associates all distribution system operators (including DSOs) from the member states that applied for membership. Its goal is to support the achievement and functioning of the internal market for electricity and to promote optimal management of distribution and transmission systems and to ensure their coordinated operation.

8.19. General Data Protection Regulation (GDPR)

GDPR (Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC) is a legal act of the European Union, which has been in effect in all member states since 25 May 2018. It has introduced new rules for processing personal data and imposed new obligations on data controllers. In its business, the ENEA Group observes the requirements of the indicated regulations, also by ensuring an appropriate level of security of personal data processing, paying particular attention to the protection of the rights and freedoms of data subjects. Pursuant to Article 37 of GDPR, ENEA Group companies appointed Data Protection Officers, who discuss important matters concerning personal data protection in the ENEA Group.

8.20. Court and administrative proceedings

As at the date of this report, there are no pending proceedings regarding payables or receivables to which ENEA S.A. or any of its subsidiaries would be a party.

A detailed description of the proceedings is provided in Note 25 to the "Condensed interim consolidated financial statements of the ENEA Group for the period from 1 January to 31 March 2022".

8.21. Litigation related to actions for annulment or repealing of general meeting resolutions

During the reporting period, the Company was a party to two cases related to actions for annulment or repealing of general meeting resolutions. The following is a summary of information on each of these proceedings.

Plaintiff	Subject of the statement of claim (literal wording)	Status of the proceedings
Synergia Inter-Company Trade Union of ENEA Group Employees	Action for annulment of a resolution of the Company's general meeting or, alternatively, to repeal the resolution of the Company's general meeting ¹⁾	The lawsuit was discontinued in the 1st instance (the decision is final); in the 2nd instance, a lawsuit on costs of proceedings is pending before the Court of Appeals in Poznań.
Synergia Inter-Company Trade Union of ENEA Group Employees	Action to repeal a resolution of the Company's General Meeting ²⁾	The judgment of 25 January 2022 issued by the District Court in Poznań, the 9th Commercial Division, dismissed the action (the judgment is not final). On 7 March 2022, the Synergia Trade Union filed an appeal against the judgment of 25 January 2022, in the part dismissing the claim for repealing resolution no. 7 of the Ordinary General Meeting of ENEA S.A. of 30 July 2020 to grant a discharge to Mr. Mirosław Kowalik on the performance of his function of the Management Board President in 2019. On 21 April 2022, the Company's representative submitted a reply to this appeal. The proceedings are pending in the 2nd instance.

¹⁾ concerns Resolution No. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 to express a directional consent to proceed with the Construction Stage under the Ostrołęka C project.

²⁾ concerns Resolution Nos. 7, 8, 9 and 11 of the Ordinary General Meeting of ENEA S.A. of 30 July 2020 to grant a discharge to individual former Members of the Company's Management Board on the performance of their duties in 2019.

8.22. Rules for the preparation of financial statements

The condensed financial statements of ENEA S.A. and the ENEA Group included in the extended consolidated report of ENEA S.A. for the period of Q1 2022 have been prepared in accordance with the requirements of IAS 34 *Interim Financial Reporting*, as endorsed by the European Union.

These condensed financial statements have been prepared based on the assumption that the Company will continue its business activity as a going concern in the foreseeable future. The Company's Management Board has not ascertained, as at the date of signing the condensed financial statements, any facts or circumstances that would indicate a threat to the Company's ability to continue its business activity as a going concern over the 12 months following the balance sheet date as a result of an intentional or induced discontinuation or a material curtailment of its existing activity. Unless indicated otherwise, the financial data presented in the statements are denominated in PLN thousand.

8.23. Collective disputes

As at the date of publication of this report, no collective disputes are in progress.

8.24. Headcount

As at 31 March 2022, the headcount in ENEA Group companies included 17,404 employees with employment contracts. As at 31 March 2022, the headcount in ENEA S.A. was 412 employees with employment contracts.

These figures, broken down by operating segments, are as follows:

Distribution: 5,402; Trading: 513; Mining: 5,746; Generation: 4,004; Other: 1,739.

8.25. Projected financial results

The ENEA S.A. Management Board did not publish any projections of its financial results for 2022.

8.26. Rating

In its communication of 1 December 2021, Fitch Ratings affirmed ENEA S.A.'s long-term foreign- and local-currency issuer default ratings at 'BBB' with a stable outlook. The affirmation of the ratings reflects the Company's integrated business profile, encompassing a large generation fleet and electricity distribution with a moderate financial leverage. The ratings are supported by the large share in the Company's EBITDA of regulated activities in the form of electricity distribution as well as quasi-regulated activities in the form of inflows from the capacity market. Following its completion, the anticipated sale of coal-fired power plants to the National Energy Security Agency is likely to favorably affect the Company's credit profile. The key risk in this respect stems from the potentially insufficient factoring-in of increasing wholesale electricity prices in retail tariffs going forward from 2022.

8.27. Impact of the COVID-19 epidemic on the activity of the ENEA Group

Detailed information on the effect of the COVID-19 coronavirus epidemic on the activity of the ENEA Group is described in the "Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2021".

8.28. Termination/rescission of property right purchase agreements by ENEA S.A.

On 28 October 2016, ENEA S.A. made a statement of termination or rescission of long-term property right purchase agreements resulting from the certificates of origin of energy from renewable sources (the so-called green certificates). These agreements were dissolved. The reason for the Company's termination/rescission of the individual agreements was exhaustion of all possibilities of restoring contract balance and equivalence of the parties' performances resulting from amendments to the law. The financial consequences of dissolving the abovementioned agreements will be the avoidance by the Company of the loss being the balance of the contractual prices and the market price of green certificates.

At present, cases are pending for declaring ineffectiveness of termination (rescission) by ENEA S.A. of property right sale agreements. In addition, some proceedings are pending against ENEA S.A. for payment of the fee for property rights resulting from the deduction of payment for the damage caused to ENEA S.A. through the contracting party's non-fulfillment of its contractual obligation to participate, in good faith, in renegotiating the long-term property right sale agreements pursuant to the adaptation clause binding on the parties. The estimate total net value of ENEA S.A.'s contractual liabilities was approx. PLN 1,187 million. Detailed information on the proceedings can be found in note 25.6 to the consolidated financial statements of the ENEA Group for 2022.

8.29. Analyses of the transmission and collection of gaseous fuel from the transmission network by ENEA Wytwarzanie

On 11 February 2020, ENEA Wytwarzanie and GAZ-SYSTEM signed an agreement to design the connection of Koziernice Power Plant to the GAZ-SYSTEM transmission network and obtain all necessary administrative permits. The agreement will open the process of designing a gas service connection for the Koziernice Power Plant. Expansion of the transmission system by GAZ-SYSTEM will increase its capacity to supply higher volumes of natural gas throughout Poland. This will increase the capacity for connecting industrial plants as well as individual customers to the network.

In ENEA Wytwarzanie, conceptual work on the selection of technological solutions and economic analyses for the "Restoration of generation capacity of 200 MW coal-fired units in ENEA Wytwarzanie based on the gaseous fuel combustion technology" has been completed. Corporate approvals have been obtained to launch Stage 1, which entails pre-investment work, i.e. development of ToR, including a model contract and update of the project's financial model (including an audit of the financial model). The work is at the final stage.

On 16 March 2022 ENEA S.A. established a special-purpose vehicle ENEA ELKOGAZ Sp. z o.o. with its registered office in Warsaw, in which it is a sole shareholder. The newly-established company will replace the generation capacity of 200 MW power units with gaseous fuel combustion technology. This is one of the Group's strategic investments in the process of the power company's rational transition. CCGT power units will be a low emission source of energy strengthening energy security and providing support to the generation of energy from RES during the transition phase.

8.30. Interest in ElectroMobility Poland S.A.

On 19 October 2016, PGE Polska Grupa Energetyczna S.A., Energa S.A., ENEA S.A. and Tauron Polska Energia S.A. founded a company by the name of ElectroMobility Poland S.A. The company's business is intended to contribute to the execution of a program aimed at building a Polish electric vehicle, marketing it on a mass sale and creating an electromobility system in Poland.

On 19 August 2021, the Extraordinary General Meeting of ElectroMobility Poland S.A. adopted a resolution to reduce the company's share capital by PLN 17,700 thousand through a decrease in the par value of all its shares from the current amount of PLN 7,000.00 each to a new par value of PLN 5,230.05 per share. The decrease in the share capital is aimed at transferring funds from the share capital to supplementary capital. The General Meeting also adopted a resolution to increase the share capital by PLN 249,996 thousand to PLN 302,297 thousand, for the total issue price of PLN 250,000 thousand, to be contributed exclusively in cash. The

issue of the new shares was effected by way of a private placement. All the new shares are ordinary registered shares. The share premium (excess of the total issue price over the total par value) was transferred to supplementary capital. The new shares were taken up and paid for by the State Treasury. On 30 September 2021, the registration court registered the share capital increase. ENEA S.A. currently holds a 4.325% stake in the company's share capital.

8.31. Activity of ENEA Innowacje

ENEA Innowacje is a company dedicated to managing the area of innovation in the ENEA Group. A zero-carbon transformation of the electricity market globally and in Poland is a major challenge and will be groundbreaking for a wide range of market players in the coming years. A success of that transformation will depend on innovations. Over the next decade, what should be expected is not only a massive technological change, but also a change in philosophy regarding the operation of the electricity market that will affect customers' decisions and choices. The core interests of ENEA Innowacje include seeking and implementing technological solutions as well as new business models in such areas as e.g. circular economy, energy storage and new RES technologies, exploitation of hydrogen and other energy carriers, electromobility, Smart Cities, Internet of Things, artificial intelligence and automation of operating and manufacturing processes.

In the financial year 2022, the Company, among other things:

1. pursued activities based on the Company Strategic Development Plan for the years 2022-2027, supporting the implementation of the Development Strategy of the ENEA Group,
2. conducted intensive analyses and identification of, among others, the market and technology environment, the energy sector and its competitiveness; the purpose of these analyses was to support the directions of activities and management decisions on future investments in the Company's innovations, which is shown by over 17 signed non-disclosure agreements being the grounds for sharing information with the entities analyzed by the Company,
3. identified more than ten key innovation initiatives and ideas and performed in-depth analyses and assessments focused on them taking into account the potential for development and competitiveness in the ENEA Group,
4. extended cooperation with additional universities and companies on the basis of letters of intent or cooperation agreements.

8.32. Construction of a photovoltaic farm on land owned by LW Bogdanka

The photovoltaic farm project to be developed on the land owned by LW Bogdanka will enable proper development of the mine's land and may contribute to a significant reduction of the costs of electricity powering the LW Bogdanka's technical infrastructure, while protecting the environment and using renewable technologies.

In 2020, "Feasibility study for the construction of photovoltaic farms in the areas of LW Bogdanka" was completed. Based on that document, in 2021 a procedure was launched to select a contractor for the photovoltaic farm project for the needs of the field of Bogdanka, following which a contractor was selected and a contract was signed. Design work was carried out in Q1 2022.

8.33. Construction of photovoltaic farms in cooperation with KOWR, the National Support Center for Agriculture

The project of building large-scale photovoltaic plants in cooperation with the National Support Center for Agriculture is one of the key projects underlying the assumptions for ENEA Group's energy transformation. The cooperation between the ENEA Group and KOWR fits the assumptions of Poland's Energy Policy until 2040, which provides for development of renewable energy sources for the purpose of diversification of the production structure and reduction of energy sector's emissions.

8.34. Execution of the Ostrołęka C Power Plant construction project

Detailed information on the execution of the Ostrołęka C Power Plant construction project are described in Note 11 of the "Condensed Interim Consolidated Financial Statements of the ENEA Group for the period from 1 January to 31 March 2022".

8.35. National Energy Security Agency

In April 2021, the Ministry of State Assets published a document entitled "Transformation of the power sector in Poland. Spin-off of coal assets from companies with a State Treasury shareholding" ("Transformation Program"), which includes a concept of spinning off, from the corporate groups of each utility company, assets associated with the generation of electricity in conventional coal-fired units ("Coal Assets"). The objectives of the Transformation Program envisage, among other outcomes, the integration of the Coal Assets within a single entity, specifically PGE Górnictwo i Energetyka Konwencjonalna S.A., which is a subsidiary of PGE S.A. and will ultimately run its business under the name of Narodowa Agencja Bezpieczeństwa Energetycznego (National Energy Security Agency, "NABE").

On 23 July 2021, ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A., Energa S.A. and the State Treasury entered into a memorandum of understanding on cooperation in a spin-off of coal assets and their integration within the National Energy Security Agency (with an annex of 14 October 2021). The Parties to the memorandum of understanding recognize the need to coordinate their cooperation in the spin-off process of the Coal Assets and their integration in NABE. Under the Memorandum of Understanding, the Parties declare their mutual exchange of necessary information, including information on the organizational structures, processes and assumptions for the direction of the transformation, to the extent such exchange remains in compliance with the applicable laws. The Memorandum of Understanding will enable an efficient and effective execution of the process aimed at the establishment of NABE.

On 15 November 2021, an Agreement on the provision of strategic consulting services was entered into between ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and KPMG Advisory sp. z o.o. sp. k. The agreement was entered into after conducting a procurement procedure entitled: Strategic Consulting (taking into consideration legal and tax services) in the process of the spin-off of coal-fired generation assets from the groups of ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A., Energa S.A.

On 1 March 2022, the Council of Ministers adopted the Transformation Program. The role of NABE will be to secure energy security through stable deliveries of power produced from coal. The spin-off of coal-fired generation assets will allow energy groups to focus on accelerating investments in low- and zero-carbon energy sources and industrial infrastructure, consequently contributing to a significant degree to Poland's energy transition.

8.36. Political and economic situation in Ukraine

On 24 February 2022, the army of the Russian Federation invaded Ukraine, starting a large-scale military conflict. The event has still had an enormous impact on the social, political and economic situation, not only in the region but also globally. The Group is analyzing consequences of the political and economic situation in Ukraine for the Group's financial statements and current and future financial and operating results but at present, it is impossible to determine the consequences of the impact.

Commodity and financial markets have seen elevated risk aversion and high volatility in commodity prices and financial instruments. Considerable volatility of prices of electricity and emission allowances (EUA) may make it necessary to supplement margin deposits at the Exchange Clearing House (IRGiT) and on foreign markets (the ICE, EEX) organizing trade in greenhouse gas emission allowances and consequently an increase in demand for working capital. Rising prices of raw materials create heightened expectations to raise interest rates (increasing inflationary pressure), which may contribute to an increase in debt financing costs. The clear depreciation of the Polish zloty may bring about an increase in operating expenses.

In connection with the introduction of third level CRP alert (CHARLIE-CRP) in the entire territory of Poland, the Group companies implemented the safeguards described in the Regulation of the Prime Minister of 25 July 2016 on the scope of measures taken during each alert and CRP alert level. Restrictions of access to IT systems resulting from the continuation of the CHARLIE-CRP alert level may cause delays in the performance of projects and implementations of IT systems.

In the Mining segment – the export sales of bituminous coal developed in recent years by LW Bogdanka S.A., mostly to Ukraine, represented 8.9% of LWB Group's consolidated revenue from sales in Q1 2022. As a result of the military conflict, damages to the infrastructure and higher risk associated with deliveries, coal sales to Ukraine may be significantly hindered. At present, the scale of difficulties and how long they will continue cannot be precisely predicted. Nevertheless, the present demand for steam coal in Poland is high, among others because of lower production in Poland and import difficulties LW Bogdanka S.A. is able to redirect the coal originally designated for the Ukrainian market to the domestic market or other foreign markets. Given the above as well as recent developments, the event had no significant effect on the operating activity and financial performance of the Mining segment in Q1 2022 and should not have such effect in the short term. Still, such impact may be felt in the longer term.

In the Trading segment – increases in prices of gaseous fuel and electricity may deteriorate results of energy sellers in this year (the need to make a purchase for the needs of electricity balance) and prices for customers (for those who did not purchase energy at a guaranteed "fixed" price).

In the Generation segment – intervention support may be necessary in the electricity balance and, as a result, higher electricity production by conventional generation sources. At present, the Group does not identify any direct impact of the war in Ukraine on the execution of deliveries of bituminous coal to ENEA Group's power generation units. Still, given the high demand for steam coal (lower production in Poland and difficulties with imports), the Group is considering the possibility that such difficulties may arise in this respect. The Group has identified constraints in the supply of biomass in the form of sunflower hull pellets from Ukraine. Suppliers report shortages in biomass loading on the Ukrainian side and declining warehouse inventories of biomass on the Polish side (deliveries to ENEA Group's generating units are currently made from these warehouses). In connection with the entry into force of Council Regulation (EU) 2022/355 of 2 March 2022 amending Regulation (EC) No 765/2006 concerning restrictive measures in view of the situation in Belarus, restrictions have been identified in the supply of wood biomass (wood chips, wood pellets - classified as CN 44 according to the Combined Nomenclature) from Belarus - by 4 June 2022, the only deliveries that can be made are those executed on the basis of contracts concluded before 2 March 2022. For the needs of electricity generation in units 2-7 of the ENEA Elektrownia Połaniec S.A. and heat generation in the units of ENEA Ciepło Sp. z o.o., it is possible to replace biomass with coal. In the Generation segment, difficulties have been identified in the procurement of high-alloy steels and non-ferrous metals produced in Ukraine and prices of these products are expected to continue to rise in the near future. The above however has no effect on the continuity of operation of ENEA Group's generating units.

In the Distribution segment, at present, the Group does not identify any adverse effect of the political and economic situation in Ukraine on the segment's operations and financial results.

As at the date of these statements, it is impossible to predict how the situation caused by the military conflict in Ukraine will develop and what further negative effects that may exert on the operations and financial standing of the Parent Company and the Group.

As at the date of this report, the Group has not identified any risk regarding its capacity to continue as a going concern.

8.37. Concessions

Energy groups operate in the Polish energy market on the basis of the concessions granted to them. Considering the medium and long-term validity of the individual concessions, detailed information of the concessions held by each company from the ENEA Group is presented in annual reports.

Natural environment

8.38. Curtailing emissions of air pollutants

In accordance with the applicable EU regulations, in particular Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions – IED (integrated pollution prevention and control), new and more stringent environmental protection standards have been in force since 1 January 2016. Accordingly, all electricity generators in Poland, who predominantly use high-emission coal-firing technologies, were required to adapt their power units to the new environmental requirements. Another important amendment to law making the environmental requirements more strict, published on 17 August 2017, was Commission Implementing Decision (EU) 2017/1442 of 31 July 2017 laying down BAT (best available techniques) conclusions for large combustion plants in accordance with Directive 2010/75/EU of the European Parliament and of the Council (the so-called kBAT). The published BAT conclusions introduced more stringent (than in the IED Directive) requirements for pollutants such as sulfur dioxide, nitrogen oxides and dust. The BAT-associated emission levels (the so called BAT-AELs) also apply to other substances, such as: mercury, hydrogen chloride, hydrogen fluoride and ammonia. The BAT conclusions started to apply from 18 August 2021, following the 4-year adjustment period. As kBAT were appealed against by the Polish government in October 2017 and the Court of Justice of the European Union (CJEU) issued a judgment of 28 January 2021 canceling kBAT of 31 July 2017, then on 30 December 2021 “new” BAT conclusions were published (Commission Implementing Decision (EU) 2021/2326 of 30 November 2021). The new conclusions are identical in content to the annulled ones, thus maintaining the continuity of the prevailing legal requirements.

Kozienice Power Plant – units 1-10

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
Q1 2021	2,204.2	0.694	1,234.3	2,278.6	0.717	1,276.0	65.3	0.021	24.8	2,659,895.6	836.9	3,178,083.8
Q1 2022	1,389.0	0.477	805.6	1,497.7	0.514	868.7	87.1	0.030	33.9	2,471,700.2	848.6	2,912,529.7
% Change	-37.0	-31.2	-34.7	-34.3	-28.3	-31.9	33.4	42.9	36.7	-7.1	1.4	-8.4

In 2022, the emission fee rates increased:

SO₂: 0.56 PLN/kg in 2021 => 0.58 PLN/kg in 2022

NO_x: 0.56 PLN/kg in 2021 => 0.58 PLN/kg in 2022

Dust: 0.38 PLN/kg in 2021 => 0.39 PLN/kg in 2022

Kozienice Power Plant – unit 11 vs. units 1-10

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
Q1 2021 Unit 11 ¹⁾	418.7	0.330	234.5	475.7	0.375	266.4	17.5	0.014	6.7	958,126.8	756.0	1,267,312.5
Q1 2022 Unit 11 ¹⁾	463.0	0.297	268.6	623.0	0.400	361.3	18.6	0.012	7.3	1,176,907.1	755.0	1,558,633.8
Q1 2021 Units 1-10	2,204.2	0.694	1,234.3	2,278.6	0.717	1,276.0	65.3	0.021	24.8	2,659,895.6	837.0	3,178,083.8
Q1 2022 Units 1-10	1,389.0	0.477	805.6	1,497.7	0.514	868.7	87.1	0.030	33.9	2,471,700.2	849.0	2,912,529.7

¹⁾ Data for unit 11 include emissions and fees for the start-up boiler house.

ENEA Elektrownia Połaniec

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
Q1 2021	1,269.2	0.663	710.7	1,379.6	0.721	772.6	110.8	0.058	42.1	1,398,026.0 ¹⁾	730.4 ¹⁾	1,914,149.0
Q1 2022	1,035.1	0.443	600.4	1,179.2	0.501	683.9	54.1	0.023	21.1	1,787,654.0	759.1	2,355,070.8
% Change	-18.4	-33.2	-15.5	-14.5	-30.5	-11.5	-51.2	-60.3	-49.9	27.9	3.9	23.0

¹⁾ Presentation change

Białystok CHP Plant

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
Q1 2021	96.4	0.156	54.0	175.0	0.283	98.0	8.2	0.013	3.1	156,515.0	253.2	176,780.8
Q1 2022	63.8	0.109	37.0	135.0	0.230	78.3	10.5	0.018	4.1	123,578.0	210.6	165,930.1
% Change	-33.8	-30.1	-31.5	-22.9	-18.7	-20.1	28.0	38.5	32.3	-21.0	-16.8	-6.1

Białystok "Zachód" Heat Plant

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
Q1 2021	5.6	-	3.1	5.4	-	3.0	0.2	-	0.1	14,007.0	-	-
Q1 2022	5.7	-	3.2	1.7	-	1.0	0.6	-	0.2	3,887.0	-	-
% Change	1.8	-	3.2	-68.5	-	-66.7	200.0	-	150.0	-72.2	-	-

8.39. Compliance with formal and legal requirements

ENEA Wytwarzanie

On 30 June 2020, the Koziencice Power Plant terminated its participation in the Transitional National Plan (TNP) and, as of 1 July 2020, complies with the emission standards pursuant to provisions of the IED. At the same time, the Power Plant completed a program for adjusting the installations to the BAT conclusions, which came into force on 18 August 2021.

Pursuant to the Regulation of the Minister of Climate of 24 September 2020 on emission standards for certain installation types, fuel combustion sources and waste combustion or co-combustion installations (Journal of Laws of 2020, Item 1860), in relation to the installations of units 1-10 and the installation of unit 11 for emissions of all pollutants, the following conditions for deeming the emissions standards complied with apply:

- none of the approved average monthly concentrations of substances exceeds 100% of the emission standard,
- none of the approved average daily concentrations of substances exceeds 110% of the emission standard,
- 95% of all approved average hourly concentrations of substances during the calendar year does not exceed 200% of the emission standard.

If even one of the conditions specified in items a), b), c) is not met, there is a risk that a penalty will be imposed for each hourly exceedance counted from the beginning of the year.

The kBAT requirements were implemented to integrated permits for three power installations for fuel combustion operating in the Company – units 1-10, unit 11 and a start-up boiler house. The requirements considerably tightened the acceptable levels of emitted pollutants. Apart from the prevailing average monthly standards, very reduced average annual threshold emission levels (TELs) were introduced for previously limited emissions of SO₂, NO_x, CO and dust, as well as for newly introduced limited HCl, HF, NH₃ and Hg pollutants. The threshold emission levels were also applied to average daily concentrations of emitted SO₂, NO_x and dust. According to the current regulations, all the TELs – both average daily and annual levels must be complied with without considering measurement uncertainties.

No exceedance of the emission standards, threshold emission levels (TEL) and other formal and legal requirements was found in Q1 2022.

Koziencice Power Plant meets the objectives set by the national and community law (IED directive, BAT conclusions). The Power Plant operates five flue gas desulfurization (FDG) installations, which guarantee the required reduction of SO₂ emissions from flue gases of all units. All units of the Koziencice Power Plant are equipped with highly efficient electrostatic precipitators, which are upgraded on an ongoing basis in order to maintain high dust removal efficiency. All units (excluding unit 3) are also equipped with highly efficient selective catalytic NO_x reduction (SCR) installations.

ENEA Ciepło

As part of the "Zachód" Heat Plant installation, ENEA Ciepło takes advantage of the heat derogation arising from the IED as regards SO₂, dust and NO_x emissions.

In the period of validity of the heat derogation, i.e. from 1 January 2016 to 31 December 2022, emission standards as at 31 December 2015 are applicable.

ENEA Elektrownia Połaniec

ENEA Połaniec Power Plant takes advantage of the derogation arising from the IED – natural derogation of 17,500 hours covering boiler 1. 46 hours were used in Q1 2022 and overall 15,373 has been used.

9. CSR – Corporate social responsibility

Baltic for Generations

In early December last year, the ENEA Group worked together with the United Nations Global Compact Network Poland to launch the project entitled “Baltic for Generations”. Its goal is to draw public attention to the issue of munitions and chemical weapons dumped at the bottom of the Baltic Sea after the Second World War and to unite the organizations that want to have the seabed cleared of weapons and shipwrecks. The baltykdlapokolen.pl website was created where everyone may support this initiative. In March this year, a “FuTuryści” podcast was published on the National Geographic Polska website, in which ENEA Group reminded how big of a problem the pollution and the tons of chemical weapons resting on the Baltic seabed are and encouraged the audience to sign the petition as part of the project it had launched.

United Nations Association – Poland (UNAP)

The ENEA Group continued its cooperation with the United Nations Association – Poland (UNAP), by getting involved in educational activities relating to Sustainable Development Goals. As part of this cooperation, the ENEA Group organized an education panel as part of the Sustainable Development Ambassador project, in which it acts as a strategic partner. In addition to the Sustainable Development Ambassador program for high school and technical high school students, the ENEA Group will support education workshops for youth named the Summer Academy of Sustainable Development 2022 and will be a partner of the 2nd edition of the report entitled “Sustainable development of cities in Poland – from theory to practice”.

#OgarnijHejt Campaign

As part of the Year of Lem established by the Sejm of the Republic of Poland, the ENEA Group became a partner of the #OgarnijHejt [Know about Hate] campaign and other activities carried out as part of the Year of Lem activities. More than 5,000 people across Poland took part in prevention and education workshops, during which students, their parents and teachers learned how to deal with cyberbullying, what its consequences are, how to detect it and how to prevent it. After our Group became involved, 30 schools from small towns and villages, mainly from the area of the Group’s activity, took part in the project. Under the project, a report on cyberbullying in Poland was published and a press conference on this topic was organized.

Exempt From Theory Nationwide Contest

The ENEA Group became a partner of the nationwide contest for students called “Exempt from theory”, for the third time. The contest participants – university and high school students, on their own or in teams, took action for the benefit of their immediate surroundings, executing their ideas and gaining practical skills and experience in the planning and management of projects. In this edition, the ENEA Group, continuing its efforts to improve the health condition people in Poland, became a patron of the “Energy for Health” project promoting mental well-being. As the participants performed the social activities they planned themselves, they received support in the form of promotion in the social media. The Group also shared its experience in the implementation of health promotion projects. Ultimately, 28 projects for 1.3 million beneficiaries were completed as part of the program supported by the ENEA Group. In the Grand Finale of the Exempt From Theory contest, projects under ENEA’s patronage won 14 awards and two of them were selected as the best in the West Pomeranian and Mazovian voivodships. The Terrain Story project was recognized as one of the best in Poland. The goal of the winning project was to develop its participants’ knowledge of their mental health, by creating a series of field games based on QR codes. The project was executed with the participation of people with disabilities. In reaction to the current situation, the game had also been translated into Ukrainian. Overall, more than 5 thousand people took part in the contest.

To the aid of Ukraine!

A few days after the war in Ukraine broke out, the ENEA Group started to organize aid activities. ENEA employees were heavily involved in the campaigns, collecting donations, contributing money to ENEA Foundation’s special account and working as volunteers. The products that refugees needed the most were collected in more than 50 locations across Poland. So far, ENEA Group employees have collected 15 tons of donations for the people affected by the war. A special edition of the Potęga poMocy grant program was also organized, in which we invited employees to submit applications for activities and initiatives to help refugees. The ENEA Foundation supported selected projects with grants up to PLN 4,000. Overall, nearly PLN 20,000 was donated for the execution of original projects of our employees.

10. Non-financial reporting

Responsible Management Practices – Non-Financial Statement of ENEA Group for 2021

In March 2022, in performance of the obligation imposed by the Accounting Act of 15 December 2016 implementing Directive 204/95/EU, the ENEA Group published the “Non-Financial Statement of ENEA Group for 2021” as a separate but at the same time an integral part of the annual “Management Board Report on the activity of ENEA S.A. and the ENEA Group in 2021”.

The document’s importance goes beyond the Group’s performance of its obligations. Any persons, organizations and institutions interested in it may find there key information on the Group’s involvement for the pursuit of the UN Sustainable Development Goals. For environmental, employee and social issues as well as for human rights and anti-corruption matters, not only the internal policies and procedures in place are presented, but also the outcomes of the endeavors made in each area.

This year’s Non-Financial Statement notes three particularly important issues:

- in December 2021, the “Development Strategy of the ENEA Group until 2030 with an outlook to 2040” was updated; the primary objective of the document is the Green Change, understood as a sustainable transition of the Group leading to an increase in its value, while pursuing a long-term goal of achieving climate neutrality by 2050. The ENEA Group intends to achieve climate neutrality by developing renewable energy sources. The increase in the installed RES capacity will be achieved through acquisitions, the development of own projects and in collaboration with business partners. The whole strategy is aligned with the goals of Poland’s energy transition;
- the Group has increased its emphasis on effective management of climate issued – for the first time, in addition to the reporting of direct (Scope 1) greenhouse gas emissions, the ENEA Group has reported indirect (Scope 2) greenhouse gas emissions, calculated using the location-based method, where both emission categories are expressed in metric tons of carbon dioxide equivalent;
- the ENEA Group has identified and reported for the first time its compliance with the EU classification of sustainable activity (Taxonomy), by disclosing how and to what extent the Group’s business involves economic operations that may be classified as environmentally sustainable.

The Statement was developed in accordance with the international GRI Standards, which means that:

- the Stakeholder perspective was taken into account (through a survey) in the stage of determining the scope of reported non-financial information and the so-called “material aspects of reporting”,
- the Statement used the ratios as recommended by the GRI reporting standards,
- in accordance with the guidelines in GRI Standards, the ratios related to the number of Employees, the data was presented as at the last day of the reporting period, i.e. as at 31 December 2021.

In addition to this Statement for 2021, the ENEA Group plans to publish a separate online “ESG Report of ENEA Group 2021” in H1 2022, which will be available at <https://raport2021.esg.enea.pl/> with information on the ENEA Group’s corporate governance and its influence on the society and the environment. This is a continuation of the Group’s policy of reporting on sustainable development since 2011.

11. Appendices

Appendix 1 - Statement of profit and loss of ENEA Operator in Q1 2022

[PLN 000s]	Q1 2021	Q1 2022	Change	% Change
Revenue from sales of distribution services to end users	761,945	819,075	57,130	7.5%
Revenue from additional fees	968	1,026	58	6.0%
Revenue from non-invoiced sale of distribution services	25,694	14,134	-11,560	-45.0%
Settlement of the balancing market	2,245	-419	-2,664	-118.7%
Grid connection fees	10,347	14,298	3,951	38.2%
Revenue from illegal consumption of electricity	2,917	2,872	-45	-1.5%
Revenue from services	7,248	7,518	270	3.7%
Revenue from sales of distribution services to other entities	6,075	5,719	-356	-5.9%
Revenue from sales of goods and materials and other revenue	349	313	-36	-10.3%
Revenue from sales	817,788	864,536	46,748	5.7%
Depreciation of fixed assets and amortization of intangible assets	162,513	168,447	5,934	3.7%
Employee benefit costs	130,318	147,474	17,156	13.2%
Consumption of materials and supplies and cost of goods sold	8,082	10,056	1,974	24.4%
Purchase of energy for own needs and grid losses	76,830	134,810	57,980	75.5%
Costs of transmission services	104,631	110,995	6,364	6.1%
Other third-party services	68,280	69,285	1,005	1.5%
Taxes and charges	60,145	68,305	8,160	13.6%
Tax-deductible expenses	610,799	709,372	98,573	16.1%
Other operating revenue	11,796	20,452	8,656	73.4%
Other operating costs	11,447	40,971	29,524	257.9%
Profit/ (loss) on the sale and liquidation of property, plant and equipment	(566)	(238)	328	58.0%
Operating profit / (loss)	206,772	134,407	-72,365	-35.0%
Finance income	477	537	60	12.6%
Finance costs	14,846	30,723	15,877	106.9%
Profit / (loss) before tax	192,403	104,221	-88,182	-45.8%
Income tax	38,100	20,783	-17,317	-45.5%
Net profit / (loss) for the reporting period	154,303	83,438	-70,865	-45.9%
EBITDA	369,285	302,854	-66,431	-18.0%

ENEA Operator – key EBITDA drivers in Q1 2022 (down by PLN 66.4 million):

- (+) an increase in revenue from sales of distribution services to end users by PLN 46 million was driven mainly by higher volume of energy supplied as well as higher rates in the approved 2022 tariff
- (-) costs of purchasing transmission and distribution services (balance) up by PLN 7 million
- (+) an increase in revenue from grid connection fees by PLN 4 million was driven by a higher number of connections effected in RES connection group III and in connection groups IV and V – buyers
- (-) an increase in costs of purchasing electricity to cover the balancing difference (balance) by PLN 61 million, chiefly as a result of an increase in wholesale prices with delivery in 2022
- (-) an increase in operating costs by PLN 28 million resulting mainly from higher employee benefit costs and higher costs of taxes and charges
- (-) a decrease in result on other operating activities by PLN 21 million, driven mainly by the balance of accidental losses – mass failures, which occurred in Q1 2022, as well as lower revenue from removing collisions

Appendix 2 - Statement of profit and loss of ENEA Wytwarzanie in Q1 2022

[PLN 000s]	Q1 2021	Q1 2022	Change	% Change
Revenue from sales of electricity	1,151,493	1,848,673	697,180	60.5%
generation license	1,092,641	1,773,816	681,175	62.3%
trading license	50,497	63,568	13,071	25.9%
Regulatory System Services	8,355	11,289	2,934	35.1%
Revenue from the Capacity Market	149,405	159,945	10,540	7.1%
Revenue from certificates of origin	91	0	-91	-100.0%
Revenue from sales of heat	393	5,021	4,628	1,177.6%
Revenue from sales of other products and services	1,339	1,418	79	5.9%
Revenue from sales of goods and materials	4,842	6,897	2,055	42.4%
Net revenue from sales	1,307,563	2,021,954	714,391	54.6%
Revenue from leases and operating subleases	111	116	5	4.5%
Net revenue from sales and other income	1,307,674	2,022,070	714,396	54.6%
Depreciation of fixed assets and amortization of intangible assets	57,742	62,558	4,816	8.3%
Employee benefit costs	67,177	73,507	6,330	9.4%
Consumption of materials and supplies and cost of goods sold	857,915	1,390,763	532,848	62.1%
Purchase of energy for subsequent sale	110,542	231,785	121,243	109.7%
Transmission services	2	0	-2	-100.0%
Other third-party services	27,363	21,978	-5,385	-19.7%
Taxes and charges	19,800	19,179	-621	-3.1%
Tax-deductible expenses	1,140,541	1,799,770	659,229	57.8%
Other operating revenue	2,709	2,730	21	0.8%
Other operating costs	2,101	2,968	867	41.3%
Profit / (loss) on the sale and liquidation of property, plant and equipment	12	4	-8	-66.7%
Operating profit / (loss)	167,753	222,066	54,313	32.4%
Finance income	57	1,904	1,847	3,240.4%
Finance costs	22,947	35,012	12,065	52.6%
Profit / (loss) before tax	144,863	188,958	44,095	30.4%
Income tax	27,929	36,282	8,353	29.9%
Net profit / (loss) for the reporting period	116,934	152,676	35,742	30.6%
EBITDA	225,495	284,624	59,129	26.2%

ENEA Wytwarzanie – key EBITDA drivers in Q1 2022 (up by PLN 59.1 million):

- (+) generation margin up by PLN 91.6 million
- (+) revenue from the Capacity Market up by PLN 10.5 million.
- (+) revenue from Regulatory System Services up by PLN 2.9 million
- (-) trading and Balancing Market margin down by PLN 40.6 million
- (-) fixed costs up by PLN 3.7 million
- (-) other drivers down by PLN 1.6 million

Appendix 3 - Statement of profit and loss of ENEA Elektrownia Połaniec in Q1 2022

[PLN 000s]	Q1 2021	Q1 2022	Change	% Change
Revenue from sales of electricity	588,534	1,096,965	508,431	86.4%
generation license	418,683	912,329	493,646	117.9%
trading license	165,573	180,082	14,509	8.8%
Regulatory System Services	4,278	4,554	276	6.5%
Revenue from the Capacity Market	59,750	62,970	3,220	5.4%
Revenue from certificates of origin	52,156	82,996	30,840	59.1%
Revenue from sales of heat	16,556	19,305	2,749	16.6%
Revenue from sales of other products and services	1,323	1,339	16	1.2%
Revenue from sales of goods and materials	584	964	380	65.1%
Excise duty	18	14	-4	-22.2%
Revenue from sales and other income	718,885	1,264,525	545,640	75.9%
Depreciation of fixed assets and amortization of intangible assets	18,364	24,117	5,753	31.3%
Employee benefit costs	18,278	19,858	1,580	8.6%
Consumption of materials and supplies and cost of goods sold	395,875	794,329	398,454	100.7%
Purchase of energy for subsequent sale	173,705	181,120	7,415	4.3%
Transmission services	95	96	1	1.1%
Other third-party services	60,053	56,549	-3,504	-5.8%
Taxes and charges	8,255	8,816	561	6.8%
Tax-deductible expenses	674,625	1,084,885	410,260	60.8%
Other operating revenue	448	1,459	1,011	225.7%
Other operating costs	322	497	175	54.3%
Operating profit / (loss)	44,386	180,602	136,216	306.9%
Finance income	7	890	883	12,614.3%
Finance costs	2,340	5,307	2,967	126.8%
Profit / (loss) before tax	42,053	176,185	134,132	319.0%
Income tax	37,297	33,826	-3,471	-9.3%
Net profit / (loss) for the reporting period	4,756	142,359	137,603	2,893.3%
EBITDA	62,750	204,719	141,969	226.2%

ENEA Elektrownia Połaniec – key EBITDA drivers in Q1 2022 (up by PLN 142.0 million):

System Power Plants Segment (EBITDA down by PLN 132.6 million):

- (+) generation margin up by PLN 122.4 million
- (+) trading and Balancing Market margin up by PLN 7.1 million
- (+) revenue from the Capacity Market up by PLN 3.2 million
- (+) revenue from sales of Regulatory System Services up by PLN 0.3 million
- (-) fixed costs up by PLN 0.2 million

RES Segment (EBITDA up by PLN 13.7 million):

- (+) RES energy production margin up by PLN 28.4 million
- (+) fixed costs down by PLN 0.9 million
- (-) Green Block's margin on sales of green certificate inventories down by PLN 14.5 million
- (-) other variable costs up by PLN 1.0 million

Heat Segment (EBITDA up by PLN 4.4 million):

- (-) margin on heat down by PLN 4.3 million due to: higher cost of CO₂ by PLN 5.1 million, higher cost of coal by PLN 0.8 million, higher sales of heat by PLN 1.2 million, higher production volume by PLN 0.4 million
- (-) fixed costs up by PLN 0.1 million

12. Glossary of terms and abbreviations

This is a glossary of terms and abbreviations used in this report. Definitions and calculation methodologies of alternative performance measures are the same as the definitions and calculation methodologies of the same measures used in the activity reports / additional information forming part of ENEA Group's previous periodic reports. Some of the definition may are also included in the glossary of terms and abbreviations available on the Company's website at <https://ir.enea.pl/slownik>.

Information on the individual measures calculated for respective reporting periods is monitored on a regular basis and presented in the Company's successive periodic reports. The presented measures are typical ratios used in financial analysis with special consideration of the industries, in which the ENEA Group operates.

Financial ratios	Item
CAPEX	Capital expenditures on property, plant and equipment, intangible assets and right-to-use asset
Current receivables turnover in days	Average balance of trade and other receivables x days / Revenue from sales and other income
Trade and other payables turnover in days	Average balance of trade and other payables x days / Cost of products, goods and materials sold
Inventory turnover in days	Average balance of inventories x days / Cost of products, goods and materials sold
Net debt / EBITDA	(Loans, borrowings and non-current and current debt securities + non-current and current finance lease liabilities + non-current and current financial liabilities measured at fair value - cash and cash equivalents - non-current and current financial assets at fair value - non-current and current debt financial assets measured at amortized cost - other current investments) / EBITDA LTM
EBITDA	Operating profit (loss) + depreciation and amortization + impairment losses on non-financial non-current assets
EBITDA LTM	EBITDA for the last 12 months
EBIT	Operating profit (loss)
External financing	Sum of the following items of the Statement of cash flows: Loans and borrowings received, Issue of bonds, Repayment of loans and borrowings, Redemption of bonds
Operating expenses	Depreciation and amortization; Employee benefit costs Consumption of materials and supplies and cost of goods sold; Purchase of energy and gas for subsequent sale; Transmission services; Other third-party services; Taxes and charges
Cost of goods and materials sold	Consumption of materials and supplies and cost of goods sold; Purchase of energy for resale; Transmission services; Other third-party services; Taxes and charges; Excise duty
Fixed costs	Costs that are independent of the electricity production volume. In a power plant, these costs include: payroll costs and charges, depreciation and amortization, costs of consumption of materials and supplies, costs of third-party services, costs of taxes and charges and other fixed costs
Own costs	Direct and indirect selling costs of ENEA S.A. and ENEA Trading
Margin on heat	Margin on sales of heat calculated as the difference between revenue from sales of heat and its variable production costs
Margin on trading	Difference between revenue from sales of electricity purchased in trading operations and the costs of purchasing electricity incorporating the result on sales of CO ₂
Margin on RES energy production	Margin on sales of energy and production of green certificates from the Green Unit, calculated as the difference between revenue from sales of energy and from the valuation of certificates produced and the variable costs of producing them
Margin on the Balancing Market	Difference between revenue from sales of electricity purchased on the balancing market and the costs of purchasing that electricity incorporating the result on CO ₂ sales
Margin on generation	Difference between revenue from sales of electricity produced and revenue from certificates, and the variable costs related to production of that electricity
Margin from licensed activities	Margin from licensed activities is a management indicator incorporating revenues and costs related to business activity involving distribution of electricity to customers located in a specified area. Those include primarily: revenue from sales of distribution services to end users, costs of transmission and distribution services, costs of electricity purchased to cover the balancing difference and for own needs, revenue from grid connection fees for connection to ENEA Operator's grid.
Green Block's margin on sales/remeasurement of green certificate inventories	Margin on the sale of green certificates from the Green Block calculated as a difference between revenue from sales and the cost of sales of the certificates, which takes into account the updated inventories of green certificates, i.e. the updated average weighted price of the inventory of certificates to market price in case their market price drops significantly
Coverage of non-current assets with equity	Equity / Non-current assets
Operating profitability	Operating profit (loss) / Revenue from sales and other income
Return on equity (ROE)	Net profit (loss) for the reporting period / Equity
Return on assets (ROA)	Net profit (loss) for the reporting period / Total assets
Net profitability	Net profit (loss) for the reporting period / Revenue from sales and other income
EBITDA profitability	EBITDA / Revenue from sales and other income

Adjusted first contribution margin	Margin on retail trading of electricity and gaseous fuel earned by ENEA S.A., presented together with wholesale sales of ENEA Trading adjusted for presentation by other conditional factors, such as costs of provisions for claims of terminated PMOZE agreements, revenues and costs from sales and purchases of CO ₂ emission allowances, valuation of CO ₂ contracts, forward transactions for energy, gas and property rights presented in operating activities.
Result on other operating activities	Change in the following items: Other operating revenue, Other operating costs, Profit/loss on a change, sale and liquidation of property, plant and equipment
Current liquidity ratio	Current assets / Current liabilities
Total debt ratio	Total liabilities / Total assets
Change in working capital	An item of the statement of cash flows

Abbreviation/term	Full name/definition
ACER	European Union Agency for the Cooperation of Energy Regulators
Advanced Metering Infrastructure (AMI)	Advanced Metering Infrastructure, advanced metering and billing systems with two-way metering and billing, smart meters A mechanism introduced by the Capacity Market Act of 8 December 2017 (Journal of Laws 2020, Item 247). In capacity auctions, electricity producers offer the operator a capacity obligation for the duration of a delivery period, which means that they undertake to maintain readiness in the delivery period to deliver the specified electric power output to the system and to deliver the specified electric power output to the system in emergency periods.
Capacity auction	
BAT	Best Available Techniques – a document drawing conclusions on best available techniques for the installations concerned and indicating the emission levels associated with the best available techniques.
CDS (Clean dark spread)	Difference between revenue from sales of electricity produced and the variable costs related to production of that electricity (unit CO ₂ cost and unit cost of coal including transportation).
Price of euro-peak ("PEAK")	Contract price for delivery of the same volume of electricity in euro-peak (i.e. from 7:00 a.m. to 10:00 p.m. on business days)
Baseload price (BASE)	Contract price for delivery of the same volume of electricity in each hour of the day
CER	Certified Emission Reduction – the unit of certified emission reduction
CO	Carbon monoxide
CO₂	Carbon dioxide
CSR (Corporate Social Responsibility)	Corporate Social Responsibility. Responsibility of an organization for the impact exerted by its decisions and actions on society and the environment; it is ensured by transparent and ethical conduct, which: - contributes to sustainable development, including wellbeing and health of the society, - takes stakeholder expectations into account, - complies with the applicable law and consistent with international standards of conduct, - is integrated with the organization's activities and is practiced in its relations.
IED	Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 concerning industrial emissions. It tightens the standards for emissions of sulfur dioxide, nitrogen oxides and dust from combustion plants
ENTSO-e	European Network of Transmission System Operators for Electricity (ENTSO-E), which is an association of 43 electricity transmission system operators (TSOs) from 36 countries in Europe. The organization was created in December 2008 and operates on the basis of the Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003
EUA	EU Emission Allowance - emission allowance under the European Emissions Trading System
EU ETS European Emissions Trading System	A European scheme to promote the reduction of greenhouse gas emissions
GWh	Gigawatt-hour
HCL	Hydrogen chloride
HF	Hydrogen fluoride
Hg	Mercury
ICE	Platform for trading EU CO ₂ Emission Allowances (EUAs) and Certified Emission Reduction units (CERs) on the futures market
ICT	Information and Communication Technologies.
SCR installation	Catalytic flue gas denitrification installation
Stakeholder	A person or group of persons interested in decisions or activities of an organization. A stakeholder is anyone who influences an organization and anyone influenced by it.
IT	Information technology. Computer hardware and software as well as tools and other techniques related to the collection, processing, transmission, storage, protection and presentation of information.
Combined heat and power generation	A technological process of simultaneous generation of electricity and useful thermal energy in a CHP plant
Polish Power System	A collection of devices used to generate, transmit, distribute, store and use electricity, connected together in a functional system supporting continuous and uninterrupted supply of electricity in Poland.
Supply chain	A sequence of actions or parties supplying products or services to an organization.

Value chain	A sequence of actions taken by a company to develop, create, sell and deliver a product or service and then provide after-sales services.
Location-based method	A method of estimating Scope 2 greenhouse gas emissions, which uses the average emission intensity in a given geographic region.
Mg	Megagram, or a ton.
MWe	Megawatt of electrical power
MWh	Megawatt-hour (1 GWh = 1,000 MWh)
MW_t	Megawatt of thermal power
NH₃	Ammonia.
Nm³	Normalized cubic meter of gas, i.e. the number of cubic meters that the gas would occupy in normal conditions.
NO_x	Nitrogen oxides
Transmission System Operator	Polskie Sieci Elektroenergetyczne S.A., a company wholly-owned by the State Treasury, which owns highest voltage grids and therefore is the operator of the power transmission system.
Origination	ENEA Trading's commercial activity involving predominantly the execution of non-standard purchases of electricity from generators other than direct participants of the wholesale market, obtained from renewable energy sources and other distributed sources, such as cogeneration plants, incineration plants and industrial plants. The electricity purchased by ENEA Trading is then sold on the wholesale electricity market or is used by the ENEA Group.
DSO	Distribution System Operator
DSOn	A Distribution System Operator, whose distribution network has no direct connection with the TSO's transmission network.
TSO	Transmission System Operator
RES	Renewable energy sources
"White" Property Rights	Common name of PMEF, PMEF_F, PMEF-XXXX instruments
"Blue" Property Rights	Common name of PMOZE-BIO instruments
"Green" Property Rights	Same as PMOZE
PMOZE	Property rights under certificates of origin for energy from renewable sources
PMOZE - BIO	Property rights under certificates of origin of electricity from agricultural biogas plants
PSCMI 1	Reflects the price level of class 20-23/1 fine steam coal in sales to commercial and industrial energy sector.
Energy Law	Act of 10 April 1997 - Energy Law (Journal of Laws 2019 Item 755).
Prop – Trading	ENEA Trading's activity consisting of trading in contracts listed on commodity exchange markets on the company's own account.
Prosumer	A person who generates electricity from renewable energy sources for own needs using a micro-installation, capable of storing energy and transferring surplus energy to the power grid
PV	Photovoltaics
RDF	Refuse Derived Fuel - fuel produced from waste with a high calorific value.
DAM	Day-Ahead Market (DAM) has been operating since 30 June 2000. It is a spot electricity market in Poland. Since the beginning of quotation, DAM prices are a benchmark for energy prices in bilateral contracts in Poland. The DAM is intended for the companies that want to actively and safely close their electricity purchase/sales portfolios on an ongoing basis at particular hours of the day
Balancing market	Technical market operated by TSOs. Its objective is to ensure real-time balancing of demand for electricity and its production in the Polish Power System (NPS)
SPOT market	Cash market (spot)
Forward market	Electricity market where forward products are listed
SCR (Selective Catalytic Reduction)	Catalytic flue gas denitrification installation – it operates based on the principle of reduction of nitrogen oxides to atmospheric nitrogen on the surface of a catalyst, using substances containing ammonia.
Smart Grid	Smart electrical grids, which feature communication between all the participants on the energy market, in order to supply energy services at lower costs, enhance efficiency and integrate dispersed energy sources, including renewable energy sources.
MV	Medium voltage grid, in which the phase-to-phase voltage ranges from 1 kV to 60 kV
SO₂	Sulfur dioxide
POLPX	Polish Power Exchange

TWh	Terawatt-hour
ERO	Energy Regulatory Office
Energy Law	Act of 10 April 1997 entitled Energy Law
HV	High voltage grid. An electric power transmission grid, in which the phase-to-phase voltage ranges from 60 to 200 kV (in Poland: 110 kV). This grid is used to transmit electricity over large distances.
RAB	Regulatory Asset Base
Scope 1	Direct CO ₂ emissions resulting from fuel combustion in stationary or mobile sources owned by an organization or under its control, emissions resulting from manufacturing or processing or fugitive emissions of coolants.
Scope 2	Electricity indirect CO ₂ emissions resulting from the generation of consumed electricity, heat, processing steam and cooling, purchased or supplied from outside.
Sustainable development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs and considers the expectations of the surrounding communities and societal, environmental and economic challenges. It enables permanent increase of the value of an organization and rational management of resources.

Signatures of the Management Board

Date of approval and publication of "Additional information to the extended consolidated report of ENEA S.A. for Q1 2022" – 24 May 2022.

Signed by:

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