



Report of the Management Board on the operations of ENEA S.A. and ENEA Group in FY 2019

Poznań, date of approval and publication: 4 June 2020

Letter from the President of the Management Board and CEO

Dear Stakeholders,

We are publishing the 2019 results in unique circumstances: for several months now, the economy has been operating in the epidemic environment, which poses challenges facing Poland and other countries all over the world. By taking swift action, we have secured stable and uninterrupted operation of the ENEA Group, by maintaining continuity of operation of all our companies and ensuring uninterrupted supply of electricity to our clients. When the state of epidemic threat was announced in Poland, the Enea Group adopted a modified work organization framework and special safety procedures in conforming to the recommendations issued by the Minister of Health and the Chief Sanitary Inspectorate. During this special time, our employees have been performing their assigned tasks with responsibility and commitment. I would like to extend my sincere gratitude to all our employees, clients, partners and other stakeholders for this immense effort.

At this time, we should also emphasize our considerable involvement in supporting governmental and civic initiatives combating the coronavirus epidemic. The ENEA Foundation and Group companies joined in to support hospitals from the area of the Group's operation. Through the Foundation, we donated PLN 3.5 million among others for specialist medical equipment and the necessary hygiene and protection measures. On top of that, Lubelski Węgiel Bogdanka donated PLN 740 thousand to support medical centers in the lubelskie voivodship.

Recently, some of the regulations related to the state of epidemic in Poland and affecting the operation of companies and the economy, have been mitigated. It is becoming important to return as soon as possible to the implementation of the accepted business plans and objectives. The Enea Group will continue to actively support Poland's economic growth, in particular sustainable development and transformation of the fuel and energy sector, among others by carrying out responsible investments, undertaking additional initiatives, which improve its operating efficiency and by optimizing the Group's business model.

In December 2019, in response to the sector's changing operating conditions and the clear trends supported by regulations at the European and local level, we updated the ENEA Group Development Strategy, setting clear targets for 2030 with an outlook to 2035. The commitment to implement the accepted development directions and objectives is very important, especially now, as we observe economic slowdown caused by the state of epidemic. I am certain that we, as the Enea Group, have the necessary potential to achieve our ambitions as detailed in our plans.

Stable and robust financial and operating results

2019 was a challenging year for the power sector, with the higher pace of changes in the market environment and increasing pressure to accelerate transformation of operations in the fuel and energy sector. In Poland and Europe alike, we observed how the trends from previous years continued, driving the changes in the business and regulatory environment. Their impact on the whole sector offers a chance to grow and transform towards the low-emission energy industry. The changes in the EU climate policy framework, the pressure to develop renewable energy sources faster, including photovoltaic sources and offshore wind farms, or development of prosumer energy production – those are some of the issues that set the course for the industry and had a significant impact on power generation and trading segments.

We generated robust financial results in 2019. ENEA Group increased its EBITDA of PLN 3,410 million, up by nearly 45% from the previous year. Revenues reached of PLN 16,401 million, increasing more than 29% compared to 2018. During that period, we produced roughly 26 TWh of electricity. The volume of sales of electricity and gaseous fuel to retail customers was 20.3 TWh. Total revenue from sales of electricity and gaseous fuel increased in 2019 (without compensation) by PLN 2,879 million as compared to 2018.

The planned capital expenditures were executed as previously assumed. Out of the executed amount of PLN 2,181 million, some PLN 238 million was spent directly on pro-environmental projects.

The Group steadily increases its renewable generation capacity (by 12.5 p.p. y/y), with the largest increases in energy production in the wind farms area (42%). According to the updated Development Strategy for the ENEA Group, in 2030 we will have increased the share of RES in total energy production more than fourfold.

Responsibility for the environment

The ENEA Group is an active participant in the transformation of the Polish energy sector. Our goal is to achieve sustainable development in the entire value chain by using cutting-edge environmentally-friendly technologies. The planned responsible transformation of our generation assets will increase efficiency of energy production and reduce unit CO₂ emissions levels significantly. In 2019, we started important modernization works at the Połaniec Power Plant. The project is part of the plant's program of adaptation to strict European environmental standards, including BAT conclusions. By the end of this year, electrostatic precipitators will be upgraded in six power units. The work will be conducted during the scheduled overhauls of the individual units and therefore will not affect the ongoing operation of the plant. These activities also entail an upgrade of the desulfurization installation, which is to be completed in early 2021. The Koźienice Power Plant is also upgrading its generating units to comply with the BAT conclusions. The work on two units was completed in 2019 and on three additional ones will be performed during the planned shutdowns in 2020.

Modern distribution network

The largest capital expenditures in 2019 were made in distribution. The power grid modernization program cost PLN 1.0 billion. ENEA Operator completed the largest grid project in its history – a thorough redevelopment of the 110 kV Morzyczyn-Drawski Młyn line. After the redevelopment, the line (240 km in length) significantly improves energy security in north-western Poland. The distribution company improved its energy supply reliability indicators, where the average time of unscheduled interruptions for clients from the North-Western part of Poland was reduced from 152 to less than 124 minutes. The result achieved in 2019 is nearly half an hour better than it was before.

Our capital expenditure projects support and implement the assumptions of the national plan to increase the share of RES in the energy mix. The upgrades of our power infrastructure raise the capacity of the grid to accept energy from dispersed renewable energy sources connected to the DSO grid. In 2019 alone, ENEA Operator connected 12.7 thousand micro-installations with the combined capacity of nearly 90 MW. The increases in the connection capacity goes hand in hand with the change in the network management philosophy, according to which a system must increasingly be able to handle two-way flows.

The Group's development plan also includes projects associated with electromobility and related infrastructure. We are joining the initiatives to build an electric vehicle charging network in cooperation with, among others, Polish Post, Kolejowe Zakłady Łączności and the West Pomeranian University of Technology.

Stable fuel source for power plants

Lubelski Węgiel Bogdanka is the main supplier of fuel to ENEA Group's two power plants. Last year, the Company recorded nearly 9.5 million tons of production, up by nearly 5%. In the same period, sales of coal increased by 4.7%. The LWB Group posted revenue from sales of PLN 2,158 million and EBITDA of PLN 771 million.

Socially responsible employer, development of human capital

The key elements of the ENEA Group's social responsibility and sustainable development policy include: investments in human resources, protection of the environment, commitment to relations with local communities and support for the areas that are not directly related to the company's operations. Our goal is to maintain good relations with local communities and an open and constructive dialog with our social stakeholders. For years, we have been accompanying our employees and their communities in projects supporting, among others, education, sports, health prevention, protection of the environment, people in need and seniors. In 2019, we put special emphasis on development of the endorsed schools and dual studies project Our "Current is not so terrible" campaign, in which we are teaching the youngest how to be safe with electricity, was recognized in the Ranking of the Responsible Business Forum as the most valuable program for the public in the last 30 years.

As a responsible employer, we are investing in employee development, fostering the improvement of leadership and merit-based competence related to the areas of our activity. We invite employees to take an active part in development activities, customized to match the needs of the participants and our organization. We subsidize learning under lifelong learning programs, we create opportunities to improve language competences in our units and at positions that require it. We educate employees and develop their competences by offering e-learning courses, webinars and information brochures on how to build a friendly working environment based on the values of the ENEA Group.

Update of the development strategy in response to changes in the sector's environment

We are actively participating in the transformation of the Polish energy sector. Our updated Development Strategy of the ENEA Group assumes an increase in the share of zero- and low-emission generation sources in total electricity production. In 2030, it will reach 41% of production and 60% by 2035. A sustainable and responsible transformation of our generation assets will reduce unit CO₂ emissions levels significantly. The other important pillar of the transformation process will be offering new integrated products and services diversifying the Group's current activity using advanced digital and IT technologies (Internet of Things, Blockchain, etc.), which will create added value for the company as well as its shareholders and customers.

Please read the summary of activity of the ENEA Group in 2019. On behalf of the ENEA the Management Board, thank you to all the members of the Supervisory Board, management boards of companies and all of the Group's employees for professional and effective activity, through which we can build and strengthen the value of the ENEA Group together.

Sincerely,

Mirosław Kowalik
President of the Management Board of ENEA S.A.

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ENEA Group in numbers



ENEA has 17.3K Employees

MINING

20.8%
share in steam coal market
in Poland

445 m tons
of extraction potential
from 3 licenced areas

9.5 m tons
of net coal production
in FY 2019

GENERATION

6.3 GW
of total installed electrical
capacity

443 MW
of installed RES capacity

25.9 TWh
of total net electricity production
in FY 2019

DISTRIBUTION

2.6 m
Users of distribution services

118.4K km
of distribution lines including
connections

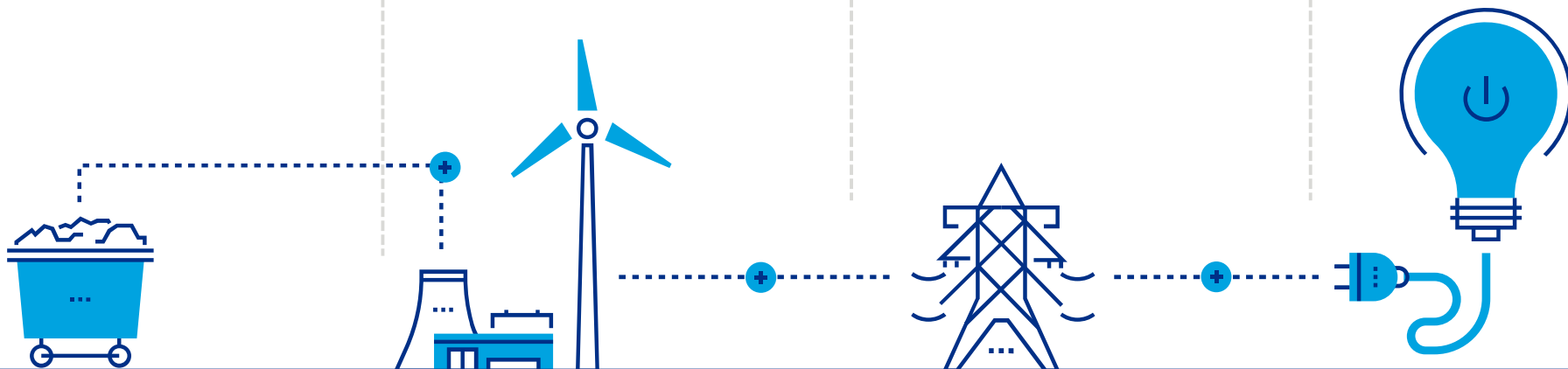
19.8 TWh
supplied energy

TRADING

2.5 m
Customers

20.3 TWh
Annual sales of electricity and
gaseous fuel
to retail customers in FY 2019

32
Customer Service Offices



1. Operating summary

In 2019 ENEA Group generated EBITDA of PLN 3,410 million (up by PLN 1,062 million y/y).



The highest EBITDA of PLN 1,594 million was earned in the Generation area (up by PLN 726 million y/y). The area result was positively affected by an increase in market energy prices caused by higher CO₂ and production fuel prices, and reversal of the provision for the Skoczylody wind farm (in the amount of PLN 129 million).



The Mining area generated EBITDA of PLN 771 million, (up by PLN 301 million y/y). The area result was impacted by higher sales of coal (due to higher net production) and a higher sale price.



The Distribution area posted EBITDA of 1,090 million (down by PLN 21 million y/y). The lower performance was driven by higher revenues from the insurer in the corresponding period of the previous year (compensation payments for windstorms that occurred in 2017) and higher provisions related to grid assets.



The Trading area posted EBITDA of 23 million (up by PLN 99 million y/y). The segment result was increased by a compensation received and the price difference amount and a change in provisions related to onerous contracts. The segment result was adversely affected by a decrease in the first contribution margin (an increase in energy purchase costs and costs of environmental obligations in retail trading, as well as an increase in CO₂ emission allowances in wholesale trade).



- ENEA Group made CAPEX of PLN **2,181 million**.
- Production and sales of commercial coal stood at over **9 million tonnes**.
- The Group produced about **26 TWh** of electricity.
- Sales of heat in the Generation Segment amounted to **6,518 TJ**.
- Sales of distribution services to end users were **19.8 TWh**.
- Volume of sales of electricity and gaseous fuel to retail customers was **20.3 TWh**.



- Higher revenue from sales of electricity
- Higher revenue from sales of coal
- Higher revenue from sales of gas



- Lower revenue from sales of heat
- Higher costs of purchase of electricity and gas
- Higher costs of consumption of materials and supplies

1.1. Key events in FY 2019

Q1

- Execution of an agreement between ENEA and Electric Power Research Institute (EPRI) on cooperation in research projects on energy storage and dispersed generation.
- LW Bogdanka honoured with the Mining Success of the Year award in the Innovation category for its roadway drivage technology.
- Initiation of a research and development project “System of power and energy balancing and of monitoring the quality of electricity supply from dispersed sources and energy storage tanks” (MoBiSys) – implemented by ENEA Operator together with AGH University of Science and Technology in Cracow.
- Construction of a photovoltaic (PV) power plant with power connections (with a total nominal capacity of 420 kW) in the area of the West Pomeranian Oncology Centre in Szczecin.
- In January 2019, LW Bogdanka broke its record in monthly extraction – 903,500 tonnes of commercial coal (the previous record was set in 2014).
- Construction and launch by ENEA Serwis of six charging stations for electric vehicles located next to the offices of the Distribution Branches of ENEA Operator.
- Announcement by ENEA Operator, Tauron Dystrybucja and PGE Dystrybucja of a joint tender for the purchase of more than 235,000 electricity meters, of which ENEA Operator accounts for 45,000 meters.
- Execution of an agreement between PSE, ENEA Operator and Tauron Dystrybucja on the coordination of the development of the transmission and distribution networks, under which a new substation will be built in the vicinity of Żagań, and the network of power lines will be expanded in the region. The total value of the project will exceed PLN 100 million.
- Adaptation of the Trading Area to new legal regulations in connection with the entry into force of the Act of 28 December 2018 amending the Excise Duty Act and certain other acts and the Act of 21 February 2019 amending the Act on amending the Excise Duty Act and certain other acts (to be carried out throughout 2019), the Act on Greenhouse Gas and Other Substances Emission Management System, the Act on amending the Act on Biocomponents and Liquid Biofuels and certain other acts and the Act on Promotion of Electricity from High Efficiency Cogeneration.

Q2

- On 30 April 2019, ENEA S.A. concluded a memorandum of understanding with Energa S.A. on financing the construction project of a new coal unit – the planned Ostrołęka C power plant in Ostrołęka with a gross capacity of 1,000 MW.
- Elections of employee representatives to the Supervisory Board of ENEA S.A. were held. All ENEA Group employees were eligible to cast their votes. Mariusz Pliszka, Maciej Mazur and Michał Dominik Jaciubek were elected as employee representatives to the Supervisory Board of ENEA S.A.
- On 16 May 2019, the Supervisory Board of the Company adopted resolutions on appointing for a new joint term of office:
 - Mirosław Kowalik to the position of President of the Management Board of ENEA S.A.,
 - Piotr Adamczak to the position of Member of the Management Board of ENEA S.A. for Commercial Affairs,
 - Jarosław Ołowski to the position of Member of the Management Board of ENEA S.A. for Financial Affairs,
 - Zbigniew Piętka to the position of Member of the Management Board of ENEA S.A. for Corporate Affairs.
- On 26 June 2019, ENEA S.A. issued bonds with a value of PLN 1 billion under the domestic bond programme up to the maximum amount of PLN 5 billion.
- On 29 June 2019, ENEA Wytwarzanie signed a letter of intent with the Jedlińsk commune regarding RES investment within its territory. It is the 7th municipality with which ENEA formalised cooperation in the field of renewable energy sources.



Q3

- MEC Piła applied to the National Fund for Environmental Protection and Water Management for co-financing of the project of a new cogeneration plant combining a heat source with a RES installation. The new plant, consisting of three gas-powered units, will help reduce emissions and smog formation. The project value is PLN 48 million.
- On 9 August 2019, a framework agreement was signed between the West Pomeranian University of Technology in Szczecin and ENEA Operator. The cooperation concerns analytical and conceptual works and consulting services.
- On 20 August 2019, ENEA Elektrownia Połaniec signed a contract with GE Power and Stal-Systems for upgrading the electrostatic precipitators (ESPs) in six of its power units. The project is part of Połaniec Power Plant's adaptation program to the BAT conclusions. The upgraded ESPs will improve the environmental parameters of the entire installation. Worth in excess of PLN 210 million gross, the construction works are scheduled for completion in December 2020.
- During a conference on 11 September 2019 in Warsaw, ENEA Operator, PGE Dystrybucja and PGE Systemy signed an agreement on cooperation in the construction of the LTE 450 grid for the needs of the power system.
- LW Bogdanka together with ABB launched an R&D project using advanced data analysis. The aim of the planned solution is to improve the efficiency of extraction by ensuring greater reliability of mining machines. The project is in progress.
- ENEA Operator has completed a thorough redevelopment of the Morzyczyn – Drawski Młyn 110 kV high-voltage transmission line which was started six years ago. The value of the CAPEX investment project, which significantly improves energy security and connection possibilities in the Provinces of Szczecin (West Pomerania), Gorzów Wielkopolski and Zielona Góra (Lubuskie) and Poznań (Greater Poland) in the north-west and west of Poland, exceeded PLN 127 million.
- ENEA Operator commenced the upgrade of the Warszów power substation (110/15 kV) in Świnoujście, north-west Poland. The value of the project is PLN 15.7 million. The CAPEX investment project will also receive EU co-financing in the amount of over PLN 8 million. The completion of the station upgrade is planned by the end of 2021.
- On 30 September 2019, the Management Board of ENEA S.A. decided to carry out an early redemption of series ENEA0220 bonds by 14 October 2019 in order to cancel them.

Q4

- ENEA Group, Poczta Polska and Kolejowe Zakłady Łączności signed a letter of intent for the development of electromobility during Congress 590. The main objectives of the letter are to take advantage of business opportunities and joint implementation of projects, as well as the commitment to exchange experiences related to the use of chargers and electric vehicles. The letter is a part of the Programme for the Development of Electromobility in ENEA Group.
- On 8 October 2019, Presidents of ENEA S.A. and LW Bogdanka S.A., the Bogdanka mine operator, signed a letter of intent concerning the construction of state-of-the-art photovoltaic farms with a capacity of up to 30 MW on the land of the Bogdanka mine. It is yet another project leveraging the synergies of the energy conglomerate ENEA, the majority shareholder of LW Bogdanka, and the mine operator. Under the planned cooperation, PV installations with the total annual electricity generation capacity of approx. 30,000 MWh will be built on the total area of about 55 ha in the coming years. All the zero-emission energy generated in the new installations will be used by LW Bogdanka for the purposes of the mine and its production processes.
- ENEA Group and the National Centre for Agricultural Support have started cooperation on solar power development in Poland. On 11 October 2019, ENEA and its subsidiary ENEA Wytwarzanie signed a tripartite letter of intent with the National Support Centre for Agriculture to start a cooperation on the development of large-size solar photovoltaic farms on agricultural land. This initiative will contribute to achieving an overall rise in the share of renewable energy sources (RES) in Poland's energy mix and promoting renewable energy generation in rural areas.
- On 14 October 2019, as a result of the completion of the process of early redemption, ENEA purchased 1,218 series ENEA0220 bonds. Therefore, on 15 October 2019, the Management Board of ENEA S.A. adopted a resolution on cancellation of these bonds. The remaining 8,782 unredeemed series ENEA0220 bonds remain in the possession of bondholders and will continue to be listed in the Alternative Trading System organised by the BondSpot S.A. The bonds were redeemed on 10 February 2020.
- On 2 December 2019, the Company received a resignation of Paweł Jabłoński from the Supervisory Board, dated 27 November 2019.
- On 3 December 2019, ENEA S.A. issued bonds of the value of PLN 1 billion under the national bond issue programme up to the maximum amount of PLN 5 billion.
- On 30 December 2019, the President of the Energy Regulatory Office (ERO) approved the electricity tariff for G tariff groups for the period from 14 January to 31 March 2020 - the electricity sale price for the recipients in the above tariff groups was approved at the level of 289.37 PLN/MWh on average.

1.2. Events after the reporting period

- On 3 February 2020 the Company received a statement from the Minister of State Assets that the Minister of State Assets has exercised its powers to appoint a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. Based on the aforementioned powers, Mr. Bartosz Nieścior was appointed to the Company's Supervisory Board as of 3 February 2020.
- On 6 February 2020, the Company received a resignation letter from the Supervisory Board Chairman, Stanisław Kazimierz Hebda, dated the same day.
- On 11 February 2020, ENEA Wytwarzanie Sp. z o.o. and GAZ-SYSTEM S.A. signed an agreement to design the connection of Koźienice Power Plant to the GAZ-SYSTEM transmission network. The agreement will open the process of designing a gas connection for the Koźienice 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.
- On 13 February 2020, ENEA S.A. and Energa S.A. concluded a Memorandum of understanding to suspend the financing of the Ostrołęka Power Plant C construction project. On 14 February 2020, Elektrownia Ostrołęka Sp. z o.o. submitted an order to suspend all the works related to the Contract to the general contractor of the Ostrołęka Power Plant C Construction Contract, with the suspension taking effect as of 14 February 2020.
- On 14 February 2020, the Issuer became aware of:
 - (i) an order delivered on 14 February 2020 by Elektrownia Ostrołęka Sp. z o.o., the company executing the project to build Ostrołęka Power Plant C, to the general contractor of the contract to build Ostrołęka Power Plant C, to suspend all the works related to the contract, with the suspension coming into effect on 14 February 2020,
 - (ii) an order issued by Elektrownia Ostrołęka on 14 February 2020 to the contractor under the agreement to redevelop the railway infrastructure for Ostrołęka Power Plant C of 4 October 2019, to suspend the performance of the railway contract with the suspension coming into effect on 14 February 2020.
- On 14 February 2020, in connection with receipt of the audited but not approved financial statements of Polska Grupa Górnicza S.A. (PGG) for 2019, in which PGG recognized an impairment loss for PGG's fixed assets as at 31 December 2019, the Company became aware of the need to recognize an impairment loss on the Company's holding in PGG, and such an impairment loss to the Company's share in PGG's net assets was created.
- On 21 February 2020, the Company and Energa S.A. signed a memorandum of understanding on analyses to be conducted during the period of suspension of work on the Ostrołęka C Project. The memorandum sets out the detailed scope and schedule of analysis of the technical, technological, economic, organizational, legal and financial aspects of the project. According to the assumptions of the parties, the multi-stage analysis process will be completed by 7 May 2020.
- On 21 February 2020, ENEA Wytwarzanie Sp. z o.o. concluded an out-of-court settlement with Fen Wind Farm B.V. based in Amsterdam and Wento Holdings S.à r.l. based in Luxembourg in connection with a court dispute concerning the acquisition by ENEA Wytwarzanie of shares in Eco-Power Sp. z o.o., which owns the Skoczykłody wind farm. The parties were bound by a conditional preliminary agreement for the acquisition of the 100% stake in Eco-Power by ENEA Wytwarzanie from Fen Wind, while Wento guaranteed the performance of Fen Wind's obligations under the preliminary agreement. By its power, the parties terminated the preliminary agreement for the purchase of shares in Eco-Power Sp. z o.o. by ENEA Wytwarzanie Sp. z o.o. with effect on the date of the settlement and unconditionally and irrevocably waived any claims against each other regarding rights to any shares directly or indirectly related to the intended sale of shares in Eco-Power Sp. z o.o. to ENEA Wytwarzanie Sp. z o.o. In this situation, the Group reversed the provision in the amount of PLN 129 million.
- On 19 May 2020, the Issuer received information from Elektrownia Ostrołęka Sp. z o.o., the company currently executing the Ostrołęka C power plant construction project, about the recognition of impairment losses on non-current assets in Elektrownia Ostrołęka in the amount of PLN 1,027.3 million. According to information received from Elektrownia Ostrołęka, these impairment losses were recognized as a result of an impairment test for non-current assets carried out in connection with an update of the business assumptions for the coal-based project. Accordingly, on the same date the Management Board of the Issuer made a decision to recognize an impairment loss on Elektrownia Ostrołęka shares and to write off the loans granted to Elektrownia Ostrołęka along with interest.
- On 27 May 2020 the Company received a statement from the Minister of State Assets that the Minister of State Assets has exercised its powers to dismiss a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. Based on the aforementioned powers, Mr. Bartosz Nieścior was dismissed from the Company's Supervisory Board as of 27 May February 2020.
- On 27 May 2020 the Company received a statement from the Minister of State Assets that the Minister of State Assets has exercised its powers to appoint a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. Based on the aforementioned powers, Mr. Paweł Szczeszek was appointed to the Company's Supervisory Board as of 27 May February 2020.
- On 2 June 2020, the Management Board of ENEA S.A. accepted the final report on analyses conducted in cooperation with Energa S.A. regarding technical, technological, economic, organizational and legal aspects and further financing of the project.
- On 2 June 2020, Enea S.A., Energa S.A. and PKN ORLEN signed a trilateral agreement defining the following key rules of cooperation within the framework of the Gas-Fired Project.

Impact of the COVID-19 coronavirus epidemic on the activity of the ENEA Group

At the end of 2019, information from China started appearing about a threat caused by the SARS-Cov-2 coronavirus causing the COVID-19 disease (“coronavirus”). As at 31 December 2019, the virus operated on a limited area, however during the first months of 2020, the situation developed rapidly and the coronavirus presence reached a global scale (reaching also Poland in early March of this year), which compounded its negative effects on human life and the global economy. At present, the Group’s activity has not been significantly affected by the virus-related threats, however the Management Board is monitoring carefully the situation and the level of the threat, while undertaking numerous actions to minimize the threat of the virus and the possible negative effects of its occurrence. Such activities include, among others, a temporary restriction on business trips and meetings, increased availability and application of cleaning supplies, disinfectants and protective equipment, introduction of appropriate work procedures and monitoring of the directions of employee travels in the context of countries with increased risk levels. In respect to reorganization of work, remote or rotational working has been introduced in all the areas where it was possible without interruption to critical processes. Additionally, key activities also include adaptation of the procedures in effect in the Group to the requirements of the new Act of 2 March 2020 on special solutions associated with preventing, counteracting and combating COVID-19.

The Management Board of ENEA S.A. has established the ENEA Group Crisis Management and Coordination Center for preventing, counteracting and combating COVID-19. After a relevant resolution was adopted, all Group companies appointed Teams to coordinate continuity assurance tasks for ENEA Group companies in the context of the coronavirus threat. The ENEA S.A. Management Board coordinates all the activities in this respect acting through the Center.

As at the date of this Report, it is difficult to predict how the situation will develop in the future and what negative effects it may exert on the operations and financial standing of the Company and the Group. The further spread of the virus may cause reduced business activity (at present, numerous restrictions affect the business of hotels, restaurants, cafes, shopping centers), lower demand for electricity and consequently lower production, which may adversely affect the Group’s revenue from sales. The lower demand for electricity may cause lower production of bituminous coal and lower revenue from sales in the Mining segment. In distribution, the core business is conducted at the present stage, while critical processes are secured by business continuity measures. It is possible that the receivables turnover ratio will deteriorate in connection with the difficult economic situation and reduced payment capacity of electricity buyers. Also, fluctuations on global markets have recently caused significant changes in the prices of electricity, CO₂ emission allowances, raw materials, as well as significant variation on capital markets, which, if they develop into permanent trends, may change the assumptions used for conducting impairment tests on the Group’s assets.

In spite of the above events happening after the balance sheet date, the Management Board of ENEA S.A. has analyzed the key assumptions underlying the estimates included in the financial statements and has upheld them as reasonable in the long term as at the date of preparing the financial statements.

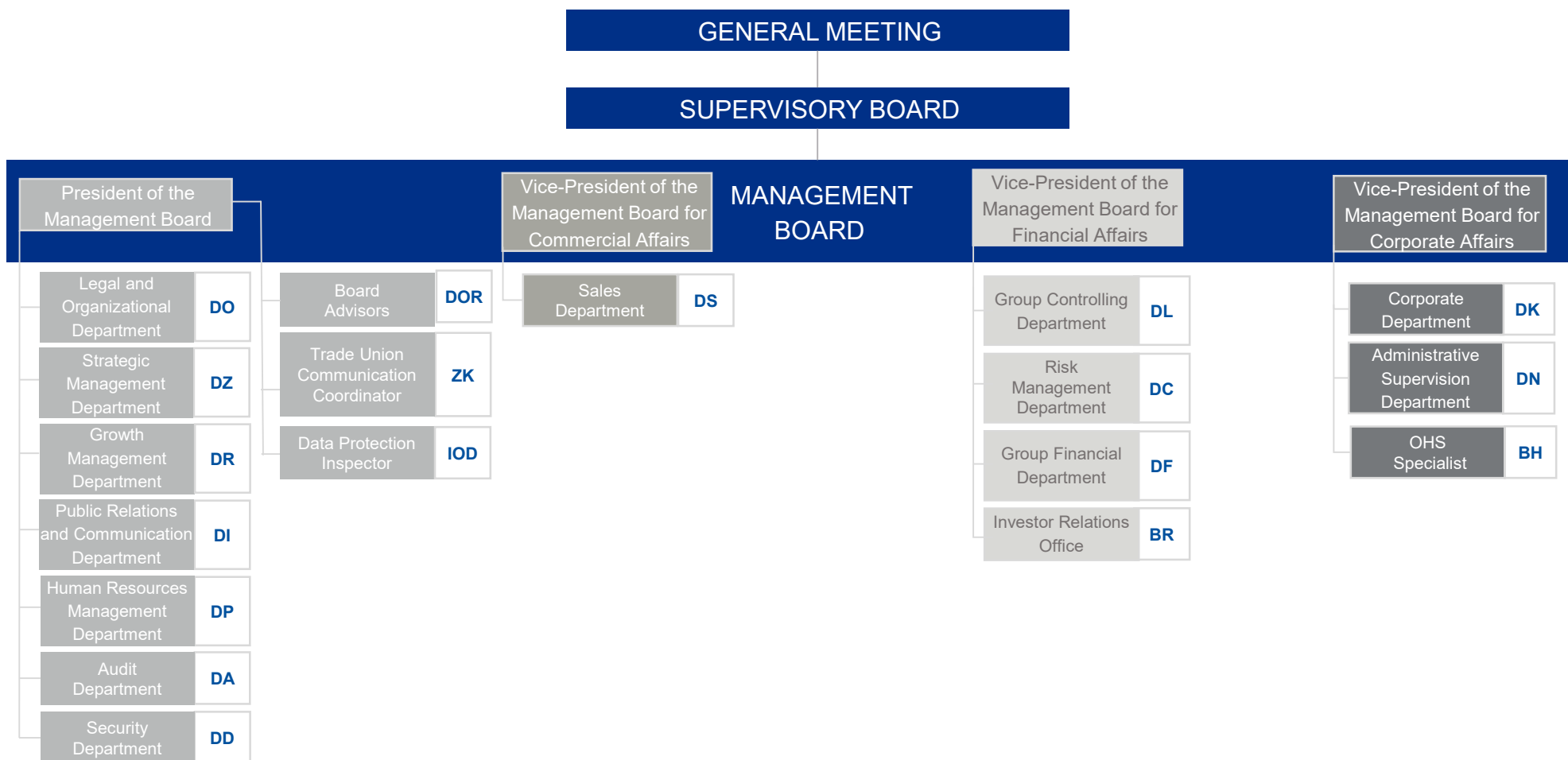
In connection with the reorganization of work and increased security measures caused by the state of epidemic, some of the scheduled overhauls and modernizations of the generating units may be delayed, including those required to ensure compliance with BAT conclusions. The considerable volatility of product prices on commodity exchanges will require additional resources to secure the concluded transactions.

The ENEA S.A. Management Board believes that these events are “non-adjusting events after the reporting period”.

In the period between the balance sheet date and the date of this Report, the ENEA S.A. stock price fell from approx. PLN 8 per share to approx. PLN 7 per share, which the Management Board believes was caused primarily by the negative sentiments on global markets and uncertainty related to the COVID-19 pandemic described above.

Accordingly, the Management Board has analyzed the rationale and validity of the key estimates, mainly those used in impairment testing. On the basis of this analysis, the Management Board has found no need to modify the key assumptions for impairment tests or other estimates that could materially affect the consolidated financial statements.

2. ENEA S.A. as the parent company of ENEA Group



Changes in the organisational structure of ENEA S.A. that took place in 2019 mainly concerned the separation of areas related to legal services, security and administration, previously located in one Department. The separation was justified by entrusting responsibility for implementation of tasks in separate areas. It allowed for the separation of responsibilities, increased management effectiveness and reflected the care of the Supervisory Board and the Management Board of ENEA S.A. in the scope of observing and creating the highest ethical, compliance and anti-corruption standards. The combination of the legal area and compliance with the areas of security and administration within the same organisational unit could be perceived as influencing the system of checks and balance and mutual control of those units.

In 2019, there were no significant changes in the management principles of the Issuer and ENEA Group. The formal reflection of the relations established in the Company (including the organisational structure of the Company) and the division of tasks, responsibilities and powers are the organisational regulations: *Corporate Organisational Regulations of the Company* and *Regulations of Organisational Units of ENEA S.A.*

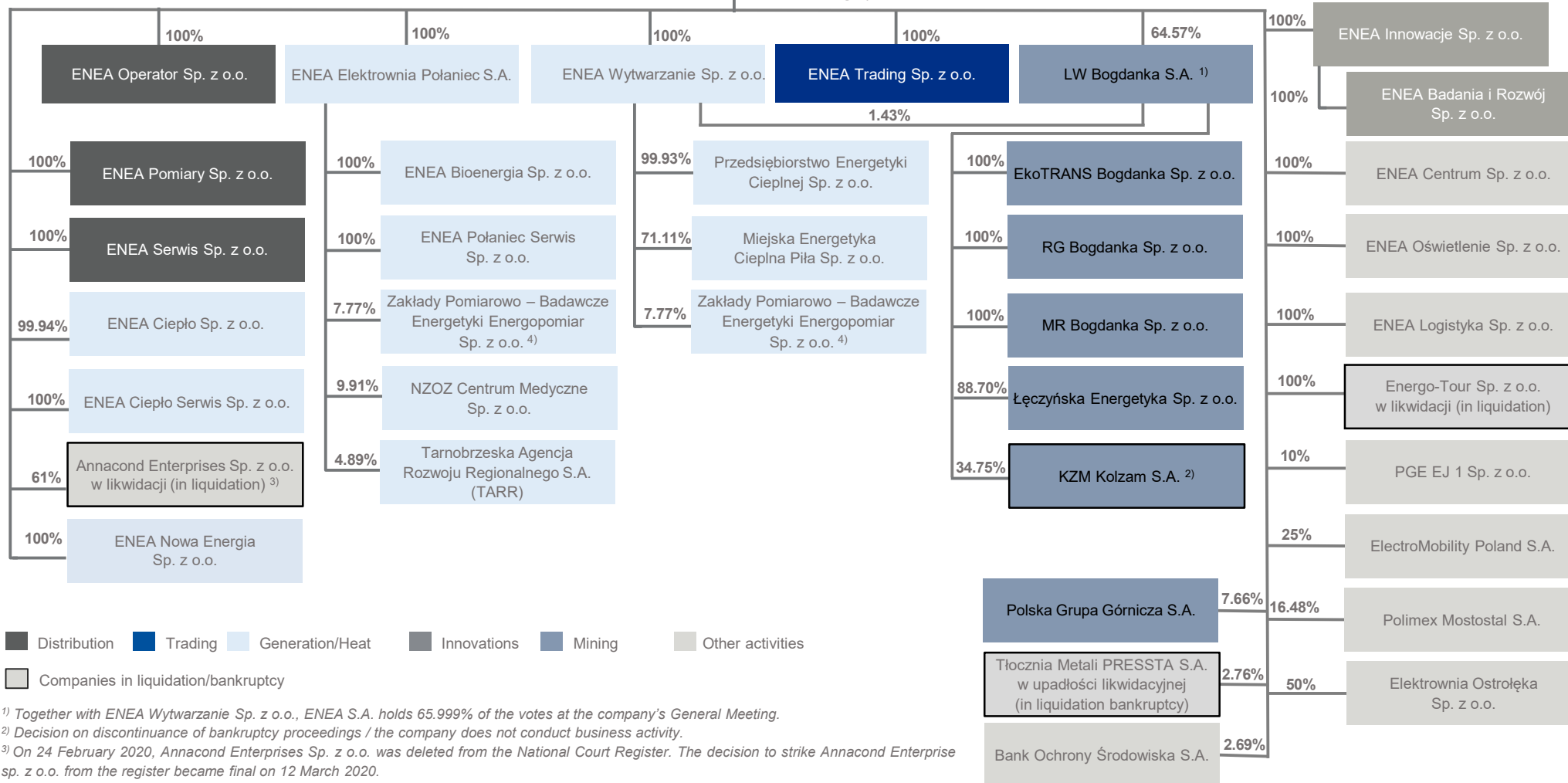
The organisational structure of the Company as at 31 December 2019 is presented above.

3. Organisation and operations of ENEA Group

3.1. Structure of ENEA Group

ENEA S.A.

% of votes at GM/SM in subsidiaries



¹⁾ Together with ENEA Wytwarzanie Sp. z o.o., ENEA S.A. holds 65.999% of the votes at the company's General Meeting.

²⁾ Decision on discontinuance of bankruptcy proceedings / the company does not conduct business activity.

³⁾ On 24 February 2020, Annacond Enterprises Sp. z o.o. was deleted from the National Court Register. The decision to strike Annacond Enterprise sp. z o.o. from the register became final on 12 March 2020.

⁴⁾ On 13 September 2019, the value of shares in ZPBE "Energopomiar" sp. z o.o. was adjusted to the level of the share capital in connection with the retirement of treasury shares in the nominal amount of PLN 269,245.00. As a result of the above, the stake held by ENEA Wytwarzanie sp. z o.o. and ENEA Elektrownia Połaniec S.A. in the share capital of ZPBE "Energopomiar" sp. z o.o. rose from 7.38% to 7.77%.

There are 6 leading entities within ENEA Group, i.e. ENEA S.A. (electricity trading), ENEA Operator Sp. z o.o. (electricity distribution), ENEA Wytwarzanie Sp. z o.o. and ENEA Elektrownia Połaniec S.A. (generation and sale of electricity and heat), ENEA Trading Sp. z o.o. (wholesale electricity trading) and LW Bogdanka S.A. (coal mining). The other entities render ancillary activities in relation to the aforesaid companies. The Group's structure includes also minority interests in entities owned by subsidiaries of ENEA S.A. and subsidiaries of ENEA S.A., i.e. in particular ENEA Wytwarzanie Sp. z o.o. and LW Bogdanka S.A.

3.2. Changes in the Group's structure

Asset restructuring

After performing key organisational changes in previous years, apart from the initiatives related to the planned changes, ENEA Group did not conduct any significant activities within asset restructuring in FY 2019.

Capital divestments

In FY 2019, no significant capital divestments were effected.

Changes in the organisation of the Group

In FY 2019, ENEA Group continued activities aimed at the implementation of the Group's Corporate Strategy.

Equity investments

The detailed description of methods of financing equity investments is included in the interim condensed consolidated financial statements for FY 2019.

Events in the reporting period

On 20 December 2018, the Extraordinary Shareholders Meeting of ENEA Badania i Rozwój Sp. z o.o. adopted a resolution to increase the Company's share capital by PLN 5,850,000 to PLN 7,855,000 through the creation of 117,000 new shares with a nominal value of PLN 50. ENEA Wytwarzanie Sp. z o.o. took up 115,830 shares in the increased capital with the total value of PLN 5,791,500, while ENEA S.A. took up 1,170 shares in the increased capital of the total value of PLN 58,500. The capital increase was covered in cash. The share capital increase was registered in the National Court Register on 12 March 2019.

On 4 January 2019, the Extraordinary Shareholders Meeting of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on increasing the Company's share capital to PLN 912,482,100, i.e. by PLN 361,382,100 through the creation of 7,227,642 new equal, indivisible shares, privileged as to the right to vote in such a way that one share will carry two votes, and this privilege will expire in the event of disposal of shares to a person other than the Main Shareholder, i.e. ENEA S.A. or Energa S.A., with a nominal value of PLN 50.00 each and with a total nominal value of PLN 361,382,100. As a result of the increase in the share capital of Elektrownia Ostrołęka Sp. z o.o., on 4 January 2019 ENEA S.A. acquired 3,613,821 shares in the share capital with the value of PLN 180,691,050. On 4 January 2019, ENEA S.A. made a cash contribution to the Company's account. The share capital increase of Elektrownia Ostrołęka Sp. z o.o. was registered in the National Court Register on 1 March 2019.

On 6 March 2019, ENEA Połaniec Serwis Sp. z o.o. was established pursuant to a Notarial Deed. The share capital of the company amounts to PLN 500,000.00 and is divided into 1,000 shares with a nominal value of PLN 500 each. All shares were taken up by ENEA Elektrownia Połaniec S.A. The objects of the company's activity are the repair and maintenance of machines. The company was registered in the National Court Register on 31 July 2019.

On 12 June 2019, the Extraordinary Shareholders' Meeting of ENEA Innowacje Sp. z o.o. with its registered office in Warsaw adopted a resolution regarding the cash increase of the Company's share capital by PLN 5,400,000, i.e. from PLN 3,805,000 to PLN 9,205,000 through the creation of 54,000 new shares with a nominal value of PLN 100 each. The capital increase was registered in the National Court Register on 19 July 2019.

On 29 August 2019, the Supervisory Board of ENEA S.A. gave its consent to the Management Board of ENEA S.A. to purchase 126,083 shares of ENEA Ciepło Sp. z o.o. with a nominal value of PLN 50 each and a total nominal value of PLN 6,304,150 for a total price of PLN 34,539,078.78. On 4 September 2019, ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. concluded a Share Purchase and Sales Agreement for 126,083 shares in ENEA Ciepło Sp. z o.o. with a nominal value of PLN 50 each and a total nominal value of PLN 6,304,150 for a total price of PLN 34,539,078.78, according to which the transfer of ownership of shares from ENEA Wytwarzanie Sp. z o.o. to ENEA S.A. was to take place on the day ENEA S.A. paid to ENEA Wytwarzanie Sp. z o.o. the price for the shares. The payment of ENEA S.A. to ENEA Wytwarzanie Sp. z o.o. on this account was made on 11 September 2019. In connection with the above, as of 11 September 2019 ENEA S.A. holds a total of 3,019,288 shares in the share capital of ENEA Ciepło Sp. z o.o., which constitutes nearly 99.94% of the company's share capital, with the remaining shares belonging to the Company's employees.

Events in the reporting period – continued

On 10 September 2019, the Extraordinary Shareholders' Meeting of ENEA Centrum Sp. z o.o. adopted a resolution on increasing the company's share capital and amending the company's articles of association. The share capital of ENEA Centrum Sp. z o.o. was increased from PLN 3,929,000 to PLN 103,929,000 through the creation of new 1,000,000 shares with a nominal value of PLN 100 each and a total nominal value of PLN 100,000,000. The newly created shares were taken up on 10 September 2019 by the sole shareholder - ENEA S.A. and covered with in-kind contribution in the form of receivables of the total value of PLN 162,000,000 due to ENEA S.A. from ENEA Centrum Sp. z o.o. under loans granted under two loan agreements concluded in 2014 and 2015. The amount of PLN 62,000,000 constitutes the surplus of the value of the non-cash contribution over the nominal value of the subscribed shares and was transferred to the supplementary capital of ENEA Centrum Sp. z o.o. The capital increase referred to above was registered in the National Court Register on 8 November 2019.

On 24 September 2019, the Extraordinary General Meeting of Shareholders of ENEA Innowacje Sp. z o.o. adopted a resolution on the cash increase in the share capital of the company and amending its articles of association. The company's share capital was increased from PLN 9,205,000 to PLN 17,060,000 through the creation of new 78,550 shares with a nominal value of PLN 100 each and a total value of PLN 7,855,000. On 27 September 2019, ENEA S.A. acquired all newly created shares in the increased share capital of ENEA Innowacje Sp. z o.o. The increase in the share capital was registered in the National Court Register on 21 November 2019.

On 27 September 2019, an agreement on the sale of 100% of shares in ENEA Badania i Rozwój Sp. z o.o. was concluded by and between ENEA S.A. with ENEA Wytwarzanie Sp. z o.o. and ENEA Innowacje Sp. z o.o. As of 27 September 2019, ENEA S.A. sold to ENEA Innowacje Sp. z o.o. for the price of PLN 78,550, and ENEA Wytwarzanie Sp. z o.o. sold to ENEA Innowacje Sp. z o.o. 155,529 shares of ENEA Badania i Rozwój Sp. z o.o. for the price of PLN 7,776,450.

On 1 October 2019, the company Centralny System Wymiany Informacji Sp. z o.o. was deleted from the National Court Register.

On 5 November 2019, ENEA S.A. established the company ENEA Nowa Energia Sp. z o.o. and took up 100 shares in the company with a nominal value of PLN 50 each, i.e. 100% of shares in the company's share capital with a nominal value of PLN 5,000. ENEA Nowa Energia Sp. z o.o. was registered in the National Court Register on 7 November 2019.

Events after the reporting period

On 24 February 2020, the company Annacond Enterprises sp. z o.o. was removed from the National Court Register. The decision to strike the Company from the register became final on 12 March 2020.



3.3. Business areas of ENEA Group



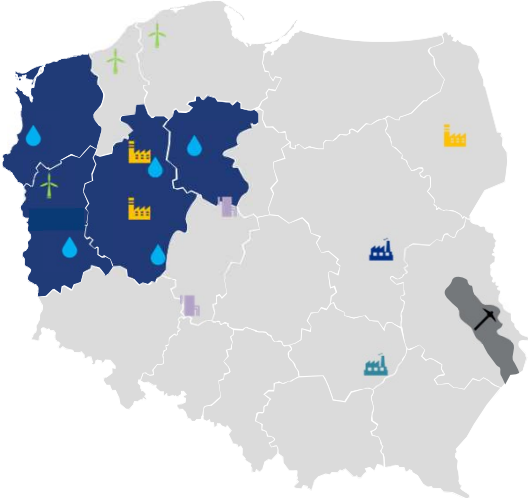
Distribution

- Supply of electricity
- Planning and ensuring distribution network development
- Operation, maintenance and repairs of the distribution network
- Measurement data management



Generation

- Electricity generation based on bituminous coal, biomass, gas, wind, water and biogas
- Heat generation
- Heat supply and distribution
- Electricity trading



Wholesale trading

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



Mining

- Bituminous coal production
- Bituminous coal sale
- Securing the resource base for the Group



Retail trading

- Trading in electricity and fuel gas on the retail market
- Product and service offer adjusted to Customers' needs
- Comprehensive Customer Service

3.3.1. Mining

Within ENEA Group, mining activities are conducted by a subsidiary, Lubelski Węgiel Bogdanka S.A. (hereinafter: LW Bogdanka). LW Bogdanka is one of the leaders on the market of producers of bituminous coal in Poland, distinguishable within the industry in terms of the generated financial results, coal extraction efficiency and investment plans providing for the access to new deposits. The bituminous energy coal sold by the Company is used primarily for the generation of electricity and heat and for the production of cement. The Company's customers are mainly industrial companies, mostly entities operating in the power industry located in eastern and north-eastern Poland.

	FY 2018	FY 2019	Change	Q4 2018	Q4 2019	Change
Net production ['000 tonnes]	9,007	9,451	4.9%	2,187	2,324	6.3%
Coal sale ['000 tonnes]	8,943	9,359	4.7%	2,155	2,298	6.6%
Closing stock ['000 tonnes]	88	179	103.4%	88	179	103.4%
Excavation works [km]	37.0	29.1	-21.4%	8.4	7.4	-11.9%

3.3.2 Generation

3.3.2.1 ENEA Group's generation assets

	Installed electrical capacity [MW _e]	Attainable electrical capacity [MW _e]	Installed heating capacity [MW _t]	Installed RES capacity [MW _e]
Kozienice Power Plant	4,071.8	4,020.0	125.4	-
Połaniec Power Plant	1,837.0	1,882.0	130.0	230.0
Bardy, Darżyno and Baczyna (Lubno I and Lubno II) wind farms	71.6	70.1	0.0	71.6
Liszkowo and Gorzesław biogas plants	3.8	3.8	3.1	3.8
Hydroelectric plants	58.8	55.8	0.0	58.8
MEC Piła	10.0	10.0	135.3	-
PEC Oborniki	0.0	0.0	27.4	-
ENEA Ciepło (Białystok Heat and Power Plant, West Heat Plant)	203.5	156.6	684.1	78.5 ¹⁾
Total [gross]	6,256.5	6,198.3	1,105.3	442.7

¹⁾ In accordance with the decision of the President of ERO amending the Electricity Generation Licence (EGL), the installed RES capacity at Białystok Heat and Power Plant has changed as of 9 May 2019.

3.3.2.2. Generation – the list of installed capacities

Kozienice Power Plant

Unit	U1	U2	U3	U4	U5	U6	U7	U8	U9	U10	U11
Installed electrical capacity [MW]	230	230	230	230	230	230	230	230	560	560	1,112
Year of planned generation discontinuation	2031	2031	2029	2029	2032	2030	2030	2032	2040	2041	2050

The presented data have been prepared based on the currently valid schedule of units' operation and the planned shutdowns of generation units included in it. At present, in ENEA Wytwarzanie conceptual works are carried out including analysis of possibilities and legitimacy of using gaseous fuel (CCGT unit) in the existing infrastructure of 200 MWe units. It is assumed that the entire generation capacity of 200 MWe units will be restored, however the final power output of the units to be restored will be the result of the conceptual documentation. It is planned to recreate the generation capacity in several stages. Only the development of the target model of the replacement capacity will allow to update the shutdown schedule of 200 MWe power units.

Połaniec Power Plant

Unit	U1	U2	U3	U4	U5	U6	U7	GU
Installed electrical capacity [MW]	200	242	242	242	200	242	239	230
Year of planned generation discontinuation	2023	2034	2034	2034	2034	2034	2034	2042

ENEA Ciepło

Unit	U1	U2	U3	U4 ¹⁾	Water boilers	K1	K2	K3	K4	K5
Installed electrical capacity [MW]	55	55	70	23.5		0	0	0	0	0
Installed thermal capacity [MWt]	98.4	108	108	0		33 ²⁾	35	35	40	40
Year of planned generation discontinuation	2025	2040	2055	2040		-	-	-	-	-

¹⁾ Condensing turbine unit powered by extractions from U1.

²⁾ Reduction in heat capacity following the boiler conversion to gas fuel.



3.3.2.3. Data concerning ENEA Wytwarzanie ¹⁾

	FY 2018	FY 2019	Change	Q4 2018	Q4 2019	Change
Total (net) generation of electricity [GWh], including¹⁾:	16,083	17,013	5.8%	3,942	3,993	1.3%
Net production from conventional sources [GWh], including:	15,787	16,694	5.7%	3,856	3,905	1.3%
<i>ENEA Wytwarzanie</i>	15,721	16,630	5.8%	3,837	3,888	1.3%
<i>MEC Piła</i>	66	64	-3.0%	19	17	-10.5%
Net production from renewable energy sources [GWh], including:	295	320	8.5%	85	88	3.5%
<i>ENEA Wytwarzanie – RES Segment (hydroelectric plants)</i>	159	130	-18.2%	33	35	6.1%
<i>ENEA Wytwarzanie – RES Segment (wind farms)</i>	130	185	42.3%	50	51	2.0%
<i>ENEA Wytwarzanie – RES Segment (biogas plants)</i>	6	5	-16.7%	2	2	-
Gross generation of heat [TJ]	1,205	1,067	-11.5%	405	355	-12.3%

¹⁾ In connection with the spin-off of Białystok Heat and Power Plant from ENEA Wytwarzanie as of 30 November 2018, there was a change in presentation of data for 2018. From the 2018 data, Białystok Heat and Power Plant and ENEA Ciepło were excluded.

Unit 11 at Koziencice Power Plant	FY 2018	FY 2019	Change	Q4 2018	Q4 2019	Change
Net electricity generation [GWh]	5,314	5,411	1.8%	1,563	1,179	-24.6%
Net average monthly load [MW]	732	755	3.1%	768	658	-14.3%

¹⁾ Presentation change for FY 2018 data concerning ENEA Ciepło (Białystok Heat and Power Plant)

3.3.2.4. Data concerning ENEA Elektrownia Połaniec

	FY 2018	FY 2019	Change	Q4 2018	Q4 2019	Change
Total (net) generation of electricity [GWh], including:	10,077	8,557	-15.1%	2,517	1,956	-22.3%
<i>ENEA Elektrownia Połaniec – net production from conventional sources</i>	8,519	6,802	-20.1%	2,086	1,458	-30.1%
<i>ENEA Elektrownia Połaniec – production from renewable energy sources (combustion of biomass – Green Unit)</i>	1,378	1,441	4.6%	362	367	1.4%
<i>ENEA Elektrownia Połaniec – production from renewable energy sources (biomass co-combustion)</i>	180	314	74.4%	69	130	88.4%
Gross production of heat [TJ]	2,441	2,390	-2.1%	648	581	-10.3%

3.3.2.5. Data concerning ENEA Ciepło

	FY 2018	FY 2019	Change	Q4 2018	Q4 2019	Change
Total (net) generation of electricity [GWh], including:	343	361	5.2%	104	104	-
<i>Net generation from conventional sources [GWh] – excluding biomass combustion</i>	172	156	-9.3%	44	26	-40.9%
<i>Net production from renewable energy sources [GWh] – biomass combustion</i>	172	204	18.6%	60	77	28.3%
Gross production of heat [TJ] (jointly with West Heat Plant)	3,963	3,750	-5.4%	1,329	1,188	-10.6%

2.3.2.6. CO₂ emissions

	Kozienice – Power Plant [t]	Free CO ₂ emission allowances [t]	Costs of allowances [PLN]
FY 2018	14,076,969	2,187,758	324,672,994.20
FY 2019	14,883,264	1,719,943 ¹⁾	834,265,665.03 ¹⁾
	MEC Piła	Free CO₂ emission allowances	Costs of allowances [PLN]
FY 2018	84,107	18,197	5,493,511.19
FY 2019	80,450	14,954	6,276,583.02
	Białystok Heat and Power Plant	Free CO₂ emission allowances	Costs of allowances [PLN]
FY 2018	280,147	104,834 ²⁾	23,930,174.80
FY 2019	253,522	87,180 ³⁾	16,867,573.66
	West Białystok Heat Plant	Free CO₂ emission allowances	Costs of allowances [PLN]
FY 2018	19,753	696 ²⁾	410,396.80
FY 2019	12,254	682 ³⁾	1,480,174.14
	Połaniec – Power Plant	Free CO₂ emission allowances	Costs of allowances [PLN]
FY 2018	8,219,329	129,321	211,724,216
FY 2019	6,751,791	126,099	411,162,327
Total 2018	22,680,305	2,440,806	566,231,293
Total 2019	21,981,281	1,948,858	1,270,052,323




¹⁾ Accounting treatment

²⁾ One-off allocation of free CO₂ emission allowances for 2018

³⁾ One-off allocation of free CO₂ emission allowances for 2019

3.3.2.7. Fuel supply

The basic fuel used to generate electricity for ENEA Wytwarzanie – Koźienice Power Plant and Połaniec Power Plant is hard coal in the coal fines sort. The basic fuels used by ENEA Ciepło Sp. z o.o. (Białystok Heat and Power Plant) in FY 2019 were coal and biomass – mainly in the form of woodchips from energy wood, energy willow and poplar woodchips and residues from agricultural production.

	 Koźienice Power Plant	 ENEA Elektrownia Połaniec	 ENEA Ciepło
Main coal suppliers in 2019	LW Bogdanka (80.8%) PGG (7.3%)	LW Bogdanka (52%) PGG (37%)	LW Bogdanka (92%)

Fuel type	ENEA Wytwarzanie – Koźienice Power Plant				ENEA Elektrownia Połaniec				ENEA Ciepło – Białystok Heat and Power Plant, West Heat Plant)			
	FY 2018		FY 2019		FY 2018		FY 2019		FY 2018		FY 2019	
	Volume [‘000 tonnes]	Cost ¹⁾ [PLN m]	Volume [‘000 tonnes]	Cost ¹⁾ [PLN m]	Volume [‘000 tonnes]	Cost ¹⁾ [PLN m]	Volume [‘000 tonnes]	Cost ¹⁾ [PLN m]	Volume [‘000 tonnes]	Cost ¹⁾ [PLN m]	Volume [‘000 tonnes]	Cost ¹⁾ [PLN m]
Bituminous coal	6,932	1,584	7,552	1,970	4,260	983	3,673	914	132	41	120	40
Biomass					1,346	296	1,544	451	331	64	369	87
Fuel oil (heavy) ²⁾	5	7	9	12	7	13	6	11				
Fuel oil (light) ³⁾	8	25	6	17	0.3	1	0.6	2	0.38	1.1	0.44	1.3
Gas [‘000 m ³] ⁴⁾	16,878	20	16,360	25					0	0	1,733 ⁵⁾	2
TOTAL		1,636		2,024	5,614	1,293	5,223	1,378		106		130

¹⁾ Coal and biomass including transport



²⁾ Light-up fuel for Units 1-10 at Koźienice Power Plant

³⁾ Light-up fuel for Unit 11

⁴⁾ Used to produce electricity and heat in MEC Piła and heat energy in PEC Oborniki

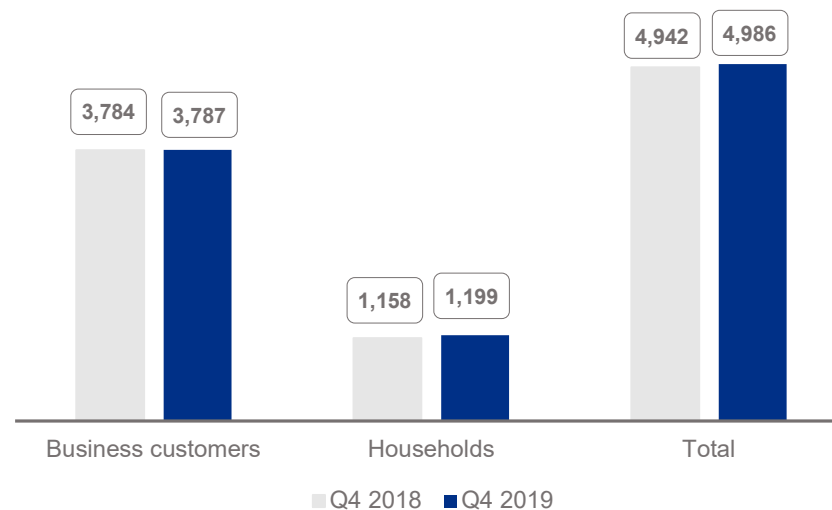
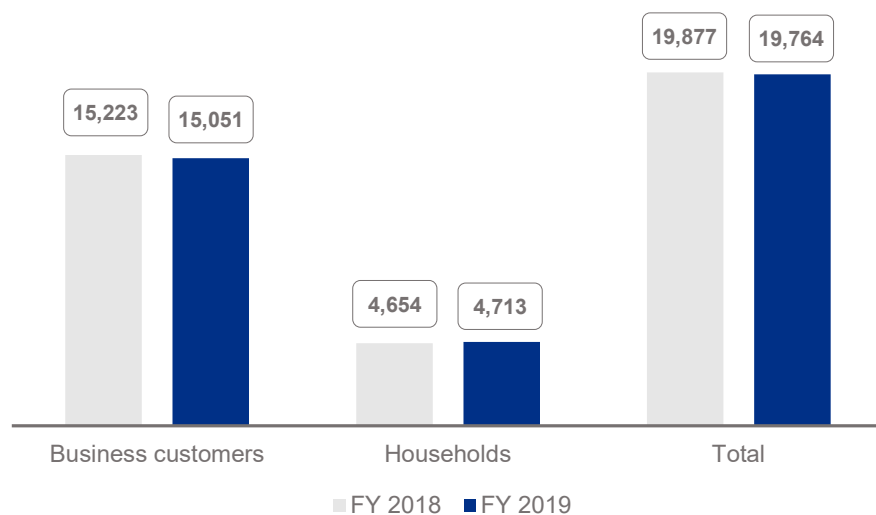
⁵⁾ Used to produce heat in West Heat Plant: gas volume unit in ‘000 Nm³

3.3.2.8. Coal transport

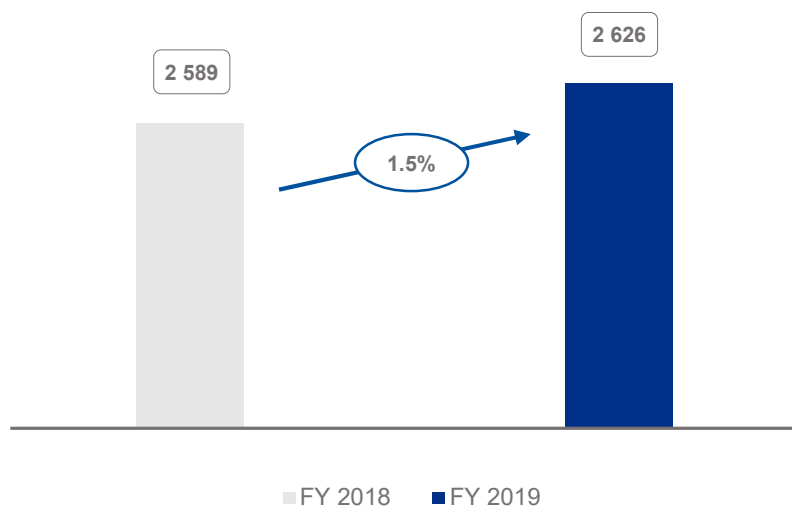
	 Koźienice Power Plant	 ENEA Elektrownia Połaniec	 ENEA Ciepło
Main provider in 2019	PKP Cargo S.A. (85%)	PKP Cargo S.A. (100%)	PKP Cargo S.A. (84%)

3.3.3. Distribution

Sale of distribution services [GWh]



Number of Users ('000)



105.53 – Length of power lines ['000 km]

12.86 – Length of connections ['000 km]

38.27 – Number of transformer stations ['000]

940.87 – Number of connections ['000]

Decrease in the length of connections in relation to the previous year results from the verification of data under the network passporting process.

In the tariff year 2019, the values of **Regulatory Asset Base (RAB)** and **Regulatory Asset Base (RAB) of Advanced Metering Infrastructure (AMI)** totalled PLN 8,360,095.79 thousand.

3.3.4. Trading

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

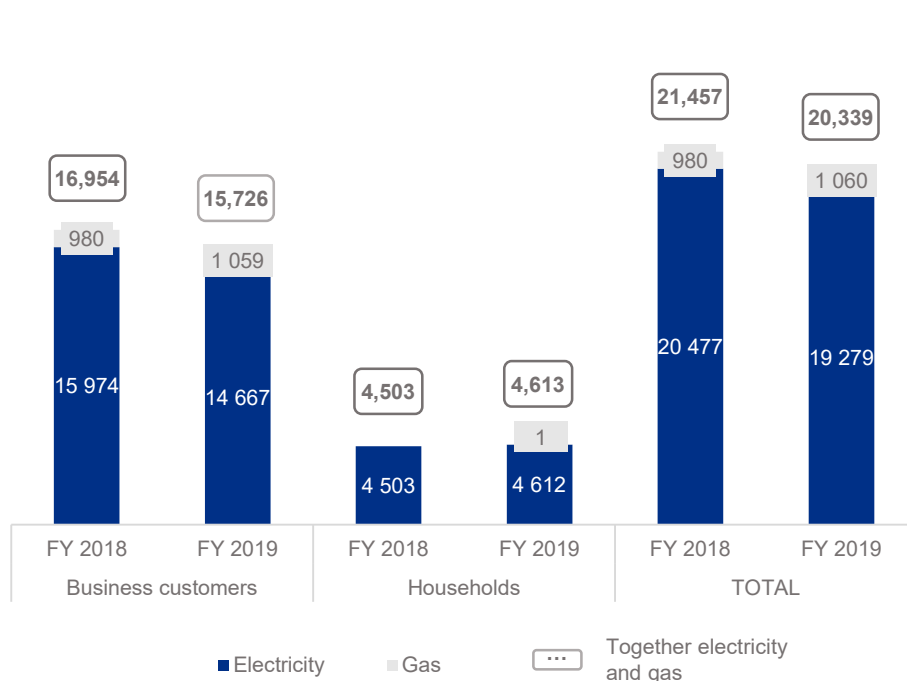
The results of the Trading Area in 2019 should be assessed taking into account a significant change in the regulatory environment, i.e. the entry into force of the Act of 28 December 2018 amending the Excise Duty Act and certain other acts ("Act").

In FY 2019, the total volume of sales decreased by 1,118 GWh, or by approx. 5%, as compared to FY 2018. A decrease in electricity sales was recorded in the business customers segment (down by 1,307 GWh, i.e. by approx. 8%), which was caused by a change in the portfolio of those customers (lower than in 2018 sales volume in the segment of A and B tariff group customers). Meanwhile, in the households segment the volume of electricity sales increased (by 109 GWh, i.e. by approx. 2%). The volume of gas fuel sales also increased compared to the corresponding period of the previous year (by 80 GWh, i.e. by approx. 8%).

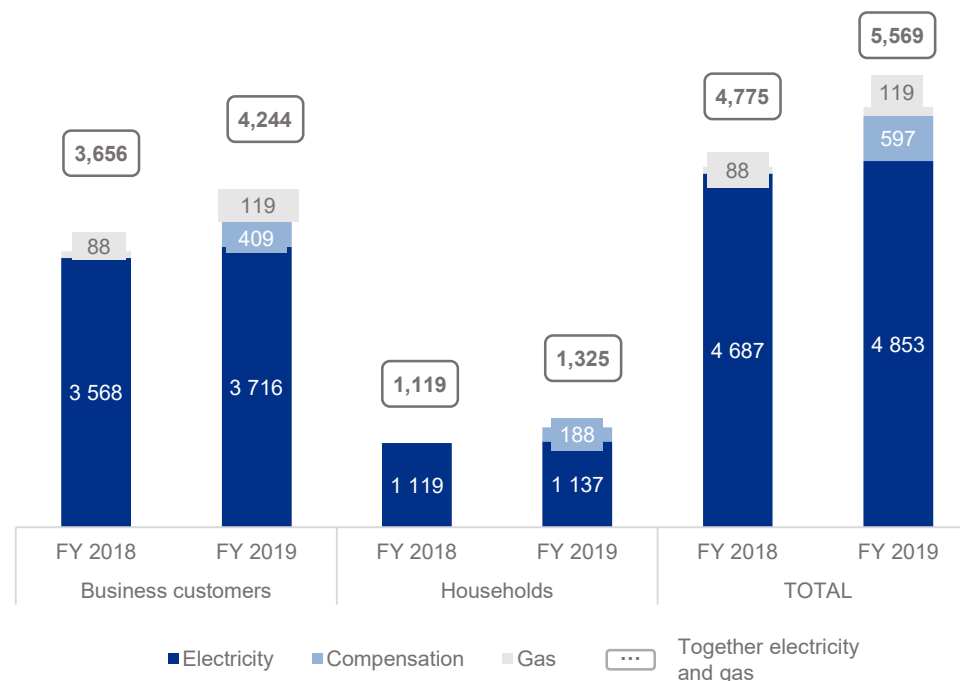
Revenues from the sale of electricity in FY 2019 take into account the adjustment of the Company's prices and fees to the provisions of the Act of 28 December 2018 on amending the Excise Duty Act and certain other acts and identify revenues resulting from settlements with Zarządca Rozliczeń (Settlement Manager) in form of the price difference amount (H1 2019) and financial compensation (H2 2019), the so-called Compensation. The impact of the Act is described in detail in 10.1.15.

In FY 2019, total sales revenues (without compensation) increased by PLN 197 million, i.e. by approx. 4% when compared to FY 2018. The growth was posted in the revenues from both electricity and gas fuel sales.

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



Revenues from sales of electricity and gas fuel to retail customers of ENEA S.A. [PLN m]



3.4. Development strategy

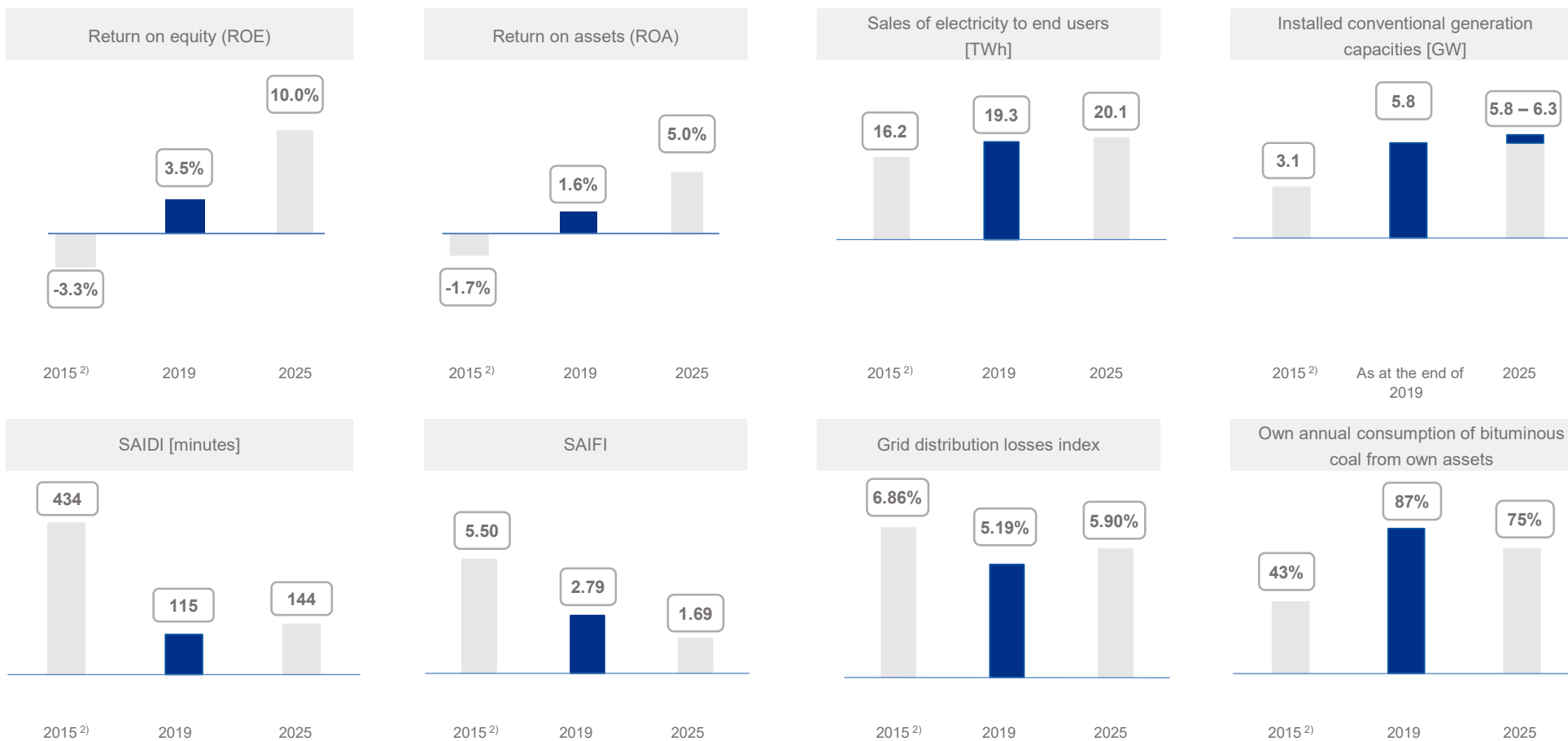
MISSION:

ENEA provides reliable products and services to its 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, valued for their quality, comprehensiveness and reliability.

ENEA Group's Development Strategy until 2030 – status of implementation ¹⁾



¹⁾ Status of implementation of ENEA Group's Development Strategy until 2030 perspective valid until 11 December 2019

²⁾ Reference year

Implementation of the ENEA Group Development Strategy until 2030 with an outlook to 2035

On 12 December 2019, by the power of a Supervisory Board resolution, ENEA S.A. accepted for implementation the Strategy for 2030 with the 2035 outlook.

ENEA Group intends to conduct its business in a sustainable manner while minimizing its impact on the natural environment. The development directions were updated. The key directions include:

- 1) Transformation of generation assets towards zero- and low-emission sources;
- 2) Innovative services for ENEA's customers;
- 3) Contemporary communication with customers and modern cooperation models;
- 4) Electromobility, hydrogen technologies;
- 5) Smart Grid – smart solutions for customers;
- 6) Automation, robotization and digitization of processes;
- 7) Internet of Things, artificial intelligence, blockchain;
- 8) Energy storage;
- 9) Sourcing of fuels in accordance with best practices and respecting the environment.

ENEA assumes that it will transition into an innovative low-emission concern offering not only electricity but comprehensive bundles of products and services expected by its Customers.

The development directions form a foundation, which is used to define strategic goals for the Group. ENEA has identified five key strategic goals supporting the transformation of ENEA Group into a low-emission concern.

- 1) Diversification of the ENEA Group's generation portfolio;
- 2) Reliability and continuity of electricity supply;
- 3) Responsible partner in sustainable management of relations with local communities, the environment and Customers;
- 4) Ensuring financial security of the ENEA Group;
- 5) Innovativeness in all aspects of the ENEA Group's activity.

Its overriding objective will entail its sustainable development. In connection with the above, the ENEA Group's overriding objective is "Continuous growth of the value of the ENEA Group, while ensuring sustainable development".

Environment and key stakeholder expectations



Value creation



Competitive advantages



Climate protection



Green energy



Financial stability



Energy security

Assumptions



-30%

reduction of unit CO₂ emissions



More than 4x

increase in the share of RES in electricity production



43%

share of zero- and low-emission sources in installed capacity

ENEA assumes that it will achieve the following by implementing the Strategy:

1. reduction of the unit CO₂ emission measure to 550 kg CO₂/MWh in 2030, with the intent to achieve 434 kg CO₂/MWh by 2035;
2. the share of RES in electricity production at 22% by 2025 and 33% in 2030;
3. the share of zero- and low-emission generation sources in the ENEA Group's total electricity production at 22% in 2025 and 41% in 2030, while striving to achieve 60% by 2035;
4. the volume of electricity sales at 24.8 TWh in 2030;
5. the share of ENEA in the electricity sales market at 14% in 2025 and 15% in 2030;
6. installed capacity of 7,447 MW in 2025 and 8,287 MW in 2030, striving to achieve 9,672 MW by 2035;
7. SAIDI at 105 minutes in 2025 and 100 minutes in 2030;
8. SAIFI at 2.14 in 2025 and 2.03 in 2030;
9. network losses in distribution at 5.4% in 2025 and 5.3% in 2030;
10. an increase in the market share of coal sales to the commercial energy sector up to 25% in 2025 and 30% in 2030;
11. ROE at 10% in both 2025 and 2030;
12. ROA at 5% in both 2025 and 2030;
13. an increase in EBITDA as compared to 2018 by 35% in 2025 and 39% in 2030;
14. share of New Business Lines in EBITDA at 7-12% in 2030;
15. contribution of New Business Lines to EBITDA in the amount of PLN 360 million in 2030;
16. the share of R&D&I expenditures in the ENEA Group's total capital expenditures at 2% in 2030.

The estimated measures of strategic objectives to be achieved by 2035 mentioned in items 3-6 above were calculated with an assumptions that the class 200 MW units 1-8 in the Kozienice Power Plant will be replaced by low-emission generation units and the class 200MW units 2-7 in the Polaniec Power Plant will be modernized.

The Group estimates that the capital expenditures necessary to maintain continuity of its operations and to launch new generating capacity by 2035 will amount to more than PLN 64 billion, including:

1. Distribution Area – **PLN 26.9 billion**;
2. Mining Area – **PLN 9.2 billion**;
3. Generation Area – **PLN 12.5 billion**;
4. Renewable Energy Sources – **PLN 14.7 billion**;
5. Other Activities – **PLN 1.2 bn**.

PLN 22 billion – estimated capital expenditures for implementation of new generating capacity projects, to support transformation towards a low-emission company

3.5. Implemented measures and investments

3.5.1. CAPEX

Capital expenditure [PLN m]	Q4 2018	Q4 2019	Actual Q4 2019 / Q4 2019 Plan	FY 2018	FY 2019	Actual FY 2019 / FY 2019 Plan	Plan for 2019
Generation	208.9	203.3	85.8%	430.2	491.7	80.5%	610.8
Distribution	430.1	335.0	98.4%	1,000.4	1,013.2	100.2%	1,011.5
Mining	167.1	115.7	63.8%	463.1	410.4	80.2%	511.5
Support and other	35.7	35.3	87.5%	81.8	84.2	58.5%	144.0
Equity investments	10.2	0.4	1.1%	331.3	181.6	83.2%	218.3
TOTAL Plan implementation	852.0	689.7	82.5%	2,306.8	2,181.1	87.4%	2,496.1

Pro-environmental investment

Specification	Implementation in 2019 [PLN m]
Adaptation to the BAT conclusions (Połaniec)	115.0
Development of the FGD installation for Units 9 and 10 (Kozienice)	60.0
Adaptation to the BAT conclusions (Kozienice)	31.0
Upgrade of the electrostatic precipitator for the K8 boiler (Białystok)	12.0
Connection of wind farms (ENEA Operator)	6.0
Others	14.0
TOTAL Pro-environmental investment	238.0



3.5.2. Status of works on key investment projects

Area	Project type/Company	Activity
Mining	Development investments	<ul style="list-style-type: none"> Ostrów field – design works Purchase of finished goods, machinery and equipment
	Operational investments	<ul style="list-style-type: none"> New excavations and modernisation of existing ones – in FY 2019, 29.1 km of galleries were completed Acquisition of new licences – a licence for extraction of hard coal from the “Lubelskie Zagłębie Węglowe” deposit – the K-6 and K-7 areas – was obtained
Generation	ENEA Wytwarzanie	<ul style="list-style-type: none"> Development of a catalytic flue gas denitrification (FDG) installation with an upgrade of electrostatic precipitators (ESP) for AP-1650 boilers of Units 9 and 10 within the framework of the Upgrade Programme of 2 x 500 MW units – continued since 2018. The works were carried out to the extent enabling the commissioning of Unit 9, but due to the Contractor’s delays, the works remaining to be carried out in accordance with the contract are still in progress. Negotiations are underway concerning the dispute over the claims submitted by Rafako, including remuneration for performing additional works and updating the deadlines for performing the Contract and its individual parts. It is estimated that the Programme may be completed in Q3 2020. ESP in Unit 1 – upgrade works will be performed during unit shutdown in 2020. Unit 1 was put aside for the upgrade on 13 January 2020. Washing of the ESP was completed. The disassembly of the elements of the system for shaking off dust from the exhaust and collective electrodes is in progress. ESP in Unit 2 – the works were completed. The final inspection was carried out on 24 September 2019. ESP in Unit 7 – the works were completed. The final inspection was carried out on 15 May 2019.
		<ul style="list-style-type: none"> Upgrade of Unit 9 as part of the 2 x 500 MW Units Upgrade Programme – continued since 2018. The Unit is currently in operation and the works have been completed. 2. Development of the heavy metals reduction unit in the wastewater from the FDG installation – the quality of wastewater from individual FGD installations was tested, the results of the tests were analysed and the areas of potential exceedances in terms of BAT were determined. 3. Upgrade of the FGD 1 installation – a contract was signed for optimization and automation of waste water from the FGD1 installation’s treatment plant as well as Annex 1 changing the date of completion of the optimization to 15 December 2020. Annex 2 changing the completion dates of some stages and transfer of amounts in financial years simultaneously increasing the contract budget was signed. 4. Formal and legal adjustment of ENEA Wytwarzanie to the requirements of BAT conclusions – on 11 July 2019, an agreement ending the contract with EKO-NET was signed. Thus, the first stage of the project was completed. 5. Permanent monitoring of NH₃, HCL, HF and Hg on the chimney. The development of continuous measurements on FGD2, FGD1, Unit 11 emitters was completed. The scope of work in 2019 was completed. In 2020, continuous measurements on FGD4, FGD3 emitters are planned to be developed. Upgrade of Unit 7 – following the completion of the upgrade, the Unit was restarted on 15 April 2019 and put into operation on 4 July 2019. Upgrade of Unit 2 – on 31 July 2019, the unit was restarted in line with schedule. <u>Adaptation of the System Power Plants Segment at ENEA Wytwarzanie Sp. z o.o. to the BAT conclusions:</u> <ol style="list-style-type: none"> Upgrades of the ESPs in Units 1, 2, 4, 5 and 7: <ul style="list-style-type: none"> ESPs in Units 4 and 5 – on 13 January 2020, tender bids for the upgrade of the ESP in Unit 4 were opened. The submitted bids significantly exceed the expenditures planned for this task, the tender procedure is therefore planned to be repeated with a reduced scope of works. A contract was concluded for the upgrade of the ESP in Unit 5. Upgrade works will be carried out during unit downtimes in 2020.
Generation	ENEA Elektrownia Połaniec	<ul style="list-style-type: none"> Upgrade of Unit 5 – Phoenix project for Unit 5. Adaptation of EEP to the BAT conclusions

Area	Project type/Company	Activity
Generation	ENEA Ciepło	<ul style="list-style-type: none"> • Refurbishment of the K6 boiler – the scope of works covered: <ul style="list-style-type: none"> - Reinstatement of the K6 boiler-side tank’s auger conveyor - Reinstatement of the K6 boiler intermediate tank’s auger conveyors - Replacement of the K6 boiler’s steam superheater chambers - Upgrade of the 1WPP2 fan - Reinstatement of the K6 boiler’s brickwork. • Refurbishment of the K8 boiler – the scope of works covered: <ul style="list-style-type: none"> - Replacement of the K8 boiler’s steam superheater chambers - Installation of a barrier air system for the K8 boiler’s blowers. • Reinstatement of the TZ3 turbine set <ul style="list-style-type: none"> - Works related to redevelopment of TZ3 were continued to the extent resulting from necessity protocols (additional works resulting from the actual state of the equipment) - Thermal-flow tests of the turbine were carried out. • Upgrade of Experion PKS system (Control System for power units and DCS class auxiliary systems) – the scope of works included: <ul style="list-style-type: none"> - Delivery of computer hardware - Upgrade of Experion PKS system on Units 1, 3, 4 and non-unit systems from version 301 to version 510 - Functional tests of the updated software and system. • Reinstatement of TZ4 fan cooling tower: <ul style="list-style-type: none"> - On 6 November 2019, a contract was concluded with the contractor for the execution of works, and then: <ul style="list-style-type: none"> ○ Disassembly works were carried out ○ Works were carried out on the reinforced concrete structure ○ Delivery of the cold storage tank’s wet deck system was completed. • Upgrade of the K8 boiler’s electrostatic precipitator (ESP) – the scope of works included: <ul style="list-style-type: none"> - Disassembly of the existing ESP - Repair of the ESP’s existing support structure - Delivery of ESP’s elements and their assembly - Comprehensive construction and installation works related to the upgrade of the ESP - Start-up, adjustment and test run of the ESP - On 27 November 2019, the facility was commissioned. • Conversion of the B1 boiler to gas fuel <ul style="list-style-type: none"> - Upgrade of the K1 boiler for gaseous fuel (in particular, installation of 2 gas burners). Boiler output after the conversion in accordance with DTR: 34 MWt - Construction of the Dn 280 gas connection from the distribution pipeline at the border of the plot to the pressure reduction and measuring station - Construction of the pressure reduction and measuring station with two measuring systems - Construction of a medium-voltage underground installation from the pressure reduction and measuring station to the Heat Plant building.



Area	Activity
Distribution	<ul style="list-style-type: none"> • ENEA Operator uses the available support programmes and is committed to obtaining grants under both regional and national programmes. In total, the Company is currently implementing more than 30 investment and research projects covered by subsidy agreements. • Continuation of ongoing investments and launching new investments to be implemented in 2020 and in the following years. • Completion of an R&D project – “Pilot project to reduce power losses in used and newly installed MV/LV transformers by applying the algorithm of optimizing the selection of the transformer to the conditions of actual station load by relocation of units taking into account the effects of environmental impact”. The project was implemented within the framework of the priority axis “Support for innovations fostering resource-efficient and low-emission economy. Part 1. Falcon – implementation of innovative environmental technologies – National Fund for Environmental Protection and Water Management”. • Research, development and innovation activities as a tool supporting increased efficiency of the Distribution Area and responding to challenges related to the role of DSOs in the new model of the electricity market, including: <ul style="list-style-type: none"> - Innovative system services for energy storage increasing the quality and efficiency of electricity use, - System of power and energy balancing and monitoring the quality of electricity supply from dispersed energy sources and storage facilities, - Flexible system of improving the competence of technical service employees using VR technologies. For this project, ENEA Operator received the Diamond Top Industry 2019 award in the category “Innovation of the Year”, - Increasing the potential of the power network of ENEA Operator Sp. z o.o. to receive energy from renewable sources in the Kujawsko-Pomorskie Voivodeship, within the Regional Operational Programme of the Kujawsko-Pomorskie Voivodeship 2014-2020. The main objective of the project is to increase the potential to receive energy from renewable sources, but also to automate the network, <ul style="list-style-type: none"> • Completion of a number of investments related to the extension and upgrade of power grids, including those related to grid connection, • Construction and modernisation of a number of network infrastructure elements, such as high, medium and low voltage lines and transformer stations, related to the implementation of the following objectives: implementation of the public-law obligation, ensuring energy security of the region, improvement of reliability and quality of electricity supply - network automation, change in the structure of the MV network from overhead to cable, actions aimed at achieving the “smart grid” standard in the network, • Implementation of ENEA Operator's statutory obligations for electromobility. The aim of the project is to implement in ENEA Operator solutions and products that meet the requirements set for DSOs in the Act on Electromobility and Alternative Fuels, • Continuation of development of IT tools supporting grid management and grid automatics, including: <ul style="list-style-type: none"> - implementation of the FDIR module on a wider scale in the SCADA system, which allows for automatic detection of failures, separation of the failure location and resumption of deliveries to those network areas for which such a possibility exists, - implementation of the Central Measurement Data Acquisition System. The AMI application is used for remote acquisition, processing and analysis of data from balancing meters installed in MV/LV transformer stations; - completed implementation of the Energy Management System (EMS), which enables supporting the management of the WN network and the generation connected to the distribution network, - Completed implementation of the Dynamic Line Capacity (DLC) system enabling safe use of the full transmission capacity of the 110 kV network resulting from the current weather conditions at the line installation site, - implementation of the SCADA system at LV, which will enable management of the low voltage network in the scope of LV lines, MV/LV stations and distributed generation and RES connected to the LV distribution network. The system will enable real-time monitoring of the operation of the LV network and individual devices in the LV network in individual Distribution Regions. In addition, the implementation will enable the transmission of data on interruptions in the LV network to the billing system in order to calculate any discounts due.

Area	Activity
Retail Trade Area	<p>The key project implemented within the Retail Trade area was a project concerning the adaptation of ENEA Group to the new legal regulations contained in the Act of 28 December 2018 on amending the Excise Duty Act and amending certain other acts. The project covers both business processes and IT tools and systems. Within the framework of the Project:</p> <ul style="list-style-type: none"> Tariffs and Price Lists for 2019 were adjusted to the requirements of the Act. The “statutory” prices for customers were set for 2019. Formal changes were made to the terms and conditions of contracts with Customers in accordance with the provisions of the Act. Appropriate adjustments were made to settlements with the Customers. <ul style="list-style-type: none"> Appropriate applications were prepared and submitted to Zarządca Rozliczeń (Settlement Manager) for the payment of funds constituting compensation for the application of statutory mechanisms with regard to prices for 2019. ENEA S.A. obtained the amounts requested. Changes were made in the billing system and other IT systems resulting from the necessity to adjust them to the requirements of the Act.
Customer Service Area	<ul style="list-style-type: none"> Completion of the most important part of the project of a new visualization of Customer Service Centres. All 32 centres have been visualized. Continuation of work on the introduction of automation of maintenance processes using, among others, business process robotization (RPA), which will translate into timely implementation of key indicators in the processes. Launch of the modernised Electronic Customer Service Centre (eBOK), which is more user-friendly and provides simpler service. Launch of the possibility of electronic payments in the eBOK by a second Payment Operator – PayU. Completion of the implementation in all Customer Service Centres of the electronic pen to sign contracts in the Customer Service Centre in order to simplify the service process and minimize the number of printed documents. <ul style="list-style-type: none"> Implementation of the Customer Satisfaction Survey in Customer Service Centres (customer satisfaction surveys). Implementation of a system supporting the management of customer information, i.e. the Central Customer Database (CBK). Upgrade of the IVR service on the 611 111 111 Infoline to a simpler and more user-friendly one for the Customer and launch of a new self-service facility for reporting power outage in the apartment/premises. Launch of self-service facilities after the working hours of the infoline (after 10:00 pm and on public holidays). Implementation of new templates of responses to e-mails and customer chats in order to improve the quality of customer service.
Wholesale Trade Area	<ul style="list-style-type: none"> Project “Creation of a system of logistic service of biomass deliveries through sea ports to ENEA Elektrownia Połaniec Spółka Akcyjna”. <ul style="list-style-type: none"> Project “Main capacity auction for 2024 and secondary market”, whose main objective is to prepare ENEA Group’s assets for general certification and to develop and implement a strategy for participation in the main capacity auction for the delivery year 2024, in the additional auctions for 2021 and operations on the secondary market.

3.5.3. Agreements concluded

3.5.3.1. Agreements of significance to ENEA Group’s operations

In 2019, ENEA Group companies did not conclude any significant agreements; however, in the reporting period were concluded:

- an annex to the Multiannual Sale Agreement between ENEA Wytwarzanie and JSW S.A., pursuant to which all the mud deliveries contracted for ENEA Wytwarzanie for 2019 were transferred to ENEA Elektrownia Połaniec,
- an agreement with PKP Cargo for the transport of 5.9 million tonnes of thermal coal from LW Bogdanka S.A. to ENEA Wytwarzanie Sp. z o.o.,
- an annex to the Multiannual Agreement on the supply of power coal between ENEA Wytwarzanie and LW Bogdanka S.A., under which the volume of coal supplies to ENEA Wytwarzanie to be delivered in 2019 was increased,
- an agreement between ENEA Elektrownia Połaniec and GE Power and Stal-Systems for upgrade of electrostatic precipitators of six power units in order to comply with BAT conclusions, and
- an agreement between ENEA Elektrownia Połaniec and REMAK-ENERGOMONTAŻ S.A. for the contract “Upgrade of C and D absorbers of the FGD Installation at ENEA Elektrownia Połaniec S.A. in order to adjust it to the new environmental standards specified in BREF/BAT with respect to SO₂ and dust emissions”.

3.5.3.2. Execution of agreements concerning operating activities

Date of conclusion	Parties to the agreement		Description
23 July 2015	ENEA S.A.	PKO BP S.A., Bank Pekao S.A., Bank Zachodni WBK S.A., Bank Handlowy w Warszawie S.A.	Annex to the Programme Agreement of 21 June 2012 amending the terms and conditions of financing in the amount up to PLN 3 billion
3 December 2015	ENEA S.A.	Bank Gospodarstwa Krajowego	Programme Agreement in the amount up to PLN 700 million with allocation to financing investment needs
29 May 2015	ENEA S.A.	European Investment Bank	Financial agreement in the amount up to PLN 946 million
30 September 2016	ENEA Wytwarzanie Sp. z o.o	Rafako S.A.	Supply and assembly of the SCR installation for AP-1650 Boilers 9 and 10, including the upgrade of electrostatic precipitators
28 June 2011	ENEA Wytwarzanie Sp. z o.o	Rafako S.A.	Supply and assembly of the SCR installation for OP-650 Boilers 4 to 8
23 January 2012	ENEA Wytwarzanie Sp. z o.o.	LW Bogdanka S.A.	Multiannual Agreement No. UW/LW/01/2012 – specifies the general terms for coal supplies in 2017-2036
27 December 2017	ENEA Wytwarzanie Sp. z o.o.	Polska Grupa Górnicza S.A.	Multiannual Agreement No. 44/P/PGG/2018/K – specifies the general terms for coal supplies in 2018-2021
29 December 2017	ENEA Wytwarzanie Sp. z o.o.	Jastrzębska Spółka Węglowa S.A.	Multiannual Agreement for supplies of fuel coal No. 48/DH/HE/2017 K – specifies the general terms for coal supplies in 2018-2020
29 December 2017	ENEA Wytwarzanie Sp. z o.o.	Jastrzębska Spółka Węglowa S.A.	Multiannual Agreement for supplies of sludge No. 1/DH/HE/2018 – specifies the general terms for sludge supplies in 2018-2020
15 December 2017	ENEA Wytwarzanie Sp. z o.o.	LW Bogdanka S.A.	Annual Agreement for supplies of fuel coal in 2018 – Appendix No. 3 to Agreement UW/LW/01/2012
17 November 2017	ENEA Wytwarzanie Sp. z o.o.	Węglkokoks S.A.	Coal sale agreement No. 14164/2017 – specifies the general terms for coal supplies between November 2017 and January 2018
12 July 2012	ENEA Elektrownia Połaniec S.A.	LW Bogdanka S.A.	Multiannual Agreement – specifies the general terms for coal supplies in 2013-2021
24 August 2016	ENEA Elektrownia Połaniec S.A.	Katowicki Holding Węglowy (now: PGG)	Annual Agreement for supplies of fuel coal in 2016-2017
24 August 2016	ENEA Elektrownia Połaniec S.A.	Polska Grupa Górnicza (PGG)	Annual Agreement for supplies of fuel coal in 2017
20 April 2017	ENEA Elektrownia Połaniec S.A.	Jastrzębska Spółka Węglowa S.A.	Short-term Agreement for coal purchase
29 December 2017	ENEA Elektrownia Połaniec S.A.	Jastrzębska Spółka Węglowa S.A.	Multiannual Agreement for coal purchase
27 December 2017	ENEA Elektrownia Połaniec S.A.	Polska Grupa Górnicza S.A.	Multiannual Agreement for coal purchase
28 August 2018	ENEA Elektrownia Połaniec S.A.	RAFAKO S.A.	"Design, delivery, assembly and start-up of a complete flue gas desulphurisation (FDG) installation for Unit 5 in ENEA Elektrownia Połaniec S.A."

3.5.3.3. Agreements concluded by ENEA Wytwarzanie Sp. z o.o.

Date of conclusion	Party to the Agreement	Description
25 June 2019	PKP CARGO S.A.	Agreement on coal transport from LW Bogdanka S.A. to Świerże Górne
16 December 2019	ORLEN Paliwa Sp. z o.o.	Annex 1 to the agreement for the supply of light oil (LNG) to ENEA Wytwarzanie in Świerże Górne. The Annex has updated the contracted volume of deliveries in 2019.
31 December 2019	PKP CARGO S.A.	Agreement on coal transport from the Silesian direction to Świerże Górne
31 December 2019	LW Bogdanka S.A.	Annex 13 to the Multiannual Agreement specifies the terms and conditions of supply of power coal to ENEA Wytwarzanie Sp. z o.o., i.e.: updated quantitative volumes for the years 2020-2025 and the coal sales price for 2020

3.5.3.4. Agreements concluded by ENEA Elektrownia Połaniec S.A.

Date of conclusion	Party to the Agreement	Description
20 August 2019	Consortium of GE Power Sp. z o.o. with registered office in Warsaw and Stal-Systems S.A. with registered office in Wólka Pełczyńska	Turnkey upgrade of electrostatic precipitators of power units 2, 3, 4, 5, 6 and 7 in ENEA Elektrownia Połaniec S.A. - adjustment to BAT conclusions
26 August 2019	REMAK – ENERGOMONTAŻ Spółka Akcyjna with registered office in Warsaw	Upgrade of C and D absorbers of the FGD installation in ENEA Elektrownia Połaniec S.A. – adjustment to the BAT conclusions
1 September 2019	CTL Północ Sp. z o.o. with registered office in Gdynia	Servicing the railway side track in ENEA Elektrownia Połaniec S.A. in the years 2019-2021
20 December 2019	PKP CARGO S.A.	Agreement on energy coal transport to ENEA Elektrownia Połaniec S.A.

3.5.3.5. Agreements concluded by LW Bogdanka S.A. with entities outside ENEA Group

Date of conclusion	Party to the Agreement	Description
8 January 2009	Zakłady Azotowe Puławy S.A.	Multiannual Agreement – specifies the general terms for coal supplies in 2010-2025
14 December 2010	Energa Elektrownie Ostrołęka S.A.	Multiannual Agreement – specifies the general terms for coal supplies in 2011-2022

3.5.3.6. Dependence on suppliers or customers

Due to the sales structure, there is no dependence on any customer. In the area of coal supply, the subsidiary LW Bogdanka is the largest supplier of coal.

3.5.3.7. Insurance agreements

Insurance agreements in ENEA Group are concluded in accordance with ENEA Group's Policy on Insurance Procurement (Policy). Thanks to the common Policy, insurance standards and the insurance coverage contracting process across ENEA Group are unified; furthermore, procurement of insurance coverage is consolidated, thus obtaining measurable benefits, both in the scope and the costs incurred. In accordance with the Policy, the companies transfer the risk of incurring losses as a result of damage to property and claims of third parties by concluding insurance with the participation of leading national and global insurance brokers as a rule in the Polish Mutual Insurance Company (TUW PZUW), of which they are a member. Due to significant exposure of ENEA Group companies to losses and potential claims, it cannot be excluded that the concluded insurance may prove insufficient.

3.5.3.8. Agreements signed between the Parent's shareholders

The Company is not aware of any agreements that may have been concluded between the shareholders of ENEA S.A.

3.5.3.9. Partnering or cooperation agreements

3.5.3.9.1. ElectroMobility Poland S.A.

PGE Polska Grupa Energetyczna S.A., Energa S.A., ENEA S.A. and Tauron Polska Energia S.A. established ElectroMobility Poland S.A. on 19 October 2016. The company's activity is to contribute to implementing a programme aimed at constructing a Polish electric vehicle and selling it on a mass scale, as well as to establishing the electromobility system in Poland. The companies establishing ElectroMobility Poland acquired 25% of shares each, thus obtaining 25% of votes at a general shareholders' meeting. Initially, the share capital amounted to PLN 10,000,000.

In 2018, the Company's share capital was increased twice. The first increase occurred on 3 January 2018, when the Shareholders took a decision to increase the Company's share capital by PLN 20,000,000, i.e. from PLN 10,000,000 to PLN 30,000,000. On 4 October 2018, the Extraordinary Shareholders Meeting of ElectroMobility Poland S.A. adopted a resolution on increasing the share capital of the Company by PLN 40,000,000, i.e. from PLN 30,000,000 to PLN 70,000,000.

Currently, the Company's capital share amounts to PLN 70,000,000.

3.5.3.9.2. Research programme

ENEA and the Electric Power Research Institute (EPRI) have signed an agreement under which ENEA Group will participate in research programmes on energy storage and dispersed generation.

The area of cooperation will cover challenges related to energy storage, integration of warehouses with dispersed energy sources and microgrids as well as creation of new services based on energy storage.

Thanks to participation in the programme, ENEA Group will have the opportunity to obtain the know-how from EPRI and to share experiences with other research participants. The joint research will help to identify and evaluate the benefits of energy storage, as well as to learn about new storage technologies and learn from implementations and integration in the US and other countries.

Participation in the research programme will increase internal possibilities of implementation and use of energy storage in ENEA Group. The research programme includes and integrates a number of activities, including technology assessment, economic and technical modelling to support planning and operation of the distribution network and technology demonstrations. The programme also provides access to a range of tools and research results to assess the costs, value and limitations of a given energy storage technology.

These technologies will provide benefits to the power system, including increased energy quality, operational efficiency and greater integration with renewable energy sources.

3.5.3.9.3. Cooperation with research institutions

As a result of innovative activities and implementation of R&D projects, in 2019 the Company ENEA Operator continued its cooperation with the research institutions listed below:

- University of Zielona Góra
- Institute of Power Engineering in Warsaw
- Institute of Power Engineering, Gdańsk Division
- AGH University of Science and Technology
- Poznań University of Technology
- Institute of Logistics and Warehousing in Poznań

- Maritime University of Szczecin
- Warsaw University of Technology
- Poznań University of Economics and Business
- Jan and Jędrzej Śniadecki's University of Science and Technology in Bydgoszcz
- Electric Power Research Institute (EPRI)

Additionally, under newly concluded agreements, cooperation was extended in 2019 with the following research institutions:

- West Pomeranian University of Technology in Szczecin
- Poznań University of Technology

3.5.3.9.4. ENEA Innowacje Sp. z o.o.

ENEA Innowacje Sp. z o.o. (formerly ENEA Innovation Sp. z o.o.) was established by the Management Board of ENEA S.A. on 29 September 2015 and it deals with undertakings which have a chance to become real, innovative products offered by ENEA Group in the future and generate additional financial streams there. The Company actively participates in the implementation of important and key innovative projects of ENEA Group (e.g. related to the development of the concept and commercialisation of the coal gasification project), as well as in the integration of important business and organisational processes. It is willing to support undertakings with global ambitions. The strict circle of the company's interests includes searching for and implementation of solutions for the development of potential in the following areas: close-circuit economy, energy storage and new RES technologies, electromobility, Smart Cities, Internet of Things, Artificial Intelligence and automation.

In the financial year 2019, the company:

- 1) implemented assumptions of the updated model of functioning of the area of innovations in ENEA Group and actively participated in projects improving internal regulations in the Group concerning innovation management,
- 2) adopted internal regulations specifying detailed principles of the Company's operation and management of the innovation process in the Company,
- 3) identified several hundred innovative ideas and carried out an initial preselection of several dozen of them, of which several dozen were subjected to in-depth analysis, and business models were prepared for the selected ones,
- 4) launched an internship programme in which 13 students took part throughout the year,
- 5) concluded letters of intent and cooperation agreements with such universities and institutions as: Poznań University of Technology, Warsaw School of Life Sciences and Adam Mickiewicz Foundation,
- 6) took an active part in a 3-year research programme called "P94 Energy Storage and Distributed Generation" under the agreement between ENEA S.A. and Electric Power Research Institute (EPRI).

3.5.3.10. Participation in the nuclear power plant programme

On 15 April 2015, KGHM, PGE, TAURON and ENEA S.A. signed an Share Purchase Agreement in PGE EJ 1. KGHM, TAURON and ENEA S.A. acquired from PGE 10% of shares (in total 30% of shares) in PGE EJ 1. ENEA paid for the acquired shares PLN 16 million. According to the Shareholders' Agreement, ENEA S.A.'s financial contribution in the Phasing-in Period shall not exceed the amount of approximately PLN 107 million. The total expenditure of ENEA S.A. resulting from the purchase of shares and the increase of the Company's share capital have so far amounted to PLN 32,543.8 thousand.

On 28 November 2018, PGE S.A. expressed an initial interest in acquiring all shares in PGE EJ 1. Information presented by PGE S.A. indicated that the transaction would be possible upon a valuation by an independent advisor and obtaining corporate approvals by all involved entities. On 4 December 2018, ENEA S.A. expressed an initial interest in selling all shares held in PGE EJ 1. The other shareholders, i.e. TAURON and KGHM, also expressed an initial interest in selling shares held by them in PGE EJ 1. On 17 April 2019, PGE S.A. decided to withdraw from the process of acquisition of shares held by other Shareholders.

3.5.3.11. Implementation of the Ostrołęka C Power Plant construction project

Pursuant to Resolution No. 94/IX/2018 of 28 December 2018, the Supervisory Board of ENEA S.A. gave its consent:

- to the conclusion by the Management Board of ENEA S.A. of a memorandum of understanding (“Memorandum”) with Energa S.A. and Elektrownia Ostrołęka Sp. z o.o. regulating the principles of cooperation between the parties in the project of construction of the Ostrołęka C Power Plant, including termination of the Investment Agreement of 8 December 2016 together with Annex 1/2018 thereto concluded on 26 March 2018 and limiting the financial involvement for the realisation of the Construction Stage attributable to ENEA S.A. to the amount of PLN 1 billion,
- to the voting by a representative of ENEA S.A. at the Extraordinary Shareholders Meeting of Elektrownia Ostrołęka Sp. z o.o. in favour of a resolution on expressing consent to the issue of a Notice to Proceed, with the reservation that a prior Memorandum will be concluded by all parties.

The Memorandum between ENEA S.A., Energa S.A. and Elektrownia Ostrołęka Sp. z o.o. referred to above was concluded on 28 December 2018. Under the Memorandum, the Investment Agreement of 8 December 2016 together with the Annex of 26 March 2018 was terminated.

The content of the Memorandum defines new rules of cooperation, including the structure of the Project’s financing, where ENEA S.A. declares financial commitment for the realisation of the Construction Stage in the amount of PLN 1 bn, Energa S.A. in the amount of not less than PLN 1 bn, additionally to the funds already committed. Moreover, the Memorandum provides for the involvement of other investors to the remaining extent necessary to cover the financial expenditures of the Project.

The parties to the Memorandum intend to:

- agree on the form, schedule and terms of financial involvement of a financial investor and/or other investors;
- enter into a new investment agreement;
- agree on the terms of granting credit facilities by the creditors to the Company which are necessary to complete the Construction Stage in such way as not to breach the commitments of ENEA S.A. and Energa S.A. assumed under financial covenants.

The Memorandum was a condition to ENEA S.A. agreeing to issue a Notice to Proceed (NTP) to the general contractor.

On 28 December 2018, Extraordinary Shareholders Meeting of Elektrownia Ostrołęka Sp. z o.o. agreed to issuing a Notice to Proceed for the General Contractor – Consortium of GE Power Sp. z o.o. – Consortium Leader and ALSTOM Power Systems S.A.S.

On 28 December 2018, the Management Board of Elektrownia Ostrołęka Sp. z o.o. issued a Notice to Proceed with the works related to the construction of Ostrołęka C Power Plant to the General Contractor – Consortium of GE Power Sp. z o.o. – Consortium Leader and ALSTOM Power Systems S.A.S.

In connection with the issuing of the NTP to the General Contractor – keeping in mind that, pursuant to the provisions of the Memorandum, the second instalment of the advance will be covered in equal parts by ENEA S.A. and Energa S.A. – in order to pay the second instalment of the advance to the General Contractor on 4 January 2019 the Extraordinary Shareholders Meeting of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on increasing the company’s share capital by PLN 361,382 thousands.

ENEA S.A. took up 3,613,821 shares of the nominal value of PLN 180,691 thousands in the share capital of the Company by making a cash contribution to the account of the special purpose entity on 4 January 2019. The share capital increase is awaiting registration in the National Court Register.

On 7 January 2019, ENEA S.A. and Energa S.A. and PGE Polska Grupa Energetyczna S.A. (PGE) commenced talks which may result in PGE’s engagement in the construction of the Ostrołęka C Power Plant, the project which is currently being implemented by ENEA S.A. and Energa S.A.

From 29 January 2019, on the basis of point 1.7 of the Memorandum referred to hereinabove, the Parties have started to make efforts to adapt the terms of the agreement with the General Contractor to the current status of the Project.

On 30 April 2019, ENEA S.A. concluded a memorandum of understanding (“Memorandum”) with Energa S.A. concerning the financing of the project of construction of a new coal unit – the planned Ostrołęka C power plant in Ostrołęka with a gross capacity of 1,000 MW (“Project”). Pursuant to the Memorandum, ENEA S.A. and Energa S.A. decided to specify the principles of financing the Project which were initially agreed upon in the memorandum concluded between ENEA S.A., Elektrownia Ostrołęka Sp. z o.o. (“Company”) and Energa S.A. on 28 December 2018.

In the Memorandum, ENEA S.A. undertook to provide the Company with financial outlays for the realisation of the Project in the amount of PLN 819 million from January 2021 within the financial commitment declared in the memorandum of 28 December 2018 in the amount of PLN 1 billion, taking into account funds already transferred to the company for the needs of payment of an advance payment to the general contractor of the unit in the amount of about PLN 181 million. However, if ENEA S.A. does not conclude a new Shareholders Agreement / Investment Agreement with Energa S.A. by 31 December 2020, ENEA S.A. will be obliged to return to Energa S.A. half of the financial expenditure in the amount which Energa S.A. will provide to the company on its own within the limit of PLN 819 million within the deadlines specified in the Memorandum.

If, within the deadline resulting from the established schedule, ENEA S.A. or Energa S.A., respectively, will not provide the Company – through their own fault – with funds other than, in particular, by way of granting a loan or taking up shares, ENEA S.A. or Energa S.A., respectively, will be obliged to pay the cash amount resulting from the schedule to the Company's account. The memorandum also contains a provision securing ENEA S.A. against the Company's claims for the reimbursement of financing of the Project which was returned directly to Energa S.A. in connection with financing made available by it in the period before the date of conclusion of the new Shareholders Agreement / Investment Agreement.

The Parties to the Memorandum agreed that other agreements concerning the Project will specify the rules of their participation in the risks of the Project, rules of participation in profits and losses and rules of corporate governance, which will guarantee rights and obligations proportional to their involvement in the Project.

On 30 September 2019, in connection with the fulfilment of the obligation resulting from Memorandum, ENEA S.A. concluded with Energa S.A. an agreement on the assignment of rights from the loan agreement granted to Elektrownia Ostrołęka Sp. z o.o. by Energa S.A. of 17 July 2019. At the same time on the same day ENEA S.A. performed the obligation resulting from the Memorandum to reimburse Energa S.A. for half of the financial outlays in the amount which Energa S.A. independently provided to the company in the period from the date of conclusion of the Agreement, i.e. in the amount of PLN 29,000 thousand.

On 4 October 2019, Elektrownia Ostrołęka Sp. z o.o. and a consortium of companies: Torpol SA and Zakłady Automatyki "Kombud" S.A. signed agreement for the task called "Reconstruction of the railway infrastructure system for operating the Ostrołęka C Power Plant".

On 23 December 2019, ENEA S.A. and Energa S.A. concluded with Elektrownia Ostrołęka Sp. z o.o. Annex 1 to the Loan Agreement of 17 July 2019, in which they decided to extend the repayment period of the loan in the amount of PLN 58 million from the original date (31 December 2019) to 31 January 2020, with a simultaneous commitment of the Lenders (Energa S.A. and ENEA S.A.) to convert receivables on account of the loan into share capital by 31 January 2020, on the condition of obtaining the consent of the Supervisory Boards of Energa S.A. and ENEA S.A.

On 23 December 2019, ENEA S.A. and Energa S.A. concluded a loan agreement with Elektrownia Ostrołęka Sp. z o.o. on granting by Energa S.A. a loan of up to PLN 340 million for the period until 26 February 2021. The agreement in question provides that if the circumstances indicated in point 1.8 of the Memorandum are fulfilled, Energa S.A. sells to ENEA S.A. half of the receivables which it will be entitled to on the basis of the loan agreement to Elektrownia Ostrołęka Sp. z o.o. 31 January 2021 for a price equal to the nominal value of the receivables being sold, including in particular the principal and interest as of 31 January 2021. ENEA S.A. will be obliged to pay the price for the purchased receivables on 31 January 2021. Energa S.A. paid Elektrownia Ostrołęka Sp. z o.o. the first tranche of the loan in the amount of PLN 160 million on 23 December 2019, and the second tranche in the amount of PLN 17 million on 13 January 2020.

On 31 January 2020, ENEA S.A. and Energa S.A. concluded with Elektrownia Ostrołęka Sp. z o.o. Annex 2 to the Loan Agreement of 17 July 2019, in which they decided to extend the repayment period of the loan in the amount of PLN 58 million from the date specified in Annex 1 to the Loan Agreement (31 January 2020) to 31 March 2020, with a simultaneous commitment of the Lenders (Energa S.A. and ENEA S.A.) that they intend to undertake efforts aimed at the conversion of receivables due to them under the loan into share capital, provided that the Lenders obtain approvals from the Supervisory Boards of EnergaS.A. and ENEA S.A, and subject to the reservation that the final decision on a possible conversion will be made individually by each of the Lenders, at their own discretion, in the period immediately preceding the loan repayment date and taking into account the current development stage and status of the Project at that moment. On 30 March 2020, ENEA S.A. and Energa S.A. signed Annex 3 to the Loan Agreement of 17 July 2019 with Elektrownia Ostrołęka Sp. z o.o., in which they decided to extend the repayment period of the loan of PLN 58,000 thousand from the repayment period set out in Annex 2 to the Loan Agreement (31 March 2020) to 30 June 2020.

On 30 April 2020, PKN Orlen S.A. completed the settlement proces of all transactions for the purchase of shares of Energa S.A. as a result of a completed tender offer to subscribe for the sale of all shares of Energa S.A., announced by PKN Orlen S.A. on 5 December 2019. As a result of a Tender Offer, PKN ORLEN S.A. acquired 331 313 082 shares of Energa S.A. representing ca. 80% of the share capital of Energa S.A. and corresponding to ca. 85% of the total number of votes at the General Meeting of Energa S.A.

On 13 February 2020, ENEA S.A. signed a memorandum of understanding with Energa S.A. concerning the suspension of financing of the Ostrołęka Power Plant C project by Energa S.A. and ENEA S.A. In the memorandum of understanding, ENEA S.A. and Energa S.A. undertook to conduct analyses, in particular analysis of technical, technological, economic and organizational parameters and the further financing of the project.

Energa S.A. and ENEA S.A. assumed that suspension of financing of the project will require that the company suspend the performance of the contract to build the 1000 MW Ostrołęka Power Plant C signed on 12 July 2018 and the agreement to redevelop railway infrastructure to support the Ostrołęka Power Plant C signed on 4 October 2019. The memorandum of understanding does not affect the binding power of the existing memorandums, in particular the previous arrangements concerning the rules of financing the project and the formula of settlements between Energa S.A. and ENEA S.A. adopted based on the previous memorandums of 28 December 2018 and 30 April 2019, while the memorandum of understanding of 30 April 2019 will be applied to the settlement of additional costs, if any, that may arise if Elektrownia Ostrołęka Sp. z o.o. suspends the construction of the project.

On 14 February 2020, Elektrownia Ostrołęka Sp. z o.o. gave an order to the General Contractor of the 1000 MW Ostrołęka Power Plant C contract of 12 July 2018 to suspend the performance of any works related to this contract, with the suspension becoming effective as of 14 February 2020. By the time the order to suspend the work is delivered to the General Contractor, the work will progress based on the assumed schedule. Most of the earthworks have been completed, while concrete, reinforcement and assembly works were still ongoing. Moreover, on the same date, Elektrownia Ostrołęka Sp. z o.o. gave an order to the contractor of the agreement to redevelop railway infrastructure to support Ostrołęka Power Plant C signed on 4 October 2019 to suspend the performance of this contract, with the suspension becoming effective as of 14 February 2020. By the time the order to suspend the work is delivered to the contractor, the works will progress in accordance with the plan. The works on high voltage lines (performed by another contractor) were nearing completion.

On 18 April 2020, a memorandum of agreement was signed between PKN Orlen and the State Treasury in connection with the PKN Orlen's planned acquisition of control over Energa S.A. The parties to the Agreement anticipate that after PKN Orlen obtains control over Energa S.A., Energa's strategic investments will be continued. PKN Orlen declared that, immediately after it obtains control over Energa S.A., it will review the terms of continuation of those investments, in particular the construction of Elektrownia Ostrołęka C.

On 7 May 2020, Energa S.A. announced extension of the analysis period pertaining to the Ostrołęka project". According to the current report, the company assumed that the analysis would last for one more month.

Within the analytical framework under the agreement, ENEA S.A. and Energa S.A. worked, among others, on updating business and technical assumptions and assumptions for the financing structure in the financial model. Energa S.A. provided the results of this work to Elektrownia Ostrołęka Sp. z o.o. on 14 May 2020 and the company received Project profitability calculations for the coal-based option. The results were then used by the company to develop the CGU test. The CGU test carried out by the company indicates that completion of the Project will have a negative net value, which means that there are no grounds for continuing the Project.

On 19 May 2020, PKN Orlen, which holds 80% in the share capital and 85% of votes at the shareholder meeting of Energa S.A., published current report No. 31/2020, in which it reported that it had passed to Energa S.A. its response to the inquiry sent to PKN Orlen by Energa S.A. regarding its willingness to participate directly in the financing of the investment project to build a coal-fired power unit carried out by Elektrownia Ostrołęka Sp. z o.o. in Ostrołęka (Investment Project).

PKN Orlen declared its tentative willingness to participate directly in the financing of the Investment Project only if the technical assumptions for the Investment Project are changed to a gaseous fuel-based technology. PKN Orlen also declared its readiness to enter into talks with the company's shareholders, that is with Energa S.A. and ENEA S.A. as to the form, scope and its involvement in the Investment Project as mentioned above.

Also on 19 May 2020, Energa S.A. published current report No. 41/2020, in which it reported that on 19 May 2020 it had received from PKN Orlen, the majority shareholder of Energa S.A. a declaration of its tentative willingness to participate directly in the financing of the investment project to build a coal-fired power unit carried out by Elektrownia Ostrołęka Sp. z o.o. The declaration was a response to the inquiry from Energa S.A. to PKN Orlen and was made solely on the condition that the technical assumptions for the Investment Project would be changed to a technology based on gaseous fuel, which is one of the scenarios considered as part of the analyses reported by Energa S.A. in current reports Nos. 8/2020 of 13 February 2020, 11/2020 of 23 February 2020 and 38/2020 of 7 May 2020.

On 19 May 2020, ENEA S.A. received an electronic copy of Resolution No. 39/2020 adopted by the Management Board of Elektrownia Ostrołęka Sp. z o.o. on 19 May 2020 in the matter of recognizing impairment allowances for the book value of the Company's assets.

As a result of impairment tests carried out in Elektrownia Ostrołęka Sp. z o.o. for its non-current assets after the update of business assumptions for the Ostrołęka C Power Plant construction project based on the coal technology, the ENEA S.A.'s share in the net loss incurred by Elektrownia Ostrołęka Sp. z o.o. was included in the consolidated financial statements. As the amount is greater than the current value of shares in the company, it was reduced to zero. Given the circumstances and the progress of implementation of the project by Elektrownia Ostrołęka Sp. z o.o. as at 31 December 2019, this information was deemed to be information after the balance sheet date, which corrects the balance sheet date data under IAS 10(8).

Moreover, an impairment loss on loans granted to the company was recognized in the consolidated financial statements, reducing their value to the recoverable amount:

1) Short-term loan under the agreement of 30 September 2019 to assign rights under the loan agreement of 17 July 2019 granted to Elektrownia Ostrołęka by Energa S.A.: impairment allowance of PLN 29,496 thousand,

2) Long-term loan under the agreement of 23 December 2019 between Energa S.A., Elektrownia Ostrołęka and ENEA S.A.: impairment allowance of PLN 36,275 thousand.

On 2 June 2020, the Management Board of ENEA S.A. accepted the final report on analyses conducted in cooperation with Energa S.A. regarding technical, technological, economic, organizational and legal aspects and further financing of the project. The conclusions drawn from the analyses do not justify the continuation of the project in its current form, i.e. as a construction project of a power plant generating electricity through combustion of hard coal. The factors contributing to the above conclusions included:

1) regulatory changes at the level of the European Union and lending policies adopted by various financial institutions, resulting in a significantly greater availability of funding for energy projects based on the combustion of natural gas rather than coal;

2) acquisition of control over Energa by PKN Orlen, whose strategy does not envisage investments in electricity generation projects based on the combustion of coal.

At the same time, the technical analysis confirmed feasibility of the scenario of building a power plant generating electricity in a natural gas combustion process ("Gas-Fired Project") at the current site of the coal-fired unit being built. Consequently, the Management Board of ENEA S.A. made a decision to continue the construction of the generating unit in Ostrołęka based on the assumption of changing the power source from coal-based to gas-based.

On 2 June 2020, Enea S.A., Energa S.A. and PKN ORLEN signed a trilateral agreement defining the following key rules of cooperation within the framework of the Gas-Fired Project.

- subject to the reservations below, the cooperation between ENEA S.A. and Energa S.A.
- will continue within the framework of the existing special purpose vehicle, i.e. Elektrownia Ostrołęka Sp. z o.o., and ENEA S.A. and Energa S.A. will make a settlement of costs related to the Project and settlements will also be made with the contractors involved in the execution of the Project in accordance with existing rules,
- the potential role of PKN ORLEN in the Gas-Fired Project as a new shareholder has been considered, ENEA S.A. will take part in the Gas-Fired Project as a minority shareholder with limited financial exposure, as a result of which the Company will not be a party exercising joint control over the Ostrołęka Power Plant.
- subject to obtaining the necessary corporate approvals, a new shareholder agreement will be signed pertaining to the execution of the gas-fired project in accordance with the rules of cooperation discussed above,
- the activities to secure financing for the Gas-Fired Project will be undertaken by Energa S.A. in cooperation with PKN Orlen.

As at 31 December 2019, the outstanding obligation of ENEA S.A. under the previously signed agreements (in particular the agreements of 28 December 2018 and 30 April 2019) to secure financing for Elektrownia Ostrołęka Sp. z o.o. amounted to PLN 710 million. Considering the above, the Company does not have sufficient information on the possible additional contributions or its possible dates. The obligation existing under the agreements (in particular of 28 December 2018 and 30 April 2019) will be realized based on future arrangements made under the agreement of 2 June 2020.

As at the date of the financial statements for 2019, following an assessment of the events above, analysis of the progress of the investment project and the open issue of converting the existing project into the Gas-Fired Project, which occurred after the balance sheet date and for which the final arrangements with the General Contractor of the project have not been made, there are no grounds for recognizing any additional provisions for this obligation as at the balance sheet date.

3.5.3.12. Other agreements

In the previous years, ENEA S.A. also concluded intra-group programme agreements on bond issues with its subsidiaries, which serve to finance investments in the RES and Heat Segments. These programmes are fully utilised and being redeemed in instalments. As at 31 December 2018, the total amount of bonds to be redeemed under these programmes amounted to PLN 19 million.

3.5.4 Financing sources of the investment programme

ENEA S.A. finances the investment programme using financial surpluses from its business activities and external debt. ENEA Group pursues the investment financing model, in which ENEA S.A. acquires external sources of financing and distributes them to its subsidiaries. In further activities, ENEA S.A. will focus on ensuring appropriate diversification of external sources of financing for the investments planned in ENEA Group's Strategy in order to optimize the amount of costs and debt repayment dates. On 26 June 2019, ENEA S.A. issued ENEA0624 series five-year bonds with a value of PLN 1 billion. The purpose of the issue was to refinance the debt resulting from the ENEA0220 series bonds previously issued by the Issuer. On 14 October 2019, ENEA S.A. finished the process of an early redemption of the ENEA0220 series bonds, therefore on 15 October 2019 the Management Board of ENEA S.A. adopted a resolution on the cancellation of 1,218 series ENEA0220 bonds, with the total nominal value of PLN 121,800 thousand. On 2 December 2019, ENEA S.A. allocated to one entity 10,000 series ENEB0624 bonds of a total nominal value of PLN 1,000,000 thousand. The bonds were offered pursuant to the procedure set out in Article 33(2) of the Bonds Act. The nominal debt of ENEA S.A. on account of the bonds issued and loans taken as at 31 December 2019 amounted in total to PLN 9,841 million. A description of active agreements is presented below.

3.5.4.1. External financing sources available

Source	Purpose	Value	Redemption date	(Nominal) amount due at the balance sheet date	Additional information
		PLN 1,000 million	February 2020	PLN 878 million	
Programme Agreement on the Bond Issue Programme up to PLN 5,000 million	Investment expenditures and current operations of the ENEA Group companies	PLN 500 million	September 2021	PLN 500 million	Unguaranteed market programme
		PLN 1,000 million	June 2024	PLN 1,000 million	
		PLN 1,000 million	June 2024	PLN 1,000 million	

3.5.4.2. External financing sources utilised

Below is a summary of the loan agreements and bond issue programmes utilised, under which ENEA S.A. had liabilities as at 31 December 2019.

Source	Purpose	Value	Final redemption / repayment date	(Nominal) amount due at the balance sheet date	Additional information
Programme Agreement on the Bond Issue Programme	Financing of the realisation of investment projects	up to PLN 3,000 million	June 2022	PLN 3,000 million	Underwriters of the issue – PKO BP S.A., Bank Pekao S.A., Santander Bank Polska S.A. (formerly: Bank Zachodni WBK S.A.), Bank Handlowy w Warszawie S.A. The financing is not hedged on assets
Programme Agreement on the Bond Issue Programme	Financing of the current activities and investment purposes	up to PLN 1,000 million	December 2026	PLN 800 million	Underwriter of the issue – Bank Gospodarstwa Krajowego
		up to PLN 700 million	September 2027	PLN 609 million	The financing is not hedged on assets
Loan Agreement with the European Investment Bank	Financing of the multiannual investment plan regarding the upgrade and extension of the power grids of ENEA Operator	up to PLN 950 million	September 2028	PLN 716 million	The financing is not hedged on assets
		up to PLN 475 million	June 2030	PLN 423 million	
		up to PLN 946 million	September 2032	PLN 915 million	

3.5.4.3. Distribution of cash – bond issues programmes of subsidiaries

ENEA Group has adopted a model of financing investments implemented by subsidiaries of ENEA S.A. through intra-group financing. ENEA S.A. raises long-term cash on the financial market by taking out loans or issuing bonds, which it then distributes within the Group.

At present, ENEA S.A. has in place intra-group bond issue programmes in the areas of Generation and Distribution with a total value of PLN 7,511 million. The programmes are fully utilised and partially redeemed in instalments. As at 31 December 2019, the total nominal exposure on account of bonds subscribed by ENEA S.A. and issued under the above programmes amounted to PLN 6 454 million. In the previous years, ENEA S.A. also concluded intra-group programme agreements for the issue of bonds with subsidiaries for the purposes of financing investments in the RES and Heat segments. The total amount of bonds to be redeemed under these programmes as of 31 December 2019 totalled PLN 19 million.

Company	Source	Conclusion date	Value	(Nominal) amount due at the balance sheet date	Final redemption / repayment date	Additional information
ENEA Wytwarzanie	Programme Agreement on the Bond Issue Programme	September 2012	PLN 3,000 million	PLN 2,650 million	June 2022	The possibility of issuing bonds under the programme ended on 31 December 2017. Depending on the series, the bonds bear fixed or floating interest rate.
	Programme Agreement on the Bond Issue Programme	November 2014	PLN 740 million	PLN 350 million	March 2020	The possibility of issuing bonds under the programme ended on 30 June 2016. The bonds bear floating interest rate plus margin. The bonds will be redeemed on one date.
	Executive Agreement on the Bond Issue Programme	February 2015	PLN 1,000 million	PLN 1,000 million	February 2020	The Programme has been fully utilised. The bonds bear fixed interest rate. The bonds will be redeemed on one date.
ENEA Operator	Programme Agreement on the Bond Issue Programme	June 2013	PLN 1,425 million	PLN 1,139 million	June 2030	The Programme has been fully utilised. The bonds, depending on the series, bear fixed or floating interest rate. The bonds are being redeemed in half-yearly principal instalments from June 2017.
	Executive Agreement on the Bond Issue Programme	July 2015	PLN 946 million	PLN 915 million	September 2032	The programme has been fully utilised. The bonds bear floating interest rate. The bonds are being redeemed in half-yearly instalments from December 2018.
	Executive Agreement on the Bond Issue Programme	July 2018	PLN 400 million	PLN 400 million	December 2020	The programme has been fully utilised. The bonds bear floating interest rate WIBOR 3M plus margin. The bonds will be redeemed at one time.

3.5.4.4. Loan and borrowing agreements concluded and completed

As at 31 December 2019, the nominal value of debt resulting from long-term loans taken out by ENEA S.A. was PLN 2,054 million. ENEA S.A. did not terminate any loan and borrowing agreements in 2019. ENEA S.A. did not increase its debt on account of loans and borrowings in 2019.

Starting date	Lender	Value	Amount of borrowing taken in 2019	Interest	Principal debt as at 31 Dec 2019	Final repayment date
19 June 2013	European Investment Bank	PLN 1,425 million	0	fixed or floating	PLN 1,139 million	June 2030
29 May 2015	European Investment Bank	PLN 946 million	0	fixed or floating	PLN 915 million	September 2032

3.5.4.5. Loans and borrowings taken out by ENEA Group companies

As at 31 December 2019, the nominal value of external debt on account of loans and borrowings taken out by ENEA Group companies (excluding ENEA S.A.) amounted to PLN 75,528 thousand. In 2019, ENEA Group companies did not terminate any loan and borrowing agreements.

Starting date	Final repayment date	Company	Type of financing	Value [PLN k]	Amount of borrowing taken in 2019 [PLN k]	Interest	Principal debt as at 31 Dec 2019 [PLN k]
December 2013	June 2023	MEC Piła Sp. z o.o.	a loan from WFOŚiGW	10,902	0	base rate + margin	4,784
October 2013	September 2028	PEC Sp. z o.o.	a loan from WFOŚiGW	3,500	0	base rate + margin	2,250
August 2012	November 2023	ENEA Ciepło Sp. z o.o.	an investment loan	16,367	0	base rate + margin	5,090
April 2016	December 2026	ENEA Ciepło Sp. z o.o.	a loan from NFOŚiGW	60,075	0	base rate + margin	49,474
June 2014	July 2024	Łęczyńska Energetyka Sp. z o.o.	a loan from WFOŚiGW	26,580	0	base rate + margin	13,930

3.5.4.6. Loans granted

In 2019, ENEA S.A. granted to ENEA Group companies and other companies in which it held an interest loans of the total value of PLN 1,089 ¹⁾²⁾ million. The nominal value of debt as at 31 December 2019 was PLN 968,946 thousand. Detailed information on the loan agreements concluded by ENEA S.A. and valid in 2019 and on the degree of their utilisation is presented in the table below:

Starting date	Final repayment date	Company	Value [PLN k]	Amount of borrowing taken in 2019 [PLN k]	Interest	Principal debt as at 31 Dec 2019 [PLN k]
May 2014	June 2030	ENEA Centrum Sp. z o.o.	365,000	0	base rate + margin	0
January 2015	January 2020	ENEA Oświetlenie Sp. z o.o.	10,000	0	base rate + margin	206
April 2018	February 2019	Annacond Enterprises Sp. z o.o. w likwidacji (in liquidation)	480	0	base rate	0
November 2017	March 2021	PGE EJ 1 Sp. z o.o.	7,740	0	fixed	7,740
October 2018	December 2019	PEC Sp. z o.o.	2,000	0	base rate + margin	2,000
July 2019	December 2021	ENEA Operator Sp. z o.o.	850,000	850,000	base rate + margin	850,000
September 2019	February 2021	Elektrownia Ostrołęka Sp. z o.o.	199,000	109,000	fixed	109,000 ³⁾

¹⁾ ENEA S.A. signed agreements with ENEA Operator, Ostrołęka and ENEA Centrum for the total amount of PLN 1,089 million. PLN 959 million has been paid out. The agreement in the amount of PLN 40 million with ENEA Centrum was signed in 2019, but so far no tranche of this loan has been disbursed.

²⁾ On 23 December 2019, ENEA S.A. and Energa S.A. signed a loan agreement with Elektrownia Ostrołęka sp. o.o., under which Energa S.A. granted a loan of up to PLN 340,000 thousand to Elektrownia Ostrołęka Sp. z o.o. until 26 February 2021. The agreement provides for a conditional sale of half of Energa S.A.'s amounts receivable from Elektrownia Ostrołęka Sp. z o.o. to ENEA S.A. (if the circumstances specified in clause 1.8 of the Memorandum of the Agreement come true). The transaction is described in detail in Note 32 of the Standalone Financial Statements of ENEA S.A. for the financial year ended 31 December 2019.

³⁾ As a result of impairment tests carried out in Elektrownia Ostrołęka Sp. z o.o. for its non-current assets after the update of business assumptions for the Ostrołęka C Power Plant construction project based on the coal technology, an impairment allowance was recognized for the loans granted to the company down to the recoverable amount. As at 31 December 2019, the impairment allowance amounts to PLN 65,771 thousand (note 18 in the Standalone Financial Statements).

3.5.4.7. Suretyships granted and received

In 2019, ENEA Group companies did not grant any significant suretyships. In the case of one surety granted earlier, the term of the surety has been annexed. As at 31 December 2019, the value of off-balance sheet items under sureties granted totalled PLN 56,870.63 thousand.

3.5.4.8. Guarantees granted

As at 31 December 2019, the total value of the off-balance sheet items on account of guarantees granted was PLN 241,471.87 thousand.

In 2019, bank guarantees were issued to the order of ENEA S.A., the total value of which amounted to PLN 246,717.90 thousand. The table below presents the most important bank guarantees granted on the order of ENEA S.A. in 2019. (materiality threshold > PLN 1 million):

Security granting date	Security validity date	Secured entity	Purpose of the agreement	Security form	Security amount granted [k PLN]
24 May 2019	30 July 2020	City of Bydgoszcz - Municipal Roads and Public Transport Authority in Bydgoszcz	proper contract performance	under the guarantee line in the amount of PLN 350,000,000	1,207.06
13 June 2019	30 May 2021	Izba Rozliczeniowa Gield Towarowych S.A.	collateral deposit ¹⁾	under the guarantee line in the amount of PLN 600,000,000	5,000.00
13 June 2019	30 May 2021	Izba Rozliczeniowa Gield Towarowych S.A.	collateral deposit	under the guarantee line in the amount of PLN 600,000,000	140,000.00
13 June 2019	30 May 2021	Izba Rozliczeniowa Gield Towarowych S.A.	collateral deposit ²⁾	under the guarantee line in the amount of PLN 600,000,000	5,000.00

¹⁾ on account of transactions concluded by ENEA Wytwarzanie Sp. z o.o.

²⁾ on account of transactions concluded by ENEA Elektrownia Połaniec S.A.

3.5.4.9. Interest rate hedging transactions

As part of the implementation of the Interest Rate Risk Management Policy, in 2019 ENEA S.A. concluded interest rate risk hedging transactions (Interest Rate Swaps) for exposures in the value of PLN 1,489 million.

3.5.4.10. Related-party transactions

In 2019, ENEA S.A. and its subsidiaries did not conclude any related-party transactions on non-market conditions. Information on related-party transactions concluded by ENEA or its subsidiary is included in Note 39 to the consolidated financial statements of ENEA Group for the period from 1 January to 31 December 2019.

3.5.4.11. Distribution of profit for 2018

On 20 May 2019, the Ordinary General Meeting of ENEA S.A. adopted Resolution No. 6 on the distribution of net profit for the financial year covering the period from 1 January 2018 to 31 December 2018, according to which 100 per cent of the net profit for 2018 was transferred to reserve capital for purposes of investment financing.

3.5.4.12. Assessment of feasibility of investment plans' implementation

The Company's financial standing creates a solid basis for implementation of investment plans. The balance sheet, equity and cash balance of ENEA Group provide strong foundations for financing capital expenditures, both from own resources and from external sources. In order to use its resources efficiently, in the investment activities (particularly in the area of acquisitions) the Company intends to make use of debt financing in order to attain leverage.

4. Risk management

ENEA Group is exposed to risks in each segment of its activity. The risk materialisation could have a significant adverse effect on the continuity of business of individual companies of the Group, their financial standing, and ability to achieve their strategic goals.

The awareness of these risks requires maintaining, using, and constantly improving a formalised and integrated enterprise risk management (ERM) system. Its framework is determined by the single Enterprise Risk Management Policy binding in ENEA Group. At ENEA Group, ERM system is based on the comprehensive approach to the risk management issue and determination of detailed rules for risk identification and assessment. This is the basis for identification of the key corporate risks and for monitoring of exposure to these risks as well as preparing and monitoring mitigation plans. In the case of some corporate risks, such as credit, liquidity loss, FX, interest rate, and commodity risks, as well as project design, personal data protection breach, and cyber risks, the formalised approach to risk management or risk assessment takes the form of dedicated Policies and/or Procedures.

The model functioning at ENEA Group is supplemented by the business continuity management system, the purpose of which is to identify critical processes for the operations of the key Companies of ENEA Group and to implement such actions and procedures that will reduce the risk of process interruption and ensure its continuity in an emergency situation.

The risk management rules adopted are determined on the basis of the highest management standards and compliant with relevant market practice. The Group uses IT systems to implement corporate risk, credit risk and commodity risk management processes.

4.1. Management model

The risk management organisation at ENEA Group is based on a coordinated model. The assumption of the model operation is the coordination of risk management processes within ENEA Group by ENEA S.A.

4.2. Key features of the coordinated model:

- Key ENEA Group companies manage risks on the basis of uniform standards set out in the Policies and Procedures.
- Companies ensure operating management of risks within allocated limits and pursuant to the rules approved by ENEA Group Risk Committee.
- Companies report to ENEA S.A. on the measures implemented in the area of risk management.
- ENEA S.A. acts in its capacity as the process coordinator in ENEA Group.

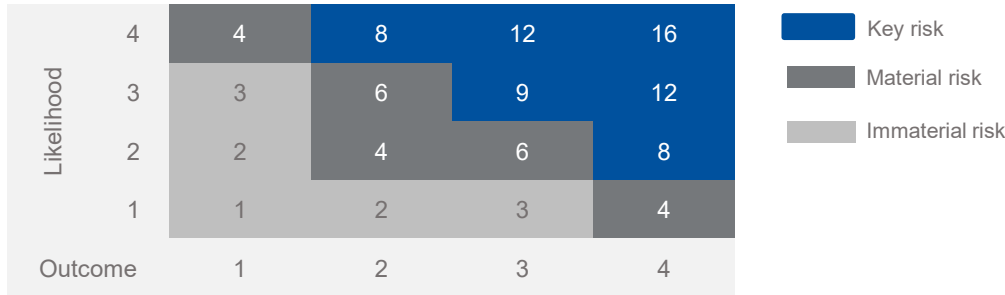
Integrated risk management system

ERM Enterprise Risk Management Policy



4.3. Risk assessment

Each risk included in the Risk Register is assessed in terms of probability and potential financial, reputational and health and safety impacts in line with the Corporate Risk Assessment Scale. The assessment scale defines the scope of the Risk Management Plan and monitoring frequency.



4.4. Risk management process

The risk management process at ENEA Group is a multi-stage process, engaging all the significant organisational units of the Group Companies.



The identification process also takes into account non-financial risks, which can have a significant negative impact on social, labour, environmental, human rights and anti-corruption issues. Their detailed description can be found in the "Non-financial Information Statement" later in this Report.

4.5. ENEA Group Risk Committee

The key authority in the risk management process at ENEA Group is the Risk Committee. The Committee is an interdisciplinary body composed of the representatives of key business areas at ENEA Group who represent all key companies of the Group.

Powers of the Risk Committee

For the Risk Management and Compliance Area:

1. Giving recommendations to the Management Board of ENEA S.A. on approving the policies governing the process of managing risks, business continuity, insurances, and compliance with approval of any relevant updates.
2. Accepting and analysing information received from Content Management Units in the area of managing risks, business continuity, and insurances.
3. Providing opinion on annual reports on the Compliance Policy implementation which are submitted to ENEA Management Board for approval.
4. Accepting semi-annual reports on the Compliance Policy ongoing implementation and preparing recommendations as to the Compliance Policy implementation.
5. Issuing of binding interpretation (construction) of the Compliance Policy provisions.
6. Approving the operating documentation governing the process of managing risks, insurances, and business continuity with approval of any relevant updates (strategies, procedures, methodologies, tools, instructions, guidelines, etc.).
7. Making decisions on the issues which include, without limitation:
 - i. Issues resulting from the documentation governing the area of managing risks, business continuity, and insurances
 - ii. Giving a consent to the deviations from the rules set out in the documentation governing the areas listed in the item above;
 - iii. Giving a consent for ENEA Group Companies to sign contracts based on foreign law or on the settlement currency other than the Polish, except for:
 - framework agreements based on the EFET standard and related surety agreements, if they fulfil the following cumulative conditions: they will be based on German law, the binding language will be English, disputes will be settled before an arbitration court, the euro or the Polish zloty will be the currency of trade;
 - framework agreements based on the SCoTA standard and related surety agreements if they fulfil all of the following conditions: they are based on German or English law, the binding language shall be English, disputes shall be settled before an arbitration court, the currency of trade shall be the euro or the US dollar or the Polish zloty;
 - biomass purchase contracts and related suretyship, guarantee or letter of credit contracts, if they fulfil all of the following conditions: they are based on German, English or Polish law, the binding language is English or Polish, the currency of trade is the euro, US dollar or Polish zloty;
 - other agreements for an amount not exceeding the equivalent of EUR 10,000, provided that the sum of such agreements concluded by the Company in a calendar year without obtaining the consent of the Risk Committee may not exceed the equivalent of EUR 50,000; after exceeding the limit of the equivalent of EUR 50,000, the conclusion of each subsequent agreement meeting the criteria of foreign law and a settlement currency other than Polish zloty requires the consent of the Risk Committee;

For the Market Regulation Area:

1. Issuing guidelines concerning the presentation of the position and undertaking negotiation, regulatory, and lobbying activities in favour of ENEA Group companies in the scope of market regulations.
2. Setting the direction and scope of the analysis of the impact of market regulations on development and investment plans and strategy of ENEA Group.
3. Receiving and analysing information from the Market Regulation Area received from the Substantive Entities.

4.5.1 Members of ENEA Group Risk Committee

The Risk Committee is composed of dedicated members of the Management Board of ENEA S.A. and its Subsidiaries within the Group as well as ENEA S.A. department directors in charge of risk management, audit and Compliance.

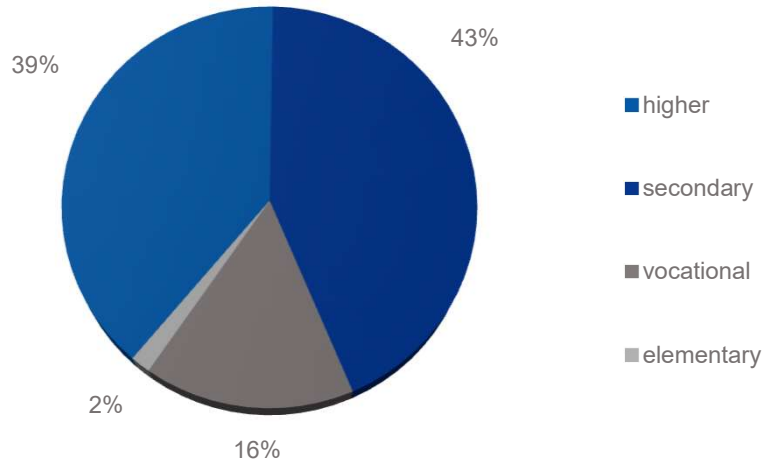
4.6. ENEA Group's Risk Model

RISK MODEL	CORE RISKS TO WHICH ENEA GROUP IS EXPOSED IN SPECIFIC CATEGORIES	EXAMPLES OF RISK MITIGATING ACTIONS TAKEN IN SPECIFIC CATEGORIES
<p>STRATEGIC</p>	<ul style="list-style-type: none"> • Risk of breaching legal and internal regulations on the protection of personal data • Risk of delays in the implementation / failure to implement measurement of the MV / LV station by the specified statutory deadlines • Risk resulting from the regulatory environment affecting costs and revenues • Risk of adopting erroneous assumptions for long-term financial projections • Risk of improper management of information in a crisis situation • Risk of non-compliance with the restrictive objectives of the EU climate policy • Risk of a generation gap • Risk of failure to meet the economic objectives of the planned construction of the Ostrołęka C Power Plant 	<ul style="list-style-type: none"> • Conducting induction and periodic training for employees and associates • Participation in the work of thematic teams and the bodies of the Association of Energy Trading and other industry associations • Securing systems that process personal data by ensuring system security measures • Monitoring and verification of forecasts of exchange rates, interest rates and other macroeconomic assumptions • Maintaining efficient communication channels with key business units • Participation in work on regulations for the energy and coal industry • Implementation of solutions aimed at supplementing, enhancing and strengthening the competences and knowledge of the organisation, e.g. through paid internships and apprenticeships • Ensuring a transparent, competitive and motivational remuneration system • Monitoring of legislative activities
<p>FINANCIAL</p>	<ul style="list-style-type: none"> • Risk of breach of financing agreements • Risk of rating downgrade • Liquidity risk • Risk of losses due to partners' failure to meet their contractual obligations (including the credit risk) • Risk of non-execution or delays in the execution of investments 	<ul style="list-style-type: none"> • Monitoring banking covenants at ENEA Group • Ongoing consultations with the credit rating agency • Conducting structured activities in the area of credit risk management and debt collection, formally defined by means of implemented documentation • Monitoring the implementation of investment tasks
<p>OPERATING</p>	<ul style="list-style-type: none"> • Risk of non-compliance with BAT conclusion requirements • Risk of excessive consumption of some elements of generation assets • Risk of delayed tender processes • Risk of non-compliance with laws and internal regulations regarding information processing and IT security in ENEA Group • Flood risk • Risk of capacity loss due to hydrological conditions 	<ul style="list-style-type: none"> • Projects related to adaptation to the requirements of the BAT conclusions • Analyses and research on the state of generation assets. Initiating renovation projects as needed • Regular periodic employee training • Regular periodic reviews of systems processing personal data and their assessment in terms of ensuring security
<p>MARKET</p>	<ul style="list-style-type: none"> • Risk of commodity price volatility on the futures market • Risk of non-continuity of fuel supplies • Volumetric risk of fuel and transport • Risk involved in the sales of the assumed volume of coal to key customers 	<ul style="list-style-type: none"> • Improving methods and tools to optimize commodity portfolios • Maintaining and developing competences within the Company to manage the commodity risk • Diversification of sources of supply and service provision • Continuous analysis of the fuel and energy market • Optimisation of coal supplies within the Group to the generation entities of the Group taking into account the limited capacity of the by-pass routes and the increase of transport costs on the LWB coal by-pass routes

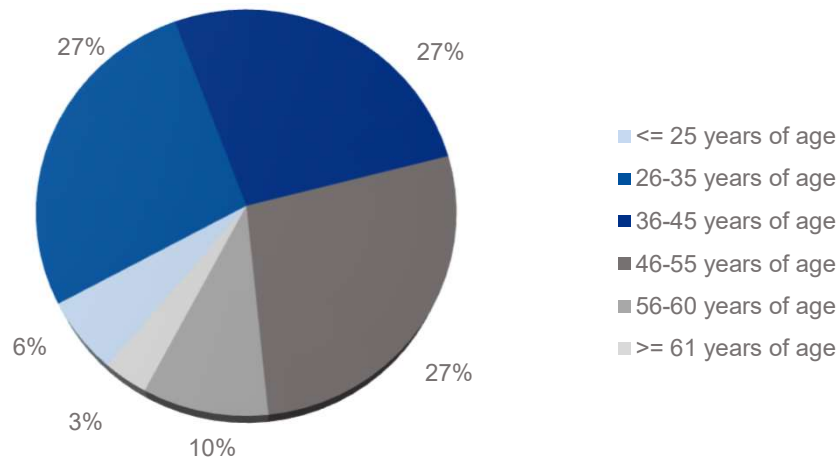
5. Employment

As at the last day of 2019, the headcount in ENEA Group companies included 17,291 employees with employment contracts, including 3,051 women and 14,240 men. As at 31 December 2019, the headcount in ENEA S.A. was 398 employees with employment contracts.

Employment at ENEA Group by level of education as of 31 December 2019



Employment at ENEA Group by age as of 31 December 2019



5.1. HR Policy implementation at ENEA Group in 2019

1. Optimisation of the HR work organisation model aimed to facilitate the Group's activity.

The essence of the new model is:

- creating HR policy at the level of ENEA S.A. and cascading the assumptions for implementation to individual member companies of the Group, which is to ensure the cohesion of HR operations and support for the pursuit of ENEA Group Strategy
 - ensuring business support in member companies of the Group through HR Business Partners responsible for implementing HR solutions, supporting the Management Boards and the management staff in HR managing, and cooperation with the company's trade union organisations
 - development and implementation of cohesive HR processes and standards throughout ENEA Group in such areas as: recruiting, hiring, and changes to employment terms and conditions, development policy, training, management by objectives, incentive systems, etc.
 - leaving in the Shared Service Centre at ENEA Centrum only the operating activities in the field of HR and payroll services, the Company's Welfare Benefits Fund, handling of training, and settlement of trade union organisations
2. Implementation of the action plan based on the analysis of results obtained after the Employee satisfaction survey conducted in selected ENEA Group Companies.
3. HR process digitalisation – initiating the operations aimed to introduce electronic personal files (e-files) and electronic document circulation in the scope of processes handled by HRBP (recruiting, hiring, changes to employment terms and conditions, etc.).
4. Operations in the field of employer branding aimed to win the best candidates for work, including the measures targeted at students and graduates, such as promoting at higher schools and during career fairs the “Get installed at ENEA” internship and student practice programme, implementation of the dual education program, cooperation with student organisations and activities dedicated to students of vocational and technical schools through the implementation of a model of cooperation with patronage schools in the areas of operations of the companies, promotion of work for ENEA among schoolchildren and students - potential employees and support for schoolchildren and students in the education process. Activities related to employer promotion also include participation in job fairs in order to promote job offers among job seekers, professionals and specialists, as well as maintaining employer profiles in social media. In this area, activities are also undertaken aimed at current employees through running the Employee Zone in the intranet, organising competitions and promoting the Code of Ethics of ENEA Group.
5. Permanent review of incentive systems and adjusting them to market conditions; implementing the tool for management by objectives, being the basis for transparent and incentive remunerating for the performance, including remuneration for the management and Employees from the sales area.



5.2. Information on the remuneration rules at ENEA S.A.

In 2019, there was no formalised remuneration policy at the Company with respect to members of the Company's bodies. However, various formal remuneration regulations are applied in the Company. At ENEA S.A., remunerations are determined on the basis of the company's collective labour agreement, bonus regulations, and work regulations. The rules for determining remunerations at ENEA S.A. are linked to its strategy, objectives, interests, and results. In addition, they are set out taking into consideration the principle of non-discrimination on any grounds. Save for the modifications in the rules of remunerating persons performing management or supervision functions, there were no significant changes to the remuneration rules applied at the Company in 2019.

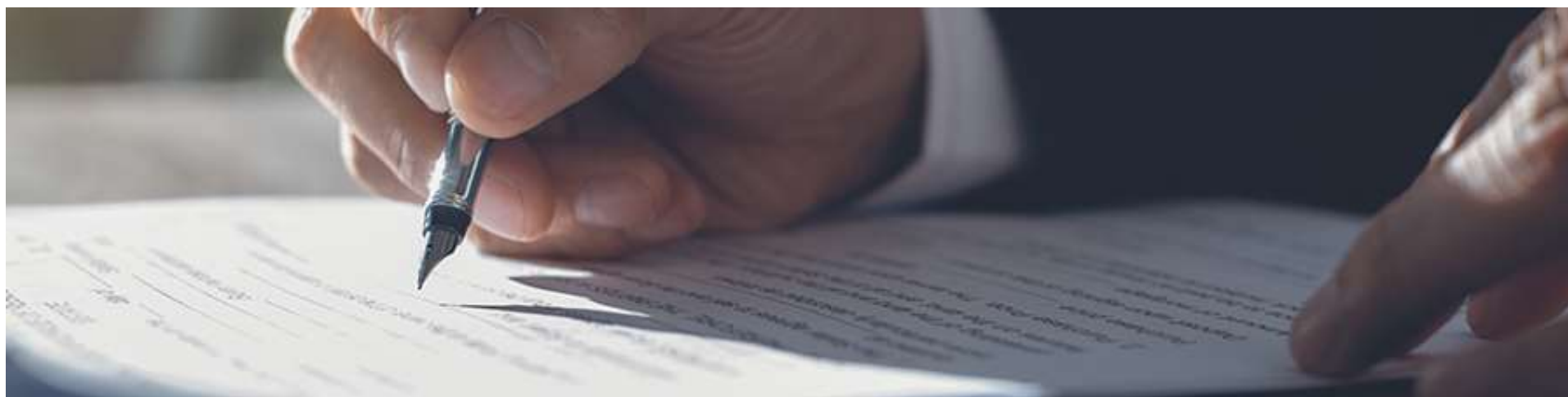
The extra-financial remuneration components applied by ENEA S.A. in 2019 included, i.a., health care services, training courses, welfare benefits (under the Company's Welfare Benefits Fund, i.e., co-financing the employees' holidays and sports, leisure, cultural and education activities, and low-interest loans for housing purposes), an additional day off, preferential insurance offer, company cars with the option to use them for private purposes, and the employee pension scheme.

As mentioned above, there was no formalised remuneration policy at ENEA S.A. in 2019. However, the remuneration rules applied at the Company are assessed positively from the point of view of implementation of its objectives, including long-term increase in value for shareholders and stability of the enterprise operation.

As at 31 December 2019, neither the Issuer nor the member companies of ENEA Group had any liabilities (including assumed liabilities) on account of retirement pensions or similar benefits assigned individually to former employees performing management or supervision functions or former members of administrating authorities.

5.3. Social contract

In April 2019, the Employers and representatives of Social Stakeholders from a dozen or so ENEA Group companies signed a Social Contract. The document in particular regulates the matter of stability of employment in the ENEA Group companies, which signed the contract, and grants the employees equality in access to additional benefits. The agreement pertains to issues such as stability of employment, employee tariffs, subscriptions for medical benefits, charge for the Company Social Benefit Fund, or official industry days being treated as public holidays.



6. Industry profile

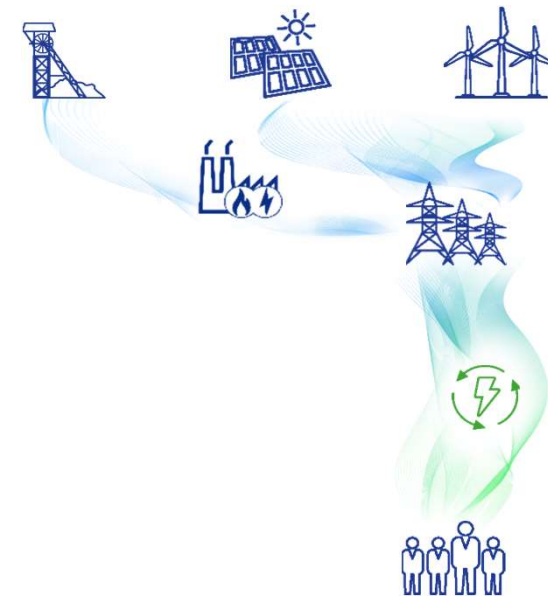
The fundamental legal act of the Polish energy market is the Energy Law as well as related executive regulations/acts, most often introduced by the Ministers of Economy or Environment. The entry into force of the Energy Law of April 1997 is considered to be the most important moment in the process of creating the domestic market. At the same time, the Energy Regulatory Office (ERO) was established. To this day, the ERO is responsible for setting prices for the transmission of electricity, as well as for property rights under certificates of origin of electricity and allowances for CO₂ emissions. Following Poland's accession to the European Union, national legislation has had to comply with EU regulations. Since then, the European legislation has become the basis for creating national regulations relating to the energy market. The most important European document has been the Directive on common rules for the internal market in electricity. Another important change for the Polish market was the entry into force in 2007 of the market liberalization regulations, which gave individual customers the opportunity to purchase electricity from any operator.

Today, electricity is a commodity that is traded on an open, competitive market. Like any other commodity, energy is produced by generators, then collected by market intermediaries, and ultimately goes to individual customers as well as companies or institutions. Like any other good produced, energy has to be transported to the final consumer, which takes place through the transmission and distribution network.

The energy market in Poland is based on several energy groups, the most important of which are ENEA, PGE, Tauron, Energa, ZE PAK and Innogy (operates only in Warsaw). According to the Energy Law, the performance of electricity transmission and distribution activities requires special permits (licences) issued by the President of ERO. The leading distributors of electricity in Poland are: ENEA Operator Sp. z o.o., PGE Dystrybucja S.A., TAURON Dystrybucja S.A. and Energa Operator S.A.

The constant pursuit of an open and competitive market is based on the assumption that both electricity generation and electricity sales are not subject to a natural monopoly. Moreover, market mechanisms, understood as competition between energy groups, guarantee high quality of services, reliability of the national energy system as well as low energy prices. Access to cheap electricity is necessary for the economy, especially so that local industrial products can compete on international markets and thus create a competitive advantage for Poland.

More than half of the electricity currently generated in the country comes from conventional sources (mainly bituminous coal and lignite). However, their share is steadily decreasing, especially after the recent increase in prices of CO₂ emission allowances as well as due to European commitments, including the 3x20 Climate Package, in which Poland has committed itself to consume at least 15% of all electricity generated from renewable sources by 2020. The change of energy supply is an extremely costly and time-consuming process, however, the volume of installed generation capacity from RES is increasing from year to year. At the end of 2018, a draft Poland's Energy Policy until 2040 was announced, which established that in 2030 Poland will have a 21% share of RES in the energy mix, and RES generation will amount to 27%. An unquestionable support for the development of new energy projects in the country will be the Fair Energy Transformation Mechanism announced in January 2020, under which the European Union will allocate EUR 100 billion to support regions where the energy transformation will take place. Poland's goal is for the share of bituminous coal to fall below 30% of the total energy generated by 2040.

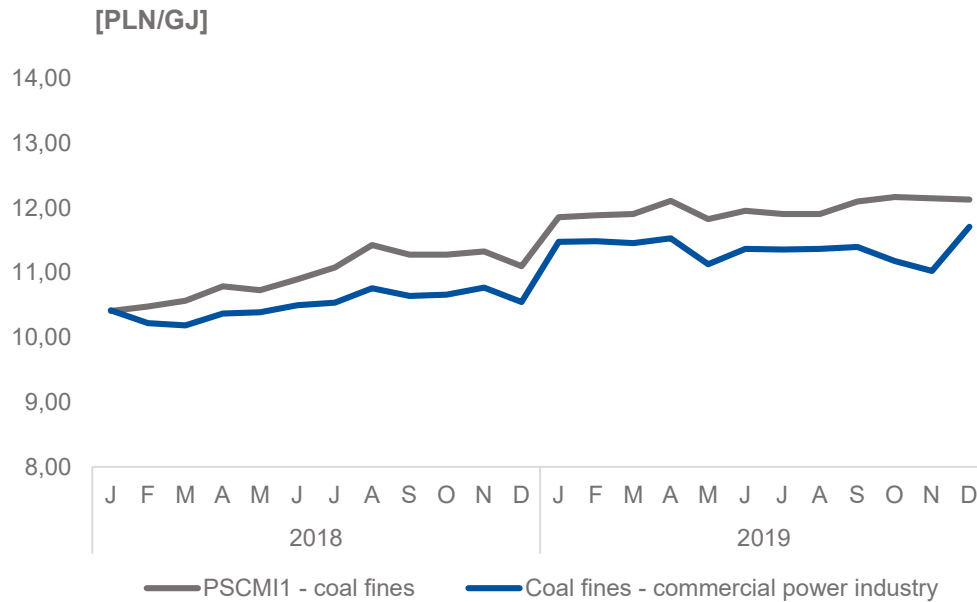


Leading energy groups in Poland



6.1. Market environment

Coal prices on the Polish and global markets

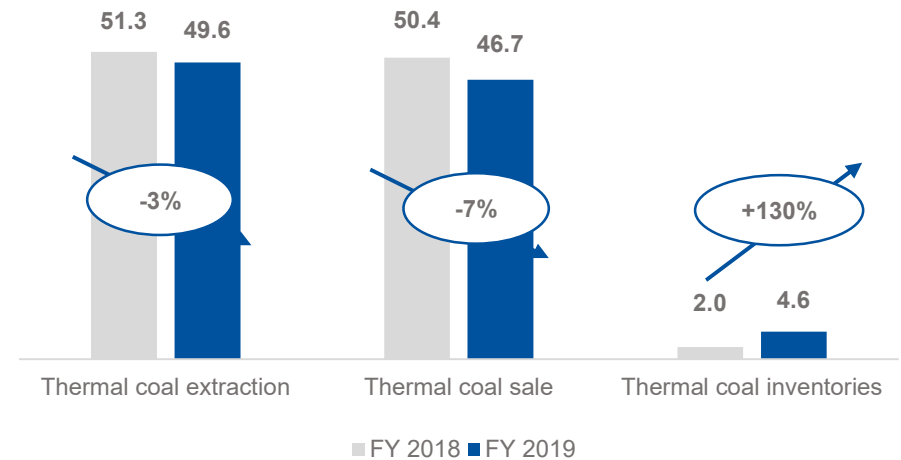


Since early 2019, the Polish coal market was in an upward trend. The average annual PSCMI1 ratio was 11.99 PLN/GJ, which marked a 9.5% y/y improvement. In 2019, the price of thermal coal powder remained above 11 PLN/GJ, but did not go beyond 12 PLN/GJ. The average price of 1 ton of coal powder rose by 9.4% y/y up to 11.49 PLN/GJ. Global coal prices were mostly subject to downward trends in the entire area of its activity. The declining demand in the Atlantic area, including mainly on the European market for steam coal, resulted in declining and low prices of coal in ARA ports.

Average prices on global markets in 2019 :

- Amsterdam - Rotterdam - Antwerp: 66.69 USD/t
- Richards Bay: 74.24 USD/t

[m tonnes]

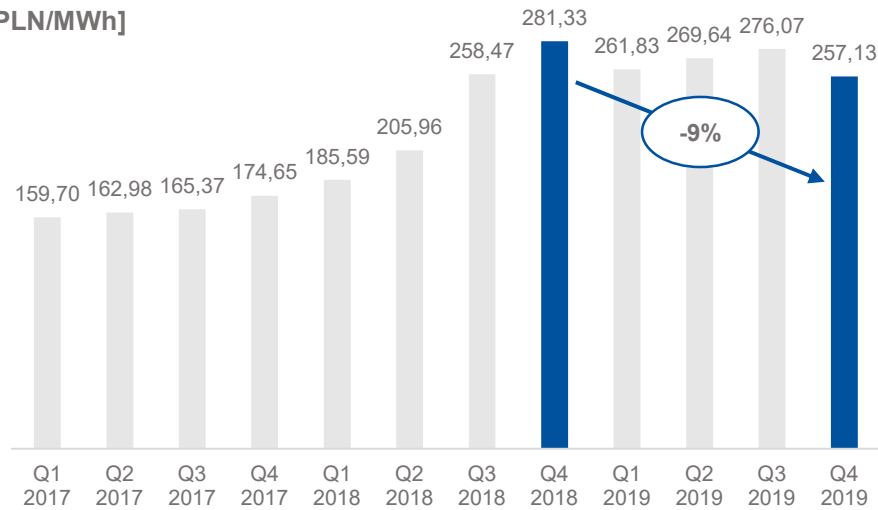


In 2019, Polish mines produced in aggregate 49.6 million tons of coal. In the same period, sales of this commodity amounted to 46.7 million tons. Coal inventories rose to the record level of approximately 4.6 million tons, compared to less than 2.0 million tons one year prior. In 2019, Polish mining industry struggled with oversupply of products and record high levels of coal inventories near mines. The industry was hurt by strong declines in coal prices on global markets, increased competitiveness of foreign coal and restrictive climate requirements of the European Union. Additional pressure, which caused lower energy production from coal, was exerted by: increased energy production from wind (RES), oversupply of gas and poor weather forecasts for the winter season.

Coal prices on the Polish and global markets

BASE_Y_18/19/20

[PLN/MWh]



Source: TGE, settlement prices

On the wholesale electricity futures market, the price of BASE Y-20 product decreased by 9% to 257.13 PLN/MWh compared to the similar product (i.e. BASE Y-19) in Q4 2018.

BASE Y-20 prices in 2019 were characterised by high volatility and the volume-weighted average price increased compared to the similar product in 2018. The price of BASE Y-20 at the beginning of the year was at a level close to 279.00 PLN/MWh and then increased to the level of 285.00 PLN/MWh, to drop to 240.00 PLN/MWh at the end of the year.

The BASE Y-20 price in 2019 was mainly affected by changes in the prices of CO₂ emission allowances.

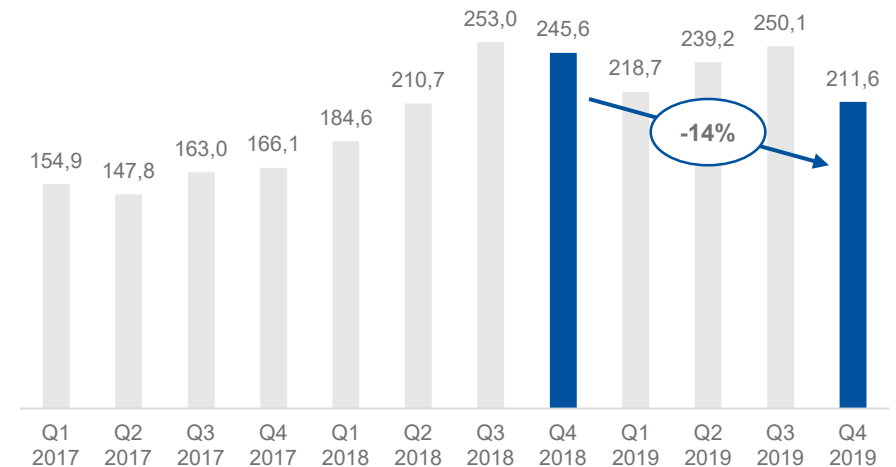
The average electricity price on the SPOT market in Q4 2019 was 14% lower than in the corresponding period of 2018. This decrease was mainly due to a significantly lower valuation in all months of this quarter than in the corresponding period of 2018.

The level of electricity prices on the SPOT market in 2019 was affected by the following factors:

- high prices of CO₂ emission allowances (pro-growth factor),
- higher than the planned levels of power losses in the National Power System (NPS) (pro-growth factor),
- high wind generation (pro-drop factor),
- average power demand in the NPS at a lower level compared to the same period in 2018 (factor limiting the price increase),
- higher than in 2018 energy imports from neighbouring countries (pro-drop factor).

Day Ahead Market BASE

[PLN/MWh]

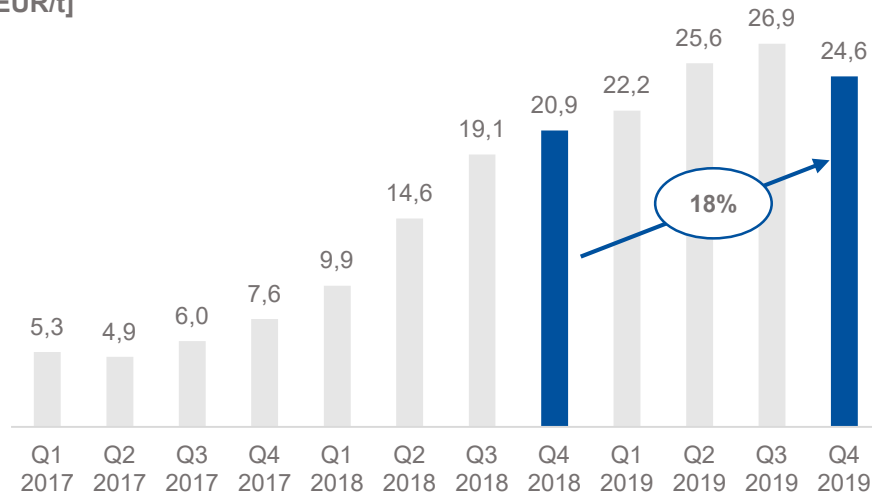


Source: TGE, settlement prices

Coal prices on the Polish and global markets

CO₂ emissions allowances (Dec-19)

[EUR/t]



Source: ICE, settlement prices

Until the end of Q4 2019, no CO₂ emission allowances intended for the United Kingdom were auctioned. This was related to the decision of the European Commission to suspend the allocation of free allowances and auctions for UK from the beginning of 2019. Uncertainty regarding „Brexit“ determined the high volatility of prices of CO₂ emission allowances. In July 2019, the price of emission allowances reached a historical maximum of 29.77 EUR/t, followed by a strong downward correction. After the election of Boris Johnson as UK Prime Minister, the scenario of UK’s no-deal withdrawal from the EU (non-deal Brexit) seemed increasingly likely. In September 2019, the German government presented a draft of a new climate strategy to achieve Germany’s reduction target of 55% (by 2030).

The prices of CO₂ emission allowances in 2019 were highly volatile and the average price in Q4 2019 increased by 18% compared to the corresponding product in 2018. In the case of the whole year, the prices of CO₂ emission allowances increased by 59% in relation to 2018.

For green property rights, prices rebounded in Q4 2019 following a sideways trend over the previous two quarters. The dynamic decline in prices of "green" property rights in Q1 2019 was related to the publication of the draft amendment to the RES Act, which linked the replacement fee to the price of electricity. After the Ministry of Energy withdrew from the proposed changes in the calculation of the replacement fee, the market reacted again with a dynamic change in the opposite direction, i.e. a significant price increase.

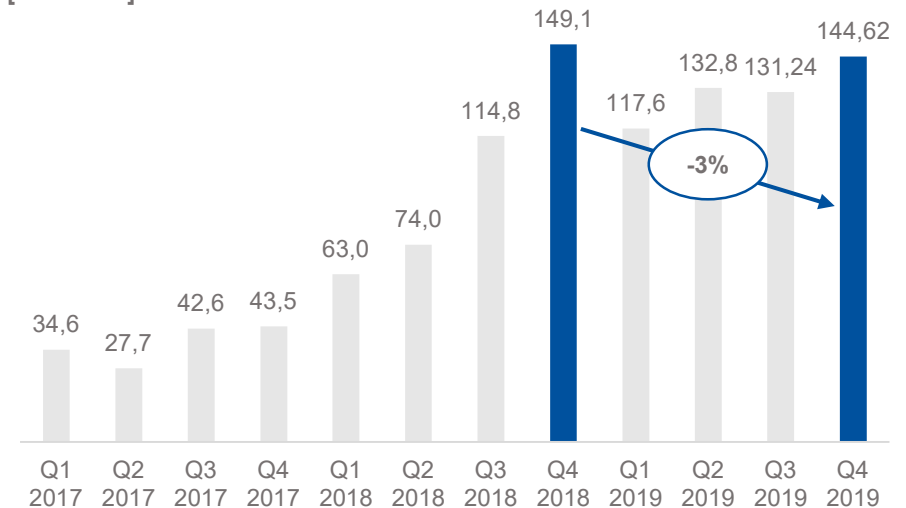
On 29 August 2019, the Act of 19 July 2019 amending the Act on Renewable Energy Sources came into force, which provides, among other things, for the conduct of further auctions for renewable sources in 2019.

The President of the Energy Regulatory Office announced further auctions for the purchase of electricity from RES this year. As a result of the settlement of the December auctions, almost half of the energy to be contracted, i.e. ca. 91 TWh with a total value of PLN 20.6 billion, was sold. The vast majority of support will go to new installations.

At the end of Q4 2019, the number of unredeemed rights in the register reached 32.2 TWh.

Prices of “green” property rights (PMOZE_A)

[PLN/MWh]



Source: TGE, settlement prices

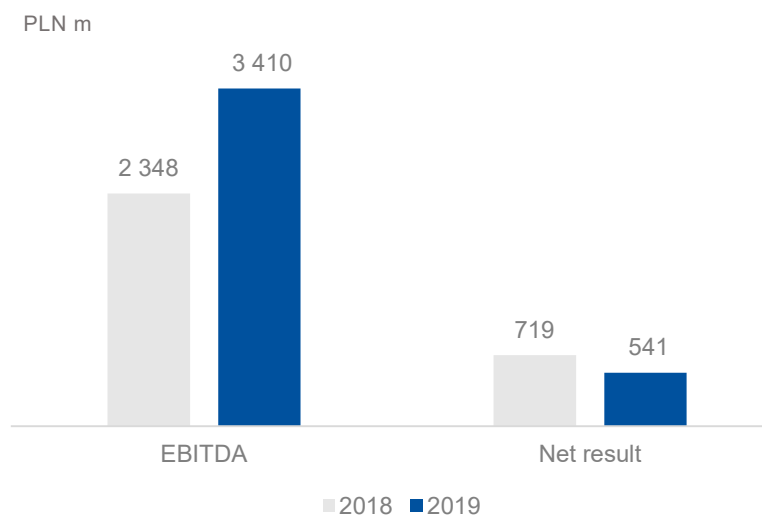
7. Financial standing

7.1. Selected consolidated financial data

[PLN 000s]	FY 2018	FY 2019	Change	% change
Revenue from sales and other income	12,672,770	16,401,298	3,728,528	29.4%
Operating profit / (loss)	1,037,086	1,856,520	819,434	79.0%
Profit / (loss) before tax	868,701	871,271	2,570	0.3%
Net profit / (loss) for the reporting period	719,250	540,697	-178,553	-24.8%
EBITDA	2,348,299	3,410,309	1,062,010	45.2%
Net cash flows from:				
operating activities	2,435,239	2,144,615	-290,624	-11.9%
investing activities	(2,310,127)	(2,312,818)	-2,691	-0.1%
financing activities	(161,400)	1,279,312	1,440,712	892.6%
Cash at the end of the period	2,650,838	3,761,947	1,111,109	41.9%
Net profit / (loss) attributable to shareholders of the parent company	686,739	423,205	-263,534	-38.4%
Weighted average number of shares	441,442,578	441,442,578	-	-
Earnings per share [PLN]	1.56	0,96	-0.60	-38,5%
Diluted earnings per share [PLN]	1.56	0,96	-0.60	-38,5%

[PLN 000s]	31 December 2018	31 December 2019	Change	% change
Total assets	29,965,625	32,843,854	2,878,229	9,6%
Total liabilities	14,916,463	17,364,083	2,447,620	16.4%
Non-current liabilities	10,109,857	10,855,419	745,562	7.4%
Current liabilities	4,806,606	6,508,664	1,702,058	35.4%
Equity	15,049,162	15,479,771	430,609	2,9%
Share capital	588,018	588,018	-	-
Book value per share [PLN]	34.09	35,07	0,98	2,9%
Diluted book value per share [PLN]	34.09	35,07	0,98	2,9%

[PLN 000s]	Q4 2018	Q4 2019	Change	% change
Revenue from sales and other income	3,288,572	4,232,509	943,937	28.7%
Operating profit / (loss)	116,838	427,877	311,039	266.2%
Profit / (loss) before tax	104,921	(405,839)	-510,760	-468,8%
Net profit / (loss) for the reporting period	98,961	(449,214)	-548,175	-553,9%
EBITDA	374,960	854,693	479,733	127.9%
Net profit / (loss) attributable to shareholders of the parent company	102,622	(468,332)	-510,954	-556,4%
Weighted average number of shares	441,442,578	441,442,578	-	-
Earnings per share [PLN]	0.23	-1,06	-1.29	-560,9%
Diluted earnings per share [PLN]	0.23	-1,06	-1.29	-560,9%

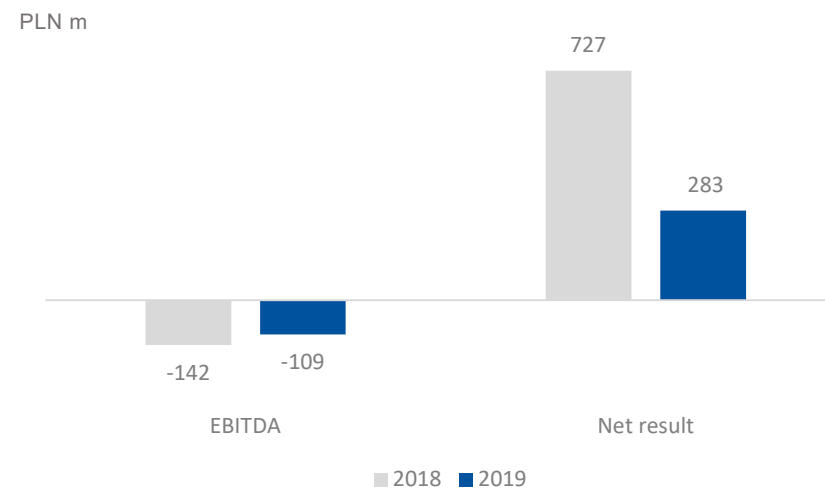


7.2. Selected non-consolidated financial data

[PLN 000s]	FY 2018	FY 2019	Change	% change
Revenue from sales and other income	4,701,689	5,697,448	995,759	21.2%
Operating profit / (loss)	(144,577)	(113,831)	30,746	21.3%
Profit / (loss) before tax	702,815	287,294	-415,521	-59.1%
Net profit / (loss) for the reporting period	727,136	283,331	-443,805	-61.0%
EBITDA	-142,343	-108,589	33,754	23.7%
Net cash flows from:				
operating activities ¹⁾	(308,733)	(30,933)	277,800	90.0%
investing activities	142,485	429,197	286,712	201.2%
financing activities	142,750	1,318,154	1,175,404	823.4%
Cash at the end of the period ¹⁾	999,193	2,715,611	1,716,418	171.8%
Weighted average number of shares	441,442,578	441,442,578	-	-
Earnings per share [PLN]	1.65	0.64	-1.01	-61.2%
Diluted earnings per share [PLN]	1.65	0.64	-1.01	-61.2%

[PLN 000s]	31 December 2018	31 December 2019	Change	% change
Total assets	22,943,794	24,696,633	1,752,839	7.6%
Total liabilities	9,647,948	11,122,454	1,474,506	15.3%
Non-current liabilities	7,976,020	7,936,568	-39,452	-0.5%
Current liabilities	1,671,928	3,185,886	1,513,958	90.6%
Equity	13,295,846	13,574,179	278,333	2.1%
Share capital	588,018	588,018	-	-
Book value per share [PLN]	30.12	30.75	0.63	2.1%
Diluted book value per share [PLN]	30.12	30.75	0.63	2.1%

[PLN 000s]	Q4 2018	Q4 2019	Change	% change
Net revenue from sales	1,279,173	1,487,487	208,314	16.3%
Operating profit / (loss)	(125,104)	(77,781)	47,323	37.8%
Profit / (loss) before tax	21,817	(439,379)	-461,196	-2113.9%
Net profit / (loss) for the reporting period	14,818	(416,439)	-431,257	-2910.4%
EBITDA	-124,558	-76,498	48,060	38.6%
Weighted average number of shares	441,442,578	441,442,578	-	-
Earnings per share [PLN]	0.03	-0.94	-0.97	-3233.3%
Diluted earnings per share [PLN]	0.03	-0.94	-0.97	-3233.3%



¹⁾ starting in 2019, group cash pooling liabilities have been recognized as cash equivalents for the purposes of the statement of cash flows. The comparative data were changed accordingly.

7.3. Key operating data and ratios of ENEA Group ¹⁾

	Unit	FY 2018	FY 2019	Change	% change	Q4 2018	Q4 2019	Change	% change
Revenue from sales and other income	PLN 000s	12,672,770	16,401,298	3,728,528	29.4%	3,288,572	4,232,509	943,937	28.7%
EBITDA	PLN 000s	2,348,299	3,410,309	1,062,010	45.2%	374,960	854,693	479,733	127.9%
EBIT	PLN 000s	1,037,086	1,856,520	819,434	79.0%	116,838	427,877	311,039	266.2%
Net profit / (loss) for the reporting period	PLN 000s	719,250	540,697	-178,553	-24.8%	98,961	(449,214)	-548,175	-553.9%
Net profit / (loss) attributable to shareholders of the parent company	PLN 000s	686,739	423,205	-263,534	-38.4%	102,622	(468,332)	-570,954	-556.4%
Net cash flows from operating activities	PLN 000s	2,435,239	2,144,615	-290,624	-11.9%	(399,009)	(823,281)	-424,272	-106.3%
CAPEX	PLN 000s	2,306,800	2,181,120	-125,680	-5.4%	851,997	689,714	-162,283	-19.0%
Net debt / EBITDA ¹⁾	-	2.41	1.95	-0.46	-19.1%	2.41	1.95	-0.46	-19.1%
Return on Assets (ROA) ¹⁾	%	2.4%	1.6%	-0.8 p.p.	-	1.3%	-5.5%	-6.8 p.p.	-
Return on Equity (ROE) ¹⁾	%	4.8%	3.5%	-1.3 p.p.	-	2.6%	-11.6%	-14.2 p.p.	-
Trading									
Sales of electricity and gaseous fuel to retail customers	GWh	21,457	20,339	-1,118	-5.2%	5,595	5,243	-352	-6.3%
Number of customers (Power Delivery Points)	000s	2,486	2,535	49	2.0%	2,486	2,535	49	2.0%
Distribution									
Sales of distribution services to end users	GWh	19,877	19,764	-113	-0.6%	4,941	4,986	45	0.9%
Number of users (closing balance)	000s	2,589	2,626	37	1.4%	2,589	2,626	37	1.4%
Generation									
Total net generation of electricity, of which:	GWh	26,503	25,931	-572	-2.2%	6,563	6,053	-510	-7.8%
<i>from conventional sources</i>	GWh	24,478	23,652	-826	-3.4%	5,987	5,389	-598	-10.0%
<i>from renewable sources</i>	GWh	2,025	2,279	254	12.5%	576	663	87	15.1%
Gross heat generation	TJ	7,609	7,207	-402	-5.3%	2,382	2,123	-259	-10.9%
Sales of electricity, including: ²⁾	GWh	35,938	30,584	-5,354	-14.9%	8,976	7,663	-1,313	-14.6%
<i>from conventional sources</i>	GWh	24,478	23,652	-826	-3.4%	5,987	5,389	-598	-10.0%
<i>from renewable sources</i>	GWh	2,025	2,279	254	12.5%	576	663	87	15.1%
<i>from purchase</i>	GWh	9,435	4,653	-4,782	-50.7%	2,413	1,610	-803	-33.3%
Sales of heat	TJ	6,865	6,518	-347	-5.1%	2,163	1,943	-220	-10.2%
Mining									
Net production	000s tons	9,007	9,451	444	4.9%	2,187	2,324	137	6.3%
Sales of coal	000s tons	8,943	9,359	416	4.7%	2,155	2,298	143	6.6%
Inventories at the end of the period	000s tons	88	179	91	103.4%	88	179	91	103.4%
Excavation works	km	37.0	29.1	-7.9	-21.4%	8.4	7.4	-1.0	-11.9%

¹⁾ Definitions of the ratios are presented on Page 180

²⁾ Presentation change

7.4. Financial results of the ENEA Group in 2019

2019 Consolidated Statement of Profit and Loss

[PLN 000s]	FY 2018	FY 2019	Change	% change
Revenue from sales of electricity	9,060,134	11,865,052	2,804,918	31.0%
Revenue from sales of heat	359,444	352,746	-6,698	-1.9%
Revenue from sales of gas	106,160	179,699	73,539	69.3%
Revenue from sales of distribution services	2,660,785	2,823,514	162,729	6.1%
Revenue from certificates of origin	4,432	29,587	25,155	567.6%
Revenue from sales of CO ₂ emission allowances	27,584	0	-27,584	-100.0%
Revenue from sales of goods and materials	92,466	105,744	13,278	14.4%
Revenue from sales of other products and services	167,647	170,810	3,163	1.9%
Revenue from sales of coal	194,118	269,146	75,028	38.7%
Net revenue from sales	12,672,770	15,796,298	3,123,528	24.6%
Compensation	0	597,278	597,278	100.0%
Revenue from leases and operating subleases	0	7,722	7,722	100.0%
Revenue from sales and other income	12,672,770	16,401,298	3,728,528	29.4%
Amortization and depreciation	1,477,667	1,548,268	70,601	4.8%
Employee benefit costs	1,711,414	1,904,022	192,608	11.3%
Consumption of materials and supplies and cost of goods sold	2,560,489	3,333,521	773,032	30.2%
Purchase of energy and gas for sale purposes	4,272,930	6,090,506	1,817,576	42.5%
Transmission services	411,712	447,154	35,442	8.6%
Other third-party services	908,949	925,799	16,850	1.9%
Taxes and charges	411,184	414,439	3,255	0.8%
Tax-deductible expenses	11,754,345	14,663,709	2,909,364	24.8%
Other operating revenue	245,122	320,076	74,954	30.6%
Other operating costs	168,690	148,454	-20,236	-12.0%
Change of provision related to onerous contracts	-78,981	10,415	89,396	113.2%
Loss on change, sale and liquidation of property, plant and equipment and right-to-use assets	45,244	57,585	12,341	27.3%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	(166,454)	5,521	171,975	103.3%
Operating profit / (loss)	1,037,086	1,856,520	819,434	79.0%
Finance costs	302,980	441,858	138,878	45.8%
Finance income	78,743	64,121	-14,622	-18.6%
Dividend income	430	201	-229	-53.3%
Impairment allowances on financial assets measured at amortized cost	0	65,771	65,771	100.0%
Share in the results of associates and joint ventures	55,422	-482,165	-537,587	-970.0%
Impairment loss (reversal of impairment loss) on investments in joint ventures	0	59,777	59,777	-100.0%
Profit / (loss) before tax	868,701	871,271	2,570	0.3%
Income tax	149,451	330,574	181,123	121.2%
Net profit for the reporting period	719,250	540,697	-176,553	-24.8%
EBITDA	2,348,299	3,410,309	1,062,010	45.2%

¹⁾ the measurement of CO₂ contracts is presented partially in: other operating activities (depending on the result, it may be other operating income or other operating expense), in financing activities (in relation to exchange differences realized and posted) and in tax deductible cost of sales (as consumption of materials and supplies and cost of goods sold)

FY 2019:

EBITDA drivers at ENEA Group (up PLN 1,062 million):

- (+) an increase in revenue from sales of electricity by PLN 2,805 million, driven mainly by a 3,347 GWh increase in sales volume, a 19% increase in the average sales price and higher revenues from Regulatory System Services
- (-) a decrease in revenue from sales of heat by PLN 7 million, driven mainly by a 346 TJ decrease in sales volume and a concurrent 3% increase in the average sales price
- (+) an increase in revenue from sales of natural gas by PLN 74 million, driven mainly by a 673 TJ increase in the sales volume and a 7% increase in the average sales price
- (+) an increase in revenue from sales of distribution services by PLN 163 million as a result of higher rates in the approved 2019 tariff
- (+) an increase in revenue from sales of certificates of origin by PLN 25 million resulting from a higher volume of transactions outside of the Group, at higher prices
- (-) a decrease in revenue from sales of CO₂ emission allowances by PLN 28 million resulting mainly from the lack of sales on the SPOT market in 2019
- (+) an increase in revenue from sales of goods and materials by PLN 13 million resulting from higher demand for goods and electrotechnical devices from external buyers
- (+) an increase in revenue from sales of coal by PLN 75 million driven by higher prices
- (+) the price difference amount for H1 2019 and compensation for H2 2019 in the total amount of PLN 597 million, which covers the price difference between the prices used in settlements with customers in 2019 and the prices set as benchmarks for calculating the price difference amount under the Act amending the Excise Duty Act and its secondary regulations
- (+) revenue from leases and operating subleases PLN 8 million change in presentation of leases (application of IFRS 16 as of 1 January 2019)
- (-) an increase in employee benefit costs by PLN 193 million driven mainly by higher average headcount and higher payroll costs and payroll-related charges
- (-) an increase in the costs of consumption of materials and supplies and cost of goods sold by PLN 773 million results from higher costs of purchasing coal, biomass and CO₂ emission allowances for the entire Generation Segment
- (-) an increase in the costs of purchasing electricity and gas by PLN 1,818 million, driven by:
 - (-) electricity: price +30%; volume +1,736 GWh
 - (-) natural gas: price +8%; volume +75 GWh
- (-) an increase in costs of transmission services by PLN 35 million, mainly due to higher rates in the approved 2019 tariff
- (-) an increase in costs of third-party services by PLN 17 million caused mainly by an increase in repair services and operation of biomass machinery
- (+) change in provisions related to onerous contracts by PLN 89 million – utilization of the 2019 provision in the amount of PLN 79 million related to financial consequences of the coming into effect of the Act of 28 December 2018 amending the Excise Duty Act and certain other acts (the provision was recognized in costs in December 2018 in the amount of PLN 79 million) and recognition of a provision for the loss on Tariff G at PLN 69 million in December 2019
- (+) result on other operating activities up by PLN 83 million:
 - (+) provisions for potential claims down by PLN 108 million (including: reversal of the provision the Skoczylody wind farm PLN 129 million)
 - (+) remeasurement of CO₂ contracts by PLN 54 million¹⁾
 - (+) impairment loss on overdue receivables and uncollectible receivables down by PLN 18 million
 - (-) balance of refunds from the insurer down by PLN 21 million
 - (-) revenues arising from compensation, penalties and fines down by PLN 17 million
 - (-) loss arising from liquidation of property, plant and equipment up by PLN 12 million
 - (-) change in other operating income and operating expenses (including: stocktaking surplus of coal inventories in 2018: PLN -59 million, recognition of an impairment loss for inventories in 2018: PLN +12 million)

FY 2019:

Net result drivers at ENEA Group:

- Material changes affecting ENEA Group's net result
- Settlement of the impairment allowance on shares in and loans granted to Elektrownia Ostrołęka Sp. z o.o.
 - (-) impairment allowance on the company's shares: PLN -435 million
 - (-) impairment allowance on loans granted to the company including interest: PLN -66 million

Consolidated statement of profit and loss in Q4 2019

[PLN 000s]	Q4 2018	Q4 2019	Change	% change
Revenue from sales of electricity	2,342,228	3,061,782	719,554	30.7%
Revenue from sales of heat	110,900	106,625	-4,275	-3.9%
Revenue from sales of gas	28,533	74,610	46,077	161.5%
Revenue from sales of distribution services	674,620	739,787	65,167	9.7%
Revenue from certificates of origin	1,193	14,151	12,958	1 086.2%
Revenue from sales of CO ₂ emission allowances	1,607	0	-1,607	-100.0%
Revenue from sales of goods and materials	31,295	27,081	-4,214	-13.5%
Revenue from sales of other products and services ²⁾	55,733	38,701	-17,032	-30.6%
Revenue from sales of coal	42,463	74,216	31,753	74.8%
Net revenue from sales	3,288,572	4,136,953	848,381	25.8%
Compensation	0	90,701	90,701	100.0%
Revenues from leases and operating subleases ²⁾	0	4,855	4,855	100.0%
Net revenue from sales and other income	3,288,572	4,232,509	943,937	28.7%
Amortization and depreciation	373,211	417,016	43,805	11.7%
Employee benefit costs	475,916	569,309	93,393	19.6%
Consumption of materials and supplies and cost of goods sold	715,326	827,011	111,685	15.6%
Purchase of energy and gas for sale purposes	1,185,735	1,670,675	484,940	40.9%
Transmission services	103,387	117,045	13,658	13.2%
Other third-party services	272,545	266,915	-5,630	-2.1%
Taxes and charges	101,082	83,178	-17,904	-17.7%
Tax-deductible expenses	3,227,202	3,951,149	723,947	22.4%
Other operating revenue	104,442	218,081	113,639	108.8%
Other operating costs	61,995	-9,734	-71,729	-115.7%
Change in provision related to onerous contracts	-78,981	-50,287	28,694	36.3%
Loss on change, sale and liquidation of property, plant and equipment and right-to-use assets	23,087	21,211	-1,876	-8.1%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	(115,089)	9,800	124,889	108.5%
Operating profit / (loss)	116,838	427,877	311,039	266.2%
Finance costs	47,935	197,998	150,063	313.1%
Finance income	30,300	-27,865	-58,165	-192.0%
Impairment allowances on financial assets measured at amortized cost	0	65,711	65,711	100.0%
Share in the results of associates and joint ventures	5,718	-482,305	-488,023	-8,534.9%
Impairment loss (reversal of impairment loss) on investments in joint ventures	0	59,777	59,777	100.0%
Profit / (loss) before tax	104,921	(405,839)	-510,760	-486.8%
Income tax	5,960	43,375	37,415	627.8%
Net profit / (loss) for the reporting period	98,961	(449,214)	-548,175	-553.9%
EBITDA	374,960	854,693	479,733	127.9%

¹⁾ the measurement of CO₂ contracts is presented partially in: other operating activities (depending on the result, it may be other operating income or other operating expense), in financing activities (in relation to exchange differences realized and posted) and in tax deductible cost of sales (as consumption of materials and supplies and cost of goods sold)

²⁾ presentation change of data on revenue from leases and operating subleases for 9M 2019

Q4 2019:

EBITDA drivers at ENEA Group (up PLN 480 million):

- (+) an increase in revenue from sales of electricity by PLN 720 million, driven mainly by a 1,762 GWh increase in sales volume, a 10% increase in the average sales price and higher revenues from Regulatory System Services
- (-) a decrease in revenue from sales of heat by PLN 4 million, driven mainly by a 222 TJ decrease in sales volume and a concurrent decrease in the average sales price
- (+) an increase in revenue from sales of natural gas by PLN 46 million, driven mainly by a 511 TJ increase in the sales volume and a 6% reduction in the average sales price
- (+) an increase in revenue from sales of distribution services by PLN 65 million as a result of higher rates in the approved 2019 tariff
- (+) an increase in revenue from sales of certificates of origin by PLN 13 million resulting from a higher volume of transactions outside of the Group, at higher prices
- (-) a decrease in revenue from sales of CO₂ emission allowances by PLN 2 million resulting mainly from the lack of sales on the SPOT market in 2019
- (-) a decrease in revenue from sales of goods and materials by PLN 4 million resulting from a lower demand for goods from external buyers
- (-) a decrease in revenue from sales of other products and services by PLN 17 million resulting from a lower volume of intra-group transactions
- (+) an increase in revenue from sales of coal by PLN 32 million caused by a higher volume of supplies outside of the Group, at higher prices
- (+) the compensation in the amount of PLN 91 million, which covers the price difference between the prices used in settlements with customers in Q4 2019 and the prices set as benchmarks for calculating the price difference amount under the Act amending the Excise Duty Act and its secondary regulations
- (+) revenue from leases and operating subleases PLN 5 million change in presentation of leases (application of IFRS 16 as of 1 January 2019)
- (-) an increase in employee benefit costs by PLN 93 million driven mainly by higher average headcount and higher payroll costs and payroll-related charges
- (-) an increase in the costs of consumption of materials and supplies and cost of goods sold by PLN 112 million results from higher costs of purchasing coal, biomass and CO₂ emission allowances for the entire Generation Segment
- (-) an increase in the costs of purchasing electricity and gas by PLN 485 million, driven mainly by:
 - (-) electricity: price +31%; volume +254 GWh
 - (-) natural gas: price -6%; volume +505 GWh
- (-) an increase in costs of transmission services by PLN 14 million, mainly due to higher rates in the approved 2019 tariff
- (+) a decrease in costs of taxes and charges by PLN 18 million is driven mainly by lower fees for placing devices in roads (application of IFRS 16 as of 1 January 2019)
- (+) change in provisions related to onerous contracts by PLN 29 million – utilization of the provision for Q4 2019 in the amount of PLN 18.3 million, which was recognized in Q4 2018 in the amount of PLN 79 million and was related to financial consequences of the coming into effect of the Act of 28 December 2018 amending the Excise Duty Act and certain other acts and recognition of a provision for the loss on Tariff G at PLN 69 million in December 2019
- (+) result on other operating activities up by PLN 187 million:
 - (+) provisions for potential claims down by PLN 127 million (including: reversal of the provision the Skoczylody wind farm PLN 129 million)
 - (+) remeasurement of CO₂ contracts by PLN 89 million¹⁾
 - (-) change in other operating income and operating expenses (including: stocktaking surplus of coal inventories in 2018: PLN -59 million, recognition of an impairment loss for inventories in 2018: PLN +12 million)

Q4 2019:

Net result drivers at ENEA Group:

Material changes affecting ENEA Group's net result

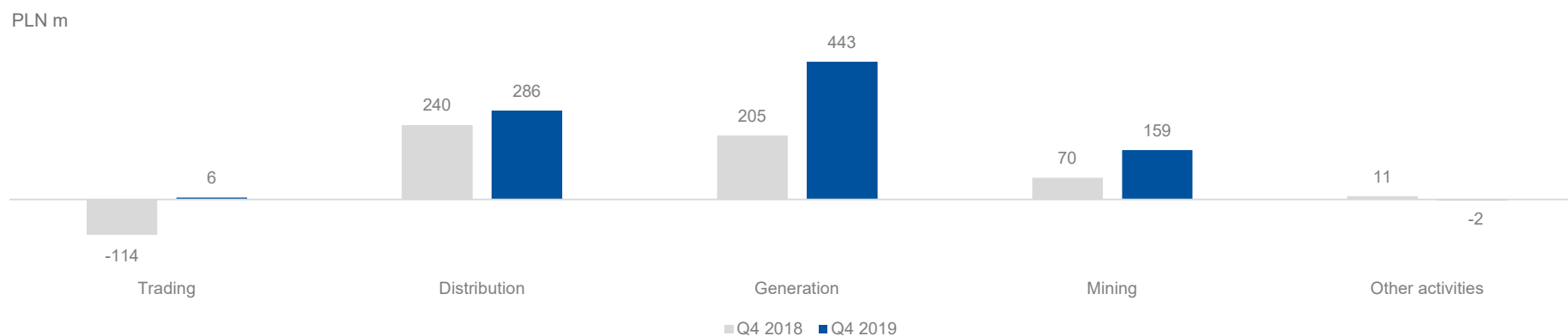
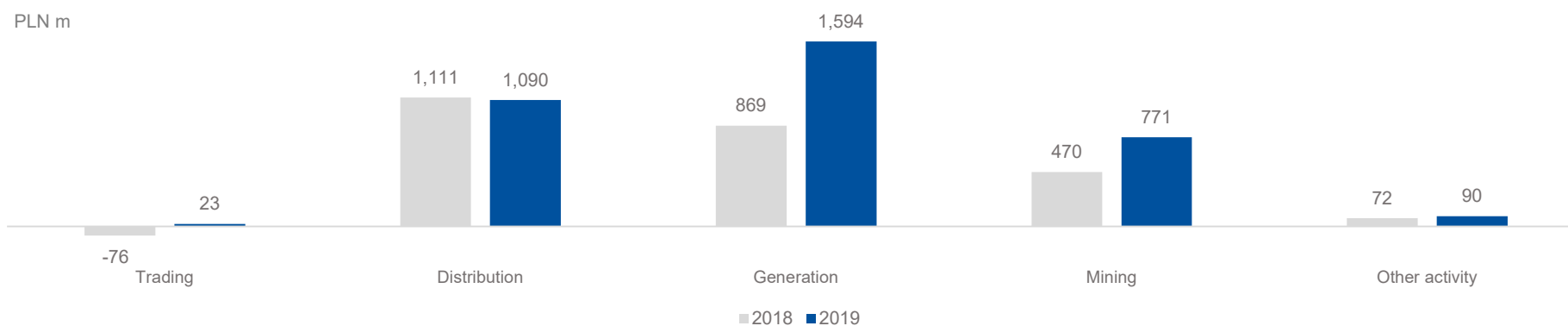
Settlement of the impairment allowance on shares in and loans granted to Elektrownia Ostrołęka Sp. z o.o.

(-) impairment allowance on the company's shares: PLN -435 million

(-) impairment allowance on loans granted to the company including interest: PLN -66 million

Financial results of the ENEA Group in 2019 and Q4 2019

EBITDA [PLN 000s]	FY 2018	FY 2019	Change	% change	Q4 2018	Q4 2019	Change	% change
Trading	-76,316	22,724	99,040	129.8%	-114,138	5,665	119,803	105.0%
Distribution	1,111,248	1,090,217	-21,031	-1.9%	239,531	285,927	46,396	19.4%
Generation	868,662	1,594,142	725,480	83.5%	205,168	442,699	237,531	115.8%
Mining	469,720	770,927	301,207	64.1%	69,871	158,799	88,928	127.3%
Other activity	72,352	89,820	17,468	24.1%	10,545	-1,829	-12,374	-117.3%
Unassigned items and eliminations	-97,367	-157,521	-60,154	-61.8%	-36,017	-36,568	-551	-1.5%
Total EBITDA	2,348,299	3,410,309	1,062,010	45.2%	374,960	854,693	479,733	127.9%



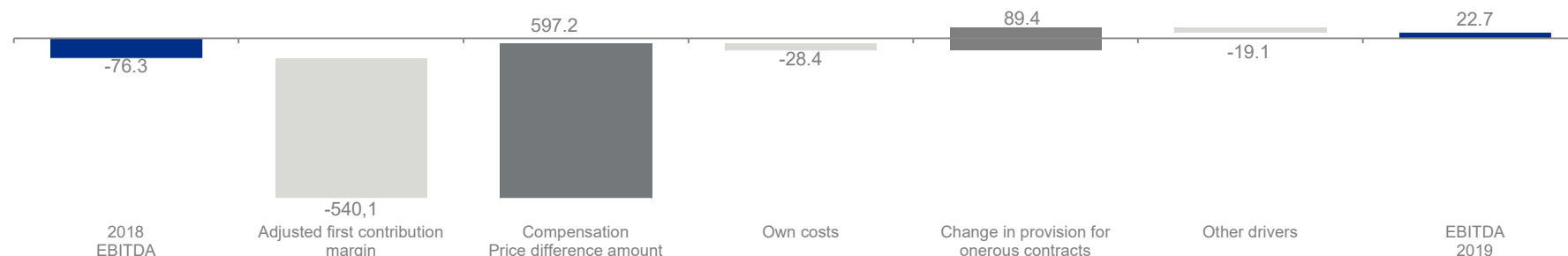
Trading Area in 2019 and Q4 2019

Retail sales of electricity are carried out by ENEA S.A. Wholesale trade is carried out by ENEA Trading Sp. z o.o.

[PLN 000s]	FY 2018	FY 2019	Change	% change	Q4 2018	Q4 2019	Change	% change
Revenue from sales	8,968,988	9,637,774	668,786	7.5%	2,624,225	3,617,068	992,843	37.8%
Compensation	0	597,163	597,163	100.0%	0	90,586	90,586	100.0%
Revenue from sales and other income	8,968,988	10,234,937	1,265,949	14.1%	2,624,225	3,707,654	1,083,429	41.3%
EBIT	-76,982	21,013	97,995	127.3%	-114,319	5,214	119,533	104.6%
Amortization and depreciation	666	1,711	1,045	156.9%	181	451	270	149.2%
EBITDA	-76,316	22,724	99,040	129.8%	-114,138	5,665	119,803	105.0%
CAPEX ¹⁾	1,815	727	-1,088	-59.9%	9	691	682	7 577.8%
Share of the area's sales revenue in the Group's net revenue from sales	42%	43%	1 p.p.		45%	51%	6 p.p.	

¹⁾ Without equity investments of ENEA S.A.

PLN m



2019 EBITDA drivers

Adjusted first contribution margin

- (-) average energy purchase price up by 32.8%
- (-) costs of environmental obligations up by 3.0%
- (-) energy sales volume down by 5.9%
- (+) average energy sales price up by 10.0%
- (+) higher result on trade in gaseous fuel
- (+) partial remeasurement of CO₂ contracts²⁾

Compensation and price difference

- (+) the price difference amount for H1 2019 and compensation for H2 2019 in the total amount of PLN 597.2 million, which covers the price difference between the prices used in settlements with customers in 2019 and the prices set as benchmarks for calculating the price difference amount under the Act amending the Excise Duty Act and its secondary regulations

Own costs

- (-) direct selling costs up by PLN 16.7 million
- (-) costs of shared services up by PLN 8.2 million
- (-) general administration costs up by PLN 3.5 million

Change in provisions related to onerous contracts related to onerous contracts

- (+) utilization of the 2019 provision in the amount of PLN 79.0 million related to financial consequences of the coming into effect of the Act of 28 December 2018 amending the Excise Duty Act and certain other acts (the provision was recognized in costs in December 2018 in the amount of PLN 79 million) and recognition of a provision for the loss on Tariff G at PLN 68.6 million in December 2019.

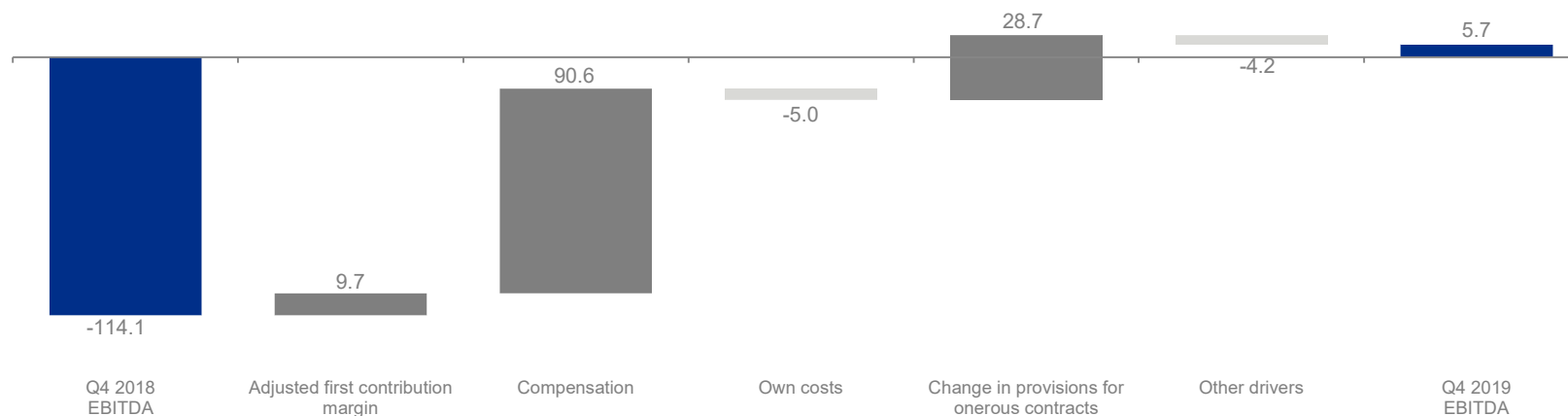
Other drivers:

- (-) costs of provisions for anticipated losses and potential claims up by PLN 9.2 million
- (-) revenues on reversed unused impairment loss for receivables down by PLN 0.5 million
- (-) revenues from licence fees linked to the ENEA brand down by PLN 3.6 million
- (-) revenues from the provision of wholesale trading services down by PLN 3.3 million
- (-) result on distribution activity due to settlement with EO of distribution services linked to sales to prosumers down by PLN 4.4 million
- (-) costs of contributions to institutions where membership is not mandatory up by PLN 0.6 million
- (+) written off receivables down by PLN 5.2 million

²⁾ The adjusted first contribution margin presents partial measurement of CO₂ emission rights presented in operating activity. However, it should be noted that the measurement of CO₂ in terms of realized and posted exchange differences is presented in financial activities and reduces the financial result in that part.

Trading Area in Q4 2019

PLN m



Q4 2019 EBITDA drivers:

Adjusted first contribution margin

- (-) average energy purchase price up by 25.8%
- (-) energy sales volume down by 7.4%
- (-) costs of environmental obligations up by 1.4%
- (+) average energy sales price up by 13.0%
- (+) higher result on trade in gaseous fuel
- (+) lower costs of provisions for claims under terminated RES property rights contracts
- (+) partial remeasurement of CO₂ contracts ¹⁾

Compensation

- (+) the compensation in the amount of PLN 90.6 million, which covers the price difference between the prices used in settlements with customers in Q4 2019 and the prices set as benchmarks for calculating the price difference amount under the Act amending the Excise Duty Act and its secondary regulations

Own costs

- (-) direct selling costs up by PLN 1.0 million
- (-) costs of shared services up by PLN 2.6 million
- (-) general administration costs up by PLN 1.4 million

Change in provisions related to onerous contracts related to onerous contracts

- (+) utilization of the provision for Q4 2019 in the amount of PLN 18.3 million, which was recognized in Q4 2018 in the amount of PLN 79.0 million and was related to financial consequences of the coming into effect of the Act of 28 December 2018 amending the Excise Duty Act and certain other acts and recognition of a provision for the loss on Tariff G at PLN 68.6 million in December 2019.

Other drivers:

- (-) costs of provisions for anticipated losses and potential claims up by PLN 3.6 million
- (-) revenues from licence fees linked to the ENEA brand down by PLN 2.1 million
- (-) revenues from the provision of wholesale trading services down by PLN 1.7 million
- (-) result on distribution activity due to settlement with EO of distribution services linked to sales to prosumers down by PLN 3.4 million
- (+) revenues on reversed unused impairment loss for receivables up by PLN 1.8 million
- (+) written off receivables down by PLN 5.3 million

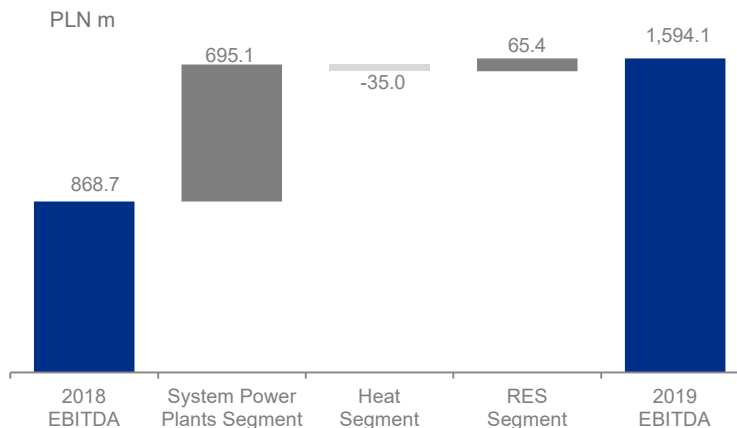
¹⁾ The adjusted first contribution margin presents partial measurement of CO₂ emission rights presented in operating activity. However, it should be noted that the measurement of CO₂ in terms of realized and posted exchange differences is presented in financial activities and reduces the financial result in that part.

Generation Area in 2019 and Q4 2019

[PLN 000s]	FY 2018	FY 2019	Change	% change	Q4 2018	Q4 2019	Change	% change
Revenue from sales	7,171,146	8,071,890	900,744	12.6%	1,869,057	2,045,747	176,690	9.5%
<i>electricity</i>	6,517,190	7,356,618	839,428	12.9%	1,659,097	1,839,116	180,019	10.9%
<i>certificates of origin</i>	237,927	302,156	64,229	27.0%	90,293	89,412	-881	-1.0%
<i>sale of CO₂ emission allowances</i>	27,626	21,780	-5,846	-21.2%	1,607	0	-1,607	-100.0%
<i>heat</i>	353,768 ¹⁾	346,540	-7,228	-2.0%	108,972 ¹⁾	105,044	-3,928	-3.6%
<i>other</i>	34,635 ¹⁾	44,796	10,161	29.3%	9,088 ¹⁾	12,175	3,087	34.0%
Compensation	0	115	115	100.0%	0	115	115	100.0%
Revenue from leases and operating subleases ²⁾	0	340	340	100.0%	0	96	96	100.0%
Net revenue from sales and other income	7,171,146	8,072,345	901,199	12.6%	1,869,057	2,045,958	176,901	9.5%
EBIT	498,804	1,030,558	531,754	106.6%	191,007	291,466	100,459	52.6%
Amortization and depreciation	540,592	553,534	12,942	2.4%	133,530	141,183	7,653	5.7%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	(170,734)	10,050	180,784	105.9%	(119,369)	10,050	129,419	108.4%
EBITDA	868,662	1,594,142	725,480	83.5%	205,168	442,699	237,531	115.8%
CAPEX	430,216	491,737	61,521	14.3%	208,904	203,303	-5,601	-2.7%
Share of the area's sales revenue in the Group's net revenue from sales	34%	34%	-	-	32%	28%	-4 p.p.	-

¹⁾ presentation change of data – transfer between revenue from heat and other revenue

²⁾ presentation change of data on revenue from leases and operating subleases for 9M 2019.



FY 2019 EBITDA drivers:

Reversal of the provision related to the Skoczylody wind farm in the amount of PLN 129.0 million

Other drivers:

System Power Plants Segment – up by PLN 695 million

(+) increase of the generation margin by PLN 355.9 million, mainly as a result of an increase in global CDS (an increase in unit CDS with a parallel drop in energy production) defined as the difference between the price of produced energy sold and the variable costs of producing such energy

(+) trading and Balancing Market margin up by PLN 257.8 million

(+) revenues from Regulatory System Services up by PLN 22.0 million

(-) fixed costs up by PLN 74.2 million

Heat Segment – down by PLN 35 million

(+) revenue from sales of electricity (including excise duty) up by PLN 26.2 million

(-) revenue from sales of heat down by PLN 7.2 million

(+) revenues from certificates of origin up by PLN 5.8 million

(-) an increase in costs of consumption of materials and supplies by PLN 19.9 million, including increased costs of consumption of: limestone dust by PLN 1.6 million, biomass by PLN 20.6 million, gas by PLN 2.0 million, repair materials by PLN 1.7 million, coupled with a PLN 6.0 million decrease in CO₂ emission costs

(-) employee benefit costs up by PLN 10.9 million, of which PLN 8.1 million due to a change in provisions

(-) costs of third-party services up by PLN 4.2 million

(-) costs of taxes and charges up by PLN 1.8 million

(-) other operating income down by PLN 4.5 million (in 2018 reversal of the provision for gas purchases PLN 5.8 million)

(+) other operating expenses down by PLN 0.6 million

(-) ENEA Elektrownia Połaniec PLN 11.6 million

(-) MEC Piła PLN 6.9 million

(-) ENEA Ciepło Serwis PLN 0.5 million

(-) PEC Oborniki PLN 0.4 million

RES Segment – up by PLN 65 million

(+) Biomass Area (Green Unit): PLN +54.6 million (of which PLN +1.5 million from ENEA Bioenergia Sp. z o.o.) RES energy production margin up by PLN 70.5 million, lower ZB's margin on sale/remeasurement of green certificates PLN -1.1 million higher fixed costs PLN -16.3 million

(+) Wind Area (PLN +14.7 million): revenue from electricity sales up by PLN 11.4 million, revenue from certificates of origin up by PLN 10.2 million, result on other operating activities down by PLN 3.7 million, fixed costs up by PLN 3.1 million

(-) Water Area (PLN -3.1 million): revenue from electricity down by PLN 3.8 million, revenue from certificates of origin up by PLN 0.7 million

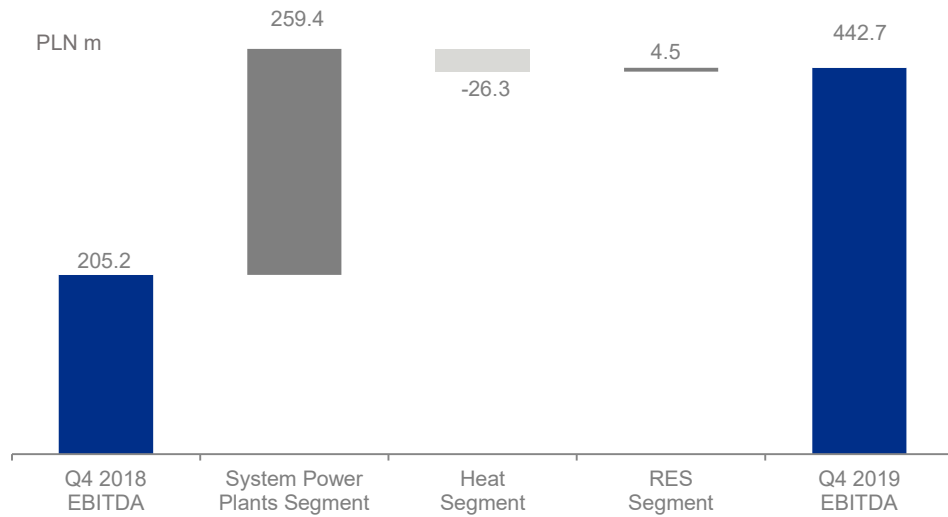
(-) Biogas Area (PLN -0.7 million): result on other operating activities down by PLN 0.6 million, revenue from certificates of origin down by PLN 0.4 million, result on the sale and liquidation of property, plant and equipment up by PLN 0.3 million, revenue from electricity up by PLN 0.2 million, other expenses up by PLN 0.2 million

In the Generation Area, the financial data of ENEA Wytwarzanie Sp. z o.o. are presented together with its subsidiaries 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. and ENEA Bionergia Sp. z o.o.

ENEA Wytwarzanie owns, among others, 11 high-efficiency and modernized power units in the Koźienice Power Plant. ENEA Elektrownia Połaniec owns 7 coal-fired units with the total attainable capacity of 1,657 MW and the world's largest biomass-fired unit with the total installed gross capacity of 225 MW.

The annual production capacity in this area is approx. 38 TWh of electricity.

Generation Area in Q4 2019



Q4 2019 EBITDA drivers:

System Power Plants Segment – up by PLN 259 million

Reversal of the provision related to the Skoczylody wind farm in the amount of PLN 129.0 million

Other drivers:

- (+) generation margin up by PLN 24.5 million
- (+) trading and Balancing Market margin up by PLN 147.0 million
- (+) revenues from Regulatory System Services up by PLN 11.6 million
- (-) fixed costs up by PLN 46.2 million
- (+) adjustment of forward contracts to purchase CO₂ for purchase price allocation purposes PLN +9.5 million

Heat Segment – down by PLN 26 million

- (+) revenue from sales of electricity up by PLN 2.6 million
- (-) revenue from sales of heat down by PLN 3.7 million
- (-) revenues from certificates of origin down by PLN 6.2 million
- (+) costs of consumption of materials and supplies down by PLN 2.3 million, including lower costs of CO₂ emissions by PLN 6.1 million, coal consumption by PLN 5.5 million, coupled with an increase in the cost of consumption of biomass by a PLN 7.5 million and gas by PLN 1.4 million
- (-) employee benefit costs up by PLN 8.0 million, of which PLN 7.4 million due to a change in provisions
- (-) costs of third-party services up by PLN 0.9 million
- (-) costs of taxes and charges up by PLN 2.3 million
- (-) other operating income down by PLN 6.1 million (in 2018 reversal of the provision for gas purchases PLN 5.8 million)
- (+) other operating expenses down by PLN 0.6 million
- (+) MEC Pita PLN 1.1 million
- (-) ENEA Elektrownia Polaniec PLN 3.3 million
- (-) ENEA Ciepło Serwis PLN 2.0 million
- (-) PEC Oborniki PLN 0.3 million

RES Segment – up by PLN 5 million

- (+) Biomass Area (Green Unit): PLN +14.7 million (of which PLN -+0.9 million from ENEA Bioenergia Sp. z o.o.): RES energy production margin up by PLN 18.7 million, higher fixed costs PLN -3.1 million
- (-) Wind Area (PLN -9.4 million): result on other operating activities down by PLN 7.2 million (in Q4 2018 indemnity on account of a failure) revenue from electricity down by PLN 1.0 million, fixed costs up by PLN 0.8 million, revenue from certificates of origin down by PLN 0.3 million
- (-) Water Area (PLN -1.1 million): revenue from electricity down by PLN 0.7 million, fixed costs up by PLN 0.4 million
- (+) Biogas Area (PLN +0.2 million): result on the sale and liquidation of property, plant and equipment up by PLN 0.3 million, result on other operating activities down by PLN 0.1 million

Distribution Area in 2019 ad Q4 2019

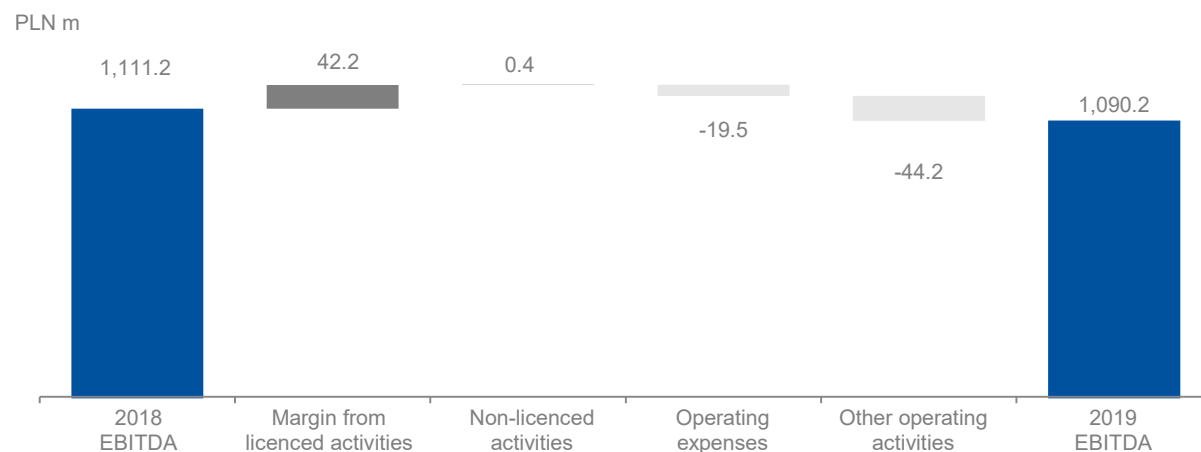
[PLN 000s]	FY 2018	FY 2019	Change	% change	Q4 2018	Q4 2019	Change	% change
Revenue from sales	2,727,891	2,881,690	153,799	5.6%	695,833	759,209	63,376	9.1%
<i>distribution services to end users</i>	2,564,541	2,697,577	133,036	5.2%	644,017	697,104	53,087	8.2%
<i>grid connection fees</i>	54,659	68,533	13,874	25.4%	13,323	21,647	8,324	62.5%
<i>other</i>	108,691	115,580	6,889	6.3%	38,493	40,458	1,965	5.1%
EBIT	574,865	492,106	-82,759	-14.4%	95,298	126,431	31,133	32.7%
Amortization and depreciation	532,103	602,390	70,287	13.2%	139,953	159,496	19,543	14.0%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	4,280	(4,279)	-8,559	-200.0%	4,280	0	-4,280	-100.0%
EBITDA	1,111,248	1,090,217	-21,031	-1.9%	239,531	285,927	46,396	19.4%
CAPEX	1,000,330	1,013,248	12,918	1.3%	430,062	334,978	-95,084	-22.1%
Share of the segment's sales revenue in the Group's net revenue from sales	13%	12%	-1 p.p.		12%	11%	-1 p.p.	

ENE Operator Sp. z o.o. is responsible for the distribution of electricity to 2.6 million Customers – in western and north-western Poland in the area of 58.2 thousand km².

The key task of ENE 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:

- ENE Operator Sp. z o.o.
- ENE Serwis Sp. z o.o.
- ENE Pomiary Sp. z o.o.
- Annacond Enterprises Sp. z o.o.



FY 2019 EBITDA drivers:

Margin from licenced activities

- (+) revenue from sales of distribution services to end users up by PLN 133 million
- (+) revenues from grid connection fees up by PLN 14 million
- (-) costs of purchasing transmission and distribution services (balance) up by PLN 35 million
- (-) costs of purchasing electricity to cover the balancing difference (balance) up by PLN 68 million

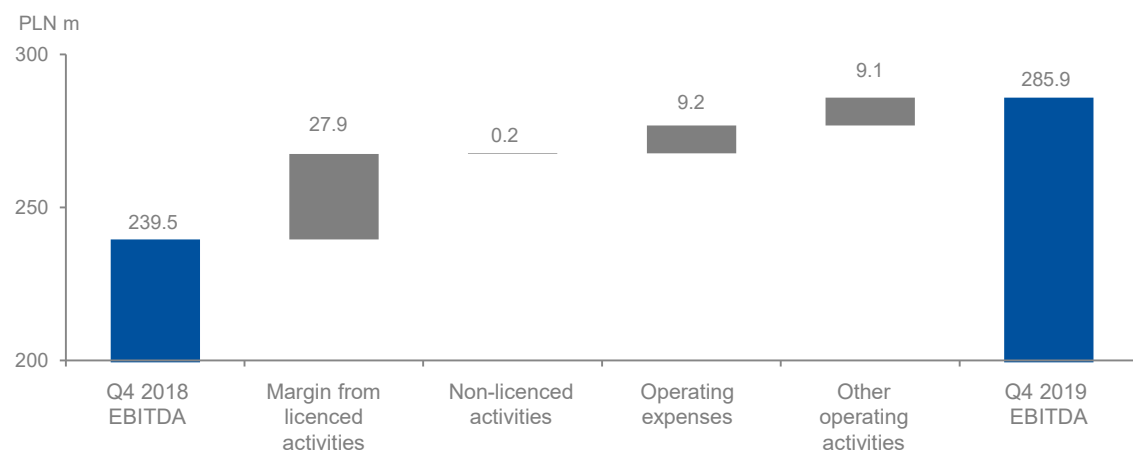
Operating expenses

- (-) employee benefit costs up by PLN 25 million
- (+) costs of taxes and charges down by PLN 4 million
- (+) costs of third-party services down by PLN 1 million

Other operating activities

- (-) revenue from the insurer for the removal of the effects of unexpected events down by PLN 25 million
- (-) change in provisions concerning grid assets by PLN 33 million
- (+) revenue from collisions up by PLN 6 million
- (+) revenue from contractual penalties and indemnities and reimbursement of court and enforcement costs up by PLN 7 million

Distribution Area in Q4 2019



Q4 2019 EBITDA drivers:

Margin from licenced activities

- (+) revenue from sales of distribution services to end users up by PLN 53 million
- (+) revenues from grid connection fees up by PLN 8 million
- (-) costs of purchasing transmission and distribution services (balance) up by PLN 13 million
- (-) costs of purchasing electricity to cover the balancing difference (balance) up by PLN 20 million

Operating expenses

- (-) employee benefit costs up by PLN 12 million
- (+) costs of taxes and charges down by PLN 14 million
- (+) costs of third-party services down by PLN 9 million
- (-) costs of consumption of materials and supplies and cost of goods sold up by PLN 1 million

Other operating activities

- (+) costs of liquidation down by PLN 4 million
- (+) revenue from contractual penalties and indemnities up by PLN 4 million
- (+) revenues from collision up by PLN 1 million



Mining Area in 2019 and Q4 2019

[PLN 000s]	FY 2018	FY 2019	Change	% change	Q4 2018	Q4 2019	Change	% change
Revenue from sales	1,756,673	2,155,556	398,883	22.7%	421,033	529,445	108,412	25.7%
<i>coal</i>	1,707,797	2,109,275	401,478	23.5%	407,942	519,256	111,314	27.3%
<i>other products and services</i>	30,000	28,805	-1,195	-4.0%	8,099	6,537	-1,562	-19.3%
<i>goods and materials</i>	18,876	17,476	-1,400	-7.4%	4,992	3,652	-1,340	-26.8%
Revenue from leases and operating subleases	0	2,302	2,302	100.0%	0	2,302	2,302	100.0%
Net revenue from sales and other income	1,756,673	2,157,858	401,185	22.8%	421,033	531,747	110,714	26.3%
EBIT	105,448	418,193	312,745	296.6%	-19,554	66,848	86,402	441.9%
Amortization and depreciation	364,272	352,984	-11,288	-3.1%	89,425	92,201	2,776	3.1%
Reversal of impairment loss on non-financial non-current assets	0	250	250	100.0%	0	250	250	100.0%
EBITDA	469,720	770,927	301,207	64.1%	69,871	158,799	88,928	127.3%
CAPEX	463,113	410,407	-52,706	-11.4%	167,060	115,719	-51,341	-30.7%
Share of the area's sales revenue in the Group's net revenue from sales	8%	9%	1 p.p.	-	7%	7%	-	-

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 energy-rich fine coal, which accounts for 99% of its output, pea and nut coal.

The main buyers are commercial and industrial energy sectors.

FY 2019 EBITDA drivers:

- (+) higher revenue from sales of coal: higher sales by volume (+416 thousand tons; 4.7%) and higher price
- (+) lower mining output (-153 thousand tons, -1.0%) – lower production costs
- (-) an increase in average headcount in the Mine, introduction of an Employee Pension Scheme and an additional medical package
- (-) higher mining fee in connection with higher production of commercial coal
- (-) higher rates for services provided by external companies and a change in the scope of work contracted from external companies
- (-) in 2019, a decrease in inventories by PLN 15.3 million (increase in costs), as compared to a decrease in inventories by PLN 7.7 million (increase in costs) in 2018

Significant one-off events:

- in 2018 - payments under the settlement signed by LWB with the consortium of Mostostal Warszawa SA and Acciona Infraestructuras (PLN +28.7 million) and payments under the settlement with Wonam (PLN +2.5 million);
- in 2019 reversal of the provision for claims under the dispute with ZUS (PLN +16.4 million)
- an increase in the amount of liquidated property, plant and equipment – mainly the net value of decommissioned excavations (last meters)

There are presentation differences in respect to depreciation in financial reports of the ENEA Group and the LW Bogdanka Group

Q4 2019 EBITDA drivers:

- (+) higher revenue from sales of coal: higher sales by volume (+143 thousand tons; 6.6%) and higher price
- (-) higher mining output (+188 thous. tons, 5.2%) – increase in production costs
- (-) higher average headcount in the Mine, introduction of an Employee Pension Scheme and an additional medical package
- (-) higher mining fee in connection with higher production of commercial coal
- (-) increased rates for services provided by external companies and a change in the scope of work contracted from external companies
- (+) in Q4 2019, a decrease in inventories by PLN 4.9 million (increase in costs), as compared to a decrease in inventories by PLN 5.8 million (increase in costs) in Q4 2018

Significant one-off events:

- higher amount of liquidated property, plant and equipment – mainly the net value of decommissioned excavations (last meters)

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 2019 and Q4 2019

[PLN 000s]	FY 2018	FY 2019	Change	% change	Q4 2018	Q4 2019	Change	% change
Revenue from sales	603,504	633,302	29,798	4.9%	161,846	153,071	-8,775	-5.4%
Revenue from leases and operating subleases ¹⁾	0	5,151	5,151	100.0%	0	2,475	2,475	100.0%
Net revenue from sales and other income	603,504	638,453	34,949	5.8%	161,846	155,546	-6,300	-3.9%
EBIT	19,510	27,251	7,741	39.7%	-3,191	-19,047	-15,856	-496.9%
Amortization and depreciation	52,842	62,569	9,727	18.4%	13,736	17,218	3,482	25.3%
EBITDA	72,352	89,820	17,468	24.1%	10,545	-1,829	-12,374	-117.3%
CAPEX	80,008	83,402	3,394	4.2%	35,744	34,669	-1,075	-3.0%
Share of the segment's sales revenue in the Group's sales revenue	3%	3%	-	-	3%	2%	-1 p.p.	-

¹⁾ presentation change of data on revenue from leases and operating subleases for 9M 2019

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

- activities supporting other Group companies:**

ENECA Centrum Sp. z o.o. – the Shared Services Centre in the Group in the field of accounting, human resources, ITC and customer service
 ENECA Logistyka Sp. z o.o. – a company specializing in logistics, warehousing and procurement

- accompanying activities:**

ENECA Oświetlenie Sp. z o.o. – 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 ²⁾

	FY 2018	FY 2019	Q4 2018	Q4 2019
Profitability ratios				
ROE - return on equity	4.8%	3.5%	2.6%	-11.6%
ROA - return on assets	2.4%	1.6%	1.3%	-5.5%
Net profitability	5.7%	3.3%	3.0%	-10.6%
Operating profitability	8.2%	11.3%	3.6%	10.1%
EBITDA profitability	18.5%	20.8%	11.4%	20.2%
Liquidity and financial structure ratios				
Current liquidity ratio	1.4	1.4	1.4	1.4
Coverage of non-current assets with equity	65.3%	65.1%	65.3%	65.1%
Total debt ratio	49.8%	52.9%	49.8%	52.9%
Net debt / EBITDA	2.41	1.95	2.41	1.95
Economic activity ratios				
Current receivables turnover in days ²⁾	59	51	56	50
Trade and other payables turnover in days ⁴⁾	95	74	86	70
Inventory turnover in days	43	42	39	40



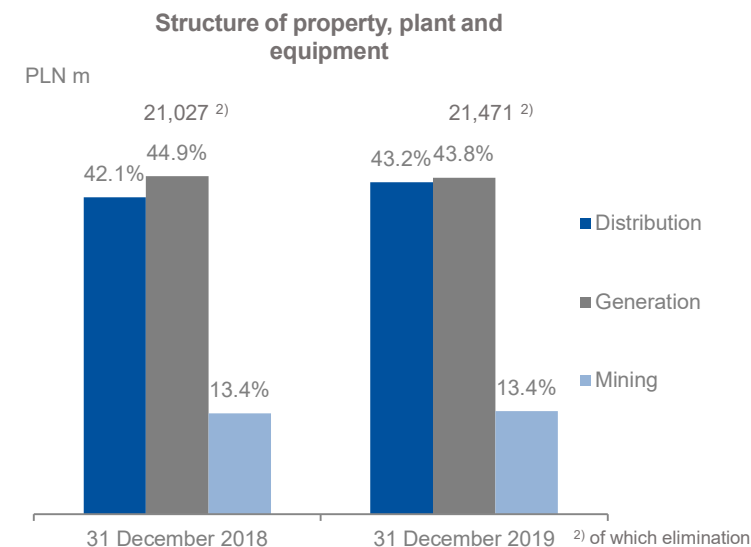
²⁾ Definitions of the ratios are presented on Page 180

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 ENEA Group

Assets [PLN 000s]	As at:			
	31 December 2018	31 December 2019	Change	% change
Non-current assets	23,037,274	23,792,019	754,745	3.3%
Property, plant and equipment	21,027,393	21,470,804	443,411	2.1%
Perpetual usufruct of land	105,141	0	-105,141	-100.0%
Right-to-use asset ¹⁾	0	719,948	719,948	100.0%
Intangible assets	435,712	379,024	-56,688	-13.0%
Investment property	25,864	23,109	-2,755	-10.7%
Investments in associates and joint ventures	734,268	373,016	-361,252	-49.2%
Deferred tax assets	487,272	569,369	82,097	16.8%
Financial assets at fair value	49,442	40,172	-9,270	-18.7%
Debt financial assets at amortized cost	7,741	48,649	40,908	528.5%
Trade and other receivables	23,257	20,862	-2,395	-10.3%
Costs incurred to obtain a contract	12,905	12,749	-156	-1.2%
Receivables under leases and finance subleases ¹⁾	0	319	319	100.0%
Funds accumulated in the Mine Liquidation Fund	128,279	133,998	5,719	4.5%
Current assets	6,928,351	9,051,835	2,123,484	30.6%
CO ₂ emission allowances	586,236	1,375,128	788,892	134.6%
Inventories	1,264,870	1,376,295	111,425	8.8%
Trade and other receivables	1,874,505	2,123,567	249,062	13.3%
Costs incurred to obtain a contract	16,948	12,646	-4,302	-25.4%
Assets arising from contracts with customers	327,980	330,447	2,467	0.8%
Receivables under leases and finance subleases ¹⁾	0	950	950	100.0%
Current income tax receivables	93,659	59,746	-33,913	-36.2%
Financial assets at fair value	112,536	7,056	-105,480	-93.7%
Debt financial assets at amortized cost	234	3,576	3,342	1428.2%
Other short-term investments	545	477	-68	-12.5%
Cash and cash equivalents	2,650,838	3,761,947	1,111,109	41.9%
Total Assets	29,965,625	32,843,854	2,878,229	9.6%



Change drivers for non-current assets (up by PLN 755 million):

- PLN 615 million effect of new recognition of leases (application of IFRS 16 as of 1 January 2019), including: PLN -105 million of perpetual usufruct of land, PLN +720 million of right-of-use asset (new balance sheet item)
- increase in property, plant and equipment by PLN 443 million, of which: an increase in fixed assets by PLN 1,618 million, with a concurrent increase in accumulated depreciation by PLN 1,176 million
- increase in deferred tax assets by PLN 82 million, driven mainly by a higher provision for CO₂
- decrease in investments in subsidiaries and jointly controlled entities by PLN 361 million, which results mainly from the decline in the value of investments as a result of an impairment allowance recognized for shares in Elektrownia Ostrołęka Sp. z o.o. and Polska Grupa Górnicza S.A.

Change drivers for current assets (up by PLN 2,123 million):

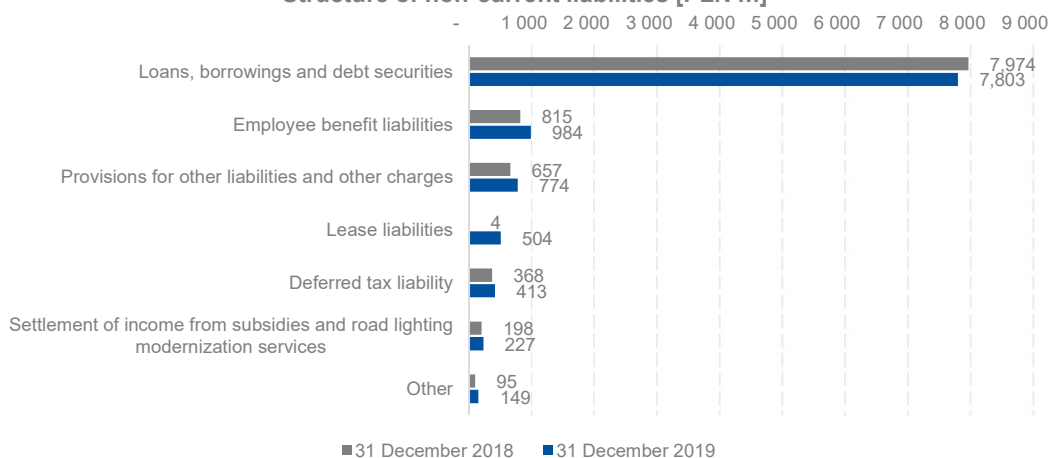
- increase in cash and cash equivalents by PLN 1,111 million – a bond issue of PLN 2 billion and a change in collateral margins on the market for CO₂ emission allowances
- increase in CO₂ emission allowances by PLN 789 million – of which PLN 1,424 million purchase of allowances in 2019, PLN 83 million purchase of allowances, PLN 546 million redemption of allowances for 2018
- increase in trade and other receivables by PLN 249 million – mainly as a result of a change in tax regulations as of November 2019 (advance payments and purchase of CO₂ emission allowances was covered by VAT)
- increase in inventories by PLN 111 million – mainly higher coal and biomass inventories, with a concurrent reduction of inventories of certificates of origin

¹⁾ New balance sheet items resulting from the adoption of IFRS 16 as of 1 January 2019

Financial position – structure of assets and liabilities of ENEA Group

Equity and liabilities [PLN 000s]	As at:		Change	% change
	31 December 2018	31 December 2019		
Total equity	15,049,162	15,479,771	430,609	2.9%
Share capital	588,018	588,018	-	-
Share premium	3,632,464	3,632,464	-	-
Revaluation reserve – measurement of financial instruments	-16,295	-16,295	-	-
Revaluation reserve – measurement of hedging instruments	-16,024	-17,356	-1,332	-8.3%
Retained earnings	9,908,842	10,268,882	360,040	3.6%
Non-controlling interests	952,157	1,024,058	71,901	7.6%
Total liabilities	14,916,463	17,364,083	2,447,620	16.4%
Non-current liabilities	10,109,857	10,855,419	745,562	7.4%
Current liabilities	4,806,606	6,508,664	1,702,058	35.4%
Total equity and liabilities	29,965,625	32,843,854	2,878,229	9.6%

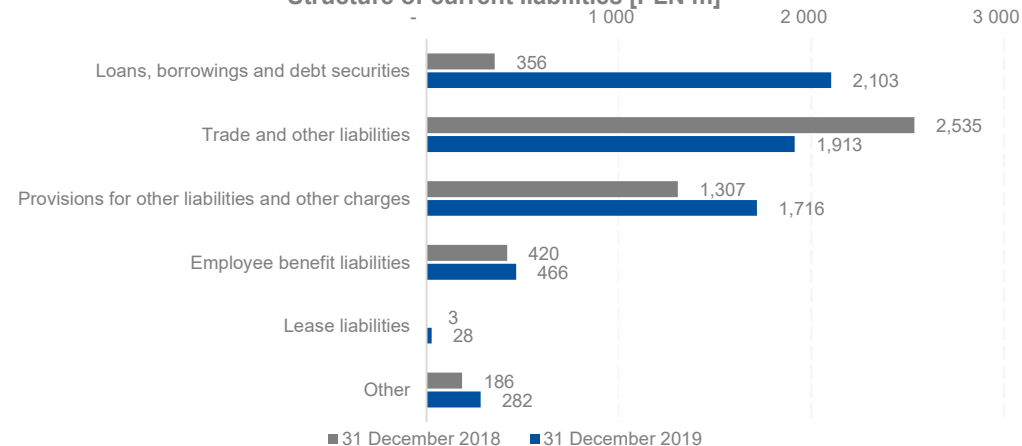
Structure of non-current liabilities [PLN m]



Change drivers for non-current liabilities (up by PLN 746 million)

- increase in lease liabilities by PLN 501 million - change of presentation of operating leases and right of perpetual usufruct of land in connection with the implementation of IFRS 16 as of 1 January 2019
- increase in employee benefit liabilities by PLN 169 million
- increase in provisions for other liabilities and other charges by PLN 117 million – mainly an increase of the provision for non-contractual use of land, provisions for mine closures and provisions for reclamation of land
- decrease in the loans, borrowings and other debt securities item by PLN 171 million – a bond issue of PLN 2 billion, which a concurrent reclassification of non-current to current liabilities

Structure of current liabilities [PLN m]

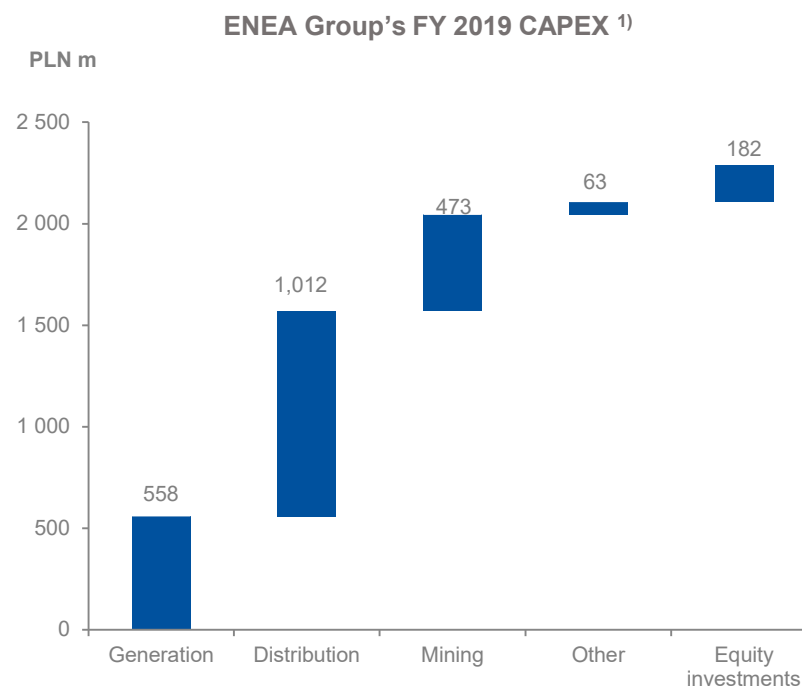
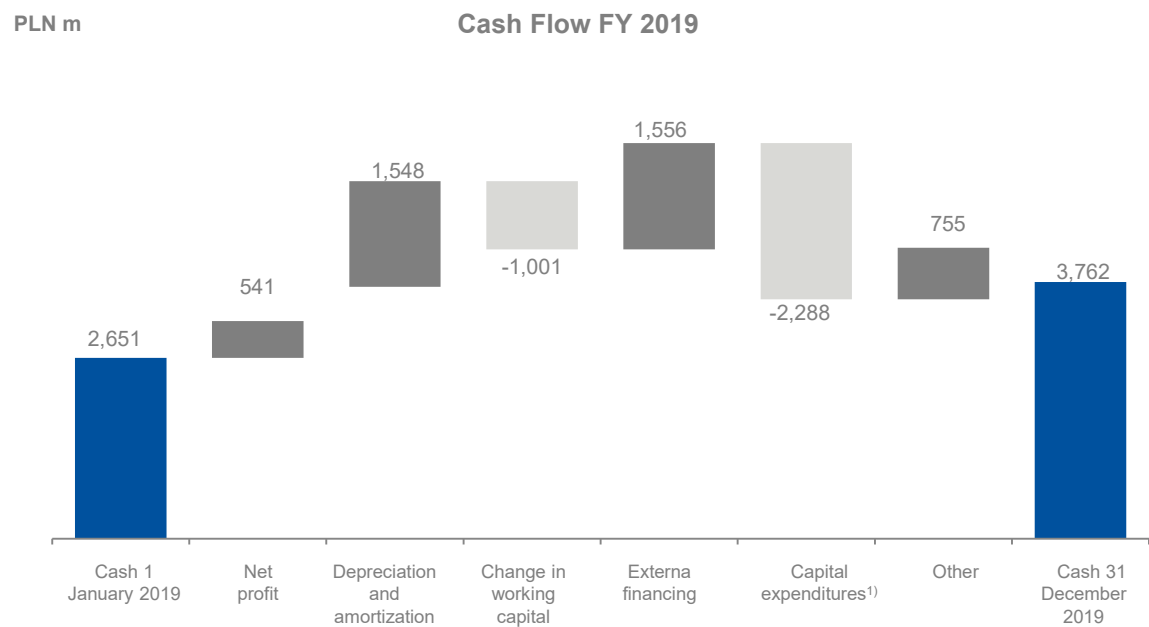


Change drivers for current liabilities (up by PLN 1,702 million)

- increase in the loans, borrowings and other debt securities item by PLN 1,747 million – mainly reclassification of non-current to current liabilities
- increase in provisions for other liabilities and other by charges PLN 410 million – mainly an increase in the provision for the purchase of CO₂ emission allowances and reversal of the provision for the Skoczylody wind farm
- increase in employee benefit liabilities by PLN 46 million
- decrease in trade payables by PLN 621 million: PLN -851 million decrease in CO₂ emission allowances, PLN +303 million increase in tax liabilities (excluding income tax), PLN -119 million decrease in liabilities on the purchase of property, plant and equipment and intangibles, PLN -54 million decrease in trade liabilities.

Cash position of ENEA Group

Statement of cash flows [PLN 000s]	FY 2018	FY 2019	Change	% change
Net cash flows from operating activities	2,435,239	2,144,615	-290,624	-11.9%
Net cash flows from investing activities	(2,310,127)	(2,312,818)	-2,691	-0.1%
Net cash flows from financing activities	(161,400)	1,279,312	1,440,712	892.6%
Increase / (decrease) in net cash	(36,288)	1,111,109	1,147,397	3161.9%
Cash at the beginning of reporting period	2,687,126	2,650,838	-36,288	-1.4%
Cash at the end of reporting period	2,650,838	3,761,947	1,111,109	41.9%



¹⁾ Purchase of property, plant and equipment and intangible assets and purchase of subsidiaries, associates and joint ventures, adjusted by acquired cash

Statement of profit and loss of ENEA S.A. – FY 2019

[PLN 000s]	FY 2018	FY 2019	Change	% change
Sales of electricity to retail customers	4,687,448	4,852,493	165,045	3.5%
Sales of gaseous fuel to retail customers	87,538	119,649	32,111	36.7%
Sales of energy and gaseous fuel to other entities	175,045	195,638	20,593	11.8%
Sales of services	4,345	4,972	627	14.4%
Other revenue	-524	-1,367	-843	-160.9%
Excise duty	252,163	71,170	-180,993	-71.8%
Net revenue from sales	4,701,689	5,100,215	398,526	8.5%
Compensation		597,163	597,163	100.0%
Revenue from leases	0	70	70	100.0%
Revenue from sales and other income	4,701,689	5,697,448	995,759	21.2%
Amortization and depreciation	2,234	5,242	3,008	134.6%
Employee benefit costs	63,285	74,078	10,793	17.1%
Consumption of materials and supplies and cost of goods sold	2,981	2,437	-544	-18.2%
Purchase of energy and gas for sale purposes	4,461,790	5,462,752	1,000,962	22.4%
Transmission and distribution services	1,973	6,331	4,358	220.9%
Other third-party services	196,764	217,439	20,675	10.5%
Taxes and charges	3,165	4,139	974	30.8%
Tax-deductible expenses	4,732,192	5,772,418	1,040,226	22.0%
Other operating revenue	35,016	16,591	-18,425	-52.6%
Other operating costs	70,218	66,298	-3,920	-5.6%
Change in provision related to onerous contracts	-78,981	10,415	89,396	113.2%
Profit / (loss) on the sale and liquidation of property, plant and equipment	109	431	322	295.4%
Operating profit / (loss)	(144,577)	(113,831)	30,746	21.3%
Finance costs	258,714	285,835	27,121	10.5%
Finance income	259,951	264,845	4,894	1.9%
Dividend income	645,293	781,507	136,214	21.1%
Impairment loss recognized/(reversed) on investments in subsidiaries, associates and jointly controlled entities	(200,862)	293,621	494,483	246.2%
Impairment allowances on financial assets measured at amortized cost	0	65,771	65,771	100.0%
Profit / (loss) before tax	702,815	287,294	-415,521	-59.1%
Income tax	-24,321	3,963	28,284	116.3%
Net profit / (loss) for the reporting period	727,136	283,331	-443,805	-61.0%
EBITDA	-142,343	-108,589	33,754	23.7%

FY 2019
ENEA S.A. – EBITDA drivers (up by PLN 34 million):

- (-) first contribution margin down by PLN 602.8 million:
 - (-) costs of environmental obligations up by 1.3%
 - (-) average energy purchase price up by 33.0%
 - (+) average energy sales price up by 10.0%
 - (-) energy sales volume down by 5.9%
 - (+) higher result on trade in gaseous fuel

(+) the price difference amount for H1 2019 and compensation for H2 2019 in the total amount of PLN 597.2 million, which covers the price difference between the prices used in settlements with customers in 2019 and the prices set as benchmarks for calculating the price difference amount under the Act amending the Excise Duty Act and its secondary regulations.

- (-) employee benefit costs up by PLN 11 million:
 - (-) payroll costs with related charges up by PLN 7 million
 - (-) costs of provisions for employee benefits up by PLN 4 million
- (-) costs of third-party services up by PLN 21 million:
 - (-) selling costs and customer service costs up by PLN 11 million
 - (-) costs of shared services up by PLN 7 million
 - (-) costs of advertisement and representation up by PLN 4 million
 - (-) costs of consultancy services up by PLN 1 million
 - (+) costs of rents and other fees related to rental or lease down by PLN 3 million
- (-) the decrease in the result on other operating activities (by PLN 14 million) is caused by:
 - (-) increase in provisions for court cases by PLN 9 million
 - (-) decrease in revenue from licence fees linked to the ENEA trademark by PLN 9 million
 - (-) decrease in reversal of impairment loss on receivables by PLN 1 million
 - (+) decrease in receivables written off as costs by PLN 5 million

(+) change in the provision related to onerous contracts by PLN 89 million – utilization of the provision for 2019 in the amount of PLN 79.0 million, which was recognized in costs in December 2018, related to financial consequences of the coming into effect of the Act of 28 December 2018 amending the Excise Duty Act and certain other acts and recognition of a provision for the loss on Tariff G at PLN 68.6 million in December 2019.

Net result drivers at ENEA Group:

- (-) higher impairment allowances recognized on investments in subsidiaries, associates and jointly controlled entities and impairment losses recognized on financial assets at amortized cost by a total of PLN 560 million, including:
 - (-) impairment allowance on shares in Elektrownia Ostrołęka Sp. z o.o. in the amount of PLN 455 million,
 - (-) impairment allowance on loans granted to Elektrownia Ostrołęka Sp. z o.o. including interest in the amount of PLN 66 million

Statement of profit and loss of ENEA S.A. – Q4 2019

[PLN 000s]	Q4 2018	Q4 2019	Change	% change
Sales of electricity to retail customers	1,250,619	1,309,373	58,754	4.7%
Sales of gaseous fuel to retail customers	25,728	34,984	9,256	36.0%
Sales of energy and gaseous fuel to other entities	66,810	68,041	1,231	1.8%
Sales of services	1,983	2,435	452	22.8%
Other revenue	-586	-534	52	8.9%
Excise duty	65,381	17,468	-47,913	-73.3%
Net revenue from sales	1,279,173	1,396,831	117,658	9.2%
Compensation	0	90,586	90,586	100.0%
Revenue from leases	0	70	70	100.0%
Revenue from sales and other income	1,279,173	1,487,487	208,314	16.3%
Amortization and depreciation	546	1,283	737	135.0%
Employee benefit costs	18,340	21,413	3,073	16.8%
Consumption of materials and supplies and cost of goods sold	1,059	827	-232	-21.9%
Purchase of energy and gas for sale purposes	1,251,794	1,430,820	179,026	14.3%
Transmission and distribution services	374	3,776	3,402	909.6%
Other third-party services	50,198	52,485	2,287	4.6%
Taxes and charges	402	383	-19	-4.7%
Tax-deductible expenses	1,322,713	1,510,987	188,274	14.2%
Other operating revenue	19,528	8,605	-10,923	-55.9%
Other operating costs	22,072	12,593	-9,479	-42.9%
Change in provision related to onerous contracts	-78,981	-50,287	28,694	36.3%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(39)	(6)	33	84.6%
Operating profit / (loss)	(125,104)	(77,781)	47,323	37.8%
Finance costs	64,648	75,353	10,705	16.6%
Finance income	62,072	73,381	11,309	18.2%
Impairment loss recognized/(reversed) on investments in subsidiaries, associates and jointly controlled entities	(149,497)	293,855	443,352	296.6%
Impairment allowances on financial assets measured at amortized cost	0	65,771	65,771	100.0%
Profit / (loss) before tax	21,817	(439,379)	-461,196	-2113.9%
Income tax	6,999	-22,940	-29,939	-427.8%
Net profit / (loss) for the reporting period	14,818	(416,439)	-431,257	-2910.4%
EBITDA	-124,558	-76,498	48,060	38.6%

Q4 2019:

ENEA S.A. – EBITDA drivers (up by PLN 48 million):

(-) first contribution margin down by PLN 61.8 million:

- (-) average energy purchase price up by 25.5%
- (-) energy sales volume down by 7.4%
- (-) costs of environmental obligations up by 1.2%
- (+) average energy sales price up by 13.0%
- (+) higher result on trade in gaseous fuel

(+) compensation in the amount of PLN 90.6 million – the amount covering the price difference between the prices used in settlements with customers in Q4 2019 and the prices set as benchmarks for calculating the price difference amount under the Act amending the Excise Duty Act and its secondary regulations

(-) employee benefit costs up by PLN 3 million:

- (-) payroll costs with related charges up by PLN 2 million
- (-) costs of provisions for employee benefits up by PLN 1 million

(-) costs of third-party services up by PLN 2 million:

- (-) costs of consultancy services up by PLN 1 million
- (-) costs of shared services up by PLN 2 million
- (+) costs of rents and other fees related to rental or lease down by PLN 1 million

(-) the decrease in the result on other operating activities (by PLN 1 million) is caused by:

- (-) increase in provisions for court cases by PLN 3 million
- (-) decrease in revenue from licence fees connected with the ENEA trademark by PLN 5 million
- (+) decrease in impairment loss on receivables by PLN 2 million
- (+) decrease in receivables written off as costs by PLN 5 million

(+) change in the provision related to onerous contracts by PLN 28.7 million – utilization of the provision for Q4 2019 in the amount of PLN 18.3 million, which was recognized in Q4 2018 in the amount of PLN 79.0 million and was related to financial consequences of the coming into effect of the Act of 28 December 2018 amending the Excise Duty Act and certain other acts and recognition of a provision for the loss on Tariff G at PLN 68.6 million in December 2019.

Net result drivers at ENEA Group:

- (-) higher impairment allowances recognized on investments in subsidiaries, associates and jointly controlled entities and impairment losses recognized on financial assets at amortized cost by a total of PLN 509 million, including:
 - (-) impairment allowance on shares in Elektrownia Ostrołęka Sp. z o.o. in the amount of PLN 455 million,
 - (-) impairment allowance on loans granted to Elektrownia Ostrołęka Sp. z o.o. including interest in the amount of PLN 66 million

Financial position – structure of assets and liabilities of ENEA S.A.

Assets [PLN 000s]	As at:			
	31 December 2018	31 December 2019	Change	% change
Non-current assets	19,578,834	17,685,534	-1,893,300	-9.7%
Property, plant and equipment	25,791	24,070	-1,721	-6.7%
Perpetual usufruct of land	1,504	0	-1,504	-100.0%
Right-to-use asset ¹⁾	0	33,249	33,249	100.0%
Intangible assets	4,501	4,376	-125	-2.8%
Investment property	14,305	13,755	-550	-3.8%
Investments in subsidiaries, associates and joint ventures	12,794,956	12,892,612	97,656	0.8%
Deferred tax assets	98,432	95,395	-3,037	-3.1%
Financial assets at fair value	46,357	38,848	-7,509	-16.2%
Debt financial assets at amortized cost	6,578,980	4,567,870	-2,011,110	-30.6%
Trade and other receivables	1,103	0	-1,103	-100.0%
Costs incurred to obtain a contract	12,905	12,749	-156	-1.2%
Receivables under leases and finance subleases ¹⁾	0	2,610	2,610	100.0%
Current assets	3,364,960	7,011,099	3,646,139	108.4%
Inventories	333,578	217,460	-116,118	-34.8%
Trade and other receivables	970,657	962,730	-7,927	-0.8%
Costs incurred to obtain a contract	16,948	12,646	-4,302	-25.4%
Assets arising from contracts with customers	227,480	215,223	-12,257	-5.4%
Receivables under leases and finance subleases ¹⁾	0	3,083	3,083	100.0%
Current income tax receivables	77,098	30,680	-46,418	-60.2%
Debt financial assets at amortized cost	593,221	2,801,067	2,207,846	372.2%
Cash and cash equivalents	1,145,978	2,768,210	1,622,232	141.6%
Total Assets	22,943,794	24,696,633	1,752,839	7.6%

¹⁾ Data for 2019 include new asset categories resulting from the implementation of IFRS 16 Leases

Change drivers for non-current assets (down by PLN 1,893 million):

- PLN 98 million increase in investments in subsidiaries, associates and joint ventures – purchase of investments in the amount of PLN 392 million (recapitalization of ENEA Centrum in the amount of PLN 162 million, purchase of shares in Elektrownia Ostrołęka Sp. z o.o. in the amount of PLN 181 million, ENEA Ciepło Sp. z o.o. in the amount of PLN 35 million, recapitalization of ENEA Innowacje in the amount of PLN 13.3 million) and changes in impairment allowances in the amount of PLN -294 million
- PLN 2,011 million decrease in intra-group bonds - mainly due to a change in the balance of purchased bonds as a result of reclassification of some bonds to current assets, granting of loans and repayment of bond principal
- PLN 33 million recognition in 2019 of the value of right-to-use assets under leases perpetual usufruct of land, rental, lease in the amount of as a result of the application of IFRS 16

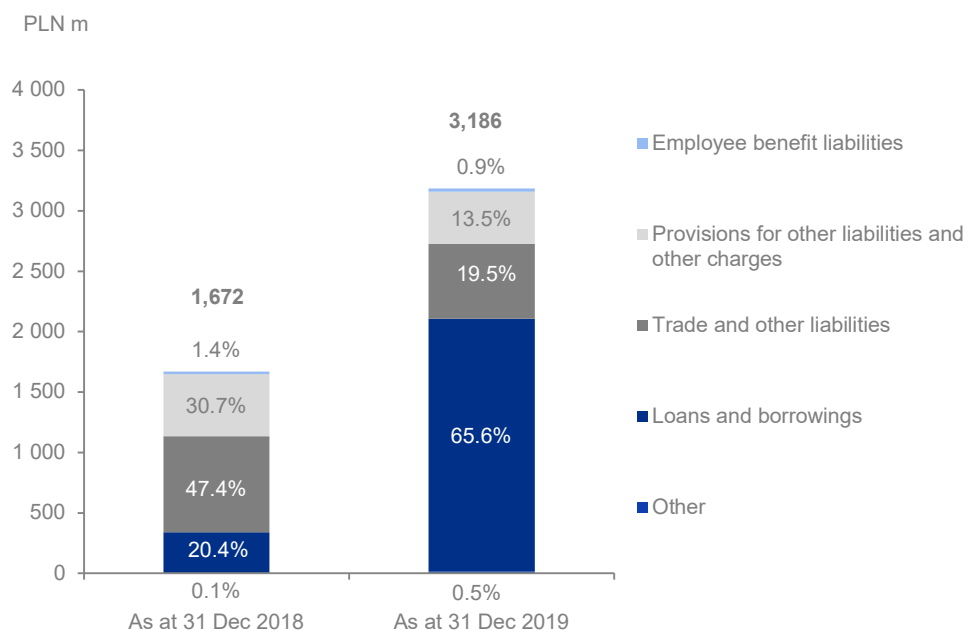
Change drivers for current assets (up by PLN 3,646 million):

- PLN 2,208 million increase in intra-group bonds - mainly the reclassification of non-current assets to the short-term part and redemption of bonds
- PLN 116 million decrease in inventories - pertains to certificates of origin of electricity
- PLN 1,622 million increase in cash - results mainly from the PLN 2 billion issue of bonds under the Domestic Bond Programme up to the maximum amount of PLN 5 billion, repayments of bond principal, ENEA S.A.'s investment activity and the fact that ENEA S.A. operates as a Pool Leader in the pooling structure covering also other Group companies, which results in consolidation of the Group's cash on ENEA S.A.' account; in the analysed period, the total balance of mutual settlements between ENEA S.A. and the other companies participating in the cash pooling scheme decreased by approximately PLN 88 million
- PLN 46 million decrease in current income tax receivables

Financial position – structure of assets and liabilities of ENEA S.A.

Equity and liabilities [PLN 000s]	As at:		Change	% change
	31 December 2018	31 December 2019		
Total equity	13,295,846	13,574,179	278,333	2.1%
Share capital	588,018	588,018	-	-
Share premium	4,627,673	4,627,673	-	-
Revaluation reserve – measurement of financial instruments	-17,036	-17,036	-	-
Revaluation reserve – measurement of hedging instruments	-15,986	-17,356	-1,370	-8.6%
Reserve capital	4,963,564	5,690,700	727,136	14.6%
Retained earnings	3,149,613	2,702,180	-447,433	-14.2%
Total liabilities	9,647,948	11,122,454	1,474,506	15.3%
Non-current liabilities	7,976,020	7,936,568	-39,452	-0.5%
Current liabilities	1,671,928	3,185,886	1,513,958	90.6%
Total equity and liabilities	22,943,794	24,696,633	1,752,839	7.6%

Structure of current liabilities

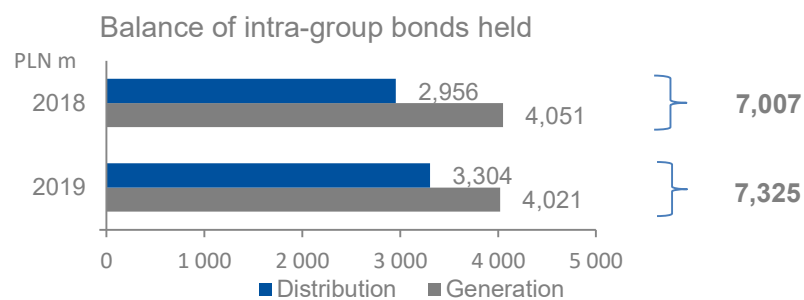


Change drivers for liabilities (up by PLN 1,475 million):

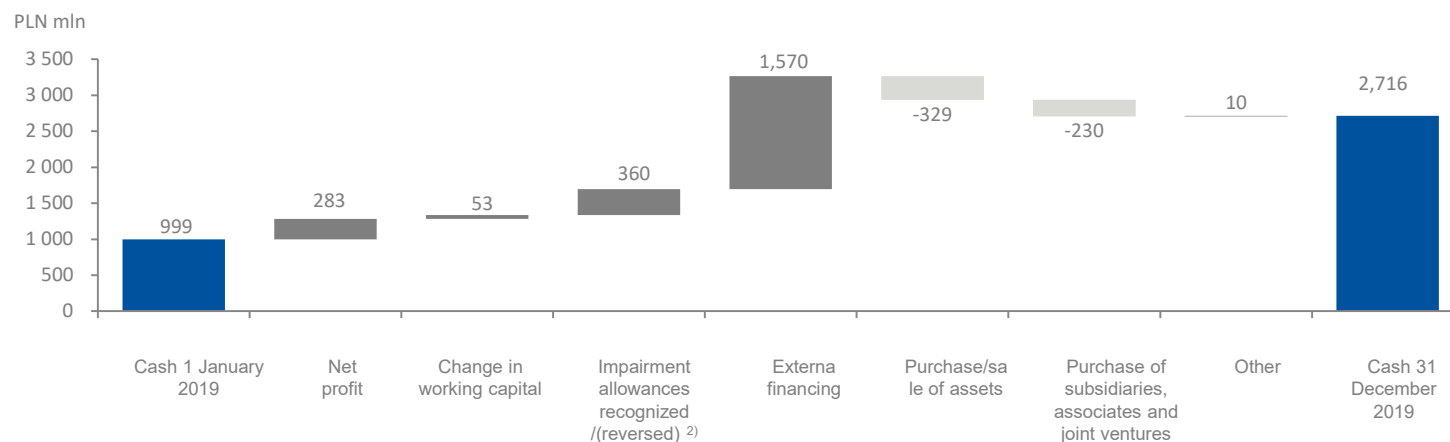
- PLN 2,000 million bond issue - Domestic Bond Programme up to the maximum amount of PLN 5,000 million
- PLN 152 million installment repayments of loans
- PLN 278 million redemption of bonds
- PLN 80 million liability to Energa S.A. on account of the assumption of a loan granted to Elektrownia Ostrołęka Sp. z o.o.
- PLN 21 million decrease in trade payables
- PLN 35 million increase in finance lease liabilities
- PLN 53 million decrease in Tax Group settlements by (as of 1 January 2019, the ENEA Tax Group lost its tax group status)
- PLN 83 million decrease in provision for liabilities
- PLN 94 million decrease in cash pooling liabilities

Cash position of ENEA S.A.

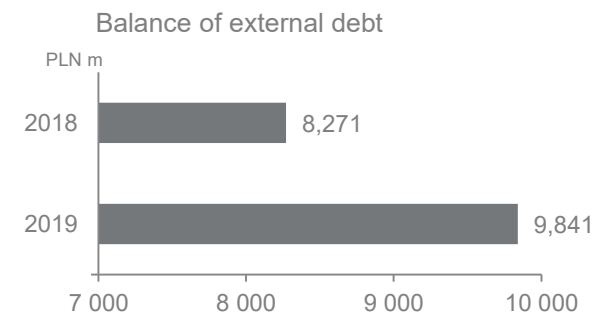
Statement of cash flows [PLN 000s]	FY 2018	FY 2019	Change	% change
Net cash flows from operating activities	(308,733)	(30,933)	277,800	90.0%
Net cash flows from investing activities	142,485	429,197	286,712	201.2%
Net cash flows from financing activities	142,750	1,318,154	1,175,404	823.4%
Increase / (decrease) in net cash ¹⁾	(23,498)	1,716,418	1,739,916	7404.5%
Cash at the beginning of reporting period ¹⁾	1,022,691	999,193	-23,498	-2.3%
Cash at the end of reporting period ¹⁾	999,193	2,715,611	1,716,418	171.8%



Cash Flow 2019



Ratios	FY 2018	FY 2019	Q4 2018	Q4 2019
Profitability ratios				
ROE - return on equity	5.5%	2.1%	0.4%	-12.3%
ROA - return on assets	3.2%	1.1%	0.3%	-6.7%
Net profitability	15.5%	5.0%	1.2%	-28.0%
Operating profitability	-3.1%	-2.0%	-9.8%	-5.2%
EBITDA profitability	-3.0%	-1.9%	-9.7%	-5.1%
Liquidity and financial structure ratios				
Current liquidity ratio	2.0	2.2	2.0	2.2
Coverage of non-current assets with equity	67.9%	76.8%	67.9%	76.8%
Total debt ratio	42.1%	45.0%	42.1%	45.0%
Economic activity ratios				
Current receivables turnover in days	90	76	86	78
Trade and other payables turnover in days	53	38	42	36
Inventory turnover in days	20	17	21	20



¹⁾ starting in 2019, group cash pooling liabilities have been recognized as cash equivalents for the purposes of the statement of cash flows. The comparative data were changed accordingly.

²⁾ impairment allowances recognized/(reversed) on shares and impairment allowances recognized on financial assets measured at amortized cost

8. Shares and shareholding

8.1. Share capital and shareholding structure

As at the publication date of the 2019 report, the share capital of ENEA S.A. amounts to PLN 441,442,578 and is divided into 441,442,578 ordinary bearer shares of the nominal value of PLN 1 each. The total number of votes resulting from all the issued shares of the Issuer corresponds to the number of shares and amounts to 441,442,578 votes.

All shares of the Company are dematerialised bearer shares registered with the National Depository for Securities.

From the publication date of the previous periodic report, there were no changes in the shareholding structure of the Issuer.

The table below presents the shareholding structure of ENEA S.A. as at the publication date of the FY 2019 report.

Shareholder	Number of shares / number of votes at GM	Share in the share capital / share in the total number of votes
State Treasury	227 364 428	51,5%
Other	214 078 150	48,5%
TOTAL	441 442 578	100,0%

8.2. Quotations of ENEA S.A. shares on Warsaw Stock Exchange

ENEA S.A.'s shares have been listed on the Warsaw Stock Exchange (WSE) since 17 November 2008. Weights of the Company's shares in stock indices as at 31 December 2019 were as follows:

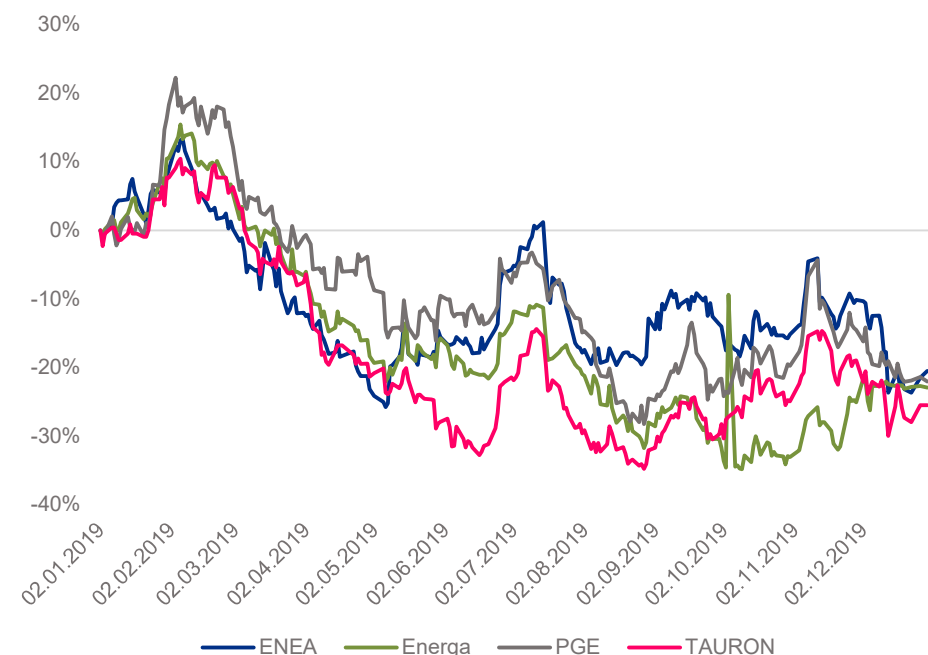


In 2019, the share price of ENEA S.A. dropped from PLN 9.95 to PLN 7.915, i.e. by PLN 2.035, i.e. 20.5 per cent. The highest closing price in the audited period of 2019 was achieved by ENEA S.A. shares on 7 February 2019 (PLN 11.28), and the lowest - on 7 May 2019. (PLN 7.39).

The table below presents data related to the Company's shares in FY2019.

Data	FY 2019
Number of shares	441,442,578
Minimum price [PLN]	7.39
Maximum price [PLN]	11.28
Closing price [PLN]	7.915
Starting price [PLN]	9.95
Average volume	534,871

Change in the price of ENEA S.A.'s shares vs. other companies



8.3. Potential changes in the shareholding structure

The Company is not aware of any agreements or events that could result in future changes in the proportions of shares held by the existing Shareholders. However, the nature of the process of acquiring unpaid employee shares from the State Treasury by entitled employees and their successors may result in some changes in the number of shares held by the State Treasury.

8.4. Own shares

Neither ENEA S.A., nor any of the ENEA Group companies acquired the Company's own shares in 2019.

8.5. Employee share control system

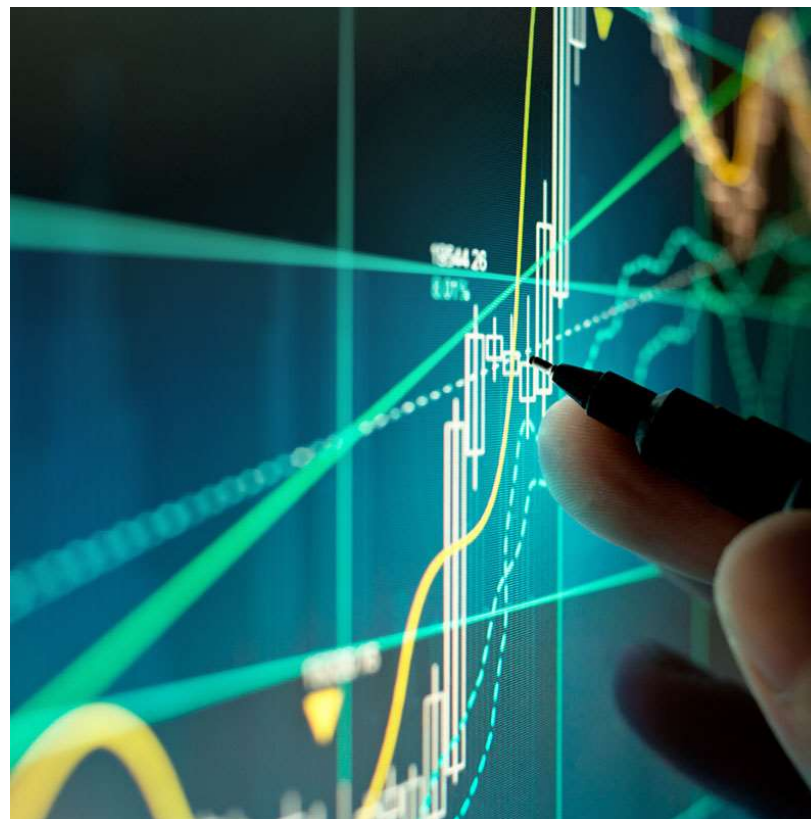
ENEA S.A.'s Statute foresees the so-called employee share package. All the ordinary registered shares of B series in ENEA S.A. in the number of 41,638,955 were designated for transferring employee shares.

Pursuant to the act on commercialisation and privatisation on 16 May 2010 ENEA Group's employees obtained the right to acquire the Company's shares from the State Treasury free of charge. 8,818 persons were authorised to the unpaid acquisition of ENEA shares for whom 33,239,235 shares were designated.

The right to the unpaid acquisition from the State Treasury of ENEA shares by authorised persons expired on 16 May 2012. After that date agreements may be concluded only by heirs of authorised persons in specific cases provided for in the said act.

Pursuant to §6 item 3 of the Statute of ENEA S.A., registered shares of B series belonging to the State Treasury are designated for the purposes specified in the act on commercialisation and privatisation and act on the principles of purchasing shares from the State Treasury in the process of consolidation of energy sector companies, became bearer shares on the moment of expiry of the prohibition to sell or expiry of the right to acquire the shares free of charge. To the Company's knowledge, the number of ENEA S.A. shares available for unpaid acquisition by the Company's employees was 1,969,793 as at 31 December 2018.

In 2019, ENEA S.A. did not launch any standard employee share programme control systems.



9. Governing bodies

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

On 16 May 2019, the Supervisory Board of ENEA S.A. appointed the following Members of the Management Board for a new joint term of office on the day of holding the Ordinary General Meeting of ENEA S.A. approving the financial statements for 2018, i.e. on 21 May 2019:

- Mirosław Kowalik as President of the Management Board,
- Jarosław Ołowski as Member of the Management Board for Financial Affairs,
- Piotr Adamczak as Member of the Management Board for Commercial Affairs,
- Zbigniew Piętka as Member of the Management Board for Corporate Affairs.

The above composition of the Management Board is valid as at the date of publication of this report.

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

On 20 May 2019, the Ordinary General Meeting of ENEA S.A. appointed Members of the Supervisory Board for a joint 10th term of office with effect from 21 May 2019:

- Stanisław Kazimierz Hebda as President of the Supervisory Board,
- Paweł Jabłoński as Member of the Supervisory Board,
- Michał Dominik Jaciubek as Member of the Supervisory Board,
- Paweł Korobłowski as Member of the Supervisory Board,
- Ireneusz Kulka as Member of the Supervisory Board,
- Maciej Mazur as Member of the Supervisory Board,
- Piotr Mirkowski as Member of the Supervisory Board,
- Mariusz Pliszka as Member of the Supervisory Board,
- Roman Stryjski as Member of the Supervisory Board.

On 2 December 2019, the Company received the resignation of Paweł Jabłoński, dated 27 November 2019, from the function of a member of the Supervisory Board of ENEA S.A., as well as from the function of the Vice-Chairman of the Supervisory Board and the Chairman of the Nominations and Remuneration Committee.

On 12 December 2019, the Supervisory Board elected Mariusz Pliszka to become the Deputy Chairman of the ENEA S.A. Supervisory Board.

On 3 February 2020, the Company received a statement of the Minister of State Assets on the same day on the exercise by the Minister of State Assets of the right to appoint a member of the Supervisory Board of ENEA S.A. pursuant to Article 24(1) of the Company's Statute. In accordance with the abovementioned authorisation, Bartosz Nieścior was appointed to the Company's Supervisory Board on 3 February 2020.

On 6 February 2020, Mariusz Pliszka resigned from the position of Vice-Chairman of the Supervisory Board of ENEA S.A. effective on that date.

On 6 February 2020, the Supervisory Board elected Bartosz Nieścior as Deputy Chairman of the Supervisory Board of ENEA S.A.

On 6 February 2020, Stanisław Kazimierz Hebda resigned from the Supervisory Board of ENEA S.A. effective on that date.

On 19 March 2020, the Extraordinary General Meeting of the Company appointed, effective as of 19 March 2020, Ms. Izabela Felczak-Poturnicka, who was appointed Chairwoman of the Supervisory Board, and Mr. Mariusz Fistek.

On 27 May 2020 the Company received a statement from the Minister of State Assets that the Minister of State Assets has exercised its powers to dismiss a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. Based on the aforementioned powers, Mr. Bartosz Nieścior was dismissed from the Company's Supervisory Board as of 27 May February 2020.

On 27 May 2020 the Company received a statement from the Minister of State Assets that the Minister of State Assets has exercised its powers to appoint a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. Based on the aforementioned powers, Mr. Paweł Szczeszek was appointed to the Company's Supervisory Board as of 27 May February 2020.

As at the date of publication of this report, the Supervisory Board of Company of the 10th term of office consists of eight members and operates in the following composition:

- Izabela Felczak-Poturnicka – President of the Supervisory Board
- Michał Dominik Jaciubek – Secretary of the Supervisory Board,
- Mariusz Fistek – Member of the Supervisory Board
- Paweł Koroblowski – Member of the Supervisory Board,
- Ireneusz Kulka – Member of the Supervisory Board,
- Maciej Mazur – Member of the Supervisory Board,
- Piotr Mirkowski – Member of the Supervisory Board,
- Mariusz Pliszka – Member of the Supervisory Board,
- Roman Stryjski – Member of the Supervisory Board.
- Paweł Szczeszek - Member of the Supervisory Board

Principles of appointment and description of the powers of the parent company's authorities

For details, see Chapter 11 “Declaration on corporate governance application”.

In accordance with the provisions of the Regulations of the Supervisory Board, within the Supervisory Board operated the Audit Committee and the Nominations and Remuneration Committee.

The Audit Committee is composed of the following persons:

Audit Committee	
Name	Position
Ireneusz Kulka ^{1) 2) 3)}	Chair
Maciej Mazur	Member
Piotr Mirkowski ^{1) 3)}	Member
Mariusz Pliszka ³⁾	Member
Roman Stryjski ¹⁾	Member

The Nominations and Remuneration Committee is composed of the following persons:

Nominations and Remuneration Committee	
Name	Position
Izabela Felczak-Poturnicka	Member
Michał Dominik Jaciubek	Member
Paweł Koroblowski	Member
Piotr Mirkowski ¹⁾	Member

¹⁾ Independent Member within the meaning of Article 129 Item 3 of the Act of 11 May 2017 on certified auditors, audit companies and public supervision and within the meaning of corporate governance principles included in the Code of Best Practice for WSE Listed Companies 2016.

²⁾ Member with knowledge and skills in accounting or auditing financial statements.

³⁾ Member with knowledge and skills in the industry in which the issuer operates.

¹⁾ Independent Member within the meaning of corporate governance principles included in the Code of Best Practice for WSE Listed Companies 2016.

9.3. List of shares and allotment certificates to ENEA S.A. shares held by members of the Management and Supervisory Boards

Name	Position	Number of ENEA S.A. shares as at 21 November 2019	Number of ENEA S.A. shares as at 4 June 2020
Mariusz Pliszka	Member of the Supervisory Board	3 880	3 880
Michał Dominik Jaciubek	Member of the Supervisory Board	5 020	5 020

As at the date of release of this report, no other persons from the Management or Supervisory Boards hold any ENEA S.A. shares. As at the date of release of this periodic report, no other persons from the Management or Supervisory Boards hold any allotment certificates to ENEA S.A. shares. As at the date of release of this report, no persons from the Management or Supervisory Boards hold any shares, or allotment certificates to any shares, in subsidiaries of ENEA S.A.

9.4. Remuneration rules for members of Management Board of ENEA S.A.

The remunerations rules for Members of Management Board of ENEA S.A. effective in 2019 had been implemented by virtue of a resolution of the Extraordinary General Meeting of ENEA S.A. of 15 December 2016 on the rules for determining remunerations of Management Board members which was passed in connection with the coming into force of the Act of 9 June 2016 on the rules for determining remunerations of persons managing certain companies. Pursuant to the Resolution of the Extraordinary General Meeting of 17 January 2017, the Supervisory Board set out the remuneration rules for Members of Management Board Members of ENEA S.A.

From 1 January 2017 to 20 May 2019, the Management Board Members and the Company were bound by the Management Services Agreements ("Agreement") whereby:

- a) during the term of the Agreement, the Management Board Members are entitled to a fixed monthly remuneration and a variable remuneration depending on the degree of achievement of managerial objectives which cannot exceed 65% of the fixed annual remuneration
- b) in consideration of the Management Board Members' compliance with the obligations resulting from the prohibition of carrying on any competitive activity during the non-competition period, the Management Board Members are entitled to the compensation in the total amount calculated as the product of 0.5 times the monthly fixed remuneration and 6. In the case where a Management Board Member violates non-competition obligation after he/she has ceased to perform his/her function, such Management Board Member loses their entitlement to the compensation with effect from the day of serving the termination notice on that Management Board Member. In addition, the Company has the right to demand the Management Board Member to pay liquidated damages.
- c) in the event of expiry of the Management Services Agreement as a result of expiry of Management Board Member's term of office, the Company has the right, for the period of 1 month after the Agreement's expiry date, to demand from the Management Board Members the provision of services which involve handing over the issues related to managing the Company to a person named by the Supervisory Board, on terms and conditions set out in the Agreement. In consideration of the above, the Management Board Members are entitled to the remuneration in the amount equal to the monthly fixed remuneration
- d) the Management Board Members are entitled to a severance pay in the amount equal to 3 times their fixed remuneration, save for the following cases:
 - termination, dissolution or amendment to the Agreement as a result of a change of the function performed by the Management Board Member in the Management Board
 - termination, dissolution or amendment to the Agreement as a result of appointing the Management Board Member for another term of office at the Management Board
 - taking the function of the Management Board Member in the subsidiary of the group within the meaning of Article 4 item 14 of the Act of 16 February 2007 on competition and consumer protection
 - resignation from the function performer

The above conditions have also been taken into account in new Agreements, which were concluded with Members of the Management Board with effect from 21 May 2019.

On 19 December 2019, the Extraordinary General Meeting of ENEA S.A. adopted a resolution on the principles of determining remuneration of Members of the Management Board, thus repealing the previously binding resolution on the principles of determining the remuneration of Members of the Management Board of 15 December 2016. The new principles of remuneration of Members of the Management Board of ENEA S.A. adopted by the Extraordinary General Meeting provide that:

- a) during the term of the Agreement, Members of the Management Board are entitled to:
 - fixed monthly remuneration, determined in the amount range from 7 to 15 times the reference base referred to in Article 1 Section 3 Item 11 of the Act of 9 June 2016 on principles of determining remuneration of managing persons in certain companies,
 - the variable remuneration, depending on the level of fulfilment of management objectives, may not exceed 100% of the fixed remuneration in the previous financial year;

- b) the Supervisory Board may conclude a non-competition agreement with a Member of the Management Board effective after the termination of their function, however, it may be concluded only if the Member of the Management Board has served for at least 6 months, and the amount of compensation for each month of the non-competition ban may not exceed 50% of the fixed monthly remuneration received by the Member of the Management Board before the termination of their function. The period of the non-competition ban may not exceed 6 months after the termination of the function of a Member of the Management Board. In case of non-performance or improper performance of the non-competition agreement by a Member of the Management Board, the Member of the Management Board shall be obliged to pay a contractual penalty for the benefit of the Company, not lower than the amount of compensation due for the entire period of the non-competition ban.
- c) in the event of termination of or withdrawal from the Agreement by the Company, a Member of the Management Board may be granted a severance pay not exceeding 3 (three) times his fixed remuneration, provided that he has served for at least 12 (twelve) months before the termination of the Agreement. The severance pay shall not be due to the Member of the Management Board in the event of:
- termination, withdrawal or amendment of the Agreement as a result of a change in the function held by a Member of the Management Board,
 - termination, withdrawal or amendment of the Agreement due to the appointment of a Member of the Management Board for the next term of the Management Board,
 - taking up the position of a Member of the Management Board in a company within the Group,
 - resignation from the office.

The principles of remuneration of Members of the Management Board resulting from the Resolution of the Extraordinary Meeting of 19 December 2019 should be included in the new version of the Agreement, the adoption of which remains within the competence of the Supervisory Board.

9.5. Remuneration rules for members of Supervisory Board of ENEA S.A.

The remuneration rules for Members of Supervisory Board of ENEA S.A. in effect in 2019 have been implemented by virtue of a resolution of the Company's Extraordinary General Meeting of 15 December 2016. Pursuant to the provisions of the abovementioned resolution of the EGM, the monthly remuneration of the Supervisory Board Members was determined as the product of the average monthly remuneration in the enterprise sector, exclusive of distribution of profit in Q4 of the preceding year, published by the President of GUS and the following multiplier:

- for Chairman of the Supervisory Board – 1.7
- for other Supervisory Board Members – 1.5

The resolution of the Extraordinary General Meeting further stipulates in Article 1 Items 2-3 that:

- a) the Supervisory Board Members are entitled to the abovementioned remuneration regardless of the number of meetings convened
- b) the remuneration shall not be due for the month during which the Supervisory Board Member was not present at any of the duly convened meetings and such absence was not excused

On 19 December 2019, the Extraordinary General Meeting adopted a resolution to amend the resolution of the Extraordinary General Meeting of 15 December 2016 on the principles of determining remuneration of Members of the Supervisory Board and determined the monthly remuneration of Members of the Supervisory Board as the product of the reference base referred to in Article 1(3)(11) of the Act of 9 June 2016 on principles of determining remuneration of managing persons in certain companies and the multiplier:

- for the Chairman of the Supervisory Board - 1.7;
- for other members of the Supervisory Board - 1.5.

The resolution came into force on the date of its adoption.

9.6. Remuneration

The remuneration received from 1 January 2019 to 31 December 2019 by persons being members of Management Board of ENEA S.A. who signed Management Services Agreements with the Company is presented in the table below:

Name	Position	Remuneration under contract in PLN [without VAT] ¹⁾	Additional benefits
Mirosław Kowalik	President of the Management Board	1,226,833.33	-
Piotr Adamczak	Member of the Management Board	1,089,000.00	-
Piotr Olejniczak ²⁾	Member of the Management Board	641,666.66	-
Jarosław Ołowski ³⁾	Member of the Management Board	405,166.67	-
Zbigniew Piętka	Member of the Management Board	660,000.00	-

¹⁾ The remuneration includes all remunerations resulting from the concluded contracts and included in the Company's expenses, including the fee for the non-competition obligation and the bonus for 2017 for former Management Board members

²⁾ Position held until 20 May 2019

³⁾ Position held from 21 May 2019

In the period of performing managerial functions in 2019, Members of Management Board of ENEA S.A. did not receive remuneration for performing during this time any functions in subsidiaries of ENEA S.A. The remuneration received by The table below presents the remuneration of persons being members of Supervisory Board of ENEA S.A. in the financial year 2019: managing persons did not include any non-financial components.

Name	Net remuneration [PLN]
Sławomir Brzeziński ⁴⁾	35,498.92
Stanisław Hebda	96,645.36
Paweł Jabłoński ⁵⁾	79,168.73
Michał Jaciubek ⁶⁾	50,030.17
Wojciech Klimowicz ⁴⁾	35,498.92
Paweł Korobłowski	85,275.30
Ireneusz Kulka	85,275.30
Maciej Mazur ⁶⁾	50,030.17
Tadeusz Mikłosz ⁴⁾	35,498.92
Piotr Mirkowski	85,275.30
Mariusz Pliszka ⁶⁾	50,030.17
Roman Stryjski	85,275.30

⁴⁾ Position held until 20 May 2019

⁵⁾ Position held until 2 December 2019

⁶⁾ Position held from 21 May 2019



In the financial year 2019, Members of Supervisory Board of ENEA S.A. were remunerated for performing their functions in the Supervisory Board in the amounts resulting from the applicable legal regulations.

10. Other information significant for the assessment of the Issuer's situation

10.1. Regulatory environment

The activities of ENEA S.A. and its subsidiaries are conducted in an environment subject to special legal regulations, both at the domestic and at the European Union level (regulated business activity). A number of legal regulations concerning energy companies are derived from political decisions. For this reason, these regulations are subject to frequent changes, which the Company is not able to predict, and thus determine their consequences for its business operations. Notwithstanding the foregoing, ENEA S.A. and its subsidiaries ("ENEA Group") are subject to the legal regulations in the scope of the tax system, protection of competition and consumers, employee rights, or environment protection. It cannot be excluded that changes in these areas, both in specific legal acts as well as individual interpretations relating to significant areas of ENEA Group's activities, can lead to possible risks for the Group's activities.

10.1.1. Internal energy market

On 14 June 2019, Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal electricity market entered into force. The Regulation is part of the regulations of the so-called "Winter Package" and constitutes a fundamental legal act forcing the introduction of new solutions in the area of operation of electricity markets and system services, both in Poland and in other European Union Member States. The main changes in national regulations include the need to adjust the rules of functioning of the national Balancing Market. In the last quarter of 2019, the concept of changes to the Balancing Market was presented by Polskie Sieci Elektroenergetyczne S.A., as the Transmission System Operator responsible for the operation of the Balancing Market. A detailed description of the proposed changes to the functioning of the Balancing Market was presented by the Transmission System Operator in the document "Concept of Changes to the Rules of Functioning of the Balancing Market in Poland" published on the Operator's website at the address: <https://www.pse.pl/konsultacje-aktywne/konsultacje-dotyczace-koncepcji-zmian-zasad-funkcjonowania-ryнку-bilansujacego>. At the same time, work has also been initiated on amendments to the Power Market Act of December 8, 2017, adjusting the capacity market in Poland mainly to Article 22 Section 4 and Section 5 of Regulation (EU) 2019/943 of the European Parliament and of the Council of June 5, 2019. on the internal electricity market, which regulates the lack of possibility of support from the capacity market for generating units not meeting the 550 g CO₂/kWh emission standard, however, with the preservation of support from the capacity market for units not meeting the emission standard, if such support results from power agreements concluded before 31 December 2019.

At the end of 2018 (21 December 2018), Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 entered into force. on the management 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, 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 at the end of 2018 (21 December 2018). This Regulation introduced the obligation to draw up the National Energy and Climate Plan as part of the implementation of the energy union covering 5 dimensions: energy security, internal energy market, energy efficiency, decarbonisation as well as research, innovation and competitiveness. The main objective of the management mechanism of the energy union is to enable the achievement of the objectives of the energy union, and in particular the objectives of the climate and energy policy until 2030 in terms of the reduction of greenhouse gas emissions, energy from renewable sources and energy efficiency. The National Energy and Climate Plan was submitted to the European Commission at the end of 2019, which was the fulfilment of the obligation imposed on Poland in this respect. The document was drawn up on the basis of national development strategies, taking into account the draft Polish Energy Policy until 2040. It sets the following climate and energy targets for 2030: 7% reduction of greenhouse gas emissions in sectors not covered by the ETS system as compared to the level in 2005, 21-23% share of RES in gross final energy consumption (with the reservation that the 23% target will be achievable in the situation of granting Poland additional EU funds, including those allocated for a fair transformation), increase in energy efficiency by 23% as compared to PRIMES2007 forecasts, reduction to 56-60% of the share of coal in electricity generation.

10.1.2. Demand for electricity

According to the forecasts included in the document entitled "Updated forecast of demand for fuels and energy until 2030", the demand for electricity in the forthcoming years will rise in all economy sectors. Pursuant to the abovementioned document, net electricity generation in Poland will have risen to 193.3 TWh by 2030.

Moreover, pursuant to the document entitled "Conclusions from forecasting analyses for the energy sector"¹⁾ constituting an attachment to the draft "Polish Energy Policy until 2040", the domestic electricity demand will reach nearly 200 TWh in 2030 and 230 TWh in 2040. At the same time the total increase in energy demand for electricity in 2020-2040 is 40.4%. The demand for peak power in this period will increase by 35.5%.

¹⁾ https://www.gov.pl/documents/33372/436746/Wnioski_z_analiz_do_PEP2040_2018-11-23.pdf/1481a6a9-b87f-a545-4ad8-e1ab467175cf

10.1.3. European Union Emissions Trading Scheme (EU ETS)

On 8 April 2018, Directive 2018/410 of the European Parliament and of the Council (EU) introducing changes to the CO₂ emission allowance trading scheme entered into force.

The Directive establishes, inter alia, two financial mechanisms:

- Modernisation Fund - for the modernisation of energy systems in low income Member States. It is intended to be financed by proceeds from the auction of allowances in the years 2021 to 2030. The Fund is to be used primarily to support the development of energy efficiency and investments in renewable energy sources.
- Innovation Fund - to provide financial support for RES development, carbon capture and storage and innovative low-emission projects. It is to be supplied with funds from allowances, which otherwise would be allocated free of charge or sold through auctions.

In addition, the framework for Phase IV of the EU ETS as well as new rules for the Market Stabilisation Mechanism (MSM) have been established. Pursuant to them, since the beginning of 2019, the reduction rate of allowances in circulation has increased from 12% to 24%. Allowances are gradually transferred from the auctioning system to the market stability reserve. Starting from 2024, the rate of 12% will be restored. In Phase IV of the EU ETS, which will start at the beginning of 2021 and last until 2030, the linear reduction factor will also be increased from 1.74% to 2.2%. Both of these elements have an impact on the reduction of supply on the EU ETS market, and thus on the increase in prices of CO₂ emission allowances observed in 2018. At the peak of the increases, prices of CO₂ emission allowances increased more than three times as compared to the beginning of the year. The increased volatility on the CO₂ emission allowances market also had a significant impact on the increased volatility on energy markets throughout Europe, also in Poland.

10.1.4. Amendments to the tax law

An important aspect in terms of the establishment of infrastructure on the property of third parties was the introduction of an amendment to the Act on Local Taxes and Fees and the Act on Agricultural Tax and the Act on Forest Tax from 1 January 2019. The amendment to the aforementioned Acts clarifies the rules of taxation of land used by entrepreneurs in connection with the establishment of infrastructure used for the transmission or distribution of liquids, steam, gas or electricity and telecommunications infrastructure. It has been clearly indicated that placing such infrastructure on land which does not belong to companies having such infrastructure will not affect the manner of their taxation (mainly forest areas). Thus, the location of such infrastructure does not mean that the land is seized for business activity, which secures the Company's interests in the scope of changing the tax qualification of the land on which the facilities belonging to ENEA Operator are located.

10.1.5. Amendment to RES Act

On 29 August 2019, the Act amending the Act on Renewable Energy Sources and certain other acts entered into force. It replaced the name “prosumer” to “renewable energy prosumer” in the RES Act and in the Energy Law. Currently, a renewable energy prospectus may be any end user who generates electricity exclusively from renewable energy sources for their own needs in a microinstallation (with the installed electric power not exceeding 50 kW or the achievable thermal power in cogeneration not exceeding 150 kW), provided that, in the case of an end user who is not a household customer of electric energy, renewable energy generation is not its core business activity, as defined in accordance with the regulations issued pursuant to Article 40 paragraph 2 of the Act of 29 June 1995 on Public Statistics. The definition and rules of settlements with energy cooperatives have been changed – currently, energy cooperatives will be settled on similar terms as renewable energy prosumers, but using a coefficient of 1:0.6 for the energy introduced into the grid to the energy taken from the grid.

The amendment of the RES Act will enable the public support mechanisms to cover also larger installations. In the auctions conducted in 2019, the support could be extended to renewable energy sources with the capacity up to 3.4 GW - including 2.5 GW for wind power in the wind and photovoltaic basket for projects with a capacity of over 1 MW, and about 0.7 GW for investors planning to submit bids in the wind and photovoltaic basket with a unit capacity of up to 1 MW. The amendment extended the maximum time for launching energy generation from wind power plants supported in this year's auction from 24 to 33 months, and from photovoltaic power plants from 18 to 24 months. In the case of other technologies, the period of 42 months will now be used, rather than 36 months as before the amendment of the RES Act.

The Act imposed an obligation on energy companies to adapt the provisions of agreements concluded with renewable energy prosumers to the amended provisions of the RES Act and agreements concluded with renewable energy prosumers and electricity producers in renewable energy installations to the amended provisions of the Energy Law within 3 months from the date of entry into force of the amending Act, i.e. until 29 November 2019.

The amendment to the RES Act introduced provisions for the FIP guaranteed tariff, according to which the upper capacity limit for the installation of a renewable energy source, which will be able to benefit from the FIP tariff, was raised from 1 MW to 2.5 MW, with the reservation that these provisions do not apply until the date of issuing a positive decision of the European Commission on the compatibility of public aid provided for in these provisions with the internal market or until the European Commission considers that the amendments to these provisions do not constitute new public aid.

10.1.6. 2019 Tariff for electricity distribution services

The President of the Energy Regulatory Office (ERO) approved the "Tariff for electricity distribution services" of ENEA Operator. The decision was published in the ERO Industry Bulletin – Electricity No. 304 (2939) of 17 December 2019. The new Tariff has been approved for the period until 31 December 2020. The Tariff will cause an average increase of distribution fees for all tariff groups by 4.6%, while a smaller increase, of 4.0%, is foreseen for the G tariff groups. The tariff is effective from 1 January 2020, while the tariff for the recipients from G tariff groups is effective until 31 March 2020.

10.1.7. Financial markets (EMIR Refit)

On 17 June 2019, Regulation (EU) 2019/834 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 648/2012 as regards clearing obligation, suspension of the clearing obligation, reporting requirements, risk mitigation techniques for OTC derivative contracts that are not cleared by a central counterparty, registration and surveillance of trade repositories, and requirements for trade repositories (EMIR Refit) entered into force. As a result of the amendments, an obligation to report OTC derivative transactions has been introduced as a rule (however, an exception to this rule is made for intragroup transactions in derivatives, with the possibility to obtain an appropriate exemption from the reporting obligation).

10.1.8. Limits on Property Rights

GREEN

In the area of PMOZE_A (certificates of origin for energy generated from renewable sources) there is a persistent surplus of rights in the market, which resulted in low price levels in 2016 and the first half of 2017. As of 27 April, it is estimated that after the obligation for 2017 is fulfilled, about 25 TWh of active PMOZE_A will remain in the registers. The Regulation of the Minister of Energy of 11 August 2017 setting the level of the obligation for 2018 and 2019 (at 17.5% and 18.5%, respectively) improved the prospects of long-term discharge of the surplus. In addition, the amendment to the RES Act (amendment of 20 July 2017) and the interpretation by the Minister of Energy of the impossibility of paying the substitution fee until the unit replacement fee reaches the maximum level (300.03 PLN/MWh) caused a strong increase in PMOZE_A prices above the level of 70 PLN/MWh and established the current upward trend. In 2019, the PMOZE_A price stabilized at around 130 PLN/MWh and in Q4 2019 rose to about 150 PLN/MWh. Q1 2019, with decreases to around 100 PLN/MWh, was a deviation from the trend which was caused by the announced legislative changes. These changes were to be pro-declining for the PMOZE_A price, however, at the end of Q1 2019, a bill was presented, which finally confirmed that there would be no significant changes for the PMOZE_A system, which caused prices to return to the trend. At the end of 2019, there were about 32 TWh of active PMOZE_A on the registers. In 2019, the price slightly dropped, fluctuating around the value of the unit replacement fee of 300.03 PLN/MWh. The drop was caused by the lowering of the excise duty from 20 to 5 PLN/MWh.

BLUE

In the area of PMOZE-BIO (certificates of origin for energy from agricultural biogas), the situation has changed dramatically compared to the redemption obligation for 2016. In the first half of 2017, prices reached even 470 PLN/MWh. The valuation of the instrument came close to the level of the unit replacement fee (300.03 PLN/MWh) only after the publication of the first draft amendment to the Renewable Energy Act in June 2017, which conditionally unblocked the payment of the replacement fee. Since then, the prices of the "blue" property rights have remained above the replacement fee, but are closer to it (more than 317 PLN/MWh), taking into account the benefit of the buyer from the possibility to deduct the excise duty (20 PLN/MWh) to fulfil the obligation through the redemption of certificates of origin. The price trend is maintained due to the fulfilment of conditions allowing for the payment of the replacement fee from the beginning of 2018. This state should be maintained as long as the average three-month PMOZE-BIO price is above the level of the unit replacement fee. In 2019, the price dropped slightly, oscillating around the unit replacement fee of 300.03 PLN/MWh. The drop was caused by the reduction of the excise duty from 20 to 5 PLN/MWh.

WHITE

There are three instruments on the market for “white” property rights, which can be used to satisfy the obligation in 2019:

- PMEF – energy efficiency certificates issued on the basis of a system of tenders pursuant to the previous legal basis, subject to expiry as of 30 June 2019;
- PMEF-2019 – energy efficiency certificates issued for completed investments, for applications submitted in 2019 (outside the system of tenders);
- PMEF_F – energy efficiency certificates issued for non-started investments pursuant to the Act of 20 May 2016, without expiry date.

On 20 July 2017, results of the last tender for investments in the field of energy efficiency, announced by the Energy Regulatory Office on 21 September 2016, were published. The projects selected in individual categories amounted in total to nearly 55% of the pool (806.743/toe in total). The growth in the number of PMEF on the market resulted in the fall of prices of the instrument in H2 2017. In the end, however, index prices returned to the average level of PLN 712/toe due to the appearance of information from the Ministry of Energy that if there is a risk that after the obligation for 2018, i.e. after 30 June 2019, unused PMEFs will remain on the registers, then measures may be taken to change the date of their redemption, i.e. extend their validity. The recent amendment to the Act on Energy Efficiency, although it facilitated the process of application for support for activities in favour of energy efficiency, in connection with the failure to initiate a tender procedure, it simultaneously reduced the PMEF_F supply through the limitation of support for a project to the amount of one average annual energy saving. This translated into the valuation of PMEF_F at a level of PLN 1,500/toe (similar to the unit replacement fee). In H1 2019, the price of PMEF, due to the end of product life with its high oversupply, decreased from the low level of about 300 PLN/toe down to even 30 PLN/toe. However, after the decision to extend the life of this product by another two years, its price quickly increased to the level of the unit replacement fee in force, i.e. around 1,650 PLN/toe for 2019.

10.1.9. Capacity market

In 2018, based on the rules stipulated in:

- Act of 8 December 2017 on the power market,
- Capacity market regulations approved by decision of the President of the Energy Regulatory Office of 30 March 2018,
- Regulation of the Minister of Energy:
 - of 18 July 2018 on the execution of the capacity obligation, its settlement and demonstration, as well as the conclusion of transactions on the secondary market,
 - of 22 August 2018 on the parameters for the main auctions for the delivery years 2021-2023,
 - of 3 September 2018 on financial collateral to be provided by power suppliers and participants in the preliminary auctions

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

- general certification,
- certification for the main auctions for the years 2021-2023,
- main auction for 2021 – on 15 November 2018
- main auction for 2022 – on 5 December 2018,
- main auction for 2023 – on 21 December 2018,
- main auction for 2024 – on 6 December 2019.

10.1.9.1. Contracted capacity obligations at ENEA Wytwarzanie and ENEA Elektrownia Połaniec

ENEA [MW]	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1-year contract (existing units)	37	37	37	67	-	-	-	-	-	-	-	-	-	-	-
5-year contract (modernized units)	2,711	2,711	2,711	2,711	2,711	-	-	-	-	-	-	-	-	-	-
15-year contract (new units)	915	915	915	915	915	915	915	915	915	915	915	915	915	915	915
TOTAL	3,663	3,663	3,663	3,693	3,626	915	915	915	915	915	915	915	915	915	915

10.1.9.2. Estimated revenues from the capacity market at ENEA Wytwarzanie and ENEA Elektrownia Połaniec

ENEA [PLN m] ¹⁾	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1-year contract (existing units)	9	7	8	18	-	-	-	-	-	-	-	-	-	-	-
5-year contract (modernized units)	651	651	651	651	651	-	-	-	-	-	-	-	-	-	-
15-year contract (new units)	220	220	220	220	220	220	220	220	220	220	220	220	220	220	220
TOTAL	880	878	879	889	871	220	220	220	220	220	220	220	220	220	220

¹⁾ Non-indexed value

ENEA Elektrownia Połaniec S.A. participated in all the aforementioned processes and, as a result, concluded 2 capacity contracts for 5-year delivery periods 2021-2025, for Units 2 and 7. This results from the strategy of ENEA Group approved by decisions of the Management Board of ENEA S.A. before individual main auctions. The remaining units, with the exception of Unit 9, have been notified to participate in the secondary market. By decision of ENEA Group's Steering Committee on the Capacity Market, a contract will be concluded between ENEA Wytwarzanie and ENEA Elektrownia Połaniec on joint operation on the capacity market and mutual stand-by.

ENEA Wytwarzanie sp. o.o. also participated in all the aforementioned processes and, as a result, concluded:

1. Nine capacity contracts for 5-year delivery periods 2021-2025, for Units 1-10 excluding Unit 3,
2. One power contract for a 15-year delivery period of 2021-2035 for Unit 11,
3. 1-year capacity contracts for delivery years 2021, 2022 and 2023, for three Capacity Market units from the RES Segment (Water) with the total capacity of 37.1 MW

These assumptions resulted from the strategy of ENEA Group approved by decisions of the Management Board of ENEA S.A. prior to individual main auctions. Unit 3 and coal units in Białystok Heat and Power Plant and MEC Piła have been notified to participate in the secondary market.

Units from ENEA Wytwarzanie's RES Segment and Białystok Heat and Power Plant concluded one-year agreements with the total capacity of 67 MW for the delivery year 2024.

10.1.9.3. Contracted capacity obligations at ENEA Ciepło

ENEA Ciepło [MW]	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1-year contract (existing units)	-	-	-	29.241	-	-	-	-	-	-	-	-	-	-	-
5-year contract (modernized units)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15-year contract (new units)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	29.241	-	-	-	-	-	-	-	-	-	-	-

10.1.9.4. Estimated revenues from the capacity market at ENEA Ciepło

[PLN m] ¹⁾	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
quarter contract (existing units)	3,6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1-year contract (existing units)	-	-	-	7.6	-	-	-	-	-	-	-	-	-	-	-
5-year contract (modernized units)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15-year contract (new units)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	3,6	-	-	7.6	-	-	-	-	-	-	-	-	-	-	-

¹⁾ Non-indexed value

ENEA Ciepło Sp. z o.o. participated in all the aforementioned processes and, as a result, concluded 2 quarterly capacity contracts in delivery year 2021 (first and fourth quarters) for unit 2 and one 1-year capacity contract in delivery year 2024 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 year 2024" and "Strategy for participation of ENEA Group CMU in additional auctions for delivery year 2021" drawn up under the leadership of ENEA Trading Sp. z o.o. 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, while units 1, 2 and 4 were registered for 2024

10.1.10. Termination of/withdrawal from property right purchase agreements by ENEA S.A.

On 28 October 2016, ENEA made a statement of termination of or withdrawal from all long-term property right purchase agreements resulting from the certificates of origin of energy from renewable sources (the so-called green certificates). These agreements became dissolved. The Company had to terminate/withdraw from the individual agreements as it has exhausted all possibilities of restoring contract balance and equivalence of the parties' performances due to the 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, three cases are pending before the Regional Court in Poznań for declaring ineffectiveness of termination (withdrawal) by ENEA S.A. of (from) 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-fulfilment 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 contractual liabilities was approx. PLN 1.187 million net.

10.1.11. Key objectives and provisions of the Winter Package

Decarbonisation:

- Based on the WP regulations, in the long term, i.e. by 2050, the EU plans to transition to a zero-carbon economy – for this purpose, the so-called Energy Road Map for the EU by 2050 is being developed.

Intensive development of renewable energy sources (amendment of the RES Directive, i.e. RED II):

- On 14 June 2018, a memorandum of understanding on long-negotiated provisions was agreed. With regard to the overall binding target for the share of RES in 2030, a 32% target was set with no binding national targets. In addition, a revision of the 2023 target was agreed.
- In the context of state aid, the conditions for eligibility of biomass-fired power plants for financial support were specified. In the case of installations from 50 to 100 MW, the support was made dependent on the fulfilment of efficiency levels in accordance with the reference document BAT LCP (Best Available Techniques). For units with capacity above 100 MW, at least 36% electricity efficiency is required.
- For the transport sector, the RES target for 2030 was set at 14% and by this year the elimination of the use of palm oil was agreed.

Increasing energy efficiency (the draft Energy Efficiency Directive), related to support (transformation, modernisation) in the area of heating and cooling:

- On 20 June 2018, negotiations on the final form of the legislation finished with an increase in the non-binding pan-European energy efficiency target of 32.5% compared to the 2007 energy consumption forecasts.
- For the annual savings of energy sold to end users, the target of 0.80% was set.

Development of and support for electromobility in the EU, primarily in public transport (draft regulations constituting the so-called Clean Mobility Package, published by the European Commission in November 2017);

Draft design of a Single Electricity Market (SEM) – a new energy legal framework for the European Union introduced by the draft:

A detailed description can be found on Page 85, under the „Internal energy market“ heading.

Energy Union Management System (EU Governance) – a regulation, the wording of which was agreed on 20 June 2018, regulates, among others:

- Obligation for each Member State to notify, by the end of 2018, a draft of the first National Integrated Energy and Climate Plan (“NIECP”) for the period 2021 to 2030 - inter alia, the Member State's declared share of RES.
- Obligation of Member States to evenly spread the growth of RES over 10 years (development trajectory – reaching reference points – 18% of the required growth will be achieved in 2022, 43% in 2025, and 65% in 2027).
- Lack of clearly defined means of enforcing the objectives from the Member States in the event of failure to meet the set objectives – issuance of non-compulsory recommendations of the European Commission.

Mandatory development of grid infrastructure (cross-border interconnections); with the target of establishing the EU DSO Entity, new powers and competences of ACER and ENTSO-E at EU level.

10.1.12. Variability and liquidity on the wholesale market

The doubled obligation to trade applicable as of the beginning of 2018 significantly contributed to the improvement of liquidity on all floors of the Polish Power Exchange. Therefore, in the framework of the annual frontal contract in Q1 2018, transactions were made in a volume of 165.5%, larger than in relation to the analogical product in Q1 2017. High prices for the first quarter were also recorded on the RDN where the average price from Fixing 1 stood at a level of PLN 184.83/MWh, given a level of PLN 155.11/MWh in 2017. The increase of the spot price was largely influenced by changes in the generation structure of conventional plants, by higher prices of generation fuels, and higher environmental costs incurred. More expensive emission allowances resulted also in the change of moods in term contracting on the Polish Power Exchange, where transactions on the annual contract BASE Y-19 in the first quarter were made at an average price higher by PLN 25.75 than in the analogical period of the previous year in relation to BASE Y-18 product. On 11 October 2018, a bill amending the Energy Law Act of 10 April 1997 was submitted to the Sejm, which, among other things, imposes an obligation on power generators to sell their energy on commodity exchanges, on a market organised by an entity operating a regulated market on the territory of the Republic of Poland or on an organised trading platform operated by a company operating a commodity exchange within the meaning of the Act on Commodity Exchanges on the territory of the Republic of Poland. The aforementioned changes in the scope of the exchange obligation have been included in the Act of 9 November 2018 amending the Energy Law and certain other acts. The introduction of the proposed amendments resulted in including all generated electricity in the so-called exchange obligation as of the entry into force of the aforementioned Act, i.e. as of 1 January 2019.

10.1.13. REMIT

REMIT is the Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (Regulation on Wholesale Energy Market Integrity and Transparency). By virtue of the Regulation, the electricity market is subject to strict and restrictive rules of publication and public character of any information which may affect the prices of energy products on the wholesale energy market, including the absolute ban on market manipulation. REMIT provides for the obligation of registration of each market participant in the national register of market participants. Any market participant is obliged to report data on the transactions concluded on wholesale energy markets, including any orders placed. The duty of reporting to EW refers to the basic data on the capacity and use of generating infrastructure. Also, REMIT stipulates the obligation to make inside information public in the form of an announcement. REMIT prohibits market manipulation and attempts to manipulate the market and does not allow to use inside information. Under REMIT, regulatory authorities acquire the powers in the field of conducting investigations and enforcing the provisions of REMIT.

10.1.14. Act on electromobility and alternative fuels

The Electromobility and Alternative Fuels Act of 11 January 2018 imposes an obligation on selected townships to build on their land publicly available charging stations for vehicles with alternative drive systems. If this obligation is not fulfilled by the end of 2019, it is passed on to distribution system operators, in accordance with their area of activity. Due to the fact that this obligation was not fulfilled by local governments, the company is currently under the obligation to build up to 750 publicly available charging points in 5 urban areas: Poznań, Szczecin, Bydgoszcz, Gorzów Wielkopolski and Zielona Góra. It must be noted that the charging points built by third parties are gradually reducing this number. For this reason, ENEA Operator currently carries out a project under the name of "Implementation of ENEA Operator's statutory obligations related to electromobility.



10.1.15. Impact of the Act amending the Excise Duty Act and certain other acts

On 28 December 2018, the Act on amendment of the act on excise duty and certain other acts ("Act") was adopted with effect as of 1 January 2019.

This regulation introduced, inter alia, the following:

- a reduction in the excise duty rate for electricity sold to final customers from 20 PLN/MWh to 5 PLN/MWh,
- directions for 2019 prices and fee rates for electricity for final customers to be applied by sellers,
- the opportunity for sellers to seek an amount to cover the difference in revenue for trade of electricity for final customers from Zarządca Rozliczeń S.A. (Settlement Manager) specified in the Act ("Price Difference Amount" / "Financial Compensation").

It follows from the wording of the Act and its rationale that the legislator assumes a balancing of the interests of electricity consumers and energy companies, which makes it possible to conclude that, as a rule, revenues lost as a result of price reductions should be returned to energy sellers.

The Act was amended later in 2019 and the key change (published on 28 June 2019) concerned the narrowing in H2 2019 of the group of end customers to customers from the G tariff group and micro-entrepreneurs, small entrepreneurs, hospitals, units of the public finance sector, and state organisational units without legal personality, as defined in detail in the Act.

Under the amended Act, on 23 July 2019 the Regulation of the Minister of Energy on the method of calculation of the Price Difference Amount and Financial Compensation and on the method of determination of reference prices ("the Regulation") was published.

10.1.15.1. Determination of the provision for onerous contracts as at 31 December 2018

As a result of the Act and the publication of the Regulation, at the end of 2018, the Company analysed the issue with a view to updating provisions and recognising any reimbursements in the context of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". According to reporting regulations, if a given contract or group of contracts generate a loss, then the company should recognise an appropriate provision in the period in which the loss became unavoidable unless it is unable to reliably determine the amount of this provision while contingent assets are recognised when they are virtually certain in the amount not higher than the recognised provisions.

The Company valued the provision only with respect to sales made on the basis of the tariff regulated by the President of the Energy Regulatory Office for customers in G tariff groups. The valuation included the current legal status as of a given moment. By accepting the prices binding in 2018 for the customers from G tariff groups in the tariff regulated by the President of the Energy Regulatory Office, the Company estimated the so-called loss on the contract at the level of PLN 79 million. This loss results from the adoption of model costs of electricity purchase in 2019. (costs of electricity and property rights and the excise tax rate at the level defined as justified by the ERO President in the tariff process for 2019) and the simultaneous application of sales prices from 2018. This provision was used (released) during 2019.

Pursuant to the provisions of the Act and the Regulation, the Company applied to the Settlement Manager for payment of the Price Difference Amount for the first half of 2019 and applications for Financial Compensation for the months from July to December 2019 for the total amount of PLN 597.2 million. The amounts of the Price Difference and the Financial Compensation constitute the Company's revenue and were recognised in the "Financial compensations" item in the "Statement of comprehensive income". As at 31.12.2019. The Company received PLN 545.0 million in return for the amounts of the price difference and the Financial Compensation. The remaining part of the amount of PLN 597.2 million, i.e. PLN 52.2 million, is recognized in the item "Trade and other receivables" in the "Statement of financial position". As at the date of preparing this report, the Company received on account of the reimbursement of the Price Difference Amount and of the Financial Compensation the amount of PLN 597.2 million.

Pursuant to Article 9 of the Act, the Company, having obtained confirmation from distribution system operators of the volume of electricity sold and consumed for the period from 1 January to 31 December 2019, will adjust the received Price Difference Amount and Financial Compensation. The correction application will be submitted to the Settlement Manager once by September 30, 2020.

10.1.15.2. Impact on subsequent reporting periods

Determination of the provision for onerous contracts as at 31 December 2019

On 30 December 2019, the President of the Energy Regulatory Office (“ERO President”) decided to approve the electricity tariff for the group of G tariff groups for the period from 14 January to 31 March 2020 (“Tariff”).

The President of the Energy Regulatory Office approved the electricity sales price for the consumers in G tariff groups for ENEA S.A. at the level not covering the costs incurred by the Company.

According to reporting regulations, if a given contract or group of contracts generate a loss, then the company should recognise an appropriate provision in the period in which the loss became unavoidable unless it is unable to reliably determine the amount of this provision while contingent assets are recognised when they are virtually certain in the amount not higher than the recognised provisions.

Taking into account the above and acting in accordance with IAS 37, the Company identified the need to create in Q4 2019 a provision for onerous contracts in the trading segment.

As at 31 December 2019, as a result of adopting the above assumptions, the following was established:

1. by adopting the prices binding in the first quarter of 2020 for the clients from G tariff groups in the tariff regulated by the President of the Energy Regulatory Office, the Company estimated the so-called contract loss. This loss results from the adoption of model electricity purchase costs in 2020. (costs of electricity and property rights and the excise tax rate at the level deemed justified in market conditions by the Company in the tariff process for 2020) and the simultaneous application of sales prices approved by the ERO President in the Tariff for Q1 2020.
2. additionally taking into account that during the first 13 days of 2020 the sales prices from 2019 (*de facto* 2018 prices) were in force.
3. the sales volume results from the planned level of sales to customers in the G tariff for 2020.

As a result, the provision was estimated at PLN 68.6 million.

The Company plans to apply to the President of the ERO for approval of the tariff for the period from 1 April to 31 December 2020..

10.1.16. Situation in the domestic bituminous coal mining sector

The electricity price curve will be strongly dependent on the cost of production fuel sourcing. The need for restructuring of the mining sector in the mid-term shall translate into a change of prices of supplied energy resources. The direction of changes is not clear, however as the main element of the domestic electric generation cost it leads to the emergence of new risks connected with the term contracting process. It is expected that the current level of output in the country will be maintained in the medium term and will gradually decrease in the horizon of the energy transformation.

10.1.17. Expansion of generation portfolio

Irrespective of the fact that the 1,075 MW unit was commissioned at Koźienice Power Plant, ENEA plans to engage in the construction of new sources or acquisition of existing ones. It will carry out some of these activities through partnerships with other energy groups. The implementation of this strategy will mean a significant increase in the significance of ENEA in the generation of electricity for the needs of the National Power System.

10.1.18. Licences

Energy groups operate on the Polish energy market on the basis of licences granted to them. The table below presents licences held by the companies of ENEA Group:

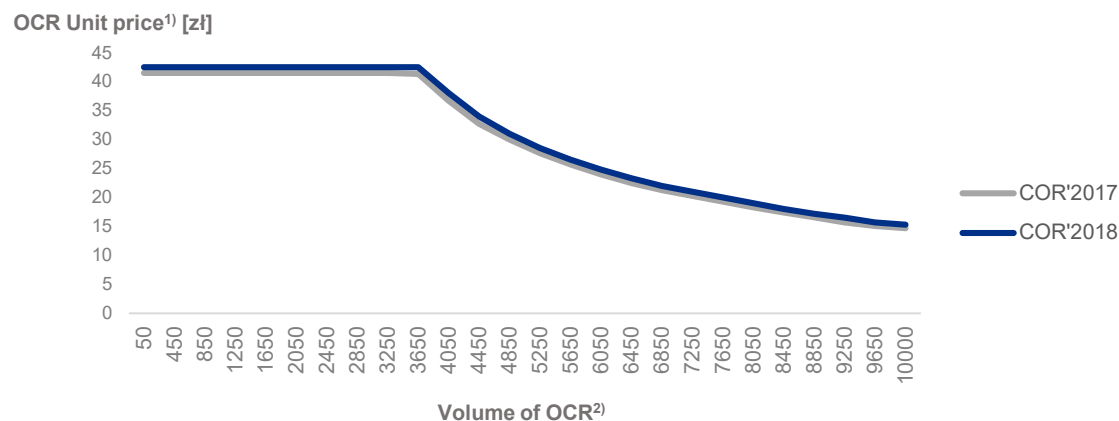
Company	Licence for:
ENEA S.A.	<ul style="list-style-type: none"> trade in electricity – valid until 31 December 2025 trade in gaseous fuels – valid until 31 December 2030
ENEA Operator Sp. z o.o.	<ul style="list-style-type: none"> distribution of electricity – valid until 1 July 2030
ENEA Wytwarzanie Sp. z o.o.	<ul style="list-style-type: none"> generation of electricity – valid until 31 December 2030 trade in electricity – valid until 31 December 2030 generation of heat – valid until 31 December 2025 transmission and distribution of heat – valid until 31 December 2025
ENEA Trading Sp. z o.o.	<ul style="list-style-type: none"> trade in electricity – valid until 31 December 2030 trade in gaseous fuels – valid until 31 December 2030 cross-border trade in natural gas – valid until 31 December 2030
ENEA Ciepło Sp. z o.o.	<ul style="list-style-type: none"> trade, generation, transmission and distribution of heat – valid until 30 September 2028 trade in electricity – valid until 1 September 2028 generation of electricity – valid until 30 November 2028 trade in gaseous fuels – valid until 10 January 2029
MEC Piła Sp. z o.o.	<ul style="list-style-type: none"> generation of heat – valid until 31 December 2025 transmission and distribution of heat – valid until 31 December 2025 generation of electricity – valid until 31 December 2030
PEC Oborniki Sp. z o.o.	<ul style="list-style-type: none"> generation of heat – valid until 31 December 2025 transmission and distribution of heat – valid until 31 December 2025
ENEA Elektrownia Połaniec S.A.	<ul style="list-style-type: none"> generation of electricity – valid until 1 November 2025 trade in electricity – valid until 31 December 2030 generation of heat – valid until 1 November 2025 transmission and distribution of heat – valid until 1 November 2025
LW Bogdanka S.A.	<ul style="list-style-type: none"> extraction of bituminous coal from the Bogdanka deposit covered by the Puchaczów V mining area – valid until 31 December 2031 extraction of bituminous coal from the Lublin Coal Basin deposit – K-3 area covered by the Stręczyn mining area – valid until 17 July 2046 extraction of bituminous coal from the Ostrów deposit located in the following communes: Ludwin, Łęczna, Ostrów Lubelski, Puchaczów, Sosnowica, Uścimów in the Lubelskie Voivodeship – valid until 31 December 2065 extraction of bituminous coal from the “Lublin Coal Basin – K-6 and K-7 areas” deposit located in the commune of Cyców – valid until 31 December 2046

10.1.19. Operating Capacity Reserve (OCR)

- OCR mechanism is conducted by Polskie Sieci Elektroenergetyczne S.A. (PSE) – Transmission System Operator (TSO) within the system services catalogue
- For producers of energy it is an economic incentive to offer generating capacities to the TSO in the peak hours of demand for power
- OCR includes the available generating capacity, being the surplus of the power available to the TSO over the contracts concluded to satisfy demand for elect
- The unit price for OCR depends on the volume of generating capacity available to the TSO over the demand for electricity covered:
 - within energy sale agreements
 - on the Balancing Market as part of the free exchange

The unit price for OCR depends on the volume of generating capacity available to the TSO over the demand and may not be higher than the reference price which was 41.20 PLN/MWh for 2016, 41.79 PLN/MWh for 2017, 42.58 PLN/MWh for 2018 and 43.73 PLN/MWh for 2019.

The graph below presents the unit price for OCR depending on the volume of generation capacity available to the TSO:



Parameters of the OCR settlement model in 2018-2019:

Parameter	FY 2018	FY 2019
Hourly budget [PLN]	151,815.81	151,415.67
Reference price [PLN/MWh]	42.58	43.73
Hourly volume of required OCR [MWh]	3,541.94	3,650.36
Number of demand peak hours	3,780	3,765
OCR annual budget [PLN m]	570	601

In 2016, the rules were changed for settling OCR, which in previous periods resulted in the fact that in the hours during which the OCR unit price reached the maximum level the TSO did not fully use the budget designated for that service. Since 2016, new adjustment settlements were introduced (monthly and annual), which re-verify settlements and any unused funds for OCR are distributed among the units participating in the reserve. Since 2017, consumption units with the possibility of reducing the demand (DSR) are included within the OCR. In the following years 2018 and 2019, the costs of PSE.S.A. increased.

¹⁾ the price for the operating reserve

²⁾ generating capacity of active scheduled generation unit (JGWa) constituting the operating reserve

10.1.20. Increased number of customers taking advantage of the possibility of switching suppliers in 2019

In 2019, some customers decided to switch their energy supplier, but the dynamics of these changes were lower than in 2018. The number of companies that took advantage of the opportunity to change their supplier in 2019 (tariff groups A, B, C) at the end of 2019 was 209,935, i.e. increased by 4.4% y/y (in 2018, up by 6.8%). On the other hand, among households (tariff group G), 657,223 customers took advantage of this opportunity, up by 8.7% y/y (in 2018, up by 10.6%).¹⁾ The lower dynamics of energy supplier switching in 2019 was probably influenced by the Act of 28 December 2018 amending the Excise Duty Act and some others.

10.1.21. Exemption from the duty to submit the rate structures applicable to households

Pursuant to Article 49 of the Energy Law, the President of ERO may exempt a power enterprise from the duty to submit rate structures for approval, if the President finds that the enterprise operates on a competitive market. The release from such duty may have a positive impact on the margin on energy sales in future.

10.1.22. Significant trends in the Distribution area

The functioning of ENEA Operator is increasingly affected by EU legislation, in particular the Clean Energy for All Europeans energy package. It supports the EU's objectives of achieving a more competitive, secure and sustainable energy system and reducing greenhouse gas emissions by 2030. The commitments provide for a reduction of at least 40% compared to 1990 levels, while increasing energy efficiency by 32.5% and increasing the share of renewable energy to 32% of final energy consumption. The implementation of these commitments will result in a steady, already observed, increase in installed RES capacities, which creates space for new energy market players and changes in the roles played by current players, including DSOs.

The rapid development of distributed energy resources combined with new technologies, including ICT, has a significant impact on the distribution network, while shaping the new role of DSOs in the energy market. New challenges in this area for ENEA Operator include: new role of DSO as an entity supporting market development (in particular local markets), use of flexibility of dispersed energy sources, data management, cooperation with the TSO/DSOs, new information and communication technologies, development of smart grids, activation of recipients, emergence of energy communities (energy clusters and cooperatives), cyber security and development of R&D and innovation activities.

10.1.23. Key Service Operator

Pursuant to the provisions of the National Cyber Security System Act of 5 April 2019, the following ENEA Group companies: ENEA S.A., ENEA Operator Sp. z o.o., ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A., ENEA Ciepło Sp. z o.o. and MEC Piła Sp. z o.o. were recognised as Key Service Operators. ENEA Operator joined the project initiated by the Ministry of Energy and signed a cooperation agreement of the energy sector to increase the country's cyber security. It concerns joint action to increase the IT security of the energy distribution area and to protect it against potential external attacks. The signatories of the agreement are ENEA Operator, Tauron Dystrybucja, PGE Dystrybucja and Energa Operator.

1) <https://www.ure.gov.pl/pl/energia-elektryczna/zmiana-sprzedawcy-monit>

10.1.24. Quality regulation model

On 7 October 2019 the President of the EU appointed ENEA Operator the settlement targets for the years 2018-2025, determined on the basis of the document “Qualitative Regulation in the years 2018-2025 for Distribution System Operators” in the version dated 29 May 2019. This document completes the process of evaluation of the qualitative regulation model.

The indicators that have a direct impact on ENEA Operator’s regulated revenue in the return on capital part, for the period 2018-2025, are currently the following key performance indicators:

- CTPmd – regulatory indicator of break time in the area: large cities,
- CTPmp - regulatory indicator of break time in the area: towns with county rights,
- CTPm - regulatory indicator of break time in the area: towns,
- CTPw - a regulatory indicator of break time in the area: villages,
- CPmd - regulatory indicator of break frequency in the area: large cities,
- CPmp - regulatory indicator of the frequency of breaks in the area: towns with county rights,
- CPm - regulatory indicator of the frequency of breaks in the area: towns,
- CPw - a regulatory indicator of the frequency of breaks in the area: villages,
- CRP - Connection Execution Time.

10.1.25 Analyses for the Power Plant consisting of a coal gasification system and a combined cycle power unit (IGCC plant) in the Łęczna township

In April 2020, ENEA Badania i Rozwój Sp. z o.o. filed an application with the Łęczna Township to issue an environmental conditions decision for a power plant project using the integrated coal gasification combined cycle (IGCC) technology in the Łęczna township. The application was accompanied by an environmental impact report, which is one of the many concept research and development documents for the IGCC project. The application was filed in order to shorten the time potentially necessary to develop the project if, after all the analysis, a decision is made in the future to develop the IGCC project. The decision to implement the investment project is conditional upon the progress of the analyses carried out by the ENEA Group, while taking into account the changing market and regulatory environment.



10.2. Natural environment

10.2.1. Reduction of pollutant emissions

In accordance with EU regulations, and in particular Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (the Industrial Emissions Directive or IED), as of 1 January 2016 new, stricter environment protection standards are applicable. Therefore, all electricity producers in Poland who use first of all carbon-intensive technologies are obliged to adjust their power units to the new environmental requirements. To address the problems of entrepreneurs, EU law envisages a possibility of using derogation mechanisms. The alleviation of the IED requirements in the form of a derogation makes it possible to obtain additional time for adjusting generation units to the stricter air pollutant emission standards. On 17 August 2017, the so-called BAT conclusions for large combustion plants (Commission Implementing Decision (EU) 2017/1442 of 31 July 2017 laying down the conclusions on best available techniques (the BAT conclusions) for large combustion plants in accordance with Directive 2010/75/EU of the European Parliament and of the Council) were published in the Official Journal of the European Union. The published BAT conclusions introduce, among other things, stricter requirements (than in the IED) for pollutants such as sulphur dioxide, nitrogen oxides and dust. The BAT-associated emission levels (BAT-AELs) were also determined for additional substances such as mercury, hydrogen chloride, hydrogen fluoride and ammonia. The BAT conclusions will apply from 18 August 2021 after the end of the 4-year adjustment period.



Kozienice Power Plant – Units 1-10

Years	SO ₂			NO _x			Dust			CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions [PLN k]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO ₂ emissions [Mg]	CO ₂ emissions ratio [kg/MWh]	
FY 2019	7,256.9	0.597	3,918.752	8,385.7	0.690	4,528.288	285.5	0.023	102.763	10,463,178	861	12,152,678
FY 2018	7,442.2	0.659	3,944.4	7,644.8	0.677	4,051.8	246.7	0.022	86.4	9,728,131	862	11,291,279
% change	-2.5	-9.4	-0.7	9.7	1.9	11.8	15.7	4.6	19.0	7.6	-0.1	7.6

In 2019, there was an increase in emission fee rates:

SO₂ : 0.53 PLN/kg in 2018 » 0.54 PLN/kg in 2019

NO_x : 0.53 PLN/kg in 2018 » 0.54 PLN/kg in 2019

Dust : 0.35 PLN/kg in 2018 » 0.36 PLN/kg in 2019

¹⁾ Data for Unit 11 take into account emissions of pollutants from the start-up boiler house.

²⁾ The change in relation to the information submitted in 2018 is due to the submission of information concerning Q3.

³⁾ The change in relation to the information provided in 2018 is due to rounding off.



Kozienice Power Plant – Unit 11 vs. Units 1-10

Years	SO ₂			NO _x			Dust			CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions [PLN k]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO ₂ emissions [Mg]	CO ₂ emissions ratio [kg/MWh]	
FY 2019 Unit 11 ¹⁾	1,778.9	0.300	960.626	2,285.1	0.385	1,233.970	84.1	0.014	30.278	4,420,086	744	5,938,492
FY 2018 Unit 11 ¹⁾	1,339.2	0.229	709.791 ²⁾	2,005.4 ³⁾	0.343	1,062.852 ²⁾	105.7	0.018	36.984 ²⁾	4,348,838	745	5,839,184
FY 2019 Units 1-10	7,256.9	0.597	3,918.752	8,385.7	0.690	4,528.288	285.5	0.023	102.763	10,463,178	861	12,152,678
FY 2018 Units 1-10	7,442.2	0.659	3,944.4	7,644.8	0.677	4,051.8	246.7	0.022	86.4	9,728,131	862	11,291,279



ENEA Elektrownia Połaniec

Years	SO ₂			NO _x			Dust			CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions [PLN k]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO ₂ emissions [Mg]	CO ₂ emissions ratio [kg/MWh]	
FY 2019	5,895.8	0.629	3,183.7	6,452.8	0.688	3,484.5	484.2	0.052	174.3	6,751,790.7	720,1	9,376,542.7
FY 2018	8,876.9	0.806	4,704.8	7,759.5	0.705	4,112.6	617.7	0.056	216.2	8,219,329.0	746,3	11,012,854.3
% change	-33.6	-22.0	-32.3	-16.8	-2.4	-15.3	-21.6	-7,1	-19.4	-17.9	-3,5	-14.9



Białystok Heat and Power Plant

Years	SO ₂			NO _x			Dust			CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions [PLN k]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO ₂ emissions [Mg]	CO ₂ emissions ratio [kg/MWh]	
FY 2019	206.3	0.143	111.4	402.1	0.279	219.2	43.8	0.030	15.7	253.5	175.9	440,638
FY 2018	167.7	0.114	88.9	365.5	0.249	193.7	34.3	0.023	13.1	280.1	191.1	424,184
% change	23.0	25.1	25.3	10.0	11.9	13.2	27.5	29.7	20.5	-9.5	-8.0	3.9



West Białystok Heat Plant

Years	SO ₂			NO _x			Dust			CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions [PLN k]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO ₂ emissions [Mg]	CO ₂ emissions ratio [kg/MWh]	
FY 2019	18.3	-	9.9	11.7	-	6.3	1.3	-	0.5	12,254	-	-
FY 2018	21.8	-	11.5	21.0	-	11.1	3.0	-	1.1	19,753	-	-
% change	-16.1	-	-13.9	-44.3	-	-43.2	-56.7	-	-54.5	-38.0	-	-

10.2.2. Compliance with formal and legal requirements

ENEA Wytwarzanie

ENEA Wytwarzanie Sp. z o.o. takes advantage of a derogation resulting from the IED, under the Transitional National Plan (TNP):

- in relation to sulphur dioxide and dust emissions: Koźienice Power Plant (Units 1-10) – together with Białystok Heat and Power Plant,
- in relation to NO_x emissions: Białystok Heat and Power Plant – individually.

In the period of validity of the TNP, i.e. from 1 January 2016 to 30 June 2020, annual emission caps are applicable (the caps decrease year over year). The emission cap in the last year of applicability of the TNP is defined at a level corresponding to the emission standard for a given pollutant, resulting from IED (in the case of Koźienice Power Plant 200 mg/m³_{usr} for SO₂ and 20 mg/m³_{usr} for dust).

ENEA Ciepło

ENEA Ciepło Sp. z o.o. takes advantage of a derogation resulting from the IED, under the Transitional National Plan (TNP):

- in relation to sulphur dioxide and dust emissions: Białystok Heat and Power Plant – together with Koźienice Power Plant (Units 1-10) ,
- in relation to NO_x emissions: Białystok Heat and Power Plant – individually.

During the period of validity of the TNP, i.e. from 1 January 2016 to 30 June 2020, annual mass emission ceilings are in force, decreasing from year to year, as well as emission standards as of 31 December 2015.

ENEA Elektrownia Połaniec

ENEA Ciepło Sp. z o.o. takes advantage of a derogation resulting from the IED – natural derogation of 17,500 hours, covering Unit 1.

Until the end of 2019, a total of 9,307 hours were used from the limit of 17,500 hours, of which 943 hours were used in 2019 (263 hours in Q1, 250 hours in Q2, 320 hours in Q3 and 110 hours in Q4 2019).



The emission of pollutants under TNP for FY 2019 and the utilisation of the annual emission limits are presented in the table below.

Plant		SO ₂		Dust		NO _x	
		[Mg]	% utilisation	[Mg]	% utilisation	[Mg]	% utilisation
Kozienice Power Plant	emission	6,150.06	81.9	156.70	20.9	N/A	N/A
	annual emission cap	7,513.50		751.30			
Białystok Heat and Power Plant	emission	193.86	27.3	33.45	47.1	384.76	65.6
	annual emission cap	710.13		71.04		586.24	
Total	emission	6,343.92	77.1	190.15	23.1	384.76	65.6
	annual emission cap	8,223.63		822.34		586.24	

Pursuant to the regulation of the Minister of Environment of 1 March 2018 on emission standards for certain installation types, fuel combustion sources and waste combustion or co-combustion installations (Polish Journal of Laws of 2018, item 680), in relation to Unit 11 for emission of all pollutants and in relation to Units 1-10 for NO_x emissions, the following conditions for the compliance with the emissions standards 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.

In 2019, there were no violations of formal and legal requirements.

Kozienice Power Plant meets the objectives set by the national and community law (IED directive, BAT conclusion). The power plant operates five flue gas desulphurisation (FDG) installations, which guarantee the required reduction of SO₂ emissions from flue gases of all units. All units of the 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 selective catalytic NO_x reduction (SCR) installations.

10.2.3. Issues regarding the Mining Area – LW Bogdanka

Land reclamation

- in 2019, reclamation works were completed in the areas affected by mining damage in Nadrybie Wieś. The works consisted in making a fish pond and elevating the area using mining waste, covering it with earth masses and afforestation. The works were completed in August 2019
- maintenance of organised greenery, a waste disposal facility and post-industrial areas in the area of Pole Bogdanka, Nadrybie and Stefanów reclaimed in previous years, as well as railway facilities in Zawadowo is carried out on an ongoing basis

Surface protection

- the impact of mining operation conducted in 2019 on the surface was manifested, just as in the previous years, mainly through the expansion of the surface area of the impact exerted so far
- the maximum subsidence in the “Puchaczów V” mining area remains in the area of Bogdanka and Nadrybie Wieś villages, commune Puchaczów and amounts to ca. 5.0 m in the central part of the subsidence trough in this region
- just as in the previous years, the damage to buildings in 2019 was caused mainly in rural buildings, whereby the reported damage to buildings did not cause any hazard to users and was repaired on an ongoing basis
- in 2019, works were carried out in connection with drainage of agricultural land on mining damage by rebuilding the drainage network and building a pumping station with compensating reservoirs.

Sanctions and fees which may be imposed on the Company for environmental protection purposes

- mining activity involves the payment of operation fee, the fee for using the natural environment, and various other costs related to:
 - mining waste management,
 - reclamation of industrial waste land,
 - environmental monitoring,
 - preparing the land surveys and documentation necessary for the proper operation of the facility,
- the operation fees are paid every 6 months to the bank accounts of the municipalities where the operation is carried out (60%) and to the National Environmental Protection and Water Management Fund (NFOŚiGW) (40%)
- LW Bogdanka S.A. meets the standards in the field of environmental protection and was not required to pay any penalties for violating the conditions of using the environment set out in applicable legal regulations in 2019.

Air protection

- LW Bogdanka S.A. does not have any arranged emitter emitting dust and gases to the air
- a non-arranged emitter is the extraction waste neutralisation plant at Bogdanka which may be the source of dusting on dry and windy days
- fugitive air emissions come from combustion of fuels in combustion engines used in the company, from combustion processes and from refrigerant replenishment in air conditioners

Water and waste water management

Refers mainly to mine water, including:

- rock mass drainage in the area of mine workings
- re-use of water for fire protection and process purposes
- pumping water to the Surface
- mine water retention in a surface reservoir and sedimentation tank for the purpose of suspended solids reduction
- water discharge from the reservoir through a system of drainage ditches and Rów Żelazny watercourse to Świnka river in the amount of approx. 14,738 m³/24 hours
- mine waters are characterised by the total contents of chlorides and sulphates in the amount of 1,075 mg/dm³
- surface re-use of mine water (Zakład Przeróbki Mechanicznej Węgla, Łęczyńska Energetyka Sp. z o.o. – part of the Water Treatment Station)

Waste management:

- in 2019, the total increase in mining waste was 6,299.9 thousand tonnes
- approx. 49% of waste was subject to recycling and management. The amount of recycled waste, i.e., waste used for industrial waste land reclamation, road and yard hardening, cement production at "Ożarów" Cement Production Plant, and for other purposes, was 3,061.8 thousand tonnes
- 47% of waste is used to perform reclamation of industrial waste land. Reclamation consists in restoring the original relief of such land through filling sand pits with mining waste, covering them with a layer of soil and its agricultural or forest development
- other extraction waste (3,238.1 thousand tonnes) is stored in the extraction waste neutralisation facility in Bogdanka
- LW Bogdanka S.A. manages other industrial waste: it releases to the licenced entities any waste which is capable of reuse (timber, used oils, scrap metal, scrap conveyor belts) or intended for neutralisation (used light sources, glue and paint packaging, etc.)

10.3. Other information

10.3.1 Expected financial standing

In 2019, given the increasingly demanding situation on the energy market, the ENEA Group had to face the events that significantly affected the activity of companies in the energy sector and their financial performance. Despite the challenges such as e.g. implementation of the Act on Electricity Prices, the growing costs of CO₂ emissions on the market and development of renewable energy sources, the Group has generated financial results at the expected levels. As the Group forms a closed value chain from coal mining to the sales of electricity to end users, it is able to continuously react flexibly to the dynamic and volatile market and regulatory surroundings.

The Mining Area posted higher results than in the corresponding period of the previous year. The segment result was positively affected by higher sales of coal (due to higher net production) and a higher sale price. As we make comparisons to the previous year, we should note that 2018 was a period of struggling with geological and hydrological problems, mainly in the first quarter. In spite of that, LW Bogdanka handled these difficulties and already in early 2019 it posted better results than it did in the same period of the previous year (in January 2019 it set the new record monthly production at 903.5 thousand tons of commercial grade coal). The work is underway in LW Bogdanka to open production in the Ostrów Field, so we are expecting an increase in the capital expenditures related to the preparation of underground infrastructure. The Management Board of LW Bogdanka intends to focus on achieving even higher profitability of coal production – by optimizing processes, stabilizing fixed costs and by testing innovative solutions.

The Generation Area contributed nearly 47% of ENEA Group's EBITDA and also posted the highest increase among all areas of activity. The area result was positively affected by an increase in market energy prices caused by higher CO₂ and production fuel prices. Reversal of the provision for the Skoczyklody wind farm, which was recognized in 2016, was also an important factor. In 2019, the exchange obligation for contracts performed in the generation area changed from 30% of production (in 2018) to 100% of electricity production sold through the exchange. In 2019, companies generated in total nearly 26 TWh of energy, where renewable energy sources contributed more than 2 TWh. In subsequent years, the Group intends to increase the share of RES in the mix of production sources through capital expenditure projects, for example the project of building photovoltaic farms on the land owned by LW Bogdanka. The goal is to reduce the unit CO₂ emission measure. In 2020, the performance of the Generation Area will be affected by a decreasing number of free CO₂ emission allowances obtained in comparison to the previous years. It is also worth mentioning that the Capacity Market auctions closed in 2018 will significantly improve the area's cash flows from 2021 onwards and enable financing of the necessary investments. The most critical event for the Generation Area was that a 15-year contract was obtained for the supply of power from Unit 11.

The Distribution Area is a stable part of the Group's activity. In the reported period it achieved performance similar to that in the previous year (a slight decline yoy). In 2018, the revenue was increased by indemnity received on account of windstorms that occurred in 2017. In order to ensure compliance with the parameters set by the President of the Energy Regulatory Office, ENEA Group makes capital expenditures enhancing security and stability of energy supply. The Group plans to maintain its capital expenditures related to the development and modernization of the network at least at an unchanged level in the coming years and it also intends to continue investments in "smart grids", implement modern IT tools enabling quick detection of grid failures.

The Trading Area improved its performance significantly in 2019 compared to the previous year despite the "sales prices being frozen at the 2018 level" by the power of a relevant legislative act. In 2020 the Trading area remains under the influence of considerable uncertainty concerning the ultimate level of regulated revenue in the tariff for households regulated by the President of the Energy Regulatory Office. The Company has obtained an approval for this tariff for Q1 2020. Its level differs from the reasonable market level, so the Company recognized a relevant provision. To exercise due care, the Company filed an application with the President of the Energy Regulatory Office for the period of Q2-Q4 2020 to obtain regulated revenue at the market level.

Please note that a large portion of financing raised in the past by entities from the power industry mature in 2020-2023. The ENEA Group continues its activities to refinance its debt maturing in subsequent periods and to finance the capital expenditure process. The decreasing number of organizations willing to finance activities related to coal mining or production of electricity from conventional coal-based sources may pose a challenge in this respect. Despite the above, it is encouraging that the Group's cash flows will be supported by the Capacity Market auctions won and the related power supply contracts.

At the end of 2019, the first reports from China mentioned COVID-19 (the coronavirus). At present, it is difficult to make a comprehensive prediction how the COVID-19 virus will affect the financial result of the ENEA Group and the economy as a whole. We do know however that the ultimate impact of the epidemics on financial performance will depend on the scale and the length of this phenomenon.

10.3.2. Financial instruments used

ENEA S.A. pursues the Interest Rate Risk Hedging Strategy, the main objective of which is to hedge cash flows resulting from concluded financing agreements. The adopted strategy assumes limiting the risk of impact on the financial result of changes in cash flows resulting from the risk of interest rate changes on the market within a specified time horizon. The total value of all interest rate risk hedging transactions concluded as at 31 December 2019 amounted to PLN 5,851 million. The interest rate risk hedging ratio both in ENEA Group and individually for ENEA S.A. is 59%. In the reporting period, ENEA S.A. did not conclude any FX forward transactions.

10.3.3. Managing financial resources

ENEA Group manages financial resources in the short and long term. The overarching goal of financial resources management is to strive for financial liquidity. The current management of financial liquidity of ENEA Group Companies focuses on the implementation of the policy of cooperation with contractors, planning cash flows and monitoring the concentration of cash on bank accounts. Financial resources are managed using the Cash Pooling mechanism. The Cash Pooling service enables physical consolidation and balancing of balances on accounts of companies covered by it. The resulting shortages of cash of ENEA Group companies are covered with the use of intraday limits. In the event of lack of sufficient cash balance to cover shortages, ENEA Group has a possibility to use available sources of external financing in the form of overdraft facilities. ENEA Group also manages financial surpluses from the central level by allocating them. The conducted activities are supported by quantitative analyses aimed at preparing scenario analyses and an emergency financing plan. In order to unify the process of liquidity and financial liquidity risk management, ENEA Group companies are covered by the regulation entitled "Liquidity and Liquidity Risk Management Policy in ENEA Group". Activities carried out within the framework of financial resources management in the long-term perspective focus mainly on the identification of demand for cash in the long term, obtaining financing within any emerging cash needs and distributing it in accordance with the emerging demand within the Group.

10.3.4. Rules for preparing the annual consolidated financial statements and basis for publication

This Report of the Management Board the operations has been prepared in accordance with § 70-71 of Regulation of the Finance Minister of 29 March 2018 on current and periodic information (...). The consolidated financial statements of ENEA Group and the non-consolidated financial statements of ENEA S.A. included in the consolidated report of ENEA S.A. for the financial year 2019 have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) approved by the European Union. The consolidated financial statements of ENEA Group and the non-consolidated financial statements of ENEA S.A. have been prepared on the assumption that the Issuer and its Group will continue as a going concern in the foreseeable future. Unless indicated otherwise, the financial data presented in the statements were expressed in PLN k.

10.3.5. Financial results forecasts

The Management Board of ENEA S.A. did not publish any financial results forecast for 2019.

10.3.6. Rating

On 19 March 2020, the Fitch Ratings agency affirmed ENEA S.A.'s long-term foreign- and local-currency issuer default ratings at 'BBB' with a stable outlook. The affirmation reflects ENEA S.A.'s business profile as an integrated utility with large electricity generation and distribution businesses, and moderate financial leverage. The ENEA S.A.'s ratings are supported by a high proportion of regulated and quasi-regulated income from electricity distribution and capacity payments, respectively. The main risk factors are close-to-full reliance on coal in electricity generation as well as exposure to higher-risk mining and supply divisions..

10.3.7. Entity authorised to audit financial statements

The Company's Supervisory Board selected PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. (hereinafter referred to as "PwC") to carry out the financial audit activities for 2019 and 2018 referred to in the table below. The agreement with the aforementioned entity was signed on 26 January 2018. The agreement was concluded for a period of 3 years.

Information on net remuneration due to entities performing financial review activities for the benefit of ENEA S.A. in the years 2018-2019 is presented in the table:

[PLN k]				
Including:	2019	2018		
		Incl:	KPMG	PWC
Remuneration for the audit of the annual consolidated and non-consolidated financial statements of ENEA S.A.	327	145	85	60
Remuneration for the audit of the annual financial statements of subsidiaries	956	538	270	268
Remuneration for the review of the mid-year non-consolidated financial statement and mid-year consolidated financial statement of ENEA S.A. and for the review of mid-year financial statements of subsidiaries	204	146		146
Remuneration for other services	78	54	14	40
TOTAL	1,565	882		

The fee for other services in 2018 and 2019 includes the fees for reviewing the regulatory report under Article 44 of the Energy Law, review of the excise tax ratio, review of RAB and RAB AMI, audit of material and financial statements on the performance of the investment tasks included in the National Investment Plan, review of satisfaction of conditions of loan agreements.

Detailed information on PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. and a description of the services provided was published in Current Report No. 42/2017 of 19 December 2017.

10.3.8. General Data Protection Regulation (GDPR)

GDPR is an EU legal act which entered into force on 25 May 2018 in all member states. It introduces new rules for the processing of personal data and imposes new obligations on data controllers. In its activities, ENEA Group takes into account the requirements of the new regulations, including ensuring an appropriate level of security for the processed personal data, primarily with a view to protecting the rights and freedoms of persons whose data are processed.

10.3.9. Court and administrative proceedings

As at the day of submitting this report, there are no pending proceedings regarding the liabilities or debt claims, to which ENEA S.A. or its subsidiary is a party. A detailed description of the proceedings is included in note 43 to the condensed consolidated mid-year financial statements of ENEA Group for the period from 1 January to 31 December 2019.

10.3.10. Court proceedings related to actions for annulment or revocation of resolutions of the General Meeting

The Company is party to three proceedings related to actions for annulment or revocation of resolutions of the General Meeting. Below, a summary of information concerning the individual proceedings is presented.

Petitioner	Subject matter of the petition (literal wording)	Status of the proceedings
Międzyszakładowy Związek Zawodowy Synergia Pracowników Grupy Kapitałowej ENEA (Intergroup Trade Union of ENEA Group Employees "Synergy")	Petition for declaring a resolution of the Company's General Meeting invalid or for revoking a resolution of the Company's General Meeting together with a motion for securing the action ¹⁾	<ol style="list-style-type: none"> 1) By decision of 20 June 2018, the Poznań District Court dismissed the motion for securing the action (By decision of 7 August 2018, the Court of Appeal in Poznań dismissed the Petitioner's complaint against the decision to dismiss the motion for securing the action). 2) By decision of 26 March 2019, the Poznań District Court dismissed the petition. 3) On 15 May 2019, the Petitioner, through the Poznań District Court, appealed against the ruling of 26 March 2019. 4) On 3 December 2019, the Respondent was served the Petitioner's appeal (the extension of the proceedings between the first and the second instances resulted from the necessity for the Court to consider the Petitioner's application for exemption from the appeal fee). 5) On 17 December 2019, the Respondent responded to the appeal to the Court of Appeal in Poznań. 6) The case is currently pending before the Court of Second Instance (the Court of Appeal in Poznań).
Fundacja "CLIENTEARTH Prawnicy dla Ziemi" ("CLIENTEARTH Lawyers for the Earth" Foundation)	Petition for declaring a resolution of the Company's General Meeting invalid or for revoking a resolution of the General Meeting of the Public Listed Company ²⁾	On 31 July 2019, the Poznań District Court issued a judgment stating that Resolution No. 3 of the Extraordinary General Meeting of ENEA S.A. with registered seat in Poznań (the Defendant) of 24 September 2018 on expressing qualified consent to commence the Construction Stage in the project Ostrołęka is invalid. On 17 September 2019, the attorney of ENEA S.A. filed an appeal against the judgment of the Poznań District Court. The proceedings are pending at second instance before the Poznań Court of Appeal.
Międzyszakładowy Związek Zawodowy Synergia Pracowników Grupy Kapitałowej ENEA ²⁾ (Intergroup Trade Union of ENEA Group Employees "Synergy")	Petition for declaring a resolution of the Company's General Meeting invalid or for revoking a resolution of the Company's General Meeting ²⁾	The proceedings at first instance – suspended

¹⁾ concerning Resolution No. 5 of the Extraordinary General Meeting of ENEA S.A. of 28 May 2018 on amending § 23 of the Statute of ENEA S.A.

²⁾ concerning Resolution No. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 on expressing qualified consent to commence the Construction Stage in the Ostrołęka C project.

10.3.11. Collective disputes

As at the publication date of this report, there are no pending collective disputes at any of the key ENEA Group companies. In Q2 2019, all the existing disputes were resolved and payroll agreements were signed.

10.3.12. Sponsorship and charitable activity policy

The ENEA Group as a socially-responsible company, engages in sponsorship projects in the area of sports, culture and corporate social responsibility locally, regionally and nationally.

The key documents regulating sponsorship activity in the ENEA Group include:

- Rules for conducting sponsorship activities in ENEA Group,
- Best Practices for conducting sponsorship activity in State Treasury-owned companies.

The portfolio of sponsorship projects assumes engagement in the areas of particular importance for the country and its inhabitants and the long-term comprehensive development of the selected area. The sponsorship projects serve to distinguish ENEA's image among other energy groups. Through sponsorship, ENEA achieves goals such as building a positive image, strengthening of the relationship with the brand, building brand recognition and support for commercial activities. Sponsorship activities and the social responsibility activities should provide the tools allowing us to reach current and prospective Clients and provide an image support for our business activities. In 2019, sponsorship activities focused on building the image of the ENEA brand based on engagement in supporting pro-family initiatives. In 2019, the ENEA Group conducted more than 120 sponsorship projects in more than 1000 towns across Poland.

The ENEA Group as a socially-responsible company, carries out a number of proprietary projects supporting social campaigns and activities, environmental, educational programs, conferences integrating the ENEA Group's social stakeholders, scholarship programs, educational, sports, leisure or cultural events, including among others:

- "ENEA Talent Academy", which is one of the main projects carried out by the ENEA Foundation. As part of this campaign, the most talented students in one of the following categories: sports, arts, science, receive scholarships in the amount of PLN 3,000. On the other hand, organizations with the most interesting educational projects receive grants for their execution in the amount of PLN 10,000.
- *ENEA for Generations* program for seniors and multi-generational families. Together About Safety, which focuses on increasing consumer awareness, anti-smog education and first aid training;
- ENEA EcoProjects is a range of environmental activities offering engagement in protection of the natural environment; education and promotion of how to use forest areas responsibly. These activities are conducted together with the Forest Divisions in the area where the Companies operate.
- *Socially Responsible. Regionally About the Future* Conference is a project aimed at sharing knowledge about cross-sector cooperation, developing and strengthening relations between ENEA Group's social partners;
- Employee volunteerism, which, through support of ENEA Foundation's special-purpose programs, such as The Power of Help (a grant program for employees) or Run – Raise – Help (a project focusing on development of children and youth through sports) engages the Group's employees in charitable activities;
- Health promotion campaigns carried out by the ENEA Foundation for the benefit of the Group's employees;

In 2019, the ENEA Foundation helped to implement 9 proprietary social projects, support the implementation of dozens of charitable projects in the ENEA Group's area of operation, which engaged 234 volunteers from the Group.

10.3.13. Changes in the Management Boards of key ENEA Group companies

ENEA Wytwarzanie Sp. z o.o. – since 28 June 2019, the Management Board of ENEA Wytwarzanie has been composed of the following members:

- Antoni Józwiowicz – President of the Management Board,
- Grzegorz Kotte – Vice-President of the Management Board for Technical Affairs,
- Jan Mazurkiewicz – Vice-President of the Management Board for Corporate Affairs,
- Tomasz Siwak – Vice-President of the Management Board for Strategy and Development,
- Marcin Łukasiewicz – Vice-President of the Management Board for Employee Affairs.

ENEA Operator Sp. z o.o. – since 22 July 2019, the Management Board of ENEA Operator has been composed of the following members:

- Andrzej Kojro – President of the Management Board,
- Wojciech Drożdż – Vice-President of the Management Board for Innovation and Logistics,
- Marek Szymankiewicz – Vice-President of the Management Board for Grid Infrastructure,
- Józef Aleszczyk – Vice-President of the Management Board for Economic and Financial Affairs
- Michał Cebula – Vice-President of the Management Board for Employee Affairs.

LW Bogdanka S.A. – since 19 June 2019, the Management Board has been composed of the following members:

- Artur Wasil – President of the Management Board,
- Artur Wasilewski - Deputy President of the Management Board for Economic and Financial Affairs,
- Adam Partyka - Deputy President of the Management Board for Employees and Social Affairs,
- Dariusz Dumkiewicz - Deputy President of the Management Board for Development.

ENEA Trading Sp. z o.o. – since 21 February 2020, the Management Board of ENEA Trading sp. z o.o. has been composed of the following members:

- Cezary Szwed – President of the Management Board,
- Wojciech Jędrzyński – Member of the Management Board for Operations,
- Rafał Domaszewski – Member of the Management Board for Trade.

11. Declaration on corporate governance application

11.1. The set of principles followed

Creating shareholder value, also through the Company's transparency, is one of ENEA Group's priorities. Having that in mind, the Management Board of ENEA S.A. represents that in 2019, in accordance with, among others, the provisions of §11(4)2 of the Statute of ENEA S.A., the Company applied the corporate governance rules constituting the Attachment to Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015 "Best Practices of WSE Listed Companies 2016" (BPLC, corporate governance principles), published on WSE website under <https://www.gpw.pl/dobre-praktyki> (Polish) in the section dedicated to corporate governance issues of listed companies.

11.2. Waived rules and recommendations for corporate governance

The intention of the Management Board of ENEA S.A. is to apply all the principles of corporate governance. Due to the fact, however, that some principles may make it necessary to incur excessive burdens by the Company which could exceed potential benefits resulting from market needs, in 2019 the Company waived the application of some principles and recommendations of corporate governance indicated below.

I. Management Board and Supervisory Board

II.Z.5. A supervisory board member submits to the remaining members of the supervisory board and to the company's management board a statement that he/she meets the criteria of independence set out in rule II.Z.4.

The Company's comment: The Company would like to explain that pursuant to the Company's Statute, an independent member of the Supervisory Board is obliged to make a written statement to the Company about meeting all the criteria of independence – together with an obligation to immediately inform the Company whenever he/she ceases to meet such criteria. However, the Statute of ENEA S.A. does not provide for a duty to make such statements to the remaining members of the Supervisory Board. However, the Management Board declares that it considers the circumstances mentioned in the content of this rule as good corporate practice. Therefore, the Management Board declares that it may request the Company's competent bodies to consider making adequate changes to the Company's internal instruments with an adequate recommendation.

II.Z.7. As regards the tasks and operation of the committees operating in the supervisory board, the provisions of Annex I to the European Commission Recommendation referred to in rule II.Z.4 shall apply. In the case where the audit committee function is performed by the supervisory board, the above rules shall apply accordingly.

The Company's comment: The Company would like to explain that with respect to the tasks and functioning of the committees operating in the Supervisory Board, it generally applies the provisions of Annex I to the European Commission Recommendation referred to in the analysed rule, with a proviso that the Company's internal instruments do not strictly require that the majority of members of the Nominations and Remuneration Committee meet the independence criteria. The Nominations and Remuneration Committee should be composed of at least one independent member within the meaning of the EC Recommendation, and if more than one person meeting the above independence criteria is appointed to the Supervisory Board, this committee should be composed of the largest possible number of independent members.

II.Z.8. Chair of the audit committee meets the independence criteria set out in rule II.Z.4.

The Company's comment: The Company explains that in accordance with the Supervisory Board Regulations in effect at the Company, the majority of members of the Audit Committee, including its Chair, is independent of the Company within the meaning of Article 129 of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, while the Company's internal documents do not provide for the requirement that the Chair of the Audit Committee should meet the independence criteria indicated in principle II.Z.4. The Management Board declares thereby that it considers the circumstances referred to in this rule as good corporate practice and does not exclude that it may in future request the Company's competent bodies to consider making adequate changes to the Company's internal instruments with an adequate recommendation.

IV. General Meeting and shareholder relations

IV.R.2. If this is justified due to the shareholding structure or due to the shareholders' expectations communicated to the company, as long as the company is able to ensure the technical infrastructure necessary for the efficient conducting of the general meeting with the use of electronic communication means, the company should enable its shareholders to participate in the general meeting with the use of such means, in particular through:

- 1) *real-time transmission of the general meeting sessions,*
- 2) *two-way real-time communication where the shareholders can communicate in the course of the general meeting session while staying in a location other than the place of the general meeting session,*

3) *exercising, either personally or via a proxy, the voting rights at the general meeting.*

The Company's comment: The Company would like to explain that the Company's Statute does not provide for the option to participate in the General Meeting via electronic communication means. Notwithstanding the above, the Company's Management Board generally has a positive approach to enabling the Company's shareholders in the future to participate in the General Meeting with the use of the means ensuring real-time remote transmission of data, on condition that applicable legal regulations are adopted.

IV.Z.2. If this is justified due to the company's shareholding structure, the company ensures the real-time transmission of the general meeting sessions available to the public.

The Company's comment: The Company would like to explain that currently does not provide real-time transmission of the general meeting sessions. However, the image and sound recording of the general meeting sessions is each time made and it is subsequently rendered available by the Company via the corporate website.

V. Conflict of interest and transactions with related entities

V.Z.5. Before the conclusion by the company of a significant agreement with a shareholder holding at least 5% of the total number of votes in the company or a related entity, the management board shall request the supervisory board to grant a consent for such transaction. Before granting such consent, the supervisory board shall conduct the assessment of the impact of such transaction on the company's interest. The above obligation shall not refer to conventional transactions concluded on an arm's length basis as part of the operating activity carried on by the company with member entities of the company's capital group. In the case where a decision on the conclusion by the company of a significant agreement with a related entity is made by the general meeting, the company, before making such decision, shall ensure for all shareholders the access to such information as may be necessary to conduct the assessment of the impact of such transaction on the company's interest.

The Company's comment: The current wording of the Company's Statute does not stipulate that prior to the conclusion by the Company of a significant agreement with a shareholder holding at least 5% of the total number of votes in the company or an related entity, the Supervisory Board shall give its consent to such a transaction. The possibility of a potential conflict of interest is secured by, among others, the provisions of the Company's Statute which require the consent of the Supervisory Board to conclude the agreements referred to in § 20.3 of the Company's Statute.

VI. Remuneration

VI.R.1. The remuneration of members of the company's bodies and of the key managers should result from the remuneration policy adopted.

The Company's comment: The Company would like to explain that no formalised remuneration policy was adopted in ENEA S.A. However, in connection with the amendment to the provisions of the Act on Public Offerings and Conditions of Introducing Financial Instruments to Organised Trading and Public Companies adopted in October 2019,, the general meeting of a company whose at least one share is admitted to trading on a regulated market should adopt, by way of a resolution, a remuneration policy for members of the management board and supervisory board. The company's general meeting should adopt a resolution on the remuneration policy for members of the management board and the supervisory board by 30 June 2020. At the same time, in connection with the provisions of the Act on the principles of shaping the remuneration of management of certain companies, the Extraordinary General Meeting of ENEA S.A. held on 19 December 2019 made changes to the corporate acts in force to date concerning the principles of shaping the remuneration of members of the Management Board and Supervisory Board.

VI.R.2. The remuneration policy should be closely related e to the company's strategy, its short- and long-term objectives, long-term interests, and results, and it should also take into account the solutions contributing to avoidance of discrimination on any grounds..

The Company's comment: Notwithstanding the Company's comment to the VI.R.I., the Company would like to explain that no remuneration policy has been adopted at ENEA S.A. The Management Board declares to strive to ensure that the Company's remunerating practice takes into account the circumstances mentioned in the content of the recommendation, as far as possible.

VI.R.3. If the remuneration committee operates in the supervisory board, the scope of its operation shall be governed by rule II.Z.7.

The Company's comment: The Company would like to explain that with respect to the tasks and functioning of the committees operating in the Supervisory Board, it generally applies the provisions of Annex I to the European Commission Recommendation referred to in the analysed rule, with a proviso that the Company's internal instruments do not strictly require the majority of members of the Nominations and Remuneration Committee to meet the independence criteria. The Nominations and Remuneration Committee should be composed of at least one independent member within the meaning of the EC Recommendation, and if more than one person meeting the above independence criteria is appointed to the Supervisory Board, this committee should be composed of the largest possible number of independent members.

11.3. Description of the key features of the issuer's internal control and risk management systems in relations to the process of preparing consolidated financial statements

Principles and procedures of preparing financial statements are in particular regulated by the International Financial Reporting Standards, Act on accounting and internal procedures functioning in ENEA S.A.

Establishment of systems of internal control and risk management as regards the process of preparation of consolidated financial statements aims particularly at guaranteeing the completeness and correctness of financial information included in financial statements and interim reports.

The Management Board of ENEA S.A. is responsible for the internal control system in ENEA Group and its effectiveness in the process of drawing up financial statements and periodic reports. The task of an effective internal control system in financial reporting is to ensure that the financial information set out in financial statements and periodic reports is complete and correct.

Financial statements and periodic reports and monthly management and operating reporting applied by ENEA S.A. are based on data derived from the financial and bookkeeping system of the Company. After all the predetermined processes of closing the accounts books at the end of each month have been carried out, detailed management reports on financial and operational matters are drawn up. Those reports are drawn up by the Group's Controlling Department, with the participation of middle and senior managers from individual organisational units. In relations to the completed reporting periods, not only financial results of the Company are subject to a detailed analysis, but also particular business areas. The Company also carries out annual reviews of business and financial strategies and plans. Middle and senior management personnel are particularly engaged in the process of detailed planning and budgeting, which covers all the areas of ENEA Group's operations. The Company's Management Board adopts the material and financial plan prepared by the Group's Controlling Department, and the Supervisory Board approves that plan. During the year, the Company's Management Board supervises the realisation of goals specified in the approved material and financial plan. The management cockpit developed by the Group's Controlling Department in cooperation with other Departments constitutes a valuable source of information for the Supervisory Board on the current financial situation, environment and the level of realisation of goals in the critical areas.

The Company applies coherent accounting principles and presents financial data in financial statements, periodic financial reports and other reports disclosed to the shareholders.

ENEA Group regularly assesses the quality of its internal control and risk management systems with regard to the process of drawing up financial statements. On the basis of an assessment, the Management Board of ENEA S.A. confirms that as at 31 December 2019 there were no irregularities that could significantly affect the effectiveness of internal control as it relates to financial reporting.

As part of the risk management process related to the procedure of preparing financial statements, one of the basic elements of the external control is verification of the financial statements by an independent auditor. The tasks of the auditor include in particular: a review of the mid-year financial statements and an audit of the non-consolidated and consolidated annual financial statements. The independent auditor is selected by the Supervisory Board. Once the auditor has completed auditing the financial statements, they are sent to the members of the Company's Supervisory Board, which assesses the non-consolidated and consolidated financial statements with regard to their compliance with the accounts book, documents and the factual status. Under the provisions of the Accountancy Act, the members of the Management Board and the Supervisory Board are obliged to ensure that the financial statements and the report on operations fulfil the requirements set out in that act.

The internal audit function, performed by the Audit Management Division is an important element of the internal control system. The internal audit in ENEA Group is independent, and accountable to the Audit Committee acting as part of the Supervisory Board. The basic tasks of the internal audit include e.g. supporting the effectiveness of internal control system, risk management and Compliance system, through: independent evaluation of the above mentioned systems, examination and evaluation of control mechanisms in the processes implemented by ENEA Group companies, recommending improvements, inter alia, in the area of corporate governance, and monitoring the effectiveness of implementation of the issued recommendations.

11.4. Information on shares and shareholding

The detailed description of the structure of the share capital, shareholding structure, changes in its structure in 2019 and potential changes within its structure is to be found in Chapter 8 "Shares and shareholding".

11.5. Securities with special control authorisation

Till the date of preparation of this report, ENEA S.A. has not issued any securities that could give special inspection rights with respect to the Issuer.

11.6. Restrictions on exercising vote rights

As at the date of preparation of this report there are no restrictions on exercising voting rights in the Company, other than those provided for in generally applicable provisions of law.

11.7. Restrictions on transferability of securities

As at the date of preparation of this report, the Company has no limitations concerning transfer of the title to securities of the Issuer other than those resulting from the generally applicable regulations, including the Act of 16 December 2016 on the principles of state property management, which stipulates that the shares of ENEA S.A. held by the State Treasury cannot be sold.

11.8. The procedure and basic powers of the General Meeting and description of shareholders' rights and the procedure for exercising them

The General Meetings of ENEA S.A. are held on the basis of the Commercial Companies Code and ENEA S.A.'s Statute and the Rules of Procedure of the General Meeting, taking into account the principles adopted by the Company through the application of the "Best Practices for WSE Listed Companies".

In accordance with ENEA S.A.'s Statute, the Management Board of the Company convenes the General Meeting in the cases specified in the law and the provisions of the Statute, as well as in the case of a written request submitted by the main shareholder, i.e. the State Treasury, which, as long as it remains a shareholder of the Company, regardless of its share in the Company's share capital, may request pursuant to Article 400 § 1 of the Commercial Companies Code that an Extraordinary General Meeting be convened, as well as to place certain matters on the agenda of the next General Meeting.

The State Treasury shall submit such a request in writing to the Management Board no later than one month prior to the proposed date of the General Meeting. If the request is submitted after the General Meeting, is convened, it shall be treated as a request to convene another Extraordinary General Meeting.

As stated in § 29(3) of the Company's Statute, if the General Meeting is not convened within two weeks from the date of filing the request, the State Treasury shareholder may obtain the right to convene the General Meeting pursuant to Article 354 § 1 of the Commercial Companies Code.

Apart from the matters specified in the mandatory provisions of law and other provisions of the Company's Statute, the powers of the General Meeting include in particular:

- appointing and dismissing members of the Supervisory Board, subject to the provisions of the Company's Statute entitling the State Treasury shareholder to appoint and dismiss one member of the Supervisory Board (pursuant to Article 354 § 1 of the Commercial Companies Code), in a situation where the State Treasury ceases to be the Company's sole shareholder,
- adoption of the Rules of Procedure of the General Meeting setting forth detailed rules for conducting the meeting and for adopting resolutions,
- issue of convertible or exchangeable bonds and other instruments entitling to purchase or subscribe the Company's shares.

11.8.1. Right to participate in GM

Pursuant to Article 406¹ § 1 of the Commercial Companies Code, the right to participate in the general meeting of the Company is vested in persons who are shareholders of the Company sixteen days prior to the date of the general meeting (registration date of participation in the general meeting). Moreover, the right to participate in the General Meeting of ENEA S.A. with the right to speak is vested in members of the Management and Supervisory Boards in the composition enabling them to provide substantial answers to questions asked during the General Meeting.

11.8.2. Right to participate in GM by a proxy

A shareholder may participate in the General Meeting of ENEA S.A. and exercise voting rights in person or by proxy.

11.8.3. Shareholders' rights

A shareholder or shareholders of the Company representing at least one twentieth of the share capital shall have the right to demand that certain matters be included in the agenda of the General Meeting of ENEA S.A. This request, containing justification or a draft resolution concerning the proposed item of the agenda, shall be submitted to the Management Board of ENEA S.A. not later than 21 days prior to the scheduled date of the meeting.

A shareholder or shareholders of the Company representing at least one twentieth of the share capital may, prior to the date of the General Meeting of ENEA S.A., submit draft resolutions concerning matters included in the agenda of the General Meeting or matters which are to be included in the agenda.

During the General Meeting, each shareholder may submit draft resolutions concerning matters included in the agenda. The projects should be presented in Polish.

11.8.4. Rules on amending the Company's Statute

Pursuant to the provisions of the Commercial Companies Code, an amendment to the Company's Statute requires a resolution adopted by a specified majority of votes and an entry in the register. The Company's Statute does not contain any provisions different from the provisions of the Commercial Companies Code governing amendments to the Statute.

11.8.5. Diversity Policy

In 2019, no formalised diversity policy was implemented in ENEA S.A. with regard to the Company's authorities (Members of the Management Board and Supervisory Board) and its key managers. The Company makes efforts to ensure that each selection of its authorities and key managers takes place in accordance with commonly binding legal regulations and is preceded by a thorough analysis of experience, competences, skills and substantive preparation of each of the candidates, irrespective of other non-substantial criteria, such as, in particular, gender or age. In the Company's opinion, the above mentioned criteria for the evaluation of the candidates for the aforementioned positions allow for the selection of candidates ensuring the possibility of implementing the strategy and developing the Company's business.

11.9. Management Board of ENEA S.A.

11.9.1. Personal composition

Pursuant to the Company's Statute, the Management Board of the Company is composed of 3 to 8 persons, including the President of the Management Board. The number of members of the Management Board shall be determined by the Supervisory Board. The current Management Board of ENEA S.A. is composed of four members. The composition of the Management Board of the Company as at the date of preparation of this report is presented in Chapter 9 "Governing bodies".

11.9.2. Rules of appointing and dismissing members of managing bodies

Pursuant to the Company's Statute, members of the Management Board or the entire Management Board shall be appointed and dismissed by the Supervisory Board, subject to the possibility of election of one person by the Company's employees in accordance with the provisions of § 14 of the Company's Statute. § 14 of the Company's Statute stipulates that if the average annual employment in the Company exceeds 500 employees (such situation does not currently occur in ENEA S.A.), the Supervisory Board shall appoint one person to the Management Board elected by the Company's employees for the term of the Management Board. When appointing Members of the Management Board, the Supervisory Board shall comply with the rules set forth in § 13(8) and (9) of the Company's Statute and the principles resulting from the provisions of generally binding laws. The rules and procedure for electing a member of the Management Board elected by the employees have been stipulated § 14(7) of the Company's Statute.

11.9.3. Competences and powers of the Management Board

The Management Board manages and represents the Company. The powers, organisation and principles of operation of the Management Board are defined by the provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the Management Board. Resolutions of the Management Board shall be required for all matters exceeding the scope of the Company's ordinary activities, in particular:

- adoption of the organisational regulations of the Company's enterprise, subject to approval by the Supervisory Board
- establishment and winding-up of branches
- appointment of an authorised signatory or an authorised representative, except for an attorney ad litem, where appointment of an authorised signatory requires consent of all members of the Management Board
- taking out loans and credit facilities
- adoption of annual material and financial plans, including investment plans, as well as strategic long-term plans, subject to approval by the Supervisory Board
- incurring contingent liabilities, including granting by the Company guarantees, sureties and issuing bills of exchange
- purchase, sale or encumbrance of real estate, perpetual usufruct or shares in real estate, based on one or more legal transactions during a period of 12 consecutive months, with a value equal to or exceeding the equivalent of EUR 50,000
- leasing, renting, hiring, lending, using or any other use of the Company's real estate
- leasing, renting, hiring, use or acceptance for any other use of immovable property, on the basis of one or more legal transactions during a period of 12 consecutive months, the rental value of which for a period of 12 consecutive months is equal to or greater than the equivalent of EUR 50,000
- purchase, sale or encumbrance of a fixed asset, except for real property, perpetual usufruct or shares in real property, based on one or more legal transactions during a period of 12 consecutive months, with a value equal to or exceeding the equivalent of EUR 50,000
- leasing, renting, hiring, lending, using or any other use of fixed assets, with the exception of real estate
- leasing, renting, hiring, use or any other use of a fixed asset, except real estate, under one or more legal acts for a period of 12 months, the rental value of which for a period of 12 consecutive months is equal to or exceeds the equivalent of EUR 50,000
- matters which the Management Board requests the Supervisory Board or the General Meeting to consider
- determination of the manner of exercising the voting right by the Company at the general meeting or at the shareholders meeting of Subsidiaries
- adopting rules and procedures aimed at pursuing the common economic interest of the group, including on the basis of the group's business segments (business areas) and shaping: organisational, information and decision-making structures within the group and procedures for managing business activities and joint ventures within the group, in order to ensure the functional and economic efficiency of the group's operations.

11.9.4. Management Board's principles of operation

The Management Board represents the Company in all court and out-of-court activities and conducts the Company's affairs.

The Management Board operates on the basis of the provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the Management Board of ENEA S.A.. The Regulations of the Management Board are adopted by a resolution of the Management Board and approved by the Supervisory Board. Currently, the Company has in force the Regulations of the Management Board of ENEA S.A., adopted by the resolution of the Management Board of 22 June 2010, as amended.

Two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy shall be authorised to make declarations of will on behalf of the Company.

According to the Regulations of the Management Board, meetings of the Management Board are held on Tuesdays at the Company's registered office, unless the President of the Management Board or a Management Board Member appointed by him decides otherwise.

Meetings of the Management Board of the Company shall be convened by the President of the Management Board or by a Management Board Member appointed by him, on his own initiative or at the request of two Management Board Members. Participation in the meetings of the Management Board is obligatory. A member of the Management Board shall give reasons for his/her absence at a meeting of the Management Board in writing or by means of remote communication. Absence from a Management Board meeting shall be excused by the Chairperson of the meeting. The Management Board may invite the Company's employees, experts and external advisors to its meetings. The programme and necessary documents for the Management Board meeting shall be delivered by the Service Office for the Company's Bodies at least two business days prior to the Management Board meeting. For important reasons, the meeting may be convened immediately and without any materials being handed over. In order to hold an ad hoc meeting, all members of the Management Board must be effectively notified of the meeting.

Decisions of the Management Board related to the management of the Company's affairs, referred to in § 11(2) of the Company's Statute, shall require a resolution by the Management Board. The Management Board adopts resolutions if at least half of its members are present at the meeting and all members have been properly notified of the meeting. In the case of equal number of votes, the President of the Management Board has the casting vote at the adoption of a resolution by the Management Board.

The Management Board may adopt resolutions in writing or using means of direct remote communication. Adoption of a resolution in this manner requires justification and prior presentation of a draft resolution to all members of the Management Board. Resolutions adopted in writing or using means of direct remote communication shall be presented at the next meeting of the Management Board with the result of voting.

The full text of the Statute and the Regulations of the Management Board of ENEA S.A. with a detailed description of the Management Board is available at www.enea.pl in the "Investor Relations" -> "Corporate Governance" tab.

11.10. Supervisory Board of ENEA S.A.

11.10.1. Personal composition

In accordance with the Company's Statute, the Supervisory Board is composed of 6 to 15 members appointed by: (i) the General Meeting, (ii) the Company's employees, and (iii) the State Treasury. The Supervisory Board should be composed of at least one person appointed by the General Meeting from among persons meeting the independence criteria specified in the corporate governance rules adopted by the WSE Supervisory Board. Currently, the Supervisory Board of ENEA S.A. is composed of eight members and is the Supervisory Board of the 10th term of office. The composition of the Company's Supervisory Board as at the date of release of this report, together with information on changes in 2019 and as at the date of preparation of this report, is presented in Chapter 9 "Governing bodies"

11.10.2. Principles of operation

The Supervisory Board acts on the basis of the provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the Supervisory Board of ENEA S.A. adopted by resolution of the Supervisory Board on 15 December 2009, as amended. The Supervisory Board exercises permanent supervision over the Company's operations in all areas of its activity. Special duties of the Supervisory Board include evaluation of the Management Board's report on the Company's operations and the financial statements for the previous financial year in terms of their compliance with the books and documents as well as with the actual state.

Furthermore, the Supervisory Board is responsible for evaluating the Management Board's motions concerning profit distribution or loss coverage, as well as for submitting an annual written report on the results of such assessment to the General Meeting. The Supervisory Board shall hold its meetings at least once every two months. Meetings of the Supervisory Board shall be convened by Chairman or Vice-Chairman, who shall present a detailed agenda. A meeting of the Supervisory Board should be convened at the request of any member of the Supervisory Board or at the request of the Management Board. Participation in a meeting of the Supervisory Board shall be the duty of a member of the Supervisory Board. A member of the Supervisory Board shall state in writing the reasons for his/her absence. An excuse for the absence of a Supervisory Board member shall require a resolution of the Supervisory Board.

11.10.3. Operation of the Supervisory Board of ENEA S.A.

A meeting of the Supervisory Board shall be convened within two weeks of the date of receipt of the request. In order to convene a meeting of the Supervisory Board it is required to invite in writing all members of the Supervisory Board at least 7 days prior to the meeting of the Supervisory Board. For important reasons, Chairman of the Supervisory Board may shorten this period to 2 days, specifying the manner of issuing the invitation. In the invitation to a Supervisory Board meeting, Chairman shall specify the date of the meeting, the place of the meeting and a detailed draft agenda. The invitation shall be accompanied by materials relating to the items on the agenda.

In cases indicated in the Supervisory Board Bylaws, meetings of the Supervisory Board may also be held without being formally convened.

Meetings of the Supervisory Board shall be chaired by Chairman of the Supervisory Board, and in his absence by the Vice Chairman or another member of the Supervisory Board elected at the meeting. Chairman of the Supervisory Board, and in his absence Vice-Chairman or another member of the Supervisory Board presiding over the meeting, shall ensure efficient and correct course of the meetings of the Supervisory Board, in accordance with the adopted agenda, the provisions of law, the Statute and ENEA S.A. Supervisory Board Bylaws, and in particular shall have an exclusive right:

- to open, manage and closing the meetings of the Supervisory Board
- to grant and withdraw the right to speak to members of the Supervisory Board
- to issue procedural orders
- to order votes, ensure that they are taken properly and announce their results
- to settle procedural points
- to adjourn the meetings of the Supervisory Board
- to issue instructions to the person recording the course of the Supervisory Board meeting
- to distribute written resolutions of the Supervisory Board
- to take any other actions as may be necessary for the efficient operation of the Supervisory Board

While considering each submitted matter, Supervisory Board members have the right to evaluate draft resolutions and propose amendments to their content in the form of discussion, and the discussion should take place in accordance with the following rules:

- A Member of the Supervisory Board may take the floor only in matters included in the agenda within the scope of the currently considered item of the agenda
- when considering each issue on the agenda, depending on its subject, Chairman may determine the amount of time per a speaker
- Chairman may draw the attention of a speaker who departs from the subject under consideration, exceeds the speaking time allowed to him or speaks in an unauthorized manner
- Chairman shall have the right to take back the floor from speakers who do not follow Chairman's instructions or who take the floor in a manner inconsistent with the Bylaws
- Chairman shall decide on the conclusion of the discussion after having heard the members of the Supervisory Board who have requested to speak

The proposed agenda may be amended if all members of the Supervisory Board are present at the meeting and no one objects to the agenda. An item other than those appearing on the agenda shall be placed on the agenda of the next meeting.

The Supervisory Board adopts resolutions if at least half of its members are present at the meeting and all its members have been invited. The Supervisory Board adopts resolutions by an absolute majority of votes cast. In the case of equal number of votes, Chairman has the casting vote at the adoption of a resolution by the Supervisory Board.

Notwithstanding the cases described in the Commercial Companies Code, the Supervisory Board may adopt resolutions without holding a meeting by placing signatures on the same copy (copies) of the draft resolution or on separate documents of the same content, or by telephone or other means of remote communication, in a manner enabling direct communication between all the Members participating in it.

Adoption of a resolution in this mode requires prior preparation of its justification and presentation of a draft resolution to all members of the Supervisory Board together with the justification. Resolutions adopted in writing or using means of direct remote communication shall be presented at the next meeting of the Supervisory Board with the result of voting. Members of the Supervisory Board may participate in adopting resolutions of the Supervisory Board by casting votes in writing through another Member of the Supervisory Board (subject to Article 388 § 2 and 4 of the Commercial Companies Code).

The full text of the Statute and ENEA S.A. Supervisory Board Bylaws, which contain a detailed description of the operation of the Supervisory Board, is available at www.enea.pl in the "Investor Relations" -> "Corporate governance" tab.

11.10.4. Supervisory Board's Committees

Pursuant to the provisions of the Supervisory Board Bylaws, the following standing committees operate within the Supervisory Board:

- Audit Committee
- Nominations and Remuneration Committee

A committee consists of at least three members appointed by the Supervisory Board from among its members for a period corresponding to the term of office of the Board. The members of a committee shall elect Chair of the committee from among themselves. Chair of a committee manages the work of the committee and supervises the work of the committee, in particular the organisation and course of the committee's meetings.

11.10.4.1. Audit Committee

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

Audit Committee	
Name	Position
Ireneusz Kulka ^{1) 2) 3)}	Chair
Roman Stryjski ¹⁾	Member
Maciej Mazur	Member
Piotr Mirkowski ^{1) 3)}	Member
Mariusz Pliszka ³⁾	Member

¹⁾ Independent Member within the meaning of Article 129 Item 3 of the Act of 11 May 2017 on certified auditors, audit companies and public supervision and within the meaning of corporate governance principles included in the Code of Best Practice for WSE Listed Companies 2016.

²⁾ Member with knowledge and skills in accounting or auditing financial statements.

³⁾ Member with knowledge and skills in the industry in which the issuer operates.

11.10.4.1.1. Operation of the Audit Committee

A detailed description of the powers of the Audit Committee is included in the Act of 11 May 2017 on certified auditors, audit companies and public supervision (Journal of Laws item 1089) and the ENEA S.A. Supervisory Board Bylaws.

Chair of the Audit Committee and most of its members should meet the independence criteria within the meaning of Article 129(3) of the Act of 11 May 2017 on certified auditors, audit companies and public supervision; moreover, at least one member of the Audit Committee should have the knowledge and skills in the scope of accountancy or auditing financial statements. The Audit Committee members have the knowledge and skills in the field of the industry in which the Issuer operates. This condition is deemed met, if at least one member of the Audit Committee has the knowledge and skills in the field of this industry or if individual members in specific scopes have the knowledge and skills in the field of this industry.

The responsibilities of the Audit Committee include advising the Supervisory Board on the internal policy and budget procedures adopted by the Company and their control, and advising on the Company's contacts with a certified auditor, including:

- 1) monitoring of:
 - the Company's financial reporting process,
 - the effectiveness of internal audit systems and risk management systems and the internal audit, including in the scope of financial reporting,
 - performing the financial revision operations, including, without limitation, conducting the audit by an audit company, taking into consideration any conclusions and findings of the Audit Supervision Commission resulting from the control conducted in the audit company;
- 2) controlling and monitoring of independence of the certified auditor and the audit company, also in the case where any services other than audit are provided by the audit company for the Company;
- 3) informing the Supervisory Board of the audit results and explaining how the audit contributed to the reliability of financial reporting in the Company and what was the Audit Committee's role in the audit process;
- 4) performing the assessment of the certified auditor's independence and granting a consent for the provision by such auditor of permitted services other than audit services in the Company;
- 5) developing the policy of selecting the audit company to conduct the audit;
- 6) developing the policy of provision of permitted services other than auditing by the audit company conducting such audit, by the entities related to such audit company, and by a member of the audit company's network;
- 7) determining the procedures for selecting audit company by a public interest unit;
- 8) presenting to the Supervisory Board the recommendation on the appointment of certified auditors or audit companies, pursuant to the policies referred to in items 5 and 6;
- 9) making the recommendations aimed to ensure the reliability of the financial reporting process in the Company;
- 10) monitoring the reliability of financial information presented by the Company, including, without limitation, by way of the review of adequacy and consequences of applying the accountancy methods adopted by the Company and its group (including the criteria for consolidation of financial statements of companies in the group);
- 11) providing an opinion on and submitting to the Supervisory Board for approval the annual internal audit plan;
- 12) providing an opinion on and submitting to the Supervisory Board for approval the annual budget of internal audit subunit;
- 13) providing an opinion on and submitting to the Supervisory Board for approval the changes to the scope of operations of the internal audit unit;
- 14) discussing any problems or reservations which may result from the financial statements auditing;
- 15) discussing with the Company's certified auditors, before commencement of each audit of the annual financial statements, the character and scope of the audit and monitoring coordination of works among the Company's certified auditors;
- 16) reviewing, at least once a year, the internal audit and risk management systems in terms of ensuring that key risks (including those related to compliance with applicable laws and regulations) are correctly identified, managed, and disclosed;
- 17) ensuring the effectiveness of the internal audit function by way of expressing an opinion on selecting, appointing and recalling the head of the internal audit department, as well as monitoring the Company's Management Board reaction to its findings and recommendations;

- 18) expressing an opinion on termination of the remuneration conditions (salary reduction) to the Control and Audit Bureau Manager;
- 19) analysing the reports of the Company's internal auditors and key comments of other internal analysts and the Management Board's response to such comments, including the audit of the degree of internal auditors' independence;
- 20) controlling the character and scope of extra-auditing services, including, without limitation, the control on the basis of disclosure by the external auditor of the sum total of all fees paid by the Company and its group to the audit company and its network, in terms of preventing any significant conflict of interest in this respect;
- 21) conducting the review of effectiveness of the external control process and monitoring the Company's Management Board reaction to the recommendations given by external auditors in the letter to the Management Board;
- 22) examination of the issues being the reasons for resignation from the external auditor's services and giving instructions on the required operations;
- 23) cooperation with the Company's organisational subunits in charge for the audit and control and periodical assessment of their work;
- 24) review of the Company's managerial accountancy system.

11.10.4.1.2. Cooperation with the audit company

Main assumptions of the Policy for the selection of an audit firm to conduct an audit in ENEA S.A.

The audit firm selection policy applicable in ENEA S.A. mainly assumes the avoidance of any conflicts of interests in such a way that, prior to the acceptance or continuation of audit engagement, the audit firm declares whether the independence requirements are fulfilled (both with regard to the audit firm and statutory auditor), and in particular whether any threats to independence arise in relation to ENEA S.A. The audit firm confirms annually to the audit committee its independence and discusses any threat to its independence as well as the safeguards applied to mitigate those threats. In addition, when selecting an audit firm, the audit team's experience in auditing, its competence, financial criteria and human resources are taken into account. The selection of an audit firm shall respect the principle of impartiality and independence of the audit firm, in accordance with the legal provisions on mandatory rotation of audit firms and key statutory auditors, mandatory grace periods and results of audit firm inspections contained in the annual report published by the Audit Supervision Authority. The audit firm selection policy shall also ensure the rotation of audit firms and statutory auditors in accordance with the provisions of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089, as amended) ("Act on Statutory Auditors").

Main assumptions of the Policy on the provision of acceptable services other than audits by an audit firm

ENEA S.A. and its subsidiaries may use acceptable services (defined in Article 136 of the Act on Statutory Auditors) provided by an audit firm conducting an audit of ENEA S.A.

The policy of providing acceptable services other than audits by an audit firm includes a closed catalogue of acceptable services, the provision of which shall be possible only in the scope not related to the tax policy of the companies belonging to ENEA Group. The acceptable service other than audit may be provided by an audit firm conducting an audit of ENEA S.A. provided that it has been previously approved by the audit committee following an assessment of threats to and safeguards for the audit firm, the key statutory auditor and other audit team members. Additionally, should the audit firm conducting an audit of ENEA S.A. provide acceptable services other than audits for at least three consecutive financial years, then the remuneration for the provision of such services is limited to 70% of the average remuneration over the last three consecutive financial years paid for the statutory audit of ENEA S.A. and, where appropriate, its subsidiaries and consolidated financial statements of this group of companies. In case of prohibited services, i.e. services other than acceptable services, they cannot be provided directly or indirectly in ENEA S.A. and its subsidiaries by the audit firm conducting an audit of ENEA S.A. from the beginning of the audited period until the issuance of a report from the audit.

In 2019, the Group received acceptable services other than audits provided by the audit firm examining the financial statements, and the approval by the audit committee of the Supervisory Board of ENEA S.A. of acceptable services other than audits followed the assessment of threats to and safeguards for the independence. The recommendation of the audit committee of the Supervisory Board of ENEA S.A. on the selection of the audit firm to conduct an audit satisfied the applicable conditions and was drawn up following the Company's selection procedure meeting the applicable conditions.

11.10.4.1.3. Activity of the Audit Committee in 2019

Audit Committee

In 2019, the Audit Committee held 9 meetings and adopted 14 Resolutions, regarding without limitation the following:

- approval of the statement for the Supervisory Board on the results of the audit of the financial statements of ENEA S.A. and ENEA Group for the financial year ending on 31 December 2018,
- approval by the Audit Committee of the Supervisory Board of ENEA S.A. of the final report No. 1/2019 on “General assessment of the internal control system in ENEA S.A.” and submitting to the Supervisory Board of ENEA S.A. management information concerning the general assessment of the internal control system in ENEA S.A.,
- approval of the Report of the Audit Committee of the Supervisory Board of ENEA S.A. on its activities in 2018,
- election of the Chairman of the Audit Committee of the Supervisory Board of ENEA S.A.,
- adoption of the Report of the Audit Committee of the Supervisory Board of ENEA S.A. on the activities in H1 2019,
- evaluation of the review methodology of the condensed interim non-consolidated financial statements of ENEA S.A. for the period from 1 January 2019 to 30 June 2019 and the condensed interim consolidated financial statements of ENEA Group for the period from 1 January 2019 to 30 June 2019,
- consent to the provision of services by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. (formerly: PricewaterhouseCoopers Sp. z o.o.) in Lubelski Węgiel "Bogdanka" S.A. as a permitted non-audit service,
- issuing an opinion of the Audit Committee of the Supervisory Board of ENEA S.A. on the amended Internal Audit Policy of ENEA Group and submission of the said document to the Supervisory Board of ENEA S.A. for approval,
- issuing an opinion to the Annual Audit and Internal Control Plan for 2020 for ENEA Group and the Budget of the Management Audit Division for 2020 and submitting the above documents together with an opinion to the Supervisory Board of ENEA S.A. for approval and on the adoption of the Training Plan for the Audit/Controlling Team in 2020.

11.10.4.2. Nominations and Remuneration Committee

11.10.4.2.1. Operation of the Nominations and Remuneration Committee

The Nominations and Remuneration Committee should be composed of at least one independent member in the meaning of the European Commission's Recommendation, but in the case of nomination to the Supervisory Board of more than one person fulfilling the above independence criteria, the committee should be composed of possibly the largest number of independent members.

The responsibilities of the Nominations and Remuneration Committee is to promote the achievement of the Company's strategic objectives by presenting opinions and motions to the Board regarding the structure of employment and the remuneration paid to the Company's personnel, particularly management personnel. The description of the Nominations and Remuneration Committee's responsibilities was specified in the ENEA S.A. Supervisory Board Bylaws.

In particular, the responsibilities of the Committee include:

- analysing the Management Board's policy concerning the nomination, election and appointment of senior managerial personnel;
- presenting proposals to the Supervisory Board concerning the remuneration and forms of employment of members of the Management Board, taking into account their performance;
- presenting opinions to the Supervisory Board on the justification for awarding performance-based remuneration and on incentives based on realisation of tasks and goals of the Company and proposals in that respect;
- evaluation of the human resources management system in the Company;
- periodical assessment of the skills, knowledge and experience of individual members of the Management Board and management personnel, and presenting the results of the assessment to the Supervisory Board.

11.10.4.2.2. Activity of the Nominations and Remuneration Committee in 2019

Nominations and Remuneration Committee

The Nominations and Remuneration Committee held 6 meetings and adopted 28 Resolutions. The subject matter of the meetings of the Committee was, inter alia, development of recommendations for the Supervisory Board, regarding:

- proposals of Management Goals for members of the Management Board of ENEA S.A. for 2019,
- conclusion of Management Service Agreements with Members of the Management Board of ENEA S.A.,
- achievement of the Management Objectives in 2018 and determination of the amount of the due payment of the Variable Remuneration for the Management Board of ENEA S.A.,
- adoption of a resolution on determining the remuneration of Members of the Management Board of ENEA S.A.,
- conclusion with Members of the Management Board of ENEA S.A. of annexes to the Management Service Agreements, as well as authorizing the Chairman of the Supervisory Board to sign the said annexes.

As at the day of publication of this Report, the Nominations and Remuneration Committee operates in the following composition:

Nominations and Remuneration Committee	
Name	Position
Izabela Felczak-Poturnicka	Member
Michał Dominik Jaciubek	Member
Paweł Korobłowski	Member
Piotr Mirkowski ¹⁾	Member

¹⁾ Independent Member within the meaning of corporate governance principles included in the Code of Best Practice for WSE Listed Companies 2016.

In connection with the obligation of the Management Board under 11 sec. 4 item 2) of the Company's Articles of Association to submit a report to the Supervisory Board on the application of best practices specified by the Prime Minister and given that ENEA S.A. observes the Code of Best Practice for WSE Listed Companies, in 2019 the Company did not apply best practices other than the "Code of Best Practice for WSE Listed Companies 2016".

12. Non-Financial Statement of ENEA Group for 2019

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6. Labor issues – description of due diligence policies and procedures and their results.
7. Social issues – description of due diligence policies and procedures and their results.
8. Human rights issues – description of due diligence policies and procedures and their results.
9. Anti-corruption and anti-bribery measures – description of due diligence policies and procedures and their results.
10. List of indicators and key information included in the Statement.

12.1. Methodology of preparing the Non-Financial Statement of ENEA Group for 2019

12.1.1. Legal basis

Publication of this statement (hereinafter referred to as “the Statement”), which forms a separate part of the document entitled *Management Board Report on the Activity of ENEA S.A. and ENEA Group in 2019* fulfills the obligation under Article 49b and Article 55 of the Accounting Act of 29 September 1994 (Journal of Laws 2019 item 351).

The wording of the Statement prepared using international Global Reporting Initiative Standards refers to the period from 1 January to 31 December 2019 and contains non-financial data on the ENEA Group regarding the matters mentioned in Article 49b sec. 2 of the Accounting Act. The Statement also refers to the Communication from the Commission (2019/C 209/01) of 20 June 2019 *Guidelines on non-financial reporting: Supplement on reporting climate-related information*. In connection with the publication of the above guidelines in mid-2019, the ENEA Group has started implementing them in its reporting processes. The recommendations that were implemented by 31 December 2019 were taken into account in the Statement. Currently, the planning work is conducted to implement the next data collection guidelines for the 2020 statement.

12.1.2. Entities involved

This Statement covers all the ENEA Group subsidiaries included in the *Consolidated Financial Statements of ENEA Group for the financial year ended 31 December 2019* and additionally Energo-Tour Sp. z o.o. (which is undergoing the liquidation process). Additionally, ENEA Nowa Energia Sp. z o.o. was not included in the statements mentioned above and in this Statement since it conducted no material business activity in 2019.

12.1.3. Preparation of the Statement

The drafting of the Statement was preceded by the materiality assessment for respective aspects of ENEA Group’s operation in the economic, environmental, employee and social areas. The assessment was made based on the analysis of expectations of external stakeholders and the Group’s management and Employees, as well as the non-financial reporting trends existing in the energy sector.

The stakeholder expectations survey was conducted between 18 October and 12 November 2019 in the form of an on-line survey. It was addressed to selected representatives of various stakeholder groups: Employees of ENEA Group companies, their Customers, local communities in which Group companies operate, representatives of social partners or beneficiaries of the Group’s social activities, stock market analysts, suppliers, representatives of industry, environmental organizations and the media. Similar questions were also answered by Employees of ENEA Group companies taking part in the workshops held on 13 November 2019 at the ENEA S.A. headquarters in Poznań.

The management expectations survey also took the form of an on-line survey, which was conducted from 21 October to 12 November 2019.

The results of these surveys as well the analysis of trends in non-financial reporting in the energy industry have been the basis for identifying important aspects of reporting. On the basis of these aspects, the team at the Corporate Social Responsibility office within the ENEA S.A.’s PR and Communication Department organized the process of collecting non-financial data from individual ENEA Group companies. Approximately 200 Group Employees were directly involved in this process.

12.1.4. Material aspects of reporting

Material aspects of reporting
ECONOMIC
<ul style="list-style-type: none">- Impact on the Polish economy (amount of taxes paid, created value added)- Contribution to services for the society, improvement of the infrastructure, improvement of the local market- Activities undertaken to eliminate instances of corruption (training, identifying and solving of incidents, if any)
ENVIRONMENTAL
<ul style="list-style-type: none">- Sustainable development strategy and activities- Energy consumption in the company and methods of reducing it; activities promoting energy efficiency- Raw materials and supplies used by the company, recycling and reuse- Water uptake and consumption, reuse, information on wastewater- Quantity of wastewater, waste produced and spillages as well as hazardous waste created in the production process.- Greenhouse gas emissions and reduction methods- Production of electricity from renewable sources- Risks and opportunities resulting from climate changes- Impact of operations on biodiversity and landscape- Compliance with environmental regulations, prevention of abuse, non-compliance with environmental laws and regulations- Amount of capital expenditures in the environmental protection area
EMPLOYEE
<ul style="list-style-type: none">- Headcount, number of new Employees, employee turnover, employee benefits, returns to work after parental leaves- Employee training and education, support for career development, employee evaluation- Initiatives supporting the development of passions and talents- Diversity and equal opportunities in access to jobs, including positions in the management board; equal pay for men and women- Occupational health and safety
SOCIAL
<ul style="list-style-type: none">- Customer satisfaction- Confidentiality in relations with customers, measures preventing loss of data- Preventing the negative influence of the company on local communities- Sponsorship and charitable activity- Engagement of local communities in social activities conducted by the company- Employee initiatives and volunteerism- Regular evaluation of plants with regard to respecting human rights; human rights training for Employees

12.2. Description of the business model

ENEA Group is the supplier of a comprehensive range of raw materials and energy products and services to a large number of individual and institutional clients across Poland. The Group's core business is:

- **electricity and heat generation** (ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o., Miejska Energetyka Ciepła Piła Sp. z o.o., ENEA Ciepło Sp. z o.o.),
- **electricity trading** (ENEA S.A., ENEA Trading Sp. z o.o.),
- **electricity distribution** (ENEA Operator Sp. z o.o., ENEA Pomiary Sp. z o.o., ENEA Serwis Sp. z o.o.),
- **distribution of heat** (Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o., Miejska Energetyka Ciepła Piła Sp. z o.o., ENEA Ciepło Sp. z o.o.);
- **mining of bituminous coal** (Lubelski Węgiel "Bogdanka" S.A. Group).

Lubelski Węgiel "Bogdanka" S.A. is one of the leading bituminous coal producers on the Polish market and additionally it satisfies some of the demand for raw materials of Group companies from the Generation Area.

Energy is produced in power plants in Koźienice and Połaniec, combined heat and power plants in Białystok and Piła, wind farms located in Bardy, Darżyno and Baczyna, 21 hydroelectric power plants and biogas plants located in Gorzesław and Liszków.

Electricity distribution over the distribution grid is handled by ENEA Operator Sp. z o.o. based on a concession granted by the President of the Energy Regulatory Office.

Retail sales of electricity are carried out through Account Managers and Trade Partners throughout Poland and in 32 modern Customer Service Offices.

12.2.1 ENEA Group areas of activity

MINING

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

GENERATION

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

DISTRIBUTION

- Electricity supply
- Planning distribution network and ensuring its development
- Operation, maintenance and repairs of the distribution network
- Management of metering data

TRADING

Retail trading:

- Trading in electricity and gaseous fuel on the retail market
- Product and service offer tailored to customer needs
- Comprehensive customer service

Wholesale trading:

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

12.2.2. ENEA Group Strategy

ENEA Group, as a responsible energy conglomerate striving to meet the global challenges, intends to conduct its business in a sustainable manner, while minimizing its impact on the natural environment. The ENEA Group is committed to sustainable and responsible transformation towards zero- and low-emission energy sources and a greater diversification of the existing value chain, including investments in new business lines.

MISSION:

ENEA provides reliable products and services to its 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 valued for quality, comprehensive approach and reliability.

In connection with changes in the immediate and further surroundings of the company and the fuel and energy sector (in terms of regulations and market conditions), rapid progress of technology in all areas of the value chain, the need to respect the environment and support the European Union's climate objectives, as well as in response to stakeholder expectations, on 12 December 2019 the ENEA Group updated its long-term development strategy. In accordance with the Development Strategy of the ENEA Group until 2030 with an outlook to 2035, the Group focuses on transformation to a low-emission concern and on investments in new products and services featuring advanced IT and digital solutions. The document contains the goals that the Group is to achieve in the short-, medium- and long-time horizon (up to 2025, 2030 and 2035, respectively).

Key directions for the Group's growth:

1. Transformation of generation assets towards zero- and low-emission sources;
2. Innovative services for customers;
3. Contemporary communication with customers and modern cooperation models;
4. Electromobility, hydrogen technologies;
5. Smart Grid – smart solutions for customers;
6. Automation, robotization and digitization of processes;
7. Internet of Things, artificial intelligence, blockchain;
8. Energy storage;
9. Sourcing of fuels in accordance with best practices and respecting the environment.

These development directions form a foundation, which is used to define strategic goals for the Group.

OVERRIDING STRATEGIC OBJECTIVE:

Continuous growth of the value of the ENEA Group, while ensuring sustainable development.

The ENEA Group has identified five key strategic goals supporting its transformation to becoming a low-emission concern. These are:

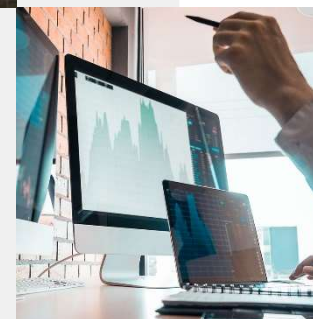
1. Diversification of the Group's generation portfolio;
2. Reliability and continuity of electricity supply;
3. Responsible partner in sustainable management of relations with local communities, the environment and Customers;
4. Ensuring financial security of the Group;
5. Innovativeness in all aspects of the group's activity.

Implementation of the Strategy will have a significantly positive impact on the Polish economy, social and natural environment. The ENEA Group assumes to achieve the following by implementing the Strategy:

1. reduction of the unit CO₂ emission measure to 550 kg CO₂/MWh in 2030, with the intent to achieve 434 kg CO₂/MWh by 2035;
2. share of renewable sources in electricity production at 22% by 2025 and 33% in 2030;
3. share of zero-and low-emission generation sources in the Group's total electricity production at 22% in 2025 and 41% in 2030, with the intent to achieve 60% by 2035.

In early 2020, the ENEA entities responsible for strategic management, growth management, risk management and social responsibility started internal consultations regarding the possibility of conducting an analysis of the climate impact of the company's business model and vice versa (both positive and negative), as well as analysis of the resilience of the business model and strategy, taking into account various climate-related scenarios. As at the publication of this Statement, no final executive decisions have been made in this matter.

More information on the Strategy is provided on Pages 23-25 of this Report, as well as in the materials available at <https://ir.enea.pl/prezentacje-inwestorskie> and <https://ir.enea.pl/en/pr/476442/approval-of-enea-capital-group-s-development-strategy-until-2030-with-the-perspective-towards-2035>.



12.2.3. Supply chain

The power plants in Kozienice and Połaniec, the CHP plant in Białystok and heat production plants in Piła and Oborniki lie at the heart of production processes in the ENEA Group. Production processes within the supply chain are regulated by numerous procedures. The generation units mentioned above use bituminous coal, biomass, gas and fuel oils.

Purchase of materials

The demand for bituminous coal is covered, for the most part, by Lubelski Węgiel "Bogdanka" S.A. while other materials are purchased by the Group from external suppliers. Procurement is done based on internal rules and regulations of ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A., ENEA Ciepło Sp. z o.o. and ENEA Trading Sp. z o.o. The contracting process for and on behalf of the generation units is carried out by the Market Operations Department and by the Renewable Fuel Department at ENEA Trading Sp. z o.o.

Material supply

Coal from the Bogdanka mine is delivered to the power plants in Kozienice and Połaniec and to the CHP plant in Białystok by rail transport. If the contract provides that the buyer is obligated to organize transport and cover its costs then the contracts for the purchase of transport services are concluded in accordance with the Public Procurement Law. The material for the CHP plant in Białystok is delivered directly by the mine under its transport license and settled under a separate contract. In the production processes carried out by ENEA Elektrownia Połaniec S.A. and Elektrociepłownia Białystok, biomass is also used and it is supplied by road and by rail. Deliveries of fuel oil (light-up fuel) to the Połaniec power plant are effected by rail and road transport. The Białystok CHP Plant, in addition to 4 coal-fired boilers, also has a K1 boiler, in which heat is produced based on gaseous fuel.

The volumes of fuel deliveries in a given month are decided based on the agreed-upon daily delivery schedule.

Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. produces heat and hot water using coal purchased from a supplier from outside of the ENEA Group. The coal is supplied by rail from the mine to the Oborniki railway station and then by road within Oborniki to boiler houses K1 and K4.

Miejska Energetyka Ciepła Piła Sp. z o.o. produces heat and hot water from coal and electricity and heat through combustion of natural gas and heat in gas engines. Coal is supplied by a vendor from outside of the ENEA Group to the railway siding in Piła, where it is unloaded and transported by trucks to the Company's facilities. The gas is supplied through a gas pipeline under a contract with ENEA S.A.

Quality Control

The quality of bituminous coal supplied to ENEA Wytwarzanie Sp. z o.o. is monitored by the Company's in-house unit, the Chemical Laboratory Unit. On the other hand, bituminous coal, mazut and biomass supplied to the Połaniec power plant are tested by external laboratories.

If differences arise in the results of the analyses, the buyer and the supplier exchange arbitration samples or sampling is done in the presence of a commission. The Contractor is obliged to record results of the tests conducted for a specific delivery in an appropriate electronic register within no more than 3 business days from the date of sampling.

Biomass suppliers are obliged to apply practices compliant with the Integrated Quality, Environmental and OHS Management System for manufacturing companies. They are additionally audited by an independent external firm. ENEA Elektrownia Połaniec S.A. audits each and every business partner to verify its business and ethical eligibility.

The Chemical Laboratory Unit at ENEA Wytwarzanie Sp. z o.o. applies the following instructions, procedures and standards:

- *Production fuel management instructions ZA-84-2015-1-I*
- *PO-15 General Procedure: Handling of testing samples: bituminous coal*
- *PN-G-04502:2014-11 Standard: Bituminous coal and lignite. Collection and laboratory preparation of test samples*, Basic methods (collection and preparation of samples)
- *PN-80/G-04511 Standard: Solid fuels*. Determination of moisture content (total moisture test)

- PN-80/G-04511 Standard: Determination of moisture content
- PN-80/G-04512+Az1:2002 Standard: Determination of ash content by weighing method (excluding item 2.4.2)
- PN-G-04560:1998 Standard: Determination of moisture content, volatile parts and ash with automatic analyzer
- PN-81/G-04513 Standard: Determination of combustion heat and calculation of calorific value
- PN-G-04584:2001 Standard: Determination of total sulfur and ash content with automatic analyzers
- PB-01/TECH testing procedure: Determination of total coal content in bituminous coal

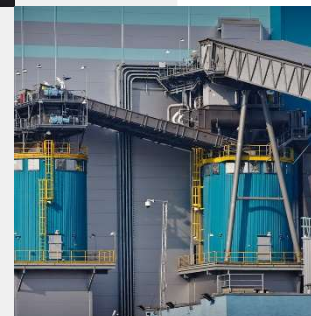
The external laboratories apply the following standards to monitor the quality of fuel for ENEA Elektrownia Połaniec S.A.:

- PN-G-04502, PN-G-04511, PN-G-04512, PN-G-04584, PN-G-04513, PN-ISO 1928 (bituminous coal)
- PN-EN ISO 3170, PN-EN ISO 12185, PN-C-04357, PN-EN ISO 2719, PN-EN ISO 14596, PN-ISO 3733, PN-C-04062 (mazut)
- PN-EN ISO 18135, PN-EN ISO 18134-2, PN-EN ISO 18122, PN-EN ISO 16994, PN-EN ISO 18125, PN-EN ISO 17827-1 (biomass)

Production

Electricity production in both power plants owned by the ENEA Group begins with the unloading of coal and/or biomass, which are fed to boiler bunkers. From there, the fuel is fed to mills and subsequently to the boilers, in amounts depending on the current capacity of the units. Steam from the boiler is directed to the turbine, which powers the electricity-producing generator. The fuel is burned in a few hours. The production process is continuous and its scale depends on the capacity signals requested by the Transmission System Operator, depending on sales plans, reported limitations and the current situation in the electrical power system.

Quality control of the electricity production process is carried out online. It is performed by the Transmission System Operator through the LFC system, which exchanges regulatory data with generation units under the *Instructions for the Operation and Maintenance of the Transmission Grid*. Quality control of the heat production process is regulated by contracts signed with heat offtakers. Production of electricity and heat is additionally monitored in accordance with internal regulations.



12.3. Key non-financial performance indicators

Key performance indicators relating to the activity of ENEA Group	Year		
	2017	2018	2019
Installed generating capacity	6,256.6 MW _e	6,256.6 MW _e	6,256.5 ¹⁾ MW _e
Total (net) electricity generation	21.0 TWh	26.5 TWh	25.9 TWh
Trading Segment: number of individual customers (electricity consumers) at the end of the reporting period	2,422 thous.	2,486 thous.	2,535 thous.
Trading Segment: sales of electricity and gaseous fuel to retailer customers	18.9 TWh	21.5 TWh	20.3 TWh
Distribution Segment: number of Customers / electricity consumers (at the end of the reporting period)	2,554 thous.	2,589 thous.	2,626 thous.
Distribution Segment: length of distribution lines including connections	122.4 thous. km	122.8 thous. km	118.4 thous. km ²⁾
SAIDI – average duration of power supply interruptions ³⁾	619 min.	150 min.	115 min.
SAIFI – frequency of power supply interruptions ³⁾	4.31	3.03	2.79
Net coal production – Lubelski Węgiel “Bogdanka” S.A.	9,050 thous. tons	9,007 thous. tons	9,451 thous. tons

¹⁾ Based on the decision of the ERO President on amending the electricity production license (WEE), the installed RES generating capacity in the Białystok CHP Plant changed as of 9 May 2019.

²⁾ The decline in the length of connections compared to the previous year resulted from the fact that the 2019 data were obtained from the GIS system, which contains information on the size of the ENEA Operator Sp. z o.o. grid after passporting, which included all the lengths of the connections to be liquidated.

³⁾ SAIDI and SAIFI reflect scheduled and unscheduled interruptions in electricity supply for high and medium voltages. In 2017, their level was materially affected by vast damages to the grid caused in particular by hurricanes Xavier and George. The pace of improvement of the electricity supply reliability indicators is a result of consistent implementation of extensive efforts in the areas of capital expenditures, operation and work organization.

12.4. Non-financial risks relating to the activity of ENEA Group

The key companies of the ENEA Group manage risks related to their activity in a systematic and coordinated manner to ensure the maximum possible protection against their effects, should they occur.

The enterprise risk management model in the ENEA Group relies on coordination of the process by ENEA S.A. The Risk Management Department functioning in the Company consists of two offices responsible for, respectively, managing financial risk and managing business risk, business continuity and insurance. The individual Group companies operate units responsible for risk management, which cooperate with the Risk Management Department at ENEA S.A. This model is supplemented by the business continuity management system in place in the Group, which identifies the critical processes in individual companies and implements mechanisms and procedures to ensure their continuity in emergencies,

The goal of the enterprise risk management process is to ensure the maximum possible protection of the ENEA Group against the effects of materialization of the identified risks.

The process for managing enterprise risk (including non-financial risks) is regulated by appropriate policies, procedures and methodologies. The overriding document regulating the whole risk management area is the *ENEA Group Enterprise Risk Management Policy*.

Effectiveness of the enterprise risk management process is ensured by:

- identification of risks, including non-financial risks (e.g. risks related to climate change) at the level of individual Group companies, which captures the unique features of their activity;
- development of policies, procedures and methodologies for selected segments of the process;
- three-stage approach to the process: identification and assessment of new risks, monitoring of existing risks and reporting;
- operational management of the risks by individual companies, within the limits granted and according to the rules approved by the ENEA Group Risk Committee.
- business continuity management system.

Notably, the risk management system allows the Group to identify financial and non-financial effects of a single risk.

More information on the risk management model in the ENEA Group is provided on Pages 45-48 of this Report.

In the enterprise risk management process, non-financial risks have been identified for the key ENEA Group companies that may have a significant negative impact on the labor, social, environmental, human rights areas and on anti-corruption and anti-bribery issues.

Labor area

- the risk of generation gap,
- the risk of social unrest if the social stakeholders fail to reach an agreement when the provisions of the internal collective bargaining agreement are revised or when new methods of human resources management are introduced,
- the risk of accidents at work or occupational diseases,
- the risk of disputes with Employees, groups of Employees, trade unions.

Social area

- the risk of breaching reporting duties (e.g. by releasing confidential information or information that may affect investor decisions to the media, by failing to meet the deadline to disclose any information, by formulating the disclosure in a way that may be misleading),
- the risk of improper information management (including lack of information) in a crisis situation, releasing contradictory information to the public or disclosure of information by unauthorized Employees.
- the risk of an increase in the number of claims of property owners for payment of past due amounts for transmission easement / tenancy of properties,
- the risk of causing damage or losses to customers and third parties,
- the risk of delays in the completion of the investment projects that are required for connections,
- the risk of delays in issuing or a failure to issue connection decisions that are of crucial importance to customers,
- the risk of failures or damages to infrastructure critical for the production and supply of electricity,
- commodity risks related to the production of electricity (e.g. caused by a counterparty defaulting on its contractual obligations relating to fuel supply or transport services).

Human rights area

- the risk of infringement of personal data protection provisions (e.g. as a result of human error; unfamiliarity with or violation of the law and internal regulations by Employees or associates; failure of an IT system; cyberattack).
- The risk of violating the provisions on competition and consumer protection.

Environmental area

- the risk of a failure to adapt the technology to the requirements of environmental legislation (BAT conclusions), which may result in reduced utilization of production capacity,
- the risk of a failure to adapt the technology to the requirements of environmental legislation (IED),
- the risk of unavailability of FGD, SCR and/or electrostatic precipitators due to a failure of these units, which may cause higher environmental charges or reduced utilization of production capacity,
- the risk of a failure to conform to the terms and conditions of the applicable permissions with respect to:
 - water and sewage management (including the instream flow requirements and the permitted temperature of spent cooling water),
 - waste management, including sludge from flue gas desulfurization installations,
 - atmospheric emissions, including NO_x, SO₂ and particles,
- the risk of reducing or ceasing the activity due to a failure to obtain valid environmental decisions and permits,
- the risk of statutory fines for non-compliance with the obligation to install video surveillance on the landfill where slag-ash mixtures are stored,
- the risk of exceeding the mass of stored waste specified in the environmental permit (this applies remaining waste, other than combustion side products),
- the risk of the increased amount of ammonia in combustion waste and in plaster.
- the risk of causing damage to elements of the natural environment in connection with the operation of or execution of investment projects on or near the electric power grid.

Anti-corruption and anti-bribery area

- risk of irregularities in making “emergency contracts”,
- the risk that the ENEA Foundation grants financial, material or organizational assistance to entities acting against the law or taking actions contrary to the interest of ENEA Group or public good.

The Risk Management Department at ENEA S.A. has highlighted the risks associated with the Group's impact on the climate:

- the risk of causing damage to elements of the natural environment in connection with the operation of or execution of investment projects on or near the electric power grid.
- the risk of a failure to conform to the terms and conditions of the applicable permissions with respect to:
 - water and sewage management (including the instream flow requirements and the permitted temperature of spent cooling water),
 - waste management, including sludge from flue gas desulfurization installations,
 - atmospheric emissions, including NO_x, SO₂ and particles,

and risks associated with the impact of the climate on the Group:

a) risks related to the transformation

- the risk of a failure to adapt the technology to the requirements of environmental legislation (BAT conclusions, IED), which may result in reduced utilization of production capacity,
- risk of difficulty in attracting and retaining Employees in connection with increasing environmental awareness (as part of the risk of generational gap);

b) risks related to the effects climate changes:

- the risk of more frequent damages in the electric grid in connection with increased intensity of storms and wind,
- the risk of periodic shutdowns of power units in connection with the falling level of water in rivers,
- the risk of limitations for cooling power units and for discharging wastewater into rivers due to prolonged hot periods.
- the risk of interruptions in electricity production due to stronger floods.

On the publication date of the Statement, the risks related to climate changes have not been identified for the short-, medium- and long-term horizon. Also, the risk has not been analyzed for the whole supply chain. At present, the enterprise risk management system is focused on managing risks. The analytical work is conducted to introduce the process of identifying opportunities associated with climate changes.



The tables below contain examples of risks and issues identified at the level of the individual Group companies, with a description of measures taken to eliminate or mitigate their negative effects.

Examples of identified non-financial risks and how to manage them – in the labor area		
COMPANY NAME	NON-FINANCIAL RISK	RISK MANAGEMENT
ENEA S.A.	Risk of a generation gap.	Update of remuneration systems – providing an incentive-based remuneration system preventing the potential outflow of key competences and attracting new personnel with the desired competence. Employer branding activities, including those addressed to students and graduates. Unification of the development activities process to allow Employees to improve their competences on equal terms.
ENEA S.A.	Risk of social unrest	Regular meetings with trade unions, active and open dialog with the social stakeholder in respect to information about the Company's activity, planned changes, financial performance, HR, health and safety issues, etc. Appropriate selection of the means to communicate important organizational or business changes to the Group's Employees.
ENEA Bioenergia Sp. z o.o.	Risk of an insufficient number of qualified Employees	Signing of contracts for an indefinite term and, if Employees use adult education support, signing of loyalty agreements. Filling of vacancies related to retirement of Employees.
ENEA Logistyka Sp. z o.o.	Risk of an insufficient number of qualified Employees	Active search for Employees with appropriate competence in the ENEA Group and on the external market.
ENEA Operator Sp. z o.o.	Risk of difficulties in recruiting specialists caused by insufficient interest in the profession of electrical technician and insufficiently attractive remuneration	Establishing cooperation with vocational schools (which includes, among others, adjusting the curriculum to match the company's needs), ongoing monitoring of the level of salaries by the Management Board, participation in job fairs.
ENEA Oświetlenie Sp. z o.o.	Risk of difficulties in recruiting specialists	Launching patronage of selected technical schools, acceptance of apprentices, participation in the "Get Installed at ENEA" program.
ENEA Elektrownia Połaniec S.A.	Risk of a failure to ensure the optimal competence level in order to maintain appropriate level of performance of the company's operations in the 2018-2022 period (during the generation shift).	identification of the company's staffing needs, analysis of the Employees retirement rights, constant monitoring of employee turnover, planning and effective implementation of recruitment processes, organization of training courses (including on-the-job training), preparation of long-term employment plans.
ENEA Pomiary Sp. z o.o.	Risk related to the lack of candidates for electrical equipment installer jobs	Patronage over selected technical schools, participation in the dual studies program, development of potential Employees by accepting trainees.
ENEA Serwis Sp. z o.o.	Risk of a generation gap	Elimination of differences in salaries in different organizational units in the Company and actions aimed at accepting ENEA Operator's pay scales. Running patronage classes in technical schools and a practical (dual) education program for students.
ENEA Trading Sp. z o.o.	Risk of errors in salary calculations in connection with inconsistent Employee remuneration principles due to Employee transfers under Art.: 23 ¹ of Labor Code	Starting the unification of remuneration principles by introducing a single internal collective bargaining agreement.
MR Bogdanka Sp. z o.o.	Risk of shortage of Employees with appropriate qualifications, driven by the low supply of such candidates on the local market and high financial demands due to, among others, increased costs of commuting	Close cooperation with the County Labor Office in Łęczna to improve or change qualifications of the persons employed in the Company, cooperation with schools to reach future graduates with job offers, an incentive-based remuneration system.
RG Bogdanka Sp. z o.o.	Risk of insufficient number of Employees or lack of Employees with specific competence	Regular recruitment of Employees, which including hiring people with basic qualifications for professional training and supporting the development of staff in accordance with the available career paths.
ENEA Innowacje Sp. z o.o.	Risk of hiring Employees with inadequate competence	Launching a traineeship program, recruitment within the Group, a broad-based cooperation program with universities.
ENEA Ciepło Sp. z o.o. Białystok CHP Plant Division	Risk of a generation gap	Studying staffing needs and employment planning together with trade unions, also in the context of the Employees acquiring retirement rights, interviews conducted by organizational unit managers with Employees about the planned retirement dates, implementation of succession plans, examining and planning training needs.

Examples of identified non-financial risks and ways of managing them in the occupational health and safety area

COMPANY NAME	NON-FINANCIAL RISK	RISK MANAGEMENT
ENEA Bioenergia Sp. z o.o.	Risk of accidents at work and occupational diseases	Introducing instructions for safe operation of individual machinery, purchasing machines that reduce occupational risks related to vibration, ensuring the correct temperature in vehicles, building a waste handling box to reduce the risk associated with dust, obtaining certificates of qualification for the operation of bucket-wheel excavators, purchasing a gas meter.
ENEA Centrum Sp. z o.o.	Risk of fire	Evacuation exercises, training.
ENEA Elektrownia Połaniec S.A.	<ol style="list-style-type: none"> 1. Risk of failure to adapt internal regulations to the provisions of the new regulation on occupational health and safety near power equipment 2. Risk that machinery and equipment do not meet the minimum OHS requirements 3. Risk resulting from low OHS awareness and competence of Employees and contractors 4. Risk of lack of up-to-date operation and maintenance manuals for machinery 5. Risk related to the language barrier for contractors' Employees 	<ol style="list-style-type: none"> 1. Appointing a team for developing the new edition of <i>Instruction on Safe Work Organization in ENEA Elektrownia Połaniec S.A.</i> 2. Conducting periodic reviews of machinery and equipment in this respect. 3. Conducting training, instructions and knowledge contests, updating the Intranet site on the subject of OHS on an ongoing basis. 4. Appointing teams to review and update instructions. 5. Enforcing the requirement for contractor Employees to have command of Polish language or the contractor hires a representative with fluent knowledge of the Polish language
Lubelski Węgiel "Bogdanka" S.A.	Risk of lethal, severe and group accidents at work and excessive absenteeism due to illnesses and accidents	Continuous improvement of the Employee training process, monitoring of existing/acquired knowledge in the area of OHS, use of safe working methods, use of appropriate collective and individual safety equipment, social reviews of working conditions in selected divisions.
ENEA Ciepło Sp. z o.o. Białystok CHP Plant Division	Risk of accidents at work and occupational diseases	Periodic reviews of fire installations, protective measurements of power installations, reviews of individual protection equipment and measurements of the working environment, air-tightening of dump stations and installation of water mist sprinkler systems; removal of dust settled on the surface of floors and machinery; introduction of the obligation to use respiratory protection into job instructions; developing instructions for handling carcinogens and keeping the register of Employees exposed to carcinogenic substances; designation of protective zones for selected positions resulting from measurements of the magnetic and electric field; performance of certain types of work only on written orders, usage of gas detectors and self-rescue devices during the remedial of environmental emergencies.
ENEA Ciepło Serwis Sp. z o.o. Białystok CHP Plant Division	<ol style="list-style-type: none"> 1. Health risks related to removal of asbestos and cement insulation from the heating network. 2. Risk of occupational diseases. 	<ol style="list-style-type: none"> 1. Training for manual workers and their supervisors, who are or may be exposed to dust arising from asbestos due to their responsibilities. 2. Measurements of harmful, noxious and hazardous factors linked on selected positions (welder, woodchip supply coordinator, biomass equipment supervisor, biomass specialists, heavy machinery operators, drivers, Employees removing the asbestos and cement insulation, fitters of heating devices and installations).

Examples of identified non-financial risks and ways of managing them in the social area

COMPANY NAME	NON-FINANCIAL RISK	RISK MANAGEMENT
ENEA S.A.	Risk of loss of brand reputation due to imprecise communication of the Group's position	Application of communication procedures in crisis situations. Maintaining efficient communication channels with key business units.
ENEA Operator Sp. z o.o.	Risk of protests against the Company's investment projects (especially line projects)	Developing a document entitled <i>Standards for building and implementing communication and PR strategies for ENEA Operator's key network investment projects</i> , which assumes that external stakeholders, including local communities and local governments, are included in the communication process. It also contains examples of CSR and PR activities that reduce the risk of protests.
ENEA Wytwarzanie Sp. z o.o.	Risk of protests by environmental organizations against the investment projects carried out	Conducting health promotion activities (e.g. "ENEA for health") and pro-environmental activities (e.g. "The Green Side of the Kozienice Power Plant").
Lubelski Węgiel "Bogdanka" S.A.	<p>1. Risk of discontinuation of communication with representatives of the local community</p> <p>2. Risk of incorrect implementation of the corporate social responsibility strategy (failure to achieve the assumed social objectives, failure to engage stakeholders in initiatives initiated by the company)</p>	<p>1. Cooperation between the unit coordinating CSR activities and all divisions and subsidiaries, publication of non-financial reports annually, signing of letters / agreements with partners from the scientific, NGO and business community, organization of dialog sessions with stakeholders, regular meetings with representatives of trade unions and the Social Committee, development of the <i>Social Involvement Policy</i>, launching the "Socially Engaged Bogdanka" program to implement initiatives proposed by Employees.</p> <p>2. Development of the <i>Social Responsibility Strategy for 2018-2021</i> by an interdisciplinary team, taking into account the outcome of the dialog sessions with representatives of key stakeholder groups based on the AA1000 standard.</p>
ENEA Ciepło Sp. z o.o.	Risk of social dissatisfaction and negative reception of the ENEA brand in connection with increases in heat prices	Providing a communication to the media containing a clear explanation of the reasons for the rising heat prices and notifying the Company's Customers in this respect with the required lead time.

Examples of identified non-financial risks and ways of managing them in the customer area

COMPANY NAME	NON-FINANCIAL RISK	RISK MANAGEMENT
ENEA Operator Sp. z o.o.	Risk of the necessity to pay rebates for late examination of complaint notifications in connection with the amendment of the secondary legislation for the Energy Law	Continuation of work on automating the process of granting rebates in the billing system, continuous monitoring of the fulfillment of notifications subject to the rebate granting system.
ENEA Pomiaru Sp. z o.o.	<ol style="list-style-type: none"> 1. Risk of breaching personal data protection of ENEA Operator Sp. z o.o.'s Customers. 2. Risk of failing to keep the delivery schedule of metering devices 3. Risk of failing to keep meet the deadlines for reading electricity meters 4. Risk of failing to perform technical orders within the specified timeframe. 5. Risk of injury to fitters caused by customer aggression 	<ol style="list-style-type: none"> 1. Signing of the agreement to entrust personal data, signing of confidentiality agreements by the company's Employees and associates, GDPR and personal data protection training, ensuring physical and organizational security of facilities (video surveillance, facility cards). 2. Contracts signed with external suppliers to provide transport services. 3. Ongoing monitoring of reading processes, development of the <i>Meter Reading Order Management Instructions</i>. 4. Ongoing monitoring of the fulfillment of technical orders. 5. Training to improve knowledge and personal culture of fitters, development of the <i>Work Instructions of a Metering Device Installer</i>
ENEA Centrum Sp. z o.o.	<ol style="list-style-type: none"> 1. Risk of losing access to billing systems 2. Risk of attack on the IT infrastructure 3. Risk of loss of continuity of ICT environments and infrastructure 4. Risk of no connection with the Internet 5. Risk of breaching personal data protection laws and internal regulations 	<ol style="list-style-type: none"> 1-4. Adequate mitigating measures undertaken by the IT function. 5. Coordination of activities by the data protection supervisor, including induction and periodic training, scheduled reviews, security measures of personal data processing systems.
ENEA S.A.	Risk related to violation of competition and consumer protection regulations.	Changing processes and educating Employees based on the analysis of Customer complaints and notifications, standardizing the templates of agreements with Customers and responding to recurring notifications from Customers, cooperating with the Energy Trading Association regarding Customer education, application of <i>Best Practices of Electricity and Gaseous Fuel Suppliers</i> .

Examples of identified non-financial risks and ways of their management in the environmental area

COMPANY NAME	NON-FINANCIAL RISK	RISK MANAGEMENT
ENEA Elektrownia Połaniec S.A.	Risk of losing the permit for co-firing of waste due to a change in business assumptions (freezing of the project of continuous co-firing of alternative fuels in units 2-7)	The company plans to equip the waste treatment plant with hydrocyclone batteries in order to limit the volume of sludge produced in the FGD process and then to install a filter press. It carries out research in order to demonstrate that the FGD sludge has properties preventing the slagging of EP 650 boilers. Adaptation of the terms of the integrated permit to the requirements of BAT conclusions.
ENEA Wytwarzanie Sp. z o.o.	<ol style="list-style-type: none"> 1. Risk of reducing or ceasing the activity of the Kozienice Power Plant due to lack of valid environmental decisions and permits as a result of actions taken by environmental organizations (challenging and demanding cancellation of permits and decisions held by the Power Plant, joining the proceedings for the amendment of integrated permits in order to protract them, etc.). 2. Risk of fines levied for incorrect or late settlement of the volumes of greenhouse gas emissions 3. Risk of failure to adapt the integrated permit for units 1-10 to the amended Waste Act and the Environmental Protection Act, due to the lack of video surveillance on a separated storage site for sludge from industrial wastewater treatment plants 	<ol style="list-style-type: none"> 1. Cooperation with leading law firms (representing the Company in lawsuits and before the authorities issuing relevant decisions and permits) and with the Mazowiecko-Świętokrzyskie Ornithological Society (representing the Company in contacts with environmental organizations). 2. Effective oversight over the implementation of the monitoring plan, which is an integral part of the decision issued by the Mazowieckie Voivodship Marshal's Office permitting the emission of greenhouse gases; two-stage review of the annual report for the National Center for Balancing and Management of Emissions, which offers the opportunity to correct it before it is sent to the reviewer. 3. Appointment of an expert team to work out the optimum concept of adaptation.
Lubelski Węgiel "Bogdanka" S.A.	<ol style="list-style-type: none"> 1. Risk of creating hazards for the aquatic environment 2. Risk of improper handling of chemical substances 3. Risk of failure to adapt the organization to new environmental regulations 	<ol style="list-style-type: none"> 1. Ongoing monitoring of operations in this respect, continuous oversight and ongoing reviews and if needed modernization of individual installations, ongoing training to raise awareness and competence among Employees. 2. The crew is regularly familiarized with the rules of safe use of chemicals and continuous access to these rules is ensured; the regulations governing the use of chemicals are monitored on an ongoing basis. 3. Continuous monitoring of legal acts being introduced and planned to be introduced and decisions of industry authorities.
ENEA Ciepło Sp. z o.o. Białystok CHP Plant Division	Risk related of pollution (NO _x , particles, SO ₂ , CO ₂ , CO, HCl, HF)	Conversion of the coal-fired WR-25-014S no. 1 boiler into a boiler fired by natural gas in the "Zachód" Heat Plant in order to reduce particle and gas pollutants significantly; development of <i>Instruction I-OŚ-15 "Analysis of the risk of monitoring CO₂ emissions"</i> ; control of respective stages of activities, from determining the quantity of fuel consumed, to overseeing the combustion process, control of data collection and processing, to the calculation of the volume of all pollutant emissions.
ENEA Wytwarzanie Sp. z o.o. RES Segment	<ol style="list-style-type: none"> 1. Risk of interruption of morphological continuity of rivers where hydroelectric power plants or weirs are localized. 2. Risk of negative influence of wind turbines on bird and bat populations 	<ol style="list-style-type: none"> 1. Scenario analysis in order to apply the most advantageous solutions in this respect to each individual hydro power plant, cooperation with state units in order to build fish ladders where necessary (fish ladders have been built on the Reda river and one on the Drawa river). 2. Contracting and overseeing the monitoring of the impact that the company's wind farms have on these animals.
ENEA Elektrownia Połaniec S.A.	Risk of periodic shutdowns of power units in connection with the falling level of water in rivers	Building a flexible weir on the Vistula river, launching a mixed circulation regime, removal of pumps in order to ensure the minimum flow rate.
ENEA Wytwarzanie Sp. z o.o.	Risk of limitations for cooling power units and for discharging wastewater into rivers due to prolonged hot periods.	Starting the unit pump at standstill, starting splash cooling units, temporary restriction of production, construction of fan coolers.

Examples of identified non-financial risks and ways of managing them in the corruption and bribery prevention area

COMPANY NAME	NON-FINANCIAL RISK	RISK MANAGEMENT
ENEA Serwis Sp. z o.o.	Risk related to insufficient awareness of the management and Employees in respect to the need to monitor and report corruption incidents (including presumed ones) to appropriate organizational units/cells	Regular training (e-learning, meetings, workshops).



12.5. Environmental issues – description of due diligence policies and procedures and their results

12.5.1. Protection of the environment in ENEA Group Strategy

Implementation of the *Development Strategy of the ENEA Group until 2030 with an outlook to 2035* assumes transformation of the company to a low-emission concern. According to the document, in 2020-2035, the Group's capital expenditures for new low-emission production capacities will amount to PLN 7.3 billion, while capital expenditure for renewable energy sources (photovoltaic installations, wind farms, biogas plants, biomass-fired installations) will be PLN 14.7 billion. As a result, in 2030 the Group will produce 41% and in 2035 - 60% of electricity from renewable sources (33% from 2030; 7.6% in 2018) and from gas (8% in 2030, 27% in 2035, 0.2% in 2018). According to the Strategy, the Group will also be interested in, among others, developing clean coal technologies, dispersed power generation and electromobility.

The implementation of the strategy, including in particular the phasing out of conventional generation units and the development of zero- and low-emission units, will result in measurable environmental benefits, including a reduction in CO₂ emissions from 781 kg/MWh in 2018 by 30% by 2030 (550 kg/MWh) and by as much as 56% by 2035 (434 kg/MWh). The transformation will directly affect its economic performance. According to the Strategy, earnings before finance costs (interest), taxes and depreciation and amortization (EBITDA), which was PLN 2.3 billion in 2018, will increase by 39% in 2030, return on equity (ROE) will increase from 4.8% to 10%, and return on assets (ROA) from 2.4% to 5%.

12.5.2. Environmental impact management

Production and supply of electricity and heat in a way that is safe for the environment and compliant with the law is one of the main priorities for the ENEA Group. It also strives to rationally manage natural resources and to ensure biodiversity and sustainability of environmental processes in its surroundings.

The ENEA Group has a number of policies and procedures in place that refer to environmental matters. According to the *ENEA Group Code of Conduct* as defined in the *ENEA Group Code of Ethics*, the Group:

- cares for the natural environment and takes all actions necessary to protect it, regardless of the place and type of performed operations,
- uses natural resources and energy reasonably,
- strives for ensuring proper natural environment protection, observing the provisions of the generally applicable law, as well as internal regulations,
- joins actions and actively participates in educational campaigns for environmental protection and development of environmental awareness,
- takes actions to prevent any breakdowns that may be dangerous for the natural environment.

The commitment to sustainable development and natural environment is also embedded in the ENEA Group Compliance Policy, which among others requires the Group to:

- take actions to minimize pollution emissions and to ensure reasonable management of natural resources,
- undertake initiatives to retain the balance between the Group's operations and the natural environment,
- carry out capital expenditures using environmentally friendly technologies,
- support renewable energy sources,
- cooperate with environmental organizations.

The individual companies have their own policies, procedures, instructions and regulations, which are suitable to their unique character, obligating them to protect the environment and use it in a sustainable way. Some of the principles, e.g. ones setting out the requirements for handling the waste produced, must also be observed by external entities performing work on the sites of and for Group companies. Additionally, the Group companies apply methodologies for monitoring and documenting specific environmental impacts and effects of their pro-environmental activities.

Key due diligence policies, standards and procedures in the area of environmental management in ENEA Group companies

ENEA S.A.	<ul style="list-style-type: none"> – <i>Environmental Policy</i>
ENEA Wytwarzanie Sp. z o.o.	<ul style="list-style-type: none"> – <i>Policy of the Integrated Quality, Environmental and OHS Management System</i> – <i>Book of the Integrated Quality, Environmental and OHS Management System based on the requirements of the standards PN-EN ISO 9001:2015, PN-EN ISO 14001:2015 and PN-N-18001:2004/OHSAS 18001:2007</i> – <i>Procedure “Supervision over legal and other requirements”</i> – <i>Procedure “Identification and evaluation of environmental aspects”</i> – <i>Procedure “Environmental monitoring”</i> – <i>Procedure “Identification of potential accidents and emergencies and responding to their occurrence at ENEA Wytwarzanie Sp. z o.o. at the Świerże Górne site”</i> – <i>Rescue plan in case of a threat to life and human health and property or the environment at ENEA Wytwarzanie Sp. z o.o. in Świerże Górne (Kozienice Power Plant)</i> – <i>Procedure “Emergency preparedness and response at the Koronowo site”,</i> – <i>Procedure “Goal management”,</i> – <i>Procedure “Management review, analysis and improvement”</i> – <i>Other detailed procedures and instructions governing conduct setting out the principles of performing operations that impact the environment, monitoring, performing measurements and exercising metrological oversight over devices used to monitor the effects of environmental activity</i>
ENEA Ciepło Sp. z o.o., ENEA Ciepło Serwis Sp. z o.o.	<ul style="list-style-type: none"> – <i>Environmental Management System Policy and the following procedures based on this policy:</i> <ul style="list-style-type: none"> > <i>Supervision over documentation (SZŚ)</i> > <i>Supervision over records (SZŚ)</i> > <i>Process monitoring (SZŚ)</i> > <i>Goal management (SZŚ)</i> > <i>Internal audits (SZŚ)</i> > <i>Handling non-compliance – corrective actions (SZŚ)</i> > <i>Periodic evaluation of compliance with legal and other requirements (SZŚ)</i> > <i>Management review (SZŚ)</i> – <i>Procedure PŚ-4.3-01 “Identification of environmental aspects”</i> – <i>Procedure PŚ-4.4-01 “Responding to danger and failure”</i> – <i>Procedure PŚ-4.4-02 “Waste management”</i> – <i>Procedure PŚ-4.5-01 “System of monitoring and measuring parameters affecting the environment”</i> – <i>Quality instruction QI.7.5-11 “Programme for prevention of severe industrial accidents relating to the storage and use of hazardous substances and materials at the Zachód Heat Plant”</i> – <i>Internal instructions on monitoring and reporting CO₂ emissions:</i> <ul style="list-style-type: none"> > <i>Instruction I-OŚ-01 “Management of records and documentation”</i> > <i>Instruction I-OŚ-02 “Determination of changes affecting the allocation of emission allowances for installations”</i> > <i>Instruction I-OŚ-03 “Calculation of CO₂ emissions”</i> > <i>Instruction I-OŚ-04 “Quality of the information system used for data flow activities”</i> > <i>Instruction I-OŚ-05 “Estimation of fuel consumption during a belt weigher breakdown”</i> > <i>Instruction I-OŚ-06 “Monitoring of outsourced processes”</i> > <i>Instruction I-OŚ-07 “Identification of installed devices used to determine data values”</i> > <i>Instruction I-OŚ-08 “Staff management for ETS purposes”</i> > <i>Instruction I-OŚ-09 “Evaluation of adequacy of the monitoring plan”</i> > <i>Instruction I-OŚ-10 “Management of data flow activities”</i> > <i>Instruction I-OŚ-11 “Implementing corrections and rectifying measures”</i> > <i>Instruction I-OŚ-12 “Supervision over metering equipment for monitoring CO₂ emissions”</i> > <i>Instruction I-OŚ-13 “Internal reviews and validation of data”</i> > <i>Instruction I-OŚ-14 “Uncertainty assessment”</i> > <i>Instruction I-OŚ-15 “Analysis of CO₂ emission monitoring risk”</i> > <i>Instruction I-OŚ-16 “Analysis of the risk of the PMM monitoring methodology plan”</i> > <i>Instruction I-OŚ-17 “Monitoring of basic data and audit activities related to the application for free allocation of CO₂ emission allowances”</i>

Key due diligence policies, standards and procedures in the area of environmental management in ENEA Group companies

ENEA Ciepło Sp. z o.o., ENEA Ciepło Serwis Sp. z o.o. (cont.)	<ul style="list-style-type: none"> – Procedure “Monitoring CO₂ emissions in the Białystok CHP Plant” – Instruction for organization of rescue operations at the site of ENEA Ciepło Sp. z o.o. – the Białystok CHP Plant Division – Procedure “Identification of threats and determining how to respond to environmental emergencies at ENEA Ciepło Sp. z o.o. – Białystok CHP Plant Division” – Procedure “Prevention and reduction of the impact of emergencies on the environment at ENEA Ciepło Sp. z o.o. – Białystok CHP Plant Division” – Procedure “Conduct in the event of environmental emergencies at Białystok CHP Plant” – Instruction for managing dangerous and hazardous substances and mixtures – Instruction for handling waste at Białystok CHP Plant
ENEA Ciepło Sp. z o.o. Białystok CHP Plant Division	<ul style="list-style-type: none"> – Policy of the Integrated Quality, Environmental and OHS Management System – Book of the Integrated Quality, Environmental and OHS Management System, – Procedure “Goal management”, – Procedure “Identification and evaluation of environmental aspects” – Procedure “Environmental monitoring” – Procedure “Identification of threats and responses to environmental emergencies at Białystok CHP Plant” – Procedure “Prevention and mitigation of emergencies on the environment at Białystok CHP Plant” – Procedure “Conduct in the event of environmental emergencies at Białystok CHP Plant”
Miejska Energetyka Ciepła Piła Sp. z o.o.	<ul style="list-style-type: none"> – Instruction “Waste management” – Procedures referred to in the CO₂ emissions monitoring plan
Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.	<ul style="list-style-type: none"> – Environmental Policy
ENEA Operator Sp. z o.o.	<ul style="list-style-type: none"> – Company Environmental Pollution Bank Program SOZAT – Procedure for fulfilling obligations to entities financing the investments of ENEA Operator Sp. z o.o. – Procedure for registering power devices containing at least 6 kg of SF₆ gas and operations performed on them
ENEA Oświetlenie Sp. z o.o., ENEA Elektrownia Połaniec S.A., ENEA Bioenergia Sp. z o.o.	<ul style="list-style-type: none"> – Waste management at ENEA Oświetlenie Sp. z o.o. – Procedure for identification and evaluation of environmental aspects – Environmental monitoring procedure – Environmental management program
Lubelski Węgiel “Bogdanka” S.A.	<ul style="list-style-type: none"> – Policy of the Integrated Quality, Environmental and OHS Management System with related environmental procedures

In 2019, the ENEA Group had no separate document describing the climate policy applicable to all companies or a policy of adaptation to climate changes. Nonetheless, internal consultations have been launched to develop such documents and to develop the optimum model for coordinating their implementation. As at the publication of this Statement, no final executive decisions have been made in this matter.

In 2019, ENEA Group companies recorded no significant non-financial penalties or sanctions for non-compliance with environmental protection laws or regulations.

12.5.3. Selected environmental activity in the ENEA Group in 2019

In 2019 the ENEA Group conducted numerous activities aimed at reducing its negative impact on the environment. They included large capital expenditures as well as small changes in daily operations in individual companies. The Group also made efforts to increase environmental awareness of its Employees and their knowledge of rational use of the environment. It also executed environmental education projects in its communities and executed projects to actively protect the nature.

The Group's main priority relating to energy efficiency is to reduce electricity losses incurred in the distribution process. ENEA Operator Sp. z o.o. implemented the assumptions of the initiative entitled *Implementation of comprehensive actions contributing to the reduction of balance difference*, which forms part of the Strategy of the ENEA Group's Distribution Area and implemented the *Balance difference reduction program at ENEA Operator Sp. z o.o.* As part of the above projects, in 2019 in selected locations the Company modernized lines, changed diameters and changed the operational configuration of the grid, among others. Another task performed by ENEA Operator Sp. z o.o. in 2019 was the redevelopment of the Czarnków ZPP 110 kV grid switchyard – an oil transformer was secured with sealed oil sumps to protect the environment in case it is damaged.

ENEA Wytwarzanie Sp. z o.o. executed a number of investment projects that limited the environmental impact of the Kozienice Power Plant. The key projects included the modernization of electrostatic precipitators of the number 2 and number 7 200 MW units, which reduced particle emissions into air, and the introduction of continuous measurement of NH₃, HCl, HF and Hg on chimney no. 5 of unit 9. These expenditures allowed the company to adapt the generating units to the requirements of BAT conclusions. The company was also active in environmental education and active conservation of nature. Under the "Green Face of Kozienice Power Plant - Stage II" project implemented together with the Mazowiecko-Świętokrzyskie Ornithological Society, it made the general public aware of the wealth of fauna and flora living in and around the plant, installed nesting boxes for birds, created a flower meadow as a food base for pollinating insects, and introduced an amur bitterling (*różanka*), an endangered fish species, into the Zagożdżonka River in the Kozienice Forest.

ENEA Wytwarzanie Sp. z o.o. – RES Segment redeveloped the fish ladder near the Kamienna Hydro Power Plant on the Drawa River within the Drawa National Park in order to increase the availability of the existing ecological corridor. This is important for protecting the local population of *Batrachium*, a partially protected plant and for restitution of sturgeon.

ENEA Ciepło Sp. z o.o. performed a conversion of the WR-25-014S No. 1 coal-fired boiler in the "Zachód" Heat Plant, which can now be fired with natural gas. As a result, the SO₂ emission was reduced by approx. 97%, CO by about 99 %, CO₂ by approx. 39%, while particle emission by 96% as compared to the previous coal-based production. The Białystok CHP Plant Division modernized electrostatic precipitators of the OP-230 No. 8 boiler. The new dust removal device allows it to achieve the concentration of dust of <30 mg/Nm³ (before the flue gas desulfurization installation).

Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. connected the heating network of the K-1 boiler house with the heating network of the K-4 boiler house. As a result of this capital expenditure project, emissions to air were reduced, however the scale of this reduction will be known after the full heating seasons, i.e. in May 2020.

ENEA Oświetlenie Sp. z o.o. cooperated with local government units to modernize the lighting infrastructure in selected towns and townships. The activities included replacement of old, worn out fittings with new, energy-efficient fittings with better lighting performance.

They resulted in a reduction of electricity consumption in Rawicz by 62.59%, in Kęsowo by 54.75% and in Siedlisko by 52%.

ENEA Pomiary Sp. z o.o. modernized the Main Switching Station in its headquarters, which allowed it to reduce electricity losses when idling; additionally it replaced an oil transformer with a maintenance-free dry resin transformer, thus eliminating the risk of polluting the environment with oil.

ENEA Serwis Sp. z o.o. replaced the lighting in its headquarters with lighting based on light-emitting diodes. LED lighting is energy-efficient and the expected life is longer than that of traditional fluorescent lamps, which means less waste. Also, LED lamps do not contain mercury and can be placed in housings that facilitate disassembly and recycling. In 2019 The company covered 10% of the demand for electricity in its headquarters from its own photovoltaic micro-installation with the total capacity of 35.840 kW, commissioned in October 2018.

ENEA Elektrownia Połaniec S.A. increased its energy efficiency thanks to the completion of the thermal modernization of office building F-12 and replacement of transformers. The company also obtained a decision under which fly ash produced in the energy generation process will have the status of a by-product, until April 2029.

Lubelski Węgiel "Bogdanka" S.A. rebuilt trench "C", which included building a pumping station, as a result of which mining damage can be liquidated through water regulation. The company also replaced numerous devices, such as motors for drives and main fans, with energy-efficient ones. It cooperated with the Polish Society for the Protection of Birds to implement a peatland ecosystems protection project, and together with the Landscape Foundation it conducted educational activities on ecology and sustainable development.

ENEA Centrum Sp. z o.o. acting to the benefit of ENEA Wytwarzanie Sp. z o.o., significantly increased the effectiveness of environmental measurements, which is important among others for its initiatives to reduce exhaust emission. These efforts included primarily: expansion of the STARLIMS system (Chemical Laboratory Unit at ENEA Wytwarzanie Sp. z o.o. in Świerże Górne), separation of the LABIX system (Chemical Laboratory Unit at ENEA Wytwarzanie Sp. z o.o. in Białystok) and modernization of the MIKROS continuous exhaust emission monitoring system. Moreover, ENEA Centrum Sp. z o.o., acting to the benefit of ENEA S.A., implemented measures to reduce consumption of paper, such as electronic signing of contracts, enabling transmission of documents through a chat and the Electronic Customer Service Office (eBOK) (i.e. it is no longer necessary to print them out and send by traditional mail), combining documents (invoices, corrections, interest notes are sent in a single envelope to a contractor with the same correspondence address on several contracts) or e-invoice promotion campaign. The modernization process of all ENEA Customer Service Offices was completed in 2019. They are currently equipped with energy-efficient lighting and baskets for selective waste collection.

ENEA Logistyka Sp. z o.o. continued its procurement optimization process, where one of the objectives was to reduce the amount of waste.

In 2019 the ENEA Group launched the "ENEA Eco Projects" program, under which it implemented 13 pro-environmental initiatives in cooperation with the State Forests, including nine events targeted at local communities. Those included, among others, a tree-planting drive for the 40th anniversary of the Połaniec Power Plant, the "Forest on the Island" nature and educational event in Piła, during which tree seedlings were given away in exchange for electro-waste, a workshop on building insect hotels in Zielona Góra, as well as building of educational footpaths, running and recreation routes.

12.5.4. Effects of the implemented environmental protection policies*

Total electricity consumption in ENEA Group [MWh] ^{1) 2)}	2018	2019
Total electricity consumption by ENEA Group companies	3,288,484	2,660,204

¹⁾ The total electricity consumption figure does not include data for some administrative/office buildings used by the companies which make lump-sum payments for energy under contracts with administrators of such buildings and for which there is no detailed data on energy consumption in such buildings.

²⁾ The volume stated does not include network needs of ENEA Operator.

Total water uptake in ENEA Group [m ³] ³⁾	2018	2019
Total water consumption by ENEA Group companies:	2,912,857,179	2,851,674,557
water uptake from water intake / municipal water supply system	241,504	231,654
of which: surface water uptake ⁴⁾	2,896,571,028	2,834,572,229
of which: deep water uptake	841,364	867,398
of which: drainage water uptake	12,565,217	12,872,658
of which: water uptake from another source	2,638,066	3,130,618

³⁾ The total water consumption figure does not include data for some administrative/office buildings used by the companies which make lump-sum payments for water under contracts with administrators of such buildings and for which there is no detailed data on water consumption in such buildings. ENEA Trading Sp. z o.o. does not report on water consumption and is not included.

⁴⁾ For generation purposes, the Koźienice Power Plant uses mostly water from the Vistula river. Please note that the reversible uptake of water for cooling purposes constitutes as much as 99% of the Power Plant's total water uptake.

Total weight of the waste generated in ENEA Group [Mg] ⁵⁾	2018	2019
Total weight of the waste generated in ENEA Group:	8,318,353	7,486,683
of which: hazardous waste	824	5,464 ⁶⁾
of which: non-hazardous waste	8,317,529	7,481,219

⁵⁾ Does not include administrative buildings where utilities are included in the lump-sum rent. Additionally, ENEA Trading Sp. z o.o. and RG "Bogdanka" Sp. z o.o. do not report data on waste.

⁶⁾ Included waste collected by ENEA Logistyka Sp. z o.o. from other ENEA Group entities and those resulting from the provisions of the act on worn-out electric and electronic equipment.

* Does not include ENEA Połaniec Serwis Sp. z o.o., which does not collect environmental data.

CO₂ emissions [Mg]	2018	2019
Kozienice Power Plant	14,076,969	14,883,265
Połaniec Power Plant	8,219,329	6,751,791
Białystok Combined Heat and Power Plant	280,147	253,522
“Zachód” Heat Plant (Białystok)	19,753	12,254
Miejska Energetyka Ciepła Piła Sp. z o.o.	84,107	80,450
Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.	14,576	13,597

When it started the non-financial reporting process for 2019, the ENEA Group extended the list of reported ratios, including those pertaining to CO₂ emissions, in order to estimate which companies/organizational units will be able to present appropriate data without making changes in the management system and in procedures. When the Statement was published, management decisions were made to extend the scope of reporting on CO₂ emissions in the next reporting period, including decisions on the schedule of implementing full emission reporting in the ENEA Group and in its supply chain (Scope 1, Scope 2, Scope 3).

RES energy production in ENEA Group [GWh]	2018	2019
Total production from renewable energy sources, including:	2 025	2 279
ENEA Wytwarzanie Sp. z o.o. – RES Segment – hydro power plants	159	130
ENEA Wytwarzanie Sp. z o.o. – RES Segment – wind farms	130	185
ENEA Wytwarzanie Sp. z o.o. – RES Segment – biogas plants	6	5
ENEA Ciepło Sp. z o.o. – biomass firing	172	204
ENEA Elektrownia Połaniec S.A. – biomass co-firing	180	314
ENEA Elektrownia Połaniec S.A. – biomass firing	1,378	1,441

12.6. Labor issues – description of due diligence policies and procedures and their results

12.6.1. Regulations in the labor area

ENEA Group's approach to Employees is based on:

- strict observance of Employee rights,
- equal treatment and application of transparent criteria for hiring, remunerating and promoting,
- support for broadly defined Employee development,
- commitment to friendly atmosphere fostering cooperation.

Labor issues at the ENEA Group level are regulated primarily by:

- internal collective bargaining agreements;
- *ENEA Group Code of Ethics* setting out the Group's values;
- *Rules and Regulations of the ENEA Group Ethics Committee*, a document describing the procedure of reporting, accepting and verifying ethical concerns or violations of the Code of Ethics;
- *ENEA Group Compliance Policy*, which describes among others the standards of compliance with the law, desired conduct of Employees, the key standards of ethics, which take into account the Group's interests and the possible methods of reporting identified violations and irregularities;
- *Rules of adaptation in ENEA Group*;
- *Procedure for implementing human capital development activities in ENEA Group*, which describes and unifies the approach to improvement of professional qualifications of Employees;
- *Estimate Budgets of Common Social Activity in ENEA Group*, setting out the scope and the principles for awarding social benefits to Employees for the year;
- *Procedure of the ENEA Group Management Committee on the personnel policy for appointing Management Boards and Supervisory Boards of Companies*.

Additionally, each individual company has adopted policies and procedures suitable to their characteristics. They define, among others, the recruitment process, rules for awarding bonuses, registration of work time, registration and settlement of business trips or the rules for parting with Employees. The accepted internal regulations ensure compliance of the companies with provisions of the Labor Code, other provisions of law relating to labor rights and obligations.

Additionally, every year managers of the organizational units, in consultation with Employees, prepare lists defining the need for training improving the competence of the staff.

Internal regulations in the labor area adopted in selected ENEA Group companies

ENEA S.A.	<ul style="list-style-type: none"> – <i>Multi-Company Collective Bargaining Agreement for Energy Industry Employees</i> – <i>Internal Collective Bargaining Agreement for Employees of ENEA S.A. and its Subsidiaries listed in Appendix no. 10 to the Agreement</i> – <i>ENEA S.A.'s Work Rules and Regulations</i> – <i>OHS training programs for ENEA S.A.</i> – <i>Policy against mobbing and discrimination and other unacceptable conduct in ENEA S.A.</i> – <i>Rules and Regulations of Awarding Bonuses to ENEA S.A. Employees</i> – <i>Rules and Regulations of Awarding Bonuses to ENEA S.A. Employees based on the Management By Objectives System</i> – <i>ENEA S.A. Competence Model,</i> – <i>ENEA S.A. Recruitment Procedure</i>
ENEA Operator Sp. z o.o.	<ul style="list-style-type: none"> – <i>Multi-Company Collective Bargaining Agreement for Energy Industry Employees</i> – <i>Internal Collective Bargaining Agreement for Employees of ENEA S.A. and its Subsidiaries listed in Appendix no. 10 to the Agreement</i> – <i>Work Rules and Regulations for ENEA Operator Sp. z o.o. Employees,</i> – <i>Policy against mobbing and discrimination and other unacceptable conduct in ENEA Operator Sp. z o.o.</i> – <i>Recruitment Procedure</i> – <i>Rules and Regulations of the Management By Objectives System in ENEA Operator Sp. z o.o.</i> – <i>Rules and Regulations of organizing business trips in ENEA Operator Sp. z o.o.</i> – <i>Periodic OHS training procedure in ENEA Operator Sp. z o.o.</i> – <i>Training procedure for live-line working in ENEA Operator Sp. z o.o.</i>
Lubelski Węgiel "Bogdanka" S.A.	<ul style="list-style-type: none"> – <i>Work Rules and Regulations</i> – <i>Internal Collective Bargaining Agreement</i> – <i>Rules and Regulations of the Company Social Benefit Fund</i> – <i>Information Security Policy for ITC Systems</i> – <i>Personal Data Protection Policy</i>
ENEA Centrum Sp. z o.o.	<ul style="list-style-type: none"> – <i>Multi-Company Collective Bargaining Agreement for Energy Industry Employees</i> – <i>Internal Collective Bargaining Agreement for Employees of ENEA S.A. and Subsidiaries listed in Appendix no. 10 to the Agreement¹⁾</i> – <i>Work Rules and Regulations in ENEA Centrum Sp. z o.o.</i> – <i>Policy against mobbing and discrimination and other unacceptable conduct in ENEA Centrum Sp. z o.o.</i> – <i>Rules and Regulations for Awarding Bonuses to ENEA Centrum Sp. z o.o. Employees based on the Management By Objectives System</i> – <i>Rules of parting with the Employees in ENEA Centrum Sp. z o.o.</i>

¹⁾ Applicable based on the agreement on the application of the Internal Collective Bargaining Agreement for ENEA S.A. Employees, which means that the Company may amend it by itself (though it is bound by its interpretation).

Internal regulations in the labor area adopted in selected ENEA Group companies

ENEA Elektrownia Połaniec S.A.	<ul style="list-style-type: none">– <i>Work Rules and Regulations for ENEA Elektrownia Połaniec S.A. Employees</i>– <i>Internal Collective Bargaining Agreement for ENEA Elektrownia Połaniec S.A. Employees</i>– <i>Rules and Regulations for Compensating Management Staff</i>– <i>Health Protection Program and agreement on its performance</i>– <i>Procedure to identify hazards, assess occupational risk and other risks for the OHS management system</i>– <i>Policy against mobbing and discrimination and other unacceptable conduct in ENEA Elektrownia Połaniec S.A.</i>– <i>Agreement with Trade Unions of 30 December 1999 on principles of cooperation</i>– <i>Agreement on the participation in costs of trade union activities signed with Companies spun-off in the restructuring process,</i>– <i>Agreement on the participation in costs related to the conduct of PKZP signed with Companies spun off in the restructuring process</i>– <i>Rules and Regulations of the Company Social Benefit Fund and the Agreement on Common Social Activity</i>– <i>Instruction for Employee evaluation</i>– <i>Instruction for personnel administration</i>– <i>Instruction on medical examinations</i>– <i>Instruction on conducting and documenting OHS training sessions</i>– <i>Company agreement regarding the Employee Pension Plan</i>– <i>Rules and Regulations for giving awards and distinctions in ENEA Elektrownia Połaniec S.A.</i>
ENEA Wytwarzanie Sp. z o.o.	<ul style="list-style-type: none">– <i>Multi-Company Collective Bargaining Agreement for Energy Industry Employees</i>– <i>Internal Collective Bargaining Agreement for ENEA Wytwarzanie Sp. z o.o. Employees, Social Contract for ENEA Wytwarzanie Sp. z o.o. Employees</i>– <i>Work Rules and Regulations for ENEA Wytwarzanie Sp. z o.o. Employees,</i>– <i>Rules and Regulations of the Company Social Benefit Fund</i>– <i>Policy against mobbing and discrimination and other unacceptable conduct in ENEA Wytwarzanie Sp. z o.o.,</i>– <i>ENEA Wytwarzanie Sp. z o.o. Personnel Management Procedure,</i>– <i>Rules and Regulations for Awarding Bonuses to ENEA Wytwarzanie Sp. z o.o. Employees</i>– <i>Rules and Regulations governing Annual Bonuses for ENEA Wytwarzanie Sp. z o.o. Employees,</i>– <i>Recruitment Procedure</i>

12.6.2. Employee incentives

ENEA Group companies apply financial and non-financial incentives to motivate Employees. The following benefits are used most frequently:

- right to annual bonus,
- long-service bonus,
- an award and a day off on the Power Engineer's Day,
- jubilee award,
- subsidy on costs of electricity consumed in the household (awarded after one year of service and to retired Employees of the Group and its legal predecessors),
- right to medical care, which can be extended to family members on preferential terms,
- right to group insurance,
- retirement and disability severance payments more favorable than those required by the Labor Code,
- right to participate in the Employee Pension Plan (vesting after 12 months of service),
- right to use the Intercompany Employee Benefit and Loan Fund (for loans, non-refundable or refundable benefits for Employees in a difficult financial situation and in poor health),
- financing of sanatorium stays,
- financing of participation in training courses, certification courses and co-financing of university education,
- possibility of signing an agreement with a mobile phone operator Plus on the terms presented in the partnership offer for ENEA Group Employees.

The following benefits are available to Employees up to a specified level of income:

- co-financing of holidays (available also to retired Employees),
- co-financing of crèche/kindergarten stays and recreation for children and youth,
- co-financing of a MultiSport Card or a subsidy for sports activities,
- co-financing of cultural activity (cinema, theater, museum tickets) and participation in sports events,
- right to a low-interest loan for housing purposes.

The following solutions also serve as incentives:

- Pomysłodajnia – a program under which the Employer has the opportunity to implement proposals submitted by Employees regarding improvements in their daily work,
- opportunity for Employees to get involved together in projects they propose benefiting local communities, for example in the “Potęga poMocy” (The Power of Help) grant program,
- contests for Employees and their children,
- opportunity for Employees' children to participate in sports and theater classes,
- Group's participation in the “Two Hours for the Family” campaign to improve family relations,
- flexible working hours.

ENEA Group companies conduct, with varying frequency, surveys of Employee opinion on different topics. The first survey, which covered most of the Group companies simultaneously was performed in 2018. It will be repeated every 2-3 years and the time between the surveys will be used to implement the improvements.

In 2019 ENEA Ciepło Sp. z o.o. kicked off a training program for the management staff and Employee supervisors, which focused among other things on Employee motivation and support skills. Motivating communication was also one of the training topics for the management staff at ENEA Serwis Sp. z o.o. and ENEA Centrum Sp. z o.o. (in the latter, the training also included motivating development meetings). On the other hand, ENEA S.A. launched the Leaders Inspiration Forum, in which leaders exchanged experience in team-building based on mutual trust and respect.

12.6.3. Headcount

In 2019 ENEA Group employed staff of 17,291 under employment contracts, which included 3,051 women and 14,240 men.

Total number of staff employed under employment contracts	17,292^{1),2)}
full-time Employees – women	3,027
full-time Employees – men	14,216
part-time Employees – women	24
part-time Employees – men	25
persons employed under employment contracts for an indefinite term – women	2,729
persons employed under employment contracts for an indefinite term – men	12,115
persons employed under other contracts (including: for a probationary period, fixed term, traineeship and replacement contracts) – women	322
persons employed under other contracts (including: for a probationary period, fixed term, traineeship and replacement contracts) – men	2,126
senior management – women ³⁾	4
senior management – men ³⁾	47
directors – women ³⁾	39
directors – men ³⁾	150
junior managers – women	215
junior managers – men	891
operational staff – women	274
operational staff – men	10,220
administrative staff – women	2,523
administrative staff – men	2,980

¹⁾ Total number of persons employed under employment contracts in ENEA Group companies as at 31 December 2019, including Employees with temporary suspension of employment, i.e. on parental leaves, unpaid leaves above 30 days and those receiving rehabilitation benefits. One of the Employees was double-counted in this statement, due to being on an unpaid leave in one ENEA Group company and employed by another one.

²⁾ One of the Employees was double-counted in this statement, due to being on an unpaid leave in one ENEA Group company and working under an employment contract for another one.

³⁾ This additionally includes individuals employed under contracts other than employment contracts, e.g. under so-called management contracts.

Total number of new Employees hired in 2019 under employment contracts¹⁾	2,016
women	328
men	1,688
Employees under 30	872
Employees aged 30-50	922
Employees over 50	222

¹⁾ Number of new employees hired by ENEA Group companies through external as well as internal recruitment.

Total number of Employees working under employment contracts who left in 2019²⁾	1,254
women	226
men	1,028
Employees under 30	353
Employees aged 30-50	422
Employees over 50	479

²⁾ The number of Employees who left during the year refers to the termination of employment contracts between ENEA Group companies and their Employees.

12.6.4. Managing the generation gap

One of the important areas of activity of the ENEA Group to support continuity of employment is to prevent the generation gap. The following initiatives are implemented in this area:

- monitoring of the schedule of Employee departures as they reach the retirement age or the entitlements to take early retirement for working in special conditions or work of special nature,
- cooperation between Group companies and local vocational and technical schools, including schools preparing for work in power industry (endorsed schools program),
- occupational training for students in cooperation with universities (dual university education)
- paid traineeships and unpaid or paid apprenticeships for students under the “Get Installed at ENEA” program,
- organization of educational meetings and trips for students,
- promotion of the ENEA Group as a trustworthy Employer at universities and job fairs,

Industry schools, with which the ENEA Group cooperates:

- Power Engineering Technical School in Poznań
- Technical School Complex – Vocational and Adult Education Center in Leszno
- Electrical and Power Engineering Technical School in Bydgoszcz
- Electrical School Complex in Gorzów Wielkopolski
- Electrician Vocational and Adult Education Center in Nowa Sól
- School Complex in Chodzież
- Secondary and Vocational School Complex in Sulęcín
- Electrical and Electronic Engineering School Complex in Szczecin
- Vocational and Adult Education Center in Złotów
- Technical School in Połaniec
- 1st Degree Industry School in Połaniec
- School Complex No. 4 in Szczecin
- Technical School Complex in Gniezno
- Electrical Engineering School Complex No. 2 in Poznań
- School Complex No. 1 in Kozienice

Within the framework of this cooperation program, the company funds scholarships for the most talented students, co-finances equipment for classrooms and organizes trips and contests. The students are obliged to have mandatory apprenticeships in Group companies.

12.6.5. Selected activities undertaken by ENEA Group companies to manage the generation gap in 2019

ENEA Operator Sp. z o.o. continued its cooperation with 10 industry schools. Moreover, at the beginning of the 2019/2020 school year, it worked with the Electrician Vocational and Adult Education Center in Nowa Sól to launch a pilot electrical technician class, in which students are taught while taking the company’s needs into account.

ENEA Wytwarzanie Sp. z o.o. signed a patronage agreement, under which it offers professional apprenticeships for students of the School Complex no. 1 in Kozienice and individual professional apprenticeship agreements with university students:

- University of Łódź
- Maria Curie-Skłodowska University in Lublin
- University of Warsaw
- Warsaw University of Life Sciences
- Wrocław University of Science and Technology
- University of Technology and Humanities in Radom
- War Studies University
- Kielce University of Technology
- Kazimierz Wielki University in Bydgoszcz
- AGH University of Science and Technology
- Military University of Technology
- Warsaw University of Technology

The Company cooperated with the County Labor Offices regarding vocational traineeships for the long-term unemployed and graduates of secondary and higher schools.

ENEA Oświetlenie Sp. z o.o. continued cooperation under its patronage program with three schools, which organized classes with a power engineering profile: the Power Engineering Technical School in Poznań, the Electrical and Electronic Engineering School Complex in Szczecin, the Electrical and Power Engineering Technical School in Bydgoszcz, and signed an agreement with another school, School Complex No. 4 in Szczecin. The Company also continued its cooperation with the Poznań University of Technology regarding vocational (dual) university education.

ENEA Serwis Sp. z o.o. also continued cooperation with the Poznań University of Technology in this respect and additionally it developed a patronage program, under which it signed an agreement with its eight partner, The Technical School Complex in Gniezno.

ENEA Ciepło Sp. z o.o. the Białystok CHP Plant Division worked together with the Białystok University of Technology to organize professional traineeships for students under the "Traineeship program for young E engineers" and to organize student apprenticeships and educational trips. Student apprenticeship cooperation was also conducted with the University of Gdańsk.

ENEA Innowacje Sp. z o.o. has launched a traineeship program for engineering students working on their bachelors and masters degrees. Under this program it cooperated with the Poznań University of Technology ("Time for Professionals BIS – Professional Wielkopolska"), Foundation of the Adam Mickiewicz University in Poznań and the Warsaw University of Life Sciences (SGGW).

Lubelski Węgiel Bogdanka" S.A. cooperated with the following schools in the area of work placement training:

- School Complex in Ostrów Lubelski
- Mining School Complex in Łęczna
- Electronic School Complex in Lublin
- Chemical and Food Industry School Complex in Lublin

The company also cooperated with the AGH University of Science and Technology to organize professional apprenticeships for students and signed traineeship agreements with the Mining School Complex in Łęczna and the Energy School Complex in Lublin under the project entitled "Go Professional – today school tomorrow success" co-financed by the Regional Operational Programme for Lubelskie Voivodeship 2014-2020. The company also signed a letter of intent on cooperation with the Power Engineering and Transportation School Complex in Chełm to reward students of mining classes for their results in learning technical subjects and to implement the project of employing graduates: "Employment Pass for Lubelski Węgiel "Bogdanka" Spółka Akcyjna in Bogdanka – we need the best". In 2019, based on the letter of intent signed in 2017, the Company hired 2 graduates of the AGH University of Science and Technology and 11 people under cooperation with its partner schools (Mining School Complex in Łęczna, School Complex in Ostrów Lubelski, Power Engineering and Transportation School Complex in Chełm) and it also paid out 60 scholarships overall.

ENEA Elektrownia Połaniec S.A. continued its cooperation with its endorsed school, the Technical School in Połaniec. The company conducted professional apprenticeships for students and conducted traineeship programs, in cooperation with the county labor office as well as under the Group's own initiatives.

ENEA S.A. promotes the ENEA Group as an attractive Employee, among others:

- during fairs (e.g. Development Academy, job fairs in Gorzów Wlkp., JOB SPOT job fairs, job fairs at the Poznań University of Technology, Career Days in Poznań),
- by organizing the 1st edition of the "Power to Start" scholarship contest for students of the endorsed senior secondary schools,
- as a partner of academic and scientific events (Young Electrician's National Days in cooperation with the Association of Polish Electrical Engineers, "Modern technologies in the power industry" conference at the Poznań University of Technology, Energy Academy of the Lesław A. Paga Foundation, "Law with Energy" contest in cooperation with the European Association of Law Students ELSA Poland, the "Shocked by work" conference at the University of Technology and Life Sciences in Bydgoszcz),
- by operating profiles on social media and recruitment sites,
- by acting as the coordinator of the vocational (dual) education program in the ENEA Group in cooperation with the Poznań University of Technology,
- by acting as the coordinator of the "Get Installed at ENEA" paid traineeship and apprenticeship program in the ENEA Group,
- by acting as the coordinator of the Group's patronage program for 15 schools in the area of its activity (which included vocational advice in schools, educational trips, helping with equipping classrooms).

12.6.6. Diversity

For years, the ENEA Group has made efforts to take into account the diversity of our Employees, including differences resulting from their experience, knowledge or interests. We observe the principle of equal treatment with respect to gender, age, financial status or political opinions. Provisions governing diversity are included in the following documents:

- *ENEA Group Code of Ethics,*
- *internal collective bargaining agreements,*
- *Policy against mobbing and discrimination and other unacceptable conduct,*
- *ENEA Group Compliance Policy.*

Lubelski Węgiel “Bogdanka” S.A. is the only entity in the ENEA Group that has a formal diversity management policy in place. The remaining companies have not prepared such policies so far. Therefore, no diversity figures are reported to the management boards and supervisory boards of the companies.

In 2019, the Group started cooperation with the State Fund for the Rehabilitation of the Disabled as part of the pilot “Work – Integration” program. Within this program, the Group companies declared their readiness to take action aimed at hiring the disabled and maintaining their employment – for a total of 25 FTEs in the Group for at least 18 months.

The training delivered in 2019 in ENEA Elektrownia Połaniec S.A. entitled “Role of a manager in the generational change process” was devoted to managing diversity of Employees and strengthening actions aimed at filling the generation gap.



12.6.7. Communication

The ENEA Group strives to offer all Employees access to full and current information on the actions undertaken and key events happening in their companies, the Group as a whole and in its surroundings. Efficient flow of information to Employees is ensured in particular by:

- corporate Intranet (Group news) and Intranet sites of individual companies,
- Employee Zone in the ENEA Group's Intranet (news, information and documents related to employee matters),
- “ENEA News” and “ENEA Flash” newsletters (news, announcements related to the Group),
- company newspapers (“Echo Elektrowni” in the Połaniec Power Plant, “Bogdanka”, “Information Package of MEC Piła Employees”, “Info Express” in ENEA Operator Sp. z o.o.),
- mailing (to selected groups or to all employees),
- noticeboards, leaflets and posters,
- radio station.

The tools promoting dialog in ENEA Group companies include, among others:

- meetings and videoconference calls,
- periodic interviews between employees and their direct supervisors,
- questionnaire surveys (e.g. evaluation of satisfaction with various areas: IT, HR, procurement, etc.; evaluation of individual activities undertaken by companies),
- satisfaction surveys (in 2018 combined with elements of evaluation of direct supervisors),
- Pomysłodajnia mailbox, inicjatywy@enea.pl (used by Employees to send in their work improvement ideas),
- “HR write to us” mailbox HRnapiszdonas@enea.pl (used by Employees to send in questions about labor issues; responses are published in the Employee Zone),
- Mam Pomysł (I have an Idea!) platform available in the ENEA Group Intranet.

In 2019, anonymous Employee opinion surveys were conducted in Miejska Energetyka Ciepła Piła Sp. z o.o. (e.g. on the topic of working conditions and organization and cooperation with supervisors). According to Employees, communication was one of the weaker areas of the company's activity, so in response the company created a new channel to inform the staff on important events (“Information Package for MEC Piła Employees”).

12.6.8. Freedom of association and participation in decision-making

ENEA Group respects the right of its Employees to associate in trade unions and to be actively involved in their activities.

Trade unions operating in the key companies and in the companies with largest headcounts in ENEA Group	
ENEA S.A.	<ul style="list-style-type: none"> – Organizacja Międzyzakładowa NSZZ „Solidarność” ENEA – Międzyzakładowy Związek Zawodowy Energetyków w ENEA Wytwarzanie Sp. z o.o. – Międzyzakładowy Związek Zawodowy Pracowników Grupy Kapitałowej ENEA – Międzyzakładowy Związek Zawodowy „Synergia” Pracowników Grupy Kapitałowej ENEA – Międzyzakładowa Organizacja Związkowa Związku Zawodowego Inżynierów i Techników przy ENEA S.A.
ENEA Operator Sp. z o.o.	<ul style="list-style-type: none"> – Organizacja Międzyzakładowa NSZZ „Solidarność” ENEA – Międzyzakładowy Związek Zawodowy Pracowników Grupy Kapitałowej ENEA – Międzyzakładowy Związek Zawodowy Pracowników Ruchu Ciągłego Grupy Energetycznej ENEA S.A. – Międzyzakładowy Związek Zawodowy Energetyków Zakładowa Organizacja Związkowa w ENEA Operator Sp. z o.o. – Międzyzakładowa Organizacja Związkowa Związku Zawodowego Inżynierów i Techników przy ENEA S.A. – Międzyzakładowy Związek Zawodowy „Synergia” Pracowników Grupy Kapitałowej ENEA
ENEA Elektrownia Połaniec S.A.	<ul style="list-style-type: none"> – Międzyzakładowy Związek Zawodowy przy Elektrowni Połaniec – Międzyzakładowa Organizacja Związkowa NSZZ „Solidarność” Pracowników Elektrowni Połaniec i Spółek – Międzyzakładowy Związek Zawodowy Pracowników Ruchu Ciągłego – Międzyzakładowa Organizacja Związkowa „Energetyk” – Międzyzakładowy Związek Zawodowy Pracowników Dozoru przy Elektrowni w Połańcu
ENEA Wytwarzanie Sp. z o.o.	<ul style="list-style-type: none"> – Międzyzakładowy Związek Zawodowy Pracowników Zmianowych w ENEA Wytwarzanie Sp. z o.o. – Organizacja Zakładowa NSZZ „Solidarność” w ENEA Wytwarzanie – Międzyzakładowy Związek Zawodowy Energetyków w ENEA Wytwarzanie Sp. z o.o.
ENEA Centrum Sp. z o.o.	<ul style="list-style-type: none"> – Międzyzakładowy Związek Zawodowy Pracowników Grupy Kapitałowej ENEA – Międzyzakładowa Organizacja Związkowa Związku Zawodowego Inżynierów i Techników przy ENEA S.A. – Organizacja Międzyzakładowa NSZZ „Solidarność” ENEA – Międzyzakładowy Związek Zawodowy „Synergia” Pracowników Grupy Kapitałowej ENEA – Międzyzakładowy Związek Zawodowy Energetyków w ENEA Wytwarzanie Sp. z o.o. – Międzyzakładowy Związek Zawodowy przy Elektrowni Połaniec S.A. w Zawadzie – Międzyzakładowy Związek Zawodowy Pracowników Dozoru przy Elektrowni w Połańcu – Międzyzakładowa Organizacja Związkowa przy ENEA Ciepło Sp. z o.o. z siedzibą w Białymstoku Krajowego Związku Zawodowego Ciepłowników
Lubelski Węgiel „Bogdanka” S.A.	<ul style="list-style-type: none"> – Związek Zawodowy Górników w Polsce – NSZZ „Solidarność” – Związek Zawodowy „Kadra” – Związek Zawodowy Pracowników Zakładów Przeróbki Mechanicznej Węgla w Polsce „Przeróbka”

ENEA Group Employees influence its operation and operation of their companies also by electing their representatives to supervisory boards (of most of the Group companies¹⁾) and by electing Employee representatives to Employee councils (currently in ENEA Elektrownia Połaniec S.A.).

Social dialog in ENEA Group

The management boards of ENEA Group companies are engaged in continuous dialog with trade unions. In 2019, a social contract was signed, which among others set out the rules of stabilization of employment. Additionally, in response to postulates of trade unions in respect to salary growth, annual salary negotiations are conducted. Social stakeholders actively cooperate with employers in amendments to internal labor regulations.

Lubelski Węgiel "Bogdanka" S.A. has appointed a Committee on Amendments to the Internal Collective Bargaining Agreement, through which it conducts the process of the employer's continuous negotiations with trade unions. In other companies, task forces are appointed when the bargaining agreements need amending.

¹⁾ In ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. this right is derived directly from the act on commercialization and certain Employee rights.

12.6.9. Occupational health and safety

As far as occupational health and safety is concerned, ENEA Group operates in accordance the applicable legal regulations. Group companies strive to eliminate accidents at work and occupational diseases and to raise awareness of occupational hazards among Employees (among others through training and knowledge contests), improve their responsibility and involvement in improving safety at work. They also introduce further ergonomic improvements (e.g. equipping workstations with footrests or wrist pads, replacing office chairs with ones with adjustable armrests).

The Group monitors new technical solutions affecting the OHS level, among others through annual participation of a designated Employee in seminars and lectures organized during the Work Safety Expo. The state of Occupational Health and Safety is continuously monitored and improved, which is guaranteed by the accepted policies, procedures and instructions. Some units have social labor inspectors appointed in accordance with the *Rules and Regulations for appointing Social Labor Inspectors in the ENEA S.A. Group*, who inspect the OHS conditions on behalf of Employees and put forward improvement proposals. Employee representatives also sit on OHS committees operating in some of the Companies.

OHS documents in key ENEA Group companies

ENEA S.A.	<ul style="list-style-type: none"> – <i>ENEA S.A. Work Rules and Regulations</i> – OHS training programs for ENEA S.A. – Occupational risk assessment – Other instructions (<i>Instruction on occupational risk assessment and documentation</i>; first aid instructions; fire safety instructions)
ENEA Operator Sp. z o.o.	<ul style="list-style-type: none"> – <i>Procedure of occupational risk assessment and documentation in ENEA Operator Sp. z o.o.</i> – <i>Fire safety procedure in ENEA Operator Sp. z o.o.</i> – <i>Procedure defining the principles of cooperation in OHS area between ENEA Operator Sp. z o.o. and Contractors</i> – <i>Periodic OHS training procedure in ENEA Operator Sp. z o.o.</i> – <i>Training procedure for live-line working in ENEA Operator Sp. z o.o.</i> – <i>Fall protection procedure for working at height in ENEA Operator Sp. z o.o.</i> – <i>Document circulation procedure for specialist instructions on the fall protection and evacuation rules while working at height in ENEA Operator Sp. z o.o.</i> – <i>First Aid Procedure in ENEA Operator Sp. z o.o.</i> – <i>Premedical Rescue Organization Procedure in ENEA Operator Sp. z o.o.</i> – <i>Rules and Regulations for professional preparation of new Energy Post Employees</i> – <i>Instructions (Instruction on organization of safe work with power devices in ENEA Operator Sp. z o.o.; Instruction on organization of work installing and replacing balancing meters and communication modules in MV/LV transformer stations for the AMI project, operating instructions of power facilities and devices, job instructions)</i> – <i>Other instructions (Standard equipment for Energy Posts and vehicles of Energy Posts teams; Methods and rules of fall protection for works at height in ENEA Operator Sp. z o.o.; Notification to the National Labor Inspectorate / District Prosecutor's Office of a fatal, serious, collective accident; Notification of an accident; Standardization – safety tables and signs and rules of their use in ENEA Operator Sp. z o.o.).</i>
ENEA Elektrownia Połaniec S.A.	<ul style="list-style-type: none"> – <i>Integrated Management System including the Occupational Health and Safety Management System</i> – <i>Instruction on Safe Work Organization in ENEA Elektrownia Połaniec S.A.</i> – <i>Instruction on conduct in case of accidents and sudden illnesses and post-accident procedure</i> – <i>Instruction on conducting and documenting OHS training</i> – <i>Instruction on the assignment of working clothes and footwear, personal protective equipment and cleaning products to Employees</i> – <i>Fire safety instruction in ENEA Elektrownia Połaniec S.A.</i> – <i>Instruction on the tobacco smoking ban, including novel tobacco products and electronic cigarettes</i> – <i>Occupational health and safety monitoring procedure</i> – <i>Procedure to identify hazards, assess occupational risk and other risks for the OHS management system</i>

OHS documents in key ENEA Group companies

ENEA Wytwarzanie Sp. z o.o.	<ul style="list-style-type: none"> - <i>Policy of Integrated Quality, Environmental and OHS Management System</i> - <i>OHS Monitoring Procedure</i> - <i>Emergency preparedness and response procedure at the Koronowo site</i> - <i>Hazard identification and occupational risk assessment procedure</i> - <i>Instructions (Instruction on the assessment of occupational risk at workplace; Instruction on the investigation of accidents at work, occupational diseases and potential occurrences; Instruction on the Safe Work Organization; job and OHS instructions, OHS instructions on the operation of devices)</i> - <i>Work Rules and Regulations for ENEA Wytwarzanie Sp. z o.o. Employees</i> - <i>Policy against mobbing and discrimination and other unacceptable conduct in ENEA Wytwarzanie Sp. z o.o.</i> - <i>Ordinance on the employer's responsibility for OHS</i> - <i>Induction, on-the-job and regular training programs for employees,</i> - <i>Rules and Regulations of Organizational Units of ENEA Wytwarzanie Sp. z o.o.</i>
Lubelski Węgiel "Bogdanka" S.A.	<ul style="list-style-type: none"> - <i>Strategy for the Work Safety area</i> - <i>Mine Safety Document</i> - <i>Procedures, regulations, guidelines and instructions of the Integrated Quality, Environmental and OHS Management System</i> - <i>Work Rules and Regulations</i> - <i>Ordinance of the Management Board and the Mining Operations Manager.</i>
ENEA Pomiary Sp. z o.o.	<ul style="list-style-type: none"> - <i>Procedure for reporting accidents at work</i> - <i>Warehouse OHS instructions (Instruction on the use of a forklift truck; Instruction on the use of a mobile platform; Instruction on manual transportation activities)</i> - <i>Instruction on the operation and maintenance of shelving racks</i> - <i>Instruction on the use of a pneumatic table sealer</i> - <i>Instruction on spraying electricity meters with a spray gun</i> - <i>Fire emergency instruction</i> - <i>Other instructions (Instruction on the use of a computer with a display screen and a printer; Instruction on the use of a shredder)</i>
ENEA Serwis Sp. z o.o.	<ul style="list-style-type: none"> - <i>Procedure for reporting accidents at work and accidents while traveling to or from work in ENEA Serwis Sp. z o.o.</i> - <i>Procedure for live-line working</i> - <i>Instructions (Office/administrative job instruction; Wireman job instruction; other job instructions)</i>
ENEA Oświetlenie Sp. z o.o.	<ul style="list-style-type: none"> - <i>Work Rules and Regulations for ENEA Oświetlenie Sp. z o.o. Employees</i> - <i>Procedure for live-line working with power devices in ENEA Operator Sp. z o.o.</i> - <i>OHS-related instructions (among others: Instruction on the organization of safe work with power devices in Eneos Sp. z o.o.; Wireman job instruction; Non-electrician job instruction; Instruction on the use of lines and road lighting devices in ENEA Oświetlenie Sp. z o.o.; Wireman job instruction on measurement of power devices of a portable measuring laboratory; Instruction on marking of road lane works by Eneos Sp. z o.o. z o.o.; OHS instruction on transport, unloading/loading, storage and assembly of lighting poles; OHS instruction on warehousing and storage of materials; OHS instruction on transport works; OHS instruction on the ladder use; OHS instruction on the use of a computer and a printer)</i> - <i>OHS instruction on the use of office equipment (e.g. binder machines, photocopiers) and OHS instruction on the use of other equipment (e.g. drills, circular saws for wood cutting, grinders)</i> - <i>Rules of operation of power devices in ENEA Operator Sp. z o.o.</i>

OHS issues are also taken into consideration in internal collective bargaining agreements.

12.6.10. Selected activities undertaken by ENEA Group companies in the OHS area in 2019

OHS prevention activities in ENEA Operator Sp. z o.o. included an education campaign entitled "Our Choice – Safe Work" addressed to Employees of companies in the Distribution Area (it included, among others, publication of the "Safe Work" monthly, meetings, monthly electronic newsletters, distribution of posters). The Company also adopted two new procedures, First Aid in ENEA Operator Sp. z o.o. It also started the implementation of procedures for standardizing first aid kits, organizing rescue services and working with chainsaws and established a team to draw up new instructions for working with power installations.

ENEA S.A. and ENEA Centrum Sp. z o.o. expanded the induction training program to include practical first aid demonstrations on dummies using training defibrillators, conducted first aid training and kicked off training in the practical use of fire extinguishers for people leading evacuations. They also improved the ergonomics of workstations, among others by equipping them with supporting pads to prevent carpal tunnel syndrome.

ENEA Oświetlenie Sp. z o.o. replaced some of its fall protection equipment for working at heights and shock protection equipment and the majority of its Employees took part in the first aid training. Other initiatives included improved ergonomic conditions for office work, upgrades of air conditioners, equipping workers in the field with repellents in the periods of increased insect activity and distribution of brochures on the topic of work safety.

ENEA Bioenergia Sp. z o.o. established an OHS committee and it implemented an improvement plan in this area, which was updated quarterly. The Company's Production Division changed its work time organization system to a 5-crew system; that represented a significant improvement of the comfort of work of the Employees responsible for continuity of operation of power equipment. The company additionally purchased a large number of machines, which increased safety of the persons accepting biomass.

ENEA Elektrownia Połaniec S.A. executed an OHS conditions improvement program, which included, among others: improvement of fire safety and change in the organization of workplaces, a program of organizational and technical actions aimed at limiting the exposure of Employees to noise; the company cooperated with the Central Work Safety Institute in the evaluation of mental stress associated with working on selected positions. The Company also implemented formal requirements for its prospective contractors, which includes delivery of a questionnaire summarizing OHS conditions in the company and is one of the evaluation criteria for the submitted offers. It also created a work safety site in the company Intranet, appointed a team for developing the new edition of *Instructions on Safe Work Organization in ENEA Elektrownia Połaniec S.A.* and teams to review and update operating manuals.

OHS activities undertaken in ENEA Ciepło Serwis Sp. z o.o. the Białystok CHP Plant Division, included, among others: training for manual workers and their supervisors, who are or may be exposed to asbestos dust due to their responsibilities, measurements of harmful, noxious and dangerous factors linked with selected positions, vaccinations against tick-borne encephalitis for biomass workers and workers cuttings bushes along railway sidings, purchase of a new forklift and liquidation of two old forklifts with high failure rates.

The work safety improvement program executed in Lubelski Węgiel "Bogdanka" S.A. since 2017 deserves particular attention. Under this program, accident reconstruction videos and instructions on proper performance of vital activities are shown screens placed in the spots where crews gather before descending into the mine.

RG Bogdanka Sp. z o.o. purchased a new roadheader, anti-vibration mounts and other new equipment (among others hydraulic wrenches and bolters). In consultation with Employees, new individual protection equipment and new working clothes were introduced. The on-the-job instruction program has been modified to increase work safety levels and the induction training has been modified to make it more understandable, especially for people who have never worked in the mining industry (adding at the same time elements of first aid exercises). Employees received information materials containing the key practical information on OHS and first aid.

More information on the performance of the HR policy in the ENEA Group in 2019 is provided on Pages 50-51 of this report.

Accidents at work in ENEA Group in 2019

	Number of fatal accidents	Number of all reported accidents
Employees	0	176
Subcontractors	2	130

With respect to both fatal accidents of external company Employees, the companies commissioning the works, i.e. ENEA Pomiar and ENEA Wytwarzanie, complied with all the OHS obligations following from the law.

12.7. Social issues – description of due diligence policies and procedures and their results

12.7.1. Volunteerism and community engagement

The ENEA Group as a socially-responsible entity, undertakes various initiatives responding to the needs and expectations of its stakeholders, locally, regionally and nationally.

The key documents regulating the rules of the Group's community engagement include:

- *Rules for handling applications for support in the community engagement area in ENEA Group,*
- *Rules for conducting public relations activities and social partnership activities in ENEA Group,*
- *Rules and Regulations of Employee Volunteerism in ENEA Group.*

Community engagement and all social responsibility activities in the ENEA Group are coordinated by the Corporate Social Responsibility Office, which is part of the PR and Communication Department at ENEA S.A. On the other hand, the ENEA Foundation is the competence center for the Group's social initiatives; it provides financial support for social objectives using donations received from Group companies. Its goals and principles of operation are defined by:

- *The Charter of the ENEA Foundation,*
- *Organization Rules and Regulations of the ENEA Foundation*
- *Rules and Regulations on granting support by the ENEA Foundation.*

The ENEA Foundation becomes involved primarily in activities that have lasting social effects. For this purpose, it carries out well thought-out and innovative projects in areas such as safety, education for children and youth, protection of the environment, assistance for the needy and sports, culture and art.

Another entity conducting active community engagement activities is the "Solidarni Górniczy" [Solidary Miners] Foundation established by Lubelski Węgiel "Bogdanka" S.A. Its objective is to support financially Company Employees and their families, victims of accidents, people suffering from illnesses or those in difficult financial situation. The organization also supports talents, cultural, environmental and health promotion initiatives.

Volunteerism and community engagement in ENEA Group	2019
Total expenses of the Group for its community engagement activities	PLN 3,012,127
Donations provided by the "Solidarni Górniczy" Foundation operating in the LW "Bogdanka" Group	PLN 428,800
Number of beneficiaries of employee volunteerism (including participants of campaigns/trainings and other activities) ¹⁾	17,406 ²⁾
Number of Employees engaged volunteerism (at least once a year)	368
Total number of hours committed to volunteerism by Employees in 2019	1,857

¹⁾ The measure does not include beneficiaries of activities carried out during mass events, i.e. first aid demonstrations performed by volunteer rescuers during festivals, picnics etc.

²⁾ Data for Lubelski Węgiel "Bogdanka" S.A. not available.

Examples of initiatives carried out at the ENEA Group level

ENEA Talent Academy – a contest conducted by ENEA S.A. and the ENEA Foundation, in which students compete for scholarships to develop their talents, while schools and organizations compete for grants to develop the interests of their pupils by running innovative educational programs. During three editions of this contest, the most recent one completed in January 2020, scholarships were granted to 60 students and 27 schools and organizations received funds to carry out additional projects.

ENEA Sports Academy – a program addressed at children and youth, under which partnering sports club organize regular after-school activities. In 2019, this program benefited approximately 2 thousand pre-schoolers and schoolchildren. Sports competitions were also held, which were attended by more than 2.5 thousand children.

ENEA for Generations. Together about safety – a project executed by the ENEA Foundation in cooperation with the Us50+ Association and the Voivodship Headquarters of the State Fire Department in Poznań, addressed to senior citizens and multi-generational families. This project consisted of educational campaigns focusing on consumer awareness and fire safety of households and first aid training. In 2019, as part of this campaign 13 workshops were organized for a total 100 workshop hours, which were attended by 2,830 participants. 46 volunteers from the ENEA Group were involved in the campaign.

Good Energy Beyond Borders – a program to strengthen the national identity of Poles living in Lithuania, carried out in cooperation with the Poznań Archdiocese Caritas organization. In 2019 it included the “Wielkopolska Worth Knowing” contest in which prizes included trips to Poland for students of Polish schools in the Vilnius region and the possibility of getting to know their Polish peers.

We Run – We Raise – We Help – a charitable campaign carried out together with ENEA Group Employees. The kilometers covered during running, cycling and Nordic walking competitions and during charitable competitions and sports events sponsored by the Group are converted into Polish zloty and the resulting amount is used to organize a sports event for children and youth. In 2019 it was the ENEA Active Camp attended by 120 children from child custody and upbringing centers in the Wielkopolska region.

The Power of Help (Potęga poMocy) – a grant contest addressed to Employees of the ENEA Group involving submission of ideas for activities benefiting local communities. Volunteers make repairs, renew gardens, organize festivals or sports competitions, fulfill dreams of children from orphanages, support the elderly, sick and needy and also help animals. In 2019, 20 initiatives were approved, received financial support and Employees were involved in their execution.

Energy is in our blood – a campaign conducted together with Regional Blood Donation and Blood Treatment Centers, in which Group Employees and local communities surrounding Group companies are encouraged to donate blood. 200 liters of blood were donated in 2018-2019.

Mission: Prevention – activities promoting the idea of health prevention among Group Employees. In 2019, two rounds of free health testing at work were organized: “We will beat melanoma together” and “Healthy Autumn” (advice from dietitians and cardiologists, basic blood tests). The project is carried out together with the Association of Melanoma Patients and the Michał Jeliński Activ Diabet Foundation. (Poznań, Zielona Góra, Gorzów Wielkopolski, Szczecin, Bydgoszcz).

Competence volunteerism – educational meetings conducted by ENEA Group Employees. In the “Current is not so terrible” campaign, volunteers visit schools and kindergartens speaking about how to be safe with electricity and how to reduce its consumption. The “First Aid – premedical rescue” campaign is addressed among others to children and attendees of various events; emergency personnel share their knowledge on how to respond when witnessing an accident. As part of the competence volunteerism project, in 2019 Group Employees trained a total of 13,000 people.

Campaign volunteerism – short specific-purpose or occasional campaigns In 2019, ENEA Group Employees prepared decorations for charitable Christmas fairs and collected more than 130 bags of trash in the places selected in cooperation with the State Forest Authority.

Examples of initiatives carried out by ENEA Group companies

Safe Preschooler Academy – an initiative by ENEA Operator Sp. z o.o. aimed at teaching preschoolers the rules of how to behave in emergencies, including safe handling of electricity and responding when someone needs help. As part of the program, meetings and shows are held in kindergartens, devoted, among others, to safe behavior when going to and coming home from the kindergarten, safe play in the kindergarten, in the yard and at home, and basic road signs. In 2019, the program was carried out in 15 educational establishments in the Poznań county labor office. Activities in this program were also conducted by ENEA Elektrownia Połaniec S.A., which expanded the program to include visits to the power plant, where the children were able to find out how electricity is generated and see one of the largest biomass-fired units in the world. In 2019, the plant was visited by approximately 900 children.

We care for your safety. You should, too! – a campaign addressed to all age groups, promoting safe conduct in the vicinity of power grid elements. Within the framework of this campaign, in 2019 the company prepared animated educational videos, also with sign language versions and with an audio description, organized contests for students and held demonstrations and activities on the topic of safety conducted by firefighters, rescuers and Group volunteers. The project was executed in 29 primary schools and kindergartens.

Women's Power Plant – Women's Forum – a program through which women working in the Połaniec Power Plant and its local community were able to find out how to care for their health, safety and beauty. The goal of the program is to strengthen women's self-esteem and self-awareness and to highlight their importance in the mostly male environment. In 2019, a total of 300 women participated in the Forum's meetings.

Beauty for the city of Łęczna – a program carried out by Lubelski Węgiel "Bogdanka" S.A., the Municipal Office in Łęczna and the Landscapes Foundation, in which among others, recommendations were developed for green areas in Łęczna.

Young explorers – making dreams come true – a program whose idea is to fulfill dreams of children from orphanages. In 2019, ENEA Elektrownia Połaniec S.A., with the support of the ENEA Foundation and volunteers from the Power Plant, organized an educational trip for 50 participants to a family leisure park, a trip to the Poznań Zoo and participation of children from orphanages in the ENEA Active Camp sports and psychology workshops.

ENEA for health – a cervical cancer screening program involving free cytology tests for women from the Kozienice township, organized by ENEA Wytwarzanie Sp. z o.o.

Karma returns – collection of food for homeless animals organized by ENEA Operator Sp. z o.o. In 2019, a total of 800 kg of feed was collected, which was then forwarded to the animal shelters that needed it.

Additionally, individual Group companies organized numerous charitable activities, e.g. for children from a local hospital (Miejska Energetyka Ciepła Piła Sp. z o.o.) or orphanage (ENEA Centrum Sp. z o.o.).

12.7.2. Energy security

One of the strategic objectives of the ENEA Group is action for energy security of the country: to ensure continuity of electricity supply and reliable operation of the distribution network.

The following regulations of activities to improve reliability of energy supply are in effect in ENEA Operator Sp. z o.o.

1. *Procedure for planning and requesting work on the HV, MV and LV network for investing and operating purposes and for operational management of the network in ENEA Operator Sp. z o.o.*
2. *Procedure for live-line working with power devices in ENEA Operator Sp. z o.o.*
3. *Procedure for live-line working on 15 and 20 KV overhead grids in ENEA Operator Sp. z o.o.*
4. *Procedure for recording work performed in the live-line working technology and calculating electricity supplied to users during live-line working in ENEA Operator Sp. z o.o.*
5. *Procedure of exchanging information and reporting events in the electric power grid by the ENEA Operator Sp. z o.o.'s maintenance services and cooperation with crisis management teams in case of extensive failures*
6. *Procedure for managing the removal of trees and bushes within the belts of ENEA Operator Sp. z o.o.'s power lines*
7. *Catalog of standard operating activities for HV, MV and LV grids in ENEA Operator Sp. z o.o.*
8. *Procedure for collision elimination*
9. Detailed regulations on correct operation of power installations.
10. *Standards for the application of measurement and diagnostic equipment for medium voltage cable lines as well as measurement and diagnostics of high and medium voltage cable lines*
11. *Standards for technical solutions used for building power lines and power installations*

Selected measures implemented in 2019 as part of the *Reliability Improvement Program*:

- *Implementation of the MV Grid Development Concept, which takes into account development of automated solutions within the grid*
- *Cables of MV grids passing through forest areas*
- *Elimination of short-circuit hazards in the MV grid in order to increase the cross-section of the MV line where it leaves the main transformer station, which will consequently increase reliability of power supply to consumers*
- *Implementation of the FDIR (Fault Detection, Isolation & Restoration) function in selected MV line sections*
- *Liquidation of the 6 kV grid in the Poznań urban area,*
- *ENEA Operator's activities in respect to measurements and diagnostics of medium voltage cable lines.*
- *Activities related to systemic measures related to the removal of trees and bushes within the zones under power lines.*

ENEA Operator Sp. z o.o. makes all efforts to limit the effects of failures and restore the supply of power to users in the shortest time possible. In order to minimize the risk of failure of MV cable, a centralized diagnostics program has been implemented. Also, in order to ensure continuity of electricity supply to its users, the Company may supply power to a separate electric power grid using power generators. The Company has also reorganized its field crews and provided them with the equipment needed to expand the scope of works they can do. In order to limit interruptions in power supply to users to the minimum, the Company regularly increases the scope of works performed in the live-line working technology. The work on locating damage in the grid, making the necessary switching and repairs to restore power supply to the consumers is undertaken immediately after the failure occurs, by ENEA Operator Sp. z o.o. Employees or by external contractors. For each failure, a cause analysis is conducted, which may form the basis for an upgrade/replacement of devices under the modernization and capital expenditure programs implemented by the company or operational decisions.

12.8. Human rights issues – description of due diligence policies and procedures and their results

In the area of human rights ENEA Group gives priority to:

- implementation of the uniform mobbing prevention policy,
- providing all support to Employees who feel they suffer from mobbing to clarify the case objectively and applying corrective measures if the allegations are confirmed,
- promoting the right attitudes in the organization and identifying prohibited conduct (via training, e-learning, webinars, etc.).

The model conduct for all Group Employees is defined primarily by:

- *ENEA Group Code of Ethics*, which defines the ethical values which should be followed by all Employees in daily work and in business contacts; it also presents the expected rules of conduct, which are based on equal treatment and respect for human dignity. The document introduces standards for relations with customers, business partners, shareholders, local communities and associates;
- *ENEA Group Compliance Policy*, which emphasizes, among others, the need for building a friendly working environment and committing to the protection of Employee health and safety;
- *Policy against mobbing and discrimination and other unacceptable conduct*, which identifies unacceptable conduct, the procedures for reporting it and handling the reports, as well as preventive measures in this area and the obligations of the employer and the employees.

The Human Resources Management Department at ENEA S.A. is responsible for implementing and monitoring compliance with these policies with respect to mobbing prevention and implementation of the ENEA Group Code of Ethics, while the Legal and Organizational Department at ENEA S.A. with respect to compliance. All Employees are also obligated to monitor their surroundings in the context of the applicable standards.

Additionally, the Group has appointed the Ethics Committee, which resolves any ethical concerns reported by Employees and ensures objective investigation of suspected violations of the Code of Ethics. The Committee operates on the basis of its rules and regulations, which define, among others, the procedures for reporting concerns and violations, as well as the handling of investigations.

Four main values on which ENEA Group based its organizational culture

- **integrity:** conduct in line with ethical rules, the law and internal procedures, mutual respect and openness in expressing views and opinions,
- **responsibility:** fulfilling declarations with respect to quality, timeliness and reliability of services, performing Employee obligations and performing the obligations set forth in social contracts,
- **safety:** sharing knowledge and continuous upskilling, enabling Employees to gain new experience,
- **competence:** taking preventive and corrective actions in order to ensure a safe working environment, protection of the natural environment and protection of sensitive data, personal data and protected information,

Because of the diversity of companies belonging to ENEA Group, additional documents or measures have been also implemented at the level of each individual entity, which are all consistent with the rules adopted for the whole Group.

Lubelski Węgiel “Bogdanka” S.A. has an internal *Code of Ethics* in place for GK LW Bogdanka S.A. The person in charge of monitoring its regulations is the Ethics Officer, who is also responsible for ethical education of Employees, and the CSR Inspector. The Company also has a Compliance Policy Division. In 2018, it developed a *Diversity Policy*.

Special consulting teams operate in ENEA S.A., ENEA Serwis Sp. z o.o., ENEA Centrum Sp. z o.o., ENEA Operator Sp. z o.o., ENEA Ciepło Sp. z o.o., ENEA Ciepło Serwis Sp. z o.o., ENEA Oświetlenie Sp. z o.o., ENEA Pomiar Sp. z o.o., ENEA Logistyka Sp. z o.o., ENEA Trading Sp. z o.o., ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A., ENEA Bionergia Sp. z o.o., Miejska Energetyka Ciepła Piła Sp. z o.o. and Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Their task is to investigate all the allegations reported by Employees and issue recommendations regarding alleged incidents of mobbing, discrimination or other behavior that is unacceptable in the workplace.

In 2019, ENEA S.A. in association with ENEA Centrum Sp. z o.o. prepared an e-learning program (for Employees) and webinars (for managers) on the basics of mobbing prevention, which are mandatory for the Employees of ENEA S.A, ENEA Operator Sp. z o.o., ENEA Wytwarzanie Sp. z o.o., ENEA Centrum Sp. z o.o., ENEA Oświetlenie Sp. z o.o., ENEA Trading Sp. z o.o., ENEA Serwis Sp. z o.o., ENEA Pomiar Sp. z o.o. and ENEA Bioenergia Sp. z o.o. In that year, the Company received the “Company without mobbing” certificate issued by the Sanduro Anti-Mobbing Center. It confirms the high degree of protection provided to Employees. In 2019, ENEA Group companies held numerous training courses on the topic of ethics, which included webinars for the management staff entitled “Building a friendly working environment – prevention of mobbing and discrimination and other unacceptable conduct”. During the period, no confirmed cases of mobbing or discrimination were recorded in the Group.

12.9. Anti-corruption and anti-bribery measures – description of due diligence policies and procedures and their results

12.9.1. Preventing corruption and bribery

ENEA Group considers it a priority to prevent and eliminate all corrupt practices and prevents the occurrence of conflicts of interest. To this end, it adopts appropriate internal solutions, which ensure transparency in relations with contractors and shape its organizational culture accordingly, e.g. by providing ethical education for Employees.

Activities in this area are regulated at the Group level by the following documents:

- *ENEA Group Compliance Policy,*
- *ENEA Group Code of Ethics,*
- *Rules of Offering and Receiving Gifts in ENEA Group,*
- *ENEA Group Procurement Policy,*
- *Rules for conducting sponsorship activities in ENEA Group.*

The above regulations are implemented by the responsible organizational units within the Group companies. Also, there is the Organization and Compliance Unit operating within the ENEA S.A. Legal and Organizational Department, which monitors compliance of the companies with the law and internal regulations and, among others, prepares educational materials on the topic of preventing corruption.

All newly-recruited Employees of ENEA Group companies, as part of the orientation training, undergo compliance training, which places particular emphasis on anti-corruption issues. Moreover, training on this topic is held in the Group every three years or when the document regulating anti-corruption issues is amended or when a new one is introduced. In connection with an update of the *ENEA Group Compliance Policy* and the *Rules of Offering and Receiving Gifts in the ENEA Group*, such training was conducted in 2019. It took the form of e-learning sessions, while direct meetings were organized for Employees having no access to the ITC system (work crews). Additionally, on the International Anti-Corruption Day, which is December 9th, a new corruption prevention training was launched on the e-learning platform, which is mandatory for all Group companies.

In 2019, an amendment was also adopted for the *Rules of circulation of information on external inspections for the ENEA Group and activities performed by law enforcement agencies in ENEA Group Companies*. The amendment added provisions regulating, among others, certain matters related to activities conducted by law enforcement agencies and organizing and clarifying the responsibilities of units involved in such external inspections and activities of law enforcement agencies conducted in the ENEA Group.

12.9.2. Selected anti-corruption measures implemented by ENEA Group companies

ENEA S.A. started implementing the *Standards recommended for the compliance management system on counteracting corruption and the whistleblower protection system* adopted by the Management Board and the Supervisory Board of the Warsaw Stock Exchange. With a view to the above, the Company had to update several existing regulations, including work rules and regulations, by adding provisions on observing fair competition principles and accepted anti-corruption standards. It also introduced new regulations, such as the Contractor Review Procedure.

ENEA Bioenergia Sp. z o.o. adopted three model agreements: *On confidentiality and prohibition of unfair competition* (signed by all Employees), *On prohibition of competition during the employment relationship* and *On prohibition of competition after termination of the employment relationship* (signed by Employees whose positions entail specific risks). Before these agreements were introduced, the Company's Employees were informed about the purpose of implementing the new regulations.

ENEA Serwis Sp. z o.o., in order to implement post-audit recommendations, continued supplementary compliance training emphasizing corruption prevention, which started in 2018. It was attended by Employees designated by managers of the Company's organizational units. The company also decided to conduct additional compliance and conflict of interest training for all of its Employees, including members of work crews.

In 2019, an investigation procedure was conducted in ENEA Serwis Sp. z o.o. in the matter of two identified corruption cases. As a result of inspections and investigation, in one of the cases employment contracts with three Employees were terminated. In the other identified case, the Employees were subject to a disciplinary procedures and underwent repeated corruption prevention training. The remedial plan was effective, which was confirmed by the routine inspection processes.

Performance indicators of the implemented corruption prevention policies	2019
Number of confirmed cases of corruption in ENEA Group companies in 2019	2
Percentage of members of ENEA Group management boards who were informed of the anti-corruption policies and procedures in the organization ¹⁾	100%

¹⁾ List of companies included: ENEA S.A., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o., ENEA Elektrownia Połaniec S.A.; ENEA Ciepło Sp. z o.o.; ENEA Trading Sp. z o.o.; ENEA Bioenergia Sp. z o.o.; ENEA Centrum Sp. z o.o.; ENEA Serwis Sp. z o.o.; ENEA Oświetlenie Sp. z o.o.; ENEA Logistyka Sp. z o.o.; ENEA Operator Sp. z o.o.

12.10. List of indicators and key information included in this statement

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13. Annexes

Annex No. 1 - Statement of profit and loss of ENEA Operator Sp. z o.o. – FY 2019

[PLN 000s]	FY 2018	FY 2019	Change	% change
Revenue from sales of distribution services to end users	2,566,317	2,704,174	137,857	5.4%
Revenue from additional fees	5,604	5,522	-82	-1.5%
Revenue from non-invoiced sale of distribution services	-1,776	-6,597	-4,821	271.4%
Clearing of the Balancing Market	11,153	27,967	16,814	150.8%
Grid connection fees	54,659	68,533	13,874	25.4%
Revenue from illegal consumption of electricity	6,520	5,503	-1,017	-15.6%
Revenue from services	28,610	28,637	27	0.1%
Sales of distribution services to other entities	18,308	18,412	104	0.6%
Sales of goods and materials and other revenue	2,483	2,877	394	15.9%
Revenue from sales	2,691,878	2,855,028	163,150	6.1%
Depreciation of fixed assets and amortization of intangible assets	524,637	594,577	69,940	13.3%
Employee benefit costs	445,829	470,375	24,546	5.5%
Consumption of materials and supplies and cost of goods sold	32,031	33,700	1,669	5.2%
Purchase of energy for own needs and grid losses	235,731	320,935	85,204	36.1%
Costs of transmission services	408,374	443,650	35,276	8.6%
Other third-party services	288,068	287,286	-782	-0.3%
Taxes and charges	202,596	198,127	-4,469	-2.2%
Tax-deductible expenses	2,137,266	2,348,650	211,384	9.9%
Other operating revenue	76,333	56,017	-20,316	-26.6%
Other operating costs	39,765	64,681	24,916	62.7%
Profit / (loss) on the sale and liquidation of property, plant and equipment	14,817	13,742	-1,075	-7.3%
Operating profit / (loss)	576,363	483,972	-92,391	-16.0%
Finance income	3,019	2,754	-265	-8.8%
Finance costs	65,318	98,727	33,409	51.1%
Profit / (loss) before tax	514,064	387,999	-126,065	-24.5%
Income tax	95,548	77,895	-17,653	-18.5%
Net profit / (loss)	418,516	310,104	-108,412	-25.9%
EBITDA	1,101,000	1,078,549	-22,451	-2.0%

FY 2019

ENEA Operator Sp. z o.o. – EBITDA drivers (down by PLN 22 million):

- (+) higher revenue from sales of distribution services to end users by PLN 133 million were driven mainly by higher rates in the approved 2019 tariff
- (-) higher costs of purchasing transmission and distribution services (balance) by PLN 35 million resulted from higher rates in the approved 2019 tariff
- (-) higher costs of purchasing electricity to cover the balance-sheet difference (balance) by PLN 68 million resulted mainly from the higher average price of electricity
- (+) higher revenues from grid connection fees by PLN 14 million resulted from a larger number of RES facilities and DSO facilities
- (-) higher operating costs by PLN 21 million resulted mainly from higher employee benefit costs and lower costs of taxes and charges
- (-) lower result on other operating activities by PLN 44 million is mainly due to lower revenue from the insurer for the removal of the effects of unexpected events and a change in provisions linked to grid assets

Annex No. 2 - Statement of profit and loss of ENEA Operator Sp. z o.o. – Q4 2019

[PLN 000s]	Q4 2018	Q4 2019	Change	% change
Revenue from sales of distribution services to end users	639,202	698,105	58,903	9.2%
Revenue from additional fees	1,445	1,587	142	9.8%
Revenue from non-invoiced sale of distribution services	4,815	-1,001	-5,816	-120.8%
Clearing of the Balancing Market	9,459	13,169	3,710	39.2%
Grid connection fees	13,323	21,647	8,324	62.5%
Revenue from illegal consumption of electricity	1,705	1,403	-302	-17.7%
Revenue from services	7,146	7,630	484	6.8%
Sales of distribution services to other entities	4,673	4,877	204	4.4%
Sales of goods and materials and other revenue	985	686	-299	-30.4%
Revenue from sales	682,752	748,104	65,352	9.6%
Depreciation of fixed assets and amortization of intangible assets	137,943	157,137	19,194	13.9%
Employee benefit costs	135,183	146,908	11,725	8.7%
Consumption of materials and supplies and cost of goods sold	9,006	10,115	1,109	12.3%
Purchase of energy for own needs and grid losses	61,488	85,566	24,078	39.2%
Costs of transmission services	102,661	115,829	13,168	12.8%
Other third-party services	86,831	77,984	-8,847	-10.2%
Taxes and charges	46,180	32,493	-13,687	-29.6%
Tax-deductible expenses	579,292	626,032	46,740	8.1%
Other operating revenue	14,129	21,586	7,457	52.8%
Other operating costs	10,220	12,175	1,955	19.1%
Profit / (loss) on the sale and liquidation of property, plant and equipment	9,012	5,412	-3,600	-39.9%
Operating profit / (loss)	98,357	126,071	27,714	28.2%
Finance income	619	952	333	53.8%
Finance costs	15,632	39,441	23,809	152.3%
Profit / (loss) before tax	83,344	87,582	4,238	5.1%
Income tax	16,637	17,214	577	3.5%
Net profit / (loss)	66,707	70,368	3,661	5.5%
EBITDA	236,300	283,208	46,908	19.9%

Q4 2019

ENEA Operator Sp. z o.o. – EBITDA drivers (up by PLN 47 million):

(+) higher revenue from sales of distribution services to end users by PLN 53 million were driven mainly by higher rates in the approved 2019 tariff

(-) higher costs of purchasing transmission and distribution services (balance) by PLN 13 million resulted from higher rates in the approved 2019 tariff

(-) higher costs of purchasing electricity to cover the balance-sheet difference (balance) by PLN 20 million resulted mainly from the higher average price of electricity

(+) lower operating costs by PLN 10 million resulted mainly from lower costs of taxes and charges, third-party services and higher employee benefit costs,

(+) higher result on other operating activities by PLN 9 million resulted mainly from lower liquidation costs and higher revenue from contractual penalties and indemnities

Annex No. 3 - Statement of profit and loss of ENEA Wytwarzanie Sp. z o.o – FY 2019

[PLN 000s]	FY 2018 ¹⁾	FY 2019	Change	% change
Revenue from sales of electricity	4,117,803	4,771,349	653,546	15.9%
generation licence	3,459,949	4,484,260	1,024,311	29.6%
trading licence	657,854	287,089	-370,765	-56.4%
Revenue from certificates of origin	27,469	37,792	10,323	37.6%
Revenue from sales of CO ₂ emission allowances	26,019	0	-26,019	-100.0%
Revenue from sales of heat	2,086	948	-1,138	-54.6%
Revenue from services	9,652	9,807	155	1.6%
Sales of goods and materials and other revenue	12,101	15,405	3,304	27.3%
Excise duty	2	0	-2	-100.0%
Net revenue from sales	4,195,128	4,835,301	640,173	15.3%
Compensation	0	115	115	-
Revenue from leases and operating subleases	0	238	238	-
Revenue from sales and other income	4,195,128	4,835,654	640,526	15.3%
Depreciation of fixed assets and amortization of intangible assets	428,548	434,435	5,887	1.4%
Employee benefit costs	249,886	272,341	22,455	9.0%
Consumption of materials and supplies and cost of goods sold	1,969,225	2,790,451	821,226	41.7%
Purchase of energy for subsequent sale	1,279,785	570,591	-709,194	-55.4%
Transmission services	460	389	-71	-15.4%
Other third-party services	138,255	134,321	-3,934	-2.8%
Taxes and charges	78,821	84,274	5,453	6.9%
Tax-deductible expenses	4,144,980	4,286,802	141,822	3.4%
Other operating revenue	66,487	162,794	96,307	144.9%
Other operating costs	28,984	4,783	-24,201	-83.5%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(4,210)	837	5,047	-119.9%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	(170,734)	(10,314)	160,420	94.0%
Operating profit / (loss)	254,175	718,014	463,839	182.5%
Finance income	111,407	11,741	-99,666	-89.5%
Finance costs	146,698	172,480	25,782	17.6%
Dividend income	1,217	465	-752	-61.8%
Profit / (loss) before tax	220,101	557,740	337,639	153.4%
Income tax	17,468	84,043	66,575	381.1%
Net profit / (loss)	202,633	473,697	271,064	133.8%
EBITDA	511,989	1,142,135	630,146	123.1%

FY 2019

ENEA Wytwarzanie Sp. z o.o. – EBITDA drivers (up by PLN 630 million):

Reversal of the provision for the purchase of the Skoczylody wind farm in the amount of PLN 129.0 million

Other drivers:

Kozienice Power Plant – an increase of PLN 490.2 million:

(+) generation margin up by PLN 308.2 million

(+) trading and Balancing Market margin up by PLN 197.9 million

(+) revenues from Regulatory System Services up by PLN 5.4 million

(+) other factors PLN +2.1 million (PLN 4.9 million increase in the result on sale and liquidation of fixed assets, a PLN 1.8 million increase in the result on sales of materials, offset by PLN 4.0 million decrease in the result on other operating activities)

(-) fixed costs up by PLN 23.4 million

RES Segment – up by PLN 10.9 million:

(+) Wind Area (PLN +14.7 million): revenue from electricity sales up by PLN 11.4 million, revenue from certificates of origin up by PLN 10.2 million, result on other operating activities down by PLN 3.7 million, fixed costs up by PLN 3.1 million

(-) Water Area (PLN -3.1 million): revenue from electricity down by PLN 3.8 million, revenue from certificates of origin up by PLN 0.7 million

(-) Biogas Area (PLN -0.7 million): result on other operating activities down by PLN 0.6 million, revenue from certificates of origin down by PLN 0.4 million, result on the sale and liquidation of property, plant and equipment up by PLN 0.3 million, revenue from electricity up by PLN 0.2 million, other expenses up by PLN 0.2 million

¹⁾ Due to the separation of Elektrociepłownia Białystok from ENEA Wytwarzanie on 30 November 2018, the presentation of the 2018 data changed. In the 2018 data, Elektrociepłownia Białystok was presented separately

Annex No. 4 - Statement of profit and loss of ENEA Wytwarzanie Sp. z o.o – Q4 2019

[PLN 000s]	Q4 2018 ¹⁾	Q4 2019	Change	% change
Revenue from sales of electricity	1,048,346	1,210,320	161,974	15.5%
generation licence	851,334	1,102,324	250,990	29.5%
trading licence	197,012	107,996	-89,016	-45.2%
Revenue from certificates of origin	11,749	11,582	-167	-1.4%
Revenue from sales of heat	331	298	-33	-10.0%
Revenue from services	2,505	2,614	109	4.4%
Sales of goods and materials and other revenue	2,656	3,151	495	18.6%
Excise duty	1	0	-1	-100.0%
Net revenue from sales	1,065,586	1,227,965	162,379	15.2%
Compensation	0	115	115	-
Revenue from leases and operating subleases	0	64	64	-
Revenue from sales and other income	1,065,586	1,228,144	162,558	15.3%
Depreciation of fixed assets and amortization of intangible assets	103,799	110,424	6,625	6.4%
Employee benefit costs	66,187	84,939	18,752	28.3%
Consumption of materials and supplies and cost of goods sold	475,384	670,788	195,404	41.1%
Purchase of energy for subsequent sale	380,313	189,833	-190,480	-50.1%
Transmission services	62	53	-9	-14.5%
Other third-party services	45,228	37,115	-8,113	-17.9%
Taxes and charges	23,236	19,826	-3,410	-14.7%
Tax-deductible expenses	1,094,209	1,112,978	18,769	1.7%
Other operating revenue	45,680	136,424	90,744	198.7%
Other operating costs	14,013	1,456	-12,557	-89.6%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(1,997)	662	2,659	-133.1%
reversal of impairment loss on non-financial non-current assets	119,369	10,314	-109,055	-91.4%
Operating profit / (loss)	120,416	261,110	140,694	116.8%
Finance income	106,982	2,068	-104,914	-98.1%
Finance costs	35,680	57,484	21,804	61.1%
Profit / (loss) before tax	191,718	205,694	13,976	7.3%
Income tax	-17,300	15,023	32,323	-186.8%
Net profit / (loss)	209,018	190,671	-18,347	-8.8%
EBITDA	104,846	361,220	256,374	244.5%

Q4 2019

ENEA Wytwarzanie Sp. z o.o. – EBITDA drivers (up by PLN 256 million):

Reversal of the provision for the purchase of the Skoczylody wind farm in the amount of PLN 129.0 million

Other drivers:

Kozienice Power Plant – up by PLN 137.6 million:

(+) generation margin up by PLN 32.5 million

(+) trading and Balancing Market margin up by PLN 116.0 million

(+) revenues from Regulatory System Services up by PLN 14.9 million

(-) other factors PLN -15.4 million (mainly due to the PLN 18.5 million decrease in the result on other operating activities and a PLN 2.5 million increase in the result on sale and liquidation of fixed assets)

(-) fixed costs up by PLN 10.4 million

RES Segment – down by PLN 10.2 million:

(-) Wind Area (PLN -9.4 million): result on other operating activities down by PLN 7.2 million (indemnity for a failure in Q4 2018), revenues from electricity down by PLN 1.0 million, fixed costs up by PLN 0.8 million, revenues from certificates of origin down by PLN 0.3 million

(-) Water Area (PLN -1.1 million): revenues from electricity down by PLN 0.7 million; fixed costs up by PLN 0.4 million

(+) Biogas Area (PLN + 0.2 million): result on the sale and liquidation of property, plant and equipment up by PLN 0.3 million, result on other operating activities down by PLN 0.1 million

¹⁾ Due to the separation of Elektrociepłownia Białystok from ENEA Wytwarzanie on 30 November 2018, the presentation of the 2018 data changed: In the 2018 data, Elektrociepłownia Białystok was presented separately

Annex No. 5 - Statement of profit and loss of ENEA Elektrownia Połaniec – FY 2019

[PLN 000s]	FY 2018	FY 2019	Change	% change
Revenue from sales of electricity	2,315,583	2,473,660	158,077	6.8%
Revenue from sales of heat	55,684	55,465	-219	-0.4%
Revenue from sales of other products and services	5,143	5,404	261	5.1%
Revenue from sales of goods and materials	3,269	1,929	-1,340	-41.0%
Revenue from certificates of origin	174,567	227,119	52,552	30.1%
Revenue from sales of CO ₂ emission allowances	1,607	21,780	20,173	1255.3%
Excise duty	218	52	-166	-76.1%
Net revenue from sales	2,555,635	2,785,305	229,670	9.0%
Depreciation of fixed assets and amortization of intangible assets	57,068	59,651	2,583	4.5%
Employee benefit costs	61,096	80,750	19,654	32.2%
Consumption of materials and supplies and cost of goods sold	1,542,235	1,750,538	208,303	13.5%
Purchase of energy for subsequent sale	490,995	333,849	-157,146	-32.0%
Transmission services	0	338	338	-
Other third-party services	206,038	233,871	27,833	13.5%
Taxes and charges	39,167	35,596	-3,571	-9.1%
Tax-deductible expenses	2,396,599	2,494,593	97,994	4.1%
Other operating revenue	25,595	8,925	-16,670	-65.1%
Loss on the sale and liquidation of property, plant and equipment	609	0	-609	-100.0%
Other operating costs	1,573	2,038	465	29.6%
Operating profit / (loss)	182,449	297,599	115,150	63.1%
Finance income	2,499	2,920	421	16.8%
Finance costs	22,171	7,529	-14,642	-66.0%
Dividend income	215	2,077	1,862	866.0%
Profit / (loss) before tax	162,992	295,067	132,075	81.0%
Income tax	16,936	56,527	39,591	233.8%
Net profit / (loss)	146,056	238,540	92,484	63.3%
EBITDA	239,517	357,250	117,733	49.2%

FY 2019

ENEA Elektrownia Połaniec – EBITDA drivers (up by PLN 118 million):

System Power Plants Segment (EBITDA up by PLN 76 million)

- (+) generation margin up by PLN 47.7 million
- (+) trading and Balancing Market margin up by PLN 59.9 million
- (+) revenue from sales of Regulatory System Services up by PLN 16.6 million
- (-) fixed costs up by PLN 50.8 million
- (+) adjustment of forward contracts to purchase CO₂ for purchase price allocation purposes PLN +2.9 million

RES Segment (EBITDA up by PLN 53 million):

- (+) RES energy production margin up by PLN 70.5 million
- (-) Green Block's margin on sale/remasurement of green certificate inventories down by PLN 1.1 million
- (-) fixed costs up by PLN 16.3 million

Heat Segment (EBITDA down by PLN 12 million):

- (-) margin on heat down by PLN 10.1 million due to: higher CO₂ costs PLN -8.5 million and higher costs of coal PLN -2.3 million
- (-) fixed costs up by PLN 1.5 million

Annex No. 6 - Statement of profit and loss of ENEA Elektrownia Połaniec – Q4 2019

[PLN 000s]	Q4 2018	Q4 2019	Change	% change
Revenue from sales of electricity	583,489	598,991	15,502	2.7%
Revenue from sales of heat	14,563	13,737	-826	-5.7%
Revenue from sales of other products and services	1,347	1,365	18	1.3%
Revenue from sales of goods and materials	937	1,585	648	69.2%
Revenue from certificates of origin	64,005	68,481	4,476	7.0%
Revenue from sales of CO ₂ emission allowances	1,607	0	-1,607	-100.0%
Excise duty	61	14	-47	-77.0%
Net revenue from sales	665,887	684,145	18,258	2.7%
Depreciation of fixed assets and amortization of intangible assets	15,150	15,216	66	0.4%
Employee benefit costs	16,501	24,955	8,454	51.2%
Consumption of materials and supplies and cost of goods sold	421,020	415,624	-5,396	-1.3%
Purchase of energy for subsequent sale	129,234	110,633	-18,601	-14.4%
Transmission services	0	90	90	-
Other third-party services	53,612	61,740	8,128	15.2%
Taxes and charges	9,138	8,435	-703	-7.7%
Tax-deductible expenses	644,655	636,693	-7,962	-1.2%
Other operating revenue	24,263	2,780	-21,483	-88.5%
Loss on the sale and liquidation of property, plant and equipment	609	0	-609	-100.0%
Other operating costs	971	743	-228	-23.5%
Operating profit / (loss)	43,915	49,489	5,574	12.7%
Finance income	523	508	-15	-2.9%
Finance costs	-14,378	6,335	20,713	-144.1%
Profit / (loss) before tax	58,816	43,662	-15,154	-25.8%
Income tax	-3,176	8,213	11,389	-358.6%
Net profit / (loss)	61,992	35,449	-26,543	-42.8%
EBITDA	59,065	64,705	5,640	9.5%

Q4 2019

ENEA Elektrownia Połaniec – EBITDA drivers (up by PLN 6 million):

System Power Plants Segment (EBITDA down by PLN 7 million):

- (-) generation margin down by PLN 8.0 million
- (+) trading and Balancing Market margin up by PLN 31.0 million
- (-) revenue from sales of Regulatory System Services down by PLN 3.3 million
- (-) fixed costs up by PLN 35.8 million
- (+) adjustment of forward contracts to purchase CO₂ for purchase price allocation purposes PLN +9.5 million

RES Segment (EBITDA up by PLN 16 million):

- (+) RES energy production margin up by PLN 18.7 million
- (-) fixed costs up by PLN 3.1 million

Heat Segment (EBITDA down by PLN 3 million)

- (-) margin on heat down by PLN -2.5 million due to: higher CO₂ costs PLN -1.9 million and higher costs of coal PLN -0.9 million
- (-) fixed costs up by PLN -0.8 million

Annex No. 7 - Statement of profit and loss of LW Bogdanka Group – FY 2019 (data from the LW Bogdanka consolidation package)

[PLN 000s]	FY 2018	FY 2019	Change	% change
Net revenue from sales	1,756,673	2,157,858	401,185	22.8%
Depreciation of fixed assets and amortization of intangible assets	364,272	352,984	-11,288	-3.1%
Employee benefit costs	577,003	647,766	70,763	12.3%
Consumption of materials and supplies and cost of goods sold	342,201	338,424	-3,777	-1.1%
Other third-party services	331,150	333,417	2,267	0.7%
Taxes and charges	43,474	46,261	2,787	6.4%
Tax-deductible expenses	1,658,100	1,718,852	60,752	3.7%
Other operating revenue	38,675	28,045	-10,630	-27.5%
Other operating costs	5,920	3,004	-2,916	-49.3%
Profit / (loss) on the sale and liquidation of property, plant and equipment	-25,880	-46,104	-20,224	-78.1%
Reversal of impairment loss on non-financial non-current assets	0	250	250	-
Operating profit / (loss)	105,448	418,193	312,745	296.6%
Finance income	15,554	15,709	155	1.0%
Finance costs	12,661	12,355	-306	-2.4%
Profit / (loss) before tax	108,341	421,547	313,206	289.1%
Income tax	19,374	78,081	58,707	303.0%
Net profit / (loss)	88,967	343,466	254,499	286.1%
EBITDA	469,720	770,927	301,207	64.1%

FY 2019

LW Bogdanka Group – EBITDA drivers (up by PLN 301 million):

(+) higher revenue from sales of coal: higher sales by volume (+416 thousand tons; 4.7%) and higher price
 (+) lower mining output (- 153 thousand tons, -1.0%) – lower production costs
 (-) higher average headcount in the Mine, introduction of an Employee Pension Scheme and an additional medical package
 (-) higher mining fee in connection with higher production of commercial coal
 (-) higher rates for services provided by external companies and a change in the scope of work contracted from external companies
 (-) in 2019, a decrease in inventories¹⁾ by PLN 15.3 million (increase in costs), as compared to a decrease in inventories by PLN 7.7 million (increase in costs) in 2018

Significant one-off events:

- in 2018 - payments under the settlement signed by LWB with the consortium of Mostostal Warszawa SA and Acciona Infraestructuras (PLN +28.7 million) and payments under the settlement with Wonam (PLN +2.5 million);
 - in 2019 reversal of the provision for claims under the dispute with ZUS (PLN +16.4 million)
 - Higher the amount of liquidated property, plant and equipment – mainly the net value of decommissioned excavations (last meters)

¹⁾ impact on presented costs = technical coal production cost allocated according to the current structure * change of coal inventory volume in the analyzed period

Annex No. 8 - Statement of profit and loss of LW Bogdanka Group – Q4 2019 (data from the LW Bogdanka consolidation package)

[PLN 000s]	Q4 2018	Q4 2019	Change	% change
Net revenue from sales	421,033	531,747	110,714	26.3%
Depreciation of fixed assets and amortization of intangible assets	89,425	92,201	2,776	3.1%
Employee benefit costs	151,811	176,085	24,274	16.0%
Consumption of materials and supplies and cost of goods sold	88,674	89,182	508	0.6%
Other third-party services	92,719	88,325	-4,394	-4.7%
Taxes and charges	8,223	7,668	-555	-6.7%
Tax-deductible expenses	430,852	453,461	22,609	5.2%
Other operating revenue	5,021	5,737	716	14.3%
Other operating costs	3,351	944	-2,407	-71.8%
Loss on the sale and liquidation of property, plant and equipment	11,405	16,481	5,076	44.5%
Reversal of impairment loss on non-financial non-current assets	0	250	250	-
Operating profit / (loss)	(19,554)	66,848	86,402	441.9%
Finance income	2,941	4,172	1,231	41.9%
Finance costs	302	3,656	3,354	1110.6%
Profit / (loss) before tax	(16,915)	67,364	84,279	498.3%
Income tax	-3,634	13,415	17,049	469.2%
Net profit / (loss)	(13,281)	53,949	67,230	506.2%
EBITDA	69,871	158,799	88,928	127.3%

Q4 2019

LW Bogdanka Group – EBITDA drivers (up by PLN 89 million):

(+) higher revenue from sales of coal: higher sales by volume (+143 thousand tons; 6.6%) and higher price (by more than 15%)

(-) higher mining output (+188 thous. tons, 5.2%) – increase in production costs

(-) an increase in average headcount in the Mine, introduction of an Employee Pension Scheme and an additional medical package

(+) higher mining fee in connection with higher production of commercial coal and lower property tax

(+) an increase in rates for services provided by external companies and smaller part of work contracted from external companies

(+) in Q4 2019, a decrease in inventories* by PLN 4.9 million (increase in costs), as compared to a decrease in inventories by PLN 5.8 million (increase in costs) in Q4 2018

Significant one-off events:

- an increase in the amount of liquidated property, plant and equipment – mainly the net value of decommissioned excavations (last meters)

* impact on presented costs = technical coal production cost allocated according to the current structure * change of coal inventory volume in the analyzed period

14. Glossary of terms and abbreviations

Below are the formulas for financial ratios and the list of industry terms and abbreviations used in this document.

Ratio		Formula
EBITDA	=	Operating profit/ (loss) + depreciation and amortisation + impairment losses on non-financial fixed assets
Return on equity (ROE)	=	$\frac{\text{Net profit/ (loss) for the reporting period}}{\text{Equity}}$
Return on assets (ROA)	=	$\frac{\text{Net profit/ (loss) for the reporting period}}{\text{Total assets}}$
Net profitability	=	$\frac{\text{Net profit/ (loss) for the reporting period}}{\text{Sales revenue and other income}}$
Operating profitability	=	$\frac{\text{Operating profit/ (loss)}}{\text{Sales revenue and other income}}$
EBITDA profitability	=	$\frac{\text{EBITDA}}{\text{Sales revenue and other income}}$
Current liquidity ratio	=	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$
Coverage of non-current assets with equity	=	$\frac{\text{Equity}}{\text{Non-current assets}}$
Total debt ratio	=	$\frac{\text{Total liabilities}}{\text{Total assets}}$
Net debt / EBITDA	=	$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{LTM EBITDA}}$
Current receivables turnover in days	=	$\frac{\text{Average trade and other receivables x number of days}}{\text{Sales revenue and other income}}$
Trade and other liabilities turnover in days	=	$\frac{\text{Average trade and other receivables x number of days}}{\text{Cost of products, goods and materials sold}}$
Inventory turnover in days	=	$\frac{\text{Average inventory x number of days}}{\text{Cost of products, goods and materials sold}}$
Cost of products, goods and materials sold	=	Consumption of materials and raw materials and value of goods sold; Purchase of energy for sale purposes; Transmission services; Other third party services, taxes and levies, excise tax

Financial ratios	Item
Net debt	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 measured at fair value - non-current and current debt financial assets measured at amortized cost
EBITDA LTM	EBITDA for the last 12 months
EBIT	Operating profit (loss)
Operating expenses	Depreciation and amortization; Employee benefit costs Consumption of materials and supplies and cost of goods sold; Purchase of energy and gas for resale; Transmission services; Other third-party services; Taxes and charges
External financing	Sum of the following Statement of cash flows items: Loans and borrowings received, Issue of bonds, Repayment of loans and borrowings, Redemption of bonds
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 Sp. z o.o.
Margin on heat	Margin on the 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 the 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: <ul style="list-style-type: none"> – 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 ENEA Operator Sp. z o.o. holds a concession granted by the President of the Energy Regulatory Office until 1 July 2030.
Green Block's margin on sale/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.
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 Sp. z o.o. 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, partial measurement of CO ₂ emission allowances posted in operating activities. However, it should be noted that the measurement of CO ₂ in terms of realized and posted exchange differences is presented in financial activities and affects the financial result in that part.
Result on other operating activities	Change in the following items: other operating income, other operating expenses, profit/loss on a change, sale and liquidation of property, plant and equipment
Change in working capital	An item from the statement of cash flows

Abbreviation/term	Full name/definition
AA1000	International standard of corporate social responsibility, which incorporates social and ethical issues in strategic governance of the organization and its activities.
ACER	Agency for the Cooperation of Energy Regulators
AMI, Advanced Metering Infrastructure	Smart meters
Balancing market	Technical market operated by TSOs. Its objective is to ensure real-time balancing of demand for electricity and its production in the National Power System (NPS)
Baseload price (BASE)	Contract price for delivery of the same volume of electricity in each hour of the day
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
Blockchain	A decentralized platform with a dispersed network infrastructure used to account for transactions, payments or accounting entries. Advantages of this technology include, among others, safety, which is ensured by the application of cryptographic algorithms, resilience to failures and transparency of transactions, while maintaining anonymity of users. The list of possible applications includes, among others, cryptocurrencies, the Internet of Things, exchange transactions without intermediaries and institutions, land and mortgage registers without notaries and mortgage courts, electricity trading between prosumers and buyers without intermediaries, accounting ledgers
Capacity auction	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
CAPEX	Capital expenditures
CDS	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).
CER	Certified Emission Reduction – the unit of certified emission reduction
CO	Carbon monoxide
CO ₂	Carbon dioxide
Cogeneration	A technological process of simultaneous generation of electricity and usable thermal energy in a CHP plant
Compliance	Assurance of compliance of the organization's activities with the applicable law and internal regulations
COR	The price for the operating reserve
CSR	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: <ul style="list-style-type: none"> – 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.
DSO	Distribution System Operator
DSOn	Distribution System Operator, whose distribution network has no direct connection with the TSO's transmission network
EFET	European Federation of Energy Traders
Employee Council	Employee representation body established by the Act of 7 April 2006 on Informing Employees and Consultations with Them (Journal of Laws 2006 No. 79 Item 550). Employee Council should be established in employers who conduct business activity and have at least 50 employees. This obligation does not apply among others to employers subject to the provisions of the Act who had signed, by 24 May 2006, an agreement with employee representatives ensuring the degree of information and consultation at least equal to the conditions required by the act.
Employer branding	Activities undertaken by a company to build its image as an attractive employer
Energy Law	Act of 10 April 1997 - Energy Law (Journal of Laws 2019 Item 755)
Energy Law Act	The Energy Law Act of 10 April 1997

Abbreviation/term	Full name/definition
ENTSO-e	European Network of Transmission System Operators for Electricity
ERO	Energy Regulatory Office
EU DSO	the Proposal for a Regulation on the internal market for electricity assumes establishment of the European DSO organization, EU DSO, modeled on ENTSO, which is an existing organization of transmission system operators of great importance for the cross-border energy market.
EU ETS	European Union Emissions Trading System. A European scheme to promote the reduction of greenhouse gas emissions
EU ETS European Emission Trading System	A European scheme to promote the reduction of greenhouse gas emissions
EUA	EU Emission Allowance - emission allowance under the European Emission Trading System
Euro-peak price (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)
FDIR	Fault Detection, Isolation, Restoration, a system enabling automatic detection of faults, isolation of the damage site and restoration of power supply
FGD	Flue gas desulfurization and heavy metal reduction installation
FIP Tariff	The FIP System is intended for producers of electricity from renewable sources in RES plants with total installed electric capacity of no less than 0.5 MW up to 1 MW, who are or will be selling unused electricity to a selected entity other than the obliged offtaker
Forward market	Electricity market where forward products are quoted
GPZ	Main Supply Point
GWh	Gigawatt hour
HCl	Hydrogen chloride
HF	Hydrogen fluoride
Hg	Mercury
HR	Human resources
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
ICE	Intercontinental Exchange - Platform for trading CO ₂ EU Emission Allowances (EUAs) and Certified Emission Reduction units (CERs) on the futures market
ICT	Information and Communication Technologies
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.
Internal Collective Bargaining Agreement	An agreement between an employer and trade unions, which defines, among others, duties of the employer towards employees and guaranteed employee rights
Internet of Things	A concept according to which various items, such as household appliances, lighting and heating products, may directly or indirectly collect, process or exchange data via a power installation or a computer network. The purpose of this concept is to create smart cities, transport, products, buildings, power supply systems, health systems or daily life systems
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
JGWa	Active scheduled generation unit
LFC System	A system ensuring automatic load and frequency control
LV	Low voltage grid supplying individual users with 50 Hz alternating current at 230 V phase voltage
Mg	Megagram, or a ton
Mobbing	Bullying, persistent harassment and intimidation, psychological violence against a subordinate or co-worker in the workplace
MultiSport Card	A subscription service enabling the use of various types of sports facilities participating in the program
MV	Medium voltage grid, in which the phase-to-phase voltage ranges from 1 kV to 60 kV

Abbreviation/term	Full name/definition
MWe	Megawatt of electrical power
MWh	Megawatthour (1 GWh = 1,000 MWh)
MWt	Megawatt of thermal power
National 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
NH3	Ammonia
Nm3	Normalized cubic meter of gas, i.e. the number of cubic meters that the gas would occupy in normal conditions
NOx	Nitrogen oxides
OSH	Occupational health and safety
PKPZ	Employee Loan and Benefit Fund
PMOZE	Property rights to certificates of origin for energy from renewable energy sources
PMOZE - BIO	Property rights under certificates of origin of electricity from agricultural biogas plants
“Blue” property rights	Commonly used name of PMEF, PMEF_F, PMEF-XXXX instruments
“Green” property rights	Commonly used name of PMOZE instruments
“White” property rights	Commonly used name of PMOZE-BIO instruments
POR	Generating capacity of JGWa constituting the operating reserve
PPE	Polish Power Exchange
PSCMI 1	Reflects the price level of class 20-23/1 thermal coal powder in sales to commercial and industrial energy sector
RAB	Regulatory Asset Base
RAB AMI	Regulatory Asset Base for AMI projects
RES	Renewable Energy Sources
RS	Switching substation
SAIDI	System Average Interruption Duration Index - indicator of the average system duration of a long and very long break (expressed in minutes per Customer)
SAIFI	System Average Interruption Frequency Index - indicator of the average system frequency of long interruptions in energy supply (expressed in the number of breaks per Customer)
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
Scope 3	Other indirect CO ₂ emissions created in the company’s entire value chain, e.g. in the production of raw materials, semi-finished products, management of waste, transportation of raw materials and products, business trips of Employees or the use of products by final users
SCoTA	Standard Coal Trading Agreement
SCR installation	Catalytic flue gas denitrification installation

Abbreviation/term	Full name/definition
SE	Transformer station
Selective catalytic reduction (SCR)	An installation for catalytic denitrification of exhaust gases. 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
SO ₂	Sulfur dioxide
Social labor inspection	Social service provided by Employees to ensure that the company ensures safe and healthy working conditions and to protect employee rights specified in labor law. Social labor inspectors cooperate with the National Labor Inspectorate and other authorities overseeing and inspecting working conditions. The principal scope of their activity is defined in the Social Labor Inspection Act of 24 June 1983 (Journal of Laws 2015, Item 567)
SPOT market	Cash (spot) market
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
Supply chain	A sequence of actions or parties supplying products or services to an organization
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
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
TSO	Transmission System Operator
TWh	Terawatt hour
Wastewater hydrocyclones	Devices serving the purpose of reducing the volume of suspended gypsum particles reaching the FGD wastewater treatment plant and therefore reducing the volume of sediment/sludge discharged from the treatment plant

Signatures of the Management Board members

Approval and publication date of the Report of the Management Board on the operations of ENEA Group in FY 2019: **4 June 2020**

Signatures:

President of the Management Board and CEO

Mirosław Kowalik

Vice-President of the Management Board for Financial Affairs

Jarosław Ołowski

Vice-President of the Management Board for Commercial Affairs

Piotr Adamczak

Vice-President of the Management Board for Corporate Affairs

Zbigniew Piętka



ENEA S.A.

ul. Górecka 1

60-201 Poznań

gielda@enea.pl