



# Management Board Report on the Activity of ENEA Group in H1 2020

Poznań,

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# ENEA Group in numbers



ENEA has 17.2 thousand employees

## MINING

**20.6%**  
share in the steam coal  
market in Poland

**445 million tons**  
of mining potential in  
3 mining concession areas

**3.7 million tons**  
of net coal production  
in H1 2020

## GENERATION

**6.3 GW**  
of total installed capacity

**443 MW**  
of installed RES capacity

**10.4 TWh**  
of total net energy produced  
in H1 2020

## DISTRIBUTION

**2.6 million**  
users of distribution services

**118.4 thousand km**  
of distribution lines,  
including connections

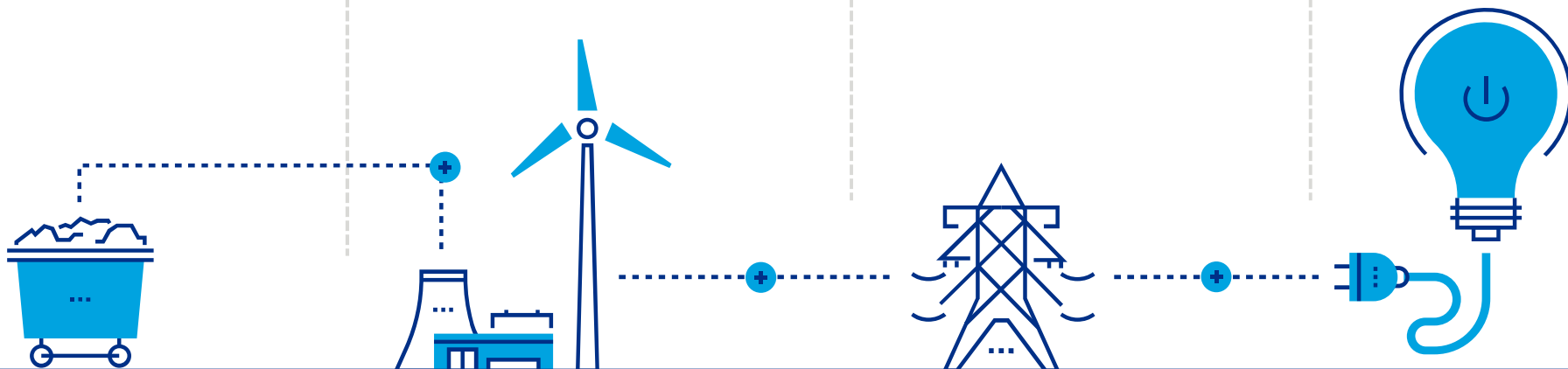
**9.5 TWh**  
of electricity supplied

## TRADING

**2.5 million**  
Customers

**10.5 TWh**  
of electricity and gaseous  
fuel sold to retail customers  
in H1 2020

**32**  
Customer Service Offices



# 1. Highlights

## First quarter

- 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 Kozienice Power Plant to the GAZ-SYSTEM transmission network. The agreement will open the process of designing a gas connection for the Kozienice 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 Company became aware of:
  - 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 to suspend the performance of the railway contract with the suspension coming into effect on 14 February 2020,
  - 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 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 possible need to recognize an impairment loss on the Company's holding in PGG.
- 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.
- 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. 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 March 2020, the Fitch Ratings agency issued a press release, in which it affirmed the Company's long-term foreign- and local-currency issuer default ratings at 'BBB' with stable outlook.
- On 19 March 2020, the Extraordinary General Meeting of the Company adopted resolutions, by the power of which Ms. Izabela Felczak-Poturnicka and Mr. Mariusz Fistek were appointed to the Supervisory Board of ENEA S.A. of the 10th term, effective on the same date (where Ms. Izabela Felczak-Poturnicka was at the same time appointed Chairwoman of the Company's Supervisory Board).
- On 31 March 2020, a decision was made to recognize impairments on the carrying amount of assets in the Generation Area, Renewable Energy Sources Area, the Biogas CGU and in the Heat Area; on the same date, a decision was made to recognize an impairment loss on PGG shares.

## Second quarter

- On 19 May 2020, the Company 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 Company 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 appoint and dismiss a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. According to the said statements, the Minister of State Assets, in exercise of the powers conferred on him, dismissed, effective as of 27 May 2020, Mr. Bartosz Nieścior from the Company's Supervisory Board and, at the same time, appointed Mr. Paweł Szczeszek to the Company's Supervisory Board.
- On 2 June 2020, the Company accepted the final report on analyses conducted in cooperation with Energa S.A. (Energa) regarding technical, technological, economic, organizational and legal aspects and potential continuation of funding for the project involving the construction of a new coal-fired unit in the form of the planned Ostrołęka C power plant in Ostrołęka with a capacity of approx. 1,000 MW (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 bituminous 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 Company's Management Board 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, a trilateral agreement was also signed between the Company, Energa and PKN ORLEN, whereby the following key principles of cooperation in the Gas-Fired Project were defined.
- On 3 June 2020, the Company signed a letter of intent (Letter of Intent) with Iberdrola Eólica Marina S.A. (Iberdrola) regarding the Company's potential investment in offshore wind farm projects to be developed in the Polish exclusive economic zone of the Baltic Sea. In connection with the signing of the Letter of Intent, the parties will enter into exclusive negotiations aimed at assessing the feasibility of execution of a joint capital expenditure project by the Company and Iberdrola in the said wind farm projects with a total capacity of up to approx. 3.3 GW and their shared preparation, construction and operation.
- On 4 June 2020 Mr. Mirosław Kowalik tendered his resignation from the position of President of the ENEA S.A. Management Board and from membership in the Company's Management Board effective as of 5 June 2020. On the same date, the Company's Supervisory Board adopted a resolution to second, starting 6 June 2020, Mr. Paweł Szczeszek, Supervisory Board Member, to temporarily perform the duties of the President of the ENEA S.A. Management Board until the appointment of a new President of the Company's Management Board, but no longer than for a period of three months from the date of his secondment.
- On 30 June 2020, the Company's Supervisory Board adopted a resolution to appoint Mr. Paweł Szczeszek to the position of President of the ENEA S.A. Management Board for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018. The resolution came into effect on the date of its adoption. Upon his appointment to the position of President of the Management Board, Mr. Paweł Szczeszek's mandate of a Member of the Company's Supervisory Board expired.

### **Events after the reporting period**

- On 8 July 2020, the Company received information that, on the same date, the Court of Appeal in Poznań announced a judgment, in which the Court of Appeal dismissed the Company's appeal against a Regional Court judgment declaring the annulment of Resolution No. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 to express a directional consent to proceed with the Construction Stage under the Ostrołęka C project. As a result, as of 8 July 2020, the judgment of the Regional Court in Poznań declaring annulment of the Resolution became final.
- On 22 July 2020, Mr. Zbigniew Piętka tendered his resignation from the function of ENEA S.A. Management Board Member for Corporate Matters, effective as of 24 July 2020.
- On 23 July 2020, Mr. Piotr Adamczak tendered his resignation from the function of ENEA S.A. Management Board Member for Commercial Matters, effective as of 10 August 2020.
- On 7 August 2020, the Company's Supervisory Board adopted resolutions in the matter of: appointing Mr. Tomasz Szczegieliński to the position of the ENEA S.A. Management Board Member for Corporate Matters, effective as of the resolution adoption date and appointing Mr. Tomasz Siwak to the position of ENEA S.A. Management Board Member for Commercial Matters effective as of 17 August 2020.
- On 11 August 2020, the Company reported on its intention to include non-recurring operations of an accounting nature in the financial statements for H1 2020. These events will affect the consolidated financial statements of the ENEA Group by reducing the its pre-tax profit by approx. PLN 879 million and net profit for the reporting period by approx. PLN 779 million.

# 1.1 Operating summary of H1 2020

In H1 2020, the ENEA Group generated EBITDA of approx. PLN 1,822 million (up by PLN 208 million y/y).



The highest EBITDA of PLN 872 million was earned in the Generation area (up by PLN 142 million y/y). A significant increase in EBITDA, by approx. PLN 114 million y/y, was recorded in the Must-Run Power Plant segment due to an increase in the trading and Balancing Market margin (higher unit margins, increase in volume), with a simultaneous decrease in the generation margin (lower unit CDS due to the increase in coal costs with transport and CO<sub>2</sub> costs, partly covered by higher energy prices).



The Mining area generated EBITDA of PLN 214 million (down by PLN 220 million y/y). The segment's lower result was attributable mainly to a decrease in revenue from sales of coal (lower sales volume at a higher price) in connection with the unfavorable oversupply of coal in the market.



The Distribution area posted EBITDA of about 681 million (up by PLN 166 million y/y). The higher result was driven by higher margins on licensed activities (affected by, among others, a higher rate of the fixed grid charge in the approved 2020 tariff) and a higher result on other operating activities (driven mainly by changes in the provisions for grid assets).



The Trading area posted EBITDA of 40 million (up by PLN 58 million y/y). The segment's result was favorably affected by the increase in the average sales price of energy and the updated valuation of CO<sub>2</sub> contracts. At the same time, the energy purchase prices increased (mainly due to the increase in the price of CO<sub>2</sub> emission allowances) and so did the costs of environmental obligations.

- The ENEA Group made capital expenditures of over **PLN 1,163 million**.
- Production and sales of commercial coal stood at about **4 million tons**.
- The Group produced over **10 TWh** of electricity.
- Sales of heat in the Generation Segment reached **3,180 TJ**.
- Sales of distribution services to end users were over **9 TWh**.
- The volume of sales of electricity and gaseous fuel to retail customers was **10.5 TWh**.



- Higher revenue from sales of electricity
- Higher revenue from sales of distribution services
- Higher revenue from sales of gas
- Higher result on other operating activities
- Lower costs of third-party services



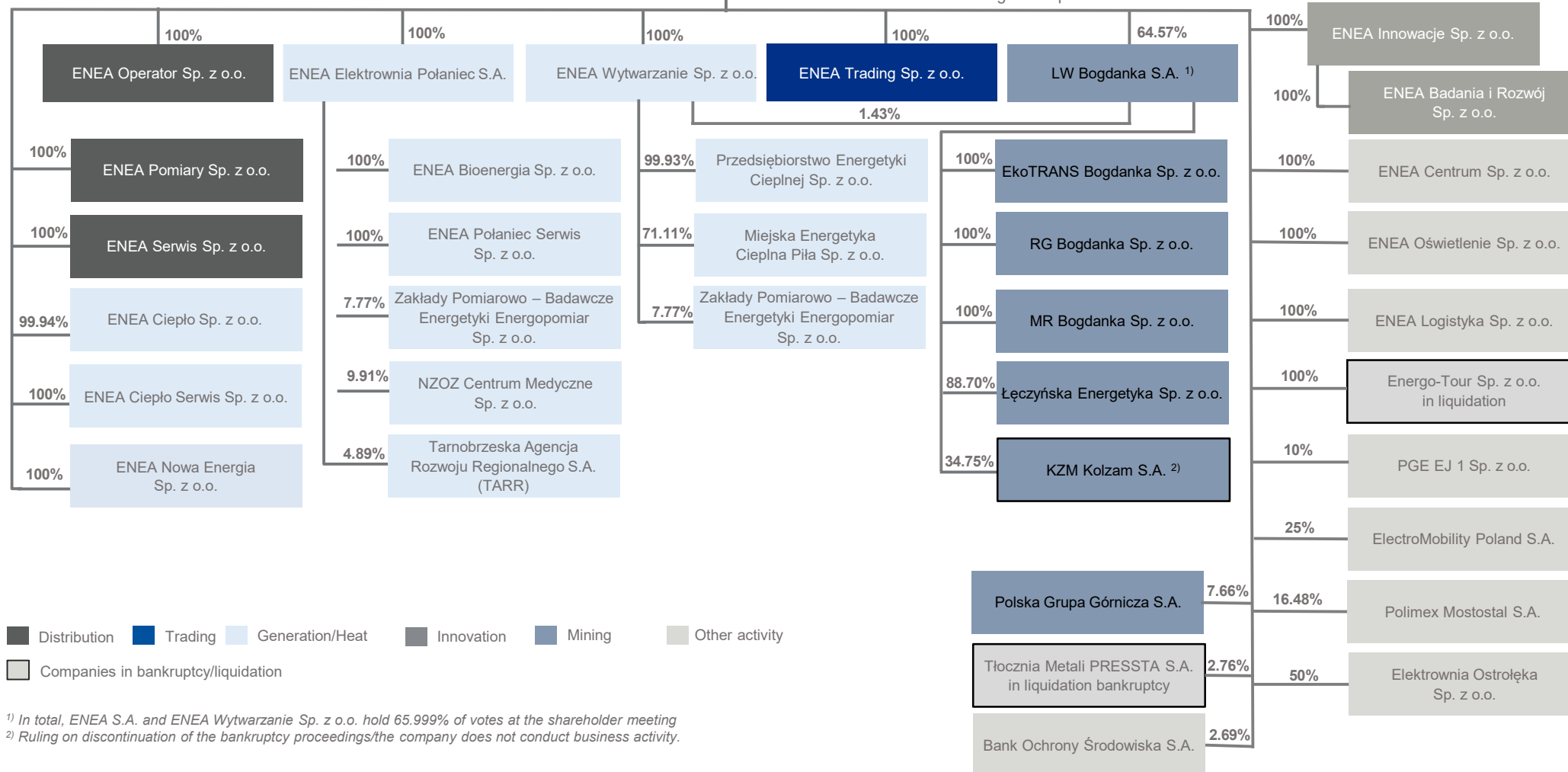
- Higher costs of purchase of electricity and gas
- Higher employee benefit costs
- Higher costs of transmission services
- Drop in revenue from sales of coal
- Higher costs of consumption of materials and supplies

## 2. Organization and activity of the ENEA Group

### 2.1. Structure of the ENEA Group

#### ENE A S.A.

% of votes at the shareholder meeting in companies



<sup>1)</sup> In total, ENE A S.A. and ENE A Wytwarzanie Sp. z o.o. hold 65.999% of votes at the shareholder meeting

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

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

## 2.2. Changes in the ENEA Group's Structure

### 2.2.1. Asset restructuring

Following key organizational changes in previous years, in H1 2020 the ENEA Group, apart from initiatives associated with the planned changes, did not carry out any major activities in the field of asset restructuring.

### 2.2.2. Capital disinvestments

In H1 2020, no significant capital divestment activities were carried out.

### 2.2.3. Changes in the Group's organization

In H1 2020, the ENEA Group continued its endeavors aimed at pursuing the Group's Corporate Strategy.

### 2.2.4. Capital investments

A detailed description of processes related to capital investments is included in the condensed financial statements for H1 2020.

#### Events during the reporting period

- On 24 February 2020, Annacond Enterprises Sp. z o.o. was deleted from the National Court Register. The decision to strike the Company from the register became final on 12 March 2020.
- On 26 August 2020, the Draft Terms of Division were filed with the District Court Lublin-Wschód in Lublin, for ENEA Wytwarzanie Sp. z o.o. with its registered office in Świerże Górne (Company Being Divided) and ENEA Nowa Energia Sp. z o.o. with its registered office in Radom (Acquiring Company) as part of the reorganization of the Renewable Energy Segment in the ENEA Group. The planned division will be carried out following the procedure under Article 521 par. 1 item 4 of the Commercial Company Code, i.e. by spinning off the RES Segment from ENEA Wytwarzanie Sp. z o.o. to ENEA Nowa Energia Sp. z o.o.





### 2.3. ENEA Group's business areas



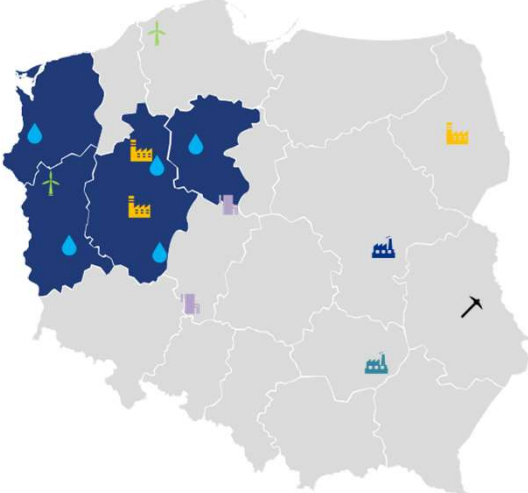
#### Distribution

- Electricity supply
- Planning and ensuring expansion of the distribution network, including by connecting new customers
- Operation, maintenance and repairs of the distribution grid
- Management of metering data



#### Generation

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



#### Wholesale trading

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



#### Mining

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



#### Retail trading

- Retail trading in electricity and gaseous fuel
- Product and service offering adjusted to customers' needs
- Comprehensive customer service

## 2.3.1. Mining

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

Item	H1 2019	H1 2020	Change	Q2 2019	Q2 2020	Change
Net production [000s of tons]	4,825	3,697	-23.4%	2,293	1,631	-28.9%
Sales of coal [000s of tons]	4,770	3,522	-26.2%	2,405	1,604	-33.3%
Inventories (at period-end) [000s of tons]	144	354	145.8%	144	354	145.8%
Excavation works [km]	14.2	13.1	-7.7%	6.4	6.5	1.6%

## 2.3.2 Generation

### 2.3.2.1 Generation assets of the ENEA Group

Item	Installed electricity generation capacity [MW <sub>e</sub> ]	Achieved electricity generation capacity [MW <sub>e</sub> ]	Installed heat generation capacity [MW <sub>t</sub> ]	Installed capacity in RES [MW <sub>e</sub> ]
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 wind farms (Lubno I and Lubno II)	71.6	70.1	0.0	71.6
Liszkowo and Gorzesław biogas plants	3.8	3.8	3.1	3.8
Hydro power 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 CHP Plant, "Zachód" Heat Plant)	203.5	156.6	684.1	78.5
<b>Total [gross]</b>	<b>6,256.5</b>	<b>6,198.3</b>	<b>1,105.3</b>	<b>442.7</b>

### 2.3.2.2. Data for ENEA Wytwarzanie

Item	H1 2019	H1 2020	Change	Q2 2019	Q2 2020	Change
<b>Total electricity generation (net) [GWh], of which:</b>	8,170	7,007	-14.2%	4,296	3,456	-19.6%
Net generation from conventional sources [GWh], including:	7,997	6,823	-14.7%	4,226	3,385	-19.9%
<i>ENEA Wytwarzanie</i>	7,963	6,787	-14.8%	4,211	3,366	-20.1%
<i>MEC Piła</i>	34	36	5.9%	15	19	26.7%
Generation from renewable energy sources [GWh], including:	173	184	6.4%	70	71	1.4%
<i>ENEA Wytwarzanie – RES Segment (hydro power plants)</i>	73	76	4.1%	31	32	3.2%
<i>ENEA Wytwarzanie – RES Segment (wind farms)</i>	98	103	5.1%	38	36	-5.3%
<i>ENEA Wytwarzanie – RES Segment (biogas plants)</i>	2	5	150.0%	1	3	200.0%
<b>Gross heat production [TJ]</b>	<b>636</b>	<b>578</b>	<b>-9.1%</b>	<b>157</b>	<b>164</b>	<b>4.5%</b>

Unit 11 in the Kozienice Power Plant	H1 2019	H1 2020	Change	Q2 2019	Q2 2020	Change
Net electricity production [GWh]	2,982	2,142	-28.2%	1,427	1,146	-19.7%
Average monthly net load [MW]	793.8	684.4	-13.8%	797.7	691.4	-13.3%

### 2.3.2.3. Data for ENEA Elektrownia Połaniec

Item	H1 2019	H1 2020	Change	Q2 2019	Q2 2020	Change
<b>Total electricity generation (net) [GWh], of which:</b>	4,327	3,226	-25%	2,232	1,469	-34%
<i>ENEA Elektrownia Połaniec – net generation from conventional sources</i>	3,551	2,222	-37%	1,844	992	-46%
<i>ENEA Elektrownia Połaniec – generation from renewable energy sources (firing of biomass – Green Unit)</i>	638	779	22%	284	387	36%
<i>ENEA Elektrownia Połaniec – generation from renewable energy sources (cofiring of biomass)</i>	138	226	63%	104	90	-13%
<b>Gross heat production [TJ]</b>	<b>1,244</b>	<b>898</b>	<b>-28%</b>	<b>593</b>	<b>468</b>	<b>-21%</b>

### 2.3.2.4. Data for ENEA Ciepło

Item	H1 2019	H1 2020	Change	Q2 2019	Q2 2020	Change
<b>Total electricity generation (net) [GWh], of which:</b>	188	193	2.66%	50	71	42.00%
<i>Net generation from conventional sources [GWh], excluding from firing of biomass</i>	130	73	-43.85	19	4	-78.95%
<i>Net generation from renewable energy sources [GWh] – firing of biomass [GWh]</i>	58	120	106.90	31	67	116.13%
<b>Gross heat production [TJ] (in combination with the “Zachód” Heat Plant)</b>	2,140	2,029	-5.2%	574	611	6.4%

### 2.3.2.5 CO<sub>2</sub> emissions

	Kozienice – Power Plant [t]	Allocation of free-of-charge CO <sub>2</sub> emission allowance [t]	Costs of allowances [PLN]
H1 2019	7,054,738	584,694 <sup>1)</sup>	408,871,284.32 <sup>1)</sup>
H1 2020	6,035,713	26,532 <sup>1)</sup>	635,327,558.58 <sup>1)</sup>
	MEC Piła	Allocation of free-of-charge CO <sub>2</sub> emission allowance	Costs of allowances [PLN]
H1 2019	45,511	8,833	3,549,600.28
H1 2020	44,859	6,945	3,825,757.39
	Białystok – CHP plant	Allocation of free-of-charge CO <sub>2</sub> emission allowance	Costs of allowances [PLN]
H1 2019	205,073	87,180 <sup>2)</sup>	12,547,205.40 <sup>5)</sup>
H1 2020	122,178	70,157 <sup>3)</sup>	5,175,598.31
	Białystok – “Zachód” Heat Plant	Allocation of free-of-charge CO <sub>2</sub> emission allowance	Costs of allowances [PLN]
H1 2019	8,909	682 <sup>2)</sup>	1,019,916.14 <sup>5)</sup>
H1 2020	7,314 <sup>4)</sup>	668 <sup>3)</sup>	751,754.00
	Połaniec – Power Plant	Allocation of free-of-charge CO <sub>2</sub> emission allowance	Costs of allowances [PLN]
H1 2019	3,510,803	126,099	213,593,848.58
H1 2020	2,224,541	1,241,357	195,910,444.40
<b>Total H1 2019</b>	<b>10,825,034</b>	<b>807,488</b>	<b>639,581,854.72</b>
<b>Total H1 2020</b>	<b>8,434,605</b>	<b>1,345,659</b>	<b>840,991,112.68</b>

<sup>1)</sup> Accounting treatment

<sup>2)</sup> Non-recurring allocation of free-of-charge allowances for 2019

<sup>3)</sup> Non-recurring allocation of free-of-charge allowances for 2020

<sup>4)</sup> Volume of emissions for which the provision is calculated

<sup>5)</sup> Change of revenues from the data presentation statistics from the balance sheet to the accounting approach

### 2.3.2.6. Fuel supply

The basic fuel fired by ENEA Wytwarzanie – Koźienice Power Plant to generate electricity was pulverized steam coal. The basic fuels fired by ENEA Elektrownia Połaniec S.A. and ENEA Ciepło Sp. z o.o. (Białystok CHP Plant) in H1 2020 were: steam coal and biomass – mainly in the form of steam wood chips, steam willow and poplar wood chips, residues from agricultural production and the agricultural processing industry.

	 Koźienice Power Plant	 ENEA Elektrownia Połaniec	 ENEA Ciepło
Major coal suppliers in H1 2020	LW Bogdanka (approx.90%) PGG (approx.9%)	LW Bogdanka (approx.56%) PGG (approx.37%)	LW Bogdanka (approx.83%), PGG (approx.17%)

Type of fuel	ENEA Wytwarzanie and subsidiaries – Koźienice Power Plant, RES, MEC and PEC				ENEA Elektrownia Połaniec				ENEA Ciepło – Białystok CHP Plant, “Zachód” Heat Plant			
	H1 2019		H1 2020		H1 2019		H1 2020		H1 2019		H1 2020	
	Quantity [thousand tons]	Cost <sup>1)</sup> [PLN million]	Quantity [thousand tons]	Cost <sup>1)</sup> [PLN million]	Quantity [thousand tons]	Cost <sup>1)</sup> [PLN million]	Quantity [thousand tons]	Cost <sup>1)</sup> [PLN million]	Quantity [thousand tons]	Cost <sup>1)</sup> [PLN million]	Quantity [thousand tons]	Cost <sup>1)</sup> [PLN million]
Bituminous coal	3,577	927	2,800	723	1,979	488	708	191	97	31	56	18
Biomass	-	-	-	-	743	213	779	224	129	28	208	45
(Heavy) fuel oil <sup>2)</sup>	4	7	4	5	3	6	2	4	-	-	-	-
(Light) fuel oil <sup>3)</sup>	3	8	4	9	0.4	1.3	0.2	0.5	0,23	0.7	0.18	0.41
Gas [thous. m <sup>3</sup> ] <sup>4)</sup>	8,731	13	9,184	11	-	-	-	-	427	0.55	2,538 <sup>5)</sup>	2.14
<b>Total</b>	-	<b>955</b>	-	<b>748</b>	<b>2,725</b>	<b>708</b>	<b>1,489</b>	<b>420</b>	-	<b>60</b>	-	<b>66</b>

<sup>1)</sup> with transport

<sup>2)</sup> Light up fuel in the Koźienice Power Plant, units 1-10

<sup>3)</sup> Light up fuel in the Koźienice Power Plant, unit 11

<sup>4)</sup> Used for generation of electricity and heat in MEC Piła and heat in PEC Oborniki

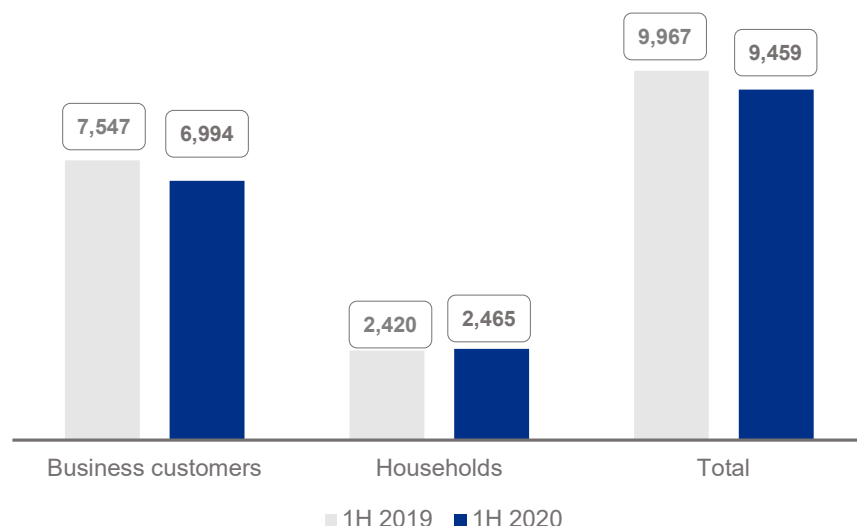
<sup>5)</sup> Used for generation of heat in the “Zachód” Heat Plant; gas volume unit: thousand Nm<sup>3</sup>

### 2.3.2.7. Transport of coal

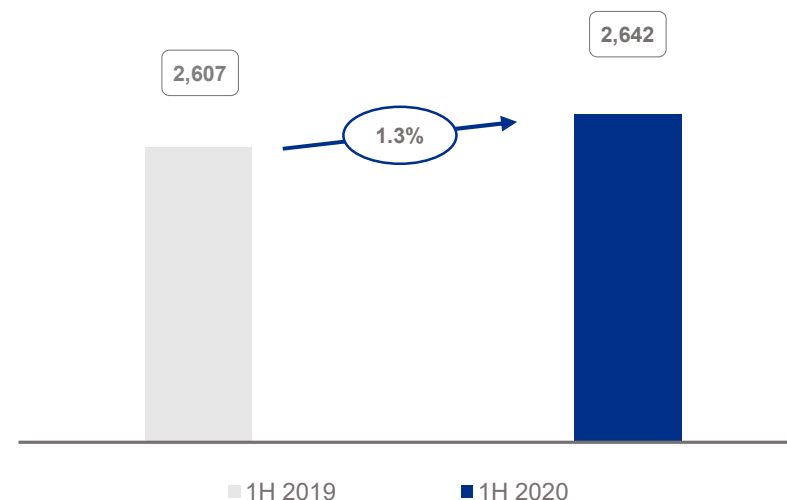
	 Koźienice Power Plant	 ENEA Elektrownia Połaniec	 ENEA Ciepło
Main service provider in H1 2020	PKP Cargo S.A. (99%)	Kolprem Sp. z o.o.(42%) PKP Cargo S.A. (36%)	LW Bogdanka (83%)

### 2.3.3. Distribution

Sales of distribution services [GWh]



Number of customers (in thousands)



105.53 – Length of lines [thousand km]

12.86 – Length of connections [thousand km]

38.27 – Number of substations [thousands]

940.87 – Number of connections [thousands]

The decrease in the length of connections compared to the previous year resulted from data verification carried out as part of grid passporting.

Connected RES sources (including micro-installations) in the operating area of ENEA Operator Sp. z o.o.

	Number of connected RES sources, including microinstallations, cumulative	Number of connected microinstallations, based on the submitted reports and requests, cumulative	Total connected RES capacity, including microinstallations, cumulative [MW]	Total capacity of connected microinstallations, based on the submitted reports and requests, cumulative [MW]
2016	2,758	2,408	1,237	15.5
2017	4,573	4,213	1,269	28.4
2018	7,216	6,816	1,329	48.1
2019	19,500	19,008	1,497	134.1
H1 2020	34,166	33,598	1,778	239.5

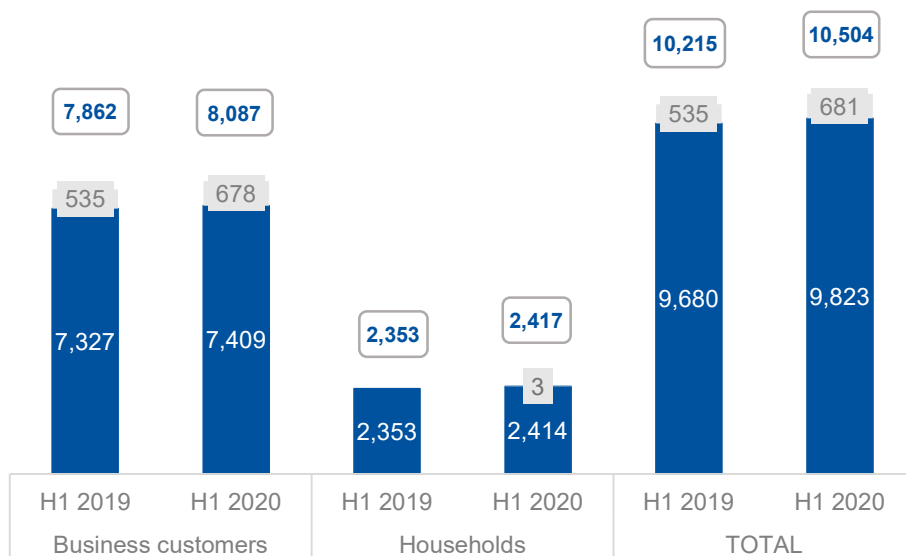
## 2.3.4. Trading

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

In H1 2020, compared to the corresponding period of 2019, the total sales volume increased by 289 GWh, or more than 2.8%. This increase was driven by sales of electricity in the business customer segment (by 82 GWh, i.e. 1.1%) and in the household segment (by 61 GWh, i.e. 2.6%). The sales volume of gaseous fuel also increased compared to the corresponding period of the previous year (by 146 GWh, i.e. 27.3%).

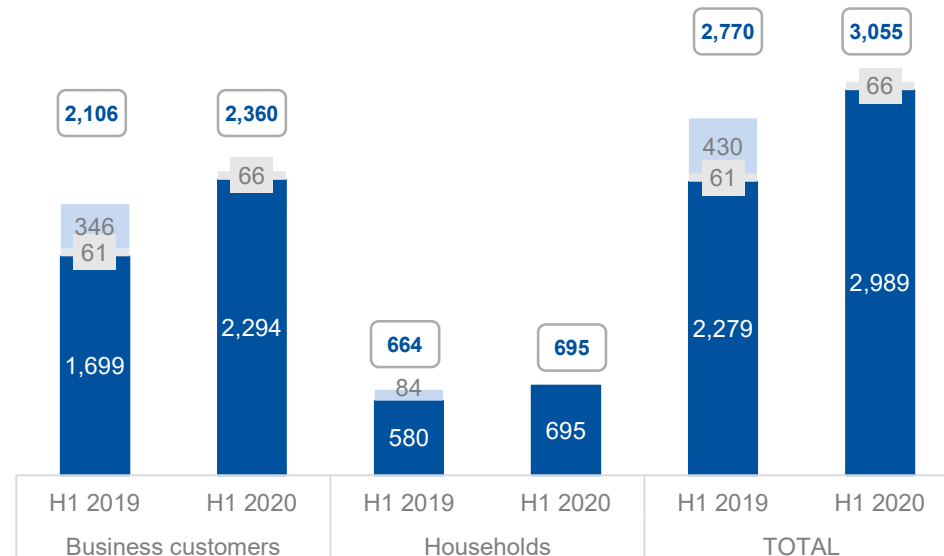
Total revenue from sales in H1 2020 increased compared to H1 2019<sup>1)</sup> by PLN 285 million, i.e. 10,3%. The increase in revenue was recorded in both sales of electricity and gaseous fuel.

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



■ Electricity ■ Gas □ Total electricity and gas

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



■ Electricity ■ Gas ■ Compensation □ Total electricity and gas

<sup>1)</sup> Revenue from sales of electricity in H1 2019 include application by the Company of prices and rates at the levels as prescribed by the Act of 28 December 2018 amending the excise duty act and certain other acts and identify revenue resulting from settlements from the Settlements Authority on account of the price difference amount for H1 2019 (so-called compensation).

## 2.4. Growth strategy

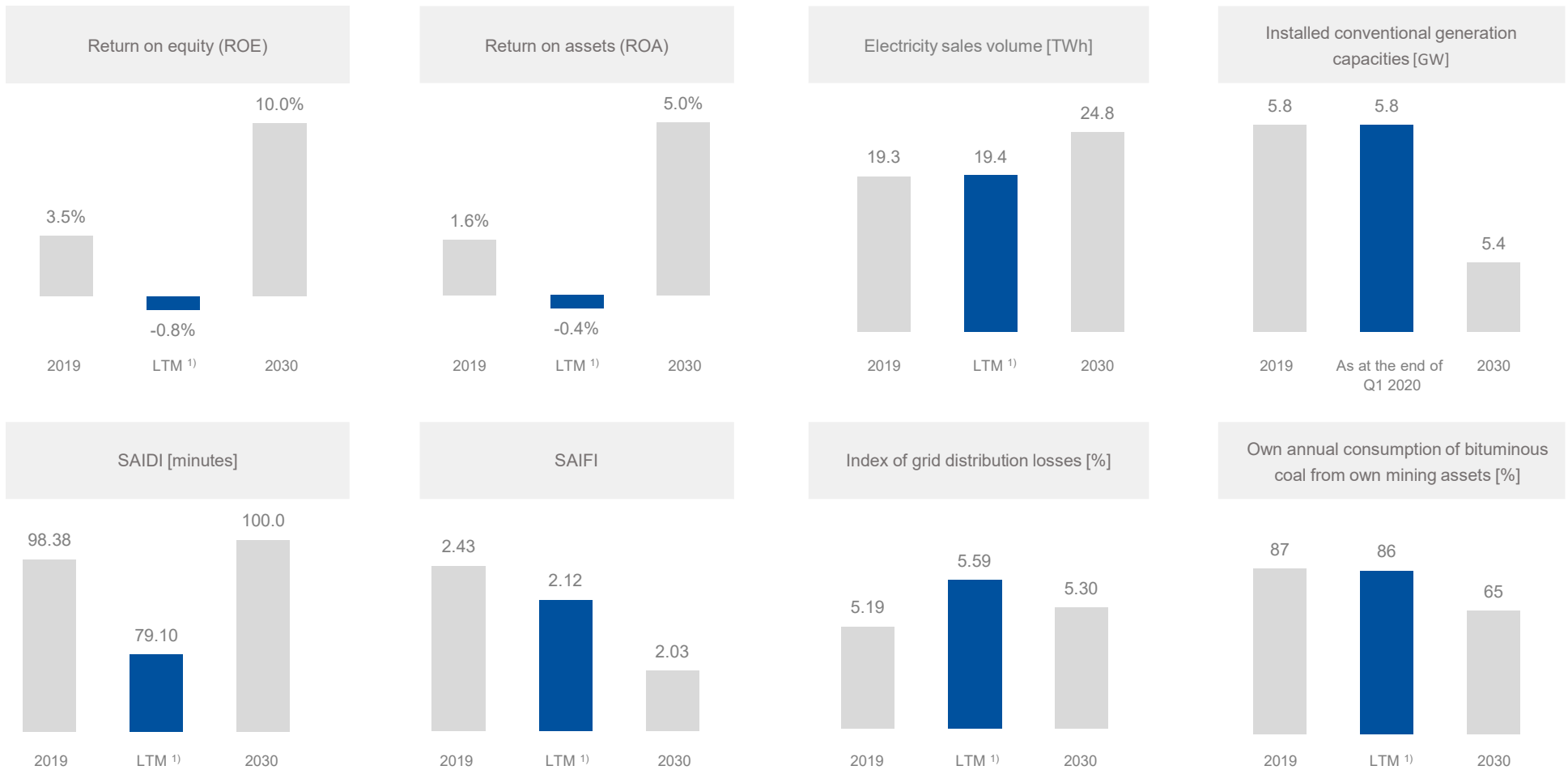
### MISSION:

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 quality, comprehensive approach and reliability

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



<sup>1)</sup> LTM covering the period H2 2019 – 1H 2020



## 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; | 6) Automation, robotization and digitization of processes;                              |
| 2) Innovative services for ENEA's customers;                                   | 7) Internet of Things, artificial intelligence, blockchain;                             |
| 3) Contemporary communication with customers and modern cooperation models;    | 8) Energy storage;  |
| 4) Electromobility, hydrogen technologies;                                     | 9) Sourcing of fuels in accordance with best practices and respect for the environment. |
| 5) Smart Grid – smart solutions for customers;                                 |   |

**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.

Diversification of the ENEA Group's generation portfolio;

- 1) Reliability and continuity of electricity supply;
- 2) Responsible partner in sustainable management of relations with local communities, the environment and Customers;
- 3) Ensuring financial security of the ENEA Group;
- 4) 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".



**-30%**

reduction of unit CO<sub>2</sub> emissions



**More than 4x**

increase in the share of RES in electricity production



**43%**

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

## Environment and key stakeholder expectations



**Value creation**



**Competitive advantages**



**Climate protection**



**Green energy**



**Financial stability**



**Energy security**

## 2.5. Actions and investments pursued

### 2.5.1. Capital expenditures

Capital expenditures [PLN million]	Q2 2019	Q2 2020	Actuals Q2 2020 / Plan Q2 2020	H1 2019	H1 2020	Actuals H1 2020 / Plan H1 2020	Plan 2020
Mining	87.0	133.2	91.7%	167.0	399.5	96.6%	654.2
Generation	122.2	138.9	58.5%	210.9	254.8	65.3%	751.6
Distribution	259.5	314.3	144.6%	456.5	487.5	105.6%	1,181.1
Support and other	17.1	12.9	30.6%	214.6	21.4	22.4%	180.8
<b>Total plan performance</b>	<b>485.8</b>	<b>599.3</b>	<b>93.3%</b>	<b>1,049.0</b>	<b>1,163.2</b>	<b>85.5%</b>	<b>2,767.7</b>

### Investments related to environment protection

Item	Actuals Q2 2020 [PLN million]	Actuals H1 2020 [PLN million]
Connections of commercial wind farms (Enea Operator)	78.2	78.3
Adaptation to BAT conclusions (Połaniec)	28.4	62.0
SCR development for units 9 and 10 (Kozienice)	25.9	26.7
Adaptation to BAT conclusions (Kozienice)	2.7	12.7
Other	7.0	13.7
<b>Total investments related to environmental protection</b>	<b>142.2</b>	<b>193.4</b>



## 2.5.2. Execution of other projects

Area	Event
Distribution area	<p>ENEA Operator:</p> <ol style="list-style-type: none"> <li>1) taps into the available support programs and is very active in obtaining grants under both regional and national programs. The Company implements in total more than 35 investment and research projects covered by co-financing agreements.</li> <li>2) continues the existing projects and starts new investments in the core operations area, associated with the expansion and modernization of the power distribution grid at all voltage levels; the projects contribute to the pursuit of the following objectives: fulfilling the public-legal obligation, ensuring energy security in the North-Western Poland, improving reliability and quality of electricity supply (grid automation, change of the MV grid structure from overhead to cable, implementation of “smart grid” solutions),</li> <li>3) performs research, development and innovation activities which support the efficiency of the Distribution Area and respond to the challenges related to the new role of a DSO in the new electricity market model. Those include among others the following projects:             <ol style="list-style-type: none"> <li>a) Innovative system services of energy warehouses increasing the quality and efficiency of electricity use;</li> <li>b) System of power and energy balancing and monitoring the quality of electricity supply of dispersed energy sources and storage facilities;</li> <li>c) Flexible system of improving competence of technical service employees using virtual reality techniques;</li> <li>d) Pilot project of building a MV cable line using a no-dig (plowing) method, carried out as a result of implementing mechanisms that enable development or testing of innovative solutions in actual conditions in cooperation with external entities;</li> <li>e) Increasing the potential of the ENEA Operator Sp. z o.o.’s power grid to accept energy from renewable sources by building and upgrading 110/15 kV substations and automating lines and substations by applying remote control and automatic protection of electric power systems</li> <li>f) Cooperation with the National Center for Research and Development, other utility companies and Poczta Polska under the “e-VAN” program to develop an innovative, emission-free delivery vehicle with a maximum total weight of up to 3.5 tons, intended for the performance of a DSO’s key tasks.</li> <li>g) Cooperation with other utility companies, Polska Grupa Zbrojeniowa and AUTOSAN in a project aimed at designing a special/functional vehicle to be used for a DSO’s day-to-day operations.</li> </ol> </li> <li>4. continues the development of IT tools supporting grid management, including:             <ul style="list-style-type: none"> <li>– Implementation of a FDIR module on a larger scale in the SCADA system to enable automatic detection of failures, isolation of the damage location and resumption of supplies to unaffected areas of the grid.</li> <li>– Pending implementation of the SCADA system at low voltage, which will enable the management of the LV network in respect of LV lines, MV/LV stations as well as distributed generation and renewable energy connected to the LV distribution network.</li> </ul> </li> <li>5. performs statutory obligations in the field of electromobility, which include building publicly available electric car charging stations in Poznań, Szczecin, Bydgoszcz, Zielona Góra and Gorzów Wielkopolski,</li> <li>6. implements the project entitled “Development of the concept of Enea Operator’s new role in the new electricity market model”, aimed at preparing the Company for operation in the conditions of the new energy market model, including in particular the dynamic increase in the number and capacity of connected renewable energy sources, including microinstallations, emergence of two-way energy flows, emergence of new players on the energy market, such as clusters, energy cooperatives, prosumers.</li> <li>7. cooperation with the following scientific and research units: West Pomeranian University of Technology in Szczecin, Poznań University of Technology, University of Zielona Góra, Institute of Power Engineering in Warsaw, Institute of Energy, Gdańsk branch, AGH University of Science and Technology in Kraków, Institute of Logistics and Warehousing in Poznań, Maritime University of Szczecin, University of Technology Warszawska, University of Technology and Life Sciences in Bydgoszcz, University of Economics in Poznań</li> </ol>

Area	Event
Retail area	<ul style="list-style-type: none"> <li>• Of key significance were the following issues related to the regulated tariff for Tariff Group G customers for 2020: <ul style="list-style-type: none"> <li>a) on 14 January 2020, the tariff approved by the President of the Energy Regulatory Office for the first quarter of the year was put into effect,</li> <li>b) as a result, the tariff application for Q2-Q4 of this year was submitted and on 8 July 2020 the ERO President issued a decision refusing to approve the Tariff. The Company filed an appeal against the ERO President's decision.</li> </ul> </li> <li>• It launched a new product called "ENEA Optima" for business customers looking to effectively monitor and optimize their electricity consumption, and the "ENERGA+ Trend" product based on the quotations on the Polish Power Exchange (PPE) offering the Customers the possibility to decide freely about the moment of purchasing electricity at the prices reflecting the current situation on the energy market.</li> <li>• Continuing improvement of the Enea Smart product in terms of cooperation with property developers.</li> <li>• Continuation of activities related to the settlement of the "Price Freeze Act": <ul style="list-style-type: none"> <li>a) Submission of a request to the Settlements Authority for the payments constituting compensation for using the statutory pricing mechanisms for 2019 for the month of December 2019. ENEA has received the requested amounts.</li> <li>b) Commencement of work on the preparation of data and algorithms necessary to prepare and submit to the Settlements Authority a request for an 'annual correction', i.e. a correction of requests submitted for 2019 (mainly in connection with obtaining actual readout data for 2019 from the DSO).</li> </ul> </li> </ul>
Customer Service area	<ul style="list-style-type: none"> <li>• Continuation of work on introducing automation processes in the customer service area through, e.g., robotic process automation (RPA) that will translate into timely achievement of key indicators within the implemented processes,</li> <li>• Launch of the eCustomer Program, the purpose of which is to implement new technical and organizational solutions, increasing the level of digitalization of Customer contacts, develop modern and low-cost channels for reaching and servicing Customers and to develop modern service and sales channels.</li> <li>• Shortening of the contract signing process, by: <ul style="list-style-type: none"> <li>a) restoring, for consumers, the Customer's written statement on accepting an offer as part of Simple Customer Service,</li> <li>b) activating prosumer contracts without having to wait for a return of contracts signed by a Customer and decentralization of processes.</li> </ul> </li> <li>• Extension of the scope of business that a Customer may handle through remote contact channels: <ul style="list-style-type: none"> <li>a) enabling the execution/termination of the contract based on the image of documents and a qualified electronic signature</li> <li>b) updating contact data by the Customer during a phone call with a consultant on the 611 111 111 hotline (without the need for written confirmation)</li> </ul> </li> <li>• Actions taken to ensure continuity and improve service during the period of pandemic: <ul style="list-style-type: none"> <li>a) simplifying the process of changing the seller by accepting scanned notices of termination and sending letters to all sellers with a request to accept scanned declarations notices of termination.</li> <li>b) active promotion of accounts in the Electronic Customer Service Office (eBOK) and e-invoices that provide an online access to up-to-date information and invoices along with the option to submit applications, requests and complaints without leaving home,</li> <li>c) working out with Bank Pekao S.A. and PKO BP the option of electronic authorization of newly received consents to debit the account, rather than authorization in the paper form,</li> <li>d) in the debt collection area, suspending electricity supply shutdowns to customers in households under the G tariff who have overdue liabilities toward the Company, in accordance with the guidelines of the Anti-Crisis Shield Act,</li> </ul> </li> </ul>
Wholesale area	<ul style="list-style-type: none"> <li>• Project entitled "Creation of a logistical support system for biomass deliveries through seaports to ENEA Elektrownia Połaniec Spółka Akcyjna".</li> <li>• Project entitled "Main capacity auction 2024 and secondary market", whose main goal is to prepare the ENEA Group's assets for general certification and to develop and implement the strategy for participating in the main capacity auction for 2024, additional auctions for 2021 and operations on the secondary market.</li> </ul>

Area	Event
Generation	<p>ENEA Wytwarzanie</p> <ul style="list-style-type: none"> <li>• Installation of a catalytic flue gas denitrification system and modernization of electrostatic precipitators for AP-1650 boilers in units 9 and 10 under the 2 x 500 MW Units Modernization Program – continuation from 2018. Unit 9 with a replaced electrostatic precipitator of Unit 9 has been in operation since 30 June 2019. The Adjustment Run started on 5 February 2020 and on 6 March 2019, the Parties signed a report on completion of the Adjustment Run for the SCR installation of Unit 9 without the DRiM II Station. Built-in SCR Installation of Unit 10 with the modernized electrostatic precipitator of Unit 10 – in operation. The project was commissioned for operation on 30 June 2020. The final acceptance remains to be performed after the delivery of spare parts, as-built documentation and after the Buyer performs Warranty Measurements. Built-in SCR installation of Unit 9 with a replaced electrostatic precipitator – in operation. It was commissioned for operation on 30 June 2020; the final acceptance remains to be performed after the delivery of spare parts, as-built documentation and after the Buyer performs Warranty Measurements. On 30 June 2020, the Parties to the Agreement signed a Settlement Agreement and Annex 6 to the Agreement. It is currently estimated that the Subject Matter of the Agreement will be completed by 30 June 2021 and the project will end on 30 September 2021.</li> <li>• Modernization of Unit 9 as part of the modernization program for 2 x 500 MW units – after the modernization, the unit was started up on 27 June 2019 and commissioned for operation on 11 September 2019.</li> <li>• Modernization of Unit 7 – the unit after modernization was started up on 15 April 2019; commissioned for operation on 4 July 2019.</li> <li>• Modernization of Unit 2 – after the modernization, the unit was started up on 31 July 2019 as scheduled.</li> <li>• Adaptation of the Must-Run Power Plants Segment in ENEA Wytwarzanie Sp. z o.o. to the BAT conclusions:</li> </ul> <ol style="list-style-type: none"> <li>1. Modernization of electrostatic precipitators in Units 1, 2, 4, 5 and 7 <ol style="list-style-type: none"> <li>a) Electrostatic precipitator of Unit 4 – according to plans, Unit 4 was to be started up on 23 May 2020; because of the need to perform additional work on the Unit 4 turbine set, the start up of Unit 4 was moved to 1 August 2020. On 30 June 2020, Annex 1 was signed with the Contractor, i.e. TELECHEM Sp. z o.o., which changed the agreement performance date. As at today, all the works on the electrostatic precipitator in Unit 4 have been completed and the electrostatic precipitator in Unit 4 has been commissioned after modernization and synchronized with the network on August 2, 2020.</li> <li>b) Electrostatic precipitator of Unit 5 – in connection with the stoppage of Unit 5 being delayed from the period of 20 April 2020-18 July 2020 to 3 August 2020-31 October 2020, on 13 July 2020 Annex 1 was signed with the Contractor, i.e. GE Power sp. z o.o., which changed the agreement performance dates.</li> <li>c) Electrostatic precipitator of Unit 1 – the work has been completed. The final acceptance was carried out on 11 May 2020.</li> <li>d) Electrostatic precipitator of Unit 2 – the work been completed. The final acceptance was carried out on 24 September 2019.</li> <li>e) Electrostatic precipitator of Unit 7 – the work has been completed. The final acceptance was carried out on 15 May 2019.</li> </ol> </li> <li>2. Installation of a system for partial removal of heavy metals from flue-gas desulphurization (FGD) wastewater – the quality of wastewater from each FGD was completed, the results of the tests were analyzed and any potential exceedances of BAT guidelines were determined. The electrical part of the works was accepted and measurements were performed confirming the fulfillment of the guaranteed parameters. Annex 1 was signed, which changed the end date of the Agreement of 30 December 2019 to 15 December 2020 and transferred some of the payments because of the unscheduled stoppages of FGD installation and guarantees for the FGD V installation (Unit 11) and Annex 2 changing the completion dates of individual milestones, changing payments in financial years and increasing the budget under the agreement by PLN 20 thousand, while the overall project amount was not changed. The performance of the Agreement with Energopomiar for “Automation of operation of the FGD wastewater treatment system in the 500 MW Unit no. 10 in terms of complying with the restrictions under BAT conclusions” was completed. Approval was obtained from the Management Board of the Kozienice Power Plant to launch a public outright purchase procedure for “Automation and optimization of FGD wastewater treatment systems for FGD I, II and IV in respect to removal of heavy metals and other substances and elements from wastewater to comply with the stricter requirements of BAT Conclusions and the pending Integrated Permit”. An outright purchase tender procedure was carried out under the Public Procurement Law for “Automation and optimization of FGD wastewater treatment systems for FGD I, II and IV in respect to removal of heavy metals and other substances and elements from wastewater to comply with the stricter requirements of BAT Conclusions and the pending Integrated Permit”.</li> <li>3. Modernization of the FGD I flue-gas desulphurization installation – The modernization of the facility was completed in April 2020. After the QAL2 calibration measurements and guarantee measurements were performed, certain concerns arose as to the reliability of the presented measurement results and the modernization work itself. Some measurements must be performed again in order to verify whether the modernization was carried out properly. Because of the failure of Unit 9, repeated measurements under the guarantee could not have been completed.</li> <li>4. EW’s formal and legal adjustment to the requirements of the BAT conclusions – on 11 July 2019, an agreement was signed terminating the contract with EKO-NET, thereby ending the first stage of the project. An agreement was entered into with Energopomiar Gliwice to perform the tests necessary to fulfill the BAT9 requirements. The offers to carry out measurements of PK23, 26, 28 and 13 have already been collected.</li> <li>5. Continuous monitoring of NH3, HCl, HF and Hg levels on the smoke stack. Continuation of work under the 2019 contract. A system for continuous monitoring of NH3, HCl, HF and Hg levels on smoke stack K6 has been installed on the FGD IV installation. Calibration measurements have been performed on the E5B10 emitter in the period from 29 June to 2 July 2020.</li> </ol>

Area	Event
Generation	<p>ENEA Elektrownia Połaniec:</p> <ul style="list-style-type: none"> <li>• Modernization of Unit 5 - the "Phoenix" project on Unit 5.</li> <li>• EEP's adaptation to the BAT conclusions</li> </ul>
Generation	<p>ENEA Ciepło:</p> <ul style="list-style-type: none"> <li>• Restoration of the TZ3 turbine set: the works related to the replacement of the TZ3 turbine set have been completed.</li> <li>• Upgrade of the Experion PKS system (a DCS-class system controlling the power units and auxiliary systems): The work on Unit 2 continued.</li> <li>• Restoration of the TZ4 fan cooler: the works related to the replacement of the TZ4 fan cooler have been completed.</li> <li>• Modernization of the electronic precipitator for boiler K8: The works related to the modernization of the electrostatic precipitator in boiler K8. On 4 March 2020, the facility was transferred to the Company's assets (following favorable warranty measurements) The works included: <ul style="list-style-type: none"> <li>– Dismantling of the existing electrostatic precipitator,</li> <li>– Repair of the existing electrostatic precipitator support structure,</li> <li>– Delivery and assembly of elements of the electrostatic precipitator,</li> <li>– Comprehensive construction and assembly work on modernization of the electrostatic precipitator,</li> <li>– Start-up, adjustment run and test run of the electrostatic precipitator.</li> </ul> </li> </ul>
Mining	<p>Development investments:</p> <ul style="list-style-type: none"> <li>• Ostrów Field – design work</li> <li>• Purchase of finished goods, machinery and equipment</li> </ul> <p>Operating investments:</p> <ul style="list-style-type: none"> <li>• New mining pits and modernization of existing ones – 13.1 km of roadways were made in H1 2020</li> <li>• A shearer system was purchased and installed</li> </ul>

## 2.5.3. Executed contracts

### 2.5.3.1. Agreements of material importance to ENEA Group's operations

In H1 2020, the Group companies executed no agreements of material importance, however the following agreements were signed in this period:

- Annex to Multi-Year Steam Coal Purchase Agreement between ENEA Wytwarzanie Sp. z o.o. and Jastrzębska Spółka Węglowa. The Annex introduced to the Agreement an excise declaration on the intended use of coal products for 2020.
- Annex 7 to the Agreement between ENEA Wytwarzanie Sp. z o.o. and Jastrzębska Spółka Węglowa S.A. (JSW). The annex introduces the purchase of 92,000 tons of steam coal from KWK Knurów-Szczygłowice, which will be stored by JSW. The Annex extends the term of the agreement until 30 September 2020.
- Annex to the Annual Agreement constituting an addendum to the Agreement between Lubelski Węgiel Bogdanka S.A. and ENEA Wytwarzanie Sp. z o.o. The annex introduced annual reconciliation of the volumes delivered under the agreement and changed the monthly delivery schedule while maintaining the total quantities for 2020.
- Annex 22 to the Steam Coal Sale Agreement No. 3/W/2012 between ENEA Elektrownia Połaniec S.A. and Lubelski Węgiel Bogdanka S.A. for the purchase of coal. The Annex extended the term of the Agreement until 31 December 2023 (previously the Agreement was effective until 31 December 2021); accordingly the Agreement pertains to the steam coal supply period of 2013-2023. The Annex also set the quantities and terms of delivery (including pricing conditions) for respective years of the agreement.
- Annex 6 to the Agreement and Settlement Agreement between ENEA Wytwarzanie sp. z o. o. and Rafako S.A. in respect to extension of the Agreement performance term in respect to the DRiM II Station Task, with the date of commissioning for operation of 30 March 2021.

### **2.5.3.2. Sources of funding for the investment program**

ENE S.A. finances the investment programme using financial surpluses from its business activities and external debt. The ENE Group pursues an investment financing model whereby ENE S.A. acquires funds from external sources and distributes them to its subsidiaries. In its subsequent activities, ENE S.A. will focus on ensuring appropriate diversification of external sources of financing for investments planned in the “ENE Group Development Strategy until 2030 with an outlook to 2035” in order to optimize the volume of costs and debt repayment terms. During the 6-month period ended 30 June 2020, ENE S.A. did not enter into any new loan agreements. As at 30 June 2020, the nominal debt of ENE S.A. arising from issued bonds and contracted loans totaled PLN 8,654 million.

### **2.5.3.3. Guarantees and sureties given**

In H1 2020, the ENE Group companies did not grant any sureties or guarantees of a significant value. As at 30 June 2020, the total value of corporate sureties and guarantees granted by ENE S.A. to secure the liabilities of the ENE Group companies was PLN 45.1 million, while the total value of bank guarantees issued at the request of ENE S.A. and as collateral for liabilities of the ENE Group companies was PLN 257.9 million.

### **2.5.3.4. Transactions hedging against the interest rate risk and the currency risk**

In H1 2020, as part of its pursuit of the “Currency Risk and Interest Rate Risk Management Policy in the ENE Group”, ENE S.A. entered into transactions hedging the interest rate risk for exposures worth PLN 1,000 million and FX forward transactions hedging the currency risk with a total volume of EUR 1.1 million.

### **2.5.3.5. Bond issue programs effected by subsidiaries**

The ENE Group has adopted a model of financing investments carried out by ENE S.A.’s subsidiaries through intra-group financing. ENE S.A. acquires long-term cash funds on the financial market by taking out loans or issuing bonds, which funds it then distributes within the ENE Group. Currently, ENE S.A. has intra-group bond issue programs in place with a total value of PLN 5,797 million. These programs have been fully utilized and are partly redeemed in installments. As at 30 June 2020, the total nominal exposure arising from bonds held by ENE S.A. and issued under these programs was PLN 4,891 million.

### **2.5.3.6. Loans and borrowings incurred by the ENE Group companies from external sources**

As at 30 June 2020, the total nominal amount of external debt under the loans and borrowings incurred by the ENE Group companies (without ENE S.A.) was PLN 69.7 million. In 2020, no ENE Group company terminated any loan agreement.

### **2.5.3.7. Loans granted by ENE S.A.**

In H1 2020, ENE S.A. entered into four loan agreements: on 30 January 2020 with ENE Wytwarzanie Sp. z o.o. for PLN 2,200 million, on 28 February 2020 with ENE Elektrownia Połaniec S.A. for PLN 500 million, on 12 March 2020 with ENE Operator Sp. z o.o. for PLN 950 million and on 25 June 2020 with PGE EJ 1 Sp. z o.o. for PLN 4 million. These loans were granted to finance the planned expenses of these companies. The interest rate on the first three loans is equal to a base rate plus a margin, while the interest rate on the loan granted to PGE EJ 1 Sp. z o.o. is based on a fixed rate. The availability period of the loans granted to ENE Wytwarzanie Sp. z o.o., ENE Elektrownia Połaniec S.A. and ENE Operator Sp. z o.o. expires on 31 December 2020 and the loans will be repaid in 2024. In H1 2020, under the above agreements, ENE Wytwarzanie Sp. z o.o. drew down two loan tranches for a total amount of PLN 1,100 million, ENE Elektrownia Połaniec S.A. drew down one loan tranche of PLN 200 million, while ENE Operator Sp. z o.o. drew down one loan tranche of PLN 500 million. The loan to PGE EJ 1 Sp. z o.o. was drawn down in full. In connection with the loan agreement of 23 December 2019 between ENE S.A., ENERGA S.A. and Elektrownia Ostrołęka Sp. z o.o. amounting to PLN 340 million, in H1 2020 ENERGA S.A. paid out to Elektrownia Ostrołęka Sp. z o.o. two loan tranches with a total amount of PLN 180 million. The agreement provides for a conditional sale of half of ENERGA S.A.’s receivables from Elektrownia Ostrołęka Sp. z o.o. to ENE S.A. (PLN 90 million – 2nd and 3rd tranche together) with the payment date set at 31 January 2021.

On 30 June 2020, ENE S.A. signed an annex with ENERGA S.A. and Elektrownia Ostrołęka Sp. z o.o. to the loan agreement for PLN 29 million extending the balloon repayment date of the loan to 30 September 2020. As at 30 June 2020, the nominal debt of these companies toward ENE S.A. was in aggregate PLN 2,861 million.

### **2.5.3.8. Related party transactions**

In H1 2020, ENE and its subsidiaries did not enter into any transactions with related parties other than on an arm’s length basis. Information on transactions with related parties entered into by ENE or its subsidiaries is provided in note 24 to the condensed interim consolidated financial statements of the ENE Group for the period from 1 January to 30 June 2020.

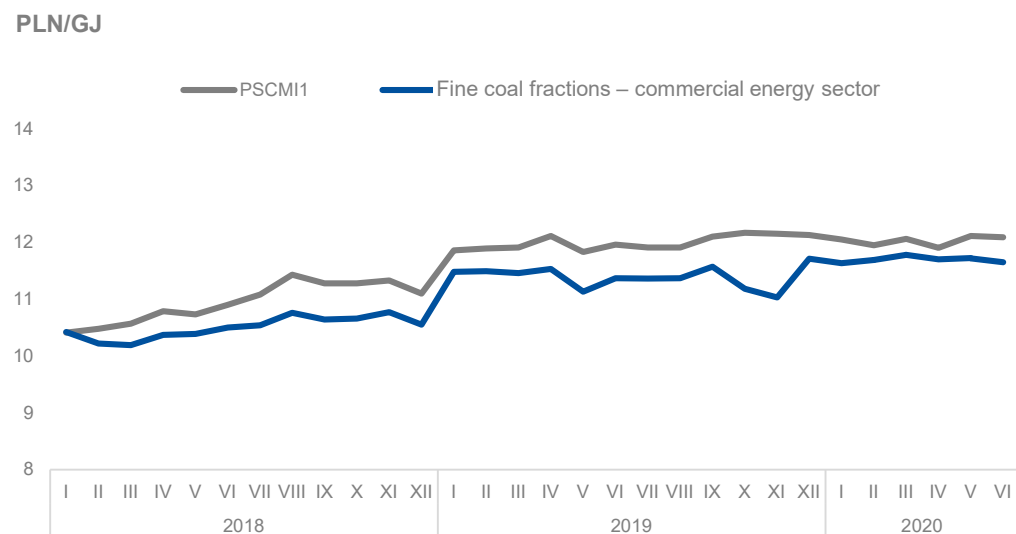
## 2.5.4. ENEA Group's Risk Model

RISK MODEL	CORE RISKS TO WHICH ENEA GROUP IS EXPOSED, BY CATEGORY	EXAMPLES OF RISK MITIGATING MEASURES, BY CATEGORY
<b>STRATEGIC RISKS</b>	<ul style="list-style-type: none"> <li>• Risk of breaching personal data protection laws and internal regulations</li> <li>• Risk of delays in the implementation / failure to implement measurement of the MV / LV station within the specified statutory deadlines</li> <li>• Risk resulting from the regulatory environment affecting costs and revenues</li> <li>• Risk of adopting erroneous assumptions for long-term financial projections</li> <li>• Risk of improper management of information in an emergency</li> <li>• Risk of non-compliance with the restrictive objectives of the EU climate policy</li> <li>• Risk of a generation gap</li> <li>• Risk of failure to meet the economic objective of the planned Ostrołęka C Power Plant construction project</li> <li>• Risk of lack of confirmation of the status of the unit upgraded as part of the Capacity Market</li> </ul>	<ul style="list-style-type: none"> <li>• Conducting induction and periodic training for employees and associates</li> <li>• Participation in the work of thematic teams and the bodies of the Energy Trading Association and other industry associations</li> <li>• Securing personal data processing systems through system security measures</li> <li>• Monitoring and verification of forecasts of exchange rates, interest rates and other macroeconomic assumptions</li> <li>• Maintaining efficient communication channels with key business units.</li> <li>• Participation in the work on regulations for the energy and coal industry</li> <li>• Implementation of solutions aimed at supplementing, enhancing and strengthening the competence and knowledge of the organization, e.g. through paid internships and apprenticeships</li> <li>• Ensuring a transparent, competitive and motivational remuneration system</li> <li>• Monitoring of legislative activities</li> <li>• Updating the financial model in line with planned legislative changes</li> <li>• Monitoring the performance of renovation and investment work in accordance with the schedule</li> </ul>
<b>FINANCIAL RISKS</b>	<ul style="list-style-type: none"> <li>• Risk of default on financing agreements</li> <li>• Risk of a rating downgrade</li> <li>• Liquidity risk</li> <li>• Risk of losses due to counterparty default (including credit risk)</li> <li>• Risk of non-execution or delays in the execution of investments</li> <li>• Risk of adverse environment of the insurance market</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of banking covenants in the ENEA Group</li> <li>• Ongoing consultations with the credit rating agency</li> <li>• Structured activities in the area of credit risk management and debt collection, defined in formally adopted documentation</li> <li>• Monitoring the implementation of investment tasks</li> <li>• Preparation of information on transformation of production sources and dialog with the market</li> </ul>
<b>OPERATING RISKS</b>	<ul style="list-style-type: none"> <li>• Risk of non-compliance with requirements of BAT conclusions</li> <li>• Risk of delays in tendering processes</li> <li>• Risk of breaching laws and internal regulations on information processing and IT security in ENEA Group</li> <li>• Flood risk</li> <li>• Risk of losses in capacity caused by hydrologic conditions</li> <li>• Risk of unavailability of employees as a result of an outbreak of a communicable disease.</li> </ul>	<ul style="list-style-type: none"> <li>• Projects related to adaptation to the requirements of the BAT conclusions</li> <li>• Regular periodic employee training</li> <li>• Regular periodic reviews and assessment of personal data processing systems with regard to their security</li> <li>• Information campaign among employees regarding current security rules, including requirements to apply personal protective equipment</li> </ul>
<b>MARKET RISKS</b>	<ul style="list-style-type: none"> <li>• Risk of volatility of commodity prices on the forward market</li> <li>• Risk of non-continuity of fuel supply</li> <li>• Volumetric risk for fuel and transportation</li> <li>• Risk involved in the sales of the assumed volume of coal to key customers</li> <li>• Risk of significant loss of revenues following a decline in consumption of electricity and gas</li> </ul>	<ul style="list-style-type: none"> <li>• Improving methods and tools to optimize commodity portfolios</li> <li>• Maintaining and developing competence within the Company to manage commodity risk</li> <li>• Diversification of supply sources and service providers</li> <li>• Continuous analysis of the fuel and energy market</li> <li>• Optimization of coal supply within the Group to the Group's generation entities, taking into account the limited throughput of bypass routes and increased costs of transporting coal from LWB using bypass routes;</li> </ul>



## 2.6. Market environment

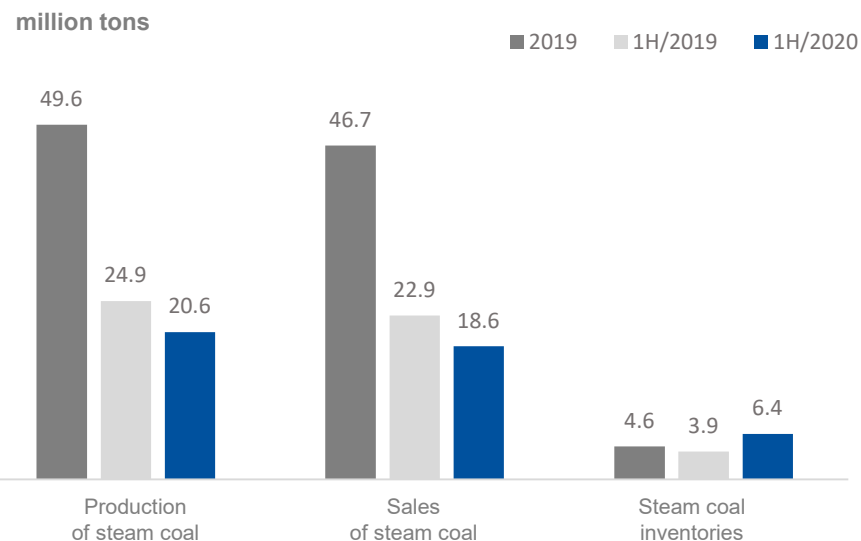
### Coal prices on the Polish market



Slight increase in domestic prices of steam coal sold to the commercial energy sector in H1 2020 vs. H1 2019. Because of the oversupply of raw materials on the domestic market and the persisting moderate demand for coal and imports of energy, there is no potential for Polish coal prices to rise.

PSCMI1: average price of the PSCMI1 index in H1 2020 was 12.03 PLN/GJ, only 0.8% y/y up from the average price of 11.93 PLN/GJ in H1 2019.

Fine coal fractions: the average price of fine steam coal sold to the commercial energy sector in H1 2020 was 11.70 PLN/GJ. The price was 2.5% y/y higher than in the corresponding period in 2019.



A decrease in production and sales of steam coal in Polish mines, coupled with an increase in inventories and imports at approx. 3.8 million tons.

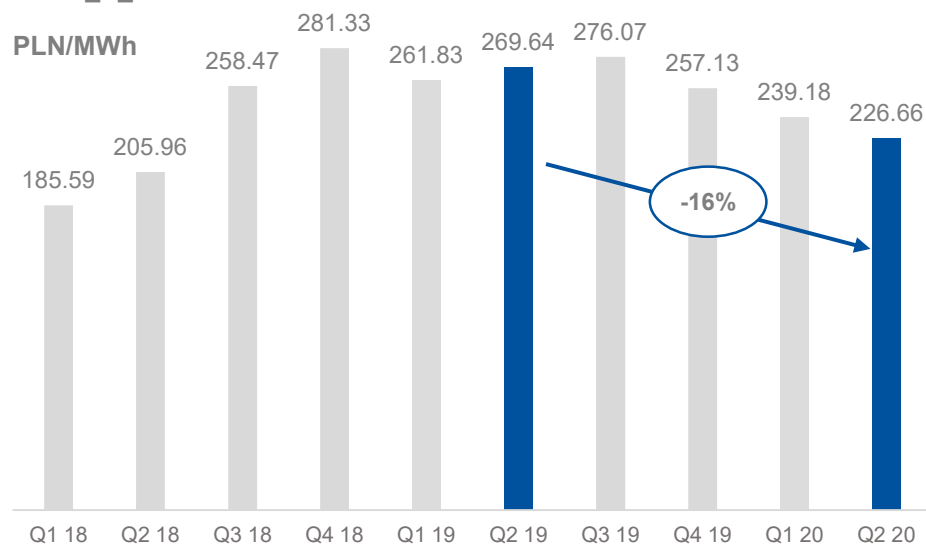
In H1 2020, Polish mines produced in aggregate 20.6 million tons of steam coal – down by 17.4% y/y. In the same period, coal sales fell by 18.8% y/y to 18.6 million tons. Steam coal inventories rose by nearly 64.4% y/y to a record 6.4 million tons.

Domestic oversupply of the commodity and record high coal heaps at mines and power plant yards remain key challenges for the industry. In the current market situation, social stakeholders representing the mining industry recommend reducing imports of coal and energy. Work is currently under way to prepare the rules of transformation of the Polish coal and energy sector. It will be created by a team appointed on the basis of arrangements between mining trade unions and the Ministry of State Assets. The team will ultimately prepare a programme for the Polish coal mining sector until 2050.

## Energy prices on the Polish market

### BASE\_Y\_19/20/21

PLN/MWh



Source: PPE, clearing prices

On the wholesale electricity forward market, the price of the BASE Y-21 product in Q2 2020 decreased 16%, to PLN 226.66 per MWh, compared to the corresponding product (i.e. BASE Y-20) in Q2 2019.

BASE Y-21 prices in Q2 2020 followed an upward trend from 213.50 PLN/MWh (the settlement price on April 1st) to 240.72 PLN/MWh (the price on June 30th).

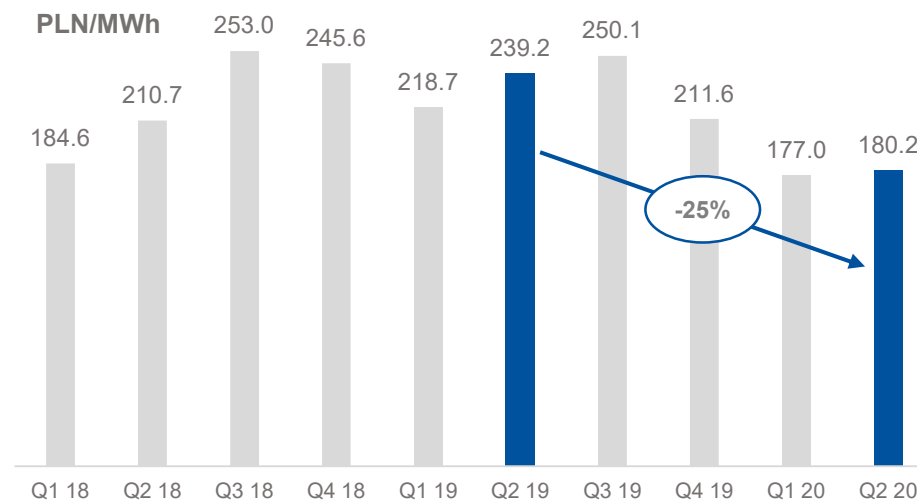
In the period under analysis, the BASE Y-21 prices were affected mainly by strong increases in the prices of CO<sub>2</sub> emission allowances, which were a response to the decreases in the first quarter caused by the investors' fear of the effects of the SARS-CoV-2 coronavirus pandemic.

The average price of electricity on the spot market in Q2 2020 was 25% lower than in the corresponding period of 2019. The level of electricity prices on the spot market in Q2 2020 was affected by the following factors:

- average demand for power in the National Power System (NPS) was more than 8% lower compared to Q2 2019 (price-suppressing effect),
- moderate temperatures; the temperature in June was on average 4°C lower than in June one year before (price-suppressing effect),
- high (and higher than in the corresponding period of 2019) energy imports from neighboring countries (price-suppressing effect),

### RDN (DAY-AHEAD MARKET) BASE

PLN/MWh

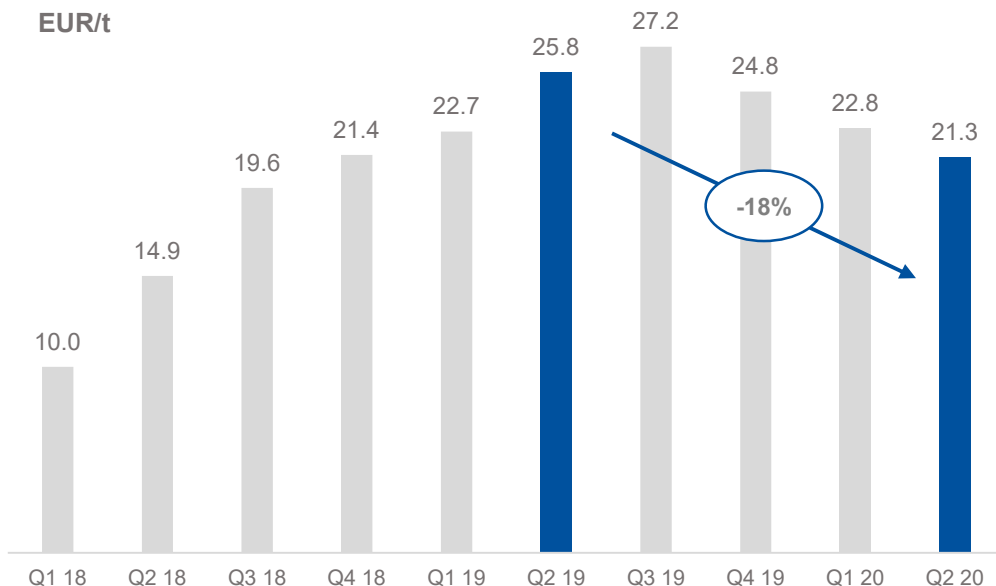


Source: PPE, clearing prices

## Prices of CO<sub>2</sub> emission allowances and “green” property rights

### CO<sub>2</sub> (Dec-20) emission allowances

EUR/t



Source: ICE, clearing prices

In the period from January 2019 to February 2020, no auction of CO<sub>2</sub> emission allowances for the United Kingdom took place. This was caused by the European Commission’s decision to suspend the allocation of free allowances and auctions for the UK until the reaching of an agreement on the manner of the UK’s exit from the European Union. Uncertainty surrounding the Brexit translated into the high volatility of CO<sub>2</sub> emission allowance prices in 2019.

The beginning of 2020 was quieter: until the beginning of March, the prices of allowances oscillated in the range of EUR 23.2-25.7 per ton. After March 12th, as a result of the spread of coronavirus in Europe, and also as a result of increased supply by unfreezing the auctions for the UK (the first of which took place on 4 March 2020), there was a rapid sale of emissions within a few days causing a significant drop in prices to EUR 15.30 per ton. After this decline, the market started to recover gradually, which was related to the improving sentiments, continued efforts at the EU level to achieve ambitious climate goals and the gradual activation of economies. Throughout this period, the fear of the second coronavirus wave caused price fluctuations.

In Q2 2020, the average price was 18% lower than the average price in the corresponding period of 2019.

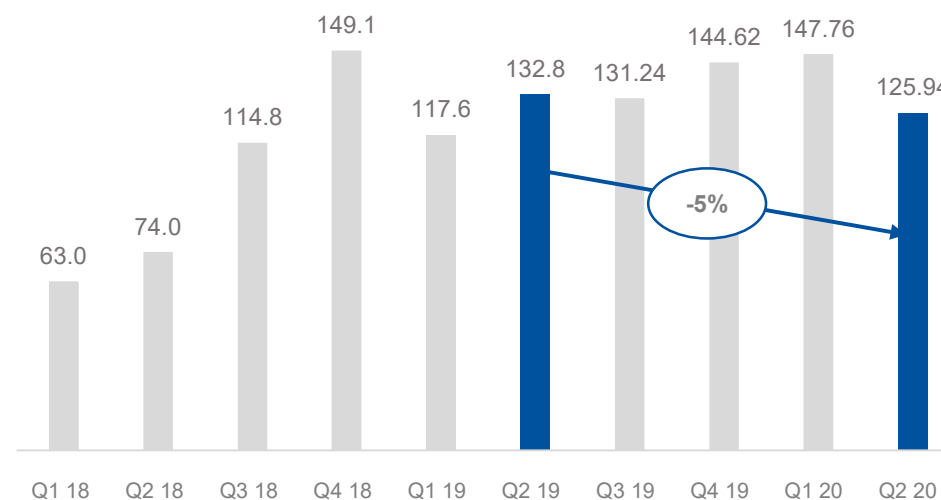
As regards “green” property rights, the prices remained in a side trend in Q1 2020 and in Q2 it followed a downward trend with a low slope.

According to data provided by the Polish Power Exchange, approx. 22.5 TWh of property rights were redeemed in the period from 1 July 2019 to 31 June 2020, while about 29.4 TWh remained in the register, which would be enough to cover the entire obligation for 2020 right now.

On July 17, a draft regulation increasing the obligation for 2021 to 19.50% (retaining the 2020 level) was published.

### Prices of “green” property rights (PMOZE\_A)

PLN/MWh

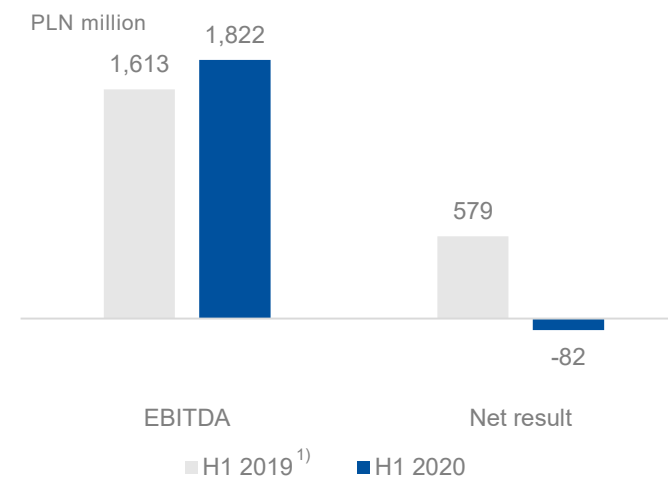


Source: PPE, session market indices

## 3. Financial standing

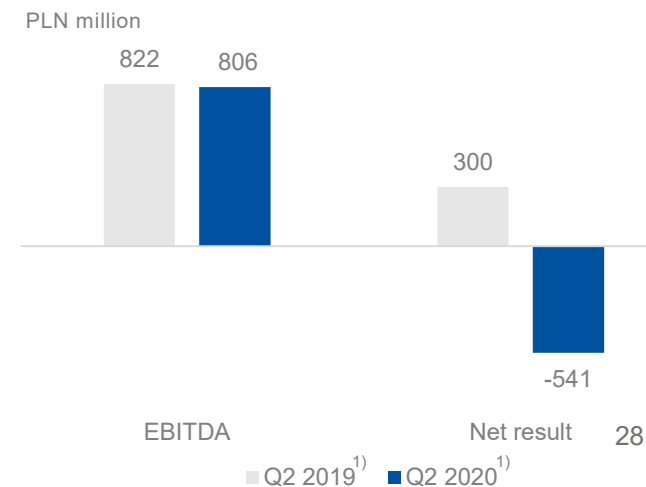
### 3.1. Selected consolidated financial data

[PLN 000s]	H1 2019 <sup>1)</sup>	H1 2020	Change	Change [%]
Revenue from sales and other income	8,019,576	8,949,455	929,879	11.6%
Operating profit / (loss)	873,442	528,958	-344,484	-39.4%
Profit / (loss) before tax	742,772	(10,337)	-753,109	-101.4%
Net profit / (loss) for the reporting period	579,445	(81,643)	-661,088	-114.1%
<b>EBITDA</b>	<b>1,613,366</b>	<b>1,821,698</b>	<b>208,332</b>	<b>12.9%</b>
<b>Net cash flows from:</b>				
operating activities	1,981,762	2,458,385	476,623	24.1%
investing activities	(1,242,709)	(1,207,676)	35,033	2.8%
financing activities	716,619	(1,367,369)	-2,083,988	-290.8%
Cash at the end of the period	4,106,510	3,645,287	-461,223	-11.2%
Net profit/(loss) attributable to shareholders of the parent company	505,788	(99,218)	-605,006	-119.6%
Weighted average number of shares	441,442,578	441,442,578	-	-
Earnings per share [PLN]	1.15	-0.22	-1.37	-119.1%
Diluted earnings per share [PLN]	1.15	-0.22	-1.37	-119.1%



[PLN 000s]	31 December 2019	30 June 2020	Change	Change [%]
Total assets	32,843,854	31,234,646	-1,609,208	-4.9%
Total liabilities	17,364,083	15,988,998	-1,375,085	-7.9%
Non-current liabilities	10,855,419	10,701,601	-153,818	-1.4%
Current liabilities	6,508,664	5,287,397	-1,221,267	-18.8%
Equity	15,479,771	15,245,648	-234,123	-1.5%
Share capital	588,018	588,018	-	-
Book value per share [PLN]	35.07	34.54	-0.53	-1.5%
Diluted book value per share [PLN]	35.07	34.54	-0.53	-1.5%

[PLN 000s]	Q2 2019 <sup>1)</sup>	Q2 2020 <sup>1)</sup>	Change	Change [%]
Revenue from sales and other income	4,009,966	4,357,373	347,407	8.7%
Operating profit / (loss)	439,555	(105,540)	-545,095	-124.0%
Profit / (loss) before tax	369,987	(565,436)	-935,423	-252.8%
Net profit / (loss) for the reporting period	299,639	(540,690)	-840,329	-280.4%
EBITDA	822,035	806,116	-15,919	-1.9%
Net profit/(loss) attributable to shareholders of the parent company	259,634	(543,815)	-803,449	-309.5%
Weighted average number of shares	441,442,578	441,442,578	-	-
Earnings per share [PLN]	0.59	-1.23	-1.82	-308.5%
Diluted earnings per share [PLN]	0.59	-1.23	-1.82	-308.5%



<sup>1)</sup> restatement of data for presentation purposes in accordance with the condensed interim consolidated financial statements

## 3.2. Key operating data and ratios <sup>2)</sup>

	Unit	H1 2019 <sup>1)</sup>	H1 2020	Change	Change [%]	Q2 2019 <sup>1)</sup>	Q2 2020 <sup>1)</sup>	Change	Change [%]
Revenue from sales and other income	PLN 000s	8,019,576	8,949,455	929,879	11.6%	4,009,966	4,357,373	347,407	8.7%
EBITDA	PLN 000s	1,613,366	1,821,698	208,332	12.9%	822,035	806,116	-15,919	-1.9%
EBIT	PLN 000s	873,442	528,958	-344,484	-39.4%	439,555	(105,540)	-545,095	-124.0%
Net profit / (loss) for the reporting period	PLN 000s	579,445	(81,643)	-661,088	-114.1%	299,639	(540,690)	-840,329	-280.4%
Net profit/(loss) attributable to shareholders of the parent company	PLN 000s	505,788	(99,218)	-605,006	-119.6%	259,634	(543,815)	-803,449	-309.5%
Net cash flows from operating activities	PLN 000s	1,981,762	2,458,385	476,623	24.1%	1,528,172	2,544,326	1,016,154	66.5%
CAPEX	PLN 000s	1,048,999	1,163,250	114,251	10.9%	485,784	599,252	113,468	23.4%
Net debt / EBITDA <sup>2)</sup>	-	2.03	1.60	-0.43	-21.2%	2.03	1.60	-0.43	-21.2%
Return on Assets (ROA) <sup>2)</sup>	%	3.6%	-0.5%	-4.1 p.p.	-	3.7%	-6.9%	-10.6 p.p.	-
Return on Equity (ROE) <sup>2)</sup>	%	7.4%	-1.1%	-8.5 p.p.	-	7.7%	-14.2%	-21.9 p.p.	-
<b>Trading</b>									
Sales of electricity and gaseous fuel to retail customers	GWh	10,215	10,504	289	2.8%	4,798	4,910	112	2.3%
Number of customers (Power Delivery Points)	000s	2,514	2,545	31	1.2%	2,514	2,545	31	1.2%
<b>Distribution</b>									
Sales of distribution services to end users	GWh	9,967	9,459	-508	-5.1%	4,824	4,434	-390	-8.1%
Number of users (closing balance)	000s	2,607	2,642	35	1.3%	2,607	2,642	35	1.3%
<b>Generation</b>									
Total net generation of electricity, of which:	GWh	12,685	10,427	-2,258	-17.8%	6,577	4,996	-1,581	-24.0%
<i>from conventional sources</i>	GWh	11,678	9,118	-2,560	-21.9%	6,088	4,381	-1,706	-28.0%
<i>from renewable sources</i>	GWh	1,007	1,309	302	30.0%	489	615	126	25.7%
Gross heat generation	TJ	4,021	3,505	-516	-12.8%	1,325	1,244	-81	-6.1%
Sales of electricity, including: <sup>3)</sup>	GWh	14,924	13,438	-1,486	-10.0%	7,668	6,681	-987	-12.9%
<i>from conventional sources</i>	GWh	11,678	9,118	-2,560	-21.9%	6,088	4,381	-1,706	-28.0%
<i>from renewable sources</i>	GWh	1,007	1,309	302	30.0%	489	615	126	25.7%
<i>from purchase</i>	GWh	2,238	3,011	773	34.5%	1,090	1,685	595	54.6%
Sales of heat	TJ	3,640	3,180	-460	-12.6%	1,197	1,124	-73	-6.1%
<b>Mining</b>									
Net production	000s tons	4,825	3,697	-1,128	-23.4%	2,293	1,631	-662	-28.9%
Sales of coal	000s tons	4,770	3,522	-1,248	-26.2%	2,405	1,604	-800	-33.3%
Inventories at the end of the period	000s tons	144	354	210	145.8%	144	354	210	145.8%
Excavation works	km	14.2	13.1	-1.1	-7.7%	6.4	6.5	0.1	1.6%

<sup>1)</sup> restatement of data for presentation purposes in accordance with the condensed interim consolidated financial statements

<sup>2)</sup> definitions of the ratios are presented on Page 71

<sup>3)</sup> presentation change

### 3.3. Financial performance of the ENEA Group in H1 2020 and Q2 2020

#### Consolidated statement of profit and loss in H1 2020

[PLN 000s]	H1 2019 <sup>1)</sup>	H1 2020	Change	Change [%]
Revenue from sales of electricity	5,648,775	6,782,916	1,134,141	20.1%
Revenue from sales of heat	191,352	186,715	-4,637	-2.4%
Revenue from sales of gas	78,397	155,653	77,256	98.5%
Revenue from sales of distribution services	1,376,327	1,565,581	189,254	13.8%
Revenue from certificates of origin	11,406	7,894	-3,512	-30.8%
Revenue from sales of goods and materials	52,378	42,744	-9,634	-18.4%
Revenue from sales of other products and services	90,708	84,199	-6,509	-7.2%
Revenue from sales of coal	137,219	116,155	-21,064	-15.4%
<b>Net revenue from sales</b>	<b>7,586,562</b>	<b>8,941,857</b>	<b>1,355,295</b>	<b>17.9%</b>
Compensation	430,401	0	-430,401	-100.0%
Revenue from leases and operating subleases	2,613	7,598	4,985	190.8%
<b>Revenue from sales and other income</b>	<b>8,019,576</b>	<b>8,949,455</b>	<b>929,879</b>	<b>11.6%</b>
Amortization and depreciation	744,203	770,968	26,765	3.6%
Employee benefit costs	873,150	980,939	107,789	12.3%
Consumption of materials and supplies and cost of goods sold	1,647,381	1,663,061	15,680	1.0%
Purchase of energy and gas for resale	3,006,424	3,682,909	676,485	22.5%
Transmission services	212,648	236,895	24,247	11.4%
Other third-party services	435,417	400,716	-34,701	-8.0%
Taxes and charges	226,696	221,227	-5,469	-2.4%
<b>Tax-deductible expenses</b>	<b>7,145,919</b>	<b>7,956,715</b>	<b>810,796</b>	<b>11.3%</b>
Other operating revenue	76,694	135,491	58,797	76.7%
Other operating costs	99,549	99,611	62	0.1%
Change in provision related to onerous contracts	41,004	39,305	-1,699	-4.1%
Profit/(loss) on change, sale and liquidation of property, plant and equipment and right-to-use assets	(22,643)	(17,195)	5,448	24.1%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	(4,279)	521,772	526,051	12293.8%
<b>Operating profit / (loss)</b>	<b>873,442</b>	<b>528,958</b>	<b>-344,484</b>	<b>-39.4%</b>
Finance costs	153,461	173,708	20,247	13.2%
Finance income	27,134	23,336	-3,798	-14.0%
Dividend income	100	152	52	52.0%
Impairment allowances on financial assets measured at amortized cost	0	138,737	138,737	100.0%
Share in the results of associates and jointly controlled entities	-4,443	-250,338	-245,895	-5534.4%
<b>Profit / (loss) before tax</b>	<b>742,772</b>	<b>(10,337)</b>	<b>-753,109</b>	<b>-101.4%</b>
Income tax	163,327	71,306	-92,021	-56.3%
<b>Net profit / (loss) for the reporting period</b>	<b>579,445</b>	<b>(81,643)</b>	<b>-661,088</b>	<b>-114.1%</b>
<b>EBITDA</b>	<b>1,613,366</b>	<b>1,821,698</b>	<b>208,332</b>	<b>12.9%</b>

<sup>1)</sup> restatement of data for presentation purposes in accordance with the condensed interim consolidated financial statements

#### H1 2020

##### EBITDA drivers in the ENEA Group (up PLN 208 million):

- (+) an increase in revenue from sales of electricity by PLN 1,134 million, driven mainly by a 274 GWh increase in sales volume, a 18% increase in the average sales price and higher revenues from Regulatory System Services
  - (+) an increase in revenue from sales of natural gas by PLN 77 million, driven mainly by a 1,021 GWh increase in the sales volume and a 15% decrease in the average sales price
  - (+) an increase in revenue from sales of distribution services by PLN 189 million as a result of higher rates in the approved 2020 tariff
  - (-) a decrease in revenue from sales of coal by PLN 21 million driven mainly by a lower sales volume, combined with a higher price
  - (-) a decrease in revenue from sales of goods and materials by PLN 10 million resulting from a lower demand for goods from external buyers
  - (-) the price difference amount recognized in H1 2019 was PLN 430 million – the amount covering the price difference between the prices used in settlements with customers in H1 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
  - (-) an increase in employee benefit costs by PLN 108 million driven mainly by higher average headcount and higher payroll costs and payroll-related charges and a change in actuarial provisions
  - (-) an increase in the costs of consumption of materials and supplies and cost of goods sold by PLN 16 million results from:
    - (-) higher costs of purchasing biomass and CO<sub>2</sub> emission allowances, coupled with lower costs of purchasing coal for the whole Generation Segment
    - (+) a decrease in the cost of goods and materials sold – mainly due to lower sales
    - (+) remeasurement of CO<sub>2</sub> contracts
  - (-) an increase in the costs of purchasing electricity and gas by PLN 676 million results mainly from:
    - (-) electricity: price +2%; volume +2,708 GWh
    - (-) natural gas: price -18%; volume +1,026 GWh
  - (-) an increase in costs of transmission services by PLN 24 million, mainly due to higher rates in the approved 2020 tariff
  - (+) a decrease in costs of third-party services by PLN 35 million caused mainly by a decrease in the costs of drilling and mining services and extraction services (restriction of outsourcing work in favor of in-house performance of works) and repair services
  - (-) change in the provision related to onerous contracts – in H1 2019, the use of the provision for onerous contracts was posted in the amount of PLN 41 million, regarding the financial effects of the entry into force of the Act amending the Excise Duty Act and Certain Other Acts of 28 December 2018. In H1 2020, a PLN 39.3 million portion of the provision of PLN 68.6 million established in December 2019 was used to cover the costs of the loss on the G tariff approved by the Energy Regulatory Office.
  - (+) the result on other operating activities up by PLN 64 million:
    - (+) change in impairment allowances by PLN 23 million
    - (+) balance of refunds from the insurer up by PLN 10 million
    - (+) fixed assets accepted free of charge up by PLN 10 million
    - (+) revenues arising from compensation, penalties and fines up by PLN 10 million
    - (+) loss arising from liquidation of property, plant and equipment down by PLN 5 million
- Material factors driving the net result:**
- (-) impairment allowance on generating assets of the ENEA Wytwarzanie Sp. z o.o. subsidiary in the amount of PLN 523 million
  - (-) impairment allowance on value of loans granted to Elektrownia Ostrołęka Sp. z o.o. including interest in the amount of PLN 137 million
  - (-) recognition of a provision for future investment commitments to Elektrownia Ostrołęka Sp. z o.o. and Energa S.A. in the amount of PLN 219 million

## Consolidated statement of profit and loss in Q2 2020

[PLN 000s]	Q2 2019 <sup>1)</sup>	Q2 2020	Change	Change [%]
Revenue from sales of electricity	2,630,975	3,319,416	688,441	26.2%
Revenue from sales of heat	66,808	69,312	2,504	3.7%
Revenue from sales of gas	36,417	54,610	18,193	50.0%
Revenue from sales of distribution services	683,212	785,413	102,201	15.0%
Revenue from certificates of origin	8,384	5,488	-2,896	-34.5%
Revenue from sales of goods and materials	26,918	23,047	-3,871	-14.4%
Revenue from sales of other products and services	46,886	41,034	-5,852	-12.5%
Revenue from sales of coal	79,915	56,496	-23,419	-29.3%
<b>Net revenue from sales</b>	<b>3,579,515</b>	<b>4,354,816</b>	<b>775,301</b>	<b>21.7%</b>
Compensation	430,401	0	-430,401	-100.0%
Revenue from leases and operating subleases	50	2,557	2,507	5014.0%
<b>Revenue from sales and other income</b>	<b>4,009,966</b>	<b>4,357,373</b>	<b>347,407</b>	<b>8.7%</b>
Amortization and depreciation	382,480	389,884	7,404	1.9%
Employee benefit costs	441,950	500,051	58,101	13.1%
Consumption of materials and supplies and cost of goods sold	839,929	871,630	31,701	3.8%
Purchase of energy and gas for resale	1,457,637	1,810,113	352,476	24.2%
Transmission services	114,420	115,430	1,010	0.9%
Other third-party services	227,052	195,705	-31,347	-13.8%
Taxes and charges	105,276	89,510	-15,766	-15.0%
<b>Tax-deductible expenses</b>	<b>3,568,744</b>	<b>3,972,323</b>	<b>403,579</b>	<b>11.3%</b>
Other operating revenue	21,968	57,113	35,145	160.0%
Other operating costs	34,128	38,471	4,343	12.7%
Change in provision related to onerous contracts	19,448	14,958	-4,490	-23.1%
Profit/(loss) on change, sale and liquidation of property, plant and equipment and right-to-use assets	(8,955)	(2,418)	6,537	73.0%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	0	521,772	521,772	100.0%
<b>Operating profit / (loss)</b>	<b>439,555</b>	<b>(105,540)</b>	<b>-545,095</b>	<b>-124.0%</b>
Finance costs	81,839	81,643	-196	-0.2%
Finance income	9,589	10,996	1,407	14.7%
Dividend income	100	152	52	52.0%
Impairment allowances on financial assets measured at amortized cost	0	137,695	137,695	100.0%
Share in the results of associates and jointly controlled entities	2,582	-251,706	-254,288	-9848.5%
<b>Profit / (loss) before tax</b>	<b>369,987</b>	<b>(565,436)</b>	<b>-935,423</b>	<b>-252.8%</b>
Income tax	70,348	-24,746	-95,094	-135.2%
<b>Net profit / (loss) for the reporting period</b>	<b>299,639</b>	<b>(540,690)</b>	<b>-840,329</b>	<b>-280.4%</b>
<b>EBITDA</b>	<b>822,035</b>	<b>806,116</b>	<b>-15,919</b>	<b>-1.9%</b>

### Q2 2020

#### ENE A Group – EBITDA drivers (down by PLN 16 million):

(+) an increase in revenue from sales of electricity by PLN 688 million, driven mainly by a 57 GWh increase in sales volume, a 25% increase in the average sales price and higher revenues from Regulatory System Services

(+) an increase in revenue from sales of natural gas by PLN 18 million, driven mainly by a 300 GWh increase in the sales volume and a 17% decrease in the average sales price

(+) an increase in revenue from sales of distribution services by PLN 102 million as a result of higher rates in the approved 2020 tariff

(-) a decrease in revenue from sales of coal by PLN 23 million driven mainly by a lower sales volume, combined with a higher price

(-) the price difference amount recognized in H1 2019 was PLN 430 million – the amount covering the price difference between the prices used in settlements with customers in H1 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

(-) an increase in employee benefit costs by PLN 58 million driven mainly by higher average headcount and higher payroll costs and payroll-related charges and a change in actuarial provisions

(-) an increase in the costs of consumption of materials and supplies and cost of goods sold by PLN 32 million results from:

(-) higher costs of purchasing biomass and CO<sub>2</sub> emission allowances, coupled with lower costs of purchasing coal for the whole Generation Segment

(+) a decrease in the cost of goods and materials sold – mainly due to lower sales

(-) an increase in the costs of purchasing electricity and gas by PLN 352 million results mainly from:

(-) electricity: price -1%; volume +1,621 GWh

(-) natural gas: price -18%; volume +311 GWh

(+) a decrease in costs of third-party services by PLN 31 million caused mainly by a decrease in the costs of drilling and mining services and extraction services (restriction of outsourcing work in favor of in-house performance of works) and repair services

(+) a decrease in costs of taxes and charges by PLN 16 million is driven mainly by the change in presentation of costs of placing devices on road lanes (derecognition under IFRS 16) coupled with a higher property tax

(-) change in the provision related to onerous contracts – in Q2 2019, the use of the provision for onerous contracts was posted in the amount of PLN 19.4 million, regarding the financial effects of the entry into force of the Act amending the Excise Duty Act and Certain Other Acts of 28 December 2018. In Q2 2020, a PLN 14.9 million portion of the provision of PLN 68.6 million established in December 2019 was used to cover the costs of the loss on the G tariff approved by the Energy Regulatory Office.

(+) the result on other operating activities up by PLN 37 million:

(+) change in impairment allowances by PLN 24 million

(+) revenues arising from compensation, penalties and fines up by PLN 10 million

(+) loss arising from liquidation of property, plant and equipment down by PLN 7 million

(-) provisions for potential claims up by PLN 8 million

#### Material factors driving the net result:

(-) impairment allowance on generating assets of the ENEA Wytwarzanie Sp. z o.o. subsidiary in the amount of PLN 523 million

(-) impairment allowance on value of loans granted to Elektrownia Ostrołęka Sp. z o.o. including interest in the amount of PLN 137 million

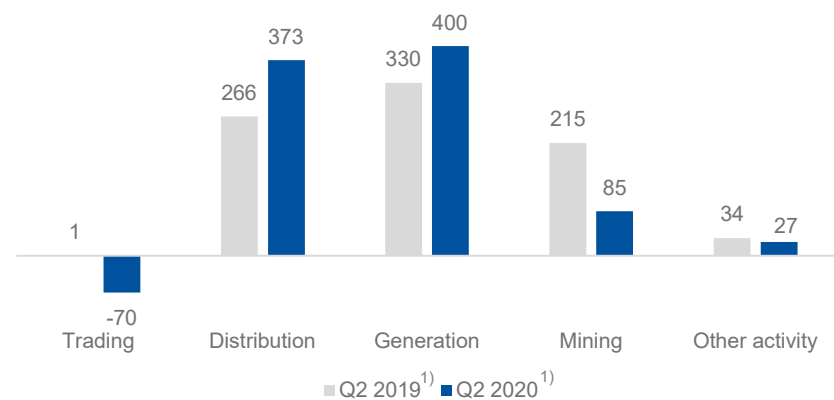
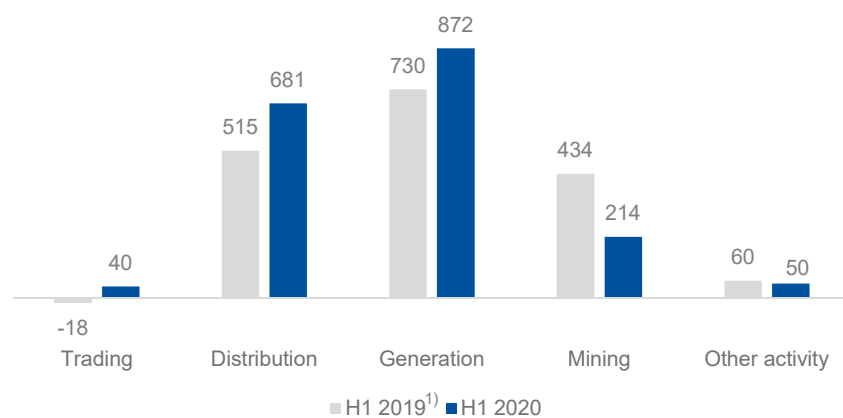
(-) recognition of a provision for future investment commitments to Elektrownia Ostrołęka Sp. z o.o. and Energa S.A. in the amount of PLN 219 million

<sup>1)</sup> restatement of data for presentation purposes in accordance with the condensed interim consolidated financial statements

## Financial performance of the ENEA Group in H1 and Q2 2020

EBITDA [PLN 000s]	H1 2019 <sup>1)</sup>	H1 2020	Change	Change [%]	Q2 2019 <sup>1)</sup>	Q2 2020 <sup>1)</sup>	Change	Change [%]
Trading	-17,534	40,310	57,844	329.9%	738	-70,003	-70,741	-9585.5%
Distribution	514,854	680,602	165,748	32.2%	266,020	373,332	107,312	40.3%
Generation	729,674	872,079	142,405	19.5%	329,907	399,821	69,914	21.2%
Mining	434,481	214,314	-220,167	-50.7%	215,065	84,929	-130,136	-60.5%
Other activity	60,383	50,326	-10,057	-16.7%	33,953	26,917	-7,036	-20.7%
Unassigned items and elimination	-108,492	-35,933	72,559	66.9%	-23,648	-8,880	14,768	62.4%
<b>Total EBITDA</b>	<b>1,613,366</b>	<b>1,821,698</b>	<b>208,332</b>	<b>12.9%</b>	<b>822,035</b>	<b>806,116</b>	<b>-15,919</b>	<b>-1.9%</b>

PLN million



<sup>1)</sup> restatement of data for presentation purposes in accordance with the condensed interim consolidated financial statements

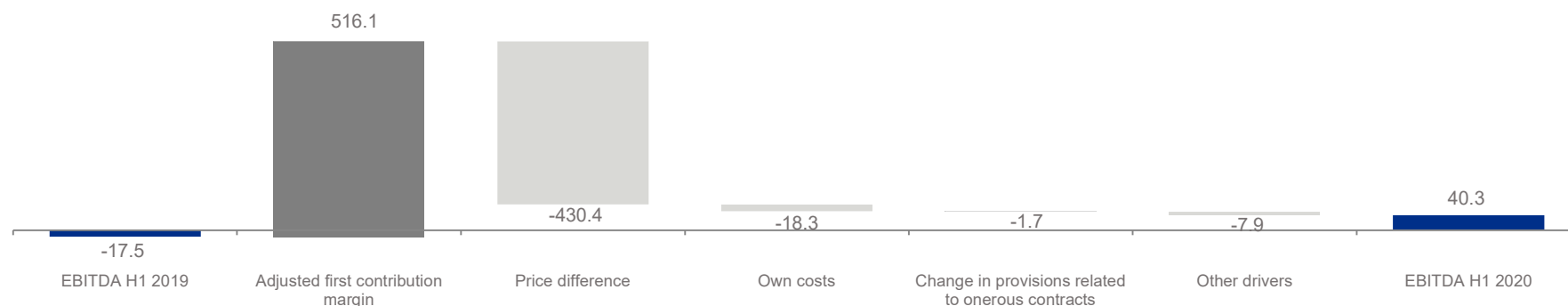


## Trading Area

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]	H1 2019 <sup>1)</sup>	H1 2020	Change	Change [%]	Q2 2019 <sup>1)</sup>	Q2 2020 <sup>1)</sup>	Change	Change [%]
Net revenue from sales	3,953,499	3,999,162	45,663	1.2%	1,714,043	1,950,882	236,839	13.8%
Compensation	430,401	0	-430,401	-100.0%	430,401	0	-430,401	-100.0%
Revenue from sales and other income	4,383,900	3,999,162	-384,738	-8.8%	2,144,444	1,950,882	-193,562	-9.0%
EBIT	-18,354	39,647	58,001	316.0%	153	-70,347	-70,500	-46078.4%
Amortization and depreciation	820	663	-157	-19.1%	585	344	-241	-41.2%
<b>EBITDA</b>	<b>-17,534</b>	<b>40,310</b>	<b>57,844</b>	<b>329.9%</b>	<b>738</b>	<b>-70,003</b>	<b>-70,741</b>	<b>-9585.5%</b>
CAPEX <sup>2)</sup>	33	676	643	1948.5%	2	662	660	33000.0%
Share of the segment's revenue in the Group's sales revenue	39%	37%	-2 p.p.		39%	37%	-2 p.p.	

PLN million



### H1 2020 EBITDA drivers:

#### Adjusted first contribution margin

- (+) average energy sales price up by 29.2%
- (+) energy sales volume up by 1.5%
- (-) average energy purchase price up by 10.6%
- (-) costs of environmental obligations up by 3.0%
- (+) higher result on trade in gaseous fuel
- (+) lower costs of provisions for claims under terminated RES property rights contracts by PLN 1.2 million
- (+) remeasurement of CO<sub>2</sub> contracts

#### Price difference

- (-) the estimated price difference amount recognized in H1 2019 was PLN 430.4 million – it was the amount covering the price difference between the prices used in settlements with customers in H1 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 22.7 million
- (-) general and administrative expenses up by PLN 2.1 million
- (+) costs of shared services down by PLN 6.5 million

#### Change in provisions related to onerous contracts related to onerous contracts

- (-) in H1 2019, the use of the provision for onerous contracts was posted in the amount of PLN 41.0 million, regarding the financial effects of the entry into force of the Act amending the Excise Duty Act and Certain Other Acts of 28 December 2018. In H1 2020, a PLN 39.3 million portion of the provision in the amount of PLN 68.6 million established in December 2019 was used to cover the costs of the loss on the G tariff approved by the Energy Regulatory Office.

#### Other drivers:

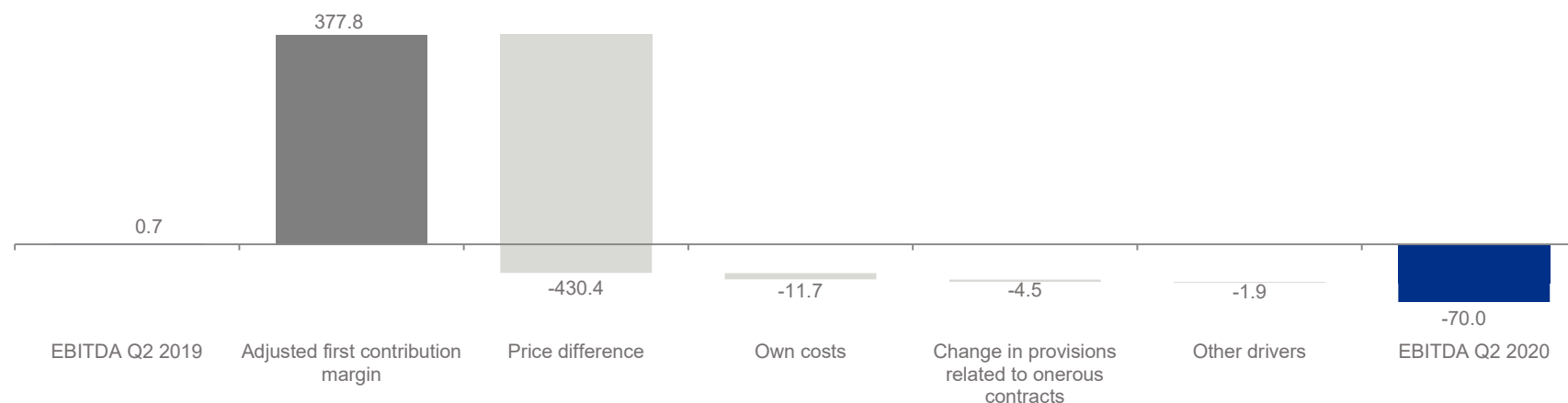
- (-) litigation costs up by PLN 2.5 million
- (-) impairment losses for receivables up by PLN 2.3 million
- (-) costs of distribution services related to the existing model of settlements with prosumers up by PLN 3.2 million
- (-) donation costs up by PLN 1.2 million
- (-) revenue from indemnities down by PLN 0.8 million
- (+) written-off receivables down by PLN 1.9 million

<sup>1)</sup> restatement of data for presentation purposes in accordance with the condensed interim consolidated financial statements

<sup>2)</sup> without ENEA S.A.'s equity investments

## Trading Area

PLN million



### Q2 2020 EBITDA drivers:

#### Adjusted first contribution margin

- (+) average energy sales price up by 58.0%
- (+) energy sales volume up by 1.1%
- (-) average energy purchase price up by 11.0%
- (-) costs of environmental obligations up by 0.6%
- (+) higher result on trade in gaseous fuel
- (-) costs of provisions for claims under terminated RES property rights contracts up by PLN 1.1 million
- (-) remeasurement of CO<sub>2</sub> contracts, forward transactions for energy, gas and property rights

#### Price difference

- (-) the estimated price difference amount recognized in Q2 2019 was PLN 430.4 million – it was the amount covering the price difference between the prices used in settlements with customers in H1 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 18.9 million
- (-) general and administrative expenses up by PLN 1.1 million
- (+) costs of shared services down by PLN 8.3 million

#### Change in provisions related to onerous contracts related to onerous contracts

- (-) in Q2 2019, the use of the provision for onerous contracts was posted in the amount of PLN 19.4 million, regarding the financial effects of the entry into force of the Act amending the Excise Duty Act and Certain Other Acts of 28 December 2018. In Q2 2020, a PLN 14.9 million portion of the provision in the amount of PLN 68.6 million established in December 2019 was used to cover the costs of the loss on the G tariff approved by the Energy Regulatory Office.

#### Other drivers:

- (-) impairment losses for receivables up by PLN 2.1 million
- (-) costs of distribution services related to the existing model of settlements with prosumers up by PLN 2.5 million
- (-) donation costs up by PLN 0.3 million
- (-) revenue from indemnities down by PLN 0.4 million
- (+) written-off receivables down by PLN 2.1 million
- (+) litigation costs down by PLN 1.6 million

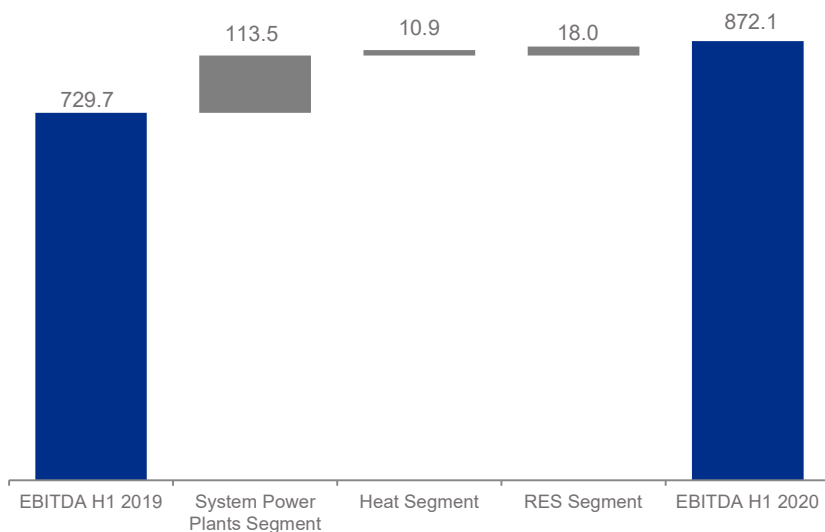
## Generation Area

[PLN 000s]	H1 2019 <sup>1)</sup>	H1 2020	Change	Change [%]	Q2 2019 <sup>1)</sup>	Q2 2020	Change	Change [%]
Net revenue from sales	3,924,355	4,105,533	181,178	4.6%	1,994,993	2,009,832	14,839	0.7%
<i>electricity</i>	3,571,168	3,729,248	158,080	4.4%	1,843,907	1,853,499	9,592	0.5%
<i>certificates of origin</i>	122,517	172,326	49,809	40.7%	52,754	76,889	24,135	45.8%
<i>sale of CO<sub>2</sub> emission allowances</i>	21,780	0	-21,780	-100.0%	21,780	0	-21,780	-100.0%
<i>heat</i>	187,734	182,893	-4,841	-2.6%	65,386	67,902	2,516	3.8%
<i>other</i>	21,156	21,066	-90	-0.4%	11,166	11,542	376	3.4%
Revenue from leases and operating subleases	97	273	176	181.4%	63	137	74	117.5%
Revenue from sales and other income	3,924,452	4,105,806	181,354	4.6%	1,995,056	2,009,969	14,913	0.7%
EBIT	455,301	64,933	-390,368	-85.7%	192,732	-266,355	-459,087	-238.2%
Amortization and depreciation	274,373	284,324	9,951	3.6%	137,175	143,354	6,179	4.5%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	0	522,822	522,822	100.0%	0	522,822	522,822	100.0%
<b>EBITDA</b>	<b>729,674</b>	<b>872,079</b>	<b>142,405</b>	<b>19.5%</b>	<b>329,907</b>	<b>399,821</b>	<b>69,914</b>	<b>21.2%</b>
CAPEX	210,883	254,796	43,913	20.8%	122,233	138,856	16,623	13.6%
Share of the area's sales revenue in the Group's net revenue from sales	35%	38%	3 p.p.		36%	38%	2 p.p.	

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 Bioenergia Sp. z o.o.

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

PLN million



### H1 2020

#### EBITDA drivers:

#### System Power Plants Segment – up by PLN 113.5 million

- (+) trading and Balancing Market margin up by PLN 262.4 million
- (+) revenue from Regulatory System Services up by PLN 29.6 million
- (+) other drivers up by PLN 31.1 million
- (-) generation margin down by PLN 209.6 million

#### Heat Segment – up by PLN 10.9 million

- (+) ENEA Ciepło up by PLN 7.5 million
  - (+) revenue from certificates of origin up by PLN 10.0 million
  - (+) other operating revenue up by PLN 2.5 million
  - (+) costs of purchasing energy for resale down by PLN 1.7 million
  - (+) revenue from sales of heat up by PLN 1.0 million
  - (-) employee benefit costs up by PLN 3.4 million
  - (-) costs of third-party services up by PLN 2.3 million
  - (-) revenue from sales of electricity down by PLN 1.6 million
- (+) result of other companies in the segment (PEC Oborniki, MEC Piła, ENEA Elektrownia Połaniec, ENEA Ciepło Serwis) up by PLN 3.4 million

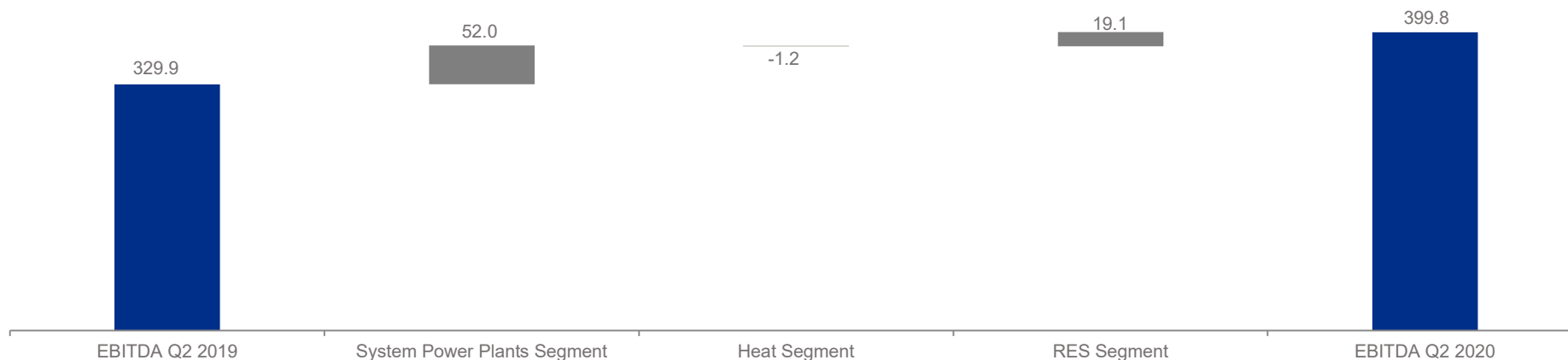
#### RES Segment – up by PLN 18.0 million

- (+) Biomass Area (Green Unit): PLN +47.8 million (of which PLN 0.8 million from ENEA Bioenergia Sp. z o.o.): renewable energy production margin up by PLN 48.4 million, Green Block's margin on sales/remeasurement of green certificate inventories down by PLN 3.1 million, fixed costs down by PLN 1.6 million
- (-) Wind Area (PLN -19.5 million): revenue from certificates of origin down by PLN 12.7 million, revenue from sales of electricity down by PLN 3.4 million, result on other operating activities down by PLN 2.7 million, fixed costs up by PLN 0.8 million, result on liquidation of property, plant and equipment up by PLN 0.1 million
- (-) Hydro Area (PLN -9.0 million): revenue from certificates of origin down by PLN 5.3 million, revenue from sales of electricity down by PLN 2.9 million, fixed costs up by PLN 0.8 million
- (-) Biogas Area (PLN -1.2 million): costs of consumption and transport of substrates up by PLN 1.2 million, revenue from certificates of origin down by PLN 0.7 million, revenue from sales of electricity down by PLN 0.6 million, result on other operating activities up by PLN 0.1 million

<sup>1)</sup> restatement of data for presentation purposes in accordance with the condensed interim consolidated financial statements

## Generation Area

PLN million



### Q2 2020

#### EBITDA drivers:

#### System Power Plants Segment – up by PLN 52.0 million

- (+) trading and Balancing Market margin up by PLN 164.6 million
- (+) revenue from Regulatory System Services up by PLN 13.0 million
- (+) other drivers up by PLN 20.6 million
- (-) generation margin down by PLN 146.2 million

#### Heat Segment – down by PLN 1.2 million

- (-) ENEA Ciepło down by PLN 3.7 million
  - (-) costs of consumption of materials and supplies up by PLN 11.4 million
  - (-) employee benefit costs up by PLN 1.9 million
  - (-) other operating revenue down by PLN 1.7 million
  - (-) costs of third-party services up by PLN 1.5 million
  - (+) revenue from certificates of origin up by PLN 4.0 million
  - (+) revenue from sales of electricity up by PLN 3.7 million
  - (+) revenue from sales of heat up by PLN 3.7 million
  - (+) costs of purchasing energy for resale down by PLN 1.7 million

(+) result of other companies in the segment (PEC Oborniki, MEC Piła, ENEA Elektrownia Polaniec, ENEA Ciepło Serwis) up by PLN 2.5 million

#### RES Segment – up by PLN 19.1 million

- (+) Biomass Area (Green Unit): PLN +33.8 million (of which PLN -0.6 million from ENEA Bioenergia Sp. z o.o.): renewable energy production margin up by PLN 24.8 million, Green Block's margin on sales/remeasurement of green certificate inventories up by PLN 7.8 million, fixed costs down by PLN 1.9 million
- (-) Wind Area (PLN -9.6 million): revenue from certificates of origin down by PLN 5.2 million, revenue from sales of electricity down by PLN 2.4 million, result on other operating activities down by PLN 1.4 million, fixed costs up by PLN 0.7 million, result on liquidation of property, plant and equipment up by PLN 0.1 million
- (-) Hydro Area (PLN -4.6 million): revenue from certificates of origin down by PLN 2.4 million, revenue from sales of electricity down by PLN 1.7 million, fixed costs up by PLN 0.5 million
- (-) Biogas Area (PLN -0.5 million): costs of consumption and transport of substrates up by PLN 0.5 million, revenue from certificates of origin down by PLN 0.3 million, revenue from sales of electricity down by PLN 0.3 million

## Distribution Area

[PLN 000s]	H1 2019	H1 2020	Change	Change [%]	Q2 2019	Q2 2020	Change	Change [%]
Net revenue from sales	1,401,700	1,592,654	190,954	13.6%	697,198	799,573	102,375	14.7%
<i>distribution services to end users</i>	1,330,409	1,427,274	96,865	7.3%	660,327	680,191	19,864	3.0%
<i>grid connection fees</i>	26,924	100,804	73,880	274.4%	13,353	88,915	75,562	565.9%
<i>other</i>	44,367	64,576	20,209	45.5%	23,518	30,467	6,949	29.5%
EBIT	229,662	372,263	142,601	62.1%	117,936	214,618	96,682	82.0%
Amortization and depreciation	289,471	308,339	18,868	6.5%	148,084	158,714	10,630	7.2%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	(4,279)	0	4,279	100.0%	0	0	-	-
<b>EBITDA</b>	<b>514,854</b>	<b>680,602</b>	<b>165,748</b>	<b>32.2%</b>	<b>266,020</b>	<b>373,332</b>	<b>107,312</b>	<b>40.3%</b>
CAPEX	456,481	487,518	31,037	6.8%	259,537	314,326	54,789	21.1%
Share of the segment's sales revenue in the Group's net revenue from sales	13%	15%	2 p.p.		13%	15%	2 p.p.	

ENEA 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 km<sup>2</sup>.

The key task of ENEA Operator is to provide energy in a continuous and reliable manner, while maintaining appropriate quality parameters.

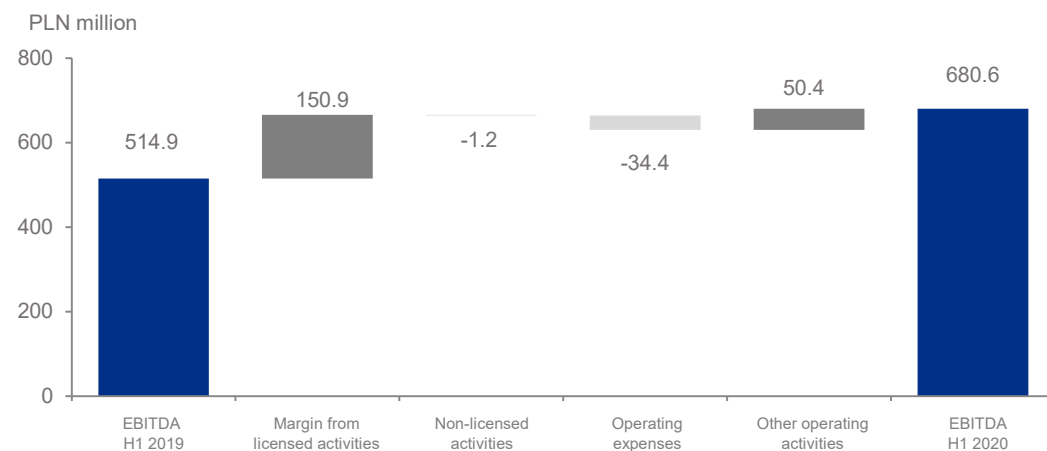
The Distribution Area includes financial data of the following companies:

ENEA Operator Sp. z o.o.

ENEA Serwis Sp. z o.o.

ENEA Pomiary Sp. z o.o.

Annacond Enterprises Sp. z o.o. (until 24 February 2020)



### H1 2020

#### EBITDA drivers:

##### Margin from licensed activities

- (+) revenue from sales of distribution services to end users up by PLN 97 million
- (+) revenues from grid connection fees up by PLN 74 million
- (-) costs of purchasing transmission and distribution services (balance) up by PLN 16 million
- (-) costs of purchasing electricity to cover the balancing difference (balance) up by PLN 3 million

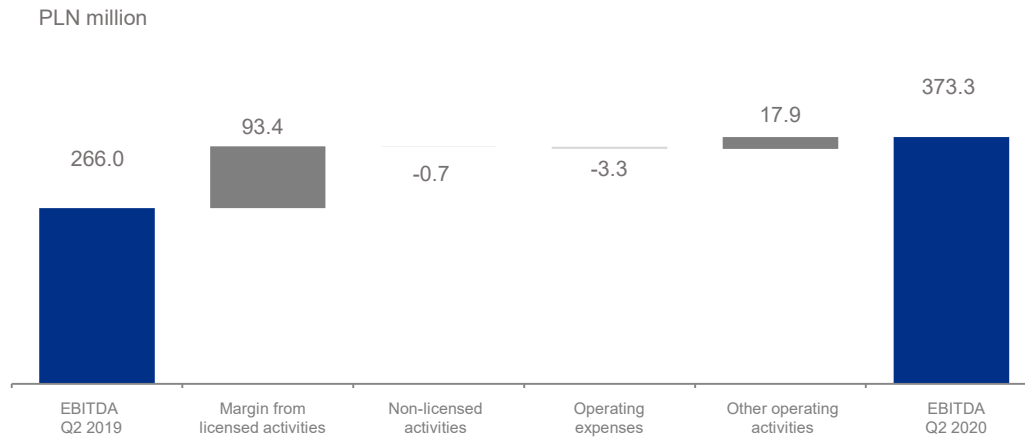
##### Operating expenses

- (-) employee benefit costs up by PLN 44 million
- (+) costs of taxes and charges down by PLN 2 million
- (+) costs of third-party services down by PLN 9 million

##### Other operating activities

- (+) change in provisions related to grid assets by PLN 15 million
- (+) revenue from interferences up by PLN 11 million
- (+) revenue from contractual penalties and indemnities received up by PLN 11 million
- (+) change in impairment allowances by PLN 9 million
- (+) other income and expenses of PLN 4 million

## Distribution Area



### Q2 2020

#### EBITDA drivers:

##### Margin from licensed activities

- (+) revenue from sales of distribution services to end users up by PLN 20 million
- (+) revenue from grid connection fees up by PLN 76 million
- (+) costs of purchasing transmission and distribution services (balance) down by PLN 2 million
- (-) costs of purchasing electricity to cover the balancing difference (balance) up by PLN 3 million

##### Operating expenses

- (-) employee benefit costs up by PLN 27 million
- (+) costs of taxes and charges down by PLN 14 million
- (+) costs of third-party services down by PLN 9 million

##### Other operating activities

- (+) revenue from contractual penalties and indemnities received up by PLN 10 million
- (+) change in impairment allowances by PLN 8 million
- (+) revenue from interferences up by PLN 2 million
- (-) change in provisions concerning grid assets by PLN 7 million
- (+) other income and expenses of PLN 5 million



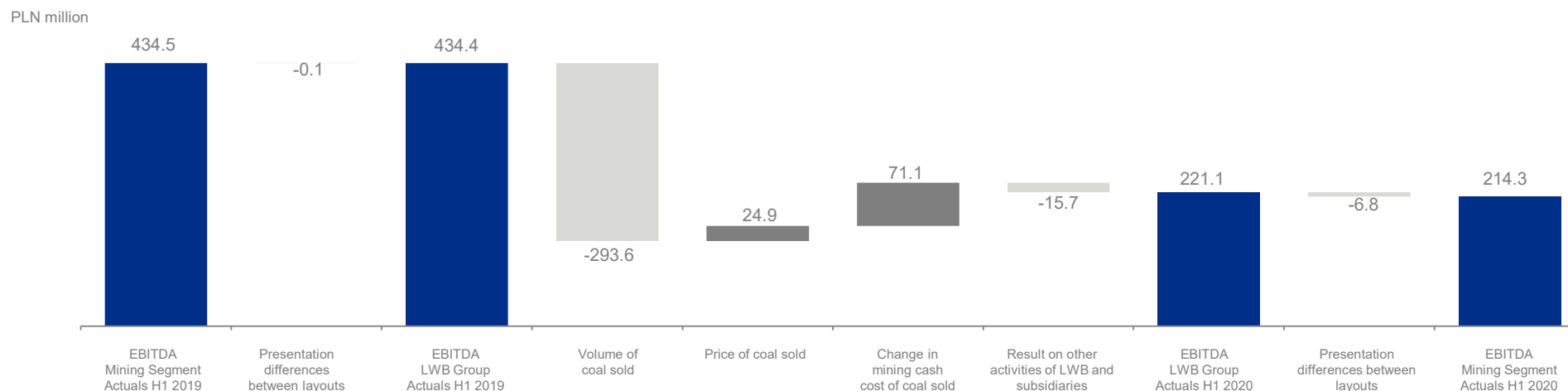
## Mining Area

[PLN 000s]	H1 2019	H1 2020	Change	Change [%]	Q2 2019	Q2 2020	Change	Change [%]
Net revenue from sales	1,098,336	844,196	-254,140	-23.1%	557,518	382,602	-174,916	-31.4%
<i>coal</i>	1,071,969	826,235	-245,734	-22.9%	545,661	375,675	-169,986	-31.2%
<i>other products and services</i>	16,265	11,921	-4,344	-26.7%	7,487	4,249	-3,238	-43.2%
<i>goods and materials</i>	10,102	6,040	-4,062	-40.2%	4,370	2,678	-1,692	-38.7%
Revenue from leases and operating subleases	0	4,816	4,816	100.0%	0	2,327	2,327	100.0%
Revenue from sales and other income	1,098,336	849,012	-249,324	-22.7%	557,518	384,929	-172,589	-31.0%
EBIT	262,775	66,022	-196,753	-74.9%	123,941	12,802	-111,139	-89.7%
Amortization and depreciation	171,706	149,342	-22,364	-13.0%	91,124	73,177	-17,947	-19.7%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	0	(1,050)	-1,050	-100.0%	0	(1,050)	-1,050	-100.0%
<b>EBITDA</b>	<b>434,481</b>	<b>214,314</b>	<b>-220,167</b>	<b>-50.7%</b>	<b>215,065</b>	<b>84,929</b>	<b>-130,136</b>	<b>-60.5%</b>
CAPEX	167,012	399,485	232,473	139.2%	87,007	133,211	46,204	53.1%
Share of the area's sales revenue in the Group's net revenue from sales	10%	8%	-2 p.p.		10%	7%	-3 p.p.	

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.



### H1 2020

#### EBITDA drivers:

(-) a decrease in revenue from sales of coal in connection with the lower volume of coal sales (-1.25 million tons).

(+) the lower sales volume was partially offset by a 3.0% increase in the price of coal sold

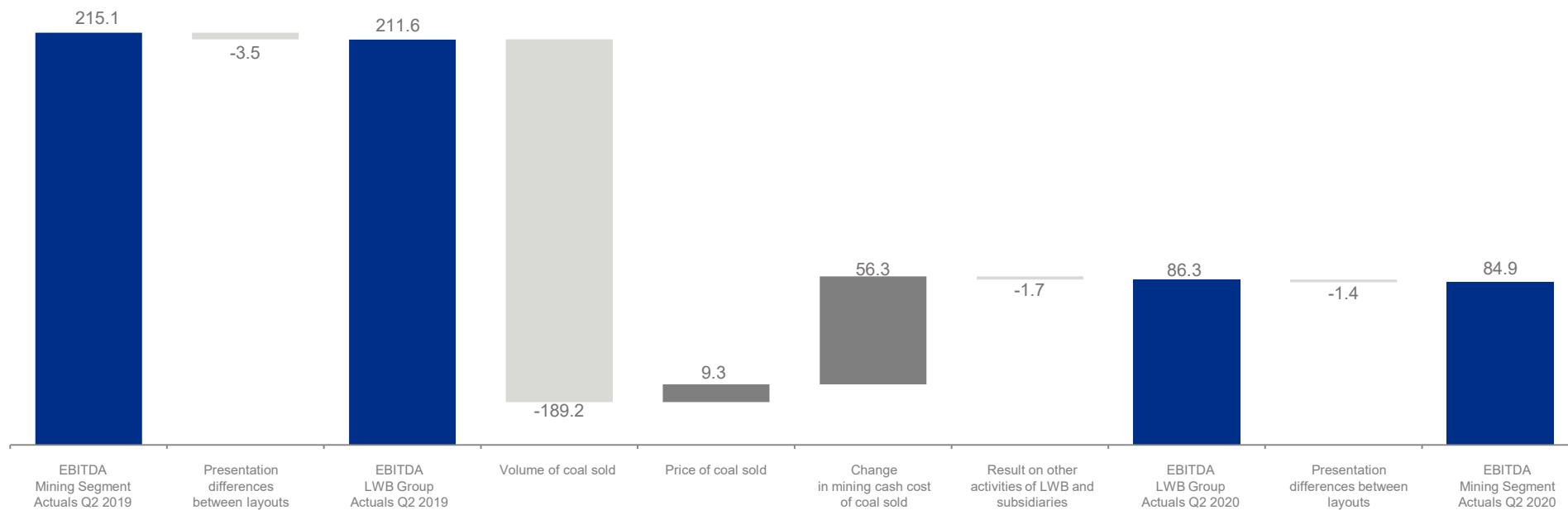
(+) lower mining cash cost – gross mining volume was 1.88 million tons, which translated into a lower cost of consumption of materials and third-party services, while the unit price of electricity increased

(-) in 2019 reversal of the provision for claims under the dispute with ZUS (which increased the comparative level by approx. PLN 16 million)

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

## Mining Area

PLN million



### Q2 2020

#### EBITDA drivers:

(-) a decrease in revenue from sales of coal in connection with the lower volume of coal sales (-0.8 million tons).

(+) the lower sales volume was partially offset by an increase in the price of coal sold by more than 2.5%

(+) lower mining cash cost – gross mining volume was 1.11 million tons, which translated into a lower cost of consumption of materials and third-party services, while the unit price of electricity increased

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



## Other Activities Area

[PLN 000s]	H1 2019 <sup>1)</sup>	H1 2020	Change	Change [%]	Q2 2019 <sup>1)</sup>	Q2 2020	Change	Change [%]
Net revenue from sales	313,621	302,116	-11,505	-3.7%	158,450	155,410	-3,040	-1.9%
Revenue from leases and operating subleases	2,551	2,534	-17	-0.7%	22	106	84	381.8%
Revenue from sales and other income	316,172	304,650	-11,522	-3.6%	158,472	155,516	-2,956	-1.9%
EBIT	30,338	14,475	-15,863	-52.3%	17,423	9,125	-8,298	-47.6%
Amortization and depreciation	30,045	35,851	5,806	19.3%	16,530	17,792	1,262	7.6%
<b>EBITDA</b>	<b>60,383</b>	<b>50,326</b>	<b>-10,057</b>	<b>-16.7%</b>	<b>33,953</b>	<b>26,917</b>	<b>-7,036</b>	<b>-20.7%</b>
CAPEX	33,397	18,335	-15,062	-45.1%	16,997	11,853	-5,144	-30.3%
Share of the segment's sales revenue in the Group's sales revenue	3%	3%			3%	3%		

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

ENECA Innowacje Sp. z o.o. – deals with ventures that offer a chance to become, in the future, innovative and modern products offered by the Group

ENECA Badanie i Rozwój Sp. z o.o. – responsible for research and experimental development on other natural sciences and engineering

- 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 <sup>2)</sup>

	H1 2019 <sup>1)</sup>	H1 2020	Q2 2019 <sup>1)</sup>	Q2 2020 <sup>1)</sup>
<b>Profitability ratios</b>				
ROE - return on equity	7.4%	-1.1%	7.7%	-14.2%
ROA - return on assets	3.6%	-0.5%	3.7%	-6.9%
Net profitability	7.2%	-0.9%	7.5%	-12.4%
Operating profitability	10.9%	5.9%	11.0%	-2.4%
EBITDA profitability	20.1%	20.4%	20.5%	18.5%
<b>Liquidity and financial structure ratios</b>				
Current liquidity ratio	1.3	1.4	1.3	1.4
Coverage of non-current assets with equity	65.9%	64.3%	65.9%	64.3%
Total debt ratio	51.3%	51.2%	51.3%	51.2%
Net debt / EBITDA	2.03	1.60	2.03	1.60
<b>Economic activity ratios</b>				
Current receivables turnover in days <sup>3)</sup>	50	50	50	51
Trade and other payables turnover in days <sup>4)</sup>	77	67	77	68
Inventory turnover in days	35	39	36	40

<sup>1)</sup> restatement of data for presentation purposes in accordance with the condensed interim consolidated financial statements

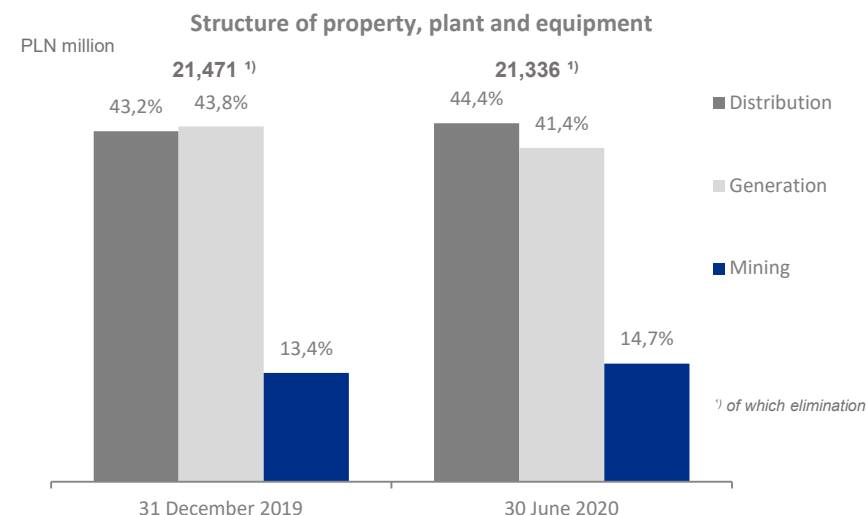
<sup>2)</sup> definitions of the ratios are presented on page 71

<sup>3)</sup> trade receivables – trade receivables, assets under contracts with customers and costs of concluding contracts

<sup>4)</sup> trade payables – trade payables, liabilities under contracts with customers

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

Assets [PLN 000s]	As at:			
	31 December 2019	30 June 2020	Change	Change [%]
<b>Non-current assets</b>	<b>23,792,019</b>	<b>23,706,172</b>	<b>-85,847</b>	<b>-0.4%</b>
Property, plant and equipment	21,470,804	21,336,180	-134,624	-0.6%
Right-to-use asset	719,948	710,909	-9,039	-1.3%
Intangible assets	379,024	374,590	-4,434	-1.2%
Investment property	23,109	22,436	-673	-2.9%
Investments in associates and jointly controlled entities	373,016	342,078	-30,938	-8.3%
Deferred tax assets	569,369	595,294	25,925	4.6%
Financial assets at fair value	40,172	42,600	2,428	6.0%
Debt financial assets measured at amortized cost	48,649	4,000	-44,649	-91.8%
Trade and other receivables	20,862	128,880	108,018	517.8%
Costs incurred to obtain a contract	12,749	13,322	573	4.5%
Receivables under leases and finance subleases	319	901	582	182.4%
Funds accumulated in the Mine Liquidation Fund	133,998	134,982	984	0.7%
<b>Current assets</b>	<b>9,051,835</b>	<b>7,528,474</b>	<b>-1,523,361</b>	<b>-16.8%</b>
CO <sub>2</sub> emission allowances	1,375,128	149,219	-1,225,909	-89.1%
Inventories	1,376,295	1,382,541	6,246	0.5%
Trade and other receivables	2,123,567	1,924,085	-199,482	-9.4%
Costs incurred to obtain a contract	12,646	12,377	-269	-2.1%
Assets arising from contracts with customers	330,447	371,597	41,150	12.5%
Receivables under leases and finance subleases	950	145	-805	-84.7%
Current income tax receivables	59,746	17,817	-41,929	-70.2%
Financial assets at fair value	7,056	16,496	9,440	133.8%
Debt financial assets measured at amortized cost	3,576	8,429	4,853	135.7%
Other short-term investments	477	481	4	0.8%
Cash and cash equivalents	3,761,947	3,645,287	-116,660	-3.1%
<b>Total Assets</b>	<b>32,843,854</b>	<b>31,234,646</b>	<b>-1,609,208</b>	<b>-4.9%</b>



### Change drivers for non-current assets (down by PLN 86 million):

- decrease in property, plant and equipment by PLN 135 million, of which: an increase in fixed assets by PLN 1,051 million, with a concurrent increase in accumulated depreciation by PLN 667 million and impairment losses for non-financial non-current assets by PLN 519 million
- decrease in debt financial assets measured at amortized cost by PLN 45 million – reclassification of non-current assets to current assets
- decrease in the value of investments in associates and jointly controlled entities by PLN 31 million – a decline in the carrying amount of shares in Polska Grupa Górnicza S.A.
- increase in trade and other receivables by PLN 108 million – mainly in the value of initial deposits related to the contracting of CO<sub>2</sub> emission allowances
- increase in deferred tax assets by PLN 26 million

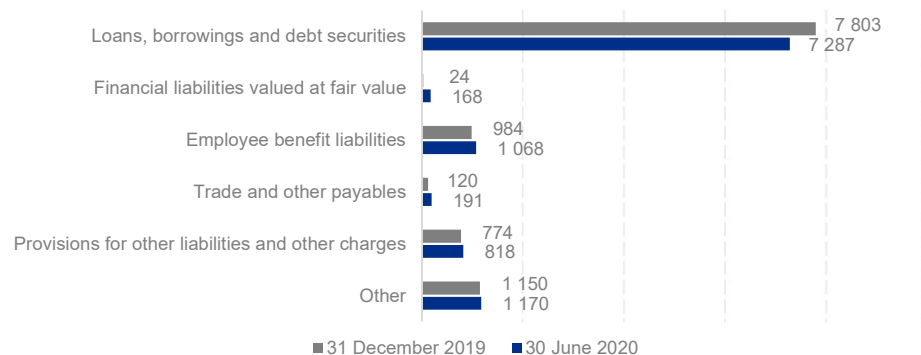
### Change drivers for current assets (down by PLN 1,523 million):

- decrease in the value of CO<sub>2</sub> emission allowances by PLN 1,226 million – including mainly redemption of allowances for 2019
- decrease in trade and other receivables by PLN 199 million – mainly due to a lower amount of VAT receivables, with a concurrent increase in trade receivables

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

Equity and liabilities [PLN 000s]	As at:		Change	Change [%]
	31 December 2019	30 June 2020		
<b>Total equity</b>	<b>15,479,771</b>	<b>15,245,648</b>	<b>-234,123</b>	<b>-1.5%</b>
Share capital	588,018	588,018	-	-
Share premium	3,632,464	3,632,464	-	-
Revaluation reserve – measurement of financial instruments	-16,295	-16,267	28	0.2%
Revaluation reserve – measurement of hedging instruments	-17,356	-132,196	-114,840	-661.7%
Retained earnings	10,268,882	10,132,727	-136,155	-1.3%
Non-controlling interests	1,024,058	1,040,902	16,844	1.6%
<b>Total liabilities</b>	<b>17,364,083</b>	<b>15,988,998</b>	<b>-1,375,085</b>	<b>-7.9%</b>
Non-current liabilities	10,855,419	10,701,601	-153,818	-1.4%
Current liabilities	6,508,664	5,287,397	-1,221,267	-18.8%
<b>Total equity and liabilities</b>	<b>32,843,854</b>	<b>31,234,646</b>	<b>-1,609,208</b>	<b>-4.9%</b>

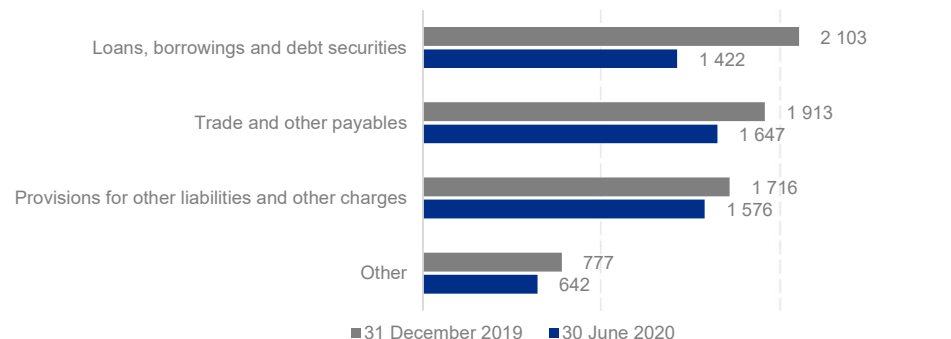
Structure of non-current liabilities [PLN million]



### Change drivers for non-current liabilities (down by PLN 154 million)

- decrease in the loans, borrowings and other debt securities item by PLN 516 million – mainly through reclassification of non-current liabilities to current liabilities
- increase in financial liabilities measured at fair value by PLN 144 million – remeasurement of IRS financial instruments hedging against an increase in costs caused by changes in interest rates
- increase in employee benefit liabilities by PLN 84 million
- increase in trade and other payables by PLN 71 million – mainly due to an increase in the resale value of CO<sub>2</sub> emission allowances, with a concurrent reclassification to the current portion of the liability to Energa S.A. on account of the assumption of a loan granted to Elektrownia Ostrołęka Sp. z o.o.
- increase in provisions for other liabilities and other charges by PLN 44 million – mainly a remeasurement of the provisions for the Mine Closure Fund and a change in provisions for non-contractual use of land

Structure of current liabilities [PLN million]

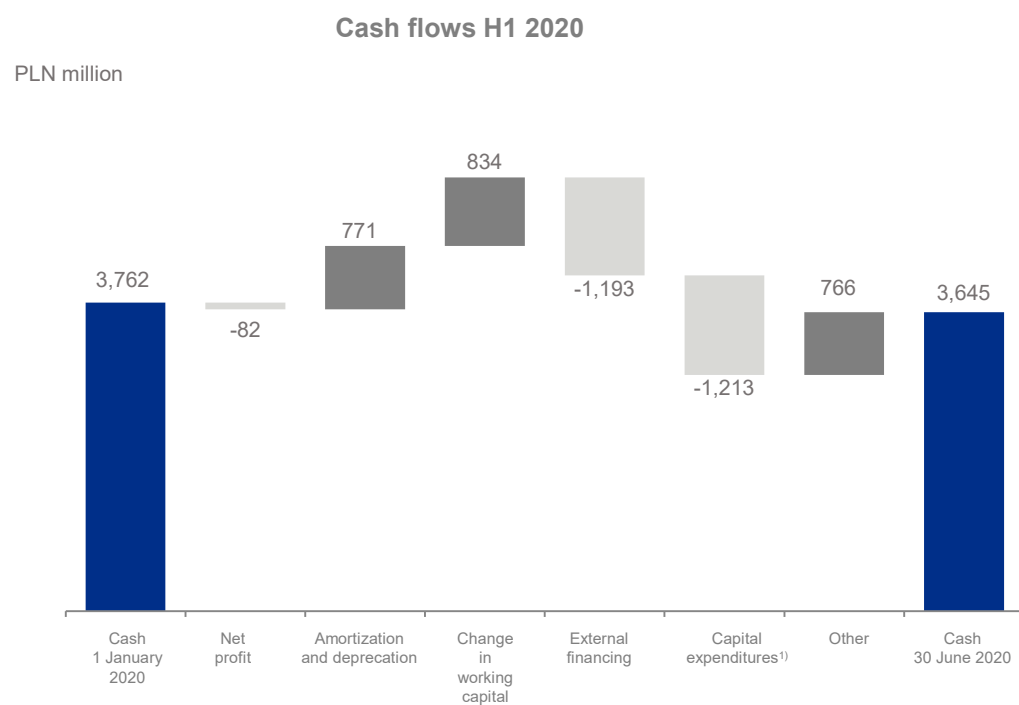


### Change drivers for current liabilities (down by PLN 1,221 million)

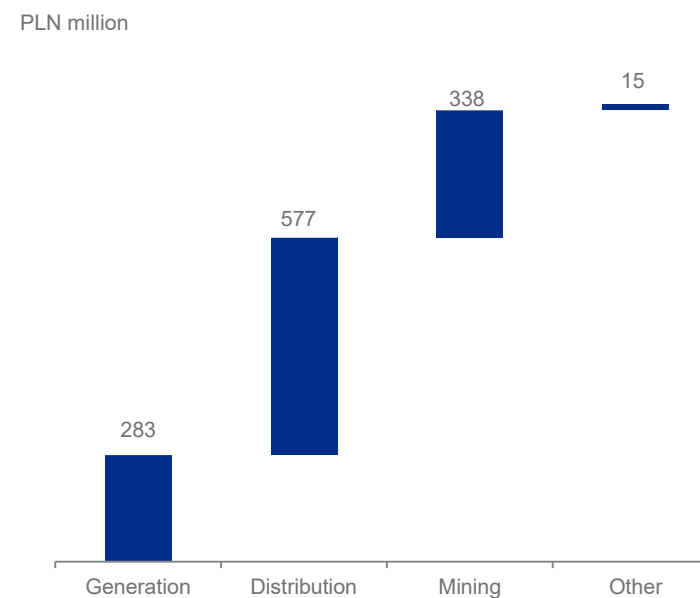
- decrease in loans, borrowings and other debt securities by PLN 681 million – redemption of bonds and reclassification of non-current liabilities to current liabilities
- decrease in trade and other payables by PLN 266 million – mainly due to a decrease in liabilities on account of the purchase of tangible and intangible non-current assets, a decrease in trade liabilities, a drop in tax liabilities (except for income tax), with a concurrent increase in the resale value of CO<sub>2</sub> emission allowances and reclassification to the current portion of the liability to Energa S.A. on account of the assumption of a loan granted to Elektrownia Ostrołęka Sp. z o.o.
- decrease in provisions for other liabilities and other charges by PLN 140 million – mainly a decrease in provisions for the purchase of CO<sub>2</sub> emission allowances with a concurrent increase of the provision for future investment commitments to Elektrownia Ostrołęka Sp. z o.o. and Energa S.A. and an increase in provisions for certificates of origin of energy
- decrease in other current liabilities by PLN 135 million – mainly due to a PLN 119 million drop in current income tax liabilities

## Cash position of ENEA Group

Statement of cash flows [PLN 000s]	H1 2019	H1 2020	Change	Change [%]
Net cash flows from operating activities	1,981,762	2,458,385	476,623	24.1%
Net cash flows from investing activities	(1,242,709)	(1,207,676)	35,033	2.8%
Net cash flows from financing activities	716,619	(1,367,369)	-2,083,988	-290.8%
Increase / (decrease) in net cash	1,455,672	(116,660)	-1,572,332	-108.0%
Cash at the beginning of reporting period	2,650,838	3,761,947	1,111,109	41.9%
<b>Cash at the end of reporting period</b>	<b>4,106,510</b>	<b>3,645,287</b>	<b>-461,223</b>	<b>-11.2%</b>



## ENEA Group's capital expenditures <sup>1)</sup> in H1 2020



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

## 4. Shares and shareholding structure

### 4.1. Equity and shareholding structure

As at 30 June 2020 and as at the publication date of this 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 outstanding shares of the Issuer corresponds to the number of shares, translating into 441,442,578 votes.

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

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

The table below presents the shareholding structure of ENEA S.A. as at the date of the periodic report for H1 2020.

Shareholder	Number of shares / number of votes at the Shareholder Meeting	Interest in the share capital / share in the total number of votes
State Treasury	227,364,428	51.5%
Others	214,078,150	48.5%
<b>TOTAL</b>	<b>441,442,578</b>	<b>100.0%</b>

The following table presents data on the Company's shares in H1 2020.

Data	H1 2020
Number of shares	441,442,578
Minimum [PLN]	3.87
Maximum [PLN]	8.10
Stock price at the end of the period [PLN]	7.16
Stock price at the end of the previous period [PLN]	7.915
Average trading volume [PLN]	668,145

### 4.2. ENEA S.A. stock prices on the Warsaw Stock Exchange

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

In H1 2020, the ENEA S.A. stock price fell from PLN 7.915 to PLN 7.16, that is by PLN 0.755, or 9.5%. The highest closing price of ENEA S.A. stock in H1 2020 was recorded on 19 June 2020 (PLN 8.1), while the lowest price was recorded on 12 March 2020 (PLN 3.87).

Share of the Company's stock in stock exchange indices as at 30 June 2020:



## 5. Company authorities

### 5.1. Composition of the ENEA S.A. Management Board

As at 1 January 2020, the Company's Management Board was composed of the following persons:

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

On 4 June 2020 Mr. Mirosław Kowalik tendered his resignation from the position of President of the ENEA S.A. Management Board and from membership in the Company's Management Board effective as of 5 June 2020.

On the same date, the Company's Supervisory Board adopted a resolution to second, starting 6 June 2020, Mr. Paweł Szczeszek, Supervisory Board Member, to temporarily perform the duties of the President of the ENEA S.A. Management Board until the appointment of a new President of the Company's Management Board, but no longer than for a period of three months from the date of his secondment.

On 30 June 2020 the Company's Supervisory Board adopted a resolution to appoint Mr. Paweł Szczeszek to the position of President of the ENEA S.A. Management Board for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018. The resolution came into force upon adoption.

Upon his appointment to the position of President of the Management Board, Mr. Paweł Szczeszek's mandate of a Member of the Company's Supervisory Board expired.

On 22 July 2020, Mr. Zbigniew Piętka tendered his resignation from the function of ENEA S.A. Management Board Member for Corporate Matters, effective as of 24 July 2020.

On 23 July 2020, Mr. Piotr Adamczak tendered his resignation from the function of ENEA S.A. Management Board Member for Commercial Matters, effective as of 10 August 2020.

On 7 August 2020, the Company's Supervisory Board adopted resolutions in the matter of: appointing Mr. Tomasz Szczegielniak to the position of the ENEA S.A. Management Board Member for Corporate Matters, effective as of the resolution adoption date and appointing Mr. Tomasz Siwak to the position of ENEA S.A. Management Board Member for Commercial Matters effective as of 17 August 2020.

Considering the above, as at the date of this report, the Company's Management Board consists of:

- Paweł Szczeszek – President of the Management Board,
- Jarosław Ołowski – Management Board Member for Financial Matters,
- Tomasz Siwak – Management Board Member for Commercial Matters,
- Tomasz Szczegielniak – Management Board Member for Corporate Matters.

### 5.2. Composition of the ENEA S.A. Supervisory Board

As at 1 January 2020, the Supervisory Board was composed of the following persons:

- Stanisław Kazimierz Hebda – Supervisory Board Chairman,
- Michał Dominik Jaciubek – Supervisory Board Secretary,
- Paweł Korobłowski – Supervisory Board Member,
- Ireneusz Kulka – Supervisory Board Member,
- Maciej Mazur – Supervisory Board Member,
- Piotr Mirkowski – Supervisory Board Member,
- Mariusz Pliszka – Supervisory Board Member,
- Roman Stryjski – Supervisory Board Member.

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. In accordance with these powers, Mr. Bartosz Nieścior was appointed to the Company's Supervisory Board as of 3 February 2020.

On 6 February 2020, Mr. Mariusz Pliszka tendered his resignation as Deputy Chairman of the ENEA S.A. Supervisory Board.

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

On 6 February 2020, Mr. Stanisław Hebda tendered his resignation as a Member of the ENEA S.A. Supervisory Board, effective as of the same date.

On 19 March 2020, the Extraordinary General Meeting of the Company appointed to the Supervisory Board, 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 statements from the Minister of State Assets that the Minister of State Assets has exercised its powers to appoint and dismiss a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. According to the said statements, the Minister of State Assets, in exercise of the powers conferred on him, dismissed, effective as of 27 May 2020, Mr. Bartosz Nieścior from the Company's Supervisory Board and, at the same time, appointed Mr. Paweł Szczeszek to the Company's Supervisory Board.

On 4 June 2020, the Supervisory Board elected Mr. Roman Stryjski to serve as Deputy Chairman of the ENEA S.A. Supervisory Board.

On 4 June 2020, the Company's Supervisory Board adopted a resolution to second, starting 6 June 2020, Mr. Paweł Szczeszek, Supervisory Board Member, to temporarily perform the duties of the President of the ENEA S.A. Management Board until the appointment of a new President of the Company's Management Board, but no longer than for a period of three months from the date of his secondment.

On 30 June 2020 the Company's Supervisory Board adopted a resolution to appoint Mr. Paweł Szczeszek to the position of President of the ENEA S.A. Management Board for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018. The resolution came into force upon adoption. Upon his appointment to the position of President of the Management Board, Mr. Paweł Szczeszek's mandate of a Member of the Company's Supervisory Board expired.

As at the date of publication of this report, the Company's Supervisory Board of the 10th term of office is composed of nine members and operates in the following composition:

- Izabela Felczak-Poturnicka – Supervisory Board Chairwoman
- Roman Stryjski – Supervisory Board Deputy Chairman,
- Michał Dominik Jaciubek – Supervisory Board Secretary,
- Mariusz Fistek – Supervisory Board Member,
- Paweł Korobłowski – Supervisory Board Member,
- Ireneusz Kulka – Supervisory Board Member,
- Maciej Mazur – Supervisory Board Member,
- Piotr Mirkowski – Supervisory Board Member,
- Mariusz Pliszka – Supervisory Board Member.

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

The Audit Committee is composed of:

Audit Committee	
Name	Function
Ireneusz Kulka <sup>1) 2) 3)</sup>	Chairperson
Maciej Mazur	Member
Piotr Mirkowski <sup>1) 3)</sup>	Member
Mariusz Pliszka <sup>3)</sup>	Member
Roman Stryjski <sup>1)</sup>	Member

<sup>1)</sup> An independent member within the meaning of Article 129(3) of the Act of 11 May 2017 on certified auditors, auditing firms and public supervision and within the meaning of the corporate governance principles included in the Best Practice for WSE Listed Companies 2016,

<sup>2)</sup> A member having knowledge and skills in the area of accounting or auditing financial statements,

<sup>3)</sup> A member having knowledge and skills in the industry in which the Company operates.

The Nominations and Remuneration Committee is composed of:

Nominations and Remuneration Committee	
Name	Function
Roman Stryjski <sup>1)</sup>	Chairperson
Izabela Felczak-Poturnicka	Member
Michał Dominik Jaciubek	Member
Paweł Korobłowski	Member
Piotr Mirkowski <sup>1)</sup>	Member

<sup>1)</sup> An independent member within the meaning of the corporate governance principles included in the Best Practice for WSE Listed Companies 2016.

The Strategy and Investment Committee is composed of:

Strategy and Investment Committee	
Name	Function
Izabela Felczak-Poturnicka	Member
Maciej Mazur	Member
Mariusz Pliszka	Member
Ireneusz Kulka	Member
Paweł Korobłowski	Member
Michał Jaciubek	Member

### 5.3. Number of shares and rights to shares held by members of the Management and Supervisory Boards

Name	Function	Number of ENEA S.A. shares held as at 18 June 2020	Number of ENEA S.A. shares held as at 3 September 2020
Michał Dominik Jaciubek	Supervisory Board Member	5 020	5 020
Mariusz Pliszka	Supervisory Board Member	3 880	3 880

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



## 6. Other information relevant to evaluation of the issuer's standing and factors that the Issuer believes will affect its performance.

### 6.1. Regulatory environment

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

#### 6.1.1. Internal electricity market

On 14 June 2019, Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity entered into force. This regulation is part of the "Winter Package" and forms the basic legal act forcing the introduction of new solutions pertaining to electricity markets and system services, both in Poland and in other Member States of the European Union. The main changes in national legal systems include the need to align the principles of operation of the national Balancing Market. In the last quarter of 2019, a concept of changes in the Balancing Market was presented by Polskie Sieci Elektroenergetyczne S.A. as a Transmission System Operator responsible for the operation of the Balancing Market. A detailed description of the planned changes in the operation of the Balancing Market was presented by the Transmission System Operator in the document entitled "Concept of changes in the principles of operation of the balancing market in Poland", published on the Operator's website at: <https://www.pse.pl/konsultacje-aktywne/konsultacje-dotyczace-koncepcji-zmian-zasad-funkcjonowania-ryнку-bilansujacego>. At the same time, work was also initiated on amendments to the Capacity Market Act of 8 December 2017, aligning Poland's capacity market mostly to Article 22(4) and (5) of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity, which provisions require that support from the capacity market may be provided for generating units that fail to meet the so-called 550 g CO<sub>2</sub>/kWh emission standard, but leave intact the support from the capacity market for units that fail to meet this emission standard if such support results from capacity contracts entered into before 31 December 2019.

At the end of 2018 (on 21 December 2018), Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council, entered into force. This regulation has introduced the requirement to develop a National Plan for Energy and Climate within the framework of implementation of the Energy Union comprising the following 5 dimensions: energy security, internal energy market, energy efficiency, reduction of emissions and research, innovation and competitiveness. The main purpose of the Energy Union management mechanism is to enable achievement of the Energy Union goals, in particular the climate and energy policy goals by 2030 in terms of reducing greenhouse gas emissions, generating renewable energy and improving energy efficiency. The National Plan for Energy and Climate was submitted to the European Commission at the end of 2019, thereby fulfilling the requirement imposed on Poland in this respect. The document was prepared on the basis of national development strategies, taking into account the draft Polish Energy Policy until 2040. It sets the following climate and energy goals for 2030: 7% reduction in greenhouse gas emissions in non-ETS sectors compared to 2005, 21-23% share of renewable energy sources in final gross energy consumption (with 23% of the goal considered achievable if additional EU funds are allocated to Poland, including those allocated to equitable transformation), energy efficiency up by 23% compared to PRIMES2007 forecasts, share of coal in electricity generation down to 56-60%.

### 6.1.2. Demand for electricity

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

### 6.1.3. Amendments of the RES Act

On 29 August 2019, the Act amending the Act on Renewable Energy Sources (RES Act) and Certain Other Acts came into force. It has introduced a change to the RES Act and the Energy Law from ‘prosumer’ to ‘renewable energy prosumer’. Currently, a renewable energy prosumer may be any end user generating electricity exclusively from renewable sources for own needs in a micro-installation (with an installed electrical capacity of at most 50 kW or a maximum available thermal capacity in cogeneration of at most 150 kW), provided that, in the case of end users who are not a household electricity consumer, such generation does not constitute their prevailing economic activity, as determined in accordance with the regulations issued under Article 40(2) of the Public Statistics Act of 29 June 1995. The definition of and rules of settlement with energy cooperatives have been changed – currently, settlements with energy cooperatives will be carried out in the same manner as those with renewable energy prosumers, but by applying the ratio of electricity fed into the grid to energy taken from the grid of 1:0.6.

The amendment to the RES Act will also permit larger installations to benefit from public support mechanisms. The amendment has extended the maximum time limit for starting up energy generation from wind farms covered by support in the auction system from 24 to 33 months, and for solar farms – from 18 to 24 months. To other technologies, the period of 42 months will apply, instead of 36 months before the amendment to the RES Act.

The amendment to the RES Act has introduced provisions for the FIP guaranteed tariff, according to which the upper capacity limit for renewable energy installations eligible for the FIP tariff has been increased from 1 MW to 2.5 MW, however these provisions will not apply before the date of a positive decision of the European Commission on the compatibility of public aid provided for in these regulations with the internal market or recognition by the European Commission that the amendments to these provisions do not constitute new public aid.

### 6.1.4. Tariff for electricity distribution services in 2020

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 “Energia Elektryczna” (Electricity) No. 304 (2939) of 17 December 2019. The new tariff has been approved for application until 31 December 2020. The tariff will result in an average increase in distribution fees for all tariff groups by 4.6%, while for consumers from the G tariff groups a smaller increase is anticipated at 4.0%. The tariff has been in force since 1 January 2020.

### 6.1.5. 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 the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories (EMIR Refit), entered into force. As a result of the introduced amendments, the duty has been introduced to report OTC derivative transactions (albeit, providing for an exception to this rule for intragroup derivative transactions, in the form of an possible waiver of the reporting obligation).

### 6.1.6. Capacity market

Detailed information on the Capacity Market is provided in Chapter 10 of the “Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2019” and, as at the preparation date of this report, it remains valid.

<sup>1)</sup> [https://www.pse.pl/documents/20182/21595261/Dokument\\_glowny\\_PRSP\\_2021-2030\\_20200528.pdf/8c629859-1420-432f-8437-6b3a714dda9c?safeargs=646f776e6c6f61643d74727565](https://www.pse.pl/documents/20182/21595261/Dokument_glowny_PRSP_2021-2030_20200528.pdf/8c629859-1420-432f-8437-6b3a714dda9c?safeargs=646f776e6c6f61643d74727565)

### **6.1.7. REMIT**

REMIT – Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency. In accordance with this regulation, the electricity market is subject to specific restrictive rules governing the publication and disclosure of all information that may affect the prices of energy products on the wholesale energy market, including an absolute prohibition of any market manipulation. REMIT requires that every market participant be registered in the national register of market participants. Market participants are required to report data on the transactions they execute on wholesale energy markets, including any orders they place. Basic data on the capacity and use of generating infrastructure are subject to reporting. REMIT requires that inside information be published in the form of public disclosure. REMIT prohibits manipulation or attempts to manipulate the market and prohibits the use of inside information. REMIT equips regulatory authorities with powers to conduct investigations and enforce the provisions of the regulation.

### **6.1.8. Electromobility and Alternative Fuels Act**

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 nearly 450 publicly available charging points in 5 urban areas: Poznań, Szczecin, Bydgoszcz, Gorzów Wielkopolski and Zielona Góra. This number is the difference between the minimum number of publicly available charging points, which according to the Act should be built in the territory of the said 5 townships, and the existing and planned number of such points to be built by private investors. For this reason, ENEA Operator is currently carrying out a project entitled “Implementation of ENEA Operator’s statutory obligations related to electromobility”.

### **6.1.9. Impact of the electricity tariff for Tariff Group G**

On 30 December 2019, the President of the Energy Regulatory Office (“ERO President”) made a decision to approve the electricity tariff for Tariff Group G for the period from 14 January to 31 March 2020 (“Tariff”). The ERO President approved the ENEA S.A. electricity sales price for Tariff Group G consumers at the level that did not cover the costs incurred by the Company. ENEA S.A. filed an application to approve a tariff for the next period, i.e. from 1 April to 31 December 2020. However, after the evidence proceedings had been completed, on 8 July 2020 the ERO President decided to refuse to approve the electricity tariff. At present, there is a pending appeal procedure against the decision of the ERO President and ENEA S.A. currently uses its previous tariff in the settlements for energy sold to customers. Considering the above and acting in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Company recognized a provision for onerous contracts in the amount of PLN 68.6 million as at 31 December 2019. In H1 2020, the Company used PLN 39.3 million of the provision for onerous contracts.

### **6.1.10. Operating reserve**

Detailed information on the Operating Reserve mechanism is provided in Chapter 10 of the “Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2019” and, as at the preparation date of this report, it remains valid.

### **6.1.11. Increase in the number of customers exercising their right to change the seller**

As at the end of June 2020, the number of business customers (tariff groups A, B, C) which changed their energy seller was 214,599, having increased by 4,664 (or 2.2%) since the end of 2019. As regards customers in the household segment (tariff group G), the number was 681,529, having increased by 24,306, or 3.7%, since the end of 2019. These figures indicate that the dynamics of seller switches in the first half of 2020 is not high.

### **6.1.12. Exemption from the duty to submit household tariffs for approval**

Pursuant to Article 49 of the Energy Law, the President of the Energy Regulatory Office may exempt a utility company from the duty to submit tariffs for approval if the ERO President considers the company to operate in a competitive environment. An optional exemption from the duty to submit tariffs for approval may have a favorable impact on the energy sales margin in the future.

### **6.1.13. Significant trends in the Distribution area**

The provisions of EU law, in particular those of the energy regulations called Clean Energy for All Europeans, have an increasing impact on ENEA Operator's business. These regulations contribute to the achievement of the EU's goals of achieving a more competitive, secure and sustainable energy system and reducing greenhouse gas emissions by 2030. Commitments in this respect provide for a reduction of emissions by at least 40% compared to 1990 levels while increasing energy efficiency by 32.5% and increasing the share of energy generation from renewable sources to 32% of final consumption. A consequence of the pursuit of these commitments will be a steady, as has already been observed, increase in installed capacity from renewable energy sources, which has created room for new energy market participants and has changed the roles of existing participants, including DSOs.

The rapid development of distributed energy sources combined with new technologies, including ICT technologies, has had a significant impact on the distribution network, while shaping the new role of DSOs on the energy market. New challenges in this area for ENEA Operator include: the new role of DSOs as entities supporting market development (local markets in particular), tapping into the flexibility of distributed energy sources, data management, cooperation with TSOs/DSOs, new IT and ICT technologies, development of smart grids, activation of customers, emergence of energy communities (energy clusters and cooperatives), cyber security and development of research and development and innovation activities. Since innovations form a significant growth factor, which is why ENEA Operator has adopted a framework enabling external entities to suggest and jointly execute various pilot and innovative projects with the Company. The pursuit of such initiatives will provide the opportunity to jointly develop or test innovative solutions in real-life conditions. For more information, please visit: <https://www.operator.enea.pl/innowacje>

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

### **6.1.14. Key Service Operator**

According to the provisions of the Act of 5 July 2018 on the National Cybersecurity System, members of the ENEA Group, namely 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., have been recognized as Key Service Operators. ENEA Operator joined a project initiated by the Ministry of Energy and signed an agreement on cooperation in the power sector to improve the country's cybersecurity. The project calls for concerted action toward improving the IT security of the energy distribution area and protecting it against potential external attacks. The agreement was signed by: ENEA Operator, Tauron Dystrybucja, PGE Dystrybucja and Energa Operator.

### **6.1.15. Quality regulation model**

Detailed information on the qualitative regulation model is provided in Chapter 10 of the "Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2019" and, as at the preparation date of this report, it remains valid.

### **6.1.16. Rating**

On 19 March 2020, Fitch Ratings 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.

### **6.1.17. General Data Protection Regulation (GDPR)**

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

## 6.1.18. Court and administrative proceedings

As at the date of this report, there are no proceedings are in progress regarding payables or receivables to which ENEA S.A. or any of its subsidiaries would be a party. A detailed description of the proceedings is provided in Note 25 to the condensed interim consolidated financial statements of the ENEA Group for the period from 1 January to 30 June 2020.

## 6.1.19. Litigation related to actions for annulment or revocation of shareholder meeting resolutions

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

Plaintiff	Subject of the statement of claim (literal wording)	Status of the proceedings
Synergia Inter-Company Trade Union of ENEA Group Employees	Statement of claim for annulment of a resolution of the Company's shareholder meeting or, alternatively, for revocation of a resolution of the Company's shareholder meeting with a petition for an injunction <sup>1)</sup>	<ol style="list-style-type: none"> <li>1. By decision of 20 June 2018, the Regional Court in Poznań dismissed the petition for an injunction (by decision of 7 August 2018, the Court of Appeals in Poznań dismissed the plaintiff's complaint against the decision to dismiss the petition for an injunction.)</li> <li>2. By judgment of 26 March 2019, the Regional Court in Poznań dismissed the statement of claim.</li> <li>3. On 15 May 2019, the plaintiff appealed against the judgment of 26 March 2019 through the Regional Court in Poznań.</li> <li>4. On 3 December 2019, the plaintiff's appeal was delivered to the defendant (the extension of the inter-instance proceedings resulted from the need for the court to examine the plaintiff's petition for a waiver of the appeal fee).</li> <li>5. On 17 December 2019, the defendant filed a reply to the appeal to the Court of Appeals in Poznań.</li> <li>6. On 23 July 2020, a hearing was held before the Court of Appeals in Poznań. Announcement of the judgment in the case was deferred until 12 August 2020.</li> <li>7. By the ruling of the Court of Appeals in Poznań of 12 August 2020, the Plaintiff's appeal was rejected in its entirety</li> </ol>
"CLIENTEARTH Lawyers for the Earth" Foundation	Statement of claim for annulment or, alternatively, ascertainment of non-existence or, alternatively, revocation of a resolution of the Shareholder Meeting of a Joint Stock Company <sup>2)</sup>	<ol style="list-style-type: none"> <li>1. On 31 July 2019, the Regional Court in Poznań issued a judgment stating that Resolution No. 3 of the Extraordinary Shareholder Meeting of the defendant ENEA S.A. with its registered office in Poznań of 24 September 2018 to express a directional consent to proceed with the construction stage under the Ostrołęka C project is invalid. On 17 September 2019, the attorney representing ENEA S.A. appealed against the judgment issued by the Regional Court in Poznań.</li> <li>2. On 8 July 2020, the Court of Appeals in Poznań issued a judgment, in which it rejected ENEA S.A.'s appeal against the judgment of 31 July 2019 of the Regional Court in Poznań.</li> </ol>
Synergia Inter-Company Trade Union of ENEA Group Employees <sup>2)</sup>	Statement of claim for annulment of a resolution of the Company's shareholder meeting or, alternatively, for revocation of a resolution of the Company's shareholder meeting <sup>2)</sup>	proceedings before the court of first instance – suspended

<sup>1)</sup> concerns Resolution No. 5 of the Extraordinary Shareholder Meeting of ENEA S.A. of 28 May 2018 to adopt amendments to § 23 of the ENEA S.A. Articles of Association

<sup>2)</sup> concerns Resolution No. 3 of the Extraordinary Shareholder Meeting of ENEA S.A. of 24 September 2018 to express a directional consent to proceed with the Construction Stage under the Ostrołęka C project

### **6.1.20. Collective disputes**

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

### **6.1.21. Headcount**

As at 30 June 2020, the headcount in ENEA Group companies included 17,214 employees with employment contracts. As at 30 June 2020, the headcount in ENEA S.A. was 412 employees with employment contracts.

### **6.1.22. Analyses of the transmission and collection of gaseous fuel from the transmission grid by ENEA Wytwarzanie**

ENEA Wytwarzanie Sp. z o.o. is in the process of negotiation with GAZ-SYSTEM S.A. of an agreement to establish the terms of transmission and collection of gaseous fuel from the transmission grid by ENEA Wytwarzanie, enabling the feeding of gas-fired equipment and installations located in the area directly adjacent to ENEA Wytwarzanie. Analyses are underway regarding the possible use of existing coal-fired installations for operation based on the consumption of gaseous fuel.

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

### **6.1.23. Participation in the nuclear power plant construction program**

On 15 April 2015, KGHM, PGE, TAURON and ENEA entered into a Share Purchase Agreement in PGE EJ 1. KGHM, TAURON and ENEA purchased from PGE a stake of 10% each (a combined stake of 30%) in PGE EJ 1. ENEA paid PLN 16 million for the purchased shares. In accordance with the corporate approvals obtained, the financial exposure of ENEA S.A. in the initial phase of the Project (Development Stage) will not exceed approx. PLN 107 million. ENEA S.A.'s total expenditure resulting from the purchase of the shares and the increase in the company's share capital have to date reached PLN 32.5 million. The Shareholders granted loans to PGE EJ 1 to provide it with financial resources for its current activity. The amount of loans granted so far by ENEA S.A. to the company is approx. 11.7 million as at 30 June 2020.

### **6.1.24. Interest in ElectroMobility Poland S.A.**

On 19 October 2016, PGE Polska Grupa Energetyczna S.A., Energa S.A., ENEA S.A. and Tauron Polska Energia S.A. founded a company by the name of ElectroMobility Poland S.A. The company's business is intended to contribute to the execution of a program aimed at building a Polish electric vehicle, marketing it on a mass sale and creating an electromobility system in Poland. Each of the founding companies of ElectroMobility Poland acquired a 25% stake, thereby obtaining 25% of votes at the company's shareholder meeting.

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

### **6.1.25. Research program concerning energy storage and distributed generation**

ENEA and the Electric Power Research Institute (EPRI) signed an agreement under which the ENEA Group will participate in research projects concerning energy storage and distributed generation.

The cooperation between the two entities will cover challenges related to energy storage, integration of storage facilities with dispersed energy sources and micro networks as well as the creation of new services based on energy storage units. Owing to its participation in the program, the ENEA Group will have the opportunity to acquire professional knowledge from EPRI and exchange experience with other research participants. Joint research will help identify and assess the benefits of energy storage, learn new energy storage technologies and draw conclusions from implementation and integration projects in the United States and other countries.

The Group's participation in the research program will improve its internal capacity to implement and use energy storage solutions in the ENEA Group. The research program encompasses and integrates a variety of activities, including technology assessment, economic and technical modeling, to support the planning and operation of the distribution grid and technology demonstrations.

The Group's participation in the program will also provide it with access to numerous tools and research results enabling the assessment of costs, values and limitations of various energy storage technologies. These technologies will provide benefits to the power system, including improvements in energy quality, operational efficiency and greater integration with renewable energy sources.

The purpose of the agreement with the Electric Power Research Institute is to give ENEA access to project databases including tracking, interpretation and analysis of research needs arising in the areas of: energy storage, distributed generation and microgrids. ENEA is considering the possibility of launching projects in this area (also including hydrogen storage projects).

#### **6.1.26. Research and development project concerning power and energy balancing and monitoring the quality of electricity supply**

ENEA Operator cooperated with the AGH University of Science and Technology to launch a research and development project entitled System of power and energy balancing and monitoring the quality of electricity supply of dispersed energy sources and storage facilities.

Continuous monitoring systems cover a broad range of issues associated with the process of continuous monitoring of the operation of power grids, quality of electricity, measurement instruments and the whole ICT infrastructure required in order to transmit the measurement data, as well as remote management of measurement systems and instruments.

This project has received co-funding from the National Centre for Research and Development as part of Measure 1.2: "Sector R&D Programmes" of Operational Programme Smart Growth 2014-2020. Implementation of the project is in progress. The industrial research phase has been completed and the experimental phase is currently in progress.

#### **6.1.27. Construction of a photovoltaic farm on land owned by LW Bogdanka**

The photovoltaic farm project to be developed on the land owned by Lubelski Węgiel "Bogdanka" S.A. will enable proper development of the mine's land and may contribute to a significant reduction of the costs of electricity powering the LWB's technical infrastructure, while showing respect for the environment and using renewable technologies. In 2019, detailed analyses were conducted, regarding, among others, the decisions and consultations required for the land in question.

#### **6.1.28. Construction of photovoltaic farms in cooperation with KOWR, the National Support Centre for Agriculture**

The project of building large-scale photovoltaic plants in cooperation with the National Support Centre for Agriculture is one of the key projects underlying the assumptions for ENEA Group's energy transformation. In performance of the ENEA Group Strategy updated in December 2019, we are considering developing PV projects up to the total capacity of 1500-2000 MWp (base/dynamic scenario).

#### **6.1.29. Rules for the preparation of financial statements**

The condensed financial statements of ENEA S.A. and the ENEA Group included in the extended consolidated report of ENEA S.A. for the period of H1 2020 have been prepared in accordance with the requirements of IAS 34 'Interim Financial Reporting', as endorsed by the European Union.

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

#### **6.1.30. Projected financial results**

The ENEA S.A. Management Board did not publish any projections of financial results for 2020.

### 6.1.31. Execution of the construction project of Ostrołęka Power Plant C

As at 30 June 2020, ENEA S.A. held 9,124,821 shares in Elektrownia Ostrołęka Sp. z o.o. with the par value of PLN 50 per share and total par value of PLN 456,241 thousand.

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, to ENEA S.A. (if the conditions set forth in Clause 1.8 of the Memorandum of Agreement of 30 April 2019 between ENEA S.A. and Energa S.A. are satisfied), of half of Energa S.A.'s amounts receivable from Elektrownia Ostrołęka Sp. z o.o. to ENEA S.A. with the term of payment set at 31 January 2021, for the price equal to the nominal value of receivables sold, including in particular the principal and interest as at 31 January 2021. According to the loan agreement, ENEA S.A. will be obligated to pay the price for the purchased receivables on 31 January 2021. Energa S.A. paid out the first tranche of the loan to Elektrownia Ostrołęka Sp. z o.o. in the amount of PLN 160,000 thousand on 23 December 2019, the second tranche in the amount of PLN 17,000 thousand on 13 January 2020 and the third tranche in the amount of PLN 163,000 thousand on 22 April 2020. As at 30 June 2020, the condition mentioned above had been satisfied for the second and third tranche of the loan (for the first tranche this condition had already been satisfied in December 2019) in the amount of PLN 180,000 thousand. Accordingly, as at 30 June 2020, ENEA S.A. recognized future receivables on account of the abovementioned two loan tranches in the total amount of PLN 90,000 thousand, plus accrued interest of PLN 1,299 thousand and a liability to Energa S.A. in the same amount.

On 30 April 2020, PKN Orlen S.A. completed the process of settling all the purchase transactions of shares in Energa S.A. after the takeover bid for the sale of all shares issued by Energa S.A. announced by PKN Orlen S.A. on 5 December 2019. As a result of the takeover bid, PKN Orlen S.A. purchased 331,313,082 shares in Energa S.A. representing approximately 80% of Energa S.A.'s share capital and about 85% of all votes at the shareholder 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.

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.

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 anticipated 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 an extension of the analysis period pertaining to the Ostrołęka C 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 for 2019. As the amount was greater than the value of shares in the company, it was reduced to zero. As at 30 June 2020, the value of ENEA S.A.'s shares in Elektrownia Ostrołęka Sp. z o.o. was PLN 0.

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 the Parent Company 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, the Parent Company, 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 the Parent Company and Energa S.A. will continue within the framework of the existing special purpose vehicle, i.e. Elektrownia Ostrołęka Sp. z o.o., and the Parent Company 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.

Accordingly, as at 30 June 2020, the Group recognized the basis for recognizing an additional impairment allowance for loans granted to Elektrownia Ostrołęka Sp. z o.o. (SPV):

- under the agreement of 30 September 2019 to assign rights under the loan agreement of 17 July 2019 granted to the SPV by Energa S.A. in the amount of PLN 29,000 thousand; impairment allowance of PLN 12,070 thousand,
- under the agreement of 23 December 2019 between Energa S.A., the SPV and ENEA S.A. in the amount of PLN 340,000 thousand, out of which ENEA S.A. is obligated to purchase half of this amount, or PLN 170,000 thousand, from Energa S.A.; impairment allowance of PLN 124,583 thousand.

As at 30 June 2020, impairment allowances on loans granted to Elektrownia Ostrołęka Sp. z o.o. amounted in aggregate to PLN 204,508 thousand including interest (full value of the loans was covered by the impairment allowance). The total impairment allowance for the loans granted to Elektrownia Ostrołęka Sp. z o.o. recognized in the 6-month period ended 30 June 2020 was PLN 138,737 thousand; this amount was captured in the consolidated statement of comprehensive income in the "Impairment allowances recognized for financial assets measured at amortized cost" item.

Also, in connection with the proposal submitted on June 23rd by the General Contractor ("GC") of the project of building the Ostrołęka C Power Plant in the coal-fired technology, the Company identified the basis for recognizing a provision in the amount of PLN 219,400 thousand (this amount was posted in the consolidated statements of comprehensive income as "Share of results of associates and jointly controlled entities") for future investment commitments to Elektrownia Ostrołęka Sp. z o.o. and Energa S.A. Since there is still considerable uncertainty regarding the ultimate claim amounts, the amount of this provision is the best estimate based, among others, on the General Contractor's proposals. The amount of and the grounds for the claims are currently undergoing a detailed analysis on the part of Elektrownia Ostrołęka Sp. z o.o.

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. amounts to PLN 620 million. Considering the above, the Company has no sufficient information on any possible additional contributions or their possible dates, other than those specified above. 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.

### **6.1.32. Impact of the COVID-19 epidemic on the activity of the ENEA Group**

At the end of 2019, information began to emerge from China about a threat of a virus called SARS-CoV-2 causing a disease dubbed COVID-19 ("coronavirus"). COVID-19 reached Poland in mid-March 2020 and on 20 March 2020, the state of epidemic was introduced in Poland. The occurrence and effects of the virus as well as the consequences of actions taken by the state to counteract the pandemic have had a significant impact on the condition of the economy both domestically and across the globe. This situation has also affected the Group's business:

- As at the date of preparation of this report, a decline in demand for coal was recorded in the Mining segment (by approx. [26%] compared to H1 2019), driven down by a slowdown of the domestic economy and weaker demand for electricity.
- In the Generation segment, the lower electricity generation from bituminous coal in the first half of the year (by approx. [21%] compared to H1 2019) was offset by a strong increase in sales of electricity in trading, the combined effect of which was an increase in revenues (by approx. [5%] compared to H1 2019).
- In the Distribution segment, in H1 2020, the Group observed a decrease in sales of distribution services to end users by approx. 5% as compared to the same period of the previous year. This however did not cause a decrease in EBITDA in this segment.
- Also, fluctuations on global markets translated into significant changes in the prices of electricity, CO<sub>2</sub> emission allowances and raw materials as well as significant variation on capital markets. The Group analyzed these trends in order to review the assumptions made in impairment tests and carried out impairment tests for non-financial non-current assets of ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o. and ENEA Elektrownia Połaniec S.A. and LWB Bogdanka. The results of the tests are presented in Note 9 of the consolidated financial statements.
- As at 30 June 2020, the Company has made an additional analysis of the possible impact related to the COVID-19 pandemic on the level of allowances for receivables. As a result of this analysis, additional impairment losses were recognized, however the level is insignificant for reporting purposes. Nevertheless, the Group believes that if additional restrictions related to the COVID-19 epidemic are introduced and business activity is limited, the receivables turnover ratio will deteriorate as a result of the reduced payment capacity of electricity buyers.
- In connection with the reorganization of work and increased security measures caused by the state of epidemic, the Group has identified the risk of delaying the completion dates of scheduled overhauls and modernizations of the generating units, including those required to ensure compliance with BAT conclusions.

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. Further spread of the virus may cause additional restrictions and a decline in 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 affect the Group's revenue from sales.

The ENEA S.A. Management Board has established the ENEA Group Crisis Management and Coordination Center for preventing, counteracting and combating COVID-19. All Group companies have appointed Teams to coordinate continuity assurance tasks for ENEA Group companies in the context of the coronavirus threat. The Management Board of ENEA S.A. coordinates all the activities in this respect acting through the Center. The precautions taken to prevent coronavirus infections have translated into shifts in operating expenses, which, along with changes in the level of revenues, will ultimately affect the Group's consolidated financial result.

As at the date of this report, the Group has not identified any material uncertainty regarding its capacity to continue as an ongoing concern.

### **6.1.33. Amendments resulting from COVID-19**

In connection with the state of coronavirus pandemic existing in Poland, anti-crisis shield programs have been introduced, which also covered the energy sector. The main amendments that were introduced by the shield programs from 1.0 to 4.0 included:

1) amendments to the Energy Law Act:

- suspended the possibility of withholding the supply of electricity or gaseous fuels;

2) amendments to the Act on Renewable Energy Sources:

- possibility of extending the deadline for fulfilling the obligation to produce first RES electricity (FIT and FIP support systems);

- possibility of extending the deadline for fulfilling the obligation of a RES auction participant to make the first sale of RES electricity within the auction system.

Additionally, amendments were also made to the Act on the system of compensation for energy-intensive sectors and sub-sectors, the Act on electromobility and alternative fuels, the Act on reserves of petroleum, petroleum products and natural gas and the rules of conduct in situations of threat to the state fuel security and disruption on the petroleum market and in commodity exchange trading.

### **6.1.34. Implementation of the potential investment in offshore wind farm projects**

On 3 June 2020, the Company signed a letter of intent with Iberdrola Eólica Marina S.A. regarding the Company's potential investment in offshore wind farm projects to be developed in the Polish exclusive economic zone of the Baltic Sea. In connection with the signing of the Letter of Intent, the parties have entered into exclusive negotiations aimed at assessing the feasibility of execution of a joint capital expenditure project by the Company and Iberdrola in the said wind farm projects with a total capacity of up to approx. 3.3 GW and their shared preparation, construction and operation. The degree of the Company's involvement in these offshore wind farm projects will be determined at a later stage of the negotiations, yet at the time of signing of the letter of intent, the parties assume a minority shareholding on the part of the Company. In accordance with the letter of intent, the parties expect to develop a term sheet to define key parameters of the potential transaction.

## 6.2. Natural environment

### 6.2.1. Curtailing emissions of air pollutants

In accordance with the applicable EU regulations, in particular Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions – IED (integrated pollution prevention and control), new and more stringent environmental protection standards have been in force since 1 January 2016. Accordingly, all electricity generators in Poland, who predominantly use high-emission coal-firing technologies, are required to adapt their power units to the new environmental requirements. The law, with a view to accommodating some of the problems faced by commercial undertakings, provides for the possibility of using certain derogation mechanisms. The relaxation of certain IED requirements by way of derogation has permitted commercial undertakings to gain additional time to adapt their generating units to the stricter air emissions standards. On 17 August 2017, the so-called ‘BAT conclusions’ for large-scale power combustion facilities (Commission Implementing Decision (EU) 2017/1442 of 31 July 2017 establishing best available techniques (BAT) conclusions for large-scale power combustion facilities under Directive 2010/75/EU of the European Parliament and of the Council) were published in the Official Journal of the European Union. The BAT conclusions have introduced more stringent (than in IED) requirements for pollutants such as sulfur dioxide, nitrogen oxides and dust. The BAT-associated emission levels (BAT-AELs) also apply to other substances, such as: mercury, hydrogen chloride, hydrogen fluoride and ammonia. The BAT conclusions will apply from 18 August 2021, following the 4-year adjustment period.



#### Kozienice Power Plant – units 1-10

Years	SO <sub>2</sub>			NO <sub>x</sub>			Dust			CO <sub>2</sub>		Gross electricity generation [MWh]
	SO <sub>2</sub> emissions [Mg]	SO <sub>2</sub> emission factor [kg/MWh]	SO <sub>2</sub> emission fee [PLN thousand]	NO <sub>x</sub> emissions [Mg]	NO <sub>x</sub> emission factor [kg/MWh]	NO <sub>x</sub> emission fee [PLN thousand]	Dust emissions [Mg]	Dust emission factor [kg/MWh]	Dust emission fee [PLN thousand]	CO <sub>2</sub> emissions [Mg]	CO <sub>2</sub> emission factor [kg/MWh]	
H1 2020	3,689.4	0.732	2,029.2	3,505.0	0.696	1,927.7	160.8	0.032	59.5	4,279,353.6	849	5,037,543.9
H1 2019	3,862.8	0.716	2,085.9	3,682.9	0.683	1,988.8	112.4	0.021	40.5	4,636,151.59	859	5,396,162.8
<b>% change</b>	-4.49	2.23	-2.72	-4.83	1.90	-3.07	43.06	52.38	46.91	-7.70	-1.16	-6.65

<sup>1)</sup> Zmiana w stosunku do informacji przekazanej w 2019 roku wynika z omyłki pisarskiej.

In 2020, the emission fee rates increased:

SO<sub>2</sub>: PLN 0.54 per kg in 2019 » PLN 0.55 per kg in 2020

NO<sub>x</sub>: PLN 0.54 per kg in 2019 » PLN 0.55 per kg in 2020

Dust: PLN 0.36 per kg in 2019 » PLN 0.37 per kg in 2020



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

Years	SO <sub>2</sub>			NO <sub>x</sub>			Dust			CO <sub>2</sub>		Gross electricity generation [MWh]
	SO <sub>2</sub> emissions [Mg]	SO <sub>2</sub> emission factor [kg/MWh]	SO <sub>2</sub> emission fee [PLN thousand]	NO <sub>x</sub> emissions [Mg]	NO <sub>x</sub> emission factor [kg/MWh]	NO <sub>x</sub> emission fee [PLN thousand]	Dust emissions [Mg]	Dust emission factor [kg/MWh]	Dust emission fee [PLN thousand]	CO <sub>2</sub> emissions [Mg]	CO <sub>2</sub> emission factor [kg/MWh]	
H1 2020 Unit 11 <sup>1)</sup>	771.0	0.329	424.04	971.4	0.414	534.30	37.3	0.016	13.79	1,756,358.7	748	2,346,998.4
H1 2019 Unit 11 <sup>1)</sup>	956.3	0.292	516.42	1,200.6	0.367	648.34	45.8	0.014	16.47	2,418,586.2	739	3,270,260.3
H1 2020 Units 1-10	3,689.4	0.732	2,029.2	3,505.0	0.696	1,927.7	160.8	0.032	59.5	4,279,353.6	849	5,037,543.9
H1 2019 Units 1-10	3,862.8	0.716	2,085.9	3,682.9	0.683	1,988.8	112.4	0.021	40.5	4,636,151.59	859	5,396,162.8

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

<sup>2)</sup> The change from the information provided in 2019 results from a typographical error.



### ENEA Elektrownia Połaniec

Years	SO <sub>2</sub>			NO <sub>x</sub>			Dust			CO <sub>2</sub>		Gross electricity generation [MWh]
	SO <sub>2</sub> emissions [Mg]	SO <sub>2</sub> emission factor [kg/MWh]	SO <sub>2</sub> emission fee [PLN thousand]	NO <sub>x</sub> emissions [Mg]	NO <sub>x</sub> emission factor [kg/MWh]	NO <sub>x</sub> emission fee [PLN thousand]	Dust emissions [Mg]	Dust emission factor [kg/MWh]	Dust emission fee [PLN thousand]	CO <sub>2</sub> emissions [Mg]	CO <sub>2</sub> emission factor [kg/MWh]	
H1 2020	3246.63	0.919	1785.65	2471.46	0.700	1359.3	160.19	0.045	59.27	2,224,541	629.6	3,533,112.1
H1 2019	3015.85	0.636	1628.56	3169.23	0.669	1711.39	242.1	0.051	87.15	3,510,803	740.7	4,739,599.0
<b>% change</b>	<b>7.65</b>	<b>44.50</b>	<b>9.65</b>	<b>-22.02</b>	<b>4.63</b>	<b>-20.57</b>	<b>-33.83</b>	<b>-11.76</b>	<b>-31.99</b>	<b>-36.64</b>	<b>-15.0</b>	<b>-25.46</b>



### Białystok Combined Heat and Power Plant

Years	SO <sub>2</sub>			NO <sub>x</sub>			Dust			CO <sub>2</sub>		Gross electricity generation [MWh]
	SO <sub>2</sub> emissions [Mg]	SO <sub>2</sub> emission factor [kg/MWh]	SO <sub>2</sub> emission fee [PLN thousand]	NO <sub>x</sub> emissions [Mg]	NO <sub>x</sub> emission factor [kg/MWh]	NO <sub>x</sub> emission fee [PLN thousand]	Dust emissions [Mg]	Dust emission factor [kg/MWh]	Dust emission fee [PLN thousand]	CO <sub>2</sub> emissions [Mg]	CO <sub>2</sub> emission factor [kg/MWh]	
H1 2020	62	0.08	34.3	226	0.29	124.5	26	0.03	9.6	122,178	159.0	235,273.949
H1 2019	170	0.21	92.0	156	0.20	84.3	18	0.02	6.5	205,073	257.2	229,744.042
<b>% change</b>	<b>-63</b>	<b>-62</b>	<b>-63</b>	<b>45</b>	<b>50</b>	<b>48</b>	<b>43</b>	<b>48</b>	<b>47</b>	<b>-40</b>	<b>-38</b>	<b>2.41</b>



### Białystok "Zachód" Heat Plant

Years	SO <sub>2</sub>			NO <sub>x</sub>			Dust			CO <sub>2</sub>		Gross electricity generation [MWh]
	SO <sub>2</sub> emissions [Mg]	SO <sub>2</sub> emission factor [kg/MWh]	SO <sub>2</sub> emission fee [PLN thousand]	NO <sub>x</sub> emissions [Mg]	NO <sub>x</sub> emission factor [kg/MWh]	NO <sub>x</sub> emission fee [PLN thousand]	Dust emissions [Mg]	Dust emission factor [kg/MWh]	Dust emission fee [PLN thousand]	CO <sub>2</sub> emissions [Mg]	CO <sub>2</sub> emission factor [kg/MWh]	
H1 2020	4.0	-	2.2	3.5	-	1.9	0.4	-	0.1	7,314.0	-	-
H1 2019	17.0	-	9.2	8.0	-	4.3	1.2	-	0.4	8,909.0	-	-
<b>% change</b>	<b>- 76.4</b>	<b>-</b>	<b>- 76.1</b>	<b>- 56.3</b>	<b>-</b>	<b>- 55.8</b>	<b>- 66.7</b>	<b>-</b>	<b>- 75.0</b>	<b>- 17.9</b>	<b>-</b>	<b>-</b>

# 7. Corporate social responsibility

## Fight against COVID-19:

More than PLN 4.1 million (of which PLN 2.1 million in Q1 2020) was donated to medical centers fighting coronavirus through the ENEA Foundation. This amount consists of financial donations provided by the ENEA Foundation and LW Bogdanka. The financial assistance from the ENEA Foundation was provided to 30 medical centers operating in the territory covered by the ENEA Group's business and assistance from LW Bogdanka was provided to 5 centers. The funds have been spent – in accordance with the needs of each hospital – for medical equipment and sanitary and personal protection items.

ENEA for Generations is a project, in which volunteers from ENEA Group did the daily shopping for seniors and multi-generational families, who were afraid of leaving home because of the pandemic. During the promotion of the project, text messages were sent (10.5 thous.) to ENEA Group customers (people above 60 years of age, residents of Poznań and the Poznań commune) who represented the target group in the Project. 19 Group employees volunteered for the campaign. This activity was met a very positive image reception.

Mission: Prevention. Protect yourself and others! The campaign was targeted at employees of the ENEA Group and involved the sewing and collection of reusable masks as well as the launch of a special account of the ENEA Foundation for fundraising purposes to support infectious disease hospitals in their fight against COVID-19. The ENEA Foundation added PLN 50,000 to the funds raised.

## Events:

- “Energy That Saves Lives” – under this slogan, the ENEA Group held the ENEA Safety Zone in January with first aid demonstrations. The ENEA Special Safety Zone was part of a military historical picnic held on the occasion of the flag handing ceremony to the 12th Greater Poland Territorial Defense Brigade. The celebrations, attended by the Minister of National Defense, took place exactly on the 101st anniversary of the first oath taken by the Greater Poland Insurgents.
- 30 socially responsible activities of the ENEA Group were included in the latest, 18th edition of the report “Responsible business in practice. Best practices”. Among them were projects in the areas of social involvement and local community development (16), labor market practices (7) and environmental practices (4). The awarded projects also included activities in the areas of organizational governance, human rights and consumer issues. CSR activities and best practices of the ENEA Group have been described in its annual reports since 2011.
- In March, during the “Woman of Possibilities” Conference in Poznań, the ENEA Group held three activation zones on the philosophy of “zero waste”, safety and health promotion. The conference, attended by Minister Jadwiga Emilewicz, was aimed at enabling women of different ages to develop in both directions and demonstrating that being a mother does not interfere with the pursuit of a professional career.



## Educational projects:

- In January, the jury and site users selected the winners of the third edition of the ENEA Talent Academy program. Twenty students will receive scholarships of PLN 3,000 to develop their scientific, artistic and sporting talents. Moreover, owing to grants worth PLN 10,000, nine schools and youth organizations will carry out their extracurricular educational projects. A new feature in the third edition of the ENEA Talent Academy was an enlargement of the group of entities eligible for financial support. Students and schools were joined by organizations that actively work with talented young people and help develop their talents and interests. Financial support will be provided to the ENEA Talent Academy winners by the ENEA Foundation.
- The ENEA Group has joined the partners of the nationwide contest for students called "Exempt from theory". The victorious projects included the "Code::Girls" project supported by Enea. The social campaign, which demonstrates the potential for women to achieve excellency in the field of information technology won a special prize.



**AKADEMIA  
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TWOJE DZIECKO ENERGIA DLA ŚWIATA

## Health promotion and charitable campaigns:

- An educational campaign for Group employees was conducted as part of the Mission: Prevention program. Healthy Spine. This activity carried out as part of the health prophylactics of the ENEA Foundation included a series of educational films, a knowledge contest with prizes and a leaflet with exercises. The people participating in the campaign received many pieces of advice, including practical and simple methods of alleviating or eliminating tension and pain in spine.
- For the second time, the ENEA Foundation joined the international Shoebox campaign by encouraging people to donate their unused cosmetics for individuals who have found themselves in a difficult life situation. Employees in sixteen locations of the ENEA Group were involved in this activity, collecting a total of 378 kilograms of cosmetics – nearly 4 times more than last year. The cosmetics were given to single parents, seniors and people in need.

**zwolnieni** <sup>**z**</sup> **teorii**



## Development of permanent CSR projects:

- "We have energy in our blood" – execution of a permanent blood donation campaign in the ENEA Group;
- Execution of a grant competition called The Power of Help

## 8. Non-financial reporting

### Responsible Management Practices – Non-Financial Statement of ENEA Group for 2019

In June 2020, in performance of the obligation imposed by the Accounting Act of 15 December 2016 implementing Directive 2014/95/EU, the ENEA Group published the “Non-Financial Statement of ENEA Group” constituting part of the “Management Board Report on the activity of ENEA S.A. and the ENEA Group in 2019”. The Statement was developed in accordance with the international GRI Standards, which means that:

- the Stakeholder perspective was taken into account (through a survey) in the stage of determining the scope of reported non-financial information and the so-called “material aspects of reporting”
- the Statement used the ratios as recommended by the GRI reporting standards
- in accordance with the guidelines in GRI Standards, the ratios related to the number of Employees, the data was presented as at the last day of the reporting period, i.e. as at 31 December 2018

In addition to the Statement for 2019, in Q3 2020 the ENEA Group plans to publish on its website a separate “Sustainability Report of ENEA Group 2019”. The Group has published reports on sustainable development and corporate business responsibility since 2011.



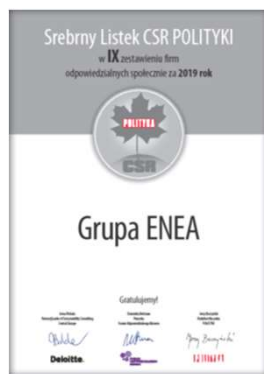
### ENEA Group recognized in the Ranking of Responsible Firms: ranked 2nd in its industry ranked 8th overall

In June 2020, the ENEA Group for the first time reached the podium in the Ranking of Responsible Companies presented by the Responsible Business Forum and the Kozminski University. It is the only list, which ranks and evaluates companies in terms of management of corporate business responsibility based on their involvement in accepting sustainable development challenges and their CSR actions. In the 14th edition of the Ranking, the ENEA Group was ranked 2nd in the fuel, energy and mining industry and 8th in the overall ranking.

The ENEA Group took part in the project for the first time in 2019. In 2020, we were among 69 entities classified in the Ranking, increasing our score in the overall classification by 25% as compared to 2019.

### Fair operating practices – Code of Conduct for Contractors of the ENEA Group

In May 2020, the ENEA Group adopted the Code of Conduct for Contractors setting out the key expectations of the Group to Partners, which do not only invoke legal regulations but also observance of human rights, provision of fair working conditions, OHS principles, commitment to the natural environment and climate and fair competition. The Group decided to incorporate sustainable development criteria more comprehensively into the procurement process management standard. From now on, any potential contractor which decides to cooperate with ENEA will have to accept the content of the Code, promoting the principles of corporate social responsibility among our potential and current contractors and encouraging them to implement responsible practices. The Code also builds a dialogue with contractors, who are now able to report all breaches of the Code to us. The document is available to all stakeholders on our website at <https://www.enea.pl/pl/grupaenea/odpowiedzialny-biznes/kodeks-kontrahentow>. The Code has been developed with involvement of entities and functions of ENEA S.A. and ENEA Centrum, including the procurement, CSR and Compliance functions and ENEA Group companies.



### ENEA Group was one of the winners of the 10th edition of the CSR Silver Leaf award from the Polityka Weekly

In June 2020, for the third time in a row, the ENEA Group won the CSR Silver Leaf awarded by the Polityka Weekly in a contest organized by Deloitte, Responsible Business Forum and the Polityka Weekly for the most responsible and socially engaged companies. The listing encourages organizations to work on improving their management of corporate social responsibility and the 17 Sustainable Development Goals.



## 9. Appendices

### Appendix 1 – Statement of profit and loss of ENEA Operator Sp. z o.o. in H1 2020

[PLN 000s]	H1 2019	H1 2020	Change	Change [%]
Revenue from sales of distribution services to end users	1,333,281	1,422,514	89,233	6.7%
Revenue from additional fees	2,490	1,545	-945	-37.9%
Revenue from non-invoiced sale of distribution services	-2,872	4,760	7,632	265.7%
Settlement of the balancing market	4,802	20,259	15,457	321.9%
Grid connection fees	26,924	100,804	73,880	274.4%
Revenue from illegal consumption of electricity	2,788	2,785	-3	-0.1%
Revenue from services	14,031	13,784	-247	-1.8%
Revenue from sales of distribution services to other entities	8,914	12,914	4,000	44.9%
Revenue from sales of goods and materials and other revenue	1,595	631	-964	-60.5%
<b>Revenue from sales</b>	<b>1,391,953</b>	<b>1,579,996</b>	<b>188,043</b>	<b>13.5%</b>
Depreciation of fixed assets and amortization of intangible assets	285,840	305,074	19,234	6.7%
Employee benefit costs	213,318	257,590	44,272	20.8%
Consumption of materials and supplies and cost of goods sold	15,837	14,654	-1,183	-7.5%
Purchase of energy for own needs and grid losses	158,705	176,814	18,109	11.4%
Costs of transmission services	211,240	231,464	20,224	9.6%
Other third-party services	139,210	130,605	-8,605	-6.2%
Taxes and charges	116,150	114,587	-1,563	-1.3%
<b>Tax-deductible expenses</b>	<b>1,140,300</b>	<b>1,230,788</b>	<b>90,488</b>	<b>7.9%</b>
Other operating revenue	18,491	66,902	48,411	261.8%
Other operating costs	41,441	42,568	1,127	2.7%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(5,766)	(2,659)	3,107	53.9%
<b>Operating profit / (loss)</b>	<b>222,937</b>	<b>370,883</b>	<b>147,946</b>	<b>66.4%</b>
Finance income	1,010	2,940	1,930	191.1%
Finance costs	38,324	49,134	10,810	28.2%
<b>Profit / (loss) before tax</b>	<b>185,623</b>	<b>324,689</b>	<b>139,066</b>	<b>74.9%</b>
Income tax	37,403	63,902	26,499	70.8%
<b>Net profit / (loss) for the reporting period</b>	<b>148,220</b>	<b>260,787</b>	<b>112,567</b>	<b>75.9%</b>
<b>EBITDA</b>	<b>508,777</b>	<b>675,957</b>	<b>167,180</b>	<b>32.9%</b>

#### H1 2020

##### ENEA Operator Sp. z o.o. – EBITDA drivers (up by PLN 167 million):

(+) higher revenue from sales of distribution services to end users by PLN 97 million were driven mainly by higher rates in the approved 2020 tariff

(-) higher costs of purchasing transmission and distribution services (balance) by PLN 16 million resulted from higher rates in the approved 2020 tariff

(+) higher revenues from grid connection fees by PLN 74 million

(-) higher costs of purchasing electricity to cover the balance-sheet difference (balance) by PLN 3 million resulted mainly from the higher average price of electricity

(-) higher operating costs by PLN 33 million resulted mainly from higher employee benefit costs and lower costs of third-party services

(+) higher result on other operating activities by PLN 50 million resulting mainly from remeasurement of provisions for grid assets and higher revenue from fixing interferences, higher revenue from contractual penalties and indemnities and change in impairment losses

## Appendix 2 – Statement of profit and loss of ENEA Operator Sp. z o.o. – Q2 2020

[PLN 000s]	Q2 2019	Q2 2020	Change	Change [%]
Revenue from sales of distribution services to end users	670,976	690,315	19,339	2.9%
Revenue from additional fees	1,276	320	-956	-74.9%
Revenue from non-invoiced sale of distribution services	-10,649	-10,124	525	4.9%
Settlement of the balancing market	2,657	7,748	5,091	191.6%
Grid connection fees	13,353	88,915	75,562	565.9%
Revenue from illegal consumption of electricity	1,071	1,211	140	13.1%
Revenue from services	6,745	6,696	-49	-0.7%
Revenue from sales of distribution services to other entities	4,528	7,028	2,500	55.2%
Revenue from sales of goods and materials and other revenue	975	284	-691	-70.9%
<b>Revenue from sales</b>	<b>690,932</b>	<b>792,393</b>	<b>101,461</b>	<b>14.7%</b>
Depreciation of fixed assets and amortization of intangible assets	146,306	157,126	10,820	7.4%
Employee benefit costs	106,430	133,069	26,639	25.0%
Consumption of materials and supplies and cost of goods sold	7,701	6,307	-1,394	-18.1%
Purchase of energy for own needs and grid losses	74,511	82,400	7,889	10.6%
Costs of transmission services	113,428	114,374	946	0.8%
Other third-party services	72,684	63,389	-9,295	-12.8%
Taxes and charges	51,935	38,139	-13,796	-26.6%
<b>Tax-deductible expenses</b>	<b>572,995</b>	<b>594,804</b>	<b>21,809</b>	<b>3.8%</b>
Other operating revenue	9,960	42,193	32,233	323.6%
Other operating costs	9,758	25,506	15,748	161.4%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(3,142)	(1,684)	1,458	46.4%
<b>Operating profit / (loss)</b>	<b>114,997</b>	<b>212,592</b>	<b>97,595</b>	<b>84.9%</b>
Finance income	489	2,239	1,750	357.9%
Finance costs	19,968	27,543	7,575	37.9%
<b>Profit / (loss) before tax</b>	<b>95,518</b>	<b>187,288</b>	<b>91,770</b>	<b>96.1%</b>
Income tax	15,443	36,457	21,014	136.1%
<b>Net profit / (loss) for the reporting period</b>	<b>80,075</b>	<b>150,831</b>	<b>70,756</b>	<b>88.4%</b>
<b>EBITDA</b>	<b>261,303</b>	<b>369,718</b>	<b>108,415</b>	<b>41.5%</b>

### Q2 2020

#### ENEA Operator Sp. z o.o. – EBITDA drivers (up by PLN 108 million):

(+) an increase in revenue from sales of distribution services to end users by PLN 20 million was driven mainly by higher rates in the approved 2020 tariff

(+) costs of purchasing transmission and distribution services (balance) down by PLN 2 million

(+) revenues from grid connection fees up by PLN 76 million

(-) higher costs of purchasing electricity to cover the balance-sheet difference (balance) by PLN 3 million resulted mainly from the higher average price of electricity

(-) higher operating costs by PLN 2 million resulted mainly from higher employee benefit costs and lower costs of third-party services and taxes and charges

(+) higher result on other operating activities by PLN 18 million resulting mainly from higher revenue from contractual penalties and indemnities, a change in impairment losses, higher revenue from fixing interferences and liquidation and remeasurement of provisions for grid assets

## Appendix 3 – Statement of profit and loss of ENEA Wytwarzanie Sp. z o.o – H1 2020

[PLN 000s]	H1 2019 <sup>1)</sup>	H1 2020	Change	Change [%]
Revenue from sales of electricity	2,266,913	2,581,711	314,798	13.9%
<i>generation license</i>	2,102,599	1,981,123	-121,476	-5.8%
<i>trading license</i>	146,017	541,769	395,752	271.0%
<i>Regulatory System Services</i>	18,297	58,819	40,522	221.5%
Revenue from certificates of origin	18,463	22,570	4,107	22.2%
Revenue from sales of heat	525	521	-4	-0.8%
Revenue from sales of other products and services	4,886	3,347	-1,539	-31.5%
Revenue from sales of goods and materials	7,972	6,292	-1,680	-21.1%
<b>Net revenue from sales</b>	<b>2,298,759</b>	<b>2,614,441</b>	<b>315,682</b>	<b>13.7%</b>
Revenue from leases and operating subleases	97	172	75	77.3%
<b>Net revenue from sales and other income</b>	<b>2,298,856</b>	<b>2,614,613</b>	<b>315,757</b>	<b>13.7%</b>
Depreciation of fixed assets and amortization of intangible assets	216,046	222,078	6,032	2.8%
Employee benefit costs	121,838	140,726	18,888	15.5%
Consumption of materials and supplies and cost of goods sold	1,330,775	1,440,141	109,366	8.2%
Purchase of energy for resale	278,938	375,582	96,644	34.6%
Transmission services	253	297	44	17.4%
Other third-party services	61,341	63,072	1,731	2.8%
Taxes and charges	43,207	40,878	-2,329	-5.4%
<b>Tax-deductible expenses</b>	<b>2,052,398</b>	<b>2,282,774</b>	<b>230,376</b>	<b>11.2%</b>
Other operating revenue	12,706	36,163	23,457	184.6%
Other operating costs	2,194	7,045	4,851	221.1%
Profit / (loss) on the sale and liquidation of property, plant and equipment	146	39	-107	-73.3%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	0	522,822	522,822	100.0%
<b>Operating profit / (loss)</b>	<b>257,116</b>	<b>(161,826)</b>	<b>-418,942</b>	<b>-162.9%</b>
Finance income	2,654	348	-2,306	-86.9%
Finance costs	77,920	76,097	-1,823	-2.3%
Dividend income	465	152	-313	-67.3%
<b>Profit / (loss) before tax</b>	<b>182,315</b>	<b>(237,423)</b>	<b>-419,738</b>	<b>-230.2%</b>
Income tax	36,315	-45,439	-81,754	-225.1%
<b>Net profit / (loss) for the reporting period</b>	<b>146,000</b>	<b>(191,984)</b>	<b>-337,984</b>	<b>-231.5%</b>
<b>EBITDA</b>	<b>473,162</b>	<b>583,074</b>	<b>109,912</b>	<b>23.2%</b>

### H1 2020

#### ENEA Wytwarzanie Sp. z o.o. – EBITDA drivers (up by PLN 110 million)

##### Kozienice Power Plant (up by PLN 139.6 million):

- (+) trading and Balancing Market margin up by PLN 225.6 million
- (+) revenue from Regulatory System Services up by PLN 40.5 million
- (+) revenue from certificates of origin PLN 22.8 million
- (+) contribution of other drivers up by PLN 18.9 million, including a PLN 21.3 million increase in the result on other operating activities
- (-) generation margin down by PLN 147.0 million
- (-) fixed costs up by PLN 21.2 million

##### RES Segment (down by PLN 29.7 million):

- (-) Wind Area (PLN -19.5 million): revenue from certificates of origin down by PLN 12.7 million, revenue from sales of electricity down by PLN 3.4 million, result on other operating activities down by PLN 2.7 million, fixed costs up by PLN 0.8 million, result on liquidation of property, plant and equipment up by PLN 0.1 million
- (-) Hydro Area (PLN -9.0 million): revenue from certificates of origin down by PLN 5.3 million, revenue from sales of electricity down by PLN 2.9 million, fixed costs up by PLN 0.8 million
- (-) Biogas Area (PLN -1.2 million): costs of consumption and transport of substrates up by PLN 1.2 million, revenue from certificates of origin down by PLN 0.7 million, revenue from sales of electricity down by PLN 0.6 million, result on other operating activities up by PLN 0.1 million

<sup>1)</sup> restatement of data for presentation purposes in accordance with the condensed interim consolidated financial statements

## Appendix 4 – Statement of profit and loss of ENEA Wytwarzanie Sp. z o.o – Q2 2020

[PLN 000s]	Q2 2019 <sup>1)</sup>	Q2 2020	Change	Change [%]
Revenue from sales of electricity	1,192,877	1,287,041	94,164	7.9%
<i>generation license</i>	1,113,170	964,286	-148,884	-13.4%
<i>trading license</i>	71,050	293,381	222,331	312.9%
<i>Regulatory System Services</i>	8,657	29,374	20,717	239.3%
Revenue from certificates of origin	7,588	7,427	-161	-2.1%
Revenue from sales of heat	168	191	23	13.7%
Revenue from sales of other products and services	2,382	1,854	-528	-22.2%
Revenue from sales of goods and materials	3,820	3,258	-562	-14.7%
<b>Net revenue from sales</b>	<b>1,206,835</b>	<b>1,299,771</b>	<b>92,936</b>	<b>7.7%</b>
Revenue from leases and operating subleases	63	83	20	31.7%
<b>Net revenue from sales and other income</b>	<b>1,206,898</b>	<b>1,299,854</b>	<b>92,956</b>	<b>7.7%</b>
Depreciation of fixed assets and amortization of intangible assets	107,880	111,223	3,343	3.1%
Employee benefit costs	61,461	74,631	13,170	21.4%
Consumption of materials and supplies and cost of goods sold	712,501	711,526	-975	-0.1%
Purchase of energy for resale	155,552	198,057	42,505	27.3%
Transmission services	95	135	40	42.1%
Other third-party services	31,634	31,189	-445	-1.4%
Taxes and charges	21,650	20,816	-834	-3.9%
<b>Tax-deductible expenses</b>	<b>1,090,773</b>	<b>1,147,577</b>	<b>56,804</b>	<b>5.2%</b>
Other operating revenue	5,855	17,982	12,127	207.1%
Other operating costs	1,375	2,327	952	69.2%
Profit / (loss) on the sale and liquidation of property, plant and equipment	257	219	-38	-14.8%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	0	522,822	522,822	100.0%
<b>Operating profit / (loss)</b>	<b>120,862</b>	<b>(354,671)</b>	<b>-475,533</b>	<b>-393.5%</b>
Finance income	1,568	150	-1,418	-90.4%
Finance costs	42,443	41,046	-1,397	-3.3%
Dividend income	465	152	-313	-67.3%
<b>Profit / (loss) before tax</b>	<b>80,452</b>	<b>(395,415)</b>	<b>-475,867</b>	<b>-591.5%</b>
Income tax	16,491	-76,215	-92,706	-562.2%
<b>Net profit / (loss) for the reporting period</b>	<b>63,961</b>	<b>(319,200)</b>	<b>-383,161</b>	<b>-599.1%</b>
<b>EBITDA</b>	<b>228,742</b>	<b>279,374</b>	<b>50,632</b>	<b>22.1%</b>

### Q2 2020

#### ENEA Wytwarzanie Sp. z o.o. – EBITDA drivers (up by PLN 51 million)

#### Kozienice Power Plant (up by PLN 65.3 million)

(+) trading and Balancing Market margin up by PLN 126.8 million

(+) revenue from Regulatory System Services up by PLN 20.7 million

(+) contribution of other drivers up by PLN 11.2 million, including a PLN 12.7 million increase in the result on other operating activities

(+) revenue from certificates of origin PLN 7.6 million

(-) generation margin down by PLN 87.6 million

(-) fixed costs up by PLN 13.4 million

#### RES Segment (down by PLN 14.7 million)

(-) Wind Area (PLN -9.6 million): revenue from certificates of origin down by PLN 5.2 million, revenue from sales of electricity down by PLN 2.4 million, result on other operating activities down by PLN 1.4 million, fixed costs up by PLN 0.7 million, result on liquidation of property, plant and equipment up by PLN 0.1 million

(-) Hydro Area (PLN -4.6 million): revenue from certificates of origin down by PLN 2.4 million, revenue from sales of electricity down by PLN 1.7 million, fixed costs up by PLN 0.5 million

(-) Biogas Area (PLN -0.5 million): costs of consumption and transport of substrates up by PLN 0.5 million, revenue from certificates of origin down by PLN 0.3 million, revenue from sales of electricity down by PLN 0.3 million

<sup>1)</sup> restatement of data for presentation purposes in accordance with the condensed interim consolidated financial statements

## Appendix 5 - Statement of profit and loss of ENEA Elektrownia Połaniec – H1 2020

[PLN 000s]	H1 2019	H1 2020	Change	Change [%]
Revenue from sales of electricity	1,246,005	1,089,849	-156,156	-12.5%
<i>generation license</i>	1,033,230	881,901	-151,329	-14.6%
<i>trading license</i>	185,280	191,821	6,541	3.5%
<i>Regulatory System Services</i>	27,495	16,127	-11,368	-41.3%
Revenue from certificates of origin	92,516	126,917	34,401	37.2%
Revenue from sales of CO <sub>2</sub> emission allowances	21,780	0	-21,780	-100.0%
Revenue from sales of heat	28,351	21,833	-6,518	-23.0%
Revenue from sales of other products and services	2,631	2,765	134	5.1%
Revenue from sales of goods and materials	219	1,864	1,645	751.1%
Excise duty	28	27	-1	-3.6%
<b>Revenue from sales and other income</b>	<b>1,391,474</b>	<b>1,243,201</b>	<b>-148,273</b>	<b>-10.7%</b>
Depreciation of fixed assets and amortization of intangible assets	29,345	31,645	2,300	7.8%
Employee benefit costs	39,589	37,938	-1,651	-4.2%
Consumption of materials and supplies and cost of goods sold	868,876	734,192	-134,684	-15.5%
Purchase of energy for resale	157,598	128,360	-29,238	-18.6%
Transmission services	168	164	-4	-2.4%
Other third-party services	117,483	118,522	1,039	0.9%
Taxes and charges	18,328	17,795	-533	-2.9%
<b>Tax-deductible expenses</b>	<b>1,231,387</b>	<b>1,068,616</b>	<b>-162,771</b>	<b>-13.2%</b>
Other operating revenue	5,798	8,813	3,015	52.0%
Other operating costs	1,178	915	-263	-22.3%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	0	56	56	100.0%
<b>Operating profit / (loss)</b>	<b>164,707</b>	<b>182,539</b>	<b>17,832</b>	<b>10.8%</b>
Finance income	1,476	138	-1,338	-90.7%
Finance costs	819	3,575	2,756	336.5%
Dividend income	1,976	0	-1,976	-100.0%
<b>Profit / (loss) before tax</b>	<b>167,340</b>	<b>179,102</b>	<b>11,762</b>	<b>7.0%</b>
Income tax	32,364	56,640	24,276	75.0%
<b>Net profit / (loss) for the reporting period</b>	<b>134,976</b>	<b>122,462</b>	<b>-12,514</b>	<b>-9.3%</b>
<b>EBITDA</b>	<b>194,052</b>	<b>214,184</b>	<b>20,132</b>	<b>10.4%</b>

### H1 2020

#### ENEA Elektrownia Połaniec – EBITDA drivers (up by PLN 20 million):

##### System Power Plants Segment (EBITDA down by PLN 26.6 million):

- (-) generation margin down by PLN 62.6 million
- (+) trading and Balancing Market margin up by PLN 36.8 million
- (-) revenue from sales of Regulatory System Services down by PLN 10.9 million
- (+) fixed costs down by PLN 10.1 million

##### RES Segment (EBITDA up by PLN 46.9 million):

- (+) RES energy production margin up by PLN 48.4 million
- (-) Green Block's margin on sale/remeasurement of green certificate inventories down by PLN 3.1 million
- (+) fixed costs down by PLN 1.6 million

##### Heat Segment (EBITDA down by PLN 0.2 million)

- (-) margin on heat down by PLN 0.4 million due to a lower volume of heat generation by PLN 0.9 million, higher heat sales price by PLN 1.7 million, higher cost of fuel by PLN 1.3 million
- (+) fixed costs down by PLN 0.2 million

## Appendix 6 - Statement of profit and loss of ENEA Elektrownia Połaniec – Q2 2020

[PLN 000s]	Q2 2019	Q2 2020	Change	Change [%]
Revenue from sales of electricity	633,341	544,007	-89,334	-14.1%
<i>generation license</i>	532,995	400,677	-132,318	-24.8%
<i>trading license</i>	85,478	136,183	50,705	59.3%
<i>Regulatory System Services</i>	14,868	7,147	-7,721	-51.9%
Revenue from certificates of origin	37,735	57,300	19,565	51.8%
Revenue from sales of CO <sub>2</sub> emission allowances	21,780	0	-21,780	-100.0%
Revenue from sales of heat	13,770	11,774	-1,996	-14.5%
Revenue from sales of other products and services	1,302	1,427	125	9.6%
Revenue from sales of goods and materials	219	845	626	285.8%
Excise duty	12	13	1	8.3%
<b>Revenue from sales and other income</b>	<b>708,135</b>	<b>615,340</b>	<b>-92,795</b>	<b>-13.1%</b>
Depreciation of fixed assets and amortization of intangible assets	14,805	16,660	1,855	12.5%
Employee benefit costs	24,201	21,130	-3,071	-12.7%
Consumption of materials and supplies and cost of goods sold	452,837	339,285	-113,552	-25.1%
Purchase of energy for resale	75,867	88,879	13,012	17.2%
Transmission services	81	51	-30	-37.0%
Other third-party services	63,609	62,525	-1,084	-1.7%
Taxes and charges	9,810	9,120	-690	-7.0%
<b>Tax-deductible expenses</b>	<b>641,210</b>	<b>537,650</b>	<b>-103,560</b>	<b>-16.2%</b>
Other operating revenue	1,160	8,388	7,228	623.1%
Other operating costs	1,048	834	-214	-20.4%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	0	56	56	100.0%
<b>Operating profit / (loss)</b>	<b>67,037</b>	<b>85,300</b>	<b>18,263</b>	<b>27.2%</b>
Finance income	798	44	-754	-94.5%
Finance costs	482	2,443	1,961	406.8%
Dividend income	1,976	0	-1,976	-100.0%
<b>Profit / (loss) before tax</b>	<b>69,329</b>	<b>82,901</b>	<b>13,572</b>	<b>19.6%</b>
Income tax	4,470	-6,571	-11,041	-247.0%
<b>Net profit / (loss) for the reporting period</b>	<b>64,859</b>	<b>89,472</b>	<b>24,613</b>	<b>37.9%</b>
<b>EBITDA</b>	<b>81,842</b>	<b>101,960</b>	<b>20,118</b>	<b>24.6%</b>

### Q2 2020

#### ENEA Elektrownia Połaniec – EBITDA drivers (up by PLN 20 million):

#### System Power Plants Segment (EBITDA down by PLN 14.4 million):

- (-) generation margin down by PLN 58.6 million
- (+) trading and Balancing Market margin up by PLN 37.8 million
- (-) revenue from sales of Regulatory System Services down by PLN 7.7 million
- (+) fixed costs down by PLN 14.0 million

#### RES Segment (EBITDA up by PLN 34.4 million):

- (+) RES energy production margin up by PLN 24.8 million
- (+) Green Block's margin on sale/remeasurement of green certificate inventories up by PLN 7.8 million
- (+) fixed costs down by PLN 1.9 million

#### Heat Segment (EBITDA up by PLN 0.1 million)

- (+) margin on heat up by PLN 0.2 million
- (-) fixed costs up by PLN 0.1 million

## 10. 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	$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents}}{\text{LTM EBITDA}}$
Current receivables turnover in days	$\frac{\text{Average trade and other receivables} \times \text{number of days}}{\text{Sales revenue and other income}}$
Trade and other liabilities turnover in days	$\frac{\text{Average trade and other receivables} \times \text{number of days}}{\text{Cost of products, goods and materials sold}}$
Inventory turnover in days	$\frac{\text{Average inventory} \times \text{number of days}}{\text{Cost of products, goods and materials sold}}$
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
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

Financial ratios	Item
CAPEX	Capital expenditures
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 <sub>2</sub>
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 <sub>2</sub> 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	<p>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:</p> <ul style="list-style-type: none"> <li>– revenue from sales of distribution services to end users</li> <li>– costs of transmission and distribution services</li> <li>– costs of electricity purchased to cover the balancing difference and for own needs</li> <li>– revenue from grid connection fees</li> </ul> <p>ENEA Operator Sp. z o.o. holds a concession granted by the President of the Energy Regulatory Office until 1 July 2030.</p>
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 <sub>2</sub> emission allowances, partial measurement of CO <sub>2</sub> emission allowances posted in operating activities. However, it should be noted that the measurement of CO <sub>2</sub> 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
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
Compliance	Assurance of compliance of the organization's activities with the applicable law and internal regulations
CO <sub>2</sub>	Carbon dioxide
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"> <li>– contributes to sustainable development, including wellbeing and health of the society,</li> <li>– takes stakeholder expectations into account,</li> <li>– complies with the applicable law and consistent with international standards of conduct,</li> <li>– is integrated with the organization's activities and is practiced in its relations.</li> </ul>
DAM	Day-Ahead Market (DAM) has been operating since 2000. It is a spot electricity market in Poland. Since the beginning of quotation, DAM prices are a benchmark for energy prices in bilateral contracts in Poland. The DAM is intended for the companies that want to actively and safely close their electricity purchase/sales portfolios on an ongoing basis at particular hours of the day
DSO	Distribution System Operator
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
ERO	Energy Regulatory Office
FDIR	Fault Detection, Isolation, Restoration, a system enabling automatic detection of faults, isolation of the damage site and restoration of power supply
GWh	Gigawatt hour
HCl	Hydrogen chloride
HF	Hydrogen fluoride
Hg	Mercury
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 <sub>2</sub> EU Emission Allowances (EUAs) and Certified Emission Reduction units (CERs) on the futures market
ICT	Information and Communication Technologies
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

Abbreviation/term	Full name/definition
LV	Low voltage grid supplying individual users with 50 Hz alternating current at 230 V phase voltage
Mg	Megagram, or a ton
MV	Medium voltage grid, in which the phase-to-phase voltage ranges from 1 kV to 60 kV
MWe	Megawatt of electrical power
MWh	Megawatthour (1 GWh = 1,000 MWh)
MWt	Megawatt of thermal power
NH <sub>3</sub>	Ammonia
Nm <sup>3</sup>	Normalized cubic meter of gas, i.e. the number of cubic meters that the gas would occupy in normal conditions
NO <sub>x</sub>	Nitrogen oxides
OHS	Occupational Health Services
PMOZE	Property rights to certificates of origin for energy from renewable energy sources
"Green" property rights	Commonly used name of PMOZE instruments
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
RES	Renewable Energy Sources
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)
SCR installation	Catalytic flue gas denitrification installation
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 <sub>2</sub>	Sulfur dioxide
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
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

## Signatures of the Management Board

Approval and publication date of the Management Board Report on the Activity of the ENEA Group in the first half of 2020: 3 September 2020

Signed by:

**President of the Management Board**

Paweł Szczeszek

**Vice-President of the Management Board for Financial Matters**

Jarosław Ołowski

**Vice-President of the Management Board for Commercial Matters**

Tomasz Siwak

**Vice-President of the Management Board for Corporate Matters**

Tomasz Szczegielniak



**ENEA S.A.**  
ul. Górecka 1  
60-201 Poznań  
[gielda@enea.pl](mailto:gielda@enea.pl)