

# **Report of the Management Board on the operations of ENEA Group in H1 2019**

**Poznań,**

**Approval date: 27 September 2019**

**Publication date: 30 September 2019**

## Table of contents

1. Key events in H1 2019 .....	4
1.1. Operating summary .....	5
2. Organisation and operations of ENEA Group .....	6
2.1. Structure of ENEA Group .....	6
2.2. Changes in the Group's structure .....	7
2.3. Business areas of ENEA Group .....	8
2.4. Development strategy .....	14
2.5. Implemented measures and investments .....	15
2.6. Market and regulatory environment .....	19
3. Financial standing .....	25
3.1. Selected consolidated financial data .....	25
3.2. Key operating data and ratios .....	26
3.3. Financial results of ENEA Group in H1 2019 and in Q2 2019 .....	27
3.4. Rules for preparing financial statements .....	40
3.5. Financial results forecasts .....	40
4. Shares and shareholding .....	41
4.1. Share capital and shareholding structure .....	41
4.2. Quotations of ENEA S.A.'s shares on Warsaw Stock Exchange .....	41
5. Governing bodies .....	42
6. Other information significant for the assessment of the Issuer's situation .....	43
6.1. Regulatory environment .....	43
6.2. Natural environment .....	48
7. Corporate Social Responsibility (CSR) .....	50
8. Annexes .....	52
9. Glossary of terms and abbreviations .....	58

# ENEA Group in numbers

ENEA has 16.9 k Employees



## MINING

**21.6%** share in fuel coal market in Poland

**380 m tons** of extraction potential from 3 licenced areas

**4.8 m tons** of net coal production in H1 2019



## GENERATION

**6.3 GW** of total installed electrical capacity

**443 MW** of installed RES capacity

**12.7 TWh** of total net generation of electricity in H1 2019



## DISTRIBUTION

**2.6 m** Users of distribution services

**122.8 k km** of distribution lines including connections

**20%** of Poland's area covered by distribution network of ENEA Operator



## TRADING

**2.5 m** Customers

**10.2 TWh** annual sale of electricity and gaseous fuel to retail Customers in H1 2019

# 1. Key events in H1 2019

## Q1

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

## Q2

- On 30 April 2019, ENEA S.A. concluded a memorandum of understanding with Energa S.A. on financing the construction project of a new coal unit – the planned Ostrołęka C power plant in Ostrołęka with a gross capacity of 1,000 MW. By means of the Memorandum, ENEA S.A. and Energa S.A. decided to specify in more detail the financing terms of the Project – ENEA S.A. made a commitment to provide the funds for the implementation of the Project in the amount of PLN 819 million from January 2021
- Elections of employee representatives to the Supervisory Board of ENEA S.A. were held. All ENEA Group employees were eligible to cast their votes. Mariusz Pliszka, Maciej Mazur and Michał Jaciubek were elected as employee representatives to the Supervisory Board of ENEA S.A.
- On 16 May 2019, the Supervisory Board of the Company adopted resolutions on appointing for a new joint term of office:
  - Mr. Mirosław Kowalik to the position of President of the Management Board of ENEA S.A.,
  - Mr. Piotr Adamczak to the position of Member of the Management Board of ENEA S.A. for Commercial Affairs,
  - Mr. Jarosław Ołowski to the position of Member of the Management Board of ENEA S.A. for Financial Affairs,
  - Mr. Zbigniew Piętka to the position of Member of the Management Board of ENEA S.A. for Corporate Affairs.
- On 26 June 2019, ENEA S.A. issued bonds with a value of PLN 1 billion under the domestic bond programme up to the maximum amount of PLN 5 billion

## Events after the reporting period

- On 9 August 2019, a framework agreement was signed between the West Pomeranian University of Technology in Szczecin and ENEA Operator. The cooperation concerns analytical and conceptual works and consulting services
- On 20 August 2019, ENEA Elektrownia Połaniec signed a contract with GE Power and Stal-Systems for upgrading the electrostatic precipitators (ESPs) in six of its power units. The project is part of Połaniec Power Plant’s adaptation program to the BAT conclusions. The upgraded ESPs will improve the environmental parameters of the entire installation. Worth in excess of PLN 210 million gross, the construction works are scheduled for completion in December 2020
- During a conference on 11 September 2019 in Warsaw, ENEA Operator, PGE Dystrybucja and PGE Systemy signed an agreement on cooperation in the construction of the LTE 450 grid for the needs of the power system

## 1.1. Operating summary

In H1 2019, ENEA Group generated an EBITDA result of PLN 1,666 million (up by PLN 362 million y/y). The highest EBITDA, PLN 730 million, was posted in the Generation area (up by PLN 293 million). The result of the area was positively influenced mainly by the generation increase in ENEA Wytwarzanie and the revenues from the sale of electricity and property rights, despite the negative trend in fuel costs and CO<sub>2</sub> emission allowances. The Mining area recorded an EBITDA result of PLN 434 million, which means an increase of PLN 161 million y/y. The higher result of the area is due to a higher production and sales level compared to H1 2018 and a higher coal sales price, as well as continuous work on improving the mine's operating efficiency, especially in the area of fixed costs. In the Distribution area, EBITDA was lower by PLN 65 million y/y, reaching PLN 515 million in H1 2019. High average electricity prices contributed to arise in the costs of energy purchases for own needs and for covering the energy balance difference. In addition, the result on other operating activities decreased in this area, mainly due to the change in the balance of provisions for grid assets and the effect of higher revenues from the insurer in the corresponding period of the previous year. The Trading area recorded an EBITDA result of PLN 35 million (up by PLN 6 million y/y). The retail trade was characterised by an increase in revenues from the sale of electricity to end customers, including the estimated revenues from the price difference amount. However, the rate of growth did not offset the growing costs of energy purchase and environmental obligations, mainly due to the purchase of property rights. Wholesale trade, on the other hand, remains under the pressure of rising prices of CO<sub>2</sub> emission allowances, which affects the valuation of contracts and hedging instruments.

- In H1 2019, ENEA Group spent PLN 1,049 million on CAPEX investments.
- The production and sales of commercial coal stood at approx. 4.8 million tonnes in H1 2019.
- The Group generated 12.7 TWh of electricity.

- Sale of heat totalled 3,640 TJ.
- Sale of distribution services to end users reached approx. 10 TWh.
- The volume of electricity and gas fuel sold to retail customers amounted to 10.2 TWh.



- Growth in revenues from the sale of electricity
- Growth in coal sales revenues
- Growth in gas sales revenues



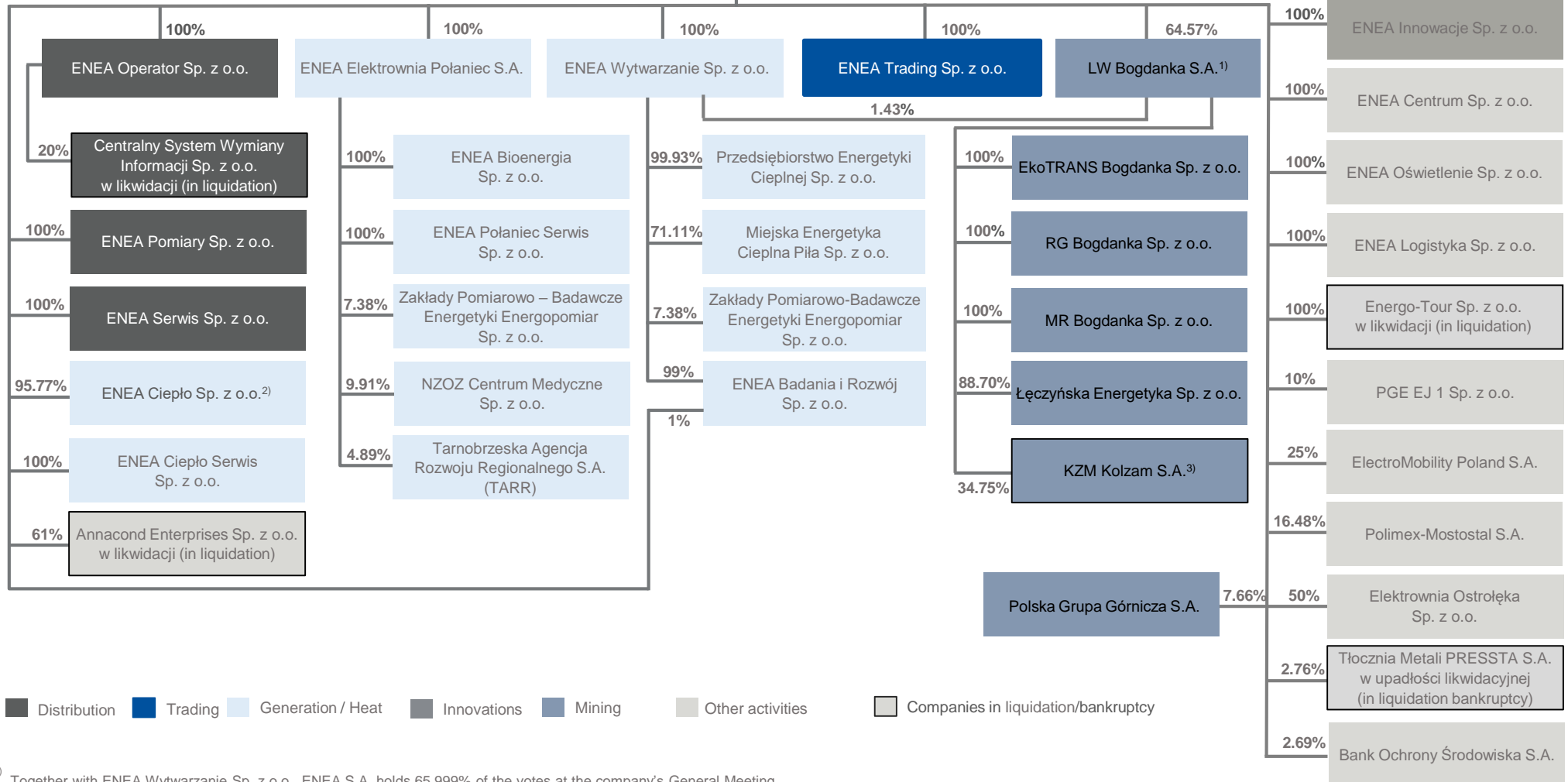
- Decrease in revenues from sales of heat energy
- Growth in electricity and gas purchase costs
- Growth in costs of materials and raw materials consumption

## 2. Organisation and operations of ENEA Group

### 2.1. Structure of ENEA Group

#### ENEA S.A.

% of votes at GM/SM in subsidiaries



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

<sup>2)</sup> On 15 July 2019, ENEA Wytwarzanie Sp. z o.o. paid PLN 34,539,078.78 to the Municipality of Białystok as an execution of a final judgment of the Court of Appeal in Białystok awarding from ENEA Wytwarzanie Sp. z o.o. to the Municipality of Białystok the amount of PLN 29,445,423.82 together with statutory interest for delay charged starting from 25 January 2017 to the date of payment. The above amount concerned the payment for the so-called "remnant shares", i.e. 126,083 shares held by the Municipality of Białystok, which had not been acquired by eligible employees, in connection with the privatisation of Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. with its registered office in Białystok (currently: ENEA Ciepło Sp. z o.o. with its registered office in Białystok), which had taken place in 2014, and which ENEA Wytwarzanie Sp. z o.o. was obliged to purchase from Białystok Municipality. Therefore, as of 15 September 2019, ENEA Wytwarzanie Sp. z o.o. holds 126,083 shares in ENEA Ciepło Sp. z o.o.

<sup>3)</sup> Decision on discontinuance of bankruptcy proceedings / the company does not conduct business activity.

## 2.2. Changes in the Group's structure

### Asset restructuring

After performing key organisational changes in previous years, apart from the initiatives related to the planned changes, ENEA Group did not conduct any significant activities within asset restructuring in H1 2019.

### Capital divestments

In H1 2019, no significant capital divestments were effected.

### Changes in the organisation of the Group

In H1 2019, ENEA Group continued activities aimed at the implementation of the Group's Corporate Strategy.

### Equity investments

The detailed description of methods of financing equity investments is included in the interim condensed consolidated financial statements for H1 2019.

#### Events in the reporting period

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

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

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

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

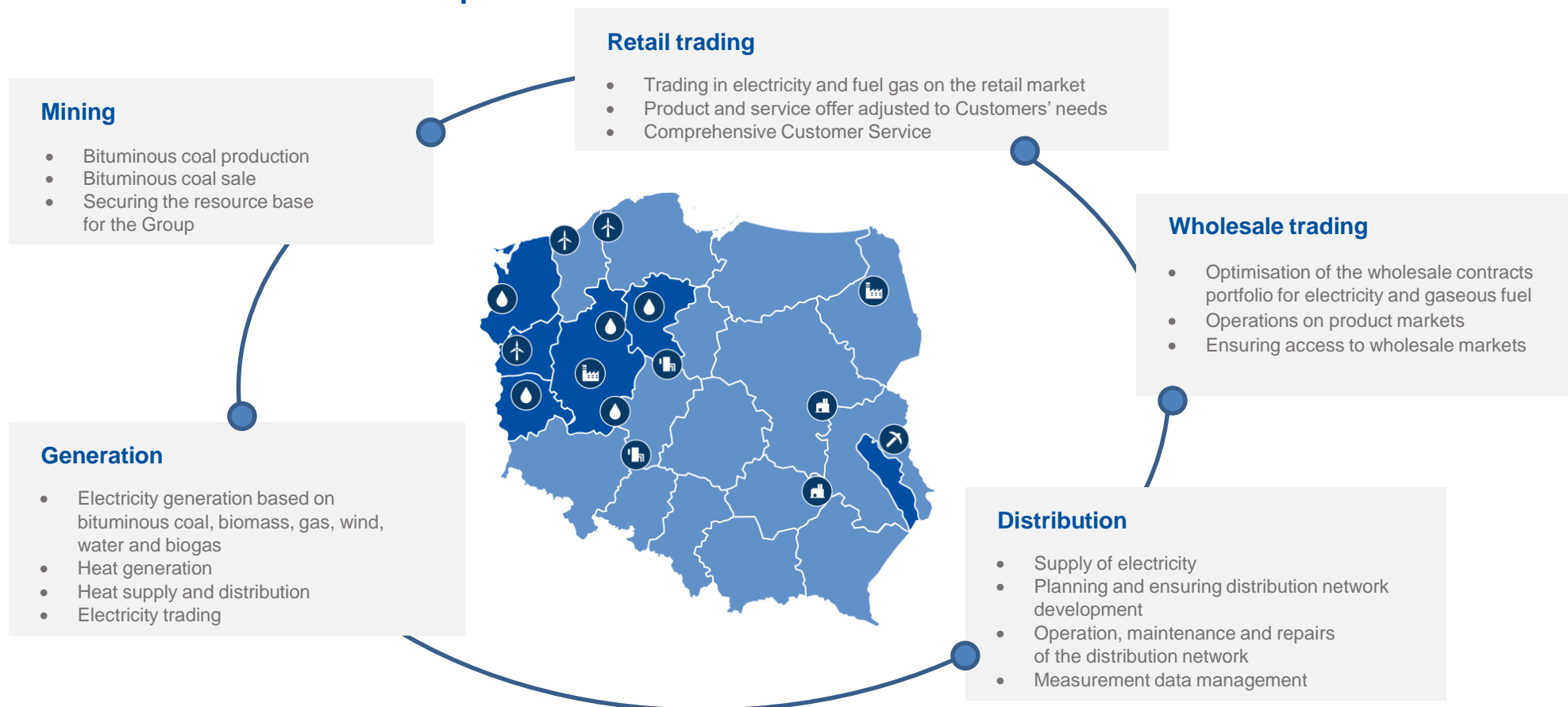
#### Events after the reporting period

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

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

On 24 September 2019, the Extraordinary General Meeting of Shareholders of ENEA Innowacje Sp. z o.o. adopted a resolution on increasing the share capital of the company and amending its articles of association. The company's share capital was increased from PLN 9,205,000 to PLN 17,060,000 through the creation of new 78,550 shares with a nominal value of PLN 100 each and a total value of PLN 7,855,000.

## 2.3. Business areas of ENEA Group



### 2.3.1. Mining

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

	H1 2018	H1 2019	Change	Q2 2018	Q2 2019	Change
Net production ['000 tonnes]	4,519	4,825	6.8%	2,424	2,293	-5.4%
Coal sale ['000 tonnes]	4,341	4,770	9.9%	2,374	2,404	1.3%
Closing stock ['000 tonnes]	202	144	-28.7%	202	144	-28.7%
Excavation works [km]	19.7	14.2	-27.9%	10.8	6.4	-40.7%



## 2.3.2 Generation

### 2.3.2.1 ENEA Group's generation assets

	Installed electrical capacity [MW <sub>e</sub> ]	Attainable electrical capacity [MW <sub>e</sub> ]	Installed heating capacity [MW <sub>t</sub> ]	Installed RES capacity [MW <sub>e</sub> ]
Kozienice Power Plant	4,071.8	4,016.0	125.4	-
Połaniec Power Plant	1,837.0	1,882.0	130.0	230.0
Bardy, Darżyno and Baczyna (Lubno I and Lubno II) wind farms	71.6	70.1	0.0	71.6
Liszkowo and Gorzesław biogas plants	3.8	3.8	3.1	3.8
Hydroelectric plants	58.8	55.8	0.0	58.8
MEC Piła	10.0	10.0	135.4	-
PEC Oborniki	0.0	0.0	30.4	-
ENEA Ciepło	203.5	156.6	684.1	78.5 <sup>1)</sup>
<b>Total [gross]</b>	<b>6,256.5</b>	<b>6,194.3</b>	<b>1,108.4</b>	<b>442.7</b>

### Data concerning ENEA Wytwarzanie <sup>2)</sup>

	H1 2018	H1 2019	Change	Q2 2018	Q2 2019	Change
<b>Total (net) generation of electricity [GWh], including:</b>	<b>7,807</b>	<b>8,170</b>	<b>4.6%</b>	<b>3,824</b>	<b>4,296</b>	<b>12.3%</b>
Net production from conventional sources [GWh], including:	7,659	7,997	4.4%	3,762	4,226	12.3%
<i>ENEA Wytwarzanie</i>	7,624	7,963	4.4%	3,746	4,211	12.4%
<i>MEC Piła</i>	35	34	-2.9%	16	15	-6.3%
Net production from renewable energy sources [GWh], including:	148	173	16.9%	62	70	12.9%
<i>Biomass combustion</i>	0	0	0.0%	0	0	0.0%
<i>ENEA Wytwarzanie – RES Segment (hydroelectric plants)</i>	97	73	-24.7%	40	31	-22.5%
<i>ENEA Wytwarzanie – RES Segment (wind farms)</i>	48	98	104.2%	21	38	81.0%
<i>ENEA Wytwarzanie – RES Segment (biogas plants)</i>	3	2	-33.3%	1	1	0.0%
<b>Gross generation of heat [TJ]</b>	<b>731</b>	<b>636</b>	<b>-13.0%</b>	<b>123</b>	<b>157</b>	<b>27.6%</b>

<b>Unit No. 11 (Kozienice Power Plant)</b>	<b>H1 2018</b>	<b>H1 2019</b>	<b>Change</b>	<b>Q2 2018</b>	<b>Q2 2019</b>	<b>Change</b>
Net electricity generation [GWh]	2,393	2,982	24.6%	1,053	1,427	35.5%
Net average monthly load [MW]	687	794	15.6%	691	798	15.4%

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

<sup>2)</sup> Presentation change for H1 2018 data concerning ENEA Ciepło (Białystok Heat and Power Plant)

## Data concerning ENEA Elektrownia Połaniec

	H1 2018	H1 2019	Change	Q2 2018	Q2 2019	Change
<b>Total (net) generation of electricity [GWh], including:</b>	4,792	4,327	-9.7%	2,587	2,232	-13.7%
<i>ENEA Elektrownia Połaniec – net production from conventional sources</i>	4,105	3,551	-13.5%	2,149	1,844	-14.2%
<i>ENEA Elektrownia Połaniec – production from renewable energy sources (combustion of biomass – Green Unit)</i>	593	638	7.6%	383	284	-25.8%
<i>ENEA Elektrownia Połaniec – production from renewable energy sources (biomass co-combustion)</i>	94	138	46.8%	55	104	89.1%
<b>Gross production of heat [TJ]</b>	<b>1,228</b>	<b>1,244</b>	<b>1.3%</b>	<b>570</b>	<b>593</b>	<b>4.0%</b>

## Data concerning ENEA Ciepło

	H1 2018	H1 2019	Change	Q2 2018	Q2 2019	Change
<b>Total (net) generation of electricity [GWh], including:</b>	<b>194</b>	<b>188</b>	<b>-3.1%</b>	<b>46</b>	<b>49</b>	<b>6.5%</b>
<i>Net generation from conventional sources [GWh] – excluding biomass combustion</i>	127	130	2.4%	17	17	0%
<i>Net production from renewable energy sources [GWh] – biomass combustion]</i>	67	58	-13.4%	29	32	10.3%
<b>Gross production of heat [TJ] (jointly with West Heat Plant)</b>	<b>2,252</b>	<b>2,140</b>	<b>-5.0%</b>	<b>499</b>	<b>574</b>	<b>15.0%</b>




### 2.3.2.2. CO<sub>2</sub> emissions

[t]	Koźienice	Free CO <sub>2</sub> emission allowances	Costs of allowances [PLN]
H1 2018	6,836,642	1,008,988	172,623,409.94
H1 2019	7,054,738	584,694 <sup>1)</sup>	408,871,284.32 <sup>1)</sup>
	<b>Białystok Heat and Power Plant</b>	<b>Free CO<sub>2</sub> emission allowances</b>	<b>Costs of allowances [PLN]</b>
H1 2018	194,428	104,834	9,302,061.66
H1 2019	205,073	87,180	21,780,113.34 <sup>1)</sup>
	<b>West Białystok Heat Plant</b>	<b>Free CO<sub>2</sub> emission allowances</b>	<b>Costs of allowances [PLN]</b>
H1 2018	15,869	696	1,019,916.14
H1 2019	8,909	682	334,504.72
	<b>Połaniec</b>	<b>Free CO<sub>2</sub> emission allowances</b>	<b>Costs of allowances [PLN]</b>
H1 2018	3,940,473	129,321	102,728,131.12
H1 2019	3,510,803	126,099	213,593,848.68
<b>H1 2018 TOTAL</b>	<b>10,987,412</b>	<b>1,243,839</b>	<b>285,673,518.86</b>
<b>H1 2019 TOTAL</b>	<b>10,779,523</b>	<b>798,655</b>	<b>644,579,751.06</b>

<sup>1)</sup> Accounting treatment

### 2.3.2.3. Fuel supply

The basic fuel used to generate electricity for ENEA Wytwarzanie – Koziernice Power Plant and Połaniec Power Plant is hard coal in the coal fines sort. The basic fuels used by ENEA Ciepło Sp. z o.o. (Białystok Heat and Power Plant) in H1 2019 were coal and biomass – mainly in the form of woodchips from energy wood, energy willow and poplar woodchips and residues from agricultural production.

	 Koziernice Power Plant	 ENEA Elektrownia Połaniec	 ENEA Ciepło
Main suppliers	LW Bogdanka (84.3 %)	LW Bogdanka (55.5%) PGG (31.2%)	LW Bogdanka (95%)

Fuel type	ENEA Wytwarzanie – Koziernice Power Plant				ENEA Elektrownia Połaniec				ENEA Ciepło – Białystok Heat and Power Plant			
	H1 2018		H1 2019		H1 2018		H1 2019		H1 2018		H1 2019	
	Volume [‘000 tonnes]	Cost <sup>1)</sup> [PLN m]	Volume [‘000 tonnes]	Cost <sup>1)</sup> [PLN m]	Volume [‘000 tonnes]	Cost <sup>1)</sup> [PLN m]	Volume [‘000 tonnes]	Cost <sup>1)</sup> [PLN m]	Volume [‘000 tonnes]	Cost <sup>1)</sup> [PLN m]	Volume [‘000 tonnes]	Cost <sup>1)</sup> [PLN m]
Bituminous coal	3,233	711	3,577	927	2,000	451	1,818	461	76	24	97	31
Biomass	-	-	-	-	590	121	743	213	142	25	129	28
Fuel oil (heavy) <sup>2)</sup>	4	5	4	7	4	7	5	9				
Fuel oil (light) <sup>3)</sup>	5	13	3	8					0.19	0.5	0.23	0.7
Gas [‘000 m <sup>3</sup> ] <sup>4)</sup>	8,808	10	8,731	13								
<b>TOTAL</b>	-	<b>739</b>	-	<b>955</b>	<b>2,594</b>	<b>579</b>	<b>2,566</b>	<b>683</b>	<b>218</b>	<b>50</b>	<b>226</b>	<b>60</b>




<sup>1)</sup> Coal and biomass including transport

<sup>2)</sup> Light-up fuel for Units Nos. 1-10 at Koziernice Power Plant

<sup>3)</sup> Light-up fuel for Unit No. 11

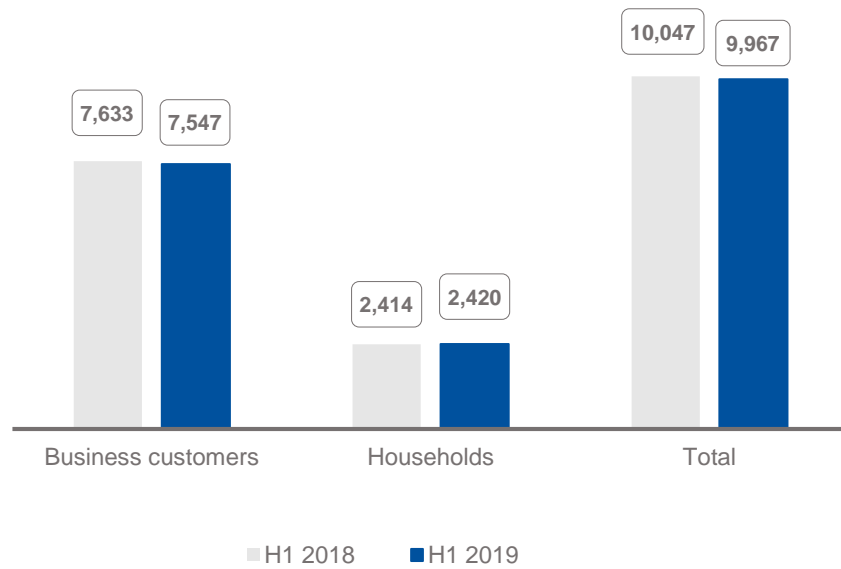
<sup>4)</sup> Used to produce electricity and heat in MEC Piła and heat energy in PEC Oborniki

### 2.3.2.4. Coal transport

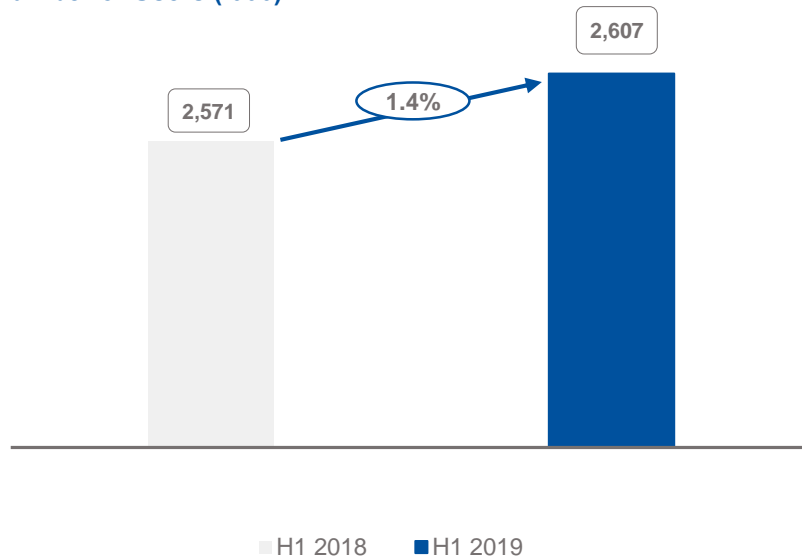
	 Koziernice Power Plant	 ENEA Elektrownia Połaniec	 ENEA Ciepło
Main provider	PKP Cargo S.A. (86%)	PKP Cargo S.A. (86%)	PKP Cargo S.A. (100%)

### 2.3.3. Distribution

Sale of distribution services [GWh]



Number of Users ('000)



**104.94** Length of power lines ['000 km]

**17.88** Length of connections ['000 km]

**38.01** Number of transformer stations ['000]

**847.90** Number of connections ['000]



## 2.3.4. Trading

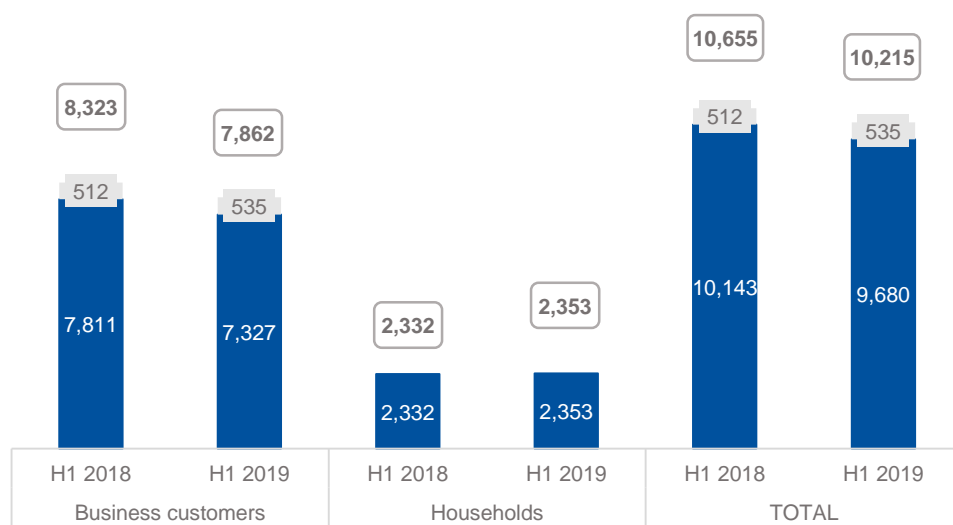
### Sales of electricity and gaseous fuel to retail customers carried out by ENEA S.A.

In H1 2019, the total volume of sales decreased by 440 GWh, or by approx. 4%, as compared to H1 2018. A decrease in electricity sales was recorded in the business customers segment (of 461 GWh, i.e. more than 5%), which was caused by a change in the portfolio of strategic customers – no sales in 2019 to one of the largest customers. Meanwhile, in the households segment the volume of electricity sales increased (by 21 GWh, i.e. by approx. 1%). The volume of gas fuel sales increased slightly compared to the corresponding quarter of the previous year (by 23 GWh, i.e. by approx. 5%).

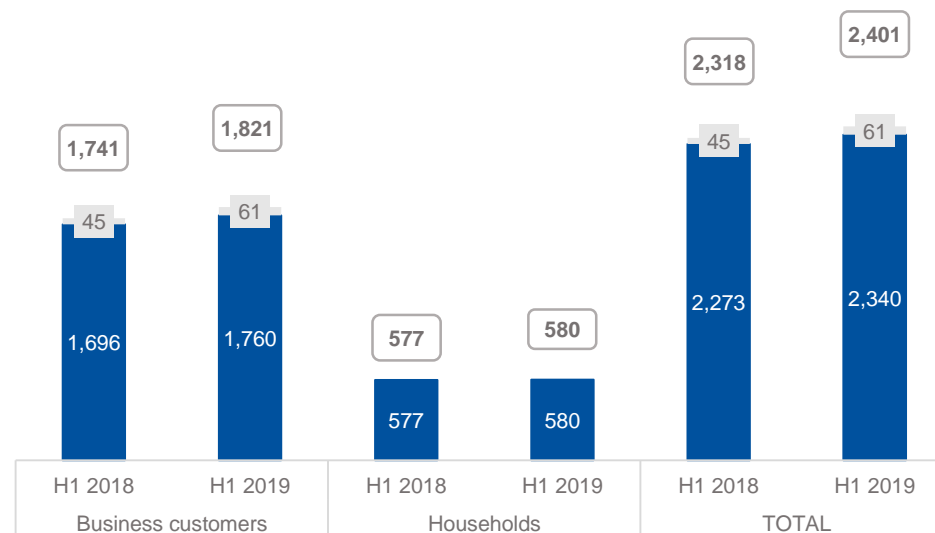
Revenues from the sale of electricity in H1 2019 take into account the Company's adjustment to the provisions of the Act of 28 December 2018 on amending the Act on Excise Duty and certain other acts, with respect to the application of appropriate prices and rates for the Electricity Tariff for G Tariff customers (households) approved by the President of the Energy Regulatory Office (i.e. at the level of prices as of 31 December 2018), as well as other price lists (i.e. Electricity Tariffs for A, B, C and R Tariff customers and product price lists for G Tariff customers at the level as of 30 June 2018). Moreover, the Company adjusted prices due to a change in the excise tax rate. Revenues include the adjustment of sales revenues recognized in accordance with IFRS 15 on account of price reductions for customers (other than customers in regulated tariff G) in the amount of PLN 374,615 thousand, which was recognized as at 30 June 2019 in the Statement of financial position.

In H1 2019, total sales revenues increased by PLN 83 million, i.e. by approx. 4% when compared to the corresponding period of 2018. The growth was posted in the revenues from both electricity and gas fuel sales, mainly in the segment of business customers.

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



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



■ Electricity

■ Gas

⋮ Together electricity and gas

■ Electricity

■ Gas

⋮ Together electricity and gas

## 2.4. Development strategy

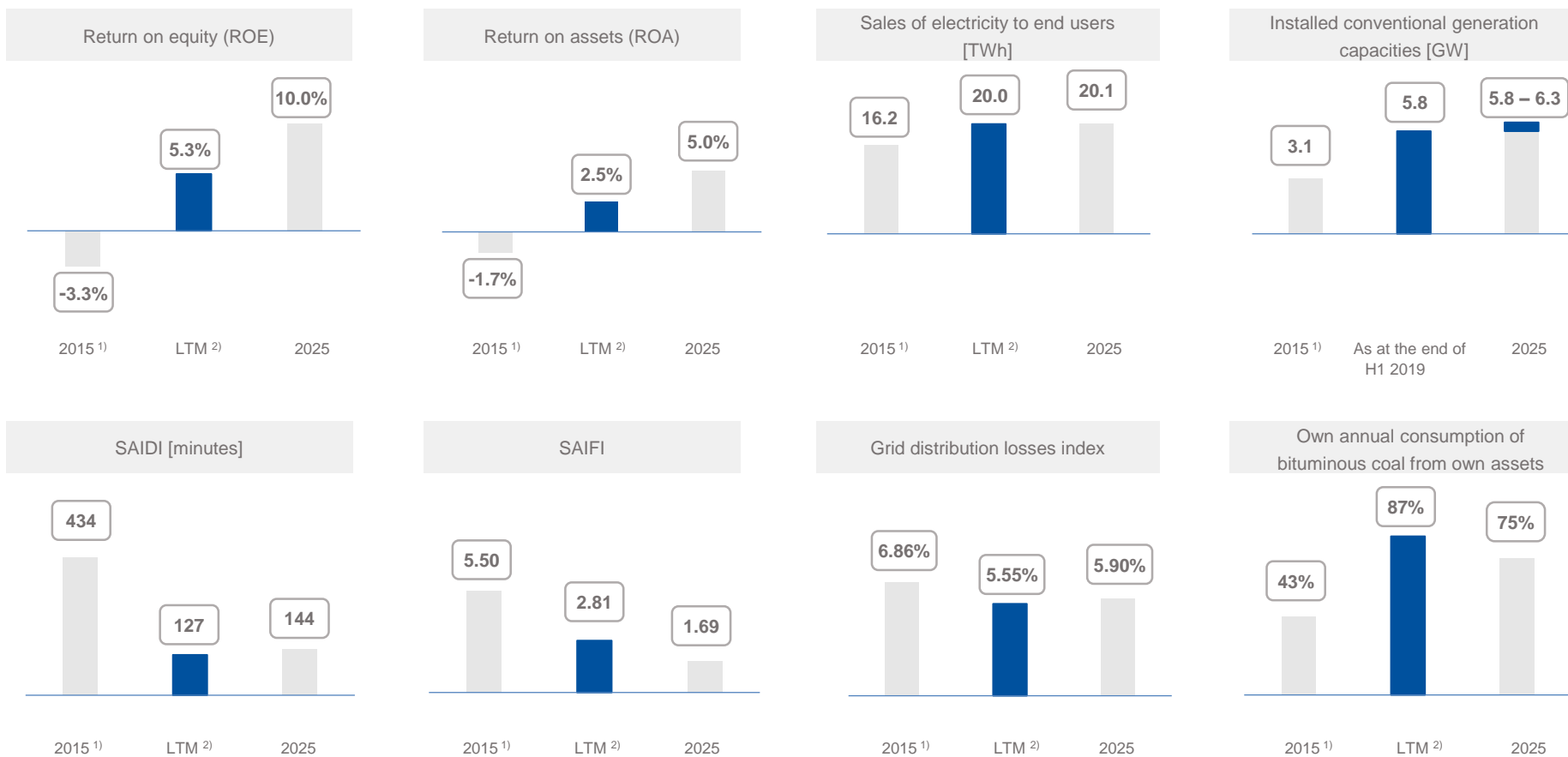
### MISSION:

ENEA delivers constantly improved products and services, exceeding Customers' expectations due to motivated teams working in a friendly, safe and innovative organisation.

### VISION:

ENEA is a leading supplier of integrated raw materials and energy related products and services and other innovative services for the wide range of Customers, recognised for the quality, comprehensiveness and reliability.

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



<sup>1)</sup> Reference year

<sup>2)</sup> LTM (Last Twelve Months) covering Q3 2018 – H1 2019

## 2.5. Implemented measures and investments

### 2.5.1. CAPEX in Q2 and H1 2019

Capital expenditure [PLN m]	Q2 2018	Q2 2019	Actual Q2 2019 / Q2 2019 Plan	H1 2018	H1 2019	Actual H1 2019 / H1 2019 Plan	Plan for 2019
Generation	65.5	122.2	72.7%	125.8	210.9	81.9%	610.8
Distribution	187.8	259.5	105.2%	300.9	456.5	116.3%	1,011.5
Mining	114.6	87.0	85.3%	199.5	167.0	91.8%	511.5
Support and other	19.0	17.1	48.4%	27.2	33.4	66.7%	144.0
Equity investments	0.1	0.0	-	171.0	181.2	100.0%	218.3
<b>TOTAL plan implementation</b>	<b>387.0</b>	<b>485.8</b>	<b>88.0%</b>	<b>824.4</b>	<b>1,049.0</b>	<b>98.6%</b>	<b>2,496.1</b>

### 2.5.2. Status of works on key investment projects in H1 2019

Area	Project type/Company	Activity
Mining	Development investments	<ul style="list-style-type: none"> <li>Pole Ostrów – design works</li> <li>Purchase of finished goods, machinery and equipment</li> </ul>
	Operational investments	<ul style="list-style-type: none"> <li>New excavations and modernisation of existing ones - in H1 2019, 7.9 km of galleries were completed</li> </ul>
Generation	ENEA Wytwarzanie	<ul style="list-style-type: none"> <li>Development of the SCR installation along with an upgrade of electrostatic dust precipitators for boilers AP-1650 in Units No. 9 and No. 10 as part of the 2 x 500 MW Units Upgrade Programme – continued since 2018</li> <li>Upgrade of Unit No. 7</li> <li>Upgrade of Unit No. 2</li> <li>Adaptation of the System Power Plants Segment at ENEA Wytwarzanie Sp. z o.o. to the BAT conclusions</li> </ul>
Generation	ENEA Elektrownia Połaniec	<ul style="list-style-type: none"> <li>Upgrade of Unit No. 9 as part of the 2 x 500 MW Units Upgrade Programme – continued since 2018</li> <li>Upgrade of Unit No. 5 – Phoenix project for Unit No. 5</li> <li>EEP's adaptation to the BAT conclusions</li> </ul>
Generation	ENEA Ciepło	<ul style="list-style-type: none"> <li>Upgrade of K8 boiler electrostatic precipitator</li> <li>PKS Experion system upgrade on units and off-unit systems and PHD base upgrade</li> <li>Reconstruction of TZ4 fan cooling tower</li> <li>Reconstruction of the TZ3 turbine set</li> <li>Conversion of K-1 boiler to gas fuel</li> </ul>

Area	Activity
Distribution	<ul style="list-style-type: none"> <li>• Completion of a number of investments related to the expansion and modernisation of power grids, including those related to the connection to the grid, as well as the redevelopment of the LN_110 kV line between Morzyczyn-Drawski Młyn and the redevelopment of the LN_110 kV line between Wałcz - Wałcz Północ - Mirosławiec and the redevelopment of the LN_110 kV line between Reclaw – Goleniów</li> <li>• Completion of an R&amp;D project – “Pilot project to reduce power losses in used and newly installed MV/LV transformers by applying the algorithm of optimizing the selection of the transformer to the conditions of actual station load by relocation of units taking into account the effects of environmental impact”. The project was implemented within the framework of the priority axis “Support for Innovations” fostering resource-efficient and low-emission economy - Part 1) Falcon - implementation of innovative environmental technologies - National Fund for Environmental Protection and Water Management</li> <li>• Continuation of ongoing investments and launching new investments to be implemented in 2019 and in the following years</li> <li>• Implementation of R&amp;D projects</li> </ul> <ul style="list-style-type: none"> <li>• Construction and modernisation of a number of network infrastructure elements, such as high, medium and low voltage lines and transformer stations, related to the implementation of the following objectives: implementation of the public-law obligation, ensuring energy security of the region, improvement of reliability and quality of electricity supply - network automation, change in the structure of the MV network from overhead to cable, actions aimed at achieving the "smart grid" standard in the network</li> <li>• Continuation of development of IT tools supporting grid management and grid automatics, including: <ul style="list-style-type: none"> <li>• implementation of the FDIR module on a wider scale in the SCADA system, which allows for automatic detection of failures, separation of the failure location and resumption of deliveries to those network areas for which such a possibility exists</li> <li>• implementation of the Central Measurement Data Acquisition System</li> <li>• implementation of the EMS (Energy Management System), which enables supporting the management of the WN network and the generation connected to the distribution network</li> <li>• implementation of the DLC (Dynamic Line Capacity) system enabling safe use of the full transmission capacity of the 110 kV network resulting from the current weather conditions at the line installation site.</li> </ul> </li> </ul>
Retail Trade Area	<p>The key project implemented within the Retail Trade area was a project concerning the adaptation of ENEA Group to the new legal regulations contained in the Act of 28 December 2018 on amending the Act on Excise Duty and amending certain other acts. The project covers both business processes and IT tools and systems. The work is to result in the organisation's readiness to implement the provisions of the Act and executive acts in practice. Within the framework of the Project:</p> <ul style="list-style-type: none"> <li>• An information campaign on changes in energy prices was prepared and carried out</li> <li>• Databases were prepared and updated for further action</li> <li>• IT systems were adapted to price changes, including changes in the excise duty rate</li> <li>• Product range and price lists were adjusted</li> <li>• Business processes were modified</li> </ul>
Customer Service Area	<ul style="list-style-type: none"> <li>• Continuation of the project of a new visualization of Customer Service Centres - works on modernisation of Customer Service Centres in Gniezno</li> <li>• Continuation of work on the introduction of automation of maintenance processes using, among others, business process robotization (RPA), which will translate into timely implementation of key indicators in the processes</li> <li>• Launch of a modernised more user-friendly and easier to use Electronic Customer Service Centre (eBOK)</li> <li>• Launching the possibility of electronic payments in eBOK by another Payment Operator – PayU</li> <li>• Implementation of the Customer Satisfaction Survey in Customer Service Centres (Customer Satisfaction Survey)</li> <li>• Implementation of a system supporting the management of information about clients, i.e. the Central Customer Database (CCD)</li> <li>• Continuation of work on the implementation of the electronic pen to sign contracts in all Customer Service Centres in order to simplify the service process and minimize the number of printed documents</li> <li>• Upgrade of the IVR service on the 611 111 111 Infoline to a simpler and more user-friendly one for the Customer and launch of a new self-service facility for reporting power outage in the apartment/premises</li> <li>• Continuation of work on launching self-service facilities on the 611 111 111 Infoline outside the working hours of consultants</li> </ul>
Wholesale Trade Area	<ul style="list-style-type: none"> <li>• Project “Creation of a system of logistic service of biomass deliveries through sea ports to ENEA Elektrownia Połaniec Spółka Akcyjna”</li> <li>• Project “Main capacity auction for 2024 and secondary market”, whose main objective is to prepare ENEA Group's assets for general certification and to develop and implement a strategy for participation in the main capacity auction for the delivery year 2024, in the additional auctions for 2021 and operations on the secondary market</li> </ul>



## **2.5.3. Agreements concluded**

### **2.5.3.1. Agreements of significance to ENEA Group's operations**

In H1 2019, the companies of ENEA Group did not conclude any significant agreements; however, in the reporting period an Annex to the Multiannual Contract for the sale of sludge between ENEA Wytwarzanie and JSW S.A. was executed. Under the Annex, all the sludge deliveries contracted for ENEA Wytwarzanie for 2019 were transferred for execution to ENEA Elektrownia Połaniec.

Moreover, during the reporting period an agreement was concluded with PKP CARGO S.A. for the transport of 5.9 million tonnes of energy coal from LW "Bogdanka" S.A. to ENEA Wytwarzanie Sp. z o.o.

### **2.5.3.2. Financing sources of the investment programme**

ENEA S.A. finances the investment programme using financial surpluses from its business activities and external debt. ENEA Group pursues the investment financing model, in which ENEA S.A. acquires external sources of financing and distributes them to its subsidiaries. In further activities, ENEA S.A. will focus on ensuring appropriate diversification of external sources of financing for the investments planned in ENEA Group's Strategy in order to optimize the amount of costs and debt repayment dates. On 26 June 2019, ENEA S.A. issued five-year ENEA0624 series bonds with a value of PLN 1 billion under the domestic bond programme up to the maximum amount of PLN 5 billion. The purpose of the issue is to refinance the debt resulting from the ENEA0220 series bonds issued by the Issuer. As at 30 June 2019, the nominal debt in respect of bonds issued and loans taken out by ENEA S.A. totalled PLN 9,122 million.

### **2.5.3.3. Suretyships and guarantees granted**

In H1 2019, the companies of ENEA Group did not grant any new suretyships or guarantees of significant value. As at 30 June 2019, the value of corporate suretyships and guarantees granted by ENEA S.A. for hedging the liabilities of ENEA Group companies totalled PLN 109.9 million, whereas the total value of bank guarantees issued on request of ENEA S.A. and being the security of the liabilities of ENEA Group companies amounted to PLN 472.9 million.

### **2.5.3.4. Interest rate hedging transactions**

Under the Interest Rate Risk Management Policy, in H1 2019 ENEA S.A. concluded an Interest Rate Swap transaction for exposures of PLN 489 million.

### **2.5.3.5. Bond issue programmes of subsidiaries**

ENEA Group has adopted a model of financing investments implemented by subsidiaries of ENEA S.A. through intra-group financing. ENEA S.A. raises long-term financing on the financial market by taking out loans or issuing bonds, which it then distributes within the Group. At present, ENEA S.A. in the areas of Generation and Distribution has in place intra-group bond issue programmes with a total value of PLN 7,861 million. These programs are fully utilised and partially redeemed in instalments. As at 30 June 2019, the total nominal exposure due to bonds acquired by ENEA S.A. under the programmes referred to above totalled PLN 6,885 million. In the previous years, ENEA S.A. also concluded inter-group bond issue programme agreements with its subsidiaries, which are intended to finance investments in the RES and Heat segments. The programmes have been fully utilised and are being redeemed in instalments. As at 30 June 2019, the value of the bonds to be redeemed under these programmes totalled PLN 32 million.

### **2.5.3.6. Loans and borrowings taken out by ENEA Group companies from external sources**

As at 30 June 2019, the nominal value of external debt on account of loans and borrowings taken out by ENEA Group companies (excluding ENEA S.A.) totalled PLN 84.8 million. In H1 2019, ENEA Group companies did not terminate any loan and borrowing agreements.

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

In Q1 2019, ENEA S.A. did not conclude any loan agreements with ENEA Group companies and other companies in which it holds an interest. The nominal value of debt as at 30 June 2019 was PLN 182 million.

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

In H1 2019, ENEA S.A. and its subsidiaries did not conclude any related-party transactions on non-market conditions. Information on related-party transactions concluded by ENEA S.A. or its subsidiary is included in Note 25 to the condensed interim financial statements of ENEA Group for the period from 1 January to 30 June 2019.

## 2.5.4. ENEA Group's Risk Model

RISK MODEL	CORE RISKS TO WHICH ENEA GROUP IS EXPOSED IN SPECIFIC CATEGORIES	EXAMPLES OF RISK MITIGATING ACTIONS TAKEN IN SPECIFIC CATEGORIES
STRATEGIC	<ul style="list-style-type: none"> <li>• Risk of breaching legal and internal regulations on the protection of personal data</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 a crisis situation</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 objectives of the planned construction of the Ostrołęka C Power Plant</li> <li>• Risk of failure to implement or untimely implementation of the Guidelines on contents of Compliance Programmes developed by DSOs, which were published by the President of the Energy Regulatory Office</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 Association of Energy Trading and other industry associations</li> <li>• Securing systems that process personal data by ensuring 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 work on regulations for the energy and coal industry</li> <li>• Implementation of solutions aimed at supplementing, enhancing and strengthening the competences and knowledge of the organisation, 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> </ul>
FINANCIAL	<ul style="list-style-type: none"> <li>• Risk of breach of financing agreements</li> <li>• Risk of rating downgrade</li> <li>• Liquidity risk</li> <li>• Risk of losses due to partners' failure to meet their contractual obligations (including the credit risk)</li> <li>• Risk of non-execution or delays in the execution of investments</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring banking covenants at ENEA Group</li> <li>• Ongoing consultations with the credit rating agency</li> <li>• Conducting structured activities in the area of credit risk management and debt collection, formally defined by means of implemented documentation</li> <li>• Monitoring the implementation of investment tasks</li> </ul>
OPERATING	<ul style="list-style-type: none"> <li>• Risk of non-compliance with BAT conclusion requirements</li> <li>• Risk of excessive consumption of some elements of generation assets</li> <li>• Risk of delayed tender processes</li> <li>• Risk of non-compliance with laws and internal regulations regarding information processing and IT security in ENEA Group</li> <li>• Insufficient storage capacity of the mined coal</li> <li>• Failure to comply with the one-year storage period for the ash/slag mixture</li> </ul>	<ul style="list-style-type: none"> <li>• Projects related to compliance with the requirements of the BAT conclusions</li> <li>• Analyses and research on the state of generation assets. Initiating renovation projects as needed</li> <li>• Regular periodic employee training</li> <li>• Regular periodic reviews of systems processing personal data and their assessment in terms of ensuring security</li> <li>• Use of ENEA Group's coal storage sites and shaping of delivery schedules</li> <li>• Development of a new monitoring plan for the ash-slag mixture landfill site</li> </ul>
MARKET	<ul style="list-style-type: none"> <li>• Risk of commodity price volatility on the futures market</li> <li>• Risk of non-continuity of fuel supplies</li> <li>• Volumetric risk of fuel and transport</li> <li>• Risk involved in the sales of the assumed volume of coal to key customers</li> </ul>	<ul style="list-style-type: none"> <li>• Improving methods and tools to optimize commodity portfolios</li> <li>• Maintaining and developing competences within the Company to manage the commodity risk</li> <li>• Diversification of sources of supply and service provision</li> <li>• Continuous analysis of the fuel and energy market</li> <li>• Optimisation of coal supplies within the Group to the generation entities of the Group taking into account the limited capacity of the by-pass routes and the increase of transport costs on the LWB coal by-pass routes</li> </ul>

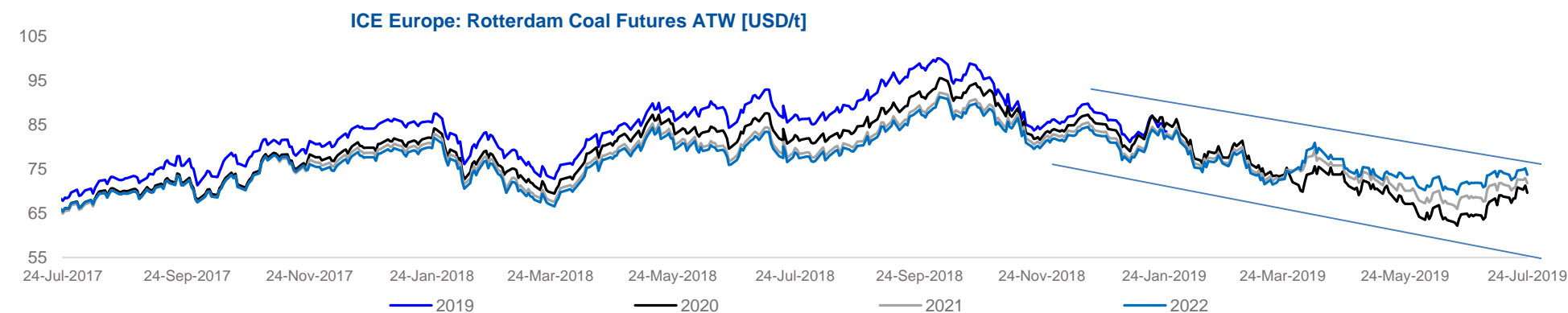
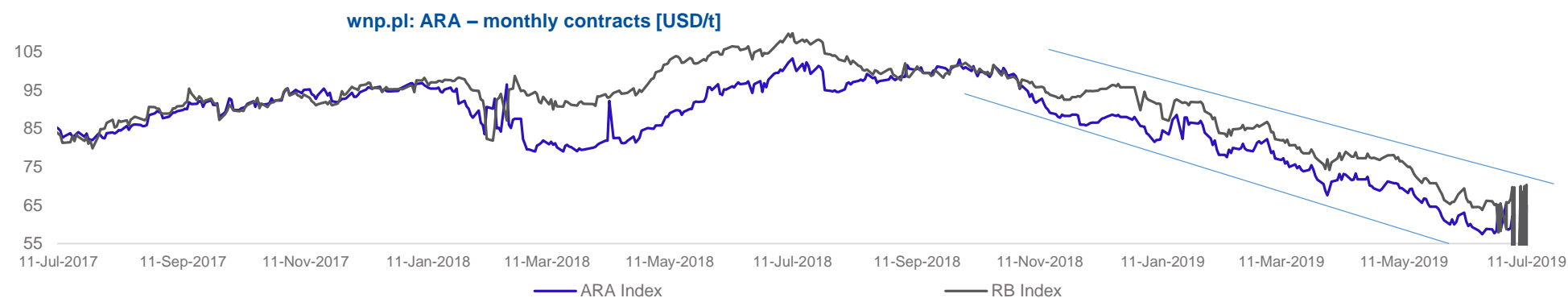
## 2.6. Market and regulatory environment

### Market prices in H1 2019 – global overview

In H1 2019, the international coal market mostly experienced downward trends. Demand-supply imbalances with an increase in renewable energy generation and low gas prices were the main factors contributing to the fall in global coal prices.

In the Atlantic region, the most significant reasons behind the decreases in the prices of thermal coal include a surge in CO<sub>2</sub> emission allowance prices, high thermal coal inventories in coal terminals and seaports, relatively low gas prices and increases in electricity production from RES, resulting in low trading volumes, mainly on the spot market. The pressure on demand and prices in ARA ports was exerted by colossal imports of coal from Russia, offered at competitive prices at northern ports. Decreases in coal prices in Europe indicate a marked intensification of the decarbonisation process, whereby the reduction of greenhouse gas emissions is to take place by replacing fossil fuels with renewable energy sources in the energy mixes of European countries. In H1 2019, European coal prices, which continued experiencing a downward trend, did not exceed the critical quotation threshold of 50 USD/t and oscillated in the range of min. 57 USD/t – max. 88 USD/t. As at 28 June 2019, the cost of 1 tonne of coal in European CIF ARA ports totalled USD 58.30 [-39% y/y; -9% M/M].

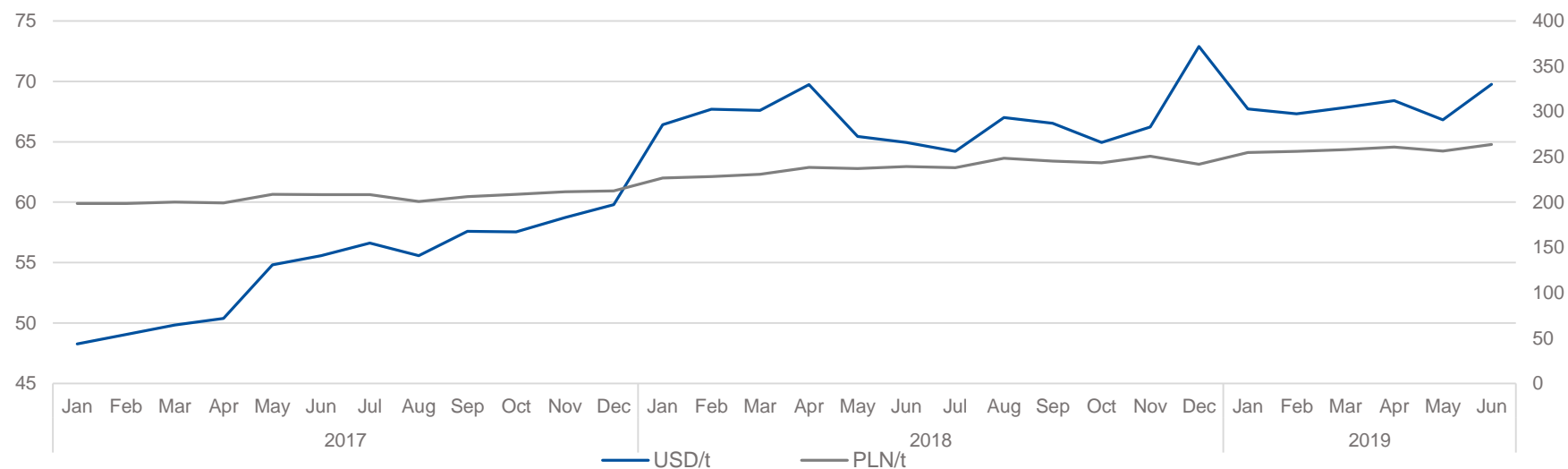
In the Asia-Pacific region, price falls were a consequence of stricter customs procedures in Chinese ports for imports of Australian thermal coal, which put pressure on coal prices indexed at the Newcastle hub. The reduced demand in the Atlantic region forced Colombian exporters, the traditional suppliers of raw materials to the European market, to channel their supplies to Asia-Pacific. Despite the increased demand from India due to its rapid economic growth, it was not possible to compensate for the fall in demand on the Chinese side in such a way as to maintain the already quite low price levels in this part of the international market. In H1 2019, the average spot price of South African coal totalled USD 78.78/t [-19% y/y], and prices ranged from min. 57.95 USD/t to max. 92.90 USD/t.



## Market prices in H1 2019 – Polish market

In H1 2019, coal prices on the Polish market continued experiencing a relatively weak upward trend. The currently recorded surplus of the raw material at ca. 6 million tonnes and growing mine heaps result from the record-high imports of thermal coal at the level of 16.2 million tonnes in 2018. The lack of significant correlations between global and domestic coal prices results mainly from the methodology of shaping domestic coal prices based on long-term contracts and model price formulas. In H1 2019, the Polish Steam Coal Market Index (PSCMI1) averaged 11.93 PLN/GJ [+12.02% y/y; +6.52% H/H], which is approximately 69 USD/t. The forecast for PSCMI1 in 2019 assumes that prices of thermal coal will remain within the range of 11-12 PLN/GJ.

### Polish Steam Coal Market Index – PSCMI1



### Wholesale electricity prices

The average price on the SPOT market in H1 2019 was higher by 15.8% as compared to the same period of 2018. In all analysed months (except for March), prices were significantly higher than in the corresponding period in 2018. The following factors had an impact on the price level:

- high prices of CO<sub>2</sub> emission allowances for the whole analysed period (pro-growth factor),
- with the exception of March, higher than planned level of capacity losses in the National Power System (NPS) (pro-growth factor),
- high wind generation (pro-decrease factor),
- the average demand for power in the NPS at the same level compared to the same period of 2018 (price growth limitation factors).

### Average prices on the SPOT market (TGE Day Ahead Market)

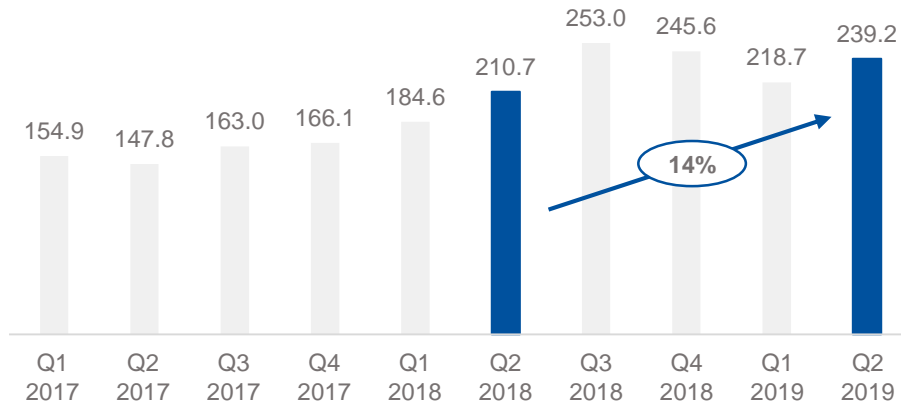
	Average price [PLN/MWh]	Change
H1 2018	197.71	
H1 2019	228.98	15.8%

Source: own study on the basis of TGE data.

## Average electricity prices on Day Ahead Market

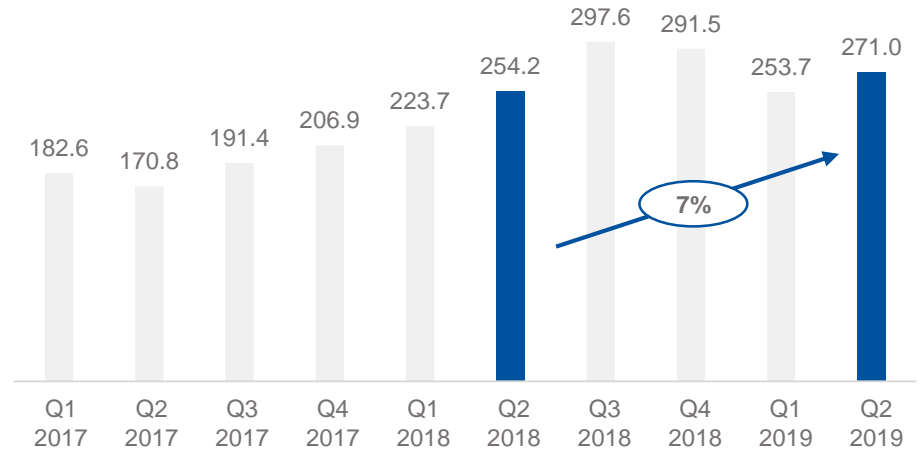
### Day Ahead Market BASE

PLN/MWh



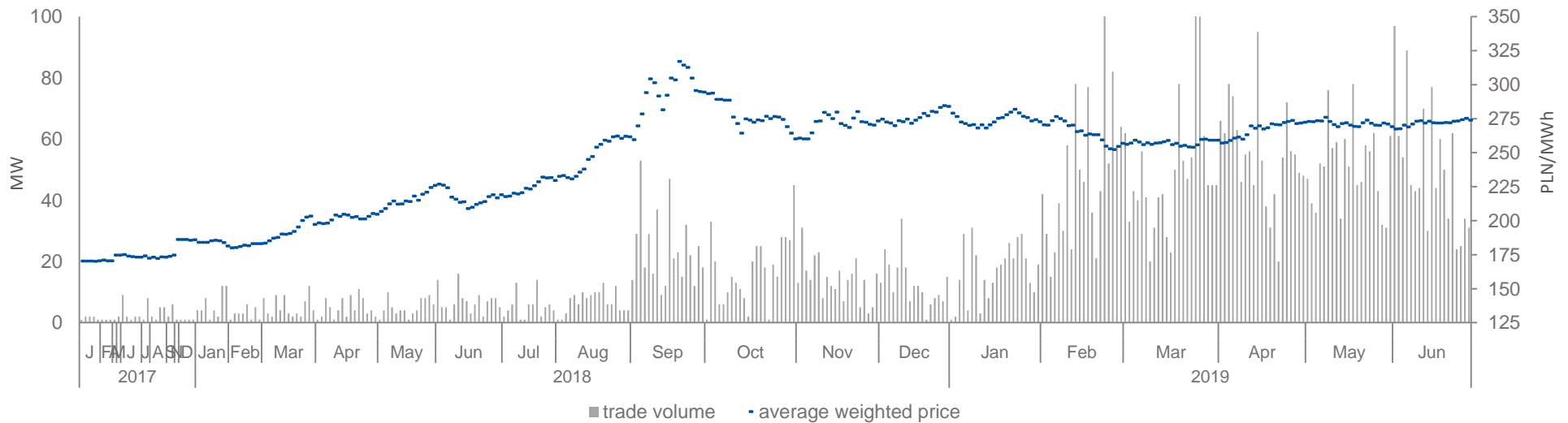
### Day Ahead Market PEAK

PLN/MWh



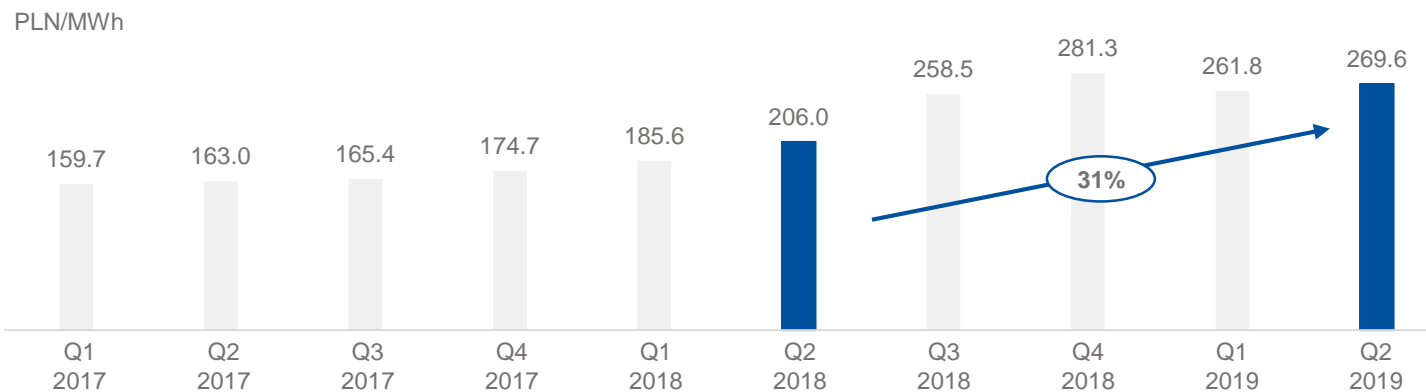
On the forward market, the price of BASE Y-20 product dropped from 279.00 PLN/MWh at the beginning of January to 273.64 PLN/MWh at the end of June 2019. Nevertheless, the average price in Q2 2019 was higher than the average price in Q1 2019.

### Transaction prices and volumes – BASE Y-20

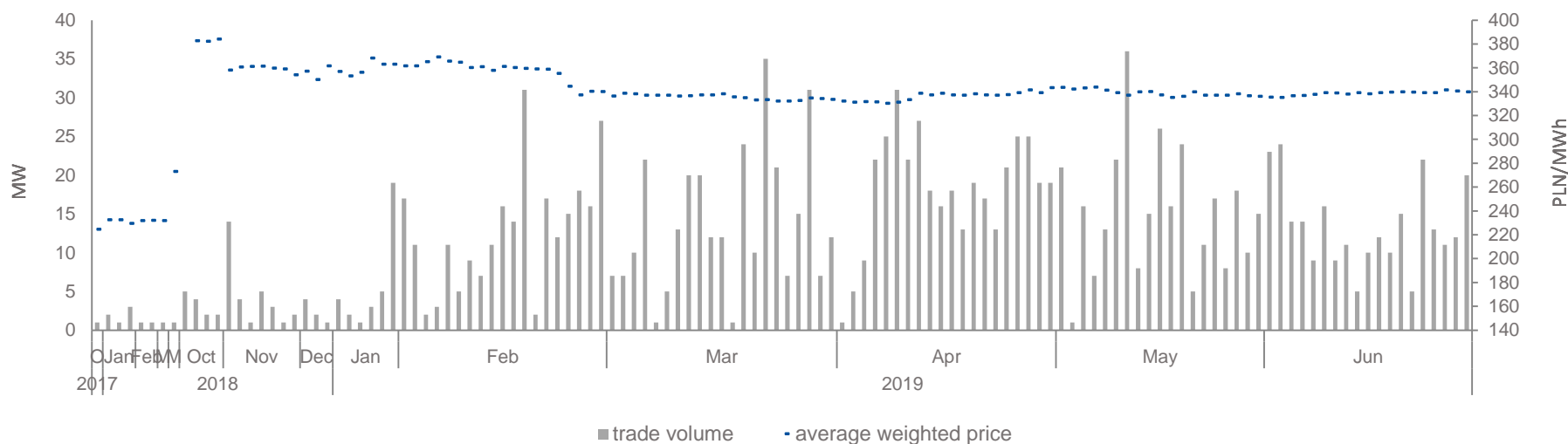


Price fluctuations were influenced by both changes in the price levels of CO<sub>2</sub> emission allowances. Despite the introduction of 100% “exchange obligation” on TGE forward market, there was no significant increase in liquidity. The total trading volume on the BASE Y-20 product in H1 2019 was 4.1% higher than on the BASE Y-19 product in the corresponding period. Similar to BASE Y-20, prices of PEAK Y-20 also changed. The market valuation of this product was 357.25 PLN/MWh at the beginning of January and 339.80 PLN/MWh at the end of June 2019.

### BASE\_Y\_18/19/20



### Transaction prices and volumes – PEAK Y-20



In H1 2019, transactions were also concluded for BASE Y-21; however, due to the remote delivery horizon, the trade volume was much lower than in the case of BASE Y-20.

## Obligations involved in obtaining energy certificates

Pursuant to the effective regulations, energy companies selling electricity to end users in 2019 are obliged to obtain and redeem the following types of certificates of origin (fulfilment of the obligation until the end of June 2020):

- for energy generated from renewable sources, the so-called “green” certificates – an obligation at the level of 18.5% of sales to end users,
- for energy generated from agricultural biogas – an obligation of 0.50% of sales to end users,
- for energy efficiency certificates, the so-called “white” – an obligation at the level of 1.5%.

The price structure of contracting on the TGE session market for individual property rights in H1 2019 is presented below.

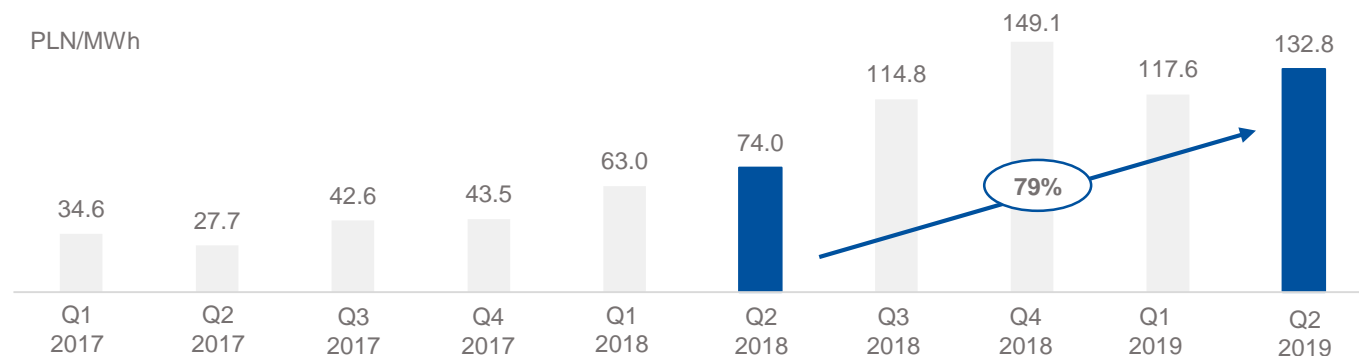
### Prices on the market for certificates of origin (TGE session market)

	Average price in Q2 2018	Average price in Q2 2019	Q2 2019/Q2 2018 change	
	PLN/MWh	PLN/MWh	%	PLN/MWh
OZEX_A (“green” property rights) <sup>1)</sup>	74.04	132.83	79.4%	-58.79
TGEozebio (“light blue” property rights)	315.45	299.73	-5.0%	-15.72
TGEef (“white” property rights) <sup>2)</sup>	689.48	509.42	-26.1%	-180.06
TGEeff (“white” property rights) <sup>2)</sup>	1,537.71	1,611.28	4.8%	73.57
TGEef18 (“white” property rights) <sup>2)</sup>	704.55	146.34	-79.2%	-558.21

<sup>1)</sup> As of 1 July 2019, the index name has been changed to TGEozea. Values in PLN/toe

<sup>2)</sup> Values in PLN/toe

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



Source: TGE, session market indexes

### Limits and market prices of CO<sub>2</sub> emission allowances

As of the beginning of 2018, the package of MiFID II regulations entered into force, aimed at the strengthening of the financial instrument markets and the protection of capital market participants in Europe. Under the distribution of free allowances for 2019, EU Member States issued 613.70 million out of 717.94 million EUAs (approx. 85.5% of all EUAs). The total number of CO<sub>2</sub> emission allowances in trading in 2018 was 1.6529 billion EUAs. This means that the volume to be sold on auctions from September 2019 to August 2020 will be reduced to 397.178 million EUAs.

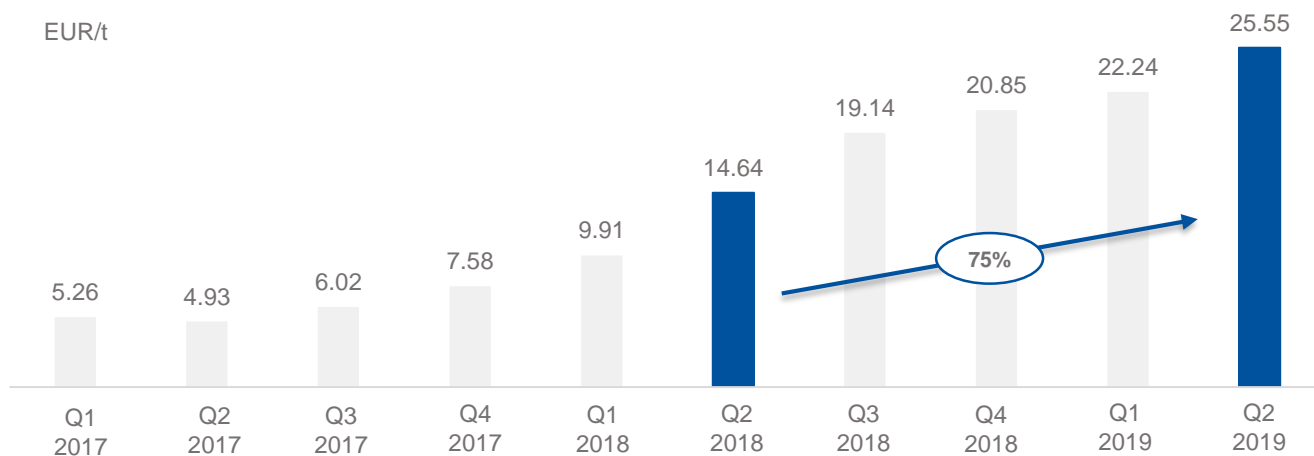
Prices of CO<sub>2</sub> emission allowances are at the highest level since 2011, and most long-term price forecasts anticipate further increases. The identified cause of this situation is the launch, in 2019, of the MSR (Market Stability Reserve), whose task is to limit oversupply of allowances on the market by transferring them to a reserve. The impact of speculative actions on the EUA prices in the market is also being discussed more and more often. In recent months, the prices of CO<sub>2</sub> emission allowances have also been affected by investors' uncertainty about the still unresolved issue of Brexit. Theresa May's resignation from the offices of the Leader of the Conservative Party and UK Prime Minister has increased the risk of no-deal Brexit.

### EUA and CER price change

Product	Price [EUR/t]		
	Beginning of January 2019	End of June 2019	% change
EUA Spot	25.0	26.33	↑ 4.9%
CER Spot	0.25	0.22	↓ -12.0%
EUA Dec-19	25.3	26.28	↑ 3.9%
CER Dec-20	0.24	0.21	↓ -12.5%

Source: Own study based on ICE data.

### CO<sub>2</sub> emissions allowances (Dec-19)



Source: ICE settlement prices



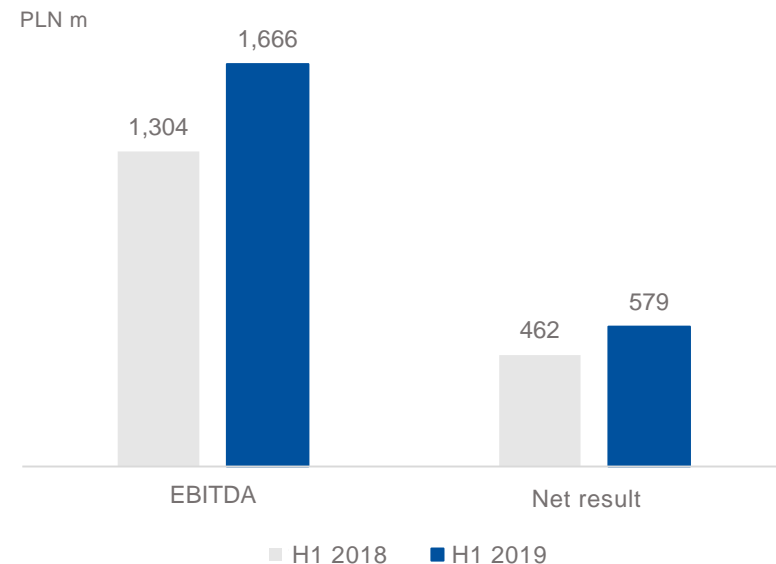
## 3. Financial standing

### 3.1. Selected consolidated financial data

[PLN k]	H1 2018	H1 2019	Change	% change
Sales revenue and other income	6,039,555	8,019,576	1,980,021	32.8%
Operating profit / (loss)	632,883	925,893	293,010	46.3%
Profit / (loss) before tax	558,256	742,772	184,516	33.1%
Net profit / (loss) for the reporting period	462,030	579,445	117,415	25.4%
<b>EBITDA</b>	<b>1,304,064</b>	<b>1,665,817</b>	<b>361,753</b>	<b>27.7%</b>
Net cash flows from:				
operating activities	1,893,828	1,981,762	87,934	4.6%
investing activities	-1,261,161	-1,242,709	18,452	1.5%
financial activities	- 280,276	716,619	996,895	355.7%
Closing balance of cash	3,039,517	4,106,510	1,066,993	35.1%
Net profit attributable to shareholders of the Parent	431,190	505,788	74,598	17.3%
Weighted average number of shares	441,442,578	441,442,578	-	-
Net profit per share [PLN]	0.98	1.15	0.17	17.3%
Diluted net per share [PLN]	0.98	1.15	0.17	17.3%

[PLN k]	Q2 2018	Q2 2019	Change	% change
Sales revenue and other income	3,051,002	4,009,966	958,964	31.4%
Operating profit / (loss)	294,105	484,553	190,448	64.8%
Profit / (loss) before tax	251,348	369,987	118,639	47.2%
Net profit / (loss) for the reporting period	207,962	299,639	91,677	44.1%
<b>EBITDA</b>	<b>601,935</b>	<b>867,033</b>	<b>265,098</b>	<b>44.0%</b>
Net profit attributable to shareholders of the Parent	190,434	259,634	69,200	36.3%
Weighted average number of shares	441,442,578	441,442,578	-	-
Net profit per share [PLN]	0.43	0.59	0.16	37.2%
Diluted net profit per share [PLN]	0.43	0.59	0.16	37.2%

[PLN k]	31 Dec 2018	30 Jun 2019	Change	% change
Total assets	29,965,625	32,061,109	2,095,484	7.0%
Total liabilities	14,916,463	16,449,669	1,533,206	10.3%
Non-current liabilities	10,109,857	10,223,885	114,028	1.1%
Current liabilities	4,806,606	6,225,784	1,419,178	29.5%
Equity	15,049,162	15,611,440	562,278	3.7%
Share capital	588,018	588,018	0	0.0%
Book value per share [PLN]	34.09	35.36	1.27	3.7%
Diluted book value per share [PLN]	34.09	35.36	1.27	3.7%



## 3.2. Key operating data and ratios<sup>1)</sup>

	Unit	H1 2018	H1 2019	Change	% change	Q2 2018	Q2 2019	Change	% change
Sales revenue and other income	PLN k	6,039,555	8,019,576	1,980,021	32.8%	3,051,002	4,009,966	958,964	31.4%
EBITDA	PLN k	1,304,064	1,665,817	361,753	27.7%	601,935	867,033	265,098	44.0%
EBIT	PLN k	632,883	925,893	293,010	46.3%	294,105	484,553	190,448	64.8%
Net profit	PLN k	462,030	579,445	117,415	25.4%	207,962	299,639	91,677	44.1%
Net profit attributable to shareholders of the Parent	PLN k	431,190	505,788	74,598	17.3%	190,434	259,634	69,200	36.3%
Net cash flows from operating activities	PLN k	1,893,828	1,981,762	87,934	4.6%	1,160,496	1,528,172	367,676	31.7%
CAPEX	PLN k	824,412	1,048,999	224,588	27.2%	386,999	485,784	98,785	25.5%
Net debt / EBITDA	-	1.84	1.97	0.13	7.1%	1.84	1.97	0.13	7.1%
Return on assets (ROA)	%	3.3%	3.6%	0.3 p.p.		2.9%	3.7%	0.8 p.p.	
Return on equity (ROE)	%	6.2%	7.4%	1.2 p.p.		5.6%	7.7%	2.1 p.p.	
<b>Trading</b>									
Sales of electricity and gas fuel to retail customers	GWh	10,655	10,215	-440	-4.1%	5,058	4,798	-260	-5.1%
Number of customers (Power Delivery Points)	'000	2,451	2,514	63	2.6%	2,451	2,514	63	2.6%
<b>Distribution</b>									
Sale of distribution services to end users	GWh	10,047	9,967	-80	-0.8%	4,865	4,824	-41	-0.8%
Number of users (closing balance)	'000	2,571	2,607	37	1.4%	2,571	2,607	37	1.4%
<b>Generation</b>									
Total generation of electricity, including:	GWh	12,793	12,685	-108	-0.8%	6,458	6,577	119	1.8%
<i>from conventional sources</i>	GWh	11,891	11,678	-214	-1.8%	5,928	6,087	159	2.7%
<i>from renewable energy sources</i>	GWh	902	1,007	105	11.6%	530	490	-40	-7.5%
Gross heat generation	TJ	4,211	4,021	-190	-4.5%	1,192	1,325	133	11.2%
Sale of electricity, including:	GWh	17,442	14,924	-2,518	-14.4%	9,156	7,668	-1,488	-16.3%
<i>from conventional sources</i>	GWh	11,985	11,816	-169	-1.4%	5,984	6,191	207	3.5%
<i>from renewable energy sources</i>	GWh	808	869	61	7.5%	474	386	-88	-18.6%
<i>from purchase</i>	GWh	4,649	2,238	-2,411	-51.9%	2,698	1,090	-1,608	-59.6%
Sales of heat	TJ	3,824	3,640	-184	-4.8%	1,087	1,197	110	10.1%
<b>Mining</b>									
Net production	'000 tonnes	4,519	4,825	306	6.8%	2,424	2,293	-131	-5.4%
Coal sales	'000 tonnes	4,341	4,770	429	9.9%	2,374	2,404	31	1.3%
Closing stocks	'000 tonnes	202	144	-58	-28.7%	202	144	-58	-28.7%
Excavation works	km	19.7	14.2	-5.5	-27.9%	10.8	6.4	-4.4	-40.7%

<sup>1)</sup> Ratio definitions are presented on Page 58

### 3.3. Financial results of ENEA Group in H1 2019 and in Q2 2019

#### Consolidated profit and loss account – H1 2018

[PLN k]	H1 2018	H1 2019	Change	% change
Revenue from the sale of electricity	4,219,299	5,648,775	1,429,476	33.9%
Revenue from the sale of heat	197,473	191,352	-6,121	-3.1%
Revenue from the sale of gas	54,215	78,397	24,182	44.6%
Revenue from the sale of distribution services	1,342,551	1,376,327	33,776	2.5%
Revenue from certificates of origin	2,094	11,406	9,312	444.7%
Revenue from the sale of CO <sub>2</sub> emission allowances	25,977	-	-25,977	-100.0%
Revenue from the sale of goods and materials	37,653	52,378	14,725	39.1%
Revenue from the sale of other products and services	74,789	84,197	9,408	12.6%
Revenue from the sale of coal	85,504	137,219	51,715	60.5%
Revenue from operating lease and sub-lease	-	9,124	9,124	100.0%
<b>Net sales revenue</b>	<b>6,039,555</b>	<b>7,589,175</b>	<b>1,549,620</b>	<b>25.7%</b>
Price difference amount	-	430,401	430,401	100.0%
<b>Sales revenue and other income</b>	<b>6,039,555</b>	<b>8,019,576</b>	<b>1,980,021</b>	<b>32.8%</b>
Depreciation and amortisation	722,546	744,203	21,657	3.0%
Costs of employee benefits	825,657	873,150	47,493	5.8%
Consumption of materials and raw materials and the value of goods sold	1,148,199	1,647,381	499,182	43.5%
Purchase of energy and gas for sale purposes	1,886,320	3,006,424	1,120,104	59.4%
Transmission services	204,390	212,648	8,258	4.0%
Other third party services	410,287	435,417	25,130	6.1%
Taxes and levies	216,026	226,696	10,670	4.9%
<b>Tax deductible cost of sales</b>	<b>5,413,425</b>	<b>7,145,919</b>	<b>1,732,494</b>	<b>32.0%</b>
Other operating revenues	89,857	116,147	26,290	29.3%
Other operating costs	120,614	86,551	-34,063	-28.2%
Change in provision for onerous contracts	-	41,004	41,004	100.0%
Loss on the sale and liquidation of property, plant and equipment	13,855	22,643	8,788	63.4%
Reversal of the impairment loss on non-financial non current-assets	51,365	4,279	-47,086	-91.7%
<b>Operating profit</b>	<b>632,883</b>	<b>925,893</b>	<b>293,010</b>	<b>46.3%</b>
Financial costs	186,128	205,948	19,820	10.6%
Financial revenues	87,536	27,170	-60,366	-69.0%
Share in the results of affiliates and jointly controlled entities	23,750	(4,443)	-28,193	-118.7%
Revenue from dividends	215	100	-115	-53.5%
<b>Profit before tax</b>	<b>558,256</b>	<b>742,772</b>	<b>184,516</b>	<b>33.1%</b>
Income tax	96,226	163,327	67,101	69.7%
<b>Net profit of the reporting period</b>	<b>462,030</b>	<b>579,445</b>	<b>117,415</b>	<b>25.4%</b>
<b>EBITDA</b>	<b>1,304,064</b>	<b>1,665,817</b>	<b>361,753</b>	<b>27.7%</b>

#### H1 2019

##### ENEA Group's EBITDA – change factors:

- + increase in electricity sales revenues of PLN 1,430 million results mainly from the higher sales volume by 1,566 GWh and an increase in the average sales price of 23%, while the revenues from the Regulatory System Services decreased
- decrease in revenues from heat energy sales of PLN 6 million results from lower sales volume by 198 TJ, while the average sales price increased by 2%
- + gas sales revenues increased by PLN 24 million mainly due to higher sales volume by 143 GWh and higher average sales price by 17%
- + increase in revenues from the sale of distribution services of PLN 34 million as a result of higher rates in the approved tariff for 2019
- + increase in revenues from certificates of origin of PLN 9 million as a result of higher volume of outgroup transactions at a higher price
- decrease in revenues from the sale of CO<sub>2</sub> emission rights of PLN 26 million results from the lack of sales on the SPOT market in 2019
- + increase in revenues from the sale of goods and materials of PLN 15 million results from the higher demand for goods, electrical engineering and power engineering equipment
- + increase in revenues from sales of other products and services of PLN 9 million mainly due to higher revenues from by-products of combustion and higher revenues from coal transport services
- + coal sales revenues increased by PLN 52 million due to a higher volume of external deliveries at a higher price
- + revenues from leasing and operating subleasing PLN 9 million - change in the presentation of leasing (implementation of IFRS 16 as of 1 January 2019)
- + price difference amount of PLN 430 million – the value covering the price difference between prices applied in settlements with customers in H1 2019 and prices defined as reference values to the price difference amount, resulting from the application of the provisions of the Act amending the excise duty act and the implementing regulations thereto
- increase in the cost of employee benefits of PLN 48 million, caused mainly by the increase in average employment and change in actuarial provisions, with a simultaneous decrease in write-offs for the Social Benefits Fund (ZFSS)
- increase in the costs of materials and raw materials consumption and the value of sold goods of PLN 499 million results mainly from higher costs of coal, biomass and CO<sub>2</sub> emission allowances for the entire Generation Area
- increase in the costs of electricity and gas purchase of PLN 1,120 million results mainly from the increase in average costs of purchase of:
  - electricity: price: +40.7%; volume: +1.716 GWh
  - natural gas: price: +20%; volume: +143 GWh
- increase in the costs of transmission services of PLN 8 million mainly as a result of higher rates in the approved tariff for 2019
- increase in costs of external services of PLN 25 million results mainly from the increased scope of work outsourced to external companies, with a simultaneous increase in service rates
- increase in taxes and fees of PLN 11 million results, inter alia, from higher mining fees due to higher coal production and higher property tax due to completed investment processes
- + change in the balance of provisions for onerous contracts in the amount of PLN 41 million - utilisation of the provision for H1 2019, which was created at the end of 2018 and related to the recognition in costs of financial consequences related to the entry into force of the Act amending the excise duty act and certain other acts of 28 December 2018
- + increase in other operating profit of PLN 52 million:
  - + revaluation of CO<sub>2</sub> contracts by PLN 105 million
  - + lower provisions for potential claims by PLN 7 million
  - lower revenues from compensations, penalties and fines by PLN 24 million
  - lower balance of returns from the insurer by PLN 10 million
  - higher loss on liquidation of property, plant and equipment by PLN 9 million

## Consolidated profit and loss account – Q2 2019

[PLN k]	Q2 2018	Q2 2019	Change	% change
Revenue from the sale of electricity	2,202,223	2,630,975	428,752	19.5%
Revenue from the sale of heat	60,963	66,808	5,845	9.6%
Revenue from the sale of gas	21,261	36,417	15,156	71.3%
Revenue from the sale of distribution services	649,722	683,212	33,490	5.2%
Revenue from certificates of origin	401	8,384	7,983	1,990.8%
Revenue from the sale of CO <sub>2</sub> emission allowances	3,445	-	-3,445	-100.0%
Revenue from the sale of goods and materials	19,362	26,918	7,556	39.0%
Revenue from the sale of other products and services	31,559	42,364	10,805	34.2%
Revenue from the sale of coal	62,066	79,915	17,849	28.8%
Revenue from operating lease and sub-lease	-	4,572	4,572	100.0%
<b>Net sales revenue</b>	<b>3,051,002</b>	<b>3,579,565</b>	<b>528,563</b>	<b>17.3%</b>
Price difference amount	-	430,401	430,401	100.0%
<b>Sales revenue and other income</b>	<b>3,051,002</b>	<b>4,009,966</b>	<b>958,964</b>	<b>31.4%</b>
Depreciation and amortisation	359,195	382,480	23,285	6.5%
Costs of employee benefits	415,648	441,950	26,302	6.3%
Consumption of materials and raw materials and the value of goods sold	542,542	839,929	297,387	54.8%
Purchase of energy and gas for sale purposes	1,031,378	1,457,637	426,259	41.3%
Transmission services	101,189	114,420	13,231	13.1%
Other third party services	210,460	227,052	16,592	7.9%
Taxes and levies	93,030	105,276	12,246	13.2%
<b>Tax deductible cost of sales</b>	<b>2,753,442</b>	<b>3,568,744</b>	<b>815,302</b>	<b>29.6%</b>
Other operating revenues	31,389	54,323	22,934	73.1%
Other operating costs	75,644	21,485	-54,159	-71.6%
Change in provision for onerous contracts	-	19,448	19,448	100.0%
Loss on the sale and liquidation of property, plant and equipment	10,565	8,955	-1,610	-15.2%
Reversal of the impairment loss on non-financial non current-assets	51,365	-	-51,365	-100.0%
<b>Operating profit</b>	<b>294,105</b>	<b>484,553</b>	<b>190,448</b>	<b>64.8%</b>
Financial costs	123,744	126,471	2,727	2.2%
Financial revenues	69,631	9,223	-60,408	-86.8%
Share in the results of affiliates and jointly controlled entities	11,141	2,582	-8,559	-76.8%
Revenue from dividends	215	100	-115	-53.5%
<b>Profit before tax</b>	<b>251,348</b>	<b>369,987</b>	<b>118,639</b>	<b>47.2%</b>
Income tax	43,386	70,348	26,962	62.1%
<b>Net profit of the reporting period</b>	<b>207,962</b>	<b>299,639</b>	<b>91,677</b>	<b>44.1%</b>
<b>EBITDA</b>	<b>601,935</b>	<b>867,033</b>	<b>265,098</b>	<b>44.0%</b>

### Q2 2019

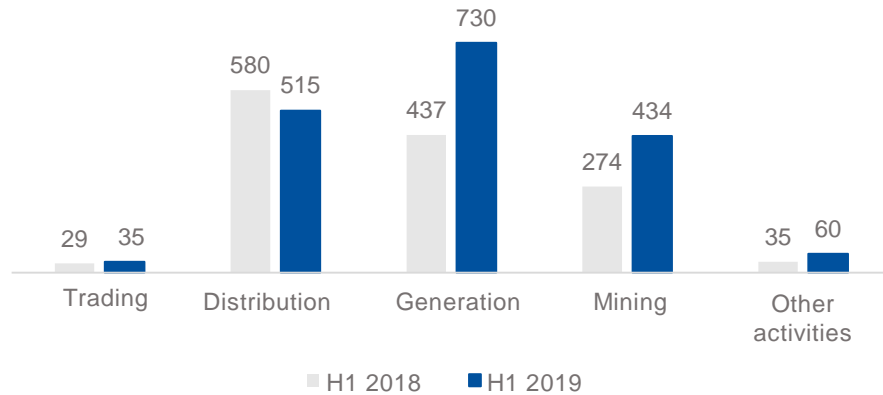
#### EBITDA of ENEA Group – change factors:

- + increase in electricity sales revenues of PLN 429 million results mainly from higher sales volume by 220 GWh and an increase in the average sales price of 15%, while the revenues from Regulatory System Services increased at the same time
- + increase in revenues from heat energy sales of PLN 6 million results mainly from higher sales volume by 101 TJ
- + natural gas sales revenues increased by PLN 15 million mainly due to higher sales volume by 127 GWh and higher average sales price by 12%
- + increase in revenues from the sale of distribution services of PLN 33 million as a result of higher rates in the approved tariff for 2019
- + increase in revenues from the sale of certificates of origin of PLN 8 million results from a higher volume of extra-group transactions at a higher price
- decrease in revenues from the sale of CO<sub>2</sub> emission rights of PLN 3 million results from the lack of sales on the SPOT market in 2019
- + increase in revenues from the sale of goods and materials of PLN 8 million results from higher demand for goods and electrical and power equipment
- + increase in revenues from sales of other products and services of PLN 11 million mainly as a result of higher revenues from by-products of combustion and coal transport services
- + coal sales revenues increased by PLN 18 million as a result of higher volume of external deliveries at higher prices
- + revenues from leasing and operating subleasing of PLN 5 million - change in the presentation of leasing (implementation of IFRS 16 as of 1 January 2019)
- + price difference amount of PLN 430 million – the value covering the price difference between prices applied in settlements with customers in H1 2019 and prices defined as reference values to the price difference amount, resulting from the application of the provisions of the Act amending the excise duty act and the implementing regulations thereto
- increase in the cost of employee benefits of PLN 26 million caused mainly by the increase in average employment and change in actuarial provisions
- increase in the costs of materials and raw materials consumption and the value of sold goods of PLN 297 million results from higher costs of purchase of coal, biomass and CO<sub>2</sub> emission allowances for the entire Generation Area
- increase in the costs of electricity and gas purchase of PLN 426 million results mainly from the increase in average purchase prices of:
  - electricity: price: +38%; volume: +281 GWh
  - natural gas: price: -13%; volume: +106 GWh
- increase in the costs of transmission services of PLN 13 million mainly as a result of higher rates in the approved tariff for 2019
- increase in costs of other external services of PLN 17 million results mainly from the increased scope of work outsourced to external companies, with a simultaneous increase in service rates
- increase in taxes and fees of PLN 12 million results, inter alia, from higher mining fees due to higher coal production and higher property tax due to completed investment processes
- + change in the balance of provisions for onerous contracts in the amount of PLN 19 million - utilisation of the provisions for H1 2019, which was created at the end of 2018 and related to the recognition of financial effects related to the effective date of the Act amending the act on excise duty and certain other acts of 28 December 2018
- + increase in other operating profit of PLN 79 million:
  - + revaluation of CO<sub>2</sub> contracts by PLN 91 million
  - + increase in gratuitously acquired fixed assets of PLN 6 million
  - + lower loss on liquidation of property, plant and equipment by PLN 2 million
  - higher provisions for potential claims by PLN 11 million
  - lower balance of returns from insurer by PLN 3 million

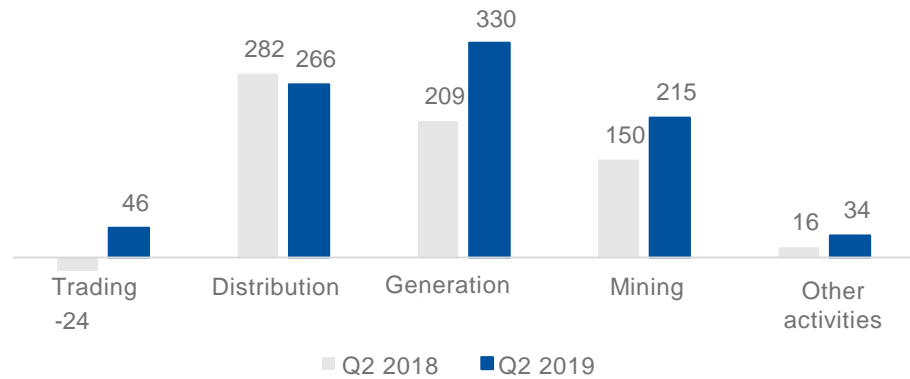
## ENEA Group's financial results in H1 2019 and in Q2 2019

EBITDA [PLN k]	H1 2018	H1 2019	Change	% change	Q2 2018	Q2 2019	Change	% change
Trading	29,098	34,917	5,819	20.0%	-24,192	45,736	69,928	289.1%
Distribution	579,810	514,854	-64,956	-11.2%	282,341	266,020	-16,321	-5.8%
Generation	436,616	729,674	293,058	67.1%	209,407	329,907	120,500	57.5%
Mining	273,549	434,481	160,932	58.8%	150,269	215,065	64,796	43.1%
Other activities	35,086	60,383	25,297	72.1%	16,007	33,953	17,946	112.1%
Unassigned items and exclusions	-50,095	-108,492	-58,397	-116.6%	-31,897	-23,648	8,249	25.9%
<b>Total EBITDA</b>	<b>1,304,064</b>	<b>1 665,817</b>	<b>361,753</b>	<b>27.7%</b>	<b>601,935</b>	<b>867,033</b>	<b>265,098</b>	<b>44.0%</b>

PLN m



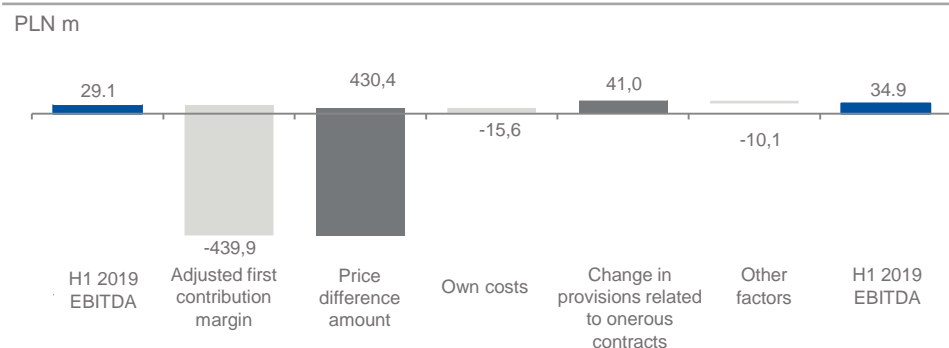
PLN m



## 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 k]	H1 2018	H1 2019	Change	% change	Q2 2018	Q2 2019	Change	% change
Sales revenue	3,999,939	3,953,499	-46,440	-1.2%	2,061,400	1,714,043	-347,357	-16.9%
Price difference amount	-	430,401	430,401	100.0%	-	430,401	430,401	100.0%
<b>Sales revenue and other income</b>	<b>3,999,939</b>	<b>4,383,900</b>	<b>383,961</b>	<b>9.6%</b>	<b>2,061,400</b>	<b>2,144,444</b>	<b>83,044</b>	<b>4.0%</b>
EBIT	28,805	34,097	5,292	18.4%	-24,343	45,151	69,494	285.5%
Depreciation and amortisation	293	820	527	179.9%	151	585	434	287.4%
<b>EBITDA</b>	<b>29,098</b>	<b>34,917</b>	<b>5,819</b>	<b>20.0%</b>	<b>-24,192</b>	<b>45,736</b>	<b>69,928</b>	<b>289.1%</b>
CAPEX	413	33	-380	-92.0%	413	2	-411	-99.5%
Share of the area's sales revenue in the Group's sales revenue	40%	37%	-3 p.p.		41%	33%	-8 p.p.	



### H1 2019 EBITDA change factors:

#### First contribution margin

- (-) higher average energy purchase price by 38.7%
- (-) higher cost of environmental obligations by 7.1%
- (-) lower volume of energy sales by 4.6%
- (+) higher average selling price of energy by 5.0%
- (+) higher result on trading in gaseous fuel

#### Price difference amount

- (+) estimated amount of the price difference in the amount of PLN 430.4 million constituting the value of covering the price difference between prices applied in settlements with customers in H1 2019 and the prices defined as reference values to the price difference amount, resulting from the application of the provisions of the Act amending the excise duty act and the implementing regulations thereto

#### Own costs

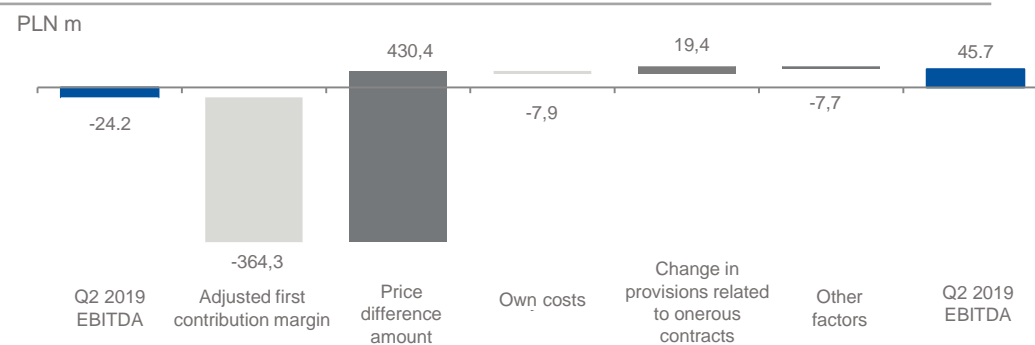
- (-) higher direct costs of sales by PLN 10 million
- (-) higher costs of common services by PLN 4 million
- (-) higher general and administrative expenses by PLN 1 million

#### Change in provisions related to onerous contracts

- (+) utilisation of the provision for H1 2019 in the amount of PLN 41 million, which was created at the end of 2018 and concerned financial consequences related to the entry into force of the Act amending the Act on Excise Tax and certain other acts of 28 December 2018 (value of the provision recognised in costs as at the end of 2018 – PLN 79 million)

#### Other factors

- (-) higher costs of provisions for expected losses and potential claims by PLN 4 million
- (-) higher value of written-off receivables by PLN 1 million
- (-) higher revaluation write-downs on receivables by PLN 1 million
- (-) lower revenues from licence fees related to the ENEA brand by PLN 2 million
- (-) lower revenues from the provision of wholesale trade services by PLN 1 million



### Q2 2019 EBITDA change factors:

#### First contribution margin

- (-) higher average purchase price of energy by 36.7%
- (-) higher cost of environmental obligations by 4.5%
- (-) lower volume of energy sales by 5.7%
- (-) lower average selling price of energy by 13.8%
- (+) higher result on trading in gaseous fuel
- (+) lower cost of provisions for claims under terminated PM OZE agreements by PLN 0.5 million

#### Price difference amount

- (+) estimated amount of the price difference in the amount of PLN 430.4 million constituting the value of covering the price difference between prices applied in settlements with customers in H1 2019 and the prices defined as reference values to the price difference amount, resulting from the application of the provisions of the Act amending the excise duty act and the implementing regulations thereto

#### Own costs

- (-) higher direct costs of sales by PLN 5 million
- (-) higher costs of common services by PLN 3 million

#### Change in provisions related to onerous contracts

- (+) utilisation of the provision for Q2 2019 in the amount of PLN 19 million, which was created at the end of 2018 and concerned financial consequences related to the entry into force of the Act amending the Act on Excise Tax and certain other acts of 28 December 2018

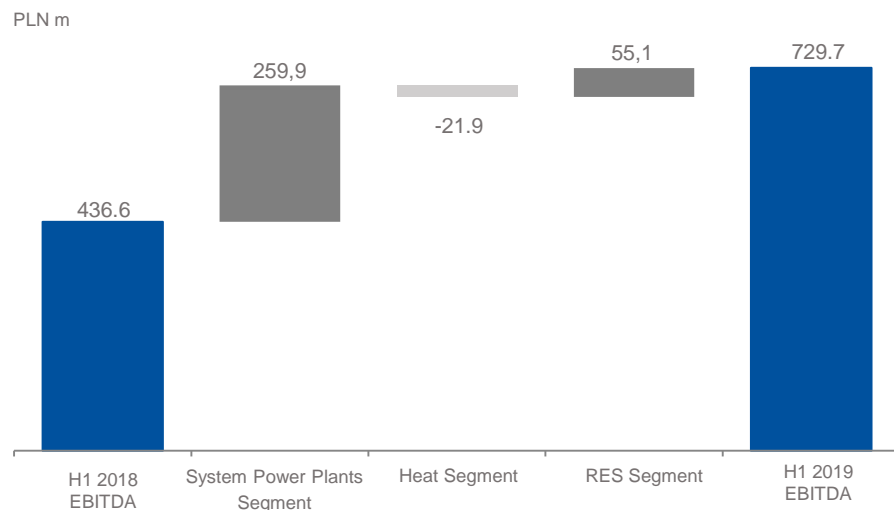
#### Other factors

- (-) higher costs of provisions for expected losses and potential claims of PLN 1 million
- (-) higher value of written-off receivables by PLN 1 million
- (-) higher costs of court proceedings by PLN 1 million
- (-) lower revenues from licence fees related to the ENEA brand by PLN 3 million

## Generation Area

[PLN k]	H1 2018	H1 2019	Change	% change	Q2 2018	Q2 2019	Change	% change
Sales revenue	3,391,881	3 924,452	532,571	15.7%	1,747,568	1,995,056	247,488	14.2%
electricity	3,082,718	3 571,168	488,450	15.8%	1,632,681	1,843,907	211,226	12.9%
certificates of origin	72,316	122,517	50,201	69.4%	42,194	52,754	10,560	25.0%
sale of CO <sub>2</sub> emission allowances	26,019	21,780	-4,239	-16.3%	3,450	21,780	18,330	531.3%
heat	194,508 <sup>1)</sup>	187,734	-6,774	-3.5%	59,923 <sup>1)</sup>	65,386	5,463	9.1%
others	16,320 <sup>1)</sup>	21,253	4,933	30.2%	9,320 <sup>1)</sup>	11,229	1,909	20.5%
EBIT	213,451	455,301	241,850	113.3%	129,333	192,732	63,399	49.0%
Depreciation and amortisation	274,530	274,373	-157	-0.1%	131,439	137,175	5,736	4.4%
Reversal of the impairment loss on non-financial non-current assets	51,365	-	- 51,365	- 100.0%	51,365	-	- 51,365	- 100.0%
EBITDA	436,616	729,674	293,058	67.1%	209,407	329,907	120,500	57.5%
CAPEX	125,752	210,883	85,131	67.7%	65,524	122,233	56,709	86.5%
Share of the area's sales revenue in the Group's net sales revenue	34%	35%	1 p.p.	-	34%	36%	2 p.p.	-

<sup>1)</sup> Change in the presentation of data for 2018 with respect to the recognition of revenues



In the Generation Area, financial data of ENEA Wytwarzanie Sp. z o.o. together with its subsidiaries: ENEA Ciepło Sp. z o.o., ENEA Ciepło Serwis Sp. z o.o., ENEA Elektrownia Połaniec S.A. and ENEA Bioenergia Sp. z o.o. are presented.

ENEA Wytwarzanie owns e.g. 11 high efficiency and modernised power units in the Koźienice Power Plant. In turn, ENEA Elektrownia Połaniec has 7 coal-fired power units with a total gross capacity of 1,657 MW and the world's largest biomass-fired unit with a gross installed capacity of 225 MW.

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

### H1 2019 EBITDA change drivers:

#### System Power Plants Segment

- (+) higher margin on production by PLN 244.7 million
- (+) higher margin on trading and on the Balancing Market by PLN 28.3 million
- (-) higher fixed costs by PLN 6.4 million
- (-) lower revenues from Regulatory System Services by PLN 4.8 million

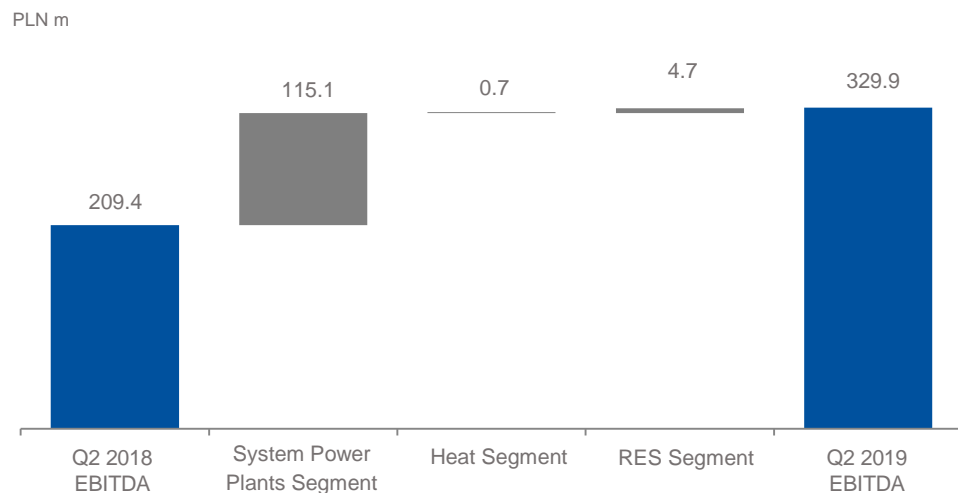
#### Heat Segment

- (-) higher costs of materials and raw materials consumption by PLN 17.7 million, including higher costs of CO<sub>2</sub> emissions by PLN 5.8 million, coal consumption by PLN 5.3 million, biomass consumption by PLN 3.1 million
- (-) lower revenues from sales of heat by PLN 6 million
- (-) higher cost of employee benefits by PLN 1.2 million
- (+) higher revenues from the sale of electricity by PLN 12.7 million
- (+) higher revenues from certificates of origin by PLN 2.8 million
- (-) ENEA Elektrownia Połaniec PLN -5.8 million
- (-) MEC Piła PLN 6.5 million
- (-) PEC 0.2 million PLN
- (+) ENEA Ciepło Serwis PLN 0.7 million

#### RES Segment

- (+) Wind area (PLN +23.6 million): higher electricity revenue by PLN 11.7 million, higher revenue from certificates of origin by PLN 9.2 million, higher result on other operating activities by PLN 4.2 million, higher fixed costs by PLN 1.5 million
- (+) Water area (PLN +0.8 million): higher revenue from certificates of origin by PLN 1.0 million, lower salary costs by 0.9 million PLN, lower revenue from electricity by 1.1 million PLN
- (-) Biogas area (PLN -0.7 million): lower other operating profit by PLN 0.6 million, lower revenue from certificates of origin by PLN 0.2 million, lower variable costs by PLN 0.1 million
- (+) Biomass area (Green Unit): PLN 31.4 million (including PLN 2.1 million from ENEA Bioenergia Sp. z o.o.) higher margin on RES generation by PLN 40.3 million, lower margin from the Green Unit on sale/update of green certificates by PLN 1.2 million, higher fixed costs by PLN 9.9 million

## Generation Area



### Q2 2019 EBITDA change drivers:

#### System Power Plants Segment – EBITDA increase of PLN 115.1 million

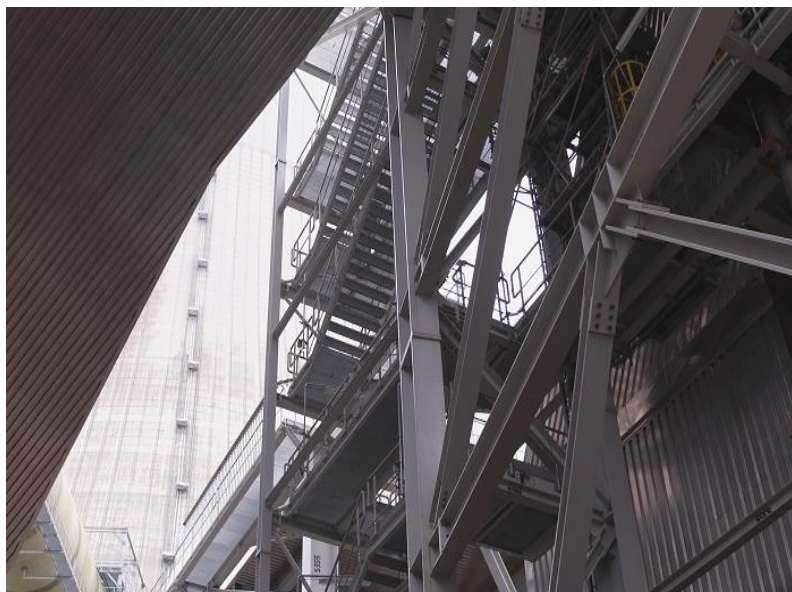
- (+) higher margin on production by PLN 127.1 million
- (+) higher margin on trading and on the Balancing Market by PLN 9.2 million
- (+) higher revenues from Regulatory System Services by PLN 1.0 million
- (-) higher fixed costs by PLN 17.1 million

#### Heat Segment – EBITDA increase of PLN 0.7 million

- (+) higher revenues from the sale of electricity by PLN 3.7 million
- (+) higher revenues from the sale of heat by PLN 3.6 million
- (+) higher revenues from certificates of origin by PLN 4.1 million
- (+) higher other operating income by PLN 1.5 million, including fixed assets received free of charge PLN 2.4 million
- (-) higher costs of materials and raw materials consumption by PLN 7.5 million, including an increase in CO<sub>2</sub> emission costs of PLN 0.9 million, coal consumption by PLN 1.5 million, biomass consumption by PLN 3.4 million, gas consumption by PLN 0.6 million
- (-) ENEA Elektrownia Połaniec - PLN 3.0 million
- (-) MEC Piła PLN 1.9 million
- (+) ENEA Ciepło Serwis PLN 0.5 million

#### RES Segment – EBITDA increase of PLN 4.7 million

- (+) Wind area (PLN +8.7 million): higher electricity revenue by PLN 4.1 million, higher revenue from certificates of origin by PLN 3.3 million, higher result on other operating activities by PLN 2.8 million; higher fixed costs by PLN 1.5 million
- (+) Water area (PLN +0.3 million): higher revenues from certificates of origin by PLN 0.4 million, lower salary costs by PLN 0.4 million, lower revenues from electricity by PLN 0.5 million
- (-) Biogas area (PLN -0.7 million): lower other operating profit by PLN 0.5 million, lower revenues from certificates of origin by PLN 0.1 million, higher variable costs by PLN 0.1 million
- (-) Biomass area (Green Unit): PLN -3.6 million (including PLN +1.6 million ENEA Bioenergia Sp. z o.o.) - lower margin of the Green Unit on sale/update of green certificates inventory by PLN 7.4 million, higher fixed costs by PLN 4.5 million, higher margin on energy production from RES by PLN 6.6 million





## Distribution Area

[PLN k]	H1 2018	H1 2019	Change	% change	Q2 2018	Q2 2019	Change	% change
Sales revenue	1,370,977	1,401,700	30,723	2.2%	665,286	697,198	31,912	4.8%
distribution services to end users	1,296,089	1,330,409	34,320	2.6%	621,867	660,327	38,460	6.2%
network connection fees	29,659	26,924	-2,735	-9.2%	19,708	13,353	-6,355	-32.2%
others	45,229	44,367	-862	-1.9%	23,711	23,518	-193	-0.8%
EBIT	325,044	229,662	-95,382	-29.3%	153,777	117,936	-35,841	-23.3%
Depreciation and amortisation	254,766	289,471	34,705	13.6%	128,564	148,084	19,520	15.2%
Reversal of the impairment loss on non-financial non-current assets	0	4,279	4,279	-	0	0	0	-
EBITDA	579,810	514,854	-64,956	-11.2%	282,341	266,020	-16,321	-5.8%
CAPEX	300,881	456,481	155,600	51.7%	187,849	259,537	71,688	38.2%
Share of the area's sales revenue in the Group's net sales revenue	14%	13%	-1 p.p.	-	13%	13%	-	-

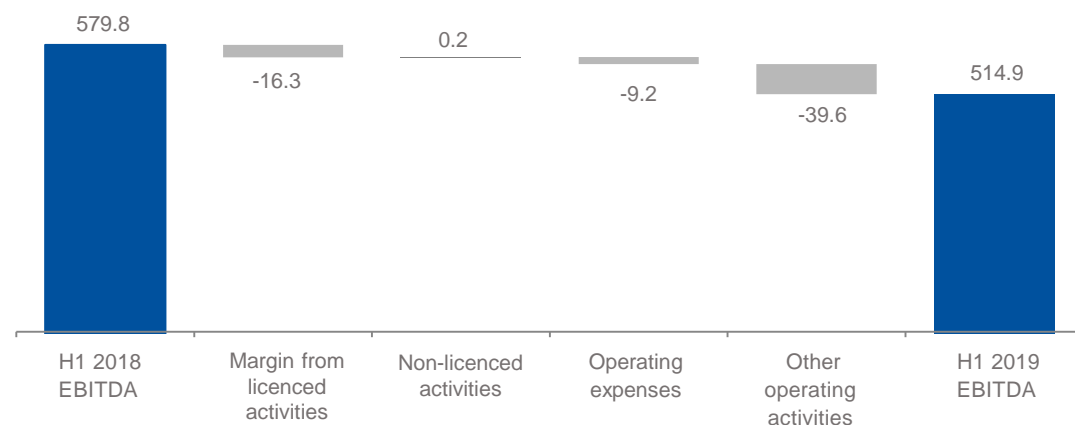
ENEA Operator Sp. z o.o. is responsible for the distribution of electricity to 2.6 million Users in western and north western Poland in the area of 58.2 thousand km<sup>2</sup>.

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

In the Distribution Area, financial data includes 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.

PLN m



### H1 2019 EBITDA change drivers:

#### Margin from licenced activities

- (+) higher revenues from the sale of distribution services to end users by PLN 34 million
- (-) lower revenues from fees for grid connection by PLN 3 million
- (-) higher costs of purchase of transmission and distribution services (on balance) by PLN 9 million
- (-) higher costs of electricity purchase to cover the energy balance difference (on balance) by PLN 38 million

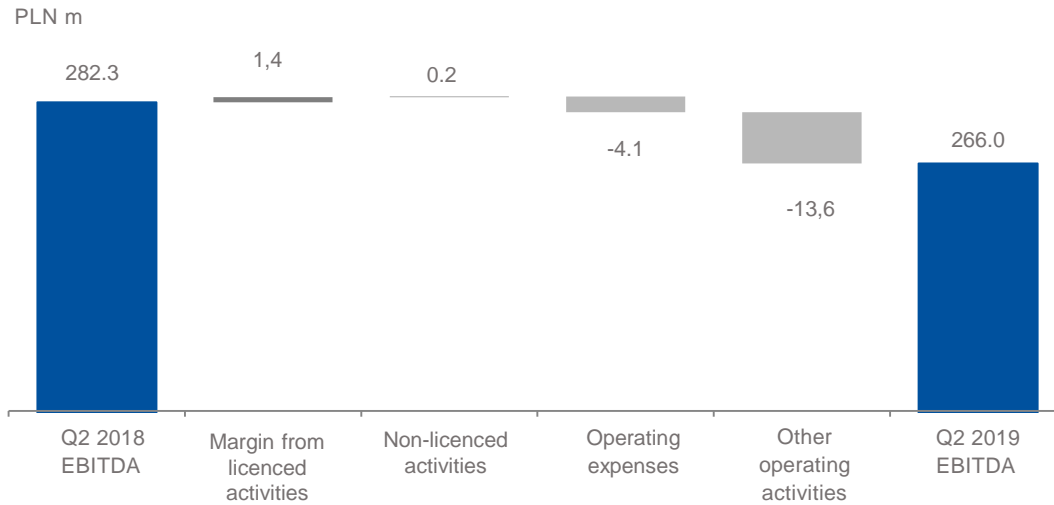
#### Operating expenses

- (-) higher costs of outsourced services by PLN 5 million
- (-) higher costs of taxes and fees by PLN 5 million

#### Other operating activities

- (-) lower revenues from the insurer due to the removal of the effects of random damages by PLN 19 million
- (-) change in the balance of provisions for grid assets by PLN 22 million

## Distribution Area



### Q2 2019 EBITDA change drivers:

#### Margin from licenced activities

- (+) higher revenues from the sale of distribution services to end users by PLN 38 million
- (-) lower revenues from fees for grid connection by PLN 6 million
- (-) higher costs of purchase of transmission and distribution services (on balance) by PLN 13 million
- (-) higher costs of electricity purchase to cover the energy balance difference (on balance) by PLN 17 million

#### Operating costs

- (-) higher costs of outsourced services by PLN 4 million
- (-) higher costs of taxes and fees by PLN 5 million
- (+) lower costs of employee benefits by PLN 3 million

#### Other operating activities

- (-) lower revenues from the insurer due to the removal of the effects of random damages by PLN 7 million
- (-) change in the balance of provisions for grid assets by PLN 11 million
- (+) higher revenues from gratuitous fixed assets received by PLN 3 million



## Mining Area

[PLN k]	H1 2018	H1 2019	Change	% change	Q2 2018	Q2 2019	Change	% change
Sales revenue	855,952	1,098,336	242,384	28.3%	457,255	557,518	100,263	21.9%
coal	832,098	1,071,969	239,871	28.8%	446,300 <sup>1)</sup>	545,661	99,361	22.3%
other products and services	14,721	16,265	1,544	10.5%	5,834 <sup>1)</sup>	7,487	1,653	28.3%
goods and materials	9,133	10,102	969	10.6%	5,121 <sup>1)</sup>	4,370	-751	-14.7%
EBIT	99,989	262,775	162,786	162.8%	60,786	123,941	63,155	103.9%
Depreciation and amortisation	173,560	171,706	-1,854	-1.1%	89,483	91,124	1,641	1.8%
EBITDA	273,549	434,481	160,932	58.8%	150,269	215,065	64,796	43.1%
CAPEX	199,450	167,012	-32,438	-16.3%	114,644	87,007	-27,637	-24.1%
Share of the area's sales revenue in the Group's net sales revenue	9%	10%	1 p.p.	-	9%	10%	1 p.p.	-

<sup>1)</sup> Presentation change in Q1 2018 with respect to the recognition of revenues from carriage fees

### H1 2018 EBITDA change drivers:

- (+) EBITDA margin 39.6% in H1 2019 vs. 32.0% in H1 2018
- (+) higher revenues from coal sales: higher volume sales (+429 thousand tons, +9.9%), at a higher price
- (+) higher revenues from the sale of goods and materials - higher sales of scrap from the liquidation of excavations
- (+) lower extracted output by 178 thousand tons (-2.3%) - lower production costs
- (+) lower cash costs by type: consumption of materials (in H1 2019, 5.5 km less excavation works were performed), benefits for employees (in 2018, an additional write-off was made for ZF&S), energy consumption (lower gross output), lower other costs (in June 2018, an insurance policy with an 18-month insurance period was concluded)
- (-) Prepayments and accrued expenses: balance of prepayments and accruals PLN +46.5 million in H1 2019 vs. PLN +13.0 million in H1 2018 (in 2018, the settlement in time was subject to, inter alia, property insurance and additional incentive bonus for employees); provisions and other presentation adjustments: in 2019, the balance of changes PLN +23.3 million vs. PLN +2.2 million in 2018 (the value of liquidated excavations and provisions for employee leaves increased with lower actuarial gains at the same time)
- (-) in H1 2019, increase in the value of inventories of PLN 8.4 million (decrease in costs) in H1 2018 increase in the value of inventories of PLN 27.7 million (decrease in costs)
- (-) result on other activities of LWB: H1 2018 - settlement of an agreement concluded between the Company and a consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras (positive impact on EBITDA of PLN 28.7 million); in H1 2019, release of the provision for ZUS's claim on account of accident insurance contributions (positive impact on EBITDA of PLN 16.4 million)

### Q2 2018 EBITDA change drivers:

- (+) EBITDA margin 38.6% in Q2 2019 vs. 32.9% in Q2 2018
- (+) higher coal sales revenue: higher volume sales (+31 thousand tons, +1.3%), at a higher price
- (-) lower revenues from the sale of goods and materials - lower sale of scrap from the liquidation of pavements
- (+) lower extracted output by 397 thousand tons (-10.2%) - lower production costs
- (+) lower cash costs by type: consumption of materials (in 1Q 2019, 4.4 km less excavation works were performed), energy consumption (lower gross extraction), other costs (in June 2018, an insurance policy with an 18-month insurance period was concluded)
- (-) Prepayments and accrued expenses: balance of prepayments and accruals PLN +28.0 million in Q2 2019 vs. PLN +18.0 million in Q2 2018 (in 2018, the settlement in time was subject to, inter alia, property insurance and additional incentive award for employees); provisions and other presentation adjustments: the balance of changes in Q2 2019 PLN +1.7 million vs. PLN -1.8 million in Q2 2018 (increase in the value of liquidated excavations)
- (+) in Q2 2019, the value of inventories decreased by PLN 17.6 million (increase in costs), in Q2 2018, increase in the value of inventories of PLN 7.0 million (decrease in costs)

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

LW Bogdanka divides its range of sales into energy rich coal, which accounts for 99% of sales, and pea and nut coal.

The main clients are professional and industrial power industry.

## Area of Other Activities

[PLN k]	H1 2018	H1 2019	Change	% change	Q2 2018	Q2 2019	Change	% change
Sales revenue	285,682	316,172	30,490	10.7%	145,111	158,472	13,361	9.2%
EBIT	9,612	30,338	20,726	215.6%	3,364	17,423	14,059	417.9%
Depreciation and amortisation	25,474	30,045	4,571	17.9%	12,643	16,530	3,887	30.7%
EBITDA	35,086	60,383	25,297	72.1%	16,007	33,953	17,946	112.1%
CAPEX	26,876	33,397	6,521	24.3%	18,461	16,997	- 1,464	-7.9%
Share of the area's sales revenue in the Group's net sales revenue	3%	3%	-	-	3%	3%	-	-

### The Area of Other Activities includes companies from the following areas:

- **support for other ENEA Group companies:**

ENEA Centrum Sp. z o.o. – the Shared Services Centre in the Group in the field of accounting, human resources, ITS and customer service.

ENEA Logistyka Sp. z o.o. – a company specializing in logistics, warehousing and procurement.

- **accompanying activities:**

ENEA Oświetlenie Sp. z o.o. – a company specializing in indoor and outdoor lighting; it designs and builds road lighting and illuminations of urban spaces and historic and public buildings, and provides services of construction and comprehensive maintenance for photovoltaic power plants.

## Ratio analysis <sup>1)</sup>

	H1 2018	H1 2019	Q2 2018	Q2 2019
<b>Profitability ratio</b>				
ROE - return on equity	6.2%	7.4%	5.6%	7.7%
ROA - return on assets	3.3%	3.6%	2.9%	3.7%
Net profitability	7.7%	7.2%	6.8%	7.5%
Operating profitability	10.5%	11.5%	9.6%	12.1%
EBITDA profitability	21.6%	20.8%	19.7%	21.6%
<b>Liquidity and financial structure ratios</b>				
Current liquidity ratio	1.6	1.3	1.6	1.3
Coverage of fixed assets with equity	66.5%	65.9%	66.5%	65.9%
Total debt ratio	47.9%	51.3%	47.9%	51.3%
Net debt / EBITDA	1.84	1.97	1.84	1.97
<b>Economic activity ratios</b>				
Current receivables turnover in days <sup>2)</sup>	54	50	54	50
Trade and other liabilities turnover in days <sup>3)</sup>	70	77	68	77
Inventory turnover in days	33	35	32	36

<sup>1)</sup> Ratio definitions are presented on Page 58

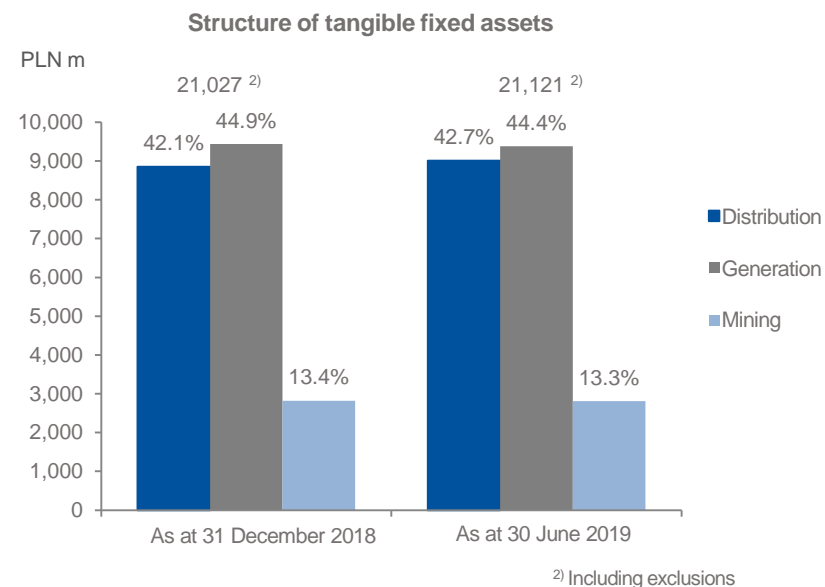
<sup>2)</sup> Receivables due for supplies and services - commercial, assets on account of contracts with customers and costs incurred to obtain a contract

<sup>3)</sup> Liabilities due for deliveries and services - commercial, trade liabilities on account of contracts with customers



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

Assets [PLN k]	As at:			
	31 Dec 2018	30 Jun 2019	Change	% change
<b>Fixed assets</b>	<b>23,037,274</b>	<b>23,704,395</b>	<b>667,121</b>	<b>2.9%</b>
Property, plant and equipment	21,027,393	21,121,291	93,898	0.4%
Perpetual usufruct of land – until 2018	105,141	-	-105,141	-100.0%
Right-to-use assets <sup>1)</sup>	-	355,625	355,625	100.0%
Intangible assets	435,712	448,247	12,535	2.9%
Investment real estates	25,864	23,475	-2,389	-9.2%
Investments in affiliates and jointly controlled entities	734,268	910,516	176,248	24.0%
Deferred income tax assets	487,272	498,777	11,505	2.4%
Financial assets at fair value	49,442	47,998	-1,444	-2.9%
Debt financial assets at amortized cost	7,741	7,741	-	0.0%
Trade and other receivables	23,257	149,367	126,110	542.2%
Costs incurred to obtain a contract	12,905	11,188	- 1,717	-13.3%
Receivables from finance lease and sublease <sup>1)</sup>	-	912	912	100.0%
Funds accumulated in the Mine Liquidation Fund	128,279	129,258	979	0.8%
<b>Current assets</b>	<b>6,928,351</b>	<b>8,356,714</b>	<b>1,428,363</b>	<b>20.6%</b>
CO <sub>2</sub> emission allowances	586,236	52,846	-533,390	-91.0%
Inventories	1,264,870	1,345,705	80,835	6.4%
Trade and other receivables	1,874,505	2,302,013	427,508	22.8%
Costs incurred to obtain a contract	16,948	13,136	-3,812	-22.5%
Assets due to contracts with clients	327,980	318,936	-9,044	-2.8%
Current income tax assets	93,659	130,824	37,165	39.7%
Receivables from finance lease and sublease <sup>1)</sup>	-	917	917	100.0%
Financial assets at fair value	112,536	84,775	-27,761	-24.7%
Debt financial assets at amortized cost	234	503	269	115.0%
Other short-term investments	545	549	4	0.7%
Cash and cash equivalents	2,650,838	4,106,510	1,455,672	54.9%
<b>Total Assets</b>	<b>29,965,625</b>	<b>32,061,109</b>	<b>2,095,484</b>	<b>7.0%</b>



### Change factors for fixed assets (an increase of PLN 667 million):

- PLN 250 million impact of new recognition of operating lease and perpetual usufruct of land (implementation of IFRS 16 as of January 1, 2019), including PLN -105 million perpetual usufruct of land, PLN + 356 million right to use assets (new balance sheet item)
- increase in investments in subsidiaries and jointly controlled entities of PLN 176 million - results mainly from the acquisition of new shares worth PLN 181 million in Elektrownia Ostrołęka Sp. z o.o.
- increase in trade and other receivables of PLN 126 million - higher value of collateral deposits related to CO<sub>2</sub> emission contracts
- increase in property, plant and equipment of PLN 94 million - including: increase in the value of property, plant and equipment of PLN 622 million, with simultaneous increase in the value of depreciation of PLN 532 million

### Change factors for current assets (an increase of PLN 1,428 million):

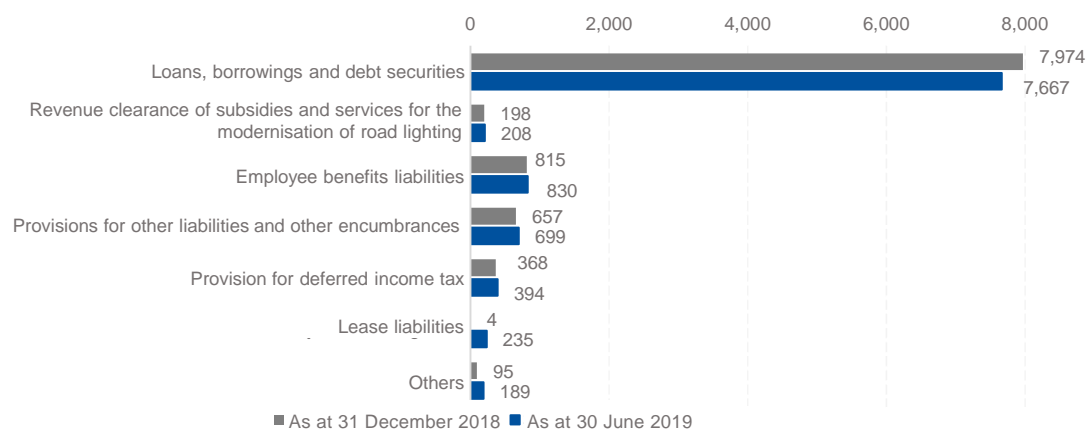
- increase in cash and cash equivalents of PLN 1,456 million - issue of bonds worth PLN 1 billion and change in the amount of collateral deposits on the CO<sub>2</sub> emission allowances market
- increase in trade and other receivables of PLN 428 million - mainly the impact of the received price difference amount
- increase in the value of inventories of PLN 81 million - mainly higher inventories of coal and biomass
- decrease in CO<sub>2</sub> emission rights of PLN 533 million - redemption of emission rights for 2018

<sup>1)</sup> New balance sheet items resulting from the implementation of IFRS 16 as of 1 January 2019

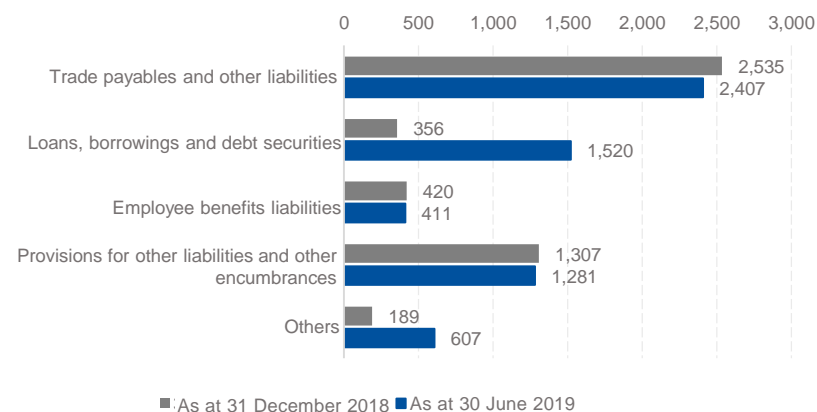
## Financial position – the structure of assets and liabilities of ENEA Group

Equity and liabilities [PLN k]	As at:		Change	% change
	31 Dec 2018	30 Jun 2019		
<b>Total equity</b>	<b>15,049,162</b>	<b>15,611,440</b>	<b>562,278</b>	<b>3.7%</b>
Share capital	588,018	588,018	-	0.0%
Capital from the surplus of the issue price over the nominal value	3,632,464	3,632,464	-	0.0%
Capital from the revaluation of financial instruments	-16,295	-16,295	-	0.0%
Reserve capital from valuation of hedging instruments	-16,024	-21,923	-5,899	-36.8%
Retained profits	9,908,842	10,423,815	514,973	5.2%
Non-controlling interests	952,157	1,005,361	53,204	5.6%
<b>Total liabilities</b>	<b>14,916,463</b>	<b>16,449,669</b>	<b>1,533,206</b>	<b>10.3%</b>
Long-term liabilities	10,109,857	10,223,885	114,028	1.1%
Short-term liabilities	4,806,606	6,225,784	1,419,178	29.5%
<b>Total equity and liabilities</b>	<b>29,965,625</b>	<b>32,061,109</b>	<b>2,095,484</b>	<b>7.0%</b>

Structure of long-term liabilities



Structure of short-term liabilities



### Change factors for long-term liabilities (increase of PLN 114 million):

- increase in lease liabilities of PLN 232 million - change in the presentation of operating lease and perpetual usufruct of land, in connection with the entry into force on 1 January 2019 of IFRS 16
- increase in trade and other payables of PLN 77 million - mainly valuation of CO<sub>2</sub> contracts
- increase in provisions for other liabilities and other charges of PLN 42 million
- increase in other long-term liabilities of PLN 70 million: increase in deferred income tax liabilities of PLN 27 million, increase in financial liabilities measured at fair value of PLN 17 million, increase in employee benefit liabilities of PLN 15 million
- decrease in credits, loans and debt securities of PLN 307 million - issue of bonds worth PLN 1 billion, with simultaneous reclassification of long-term liabilities into short-term ones

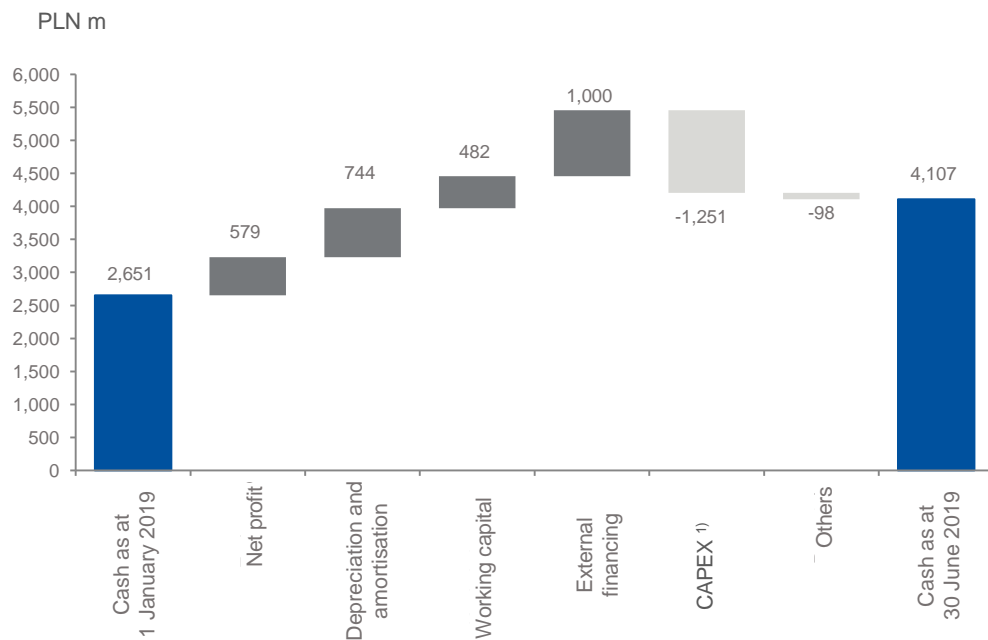
### Change factors for short-liabilities (increase of PLN 1,419 million):

- increase in the item of loans, borrowings and debt securities of PLN 1,164 million resulting primarily from the transfer of bond liabilities from long-term to short-term liabilities
- PLN 255 million - change in the balance of trade liabilities and other liabilities

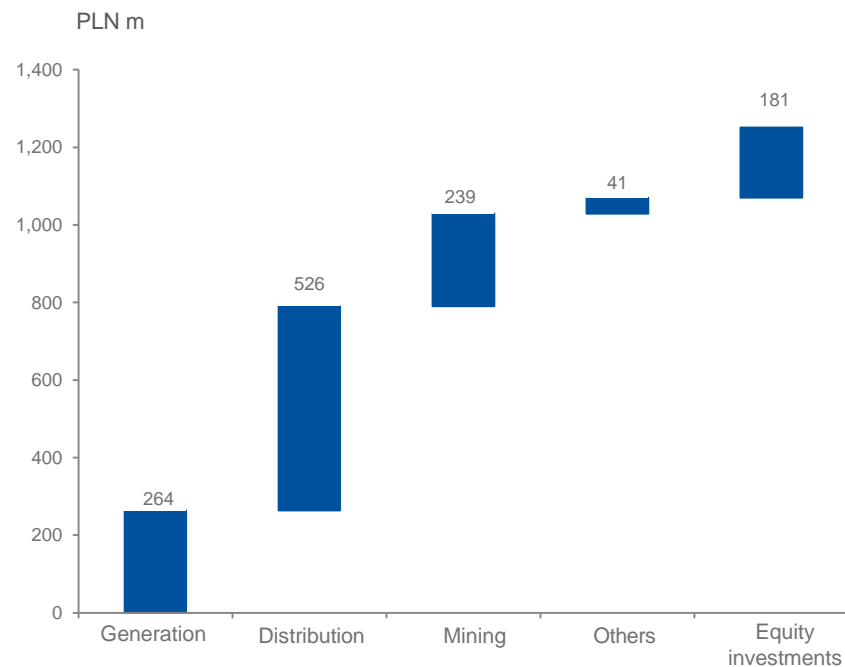
## ENEA Group's cash position

Cash flow statement [PLN k]	H1 2018	H1 2019	Change	% change
Net cash flow from operating activities	1,893,828	1,981,762	87,934	4.6%
Net cash flow from investment activities	(1,261,161)	(1,242,709)	18,452	1.5%
Net cash flow from financial activities	(280,276)	716,619	996,895	355.7%
Increase / (decrease) in net cash	352,391	1,455,672	1,103,281	313.1%
Cash balance at the beginning of the reporting period	2,687,126	2,650,838	-36,288	-1.4%
Cash balance at the end of the reporting period	3,039,517	4,106,510	1,066,993	35.1%

### H1 2019 Cash Flows



### ENEA Group's H1 2019 CAPEX <sup>1)</sup>



<sup>1)</sup> Acquisition of tangible and intangible non-current assets and acquisition of subsidiaries, affiliates and jointly controlled entities, adjusted for the acquired cash

### 3.4 Rules for preparing financial statements

The condensed financial statements of ENEA S.A. and ENEA Group, respectively, contained in the extended consolidated report of ENEA S.A. for H1 2019 have been drawn up in accordance with the requirements of the International Financial Reporting Standard IAS 34 *Interim Financial Reporting* approved by the European Union. The condensed financial statements have been drawn up on the basis of the going-concern principle. As at the day of executing the condensed financial statements, the Management Board of the Company is not aware of any facts or circumstances indicating any threat to the possibility of continuing the Company's activities in the period of 12 months after the balance-sheet date as a result of voluntary or enforced discontinuation or a significant limitation of the present activities. Financial data presented in the statements, unless indicated otherwise, are expressed in PLN k.

### 3.5. Financial results forecasts

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





## 4. Shares and shareholding

### 4.1. Share capital and shareholding structure

As at the publication date of the H1 2019 report, the share capital of ENEA S.A. amounts to PLN 441,442,578 and is divided into 441,442,578 ordinary bearer shares of the nominal value of PLN 1 each. The total number of votes resulting from all the issued shares of the Issuer corresponds to the number of shares and amounts to 441,442,578 votes.

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

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

The table below presents the shareholding structure of ENEA S.A. as at the publication date of the H1 2019 report, i.e. as at 30 September 2019.

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

### 4.2. Quotations of ENEA S.A.'s shares on Warsaw Stock Exchange

ENEA S.A.'s shares have been listed on the Warsaw Stock Exchange (WSE) since 17 November 2008. Weights of the Company's shares in stock indices as at 28 June 2019 were as follows:

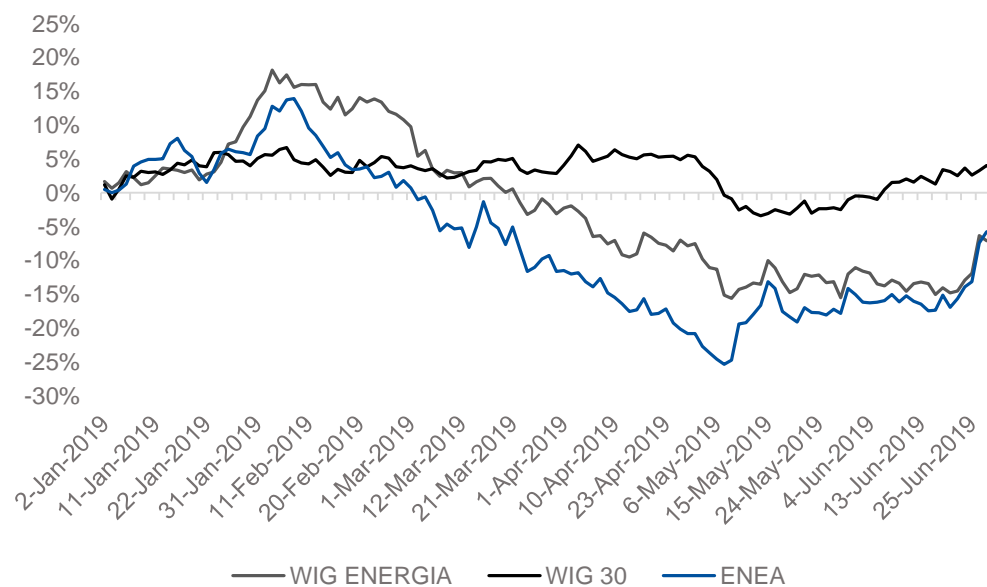
<b>WIG30</b>	<b>WIG40</b>	<b>WIGenergia</b>	<b>WIGPoland</b>
0.8%	3.6%	14.0%	0.7%

In H1 2019, the share price of ENEA S.A. dropped from PLN 9.90 to PLN 9.34, i.e. by PLN 0.56 or 5.6%. Between January-June 2019, the highest closing price for ENEA S.A.'s shares was achieved on 7 February 2019 (PLN 11.28) and the lowest – on 7 May 2019 (PLN 7.39).

The table below presents data related to the Company's shares in H1 2019.

Data	H1 2019
Number of shares	441,442,578
Minimum price [PLN]	7.39
Maximum price [PLN]	11.28
Closing price [PLN]	9.34
Starting price [PLN]	9.90
Average volume	721,888

### Change in the price of ENEA S.A.'s shares vs. the changes in the WIG30 and WIG-Energy indices



## 5. Governing bodies

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

In H1 2019, the Company's Management Board was composed of the following persons:

- Mirosław Kowalik – President of the Management Board and CEO,
- Piotr Adamczak – Vice-President for Commercial Affairs,
- Piotr Olejniczak – Vice-President for Financial Affairs,
- Zbigniew Piętko – Vice-President for Corporate Affairs.

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

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

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

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

From 1 January 2019, the Company's Supervisory Board was composed of the following persons:

- Stanisław Kazimierz Hebda – Chairman of the Supervisory Board,
- Paweł Jabłoński – Vice-Chairman of the Supervisory Board,
- Piotr Mirkowski – Secretary of the Supervisory Board,
- Sławomir Brzeziński – Member of the Supervisory Board,
- Wojciech Klimowicz – Member of the Supervisory Board,
- Paweł Korobłowski – Member of the Supervisory Board,
- Ireneusz Kulka – Member of the Supervisory Board,
- Tadeusz Mikłosz – Member of the Supervisory Board,
- Roman Stryjski – Member of the Supervisory Board.

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

Consequently, as at the date of publication of this report, the composition of the Supervisory Board was as follows:

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

In accordance with the provisions of the Regulations of the Supervisory Board, in H1 2019 within the Supervisory Board operated the Audit Committee and the Nominations and Remuneration Committee.

As at the date of publication of this report, the Audit Committee was composed of the following persons:

Audit Committee	
Name	Position
Ireneusz Kulka <sup>1) 2) 3)</sup>	Chair
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> Independent Member within the meaning of Article 129 Item 1(3) of the Act of 11 May 2017 on certified auditors, audit companies and public supervision and within the meaning of corporate governance principles included in the Code of Best Practice for WSE Listed Companies 2016.

<sup>2)</sup> Member with knowledge and skills in accounting or auditing financial statements.

<sup>3)</sup> Member with knowledge and skills in the industry in which the issuer operates.

As at the date of publication of this report, the Nominations and Remuneration Committee was composed of the following persons:

Nominations and Remuneration Committee	
Name	Position
Paweł Jabłoński	Chair
Stanisław Hebda	Member
Michał Jaciubek	Member
Paweł Korobłowski	Member
Piotr Mirkowski <sup>1)</sup>	Member

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

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

Name	Position	Number of ENEA S.A. shares as at 29 May 2019	Number of ENEA S.A. shares as at 30 September 2019
Mariusz Pliszka	Member of the Supervisory Board	3,880	3,880
Michał Dominik Jaciubek	Member of the Supervisory Board	5,020	5,020

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

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

### 6.1. Regulatory environment

The activities of ENEA S.A. are carried out in an environment subject to specific legal regulations both at the domestic level as well as at the level of the European Union. Since legal regulations in the energy sector are often a derivative of political decisions, there is always a risk of frequent changes in this scope, which cannot be foreseen by the Company and which can result in the lack of consistency and uniformity of provisions based on which ENEA S.A. conducts its activities. Notwithstanding the foregoing, the activities of the Group are regulated by the current shape of the national legal system defining the framework for business activity in Poland, including in particular in the scope of the tax system, protection of competition and consumers, employee rights, or environment protection. It cannot be excluded that changes in these areas, both in specific legal acts as well as individual interpretations relating to significant areas of activity of the Group, can lead to possible liabilities of the Group's companies.

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

On 28 December 2018, the Act on amendment of the act on excise duty and certain other acts ("Act") was adopted.

This regulation introduced, inter alia, the following:

- a reduction in the excise duty rate for electricity sold to final customers from 20 PLN/MWh to 5 PLN/MWh,
- directions for 2019 prices and fee rates for electricity for final customers to be applied by sellers to remain at the level of 2018 prices,
- the opportunity for sellers to seek an amount to cover the difference in revenue for trade of electricity for final customers from the Settlement Manager specified in the Act ("Price difference amount" and "Financial compensation").

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

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

- the method of determining the prices and rates of electricity charges for end customers binding on 30 June 2018, to the level of which the Company is obliged to reduce prices in 2019,
- the method of calculation of the Price Difference Amount and the Financial Compensation referred to in the Act.

#### Determination of amount of provision for onerous contracts

Due to the enactment of the Act and the publication of the Regulation, the Company analysed whether it is required to recognise provisions for onerous contracts under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. According to reporting regulations, if a given contract or group of contracts generate a loss, then the company should recognise an appropriate provision in the period in which the loss became unavoidable unless it is unable to reliably determine the amount of this provision while contingent assets are recognised when they are virtually certain in the amount not higher than the recognised provisions.

Originally, in the report for 2018 the Company recognised the provision only in the scope of sales based on the tariff regulated by the President of the Energy Regulatory Office for customers in the G tariff groups. The provision was calculated on the basis of the existing legal situation at that moment, i.e.:

- freezing the 2019 prices in regulated tariffs at the levels of 2018,
- lack of clarity in the provisions of the Act in its wording as of 31 December 2018 resulting in the lack of recognition of contracts concluded with a loss in groups other than G tariffs,
- no basis for recognising any assets on account of settlement with the Price Settlement Company (Zarządca Rozliczeń Cen) under the Act, due to the lack of a relevant Regulation and additional information containing data necessary for calculations.

Due to the publication of the relevant executive regulations and the necessary information for a reliable determination of the Price Difference Amount, the Company verified the aforesaid situation and additionally estimated the financial impact of the Act to the extent possible and reliable for customers other than those covered by the G regulated tariff.

For the calculation of the provision as at 30 June 2019, the Company adopted the following assumptions:

- a) the existing legal situation as at 30 June 2019 and information after the balance sheet date relating to the Act,
- b) maintaining the existing methodology of estimating the provision for contracts concluded with a loss for the G tariff groups in the regulated tariff,
- c) application of the existing methodology for estimating provisions for contracts concluded with a loss for other groups of customers indicated in the amendment to the Act for H2 2019.

### **Recognition of the effects of the Act in H1 2019**

Based on the aforementioned assumptions, the following has been established as of 30 June 2019:

- a) adopting the prices binding in 2018 for customers from G tariff groups in the tariff regulated by the President of the Energy Regulatory Office, the Company estimated the so-called loss on the contract. This loss results from the adoption of model costs of electricity purchase in 2019 (costs of electricity and property rights and the excise tax rate at the level determined as justified by the President of the Energy Regulatory Office in the 2019 tariff proceedings) and the simultaneous application of the 2018 sales prices. The sales volume results from the level of sales to Tariff G customers as planned for Q3-Q4 2019. Considering the above, as at 30 June 2019 the company:
  - utilised the provision in the amount of PLN 41,004 thousand in H1 2019,
  - maintained the provision for the second half of the year at the level of PLN 37,977 thousand,
- b) in accordance with the provisions of the Act, the Company amended the terms and conditions of the agreements, taking into account the provisions of the Act and the method of determining the reference prices applicable on 30 June 2018 contained in the Regulation. Consequently, the Company estimated the loss of revenue in H1 2019 from customers other than customers from the regulated G-segment.

As a result, in accordance with IFRS 15, the Company recognised an adjustment of sales revenues from price reductions for customers (other than customers in regulated G tariff) in the amount of PLN 374,615 thousand, which was recognised as at 30 June 2019 in the statement of financial position as Liabilities due to contracts with customers,

- c) in accordance with the provisions of the Act and the Regulation, the Company has estimated the Price Difference Amount.

On the basis of a detailed analysis, the Company recognised as certain the asset due to the Price Difference Amount for H1 2019 in the amount of PLN 430,401 thousand, which was recognised as "Compensation" in the Profit and loss and other comprehensive income account, and as "Trade and other receivables" in the Statement of financial position,

- d) The Company made a simultaneous estimation:
  - of the amount of loss on the contract in H2 2019 for other eligible customers (customers who submitted appropriate declarations for this purpose),
  - of an asset, which is virtually certain, in the form of financial compensation for the months July-August 2019, for which appropriate benchmarks have been defined at the time of preparation of these condensed separate financial statements.

However, given their level, the impact on the financial result was deemed immaterial by the Company and no additional provision or contingent asset was recognised.

The excess of the estimated price difference amount over the estimated amount of lost revenue in H1 2019 results from the recognition in the price difference of the return on account of the price applied from the beginning of the year frozen at the level of 2018 for the regulated G tariff (which is not reflected in the loss of revenue, and was partially covered by the provision created for contracts with a loss recognised as at 31 December 2018).

Apart from the utilisation of the provision for onerous contracts in the amount of PLN 21,556 thousand created in Q1 2019, all the effects of the Act were reflected in the Q2 2019 data.

### 6.1.2. Internal energy market

In 2018, negotiations on the so-called trilogy on the final provisions of the Winter Package, which are of fundamental importance for the functioning of the energy sector, were completed. In particular, it should be noted that during the negotiations on the Regulation of the European Parliament on the internal energy market, the lack of support from national power markets for generating units not meeting the so-called standard of 550g CO<sub>2</sub>/kWh emissions was established. However, as part of the compromise sought by the Polish delegation, it was agreed that units emitting more than 550g CO<sub>2</sub>/kWh, which concluded power contracts as part of the main auctions finally resolved by 31 December 2019, may receive remuneration for the performance of the power obligation for the entire period for which support was obtained from the power market. This is a very important compromise in view of the fact that the power market is a state aid instrument which required the approval of the European Commission and must function in accordance with the regulations of the internal market of the European Union.

Moreover, in the course of trilogues, the EU RES Directive set the EU RES 2030 target of 32% in gross final energy consumption and the possibility of support for new biomass units with a capacity above 100 MW in the event of achieving electricity efficiency at the level of 36% and the Energy Efficiency Directive set the reduction of energy consumption in the EU by 32.5% by 2030. The Energy Union Management Regulation (Governance) introduced the obligation to draw up a National Energy and Climate Plan as part of the implementation of the Energy Union, covering five dimensions: energy security, internal energy market, energy efficiency, decarbonisation, research, innovation and competitiveness. The main objective of the Energy Union governance mechanism is to enable the achievement of the objectives of the Energy Union, in particular the objectives of the climate and energy policy framework by 2030 in terms of greenhouse gas emission reduction, renewable energy and energy efficiency.

In January 2019, the Ministry of Energy submitted for consultation the draft document "National Energy and Climate Plan 2021-2030" (NECP). In accordance with Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018, by 31 December 2019, and then by 1 January 2029 and every ten years thereafter, each Member State shall notify the Commission of an integrated national energy and climate plan.

### 6.1.3. Demand for electricity

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

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

### 6.1.4. Capacity market

Detailed information on contracted capacities for ENEA Group is described in the "Report of the Management Board on the operations of ENEA S.A. and ENEA Group in 2018" in Chapter 6.

### 6.1.5. European Union Emissions Trading Scheme (EU ETS)

The Directive establishes, inter alia, two financial mechanisms:

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

<sup>1)</sup> [https://www.gov.pl/documents/33372/436746/Wnioski\\_z\\_analiz\\_do\\_PEP2040\\_2018-11-23.pdf/1481a6a9-b87f-a545-4ad8-e1ab467175cf](https://www.gov.pl/documents/33372/436746/Wnioski_z_analiz_do_PEP2040_2018-11-23.pdf/1481a6a9-b87f-a545-4ad8-e1ab467175cf)

In addition, the framework for Phase IV of the EU ETS as well as new rules for the Market Stabilisation Mechanism (MSM) have been established. Pursuant to them, since the beginning of 2019, the reduction rate of allowances in circulation has increased from 12% to 24%. Allowances are gradually transferred from the auctioning system to the market stability reserve. Starting from 2024, the rate of 12% will be restored. In Phase IV of the EU ETS, which will start at the beginning of 2021 and last until 2030, the linear reduction factor will also be increased from 1.74% to 2.2%. Both of these elements have an impact on the reduction of supply on the EU ETS market, and thus on the increase in prices of CO<sub>2</sub> emission allowances observed in 2018. At the peak of the increases, prices of CO<sub>2</sub> emission allowances increased more than three times as compared to the beginning of the year. The increased volatility on the CO<sub>2</sub> emission allowances market also had a significant impact on the increased volatility on energy markets throughout Europe, also in Poland.

#### **6.1.6. Participation in the nuclear power plant programme**

On 15 April 2015, KGHM, PGE, Tauron and ENEA signed a Share Purchase Agreement in PGE EJ 1. KGHM, Tauron and ENEA acquired from PGE 10% of shares each (in total 30% of shares) in PGE EJ 1. ENEA paid for the acquired shares PLN 16 million. According to the Shareholders' Agreement, ENEA S.A.'s financial contribution in the Phasing-in Period shall not exceed the amount of approx. PLN 107 million. The total expenditure of ENEA S.A. resulting from the purchase of shares and the increase of the Company's share capital have so far totalled PLN 32,544 thousand. On 28 November 2018, PGE S.A. expressed an initial interest in acquiring all shares in PGE EJ 1. Information presented by PGE S.A. indicated that the transaction would be possible upon a valuation by an independent advisor and obtaining corporate approvals by all involved entities. On 4 December 2018, ENEA expressed an initial interest in selling all shares held in PGE EJ 1. The other shareholders, i.e. Tauron and KGHM, also expressed an initial interest in selling shares held by them in PGE EJ 1. On 17 April 2019, PGE S.A. decided to withdraw from the process of acquisition of shares held by other Shareholders.

#### **6.1.7. Amendment to RES Act**

In Q1 2019, work began on a draft of another act amending the Act on Renewable Energy Sources and certain other acts. The amendment came into force on 29 August 2019. In the amendment, the term "renewable energy prosumer" was defined, the terms and conditions of connecting a microinstallation were laid down, i.e. changes were implemented consisting in the necessity to introduce a closed catalogue of elements included in the application, which - as the authors of the amendment assure - standardizes the practices applied in this respect by individual distribution system operators. A new concept of energy cooperatives, whose members can make settlements using the system of discounts, was also proposed. The amendment to the RES Act will enable public support mechanisms to be extended to larger installations through participation in auctions planned for this year. In the 2019 RES auctions, RES generation facilities with a capacity of as much as 3.4 GW will be eligible for support - including 2.5 GW for wind power within the wind and photovoltaic basket for projects with a capacity of over 1 MW, while about 0.7 GW will be allocated to investors planning to submit bids under the wind and photovoltaic basket with a unit capacity of up to 1 MW. The amendment will extend the maximum time for launching the sale of supported wind energy in this year's auction from 24 to 33 months, and of energy generated in photovoltaic power plants - from 18 to 24 months. For other technologies, the period will now be 42 months and not 36 months as before.

#### **6.1.8. 2019 Tariff for electricity distribution services**

By virtue of the decision of the President of the Energy Regulatory Office published in the Energy Regulatory Office's sector bulletin "Electricity" No. 86(2721) of 22 March 2019, the tariff for electricity distribution services for the period until 31 December 2019 was approved. The tariff came into force on 6 April 2019, except for the transitional fee and RES fee rates approved by the decision of the President of ERO dated 14 January 2019, which come into force retroactively from 1 January 2019, and the cogeneration fee rates approved by the decision of the President of ERO, which came into force on 25 January 2019.

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

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

#### **6.1.10. Court and administrative proceedings**

As at the publication date of this report, no significant proceedings regarding the liabilities or debt claims are pending, to which ENEA S.A. or its subsidiary is a party. A detailed description of any proceedings is included in Note 26 to the condensed interim consolidated financial statements of ENEA Group for the period from 1 January to 30 June 2019.

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

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

Petitioner	Subject matter of the petition (literal wording)	Status of the proceedings
Międzyszakładowy Związek Zawodowy Synergia Pracowników Grupy Kapitałowej ENEA (Intergroup Trade Union of ENEA Group Employees "Synergy")	Petition for declaring a resolution of the Company's General Meeting invalid or for revoking a resolution of the Company's General Meeting together with a motion for securing the action <sup>1)</sup>	1) By decision of 20 June 2018, the Poznań District Court dismissed the motion for securing the action. 2) By decision of 26 March 2019, the Poznań District Court dismissed the petition. 3) On 15 May 2019, the Petitioner, through the Poznań District Court, appealed against the ruling of 26 March 2019.
Fundacja "CLIENTEARTH Prawnicy dla Ziemi" ("CLIENTEARTH Lawyers for the Earth" Foundation)	Petition for declaring a resolution of the Company's General Meeting invalid or for revoking a resolution of the General Meeting of the Public Listed Company <sup>2)</sup>	On 31 July 2019, the Poznań District Court issued a judgment stating that Resolution No. 3 of the Extraordinary General Meeting of ENEA S.A. with registered seat in Poznań (the Defendant) of 24 September 2018 on expressing qualified consent to commence the Construction Stage in the project Ostrołęka is invalid. On 17 September 2019, the attorney of ENEA S.A. filed an appeal against the judgment of the Poznań District Court.
Międzyszakładowy Związek Zawodowy Synergia Pracowników Grupy Kapitałowej ENEA <sup>2)</sup> (Intergroup Trade Union of ENEA Group Employees "Synergy")	Petition for declaring a resolution of the Company's General Meeting invalid or for revoking a resolution of the Company's General Meeting <sup>2)</sup>	The proceedings are pending (first instance)

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

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

### 6.1.12. Collective disputes

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

### 6.1.13. Employment

As at 30 June 2019, ENEA Group employed 16,919 people under employment contracts. As at 30 June 2019, ENEA S.A. employed 394 persons under employment contract.

### 6.1.14. Key Service Operator

In H1 2019, pursuant to the provisions of the National Cyber Security System Act of 5 April 2019, the following ENEA Group companies: ENEA S.A., ENEA Operator Sp. z o.o., ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec Sp. z o.o., ENEA Ciepło Sp. z o.o. and MEC Piła Sp. z o.o. were recognised as Key Service Operators.

### 6.1.15. Analysis of gas transmission and off-take from the transmission network by ENEA Wytwarzanie

ENEA Wytwarzanie Sp. z o.o. is holding talks with GAZ-SYSTEM S.A. in order to conclude an agreement concerning the creation of conditions for the transmission and off-take of gaseous fuel from the transmission network by ENEA Wytwarzanie, enabling the supply of gas equipment and installations located in the area directly adjacent to ENEA Wytwarzanie. Analyses are in progress with respect to the possible use of the existing coal-fired systems to supply gaseous fuel.

### 6.1.16. New social contract

In April 2019, employers and representatives of the Social Side of several ENEA Group companies concluded the so-called new social contract. This document regulates in particular the issue of stable employment in the Group companies which joined the contract and will enable all employees of the Group to enjoy additional benefits on equal terms. The contract covers such issues as employment security, employee tariffs, subscription-based healthcare services, contributions to the Employee Social Benefit Fund (ZFŚS) or official industry celebration days treated as public holidays. The provisions of the contract will be incorporated into, among others, corporate collective agreements and remuneration regulations so that the benefits resulting from the new social contract are extended to all employees of the ENEA Group companies which entered into the contract.

### 6.1.17. Changes in the Management Boards of key companies

ENEA Wytwarzanie – on 28 June 2019, by the decision of the Ordinary Shareholders' Meeting and the Supervisory Board of ENEA Wytwarzanie, Marcin Łukasiewicz, who was elected by the company's employees in the election of a candidate for a Management Board Member of ENEA Wytwarzanie elected by the employees for the term of office in 2019-2022, began to act as the Vice-President for Employee Affairs.

ENEA Operator – since 22 July 2019, the Management Board of ENEA Operator has been composed of the following members: Andrzej Kojro – President of the Management Board, Wojciech Drożdż – Vice-President of the Management Board for Innovation and Logistics, Marek Szymankiewicz – Vice-President of the Management Board for Grid Infrastructure, Józef Aleszczyk – Vice-President of the Management Board for Economic and Financial Affairs and Michał Cebula – Vice-President for Employee Affairs.

## 6.2. Natural environment

### 6.2.1. Reduction of pollutant emissions

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



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

Years	SO <sub>2</sub>			NO <sub>x</sub>			Dust			CO <sub>2</sub>		Gross production of electricity [MWh]
	SO <sub>2</sub> emissions [Mg]	SO <sub>2</sub> emissions ratio [kg/MWh]	Fee for SO <sub>2</sub> emissions [PLN k]	NO <sub>x</sub> emissions [Mg]	NO <sub>x</sub> emissions ratio [kg/MWh]	Fee for NO <sub>x</sub> emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO <sub>2</sub> emissions [Mg]	CO <sub>2</sub> emissions ratio [kg/MWh]	
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
H1 2018	3,896.9	0.686	2,065.3	3,931.1	0.692	2,083.5	135.3	0.024	47.4	4,878,005.09	858	5,682,057.3
<b>% change</b>	<b>-0.9</b>	<b>4.4</b>	<b>1.0</b>	<b>-6.3</b>	<b>-1.3</b>	<b>-4.5</b>	<b>-16.9</b>	<b>-12.5</b>	<b>-14.6</b>	<b>-5.0</b>	<b>0.1</b>	<b>-5.0</b>

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

SO<sub>2</sub> : 0.53 PLN/kg in 2018 » 0.54 PLN/kg in 2019  
 NO<sub>x</sub> : 0.53 PLN/kg in 2018 » 0.54 PLN/kg in 2019  
 Dust : 0.35 PLN/kg in 2018 » 0.36 PLN/kg in 2019



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

Years	SO <sub>2</sub>			NO <sub>x</sub>			Dust			CO <sub>2</sub>		Gross production of electricity [MWh]
	SO <sub>2</sub> emissions [Mg]	SO <sub>2</sub> emissions ratio [kg/MWh]	Fee for SO <sub>2</sub> emissions [PLN k]	NO <sub>x</sub> emissions [Mg]	NO <sub>x</sub> emissions ratio [kg/MWh]	Fee for NO <sub>x</sub> emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO <sub>2</sub> emissions [Mg]	CO <sub>2</sub> emissions ratio [kg/MWh]	
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 2018 Unit 11 <sup>1)</sup>	520.8	0.198	276.02	844.0	0.321	447.32	45.1	0.017	15.78	1,967,109.3 <sup>2)</sup>	747 <sup>2)</sup>	2,632,461.8
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
H1 2018 Units 1-10	3,896.9	0.686	2,065.3	3,931.1	0.692	2,083.5	135.3	0.024	47.4	4,878,005.08	858	5,682,057.3

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

<sup>2)</sup> The change results from the correction of coal parameters, which affect the amount of calculated CO<sub>2</sub> emissions.





## ENEA Elektrownia Połaniec

Years	SO <sub>2</sub>			NO <sub>x</sub>			Dust			CO <sub>2</sub>		Gross production of electricity [MWh]
	SO <sub>2</sub> emissions [Mg]	SO <sub>2</sub> emissions ratio [kg/MWh]	Fee for SO <sub>2</sub> emissions [PLN k]	NO <sub>x</sub> emissions [Mg]	NO <sub>x</sub> emissions ratio [kg/MWh]	Fee for NO <sub>x</sub> emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO <sub>2</sub> emissions [Mg]	CO <sub>2</sub> emissions ratio [kg/MWh]	
H1 2019	3,015.9	0.64	1,628.6	3,169.2	0.67	1,711.4	242.1	0.05	87.2	3,510,803	740.7	4,739,599
H1 2018	4,514.7	0.86	2,392.8	3,713.5	0.71	1,968.2	299.5	0.06	104.8	3,940,473	752.3	5,238,134
<b>% change</b>	<b>-33.2</b>	<b>-25.6</b>	<b>-31.9</b>	<b>-14.7</b>	<b>-5.6</b>	<b>-13.0</b>	<b>-19.2</b>	<b>-16.7</b>	<b>-16.8</b>	<b>-10.9</b>	<b>-1.5</b>	<b>-9.5</b>



## Białystok Heat and Power Plant

Years	SO <sub>2</sub>			NO <sub>x</sub>			Dust			CO <sub>2</sub>		Gross production of electricity [MWh]
	SO <sub>2</sub> emissions [Mg]	SO <sub>2</sub> emissions ratio [kg/MWh]	Fee for SO <sub>2</sub> emissions [PLN k]	NO <sub>x</sub> emissions [Mg]	NO <sub>x</sub> emissions ratio [kg/MWh]	Fee for NO <sub>x</sub> emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO <sub>2</sub> emissions [Mg]	CO <sub>2</sub> emissions ratio [kg/MWh]	
H1 2019	170.6	0.214	92.1	156.0	0.196	86.3	18.4	0.023	6.6	205,073.1	257.2	229,744
H1 2018	123.9	0.152	65.7	175.6	0.215	93.0	5.4	0.007	1.9	194,427.6	238.6	237,412
<b>% change</b>	<b>37.7</b>	<b>40.8</b>	<b>40.2</b>	<b>-11.2</b>	<b>-8.8</b>	<b>-7.2</b>	<b>240.1</b>	<b>228.6</b>	<b>247.4</b>	<b>5.5</b>	<b>7.8</b>	<b>-3.2</b>



## West Białystok Heat Plant

Years	SO <sub>2</sub>			NO <sub>x</sub>			Dust			CO <sub>2</sub>		Gross production of electricity [MWh]
	SO <sub>2</sub> emissions [Mg]	SO <sub>2</sub> emissions ratio [kg/MWh]	Fee for SO <sub>2</sub> emissions [PLN k]	NO <sub>x</sub> emissions [Mg]	NO <sub>x</sub> emissions ratio [kg/MWh]	Fee for NO <sub>x</sub> emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO <sub>2</sub> emissions [Mg]	CO <sub>2</sub> emissions ratio [kg/MWh]	
H1 2019	17.0	-	9.2	8.0	-	4.3	1.2	-	0.4	8,909.0	-	-
H1 2018	14.6	-	7.7	18.9	-	10.0	2.7	-	0.9	15,869.2	-	-
<b>% change</b>	<b>16.4</b>	<b>-</b>	<b>19.5</b>	<b>-57.7</b>	<b>-</b>	<b>-57.0</b>	<b>-55.6</b>	<b>-</b>	<b>-55.6</b>	<b>-43.9</b>	<b>-</b>	<b>-</b>

## 7. Corporate Social Responsibility (CSR)

### Finale of the 2nd edition of the “ENEA Talent Academy” educational project

In January 2019, the jury and Internet users selected the winners of 2nd edition of ENEA Talent Academy. Altogether, eighteen students received scholarships to develop their scientific, artistic and sporting passions. Using the awarded grants, nine schools will implement additional, extra-curricular educational projects.

### Finale of the 2nd edition of the “We Run – We Raise – We Help” sports and charity project and implementation of the 3rd edition

On 30 March 2019, over 120 children from care and educational institutions from all over Poland took part in ENEA Active Camp – sports and psychological workshops organised by the Kamila Skolimowska Foundation. The children were accompanied by Piotr Lisek, Pole Vault World Vice-Champion. The event was held thanks to the involvement of ENEA Group's employees, who ran out of funds for its organisation in the "We Run - We Raise -We Help" project. Since March this year, the project has been continued in an expanded formula. We doubled the cash rate for running; we extended the list of disciplines in the programme (points can also be collected for participation in cycling and Nordic walking competitions), and we extended the scoring system (the programme additionally promotes competitions with the participation of min. 3 employees, charitable competitions or competitions supported by ENEA Group companies). From March to June 2019, 185 runners took part in 157 competitions; we collected 214 points, through which PLN 21,400 was raised in the programme. The final amount is PLN 50,000, which the ENEA Foundation will allocate to a charitable sports project for children and youth.

### ENEA Eco Projects

Ecological activity, which assumes the implementation of 9 pro-environmental actions (such as planting and cleaning forests, ecological picnics, building educational paths and breeding grounds for animals) in partnership with selected Forest Districts in the State Forests, is addressed to local communities from the main area of ENEA Group's activity. Until 30 June, we supported four pro-ecological initiatives, including Park 40-lecia. Planting 40 trees for the 40th anniversary of Połaniec Power Plant; nature and education fair “Forest on the Isle” in Piła; and “Let's Plant a Forest Together!” in Zielona Góra. Additionally, the #TrashChallengeEnei volunteer action was carried out in Bydgoszcz, Gorzów Wielkopolski, Piła, Połaniec, Poznań, Szczecin, Świerże Górne and Zielona Góra.

### “Potęga poMocy” (The Power of Help) – 3rd edition of the grant programme

In H1 2019, we conducted two editions of the programme, in which 10 pro-social projects submitted by ENEA Group employees were selected winners. The winning projects include: “Special Education Primary School No. 107 in Poznań – creation and organization of an educational and recreational space for disabled children”; “Primary School in Brzóza – organization of a tournament “Keeping Fit with ENEA – For My Health”; Association “Help from Our Hearts” – a series of workshops for the local community and transferring the work results to charity.



## 7. Corporate Social Responsibility (CSR) – cont.

### Health promoting actions and social initiatives

- As part of the ENEA blood donation program “Energy is in our blood”, we conducted 5 blood donation campaigns and collected 69 litres of blood
- We supported a colleague collection for an ENEA Group employee, enabling him to buy a lower limb prosthesis and to recover
- We conducted pro-health and preventive workshops for women
- The proceeds of PLN 3,000 from the Charity Fair were used to support persons with intellectual disabilities



### Responsible management practices – Non-Financial Statement of ENEA Group for 2018

In March 2019, in compliance with its obligation under the Accounting Act of 15 December 2016 implementing Directive 2014/95/EU, ENEA Group published “The Non-Financial Statement of ENEA Group for 2018” as part of the “Report of the Management Board on the operations of ENEA S.A. and ENEA Group for 2018”. The statement, for the second year now, follows GRI Standards. This means, among others, that:

- stakeholders’ perspective (through a survey) was included in the stage of determining the scope of reported non-financial information and the so-called “material aspects of reporting”
- the Statement uses indicators recommended by GRI Standards
- in accordance with the guidelines of GRI Standards, the indicators concerning the number of Employees include data as at the last day of the reporting period, i.e. 31 December 2018.

In addition to the Statement for 2018, ENEA Group published separately “The 2018 Sustainability Report of ENEA Group” on a dedicated website in August 2019. Since 2011, the Group has been following the practice of reporting on sustainable development and responsible business.

### ENEA joined the Signatories of the “Partnership for the Implementation of Sustainable Development Goals (SDGs)” within the “Agenda 2030 National Stakeholder Forum”

ENEA joined the Partnership for Sustainable Development in May 2019 during the 2nd edition of the Agenda 2030 National Stakeholder Forum, which took place at the Ministry of Entrepreneurship and Technology as part of the European Sustainable Development Week. During the Forum, as a company aware of global challenges, ENEA became a signatory of the Partnership and made a commitment to implement three Sustainable Development Goals (SDGs): SDG 4 “Quality education”; SDG 8 “Decent work and economic growth” and SDG 17 “Partnership for the goals”. The implementation of SDG 17 is manifested by the undertaken initiative “Partnership for competence management to ensure continuity and security of energy supply for society”. Under the initiative, noting the changes in the surrounding reality, we develop cooperation with the school and scientific community and initiate actions that will help us to maintain the desired competences and educate appropriately educated employees when we need them.

## 8. Annexes

### Annex No. 1 – Profit and Loss Account of ENEA Operator Sp. z o.o. – H1 2019

[PLN k]	H1 2018	H1 2019	Change	% change
Revenue from the sale of distribution services to end users	1,295,672	1,333,281	37,609	3%
Revenue from additional fees	2,737	2,490	-247	-9%
Revenues from the non-invoiced sale of distribution services	417	(2,872)	-3,289	-789%
Clearing of the Balancing Market	1,678	4,802	3,124	186%
Fees for connection to the grid	29,659	26,924	-2,735	-9%
Revenue from illegal electricity consumption	3,331	2,788	-543	-16%
Revenue from services	14,443	14,031	-412	-3%
Sale of distribution services to other entities	9,057	8,914	-143	-2%
Sales of goods and materials and other revenues	990	1,595	605	61%
<b>Sales revenue</b>	<b>1,357,984</b>	<b>1,391,953</b>	<b>33,969</b>	<b>3%</b>
Depreciation and amortisation of power, plant and equipment and intangible fixed assets	251,286	285,840	34,554	14%
Costs of employee benefits	212,454	213,318	864	0%
Consumption of materials and raw materials and the value of goods sold	15,589	15,837	248	2%
Purchase of energy for own needs and grid losses	117,219	158,705	41,486	35%
Costs of transmission services	202,627	211,240	8,613	4%
Other third party services	134,008	139,210	5,202	4%
Taxes and levies	110,668	116,150	5,482	5%
<b>Tax deductible costs of sale</b>	<b>1,043,851</b>	<b>1,140,300</b>	<b>96,449</b>	<b>9%</b>
Other operating revenues	34,082	18,491	-15,591	-46%
Other operating costs	20,347	41,441	21,094	104%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	(2,871)	(5,766)	-2,895	101%
<b>Operating profit / (loss)</b>	<b>324,997</b>	<b>222,937</b>	<b>-102,060</b>	<b>-31%</b>
Financial revenues	1,619	1,010	-609	-38%
Financial costs	33,284	38,324	5,040	15%
<b>Gross profit / (loss)</b>	<b>293,332</b>	<b>185,623</b>	<b>-107,709</b>	<b>-37%</b>
Income tax	51,722	37,403	-14,319	-28%
<b>Net profit / (loss)</b>	<b>241,610</b>	<b>148,220</b>	<b>-93,390</b>	<b>-39%</b>
<b>EBITDA</b>	<b>576,283</b>	<b>508,777</b>	<b>-67,506</b>	<b>-12%</b>

#### H1 2019: EBITDA of ENEA Operator Sp. z o.o. – change drivers (a decrease of PLN 68 million):

- + higher revenues from the sale of distribution services to end users by PLN 34 million are mainly a consequence of higher rates in the approved tariff for 2019
- higher costs of purchase of transmission and distribution services (on balance) by PLN 9 million are a consequence of higher rates in the approved tariff for 2019
- higher costs of electricity purchase to cover the energy balance difference (on balance) by PLN 38 million result primarily from higher average electricity prices
- lower result on other operating activities by PLN 40 million results mainly from lower revenues from the insurer due to removal of random damages and changes in provisions for grid assets



## Annex No. 2 – Profit and Loss Account of ENEA Operator Sp. z o.o. – Q2 2019

[PLN k]	Q2 2018	Q2 2019	Change	% change
Revenue from the sale of distribution services to end users	631,179	670,976	39,797	6%
Revenue from additional fees	1,444	1,276	-168	-12%
Revenues from the non-invoiced sale of distribution services	(9,312)	(10,649)	-1,337	14%
Clearing of the Balancing Market	710	2,657	1,947	274%
Fees for connection to the grid	19,708	13,353	-6,355	-32%
Revenue from illegal electricity consumption	1,613	1,071	-542	-34%
Revenue from services	6,845	6,745	-100	-1%
Sale of distribution services to other entities	4,380	4,528	148	3%
Sales of goods and materials and other revenues	717	975	258	36%
<b>Sales revenue</b>	<b>657,284</b>	<b>690,932</b>	<b>33,648</b>	<b>5%</b>
Depreciation and amortisation of power, plant and equipment and intangible fixed assets	126,834	146,306	19,472	15%
Costs of employee benefits	109,672	106,430	-3,242	-3%
Consumption of materials and raw materials and the value of goods sold	7,846	7,701	-145	-2%
Purchase of energy for own needs and grid losses	55,456	74,511	19,055	34%
Costs of transmission services	100,351	113,428	13,077	13%
Other third party services	68,543	72,684	4,141	6%
Taxes and levies	47,139	51,935	4,796	10%
<b>Tax deductible costs of sale</b>	<b>515,841</b>	<b>572,995</b>	<b>57,154</b>	<b>11%</b>
Other operating revenues	13,597	9,960	-3,637	-27%
Other operating costs	1,351	9,758	8,407	622%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	(1,492)	(3,142)	-1,650	111%
<b>Operating profit / (loss)</b>	<b>152,197</b>	<b>114,997</b>	<b>-37,200</b>	<b>-24%</b>
Financial revenues	960	489	-471	-49%
Financial costs	17,732	19,968	2,236	13%
<b>Gross profit / (loss)</b>	<b>135,425</b>	<b>95,518</b>	<b>-39,907</b>	<b>-29%</b>
Income tax	26,300	15,443	-10,857	-41%
<b>Net profit / (loss)</b>	<b>109,125</b>	<b>80,075</b>	<b>-29,050</b>	<b>-27%</b>
<b>EBITDA</b>	<b>279,031</b>	<b>261,303</b>	<b>-17,728</b>	<b>-6%</b>

### Q2 2019: EBITDA of ENEA Operator Sp. z o.o. – change drivers (a decrease of PLN 18 million):

- + higher revenues from the sale of distribution services to end users by PLN 38 million are mainly a consequence of higher rates in the approved tariff for 2019
- higher costs of purchase of transmission and distribution services (balance) by PLN 13 million are a consequence of higher rates in the approved tariff for 2019
- higher costs of electricity purchase to cover the energy balance difference (on balance) by PLN 17 million result primarily from a higher average electricity price
- lower result on other operating activities by PLN 14 million results mainly from lower revenues from the insurer due to removal of random damages, changes in provisions for grid assets and revenues from collisions



## Annex No. 3 – Profit and Loss Account of ENEA Wytwarzanie Sp. z o.o. – H1 2019

[PLN k]	H1 2018 <sup>1)</sup>	H1 2019	Change	% change
Revenue from the sale of electricity	1,941,476	2,266,913	325,437	16.8%
<i>generation licence</i>	1,645,107	2,120,896	475,789	28.9%
<i>trading licence</i>	296,369	146,017	-150,352	-50.7%
Revenue from certificates of origin	8,930	18,463	9,533	106.8%
Revenue from the sale of CO <sub>2</sub> emission allowances	26,019	0	-26,019	-100.0%
Revenue from the sale of heat	1,617	525	-1,092	-67.5%
Revenue from services	4,628	4,983	355	7.7%
Sale of goods and materials and other revenue	6,161	7,972	1,811	29.4%
Excise duty	1	0	-1	-100.0%
<b>Net sale revenue</b>	<b>1,988,830</b>	<b>2,298,856</b>	<b>310,026</b>	<b>15.6%</b>
Depreciation and amortisation of power, plant and equipment and intangible fixed assets	221,189	216,046	-5,143	-2.3%
Costs of employee benefits	129,005	121,838	-7,167	-5.6%
Consumption of materials and raw materials and the value of goods sold	962,402	1,330,775	368,373	38.3%
Purchase of energy for sale purposes	534,211	278,938	-255,273	-47.8%
Transmission services	219	253	34	15.5%
Other third party services	58,822	61,341	2,519	4.3%
Taxes and levies	40,460	43,207	2,747	6.8%
<b>Tax deductible costs of sale</b>	<b>1,946,308</b>	<b>2,052,398</b>	<b>106,090</b>	<b>5.5%</b>
Other operating revenues	6,279	12,706	6,427	102.4%
Other operating costs	4,017	2,194	-1,823	-45.4%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	(262)	146	408	-155.7%
Reversal of impairment losses on non-financial fixed assets	51,365	0	-51,365	-100.0%
<b>Operating profit / (loss)</b>	<b>95,887</b>	<b>257,116</b>	<b>161,229</b>	<b>168.1%</b>
Financial revenues	2,716	2,654	-62	-2.3%
Financial costs	72,265	77,920	5,655	7.8%
Revenue from dividends	1,217	465	-752	-61.8%
<b>Gross profit / (loss)</b>	<b>27,555</b>	<b>182,315</b>	<b>154,760</b>	<b>561.6%</b>
Income tax	40,206	36,315	-3,891	-9.7%
<b>Net profit / (loss)</b>	<b>-12,651</b>	<b>146,000</b>	<b>158,651</b>	<b>-1,254.1%</b>
<b>EBITDA</b>	<b>265,711</b>	<b>473,162</b>	<b>207,451</b>	<b>78.1%</b>

### H1 2019:

**EBITDA of ENEA Wytwarzanie Sp. z o.o. – change factors  
(an increase of PLN 207 million):**

#### Kozienice Power Plant (EBITDA increase of PLN 183.8 million):

- + increase in margin on production of PLN 179.3 million
- + increase in the margin on trading and on the Balancing Market by PLN 15.8 million
- + increase in result on other operating activities – PLN 4.7 million
- + decrease in fixed costs of PLN 2.5 million
- lower revenues from Regulatory System Services by PLN 18.5 million

#### RES segment (increase in EBITDA of PLN 23.7 million):

- + Wind area (PLN +23.6 million): increase in electricity revenue of PLN 11.7 million, increase in revenue from certificates of origin of PLN 9.2 million, result on other operating activities higher by PLN 4.2 million, increase in fixed costs by PLN 1.5 million
- + Water area (PLN +0.8 million): increase in revenue from certificates of origin of PLN 1.0 million, decrease in salary costs of PLN 0.9 million, decrease in revenue from electricity of PLN 1.1 million
- Biogas area (PLN -0.7 million): decrease in other operating profit of PLN 0.6 million, decrease in revenue from certificates of origin of PLN 0.2 million, decrease in variable costs of PLN 0.1 million



<sup>1)</sup> Due to the spin-off of Białystok Heat and Power Plant from ENEA Wytwarzanie on 30 November 2018, the presentation of data for 2018 was changed. The 2018 data for Białystok Heat and Power Plant were excluded

## Annex No. 4 – Profit and Loss Account of ENEA Wytwarzanie Sp. z o.o. – Q2 2019

[PLN k]	Q2 2018 <sup>1)</sup>	Q2 2019	Change	% change
Revenue from the sale of electricity	1,029,289	1 192,877	163,588	15,9%
<i>generation licence</i>	838,927	1 121,827	282,900	33,7%
<i>trading licence</i>	190,362	71,050	-119,312	-62,7%
Revenue from certificates of origin	4,407	7,588	3,181	72,2%
Revenue from the sale of CO <sub>2</sub> emission allowances	3,450	0	-3,450	-100,0%
Revenue from the sale of heat	316	168	-148	-46,8%
Revenue from services	2,375	2,445	70	2,9%
Sale of goods and materials and other revenue	3,885	3,820	-65	-1,7%
<b>Net sale revenue</b>	<b>1,043,722</b>	<b>1 206,898</b>	<b>163,176</b>	<b>15,6%</b>
Depreciation and amortisation of power, plant and equipment and intangible fixed assets	104,379	107,880	3,501	3,4%
Costs of employee benefits	66,399	61,461	-4,938	-7,4%
Consumption of materials and raw materials and the value of goods sold	462,626	712,501	249,875	54,0%
Purchase of energy for sale purposes	342,209	155,552	-186,657	-54,5%
Transmission services	137	95	-42	-30,7%
Other third party services	31,227	31,634	407	1,3%
Taxes and levies	17,151	21,650	4,499	26,2%
<b>Tax deductible costs of sale</b>	<b>1,024,128</b>	<b>1 090,773</b>	<b>66,645</b>	<b>6,5%</b>
Other operating revenues	3,917	5,855	1,938	49,5%
Other operating costs	3,297	1,375	-1,922	-58,3%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	(671)	257	928	-138,3%
Reversal of impairment losses on non-financial fixed assets	51,365	0	-51,365	-100,0%
<b>Operating profit / (loss)</b>	<b>70,908</b>	<b>120,862</b>	<b>49,954</b>	<b>70,4%</b>
Financial revenues	1,992	1,568	-424	-21,3%
Financial costs	37,094	42,443	5,349	14,4%
Revenue from dividends	1,217	465	-752	-61,8%
<b>Gross profit / (loss)</b>	<b>37,023</b>	<b>80,452</b>	<b>43,429</b>	<b>117,3%</b>
Income tax	36,953	16,491	-20,462	-55,4%
<b>Net profit / (loss)</b>	<b>70</b>	<b>63,961</b>	<b>63,891</b>	<b>91272,9%</b>
<b>EBITDA</b>	<b>123,922</b>	<b>228,742</b>	<b>104,820</b>	<b>84,6%</b>

### Q2 2019:

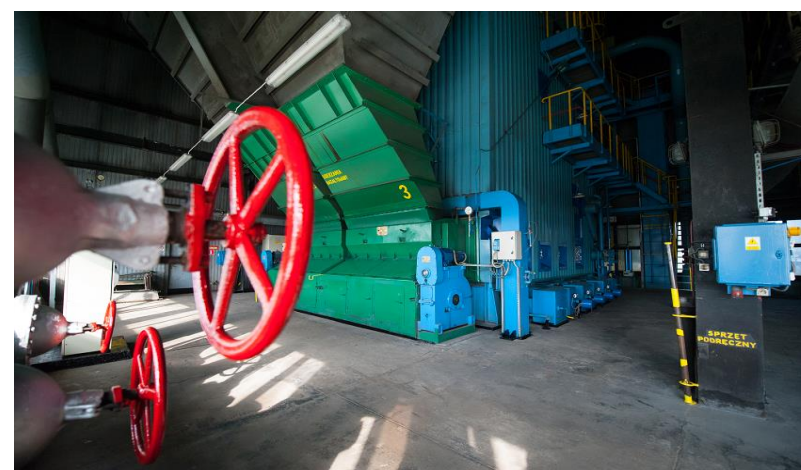
**EBITDA of ENEA Wytwarzanie Sp. z o.o. – change factors  
(an increase of PLN 105 million):**

#### Kozienice Power Plant (EBITDA increase of PLN 96.5 million):

- + increase in margin on generation of PLN 95.4 million
- + increase in the margin on trading and on the Balancing Market of PLN 5.3 million
- + decrease in fixed costs of PLN 1.7 million
- + increase in other factors of PLN 1.5 million: increase in other operating profit of PLN 2.0 million
- lower revenues from Regulatory System Services by PLN 7.4 million

#### RES segment (EBITDA increase of PLN 8.3 million):

- + Wind area (PLN +8.7 million): increase in electricity revenue of PLN 4.1 million, increase in revenue from certificates of origin of PLN 3.3 million, result on other operating activities higher by PLN 2.8 million, increase in fixed costs by PLN 1.5 million
- + Water area (PLN +0.3 million): increase in revenues from certificates of origin of PLN 0.4 million, decrease in salary costs of PLN 0.4 million, decrease in revenues from electricity by PLN 0.5 million
- Biogas area (PLN -0.7 million): decrease in other operating profit of PLN 0.5 million, decrease in revenues from certificates of origin of PLN 0.1 million PLN, increase in variable costs of PLN 0.1 million



<sup>1)</sup> Due to the spin-off of Białystok Heat and Power Plant from ENEA Wytwarzanie on 30 November 2018, the presentation of data for 2018 was changed. The 2018 data for Białystok Heat and Power Plant were excluded

## Annex No. 5 – Profit and Loss Account of ENEA Elektrownia Połaniec – H1 2019

[PLN k]	H1 2018	H1 2019	Change	% change
Sales revenue	1,179,397	1,391,502	212,105	18%
Excise tax	114	28	-86	-75%
<b>Net sales revenue</b>	<b>1,179,283</b>	<b>1,391,474</b>	<b>212,191</b>	<b>18%</b>
Depreciation and amortisation of property, plant and equipment and intangible fixed assets	27,204	29,345	2,141	8%
Costs of employee benefits	29,797	39,589	9,792	33%
Consumption of materials and raw materials and the value of goods sold	701,319	868,876	167,557	24%
Purchase of energy for sale purposes	231,323	157,598	-73,725	-32%
Transmission services	0	168	168	-
Other third party services	102,753	117,483	14,730	14%
Taxes and levies	20,365	18,328	-2,037	-10%
<b>Tax deductible costs of sale</b>	<b>1,112,761</b>	<b>1,231,387</b>	<b>118,626</b>	<b>11%</b>
Other operating revenues	1,156	5,798	4,642	402%
Other operating costs	420	1,178	758	180%
<b>Operating profit / (loss)</b>	<b>67,258</b>	<b>164,707</b>	<b>97,449</b>	<b>145%</b>
Financial revenues	1,415	1,476	61	4%
Financial costs	36,440	819	-35,621	-98%
Revenue from dividends	0	1,976	1,976	-
<b>Gross profit / (loss)</b>	<b>32,233</b>	<b>167,340</b>	<b>135,107</b>	<b>419%</b>
Income tax	6,318	32,364	26,046	412%
<b>Net profit / (loss)</b>	<b>25,915</b>	<b>134,976</b>	<b>109,061</b>	<b>421%</b>
<b>EBITDA</b>	<b>94,462</b>	<b>194,052</b>	<b>99,590</b>	<b>105%</b>

### H1 2019:

**EBITDA of ENEA Elektrownia Połaniec S.A. – change factors  
(an increase of PLN 100 million):**

#### System Power Plants Segment (EBITDA increase of PLN 76.1 million):

- + higher margin on generation by PLN 65.4 million
- + higher margin on trading and the Balancing Market by PLN 12.5 million
- + higher revenues from the sale of Regulatory System Services by PLN 13.7 million
- higher fixed costs by PLN 8.9 million
- adjustment of forward contracts for the purchase of CO<sub>2</sub> for the allocation of the purchase price - PLN 6.6 million

#### RES Segment (EBITDA increase of PLN 29.3 million):

- + higher margin on RES generation by PLN 40.3 million
- lower margin of the Green Unit on sale/ inventory update of green certificates by PLN 1.2 million
- higher fixed costs by PLN 9.9 million

#### Heat Segment (EBITDA decrease of PLN 5.8 million):

- lower margin on heat by PLN 5.1 million due to: higher costs of CO<sub>2</sub> - PLN 4.5 million and an increase in coal costs - PLN 1.0 million
- higher fixed costs by PLN 0.7 million - higher costs of repairs





## Annex No. 6 – Profit and Loss Account of ENEA Elektrownia Połaniec – Q2 2019

[PLN k]	Q2 2018	Q2 2019	Change	% change
Sales revenue	638,295	708,147	69,852	11%
Excise tax	49	12	-37	-76%
<b>Net sales revenue</b>	<b>638,246</b>	<b>708,135</b>	<b>69,889</b>	<b>11%</b>
Depreciation and amortisation of property, plant and equipment and intangible fixed assets	13,691	14,805	1,114	8%
Costs of employee benefits	15,277	24,201	8,924	58%
Consumption of materials and raw materials and the value of goods sold	373,950	452,837	78,887	21%
Purchase of energy for sale purposes	117,964	75,867	-42,097	-36%
Transmission services	0	81	81	-
Other third party services	50,822	63,609	12,787	25%
Taxes and levies	9,555	9,810	255	3%
<b>Tax deductible costs of sale</b>	<b>581,259</b>	<b>641,210</b>	<b>59,951</b>	<b>10%</b>
Other operating revenues	984	1,160	176	18%
Other operating costs	130	1,048	918	706%
<b>Operating profit / (loss)</b>	<b>57,841</b>	<b>67,037</b>	<b>9,196</b>	<b>16%</b>
Financial revenues	675	798	123	18%
Financial costs	35,994	482	-35,512	-99%
Revenue from dividends	0	1,976	1,976	-
<b>Gross profit / (loss)</b>	<b>22,522</b>	<b>69,329</b>	<b>46,807</b>	<b>208%</b>
Income tax	4,372	4,470	98	2%
<b>Net profit / (loss)</b>	<b>18,150</b>	<b>64,859</b>	<b>46,709</b>	<b>257%</b>
<b>EBITDA</b>	<b>71,532</b>	<b>81,842</b>	<b>10,310</b>	<b>14%</b>

**Q2 2019:**  
**EBITDA of ENEA Elektrownia Połaniec S.A. – change factors**  
**(an increase of PLN 10 million):**

**System Power Plants Segment**  
**(EBITDA increase of PLN 18.6 million):**

- + higher margin on generation by PLN 31.7 million
- + higher margin on trading and the Balancing Market by PLN 3.9 million
- + higher revenues from the sale of Regulated System Services by PLN 8.4 million
- higher fixed costs by PLN 18.8 million
- adjustment of forward contracts for the purchase of CO<sub>2</sub> for the allocation of the purchase price - PLN 6.6 million

**RES Segment (EBITDA decrease of PLN 5.3 million):**

- + higher margin on RES generation by PLN 6.6 million
- lower margin of the contractor on sale/ inventory update of green certificates by PLN 7.4 million
- higher fixed costs by PLN 4.5 million

**Heat Segment (EBITDA decrease of PLN 3.0 million):**

- lower margin on heat by PLN 2.7 million due to: a higher cost of CO<sub>2</sub> by PLN 2.3 million and an increase in coal costs - PLN 0.7 million
- higher fixed costs by PLN 0.3 million - higher costs of repairs



## 9. Glossary of terms and abbreviations

Below are the formulas for financial ratios and the list of industry terms and abbreviations used in this document.

Ratio		Formula
EBITDA	=	Operating profit/ (loss) + depreciation and amortisation + impairment losses on non-financial fixed assets
Return on equity (ROE)	=	$\frac{\text{Net profit/ (loss) for the reporting period}}{\text{Equity}}$
Return on assets (ROA)	=	$\frac{\text{Net profit/ (loss) for the reporting period}}{\text{Total assets}}$
Net profitability	=	$\frac{\text{Net profit/ (loss) for the reporting period}}{\text{Sales revenue and other income}}$
Operating profitability	=	$\frac{\text{Operating profit/ (loss)}}{\text{Sales revenue and other income}}$
EBITDA profitability	=	$\frac{\text{EBITDA}}{\text{Sales revenue and other income}}$
Current liquidity ratio	=	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$
Coverage of non-current assets with equity	=	$\frac{\text{Equity}}{\text{Non-current assets}}$
Total debt ratio	=	$\frac{\text{Total liabilities}}{\text{Total assets}}$
Net debt / EBITDA	=	$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{LTM EBITDA}}$
Current receivables turnover in days	=	$\frac{\text{Average trade and other receivables x number of days}}{\text{Sales revenue and other income}}$
Trade and other liabilities turnover in days	=	$\frac{\text{Average trade and other receivables x number of days}}{\text{Cost of products, goods and materials sold}}$
Inventory turnover in days	=	$\frac{\text{Average inventory x number of days}}{\text{Cost of products, goods and materials sold}}$
Cost of products, goods and materials sold	=	Consumption of materials and raw materials and value of goods sold; Purchase of energy for sale purposes; Transmission services; Other third party services, taxes and levies, excise tax

Abbreviation/term	Full name/definition
Balancing market	Technical market operated by the TSO. Its objective is to balance in real time the demand for electricity with its production in the National Power System (NPS)
Baseload price ("BASE")	The contract price for delivery of the same volume of electricity in euro-peak (i.e. from 7:00 a.m. to 10:00 p.m. on business days)
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
CAPEX	Capital expenditures
CER	Certified Emission Reduction – the unit of certified emission reduction
Cogeneration	A technological process of simultaneous generation of electricity and usable thermal energy in a CHP plant
DSO	Distribution System Operator
Energy Law	Act of 10 April 1997 - Energy Law
ERO	Energy Regulatory Office
EUA	EU Emission Allowance - emission allowances under the European Emissions Trading System
Euro-peak price ("PEAK")	The contract price for delivery of the same volume of electricity in each hour of the day
European Union Emissions Trading System (EU ETS)	A European scheme to promote the reduction of greenhouse gas emissions
Forward market	Electricity market where forward products are listed
"Green" Property Rights	Same as PMOZE
GRI Standards	The Global Reporting Initiative is an international independent standards organisation that has developed globally available guidelines for public reporting of non-financial data, helping companies, governments and other organisations understand and communicate their impact on labour, environmental, social, human rights and corruption issues. The new version of the standard, compared to the previous G4 Guidelines, which expired on 1 July 2018, is intended to be more understandable, better structured and easier to use.
ICE	Intercontinental Exchange – a trading platform for trading CO <sub>2</sub> emission allowances (EUA) and units of Certified Emission Reduction (CERs) in the futures market
"Light blue" Property Rights	Property rights to certificates of origin confirming the production of electricity from agricultural biogas
MW <sub>e</sub>	Megawatt of electrical power
MWh	Megawatthour (1 GWh = 1.000 MWh)
MW <sub>t</sub>	Megawatt of heating power

Abbreviation/term	Full name/definition
NO <sub>x</sub>	Nitrogen oxides
OZEX_A	Index for session transactions concerning contracts for property rights resulting from certificates of origin for electricity generated from renewable energy sources, the production period of which (indicated in the certificate of origin) has started since 1 March 2009 (inclusive)
PMOZE	Property rights to certificates of origin for energy from renewable energy sources
“Purple” Property Rights	Property Rights to certificates of origin being a confirmation of electricity generation in a cogeneration unit fired with methane released and captured during underground mining works or with gas obtained from biomass processing within the meaning of Article 2(1)2 of the Act on Biocomponents and Liquid Biofuels
“Red” Property Rights	Property Rights to certificates of origin being confirmation of electricity generation in other cogeneration sources
REMIT	The Regulation on Wholesale Energy Market Integrity and Transparency sets out a framework for monitoring wholesale energy markets to detect and prevent unfair practices at EU level.
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	Installation of selective catalytic reduction (SCR) flue gas denitrification
SO <sub>2</sub>	Sulphur dioxide
SPOT market	Cash market
TGE	Towarowa Gielda Energii S.A. (Polish Power Exchange)
TGEozebio	Index for session transactions concerning Property Rights resulting from Certificates of Origin for energy generated from agricultural biogas, the production period of which commenced on 1 July 2016 (inclusive)
TSO	Transmission System Operator
“White” Property Rights	Property rights to certificates of origin resulting from energy efficiency certificates, the so called “white” certificates
“Yellow” Property Rights	Property rights to certificates of origin confirming the generation of electricity in a gas cogeneration unit or with a total installed capacity of up to 1 MW

# Signatures of the Management Board members

**Approval date** of the Report of the Management Board on the operations of ENEA Group in H1 2019: **27 September 2019**

**Publication date** of the Report of the Management Board on the operations of ENEA Group in H1 2019: **30 September 2019**

Signatures:

**President of the Management Board and CEO**

Mirosław Kowalik

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

Piotr Adamczak

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

Jarosław Ołowski

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

Zbigniew Piętka