



Management Board Report on the Activity of the Enea Group in H1 2021

Poznań, date of publication: 16 September 2021

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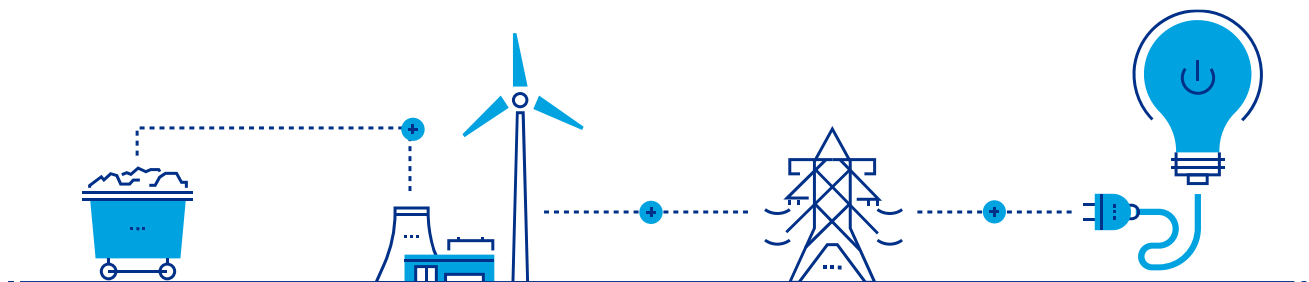
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ENEA Group in numbers



ENEA has 17.5 thousand employees

MINING	GENERATION	DISTRIBUTION	TRADING
22.4%	6.3 GW	2.7 million	2.6 million
share in the steam coal market in Poland	total installed capacity	users of distribution services	customers
437.3 million tons	443 MW	119.3 thousand km	12.2 TWh
of mining potential in 4 mining concession areas	installed RES capacity	distribution lines, including connections	sales of electricity and gaseous fuel to retail customers in H1 2021
4.9 million tons	12.1 TWh	10.2 TWh	32
net coal production in H1 2021	total net energy generated in H1 2021	energy distributed in H1 2021	Customer Service Offices



1. Operating summary of H1 2021

In H1 2021, the ENEA Group generated EBITDA of PLN 1,652 million (down by PLN 170 million y/y).



The Generation Area posted EBITDA of 655 million (down by PLN 217 million y/y). A significant decrease in EBITDA was recorded in the System Power Plants Segment, by PLN 271 million y/y, driven down by the lower margin on generation (lower unit CDS chiefly due to an increase in CO₂ costs and lower energy prices) and trading and the Balancing Market (lower unit margins, decrease in volume), partially offset by revenues from the capacity market. EBITDA in the Heat Segment and in the RES Segment increased by PLN 20 million and PLN 35 million y/y, respectively.



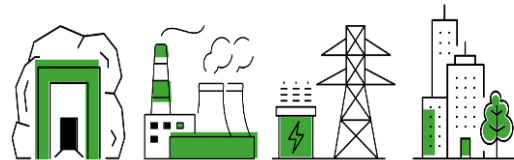
The Mining Area generated EBITDA of PLN 318 million, (up by PLN 104 million y/y). The higher EBITDA was driven mainly by the higher sales of coal, partially offset by a lower sales price.



The Distribution Area posted EBITDA of PLN 687 million (up by PLN 9 million y/y). This higher result was driven by higher margins on licensed activities, affected, among other factors, by higher revenue from sales of distribution services, lower costs of purchasing transmission and distribution services and lower costs of purchasing electricity for the balance difference purposes. The increase in operating expenses and the decline in the result on other operating activities adversely affected the segment's performance.



The Trading Area posted EBITDA of 9 million (down by PLN 31 million y/y). The lower EBITDA results mainly from the lower average sales price of energy, a change in provisions related to onerous contracts, a revaluation of CO₂ contracts and an increase in the costs of environmental obligations, partially offset by a lower average energy purchase price.



- The ENEA Group incurred CAPEX of PLN 728 million.
- Production of commercial coal was 4.9 million tons.
- Sales of commercial coal were 4.6 million tons.
- The Group produced nearly 12.1 TWh of electricity.
- Sales of heat in the Generation Segment were 3.9 PJ.
- Sales of distribution services to end users reached nearly 10.2 TWh.
- The volume of sales of electricity and gaseous fuel to retail customers was nearly 12.2 TWh.

+

Revenue from the Capacity Market
Higher revenue from sales of electricity
Higher revenue from sales of gas
Higher revenue from sales of heat
Higher revenue from sales of coal

-

Higher costs of consumption of materials and supplies
Higher costs of purchase of electricity and gas
Higher employee benefit costs
Change in provisions related to onerous contracts
Higher costs of third-party services
Lower result on other operating activities

1.1. Key events in 2021

First quarter

- On 4 January 2021, the Company received a resignation tendered by Ms. Izabela Felczak-Poturnicka from the position of Chairwoman of the Supervisory Board and from her membership in the ENEA S.A. Supervisory Board as of 5 January 2021.
- On 5 January 2021, ENEA S.A., PGE Polska Grupa Energetyczna and Tauron Polska Energia executed a letter of intent the purpose of which is to establish a strategic alliance to execute future investment projects in offshore wind energy, to be located within the boundaries of the Polish Exclusive Economic Zone in the Baltic Sea.
- On 7 January 2021, the Extraordinary General Meeting of ENEA S.A. appointed Mr. Rafał Włodarski as Chairman of the ENEA S.A. Supervisory Board.
- On 7 January 2021, the Company's Extraordinary General Meeting adopted a resolution by the power of which Ms. Dorota Szymanek was appointed to the ENEA S.A. Supervisory Board.
- On 22 January 2021, Annex 24 to the Steam Coal Purchase Agreement No. 3/W/2012 was entered into between ENEA Elektrownia Połaniec S.A. and LW Bogdanka S.A. for the purchase of coal. The annex extended the term of the agreement until 31 December 2024 and shifted from 2020 to 2021 the quantitative volume of unrealized deliveries.
- 22 January 2021 – execution of Annex 2 to Appendix 5 to Steam Coal Purchase Agreement No. UW/LW/01/2012 by and between ENEA Wytwarzanie sp. z o.o. and LW Bogdanka S.A. for the purchase of coal. Following the execution of the Annex, the quantitative volume of unrealized deliveries has been shifted from 2020 to 2021.
- 19 February 2021 – execution of Annexes to Multi-Year Agreement No. UW/LW/01/2012 for the supply of steam coal and the Agreement No. UD/LW/01/2021 for additional supplies between ENEA Wytwarzanie sp. z o.o. and LW Bogdanka S.A.
- On 25 February 2021, the Company identified the need to recognize an impairment loss on the value of shares in ENEA Wytwarzanie of approx. PLN 2,817 million in the standalone financial statements for 2020 and an impairment loss on the value of ENEA Wytwarzanie's generation assets of approx. PLN 2,881 million in the ENEA Group's consolidated financial statements for 2020, which information was disclosed by the Company in Current Report No. 7/2021.
- On 11 March 2021, ENEA S.A. signed an agreement for green energy sales with Krakowski Holding Komunalny. The subject matter of the agreement is the sale of 424 GWh of electricity generated from renewable sources, confirmed by documents specifying the sources and quantity of electricity supplied, prepared by a competent certifying authority, corroborating the origin of energy from renewable sources.
- On 26 March 2021, an agreement was executed for the acquisition by State Treasury of a 100% stake in PGE EJ 1 sp. z o.o.
- On 31 March 2021, the State Treasury acquired from ENEA S.A. 532,523 shares representing 10% of the share capital of PGE EJ 1 sp. z o.o.

Second quarter

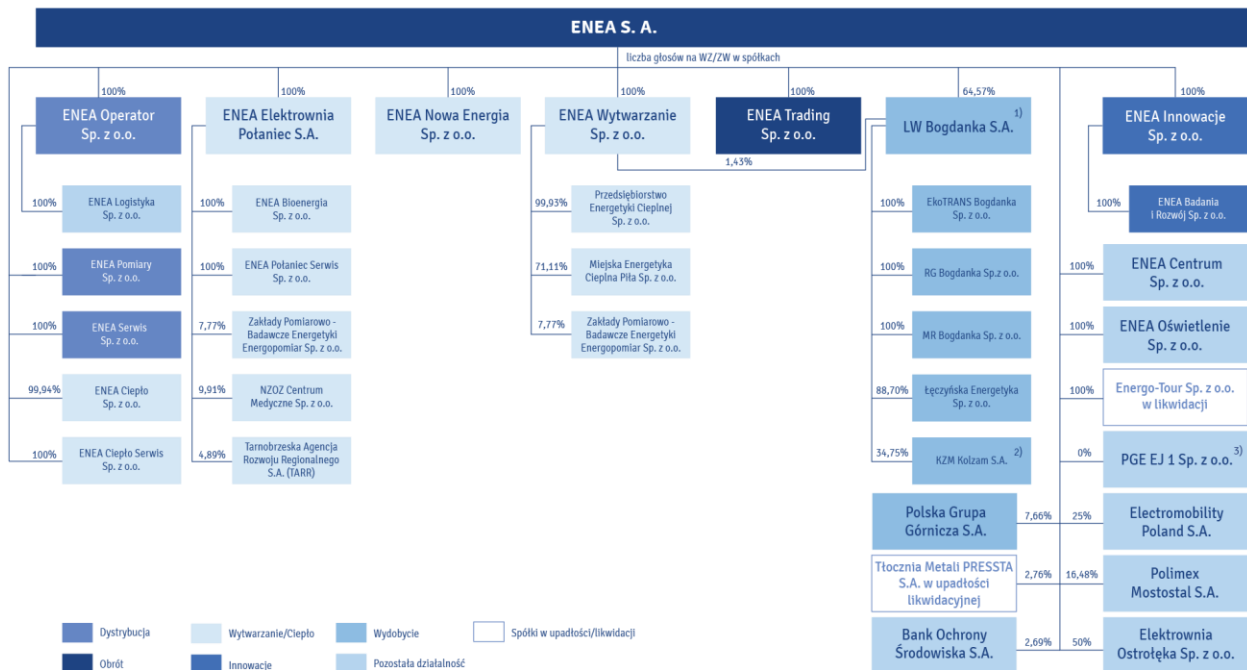
- 13 April 2021 – execution of agreements with PKP CARGO S.A. for the period from 13 April 2021 to 13 October 2022 for the transport of steam coal for ENEA Elektrownia Połaniec S.A.
- 30 April 2021 – execution by ENEA Wytwarzanie sp. z o.o. and LW Bogdanka S.A. of Agreement No. UD/LW/02/2021 for additional supplies and an Annex to Multi-Year Agreement No. UW/LW/01/2012 of 19 February 2021.
- On 11 May 2021, the ENEA S.A. Management Board made a decision on a partial repurchase of ENEA0921 bonds before maturity for redemption, with a par value of PLN 350,000 thousand plus interest and a premium for the holders. The ENEA0921 bonds were issued in the total amount of PLN 500,000 thousand on 16 September 2015 under the "Program Agreement for Bond Issue Program up to the amount of PLN 5,000,000,000 of 30 June 2014," as amended. The non-repurchased portion of the ENEA0921 bonds with a par value of PLN 150,000 thousand will remain held by the bondholders until maturity, that is until 16 September 2021.
- 23 June 2021 – ENEA Elektrownia Połaniec S.A. received information from the Minister of Climate and the Environment that administrative proceedings have been launched ex officio in the matter of public aid received by the entity till 2016 in the form of CO₂ emission allowances for completing power unit modernization projects in 2013-2016. By the power of a decision of the Minister of Climate and the Environment received in 9 August 2021, the proceedings were fully discontinued.
- 25 June 2021 – execution of documents regarding the settlement of the Coal-Fired Project as part of the Ostrołęka C Project and the implementation of the Gas-Fired Project in Ostrołęka, on which the Company reported in Current Reports Nos. 20/2021 and 21/2021.
- 28 June 2021 – execution of an agreement with PKP CARGO S.A. for the period from 1 July 2021 to 31 December 2021 for the transport of steam coal for ENEA Elektrownia Połaniec S.A. from LW Bogdanka S.A.
- 28 June 2021 – execution of agreements with PKP CARGO S.A. for the period from 1 July 2021 to 31 December 2022 for the transport of steam coal for ENEA Wytwarzanie sp. z o.o.
- 30 June 2021 – ENEA Innowacje sp. z o.o. signs a master cooperation agreement with NCBR Investment Fund ASI S.A.

Events after the reporting period

- 9 July 2021 – execution of an Annex to the Steam Coal Purchase Agreement No. 3/W/2021 and the Additional Steam Coal Purchase Agreement between LW Bogdanka S.A. and ENEA Elektrownia Połaniec S.A.
- 9 July 2021 – execution of an Annex to the Steam Coal Purchase Agreement No. UW/LW/01/2012 and the Additional Steam Coal Purchase Agreement between LW Bogdanka S.A. and ENEA Wytwarzanie sp. z o.o.
- 9 July 2021 – identification of a possibility of a partial reversal of the provision recognized in the amount of PLN 222.2 million (initially in the amount of PLN 219.4 million), on which the Company reported in Current Report No. 23/2021.
- 23 July 2021 – ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A., Energa S.A. and the State Treasury entered into a memorandum of understanding on cooperation in a spin-off of coal assets and their integration within the National Energy Security Agency.
- 15 September 2021 – the Company received the letter of resignation tendered by Mr. Ireneusz Kulka from serving in the capacity of a Supervisory Board member and of the Chairman of the Audit Committee as of 16 September 2021.

2. Organization and activity of the ENEA Group

2.1. Structure of the ENEA Group



¹⁾ In total, ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. hold 65.999% of votes at the general meeting.

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

³⁾ On 31 March 2021, the State Treasury acquired from ENEA S.A. 532,523 shares in PGE EJ 1 sp. z o.o. representing 10% of the company's share capital. Accordingly, ENEA S.A. is no longer a shareholder of PGE EJ 1 sp. z o.o.

There are seven leading entities in the ENEA Group, namely ENEA S.A. (trading in electricity), ENEA Operator sp. z o.o. (distribution of electricity), ENEA Wytwarzanie sp. z o.o., ENEA Elektrownia Połaniec S.A. and ENEA Nowa Energia sp. z o.o. (generation and sales of electricity), ENEA Trading sp. z o.o. (wholesale of electricity) and LW Bogdanka S.A. (coal mining). Other companies carry out ancillary activity in relation to the operations of those listed above. The Group's structure includes also minority interests held by ENEA S.A. and its subsidiaries, in particular ENEA Wytwarzanie sp. z o.o. and LW Bogdanka S.A.³⁾

³⁾ Further down in the document, the names of the companies may be presented without the abbreviation of their legal form.

2.2. Changes in the ENEA Group's structure

Asset restructuring

Following key organizational changes introduced in the previous years, in H1 2021 the ENEA Group did not carry out any major asset restructuring activities other than the initiatives associated with the planned changes.

Equity divestments

On 31 March 2021, the State Treasury acquired from ENEA S.A. 532,523 shares in PGE EJ 1 sp. z o.o. representing 10% of the company's share capital. Accordingly, ENEA S.A. is no longer a shareholder of PGE EJ 1 sp. z o.o.

Otherwise, no significant capital divestments were made in H1 2021.

Changes in the organization

In H1 2021, the ENEA Group continued its endeavors aimed at pursuing the Group's Corporate Strategy.

Equity investments

A detailed description of processes related to equity investments is included in the abridged financial statements for H1 2021.

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

- On 19 January 2021, a project was launched entitled “Merger of ENEA Innowacje sp. z o.o. and ENEA Badania i Rozwój sp. z o.o.” The purpose of the project aimed at the merger of ENEA Innowacje sp. z o.o. and ENEA Badania i Rozwój sp. z o.o. to optimize the ENEA Group’s endeavors in the area of innovation. On 1 June 2021, the merger of the companies was registered in KRS.
- On 31 March 2021, the State Treasury acquired from ENEA S.A. 532,523 shares in PGE EJ 1 sp. z o.o. representing 10% of the company’s share capital. Accordingly, ENEA S.A. is no longer a shareholder of PGE EJ 1 sp. z o.o.
- On 7 May 2021, the Extraordinary General of ENEA Innowacje Sp. z o.o. adopted a resolution to increase the share capital by PLN 4,500,000, i.e. from PLN 26,360,000 to PLN 30,860,000 by creating 45,000 new shares with a par value of PLN 100 each. The capital increase was registered on 1 July 2021.

2.3. ENEA Group’s Business Areas



Distribution

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

Generation

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

Mining

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

Wholesale trading

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

Retail trading

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

2.3.1. Mining

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

Item	H1 2020	H1 2021	Change	Q2 2020	Q2 2021	Change
Net production [000s of tons]	3,697	4,947	33.8%	1,631	2,335	43.2%
Sales of coal [000s of tons]	3,522	4,590	30.3%	1,604	2,206	37.5%
Inventories (at the end of the period) [000s of tons]	354	479	35.3%	354	479	35.3%
Excavation works [km]	13.1	10.4	-20.6%	6.5	5.1	-21.5%

2.3.2. Generation

2.3.2.1. Generation assets of the ENEA Group as at 30 June 2021

Item	Installed electricity generation capacity [MW _e]	Achieved electricity generation capacity [MW _e]	Installed heat generation capacity [MW _t]	Installed RES capacity [MW _e]
Kozienice Power Plant	4,071.8	4,020.0	125.4	-
Połaniec Power Plant	1,837.0	1,899.0	130.0	230.0
Bardy, Darżyno and Baczyzna (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
Hydro power plants	58.8	55.8	0.0	58.8
MEC Piła	10.0	10.0	135.3	-
PEC Oborniki	0.0	0.0	27.4	-
ENEA Ciepło (Białystok CHP Plant, "Zachód" Heat Plant)	203.5	156.6	684.1	78.5
Total [gross]	6,256.5	6,215.3	1,105.3	442.7

2.3.2.2. Generation – installed capacity

Kozienice Power Plant

Unit	B1	B2	B3	B4	B5	B6	B7	B8	B9	B10	B11
Installed capacity [MW]	230	230	230	230	230	230	230	230	560	560	1,112
Planned shutdown year	2025	2025	2027	2027	2030	2030	2033	2033	2041	2042	2048

Note: The data presented above are for the baseline variant. The Company also has parallel technological variants that are equally as attractive, but feature a different technological configuration resulting in different times and different numbers of shutdowns of B1-B8 units, which are required for the replacement of the production capacity.

The above data for B1-B8 were prepared on the basis of the currently expected replacement schedule for the production capacity, while data for other units were prepared on the basis of the current working schedule of the units and the generation unit shutdowns anticipated in the schedule. ENEA Wytwarzanie has completed the conceptual work including analysis of the possibility and justification for the use of gaseous fuel (gas and steam unit) in the existing infrastructure of 200 MWe class units. It is assumed that all the generation capacity of the 200 MWe units will be replaced, however the final capacity of the units to be replaced will be specified as a result of a tender procedure. The restoration of generation capacity is planned to take place in several stages. Only after the target capacity replacement model is developed, the shutdown schedule for the 200 MWe power units will be updated. The required corporate approvals have been obtained for the 1st stage of the project associated with the preparation of the Terms of Reference (ToR). This stage is currently under way.

Połaniec Power Plant

Unit	B1	B2	B3	B4	B5	B6	B7	GU
Installed capacity [MW]	200	242	242	242	200	242	239	230
Planned last year of production	2023	2034	2034	2034	2034	2034	2034	2042

The above data were prepared on the basis of the current working schedule of the units and the scheduled generation unit shutdowns. Currently, a concept for the modernization of Unit 1 at ENEA Elektrownia Połaniec is being developed.

ENEA Nowa Energia

At the end of June 2021, the company had productive and non-productive assets: 21 water stages with auxiliary facilities on which hydroelectric power plants are located with installed capacity from 132 kW to 24.8 MW, Liszkowo Biogas CHP Plant with installed capacity of 2.126 MW, Wind Farms: Darżyno with installed capacity of 6.3 MW, Bardy with installed capacity of 50.02 MW and FW Lubno I and Lubno II with installed capacity of 7.65 MW each. The hydro power plants are located on the rivers: Brda, Wda, Gwda, Rega, Drawa, Myśla, Obra and Wełna.

ENEA Ciepło

Unit	B1	B2	B3	B4 ¹⁾	Water boilers	K1	K2	K3	K4	K5
Installed capacity [MW]	55	55	70	23.5	Installed capacity [MW]	0	0	0	0	0
Thermal capacity [MWt]	98.4	108	108	0	Thermal capacity [MWt]	33	35	35	40	40
Planned last year of production	2027	2040	2055	2040	Planned last year of production	-	-	-	-	-

¹⁾ Condensing turbine unit powered by discharges from the B1 unit

2.3.2.3. Data for ENEA Wytwarzanie – Koźienice Power Plant, MEC Piła and PEC Oborniki ¹⁾

Item	H1 2020	H1 2021	Change	Q2 2020	Q2 2021	Change
Total electricity generation (net) [GWh], of which:	6,823	8,229	20.6%	3,385	4,110	21.4%
Net generation from conventional sources [GWh], of which:	6,823	8,229	20.6%	3,385	4,110	21.4%
<i>ENEA Wytwarzanie – Koźienice Power Plant</i>	6,787	8,195	20.7%	3,366	4,094	21.6%
<i>MEC Piła</i>	36	34	-5.6%	19	16	-15.8%
Gross heat production [TJ]	578	707	22.3%	164	192	17.1%

¹⁾ Accounting treatment

Unit 11 in the Koźienice Power Plant	H1 2020	H1 2021	Change	Q2 2020	Q2 2021	Change
Net electricity production [GWh]	2,142	2,572	20%	1,146	1,416	24%
Average monthly net load [MW]	684	704	3%	691	726	5%

2.3.2.4. Data for ENEA Nowa Energia

Item	H1 2020	H1 2021	Change	Q2 2020	Q2 2021	Change
Total RES production (net) [GWh], including:	184	146	-20.6%	71	68	-4.4%
<i>hydro power plants</i>	76	68	-10.2%	32	30	-6.0%
<i>wind farms</i>	103	74	-28.5%	36	35	-2.9%
<i>biogas plants</i>	4	4	-13.9%	2	2	-5.6%

2.3.2.5. Data for ENEA Elektrownia Połaniec

Item	H1 2020	H1 2021	Change	Q2 2020	Q2 2021	Change
Total electricity generation (net) [GWh], of which:	3,226	3,460	7.2%	1469	1716	16.8%
<i>ENEA Elektrownia Połaniec – net generation from conventional sources</i>	2,222	2,547	14.6%	992	1199	20.9%
<i>ENEA Elektrownia Połaniec – generation from renewable energy sources (firing of biomass – Green Unit)</i>	779	761	-2.3%	387	426	10.2%
<i>ENEA Elektrownia Połaniec – generation from renewable energy sources (cofiring of biomass)</i>	226	152	-32.8%	90	91	0.5%
Gross heat production [TJ]	898	1,146	27.7%	468	570	21.6%

2.3.2.6. Data for ENEA Ciepło

Item	H1 2020	H1 2021	Change	Q2 2020	Q2 2021	Change
Total electricity generation (net) [GWh], including:	193	234	21.2%	71	87	22.5%
<i>Net generation from conventional sources [GWh] – excluding combustion of biomass</i>	73	140	91.8%	4	40	900.0%
<i>Net generation from renewable energy sources – combustion of biomass [GWh]</i>	120	94	-21.7%	67	47	-29.9%
Gross heat production [TJ] (with the Zachód Heat Plant)	2,029	2,450	20.7%	611	688	12.6%

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

	CO ₂ emissions [t]	Allocation of free CO ₂ emission allowances [t]	Costs of allowances [PLN 000s]
Kozienice Power Plant			
H1 2020	6,035,713	26,532	635,328
H1 2021	7,248,016	- ³⁾	899 246
MEC Piła			
H1 2020	44,859	11,827 ²⁾	3,826 ¹⁾
H1 2021	52,020	- ³⁾	6,795 ¹⁾
Białystok – CHP plant			
H1 2020	122,178	70,157 ²⁾	5,176
H1 2021	216,809	- ³⁾	25,395
Białystok – “Zachód” Heat Plant			
H1 2020	7,314	668 ²⁾	752
H1 2021	14,411	- ³⁾	1,637
Połaniec Power Plant			
H1 2020	2,224,541	1,241,357	195,910
H1 2021	2,630,358	- ³⁾	262,505
Łęczyńska Energetyka⁴⁾			
H1 2020	25,571	6,535	1,999
H1 2021	30,858	- ³⁾	6,209
Total H1 2020	8,460,176	1,357,076	842 991
Total H1 2021	10,192,472	-	1,201 787

¹⁾ Accounting treatment

²⁾ Non-recurring allocation of free allowances for 2020

³⁾ No allocation as at the date of publication of this periodic report

⁴⁾ Entity in the LW Bogdanka Group holding CO₂ emission allowances

2.3.2.8. Fuel supply

The main fuel used by the Kozienice Power Plant to generate electricity is pulverized bituminous coal. The main fuels used by the Połaniec Power Plant in H1 2021 were fine coal and biomass – mainly in the form of steam wood chips and residues from agricultural production and the agricultural processing industry. The main fuels used in ENEA Ciepło (Białystok CHP Plant) in H1 2021 were coal and biomass – mainly in the form of steam wood chips, steam willow and poplar wood chips, and residues from agricultural production and the agricultural processing industry.

Coal deliveries	Kozienice Power Plant	Połaniec Power Plant	ENEA Ciepło
Major coal suppliers in H1 2021	LW Bogdanka (approx. 91%) PGG (approx. 8%)	LW Bogdanka (49%) PGG (approx. 50%)	LW Bogdanka (100%)
Main operator effecting deliveries in H1 2021	PKP Cargo (approx. 100%)	Kolprem (approx. 28%) PKP Cargo (approx. 49%)	LW Bogdanka (approx. 100%)

Purchase of fuel	H1 2020		H1 2021	
	Quantity [000s of tons]	Cost [PLN million]	Quantity [000s of tons]	Cost [PLN million]
Bituminous coal	3,564	932	4,857	1,171
Biomass	987	269	949	178
(Heavy) fuel oil ¹⁾	6	9	8	15
(Light) fuel oil ²⁾	4	10	3.22	9.75
Natural gas [thous. m ³] ³⁾	11,722	13	11,238	12.77
Total [PLN m]		1,233		1,387

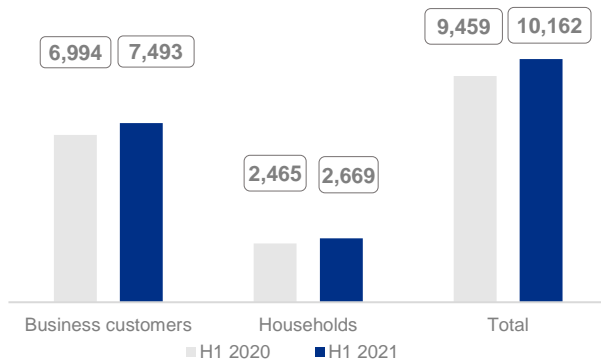
¹⁾ Light up fuel in U1-10 of the Kozienice Power Plant and U1-7 of the Połaniec Power Plant

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

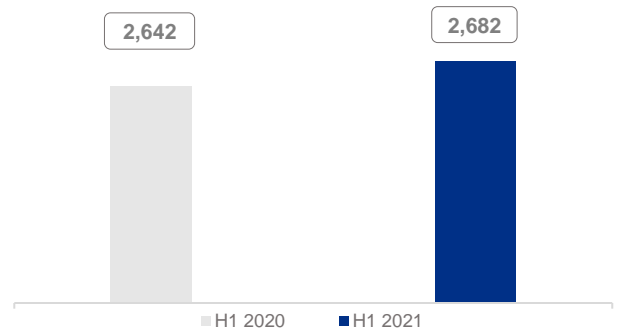
³⁾ Used for generation of electricity and heat in MEC Piła

2.3.3. Distribution

Sales of distribution services [GWh]



Number of customers (in thousands)



106.34 thous. km of distribution lines

38.51 thousand transformer substations

13.00 thous. km of connections

965.99 thousand connections

Connected RES sources (including microinstallations) in the operating area of ENEA Operator

Year	Number of connected RES sources, including microinstallations, cumulative	Number of connected microinstallations, based on the submitted reports and requests, cumulative	Total connected RES capacity, including microinstallations, cumulative [MW]	Total capacity of connected microinstallations, based on the submitted reports and requests, cumulative [MW]
2016	2,758	2,408	1,237	15
2017	4,573	4,213	1,269	28
2018	7,216	6,816	1,329	48
2019	19,500	19,008	1,497	134
2020	62,748	62,157	2,043	436
H1 2021	80,465	79,818	2,375	573

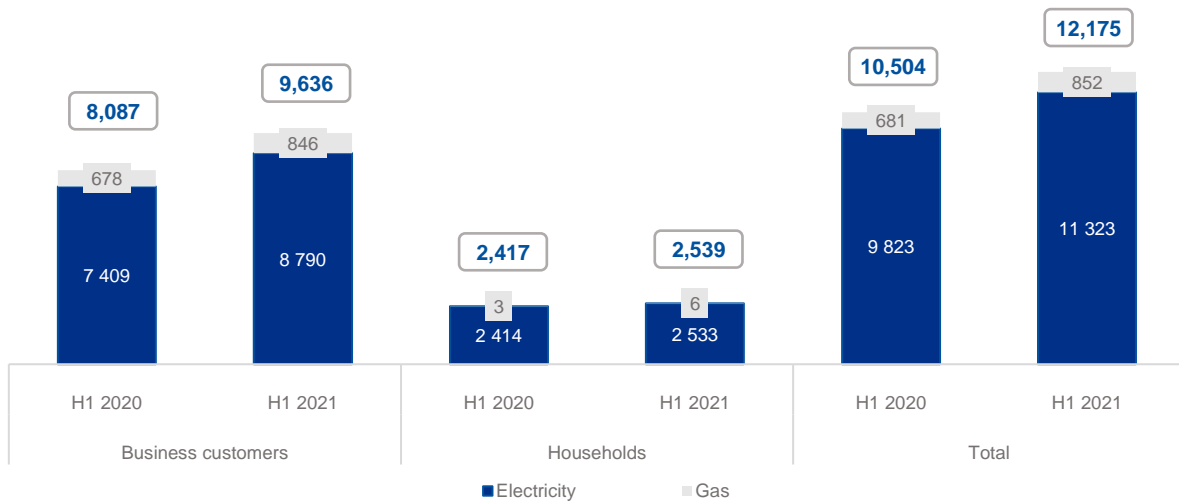
2.3.4. Trading

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

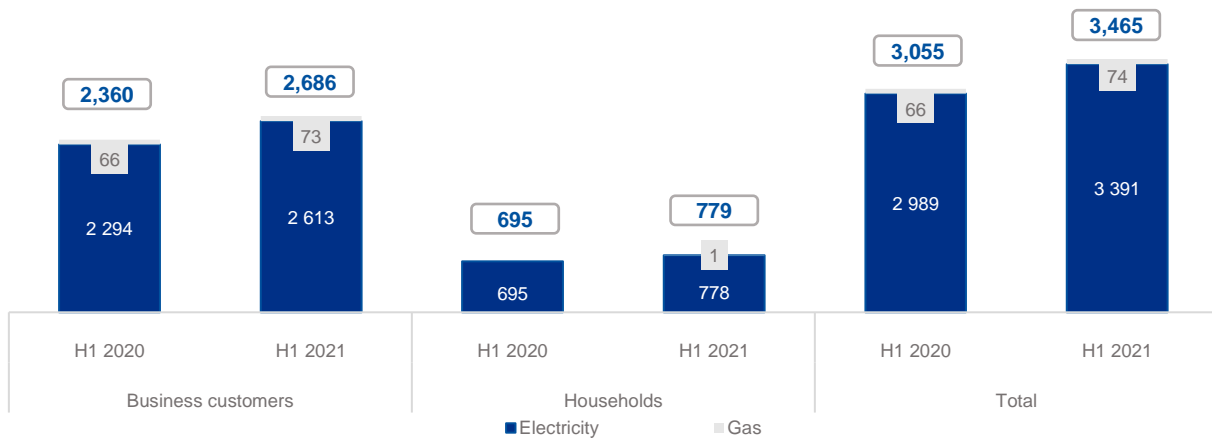
In H1 2021, the total sales volume of electricity and gaseous fuel increased by 1,671 GWh, or 15.9%, as compared to the corresponding period of 2020. This increase was driven by sales of electricity in both the business customer segment (by 1,381 GWh, i.e. 18.6%) and in the household segment (by 119 GWh, i.e. 4.9%). The sales volume of gaseous fuel also increased compared to the corresponding period of the previous year, by 171 GWh, or 25.1%. The increase affected mainly sales in the business customer segment (by 168 GWh, or 24.8%).

Total revenue from sales increased in H1 2021 by PLN 410 million, or 13.4%, as compared to the corresponding period of 2020. This increase affected revenues both in both the business customer segment and in the household segment.

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



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



2.4. Development strategy

MISSION:

ENE A provides reliable products and services to its customers by building lasting relationships based on respect for the environment and shared values.

VISION:

ENE A is a leading supplier of integrated products and services valued for quality, comprehensive approach and reliability

ENE A Group Development Strategy until 2030 with an outlook to 2035

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

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

1. transformation of generation assets towards zero- and low-emission sources;
2. innovative services for ENE A's customers;
3. contemporary communication with customers and modern cooperation models;
4. electromobility, hydrogen technologies;
5. Smart Grid – smart solutions for customers;
6. automation, robotization and digitization of processes;
7. Internet of Things, artificial intelligence, blockchain;
8. energy storage;
9. sourcing of fuels in accordance with best practices and respect for the environment.

Environment and key stakeholder expectations

-  Value creation
-  Competitive advantages
-  Climate protection
-  Green energy
-  Financial stability
-  Energy security

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

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

1. diversification of the ENE A Group's generation portfolio;
2. reliability and continuity of electricity supply;
3. responsible partnership in sustainable management of relations with local communities, the environment and customers;
4. ensuring financial security of the ENE A Group;
5. innovation in all aspects of the ENE A Group's activity;

Its overriding objective will entail its sustainable development. Accordingly, the ENE A Group's overriding objective is "continuous growth of the ENE A Group's value while ensuring sustainable development".

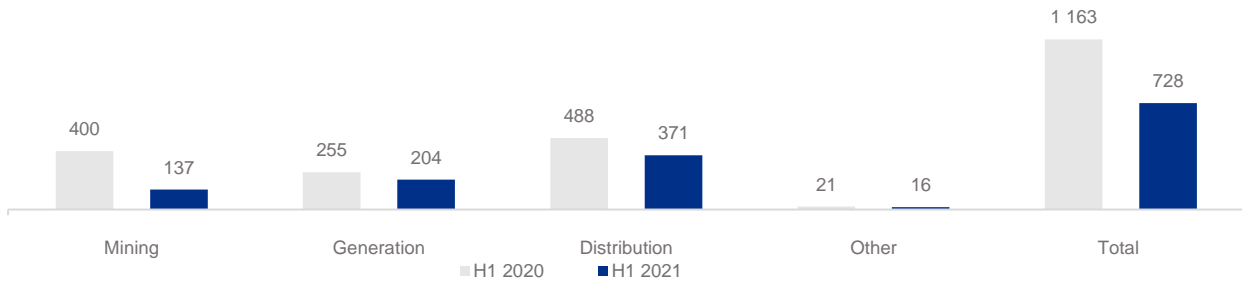
The ENE A Group's Strategy currently in force calls for the achievement of a number of KPIs by 2030 and 2035. Detailed parameters adopted for the Strategy and information on the capital expenditures earmarked for its implementation were presented in various disclosure instruments, including Current Report No. 36/2019.

At the same time, due to abundant changes of a fundamental nature in the industry environment, work is underway on updating the ENE A Group's Strategy in order to address existing challenges and circumstances affecting businesses operating in the power sector. The updated Strategy will enable an ambitious, sustainable and efficient transformation of the ENE A Group.

In light of the foregoing, in the context of this report, the Issuer has opted to refrain from presenting the level of attainment of selected KPIs provided for in the current Strategy from the perspective of the performance and operational data for H1 2021.

2.5. Actions and investments pursued

2.5.1. Capital expenditures (CAPEX)



Capital expenditures (CAPEX) [PLN m]	Q2 2020	Q2 2021	Actuals Q2 2021 / Plan Q2 2021	H1 2020	H1 2021	Actuals H1 2021 / Plan H1 2021	Plan 2021
Mining	133.2	65.3	66.6%	399.5	137.1	68.0%	597.7
Generation	138.9	121.2	77.0%	254.8	203.9	73.0%	568.8
Distribution	315.3	215.6	111.0%	488.4	371.1	90.4%	901.3
Support and other	11.9	9.6	2.9%	20.5	16.0	4.7%	440.1
Total plan performance	599.3	411.7	52.0%	1,163.2	728.1	59.0%	2,507.9

Environmental investment projects

Item [PLN m]	Actuals Q2 2021	Actuals H1 2021
Adaptation to BAT conclusions (Połaniec Power Plant)	22.4	36.6
Construction of a cogeneration source in Piła (MEC Piła)	0.2	11.6
Adaptation to BAT conclusions (Kozienice Power Plant)	1.5	5.1
Other	3.4	6.7
Total environmental investments	27.5	60.0

2.5.2. Execution of other projects

Distribution Area – ENEA Operator

Name of investment	Value [PLN million]
Investments completed in H1 2021:	
• Construction and modernization of a number of grid infrastructure elements, such as high, medium and low voltage lines and transformer stations, related to the pursuit of the following objectives: fulfilling the public-legal obligation, ensuring energy security for the region, improving the reliability and quality of electricity supply – grid automation, change of the MV network structure from overhead to cable, activities aimed at achieving the “smart grid” standard;	356.3
• Development of the infrastructure area to support operations in terms of IT and telecommunications;	10.3
• Development of the infrastructure area to support operations in terms of buildings and tools;	1.4
• Development of the infrastructure area to support operations in terms of transport.	0.2
Investments planned for execution in the subsequent quarters of 2021:	
• Construction and modernization of a number of grid infrastructure elements, such as high, medium and low voltage lines and transformer stations, related to the pursuit of the following objectives: fulfilling the public-legal obligation, ensuring energy security for the region, improving the reliability and quality of electricity supply – grid automation, change of the MV network structure from overhead to cable, activities aimed at achieving the “smart grid” standard;	468.0
• Development of the infrastructure area to support operations in terms of IT and telecommunications;	22.7
• Development of the infrastructure area to support operations in terms of buildings and tools;	16.4
• Development of the infrastructure area to support operations in terms of transport.	9.5

As a leader among DSOs in the utilization of EU money. ENEA Operator obtained the largest amount of grants for investments from European Union funds among distribution system operators, under the EU budget for 2014-2020 – the company obtained over 40 percent of available EU funds allocated to national DSOs. In total, the company has already obtained over PLN 400 million in grants.

Generation Area – Kozenice Power Plant

Name of investment	Value [PLN million]
Investments completed in H1 2021:	
• Electrostatic precipitator of Unit 5 – Unit 5 was started up on 31 October 2020. On 25 November 2020, the final acceptance of the facility was carried out. The as-built documentation was collected on 28 January 2021. The investment was recognized as property on 24 February 2021.	0.03
• Electrostatic precipitator of Unit 8 – Modernization of the electrostatic precipitator of Unit 8 was started up on 25 January 2021.	0.5
After the modernization, the electrostatic precipitator of Unit 8 completed a Trial Run with a positive result on 26 May 2021.	0.2
• Modernization of the cooling water intake canal – the project was settled on 30 April 2021.	38.0
• Modernization of unit 8 – modernization completed. The Trial Run was conducted on 26 May 2021 with a positive result.	
Investments planned for execution in the subsequent quarters of 2021:	
1. Modernization of Unit 3, which is part of the Unit 3 and 8 Modernization Program in 2021 – modernization in progress.	41.7
2. Installation of a catalytic flue gas denitrification system and modernization of electrostatic precipitators for AP-1650 boilers of units 9 and 10 within the framework of modernization program for 2 x 500 MW units – continuation from 2018.	10.2
3. Program entitled "Modernization of the cooling water system in the Kozenice Power Plant", scheduled for execution in 2019-2022, including:	
• construction of draft cooling towers with design work;	0.6
• modernization of cooling water pumps for 200 MW units.	8.0
4. Program to adapt ENEA Wytwarzanie to the BAT conclusions, including:	
• modernization of the electrostatic precipitator in Unit 3;	0.6
• installation of a heavy metal reduction system for FGD wastewater;	5.4
• modernization of the flue-gas desulfurization system FGD I;	0.6
• modernization of the flue-gas desulfurization system FGD II;	2.6
• modernization of the flue-gas desulfurization system FGD IV.	0.7

Generation Area – Połaniec Power Plant

Name of investment	Value [PLN million]
Investments completed in H1 2021:	
• adaptation of ENEA Elektrownia Połaniec to the BAT conclusions.	36.6
Investments planned for execution in the subsequent quarters of 2021:	
• adaptation of ENEA Elektrownia Połaniec to the BAT conclusions.	53.9

Generation Area – ENEA Ciepło

Name of investment	Value [PLN million]
Investments completed in H1 2021:	
• investments with co-funding – rebuilding existing heat distribution networks and hubs;	3.3
• development investments – building new heat distribution networks, connections and hubs, telemetry;	2.6
• modernization of coal-fired boilers in the Zachód Heat Plant to adapt them to the environmental requirements;	0.05
• amount of capital expenditures in the Head Office area;	3.3
• replacement of controllers in DCS automation systems of and FSC systems on units and off-unit systems;	0.6
• construction of a biomass-fired cogeneration unit;	0.2
• other capital expenditures in the Białystok CHP Plant area.	2.1
Investments planned for execution in the subsequent quarters of 2021:	
• investments with co-funding – rebuilding existing heat distribution networks and hubs;	16.3
• development investments – building new heat distribution networks, connections and hubs, telemetry;	10.7
• modernization of coal-fired boilers in the Zachód Heat Plant to adapt them to the environmental requirements;	4.0
• amount of capital expenditures in the Head Office area;	1.3
• revitalization of boiler K7;	3.5
• reconstruction of coal pulverizers for boilers K-7 and K-8;	1.2
• replacement of controllers in DCS automation systems of and FSC systems on units and off-unit systems;	2.9
• construction of a biomass-fired cogeneration unit;	1.8
• other capital expenditures in the Białystok CHP Plant area.	3.7

Mining Area

Name of investment	Value [PLN million]
Investments completed in H1 2021:	
Development investments:	
• purchase of finished goods, machinery and equipment.	137.1
Operating investments:	
• new mining pits and modernization of existing ones – 10.4 km of roadways were made in H1 2021.	
Investments planned for execution in the subsequent quarters of 2021:	
Development investments:	
• purchase of finished goods, machinery and equipment;	460.6
• purchase and installation of a longwall system.	
Operating investments:	
• new excavations and upgrade of existing ones.	

Area	Events
Retail Area	<p>The cooperation model related to photovoltaic systems has been optimized in order to increase the sales level and take advantage of the ENEA Group's potential in this respect.</p> <p>An extension of the ENEA Optima offering was rolled out, in compliance with new regulations on the capacity fee. ENEA Optima is a system used to acquire metering data remotely, which allows business customers to monitor and optimize their energy and power consumption.</p> <p>The product portfolio has been updated in respect to an offering directed to consumers, by implementing products based on the discount mechanism linked to additional services.</p>
Customer Service Area	<p>Continued work on introducing automation processes in the customer service area through, e.g., robotic process automation (RPA) that will translate into timely achievement of key indicators within the implemented processes,</p> <p>Continuation of the eCustomer Program, the purpose of which is to implement new technical and organizational solutions, increasing the level of digitalization of Customer contacts, develop modern and low-cost channels for reaching and servicing Customers and to develop modern service and sales channels: online execution of agreements, e-Applications, chatbots and voicebots, marketplace.</p> <p>In stationary Customer Service Centers, in order to optimize the printing costs of paper documents, the mailing of documents attached to agreements to the e-mail addresses provided by customers was launched;</p> <p>Execution of the project of mobile Customer Service Centers, aimed at improving the quality and efficiency of sales of Enea products and effectively reaching customers who live in smaller towns.</p> <p>Continuation of the Visualization of the Customer Service Center network and creation of the first pilot Showroom in the Malta Shopping Center in Poznań. In their new visual layout, the showrooms are intended to combine endeavors aimed at creating the image of Enea as an innovative, environmentally friendly and customer-oriented company, while focusing on sales and marketing functions.</p> <p>Implementation of solutions in billing systems that support the settlement of a new component of the distribution fee – the capacity fee and the e-Mobility tariff dedicated to generally available charging stations.</p>
Wholesale Area	<p>Continuation of the project entitled "Adaptation of ENEA Group Companies to changes in the operation of the balancing market in Poland".</p> <p>Continuation of the project entitled "Development of biomass trading activity by ENEA Trading sp. z o.o."</p>

2.5.3. Executed contracts

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

In H1 2021, ENEA Group companies executed no contracts of material importance, although the following contracts were signed in this period:

- annexes to Steam Coal Purchase Agreement No. 3/W/2012 between ENEA Elektrownia Polaniec and LW Bogdanka for the purchase of coal and additional coal purchase agreements between those entities.
- annexes to the Steam Coal Purchase Agreement No. UW/LW/01/2012 ENEA Wytwarzanie and LW Bogdanka for the purchase of coal and additional coal purchase agreements between these entities.

2.5.4. Sources of funding for the investment program – issues of securities and loans and borrowings

ENEA S.A. finances its investment program by using financial surpluses from its business activities and external debt. The ENEA Group pursues an investment financing model whereby ENEA S.A. acquires funds from external sources and distributes them to its subsidiaries. In its subsequent activities, ENEA S.A. will focus on ensuring appropriate diversification of external sources of financing for investments planned in the ENEA Group Strategy in order to optimize the costs and maturities of debt.

In H1 2021, ENEA S.A. did not enter into any new loan agreements.

As at 30 June 2021, ENEA S.A. had PLN 1,790 million in outstanding long-term loans at the par value of debt.

As at 30 June 2021, the nominal debt of ENEA S.A. arising from issued bonds and contracted loans totaled PLN 6,914 million.

At the same time, members of the ENEA Group are parties to separate credit facility/loan agreements. As at 30 June 2021, the total nominal amount of external debt under the loans and borrowings incurred by the ENEA Group companies (without ENEA S.A.) was PLN 55.9 million.

In H1 2021, no ENEA Group company terminated any loan agreement.

2.5.5. Sureties and guarantees granted

In H1 2021, ENEA Group companies did not grant any new sureties or guarantees of significant value.

As at 30 June 2021, the total value of corporate sureties and guarantees granted by ENEA S.A. to secure the liabilities of the ENEA Group companies was PLN 35.1 million, while the total value of bank guarantees issued at the request of ENEA S.A. and as collateral for liabilities of the ENEA Group companies was PLN 523.2 million.

2.5.6. Interest rate hedging transactions

In H1 2021, ENEA S.A. did not enter into any new interest rate hedging transactions.

2.5.7. Distribution of cash – Bond issue programs effected by subsidiaries

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

Currently, in the Generation and Distribution Areas, ENEA S.A. has intra-group bond issue programs in place with a total initial par value of PLN 5,371 million. These programs have been fully utilized and are partly redeemed in installments. As at 30 June 2021, the total nominal exposure arising from bonds held by ENEA S.A. and issued under these programs is PLN 3,239 million. In the previous years, ENEA S.A. also concluded intra-group bond issue program agreements with its subsidiaries, which are used to finance investments in the RES and Heat Segments. As at 30 June 2021, the total value of bonds issued and outstanding under these programs was PLN 12 million.

2.5.8. Loans granted

In H1 2021, ENEA S.A. executed two new loan agreements with ENEA Group companies. In June 2021, ENEA S.A. executed a loan agreement with ENEA Operator for the amount of PLN 1,090 million and with MEC Piła in the amount of PLN 15 million. The par value of the companies' debt as at 30 June 2021 was PLN 4,014 million. Detailed information on the intragroup loan agreements in effect in H1 2021 and their utilization level is presented in the table below:

Start date	Final maturity	Company	Value of the agreement [PLN 000s]	Loan amount taken out in H1 2021 [PLN 000s]	Interest rate	Loan debt as at 30 June 2021 [PLN 000s]
July 2019	December 2026	ENEA Operator	2,890,000	0	base rate + margin	1,500,000
September 2019	September 2021	Elektrownia Ostrołęka	199,000	0	Fixed	199,000
January 2020	September 2024	ENEA Wytwarzanie	2,200,000	0	base rate + margin	1,800,000
February 2020	December 2024	ENEA Elektrownia Połaniec	500,000	0	base rate + margin	500,000
June 2021	December 2031	MEC Piła	15,000	15,000	base rate + margin	15,000

2.5.9. Related party transactions

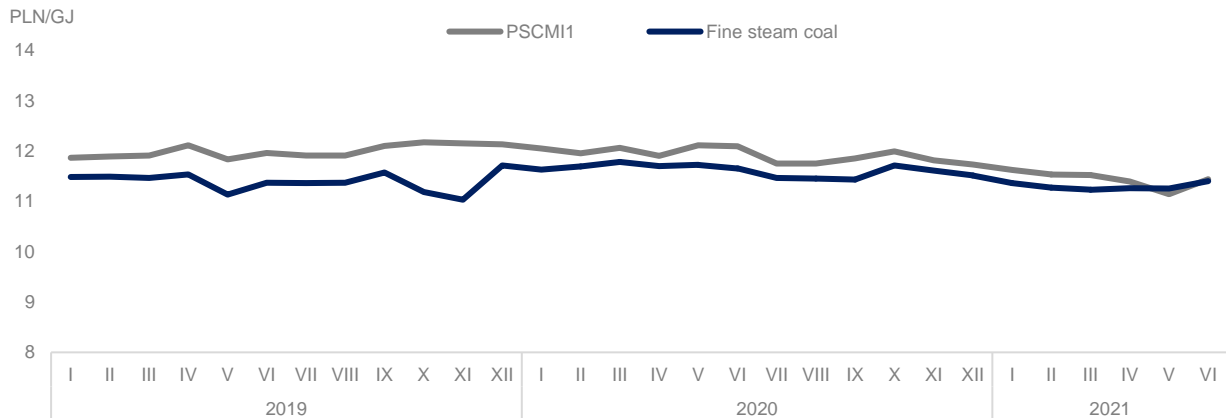
In H1 2021, ENEA S.A. and its subsidiaries did not enter into any transactions with related parties other than on an arm's length basis. Information on transactions with related parties entered into by ENEA S.A. or its subsidiaries is provided in note 24 to the "Condensed interim consolidated financial statements of the ENEA Group for the period from 1 January to 30 June 2021".

3. ENEA Group's Risk Model

RISK MODEL	CORE RISKS TO WHICH THE ENEA GROUP IS EXPOSED, BY CATEGORY	EXAMPLES OF RISK MITIGATING MEASURES, BY CATEGORY
STRATEGIC	<ul style="list-style-type: none"> • Risk of adopting erroneous assumptions for long-term financial projections • Risk of improper management of information in a crisis situation • Risk of non-compliance with the restrictive objectives of the EU climate policy in the generation area • Risk of a generation gap • Risk associated with unexpected expenditures and costs that may be incurred as a result of settlements with stakeholders of the Ostrołęka C power plant construction project • Risk of recognition of the failure to follow the principles of the Compliance Program • Risk of adverse legal changes in Poland and the EU associated with uncertainty of legislative environment • Risk of the loss of the concession 	<ul style="list-style-type: none"> • Monitoring and verification of forecasts of exchange rates, interest rates, price paths and other macroeconomic assumptions • Maintaining efficient communication channels with key business units • Implementation of solutions aimed at supplementing, enhancing and strengthening the competence and knowledge of the organization, e.g. through paid traineeships and apprenticeships, cooperation with endorsed schools • Ensuring a transparent, competitive and motivational remuneration system • Monitoring of following the Compliance Program and employee training • Monitoring of legislative activities • Participation in the work on energy industry regulations and in the work of thematic teams and other industry associations
FINANCIAL	<ul style="list-style-type: none"> • Risk of breach of financing agreements • Risk of rating downgrade • Risk of terminating agreements by banks • Liquidity risk • Risk of losses due to counterparty default (including credit risk) • Risk of non-execution or delays in the execution of investments • Risk of adverse environment of the insurance market • Risk of interest rate fluctuations • Risk of losing pending lawsuits 	<ul style="list-style-type: none"> • Monitoring banking covenants at the ENEA Group • Ongoing consultations with the credit rating agency • Ongoing consultations with banks • Conducting structured activities in the area of credit risk management and debt collection • Monitoring the implementation of investment tasks • Looking for new reinsurance markets • Preparation of information on transformation of production sources and dialogue with the insurance and reinsurance market
OPERATING	<ul style="list-style-type: none"> • Risk of non-compliance with BAT conclusion requirements • Risk of delayed tender processes • Risk of ICT security in the ENEA Group • Risk of breaching personal data protection laws and internal regulations • Risk of imbalance in revenues and costs of the purchase and sales of electricity • Risk of interruption of operation due to severe weather conditions • Risk of losses in capacity caused by hydrological conditions • Risk of unavailability of employees as a result of the state of epidemic of a communicable disease • Risk of unfavorable social climate • Risk of industrial failures and accidents. 	<ul style="list-style-type: none"> • Monitoring of the performance of investments connected with meeting BAT conclusion requirements • Procurement process management • Conducting tests of IT systems to ensure ICT security • Conducting an information campaign among employees, including induction training on, among others, rules of ICT security • Monitoring of hydrological conditions • Ongoing implementation of nationwide recommendations concerning minimization of the risk of infections. • Maintaining active and regular dialog with the social stakeholder. • Increasing awareness regarding GDPR among employees through periodic, e-learning training courses
MARKET	<ul style="list-style-type: none"> • Risk of commodity price volatility on the futures market • Risk of non-continuity of fuel supplies • Volumetric risk of fuel and transport 	<ul style="list-style-type: none"> • Improving methods and tools to optimize commodity portfolios • Maintaining and developing competence within the Company to manage commodity risk • Diversification of sources of supply and service provision • Monitoring of the fuel and energy market • Optimization of coal deliveries within the Group

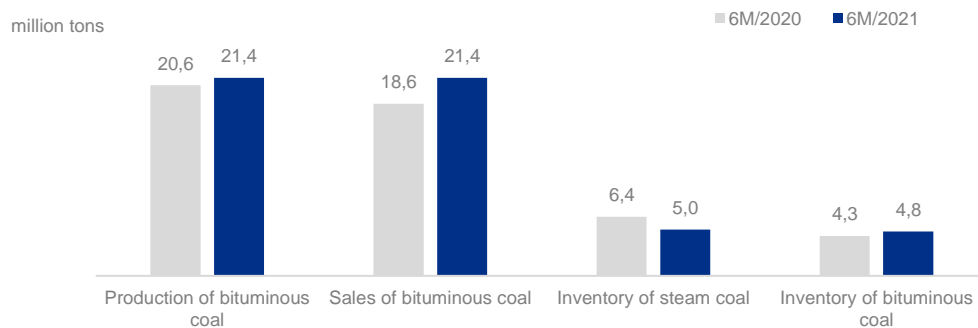
4. Market environment

Coal prices on the Polish market



PSCMI1: average price of PSCMI1 in Q2 2021 was PLN 11.32 per GJ, or 5.9% y/y down from the average price of PLN 12.03 per GJ in Q2 2020. In H1 2021, the average price was PLN 11.44 per GJ vs. PLN 12.03 per GJ in 2020 – down by 4.9% y/y.

Fine coal fractions: The average price of fine steam coal sold to Commercial Power Plants in Q2 2021 was PLN 11.30 per GJ vs. the average price in Q2 2020 of PLN 11.69 per GJ – down by 3.3% y/y. In H1 2021, the average price of fine coal fractions was PLN 11.29 per GJ vs. PLN 11.70 per GJ in 2020 – down by 3.5% y/y.



In H1 2021, Polish mines produced a total of 21.4 million tons of steam coal, compared to 20.6 million tons in the corresponding period of 2020 (+4% y/y). Sales of coal on the domestic coal market was 21.4 million tons, having increased by 14.9% y/y.

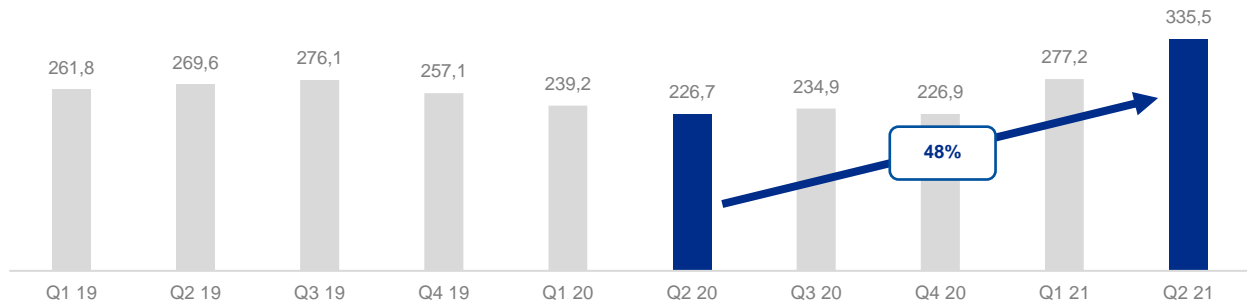
Inventories of steam coal at the end of June fell 22.2% y/y to 5.0 million tons. In H1 2021, total imports to the domestic market reached 4.8 million tons of steam coal, up 12.2% compared to the corresponding period of 2020.

Situation in the domestic bituminous coal mining sector

The electricity price path is related to the costs of acquisition of generation fuel and the cost of purchasing CO₂ emission allowances, which are currently oscillating within the EUR 50-58 per ton range and generate additional risks related to the term contracting process. A gradual decline in domestic output is expected as per the mine shutdown schedule within the energy transition horizon.

Energy prices on the Polish market

BASE_Y_20/21/22 (PLN/MWh)



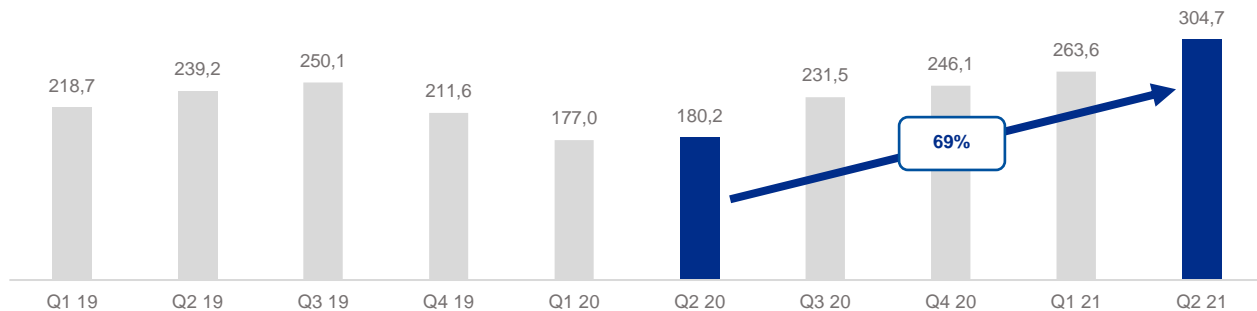
Source: PPE, clearing prices

On the wholesale electricity forward market, the average price of the BASE Y-22 product increased 48%, to PLN 335.54 per MWh in Q2 2021, compared to the corresponding product (i.e. BASE Y-21) in Q2 2020.

The market price of BASE Y-22 in H1 2021 was highly volatile. At the beginning of the year, it hovered above PLN 259.86 per MWh, to drop to slightly below PLN 358.65 per MWh towards the end of the six-month period.

The BASE Y-22 price in H1 2021 was affected chiefly by changes in the prices of CO₂ emission allowances.

RDN BASE (PLN/MWh)



Source: PPE, clearing prices

The average price of electricity on the spot market in Q2 2021 was 69% higher than in the corresponding period of 2020. This increase resulted mainly from the considerably higher valuation of all months in the quarter than in the corresponding period of 2020.

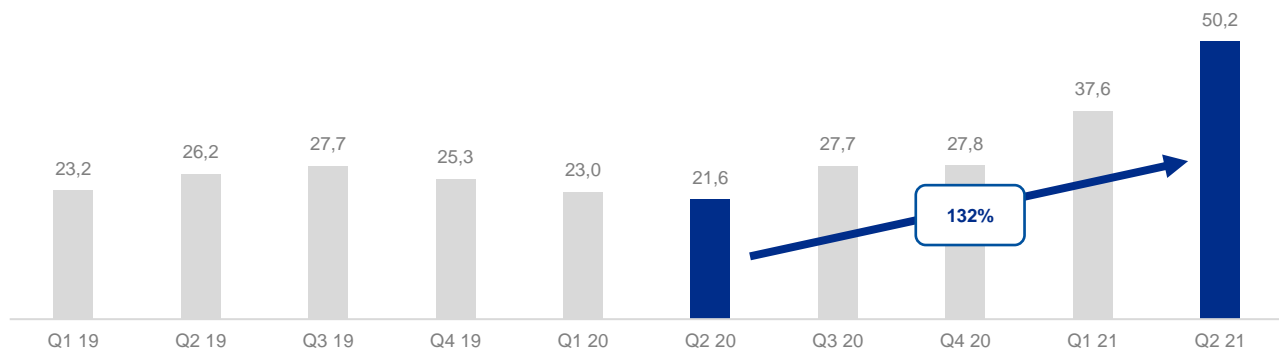
The level of electricity prices on the spot market in H1 2021 was affected by:

- high prices of CO₂ emission allowances (price-increasing effect),
- high levels of power deficits in the Polish Power System (NPS) than planned (price-increasing effect),
- relatively low wind generation in the winter period (price-increasing effect),
- average demand for power in the Polish Power System (PPS) at a higher level compared to 2020 (price-increasing effect),
- relatively low air temperatures in the winter period (price-increasing effect),
- relatively low energy imports from neighboring countries (price-increasing effect).

In H1 2021, the volume of trading in the annual frontal product, that is BASE_Y-22, totaled 5,153 MW, signifying a major drop compared to H1 2020, when transactions for a total of as much as 7,965 MW were executed under BASE_Y-21 contracting (down by 35% y/y). The average volume contracted at each session declined from 64 MW in 2020 to 42 MW in 2021.

Prices of CO₂ emission allowances and “green” property rights

CO₂ emission allowances (Dec-20) (EUR/t)



Source: ICE, clearing prices

In the early days of January, the prices of CO₂ emission allowances continued to follow an upward trend, which started at the turn of October and November, along with favorable news about the development of vaccines against COVID-19, and was additionally reinforced by factors such as the setting of a new emission reduction target of 55% by 2030, the postponement of primary auctions and the allocation of free allowances to industry. Moreover, the UK finally decided to leave the EU ETS and create its own emissions trading system, with operators participating in the EU ETS still required to fulfill the obligation for 2020. The first corrective move (with a minimum at EUR 31.62 per ton) occurred place at the turn of January, following which the prices stabilized at an average level of approx. EUR 33.40 per ton in a side trend. The rapid resumption of the upward trend coincided with the launch of primary auctions. The first auction of German allowances was settled at EUR 33.51 per ton. The second auction of Polish CO₂ emission allowances was settled at a price higher by more than EUR 4 per ton, namely at EUR 38.00 per ton. Ultimately, this move brought the prices closer to EUR 40 per ton (with a maximum of EUR 40.02 per ton reached on 12 February 2021). A price correction followed this local extreme, most likely caused by a Bloomberg article (temporal coincidence), according to which the European Commission is considering the imposition of limits on allowances held in the register by market participants (including investment funds) as a response to the speculative nature of the February price increase. Eventually, the correction halted at EUR 37.27 per ton and was followed by another steep price increase, with the price reaching a level close to EUR 43 per ton (EUR 42.99 per ton on 17 March 2021). The market's discounting of the possible effects of changes to the EU ETS that must be made to bring the EU ETS in line with the approved new reduction target, and the uncertainty arising from the imminent launch of the UK ETS, pushed prices up to EUR 56.65 per ton in the first half of May. Ultimately, the launch of UK auctions caused a temporary drop in EU ETS prices due to capital transfers, as UK units holding European allowances cashed in to buy UK allowances. This procedure was observed during two more UK auctions, which had a declining impact on the quotation of EUAs.

Other factors important for the valuation of CO₂ emission allowances in June included mainly:

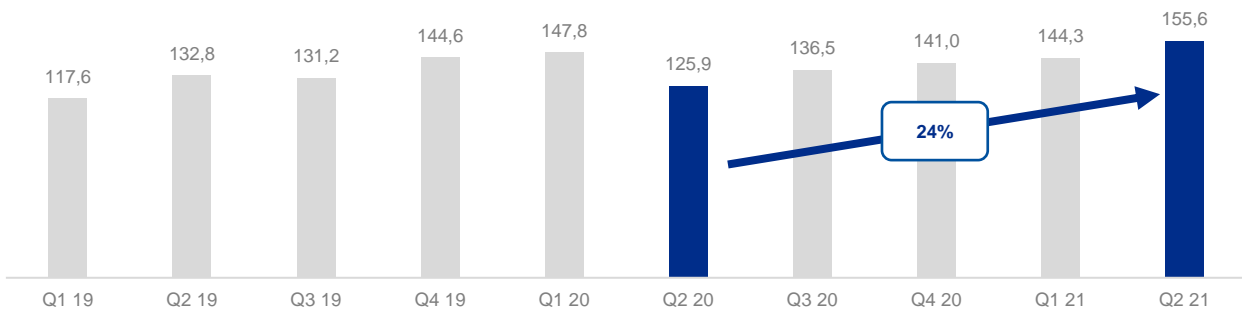
- relocation of the part of the ICE exchange responsible for the trading of EUAs from London to Amsterdam (as a result of the Brexit) and the resulting technical problems that made effective trading impossible and led to a temporary suspension of trading,
- information on the Fit for 55 legislation package associated with the implementation of European New Deal and changes in the Climate policy.

As a result of the price fluctuations, ultimately, the average price of CO₂ emission allowances in H1 2021 was EUR 43.96 per ton and in Q2 alone it was EUR 50.20 per ton.

On 26 February 2021, the auction platform ICE published an auction calendar for allowances for the UK ETS, with auctions taking place every second Wednesday until 15 December 2021. The minimum price for allowances was set at GBP 22 per ton (was originally intended to be set at GBP 15 per ton). This price will be withdrawn when the UK ETS is considered “mature”.

In Q2 2021, the average price was 132% higher than the average price in the corresponding period of 2020.

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



Source: PPE, session market indices

Over a significant portion of Q1 2021, the quotations of “green” property rights continued the side trend that started in Q4 2020, with levels approximating PLN 142.30 per MWh until mid-March and subsequently about PLN 149.18 per MWh. Only in May the quotations rose even up to PLN 162.99 per MWh (which was the average transaction price of 1 June 2021) and at the end of the analyzed period the prices ultimately reached PLN 167.18 per MWh on 29 June 2021. The increase in prices in the second half of June resulted from the publication, on 16 June 2021, of a draft regulation increasing the obligation from 19.35% (under Article 59 of the RES Act) to 19.5% in 2022 (retaining the 2021 level). On 26 July, a summary of the public consultation on the above draft regulation was published and the proposed value of the obligation was reduced to 18.5% in 2022.

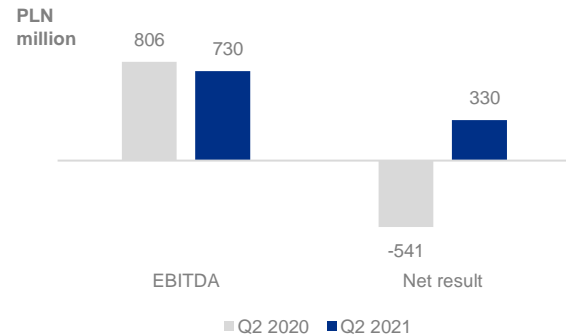
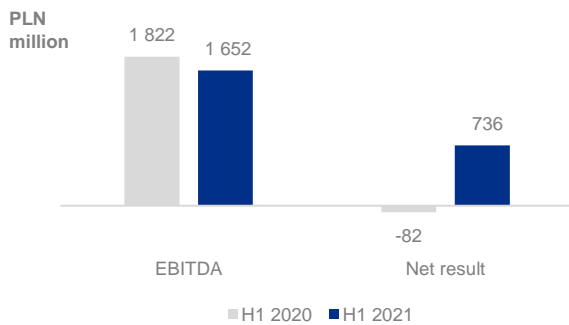
In Q2 2021, the average price was 24% higher than the average price in the corresponding period of 2020.

According to data provided by the Polish Power Exchange, approx. 18.3 TWh of property rights were redeemed in the period from 1 July 2020 to 31 June 2021, as compared to the estimated obligation of about 24 TWh (although a delay in information conveyed from ERO to PPE may have occurred), while about 30.8 TWh remained in the register.

5. Financial standing

5.1. Selected consolidated financial data

[PLN 000s]	H1 2020	H1 2021	Change	% change
Revenue from sales and other income	8,949,455	9,823,338	873,883	9.8%
Operating profit / (loss)	528,958	899,190	370,232	70.0%
Profit / (loss) before tax	(10,337)	929,314	939,651	9,090.2%
Net profit/(loss) for the reporting period	(81,643)	736,030	817,673	1,001.5%
EBITDA	1,821,698	1,652,135	-169,563	-9.3%
Net cash flows from:				
operating activities	2,458,385	4,147,201	1,688,816	68.7%
investing activities	(1,207,676)	(891,522)	316,154	26.2%
financing activities	(1,367,369)	(1,001,965)	365,404	26.7%
Cash at the end of the period	3,645,287	4,195,268	549,981	15.1%
Net profit/(loss) attributable to shareholders of the parent company	(99,218)	699,380	798,598	804.9%
Weighted average number of shares	441,442,578	441,442,578	-	-
Net earnings/(loss) per share [PLN]	(0.22)	1.58	1.80	818.2%
Diluted earnings/(loss) per share [PLN]	(0.22)	1.58	1.80	818.2%



[PLN 000s]	31 December 2020	30 June 2021	Change	% change
Total assets	29,889,863	31,026,673	1,136,810	3.8%
Total liabilities	16,795,510	17,111,938	316,428	1.9%
Non-current liabilities	10,009,542	8,787,574	-1,221,968	-12.2%
Current liabilities	6,785,968	8,324,364	1,538,396	22.7%
Equity	13,094,353	13,914,735	820,382	6.3%
Share capital	588,018	588,018	-	-
Book value per share [PLN]	29.66	31.52	1.86	6.3%
Diluted book value per share [PLN]	29.66	31.52	1.86	6.3%

[PLN 000s]	Q2 2020	Q2 2021	Change	% change
Revenue from sales and other income	4,357,373	4,777,564	420,191	9.6%
Operating profit / (loss)	(105,540)	351,215	456,755	432.8%
Profit / (loss) before tax	(565,436)	424,134	989,570	175.0%
Net profit/(loss) for the reporting period	(540,690)	329,618	870,308	161.0%
EBITDA	806,116	729,631	-76,485	-9.5%
Net profit/(loss) attributable to shareholders of the parent company	(543,815)	313,816	857,631	157.7%
Weighted average number of shares	441,442,578	441,442,578	-	-
Net earnings/(loss) per share [PLN]	(1.23)	0.71	1.94	157.7%
Diluted earnings/(loss) per share [PLN]	(1.23)	0.71	1.94	157.7%

5.2. Key operating data and indicators for the ENEA Group

	Unit	H1 2020	H1 2021	Change	% change	Q2 2020	Q2 2021	Change	% change
Revenue from sales and other income	PLN 000s	8,949,455	9,823,338	873,883	9.8%	4,357,373	4,777,564	420,191	9.6%
EBITDA	PLN 000s	1,821,698	1,652,135	-169,563	-9.3%	806,116	729,631	-76,485	-9.5%
EBIT	PLN 000s	528,958	899,190	370,232	70.0%	(105,540)	351,215	456,755	432.8%
Net profit/(loss) for the reporting period	PLN 000s	(81,643)	736,030	817,673	1,001.5%	(540,690)	329,618	870,308	161.0%
Net profit/(loss) attributable to shareholders of the parent company	PLN 000s	(99,218)	699,380	798,598	804.9%	(543,815)	313,816	857,631	157.7%
Net cash flows from operating activities	PLN 000s	2,458,385	4,147,201	1,688,816	68.7%	2,544,326	2,524,855	-19,471	-0.8%
CAPEX	PLN 000s	1,163,250	728,099	-435,151	-37.4%	599,252	411,673	-187,579	-31.3%
Net debt	PLN 000s	5,674,781	3,340,015	-2,334,766	-41.1%	5,674,781	3,340,015	-2,334,766	-41.1%
Net debt / EBITDA ¹⁾	-	1.60	1.07	-0.53	-33.1%	1.60	1.07	-0.53	-33.1%
Return on assets (ROA) ¹⁾	%	-0.5%	4.7%	5.2 p.p.	-	-6.9%	4.2%	11.1 p.p.	-
Return on equity (ROE) ¹⁾	%	-1.1%	10.6%	11.7 p.p.	-	-14.2%	9.5%	23.7 p.p.	-
Trading									
Sales of electricity and gaseous fuel to retail customers	GWh	10,504	12,175	1,671	15.9%	4,910	5,845	935	19.0%
Number of customers (Power Delivery Points)	000s	2,545	2,593	48	1.9%	2,545	2,593	48	1.9%
Distribution									
Sales of distribution services to end users	GWh	9,459	10,162	703	7.4%	4,434	4,987	553	12.5%
Number of users (closing balance)	000s	2,642	2,682	40	1.5%	2,642	2,682	40	1.5%
Generation									
Total net generation of electricity, of which:	GWh	10,427	12,069	1,642	15.7%	4,996	5,980	984	19.7%
<i>from conventional sources</i>	GWh	9,118	10,916	1,798	19.7%	4,381	5,348	967	22.1%
<i>from renewable sources</i>	GWh	1,309	1,153	-156	-11.9%	615	632	17	2.8%
Gross heat generation	TJ	3,505	4,302	797	22.7%	1,244	1,449	205	16.5%
Sales of electricity, including:	GWh	13,438	14,486	1,048	7.8%	6,681	7,210	529	7.9%
<i>from conventional sources</i>	GWh	9,118	10,916	1,798	19.7%	4,381	5,348	967	22.1%
<i>from renewable sources</i>	GWh	1,309	1,153	-156	-11.9%	615	632	17	2.8%
<i>from purchase</i>	GWh	3,011	2,417	-594	-19.7%	1,685	1,230	-455	-27.0%
Sales of heat	TJ	3,180	3,914	734	23.1%	1,124	1,307	183	16.3%
Mining									
Net production	000s tons	3,697	4,947	1,250	33.8%	1,631	2,335	704	43.2%
Sales of coal	000s tons	3,522	4,590	1,068	30.3%	1,604	2,206	602	37.5%
Inventories at the end of the period	000s tons	354	479	125	35.3%	354	479	125	35.3%
Excavation works	km	13.1	10.4	-2.7	-20.6%	6.5	5.1	-1.4	-21.5%

¹⁾ Definitions of the ratios are presented on page 67

5.3. Financial results of the ENEA Group in H1 2021 and Q2 2021

Consolidated statement of profit and loss in H1 2021

[PLN 000s]	H1 2020	H1 2021	Change	% change
Revenue from sales of electricity	6,782,916	7,068,169	285,253	4.2%
Revenue from sales of heat	186,715	234,752	48,037	25.7%
Revenue from sales of gas	155,653	221,879	66,226	42.5%
Revenue from sales of distribution services	1,565,581	1,567,263	1,682	0.1%
Revenue from certificates of origin	7,894	1,653	-6,241	-79.1%
Revenue from sales of goods and materials	42,744	59,705	16,961	39.7%
Revenue from sales of other products and services	84,199	81,553	-2,646	-3.1%
Revenue from sales of coal	116,155	155,344	39,189	33.7%
Revenue from the capacity market	0	426,151	426,151	100.0%
Net revenue from sales	8,941,857	9,816,469	874,612	9.8%
Revenue from leases and operating subleases	7,598	6,869	-729	-9.6%
Revenue from sales and other income	8,949,455	9,823,338	873,883	9.8%
Depreciation	770,968	749,581	-21,387	-2.8%
Employee benefit costs	980,939	1,042,313	61,374	6.3%
Consumption of materials and supplies and cost of goods sold	1,663,061	2,097,962	434,901	26.2%
Purchase of energy and gas for subsequent sale	3,682,909	4,116,962	434,053	11.8%
Transmission services	236,895	217,185	-19,710	-8.3%
Other third-party services	400,716	439,616	38,900	9.7%
Taxes and charges	221,227	235,842	14,615	6.6%
Tax-deductible expenses	7,956,715	8,899,461	942,746	11.8%
Other operating revenue	135,491	79,859	-55,632	-41.1%
Other operating costs	99,611	73,855	-25,756	-25.9%
Change in provision related to onerous contracts	39,305	-3,736	-43,041	-109.5%
Profit/(loss) on change, sale and liquidation of property, plant and equipment and right-to-use assets	(17,195)	(23,591)	-6,396	-37.2%
Impairment loss allowance on non-financial non-current assets	521,772	3,364	-518,408	-99.4%
Operating profit / (loss)	528,958	899,190	370,232	70.0%
Finance costs	173,708	116,911	-56,797	-32.7%
Finance income	23,336	35,700	12,364	53.0%
Dividend income	152	119	-33	-21.7%
Impairment allowances/(reversal thereof) on financial assets measured at amortized cost	138,737	9,988	-128,749	-92.8%
Share in the results of associates and jointly controlled entities	-250,338	121,204	371,542	148.4%
Profit / (loss) before tax	(10,337)	929,314	939,651	9,090.2%
Income tax	71,306	193,284	121,978	171.1%
Net profit / (loss) for the reporting period	(81,643)	736,030	817,673	1,001.5%
EBITDA	1,821,698	1,652,135	-169,563	-9.3%

ENEA Group – key EBITDA drivers in H1 2021 (down by PLN 170 million):

- (+) an increase in revenue from sales of electricity by PLN 285 million, driven mainly by a 2,526 GWh increase in sales volume with a concurrent 5% decrease in the average sales price and lower revenues from Regulatory System Services
- (+) an increase in revenue from sales of heat by PLN 48 million driven mainly by an increase higher sales volume by 751 TJ
- (+) an increase in revenue from sales of natural gas by PLN 66 million, driven mainly by a 1,084 GWh increase in the sales volume and a 11% decrease in the average sales price
- (+) an increase in revenue from sales of goods and materials by PLN 17 million resulting from greater demand for goods from external buyers
- (+) an increase in revenue from sales of coal by PLN 39 million caused by a higher volume of sales with concurrent decrease in the average sales price

- (+) in H1 2021, recognition of PLN 426 million in revenues from the Capacity Market
- (-) an increase in employee benefit costs by PLN 61 million driven mainly by higher average headcount and higher payroll costs and payroll-related charges and a change in employee provisions
- (-) an increase in the costs of consumption of materials and supplies and cost of goods sold by PLN 435 million results from:
 - (-) higher costs of CO₂ emission allowances, coal consumption costs and lower costs of biomass consumption for the whole Generation Segment
 - (-) remeasurement of CO₂ contracts
- (-) an increase in the costs of purchasing electricity and gas by PLN 434 million results mainly from:
 - (-) electricity: volume +566 GWh; average price +2%
 - (-) natural gas: volume +1,082 GWh; average price -10%
- (+) a decrease in the costs of transmission services by PLN 20 million, chiefly driven down by a decrease in contracted capacity and lower fixed and variable fees
- (-) an increase in costs of third-party services by PLN 39 million caused mainly by an increase in the costs of repair services and the costs of services outsourced to external companies
- (-) an increase in taxes and charges by PLN 15 million caused partly by a higher property tax and higher mining fees
- (-) in H1 2020, the use of a portion of the provision in the amount of PLN 39.3 million established in expenses in December 2019 in the amount of PLN 68.6 million was recognized in revenues due to a loss on Tariff G approved by the ERO. In H1 2021, the use of a portion of a provision in the amount of PLN 8.2 million established in expenses in December 2020 was recognized due to a loss arising from the settlement of the distribution fee rebate regarding the electricity fed into the grid by prosumers amounting to PLN 50.8 million by ENEA S.A. as the offtaker of last resort and an update of this provision in the amount of PLN 11.9 million was recognized in expenses
- (-) result on other operating activities down by PLN 36 million:
 - (-) impairment losses on overdue receivables and uncollectible receivables down by PLN 22 million
 - (-) revenues arising from compensation, penalties and fines down by PLN 13 million
 - (-) balance of refunds from the insurer down by PLN 12 million
 - (-) remeasurement of CO₂ contracts by PLN 10 million
 - (+) provisions for potential claims down by PLN 11 million

Material changes affecting net result:

- (+) in H1 2021, recognition of a PLN 114.1 million partial reversal of the provision for future investment commitments to Elektrownia Ostrołęka Sp. z o.o. and Energa S.A., established in the amount of PLN 222.2 million (originally, PLN 219.4 million)
- (+) in H1 2020 an impairment allowance was taken on loans granted to Elektrownia Ostrołęka Sp. z o.o. with interest in the amount of PLN 138.7 million, while in H1 2021 an impairment allowance was taken for interest on loans granted to Elektrownia Ostrołęka Sp. z o.o. in the amount of PLN 10.0 million (difference of PLN 128.7 million)

Consolidated statement of profit and loss in Q2 2021

[PLN 000s]	Q2 2020	Q2 2021	Change	% change
Revenue from sales of electricity	3,319,416	3,522,953	203,537	6.1%
Revenue from sales of heat	69,312	82,462	13,150	19.0%
Revenue from sales of gas	54,610	65,522	10,912	20.0%
Revenue from sales of distribution services	785,413	757,072	-28,341	-3.6%
Revenue from certificates of origin	5,488	1,653	-3,835	-69.9%
Revenue from sales of goods and materials	23,047	34,338	11,291	49.0%
Revenue from sales of other products and services	41,034	38,776	-2,258	-5.5%
Revenue from sales of coal	56,496	59,225	2,729	4.8%
Revenue from the capacity market	0	213,199	213,199	100.0%
Net revenue from sales	4,354,816	4,775,200	420,384	9.7%
Revenue from leases and operating subleases	2,557	2,364	-193	-7.5%
Revenue from sales and other income	4,357,373	4,777,564	420,191	9.6%
Depreciation	389,884	378,410	-11,474	-2.9%
Employee benefit costs	500,051	511,258	11,207	2.2%
Consumption of materials and supplies and cost of goods sold	871,630	1,093,511	221,881	25.5%
Purchase of energy and gas for subsequent sale	1,810,113	2,019,829	209,716	11.6%
Transmission services	115,430	110,021	-5,409	-4.7%
Other third-party services	195,705	215,214	19,509	10.0%
Taxes and charges	89,510	116,007	26,497	29.6%
Tax-deductible expenses	3,972,323	4,444,250	471,927	11.9%

Other operating revenue	57,113	38,368	-18,745	-32.8%
Other operating costs	38,471	6,417	-32,054	-83.3%
Change in provision related to onerous contracts	14,958	-2,656	-17,614	-117.8%
Profit/(loss) on change, sale and liquidation of property, plant and equipment and right-to-use assets	(2,418)	(11,388)	-8,970	-371.0%
Impairment loss allowance on non-financial non-current assets	521,772	6	-521,766	-100.0%
Operating profit / (loss)	(105,540)	351,215	456,755	432.8%
Finance costs	81,643	58,115	-23,528	-28.8%
Finance income	10,996	13,218	2,222	20.2%
Dividend income	152	119	-33	-21.7%
Impairment allowances/(reversal thereof) on financial assets measured at amortized cost	137,695	3,788	-133,907	-97.2%
Share in the results of associates and jointly controlled entities	-251,706	121,485	373,191	148.3%
Profit / (loss) before tax	(565,436)	424,134	989,570	175.0%
Income tax	-24,746	94,516	119,262	481.9%
Net profit / (loss) for the reporting period	(540,690)	329,618	870,308	161.0%
EBITDA	806,116	729,631	-76,485	-9.5%

ENEA Group – key EBITDA drivers in Q2 2021 (down by PLN 76 million):

- (+) an increase in revenue from sales of electricity by PLN 204 million, driven mainly by a 1,305 GWh increase in sales volume with a concurrent 4% decrease in the average sales price and lower revenues from Regulatory System Services
- (+) an increase in revenue from sales of heat by PLN 13 million driven by an increase higher sales volume by 431 TJ with a concurrent decrease in the average sales price by 13%
- (+) an increase in revenue from sales of natural gas by PLN 11 million, driven mainly by a 122 GWh increase in the sales volume and a 2% increase in the average sales price
- (-) a decrease in revenue from sales of distribution services by PLN 28 million as a result of lower revenues from grid connection fees with a concurrent 553 GWh increase in the volume of distributed energy
- (+) an increase in revenue from sales of goods and materials by PLN 11 million resulting from greater demand for goods from external buyers
- (+) in Q2 2021, recognition of PLN 213 million in revenues from the Capacity Market
- (-) an increase in employee benefit costs by PLN 11 million driven mainly by higher payroll costs and payroll-related charges and a change in employee provisions
- (-) an increase in the costs of consumption of materials and supplies and cost of goods sold by PLN 222 million results from:
 - (-) higher costs of CO₂ emission allowances and lower costs of biomass and coal consumption for the whole Generation Segment
 - (-) remeasurement of CO₂ contracts
- (-) an increase in the costs of purchasing electricity and gas by PLN 210 million results mainly from:
 - (-) electricity: volume +211 GWh; average price +5%
 - (-) natural gas: volume +114 GWh; average price +6%
- (-) an increase in costs of third-party services by PLN 20 million caused mainly by an increase in the costs of repair services, the costs of services outsourced to external companies with a concurrent decrease in the costs of consulting services
- (+) an increase in costs of taxes and charges by PLN 26 million driven mainly by the change in presentation of costs of placing devices on road lanes (derecognition under IFRS 16)
- (-) in Q2 2020, the use of a portion of the provision in the amount of PLN 14.9 million established in expenses in December 2019 in the amount of PLN 68.6 million was recognized in revenues due to a loss on Tariff G approved by the ERO. In Q2 2021, the use of a portion of a provision in the amount of PLN 5.9 million established in expenses in December 2020 was recognized due to a loss arising from the settlement of the distribution fee rebate regarding the electricity fed into the grid by prosumers amounting to PLN 50.8 million by ENEA S.A. as the offtaker of last resort and an update of this provision in the amount of PLN 8.6 million was recognized in expenses
- (+) the result on other operating activities up by PLN 4 million:
 - (-) impairment losses on overdue receivables and uncollectible receivables down by PLN 21 million
 - (+) provisions for potential claims down by PLN 16 million

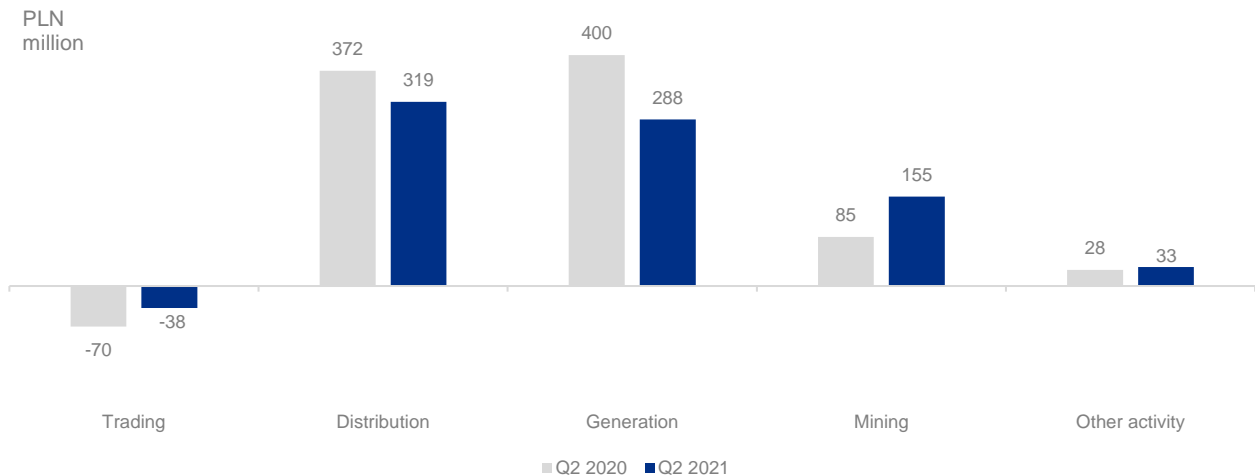
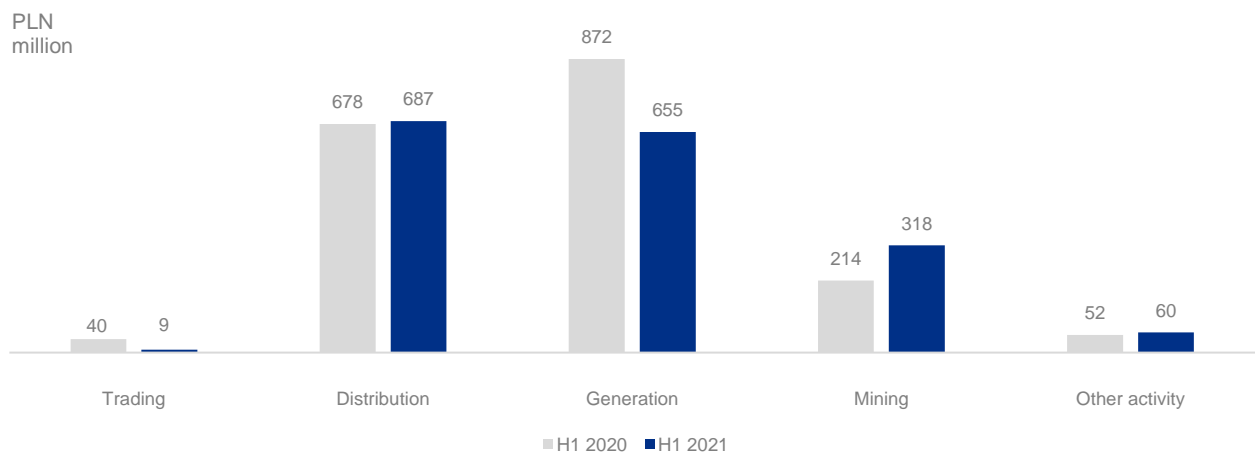
Material changes affecting net result:

- (+) in Q2 2021, recognition of a PLN 114.1 million partial reversal of the provision for future investment commitments to Elektrownia Ostrołęka Sp. z o.o. and Energa S.A., established in the amount of PLN 222.2 million (originally, PLN 219.4 million)
- (+) in Q2 2020 an impairment allowance was taken on loans granted to Elektrownia Ostrołęka Sp. z o.o. with interest in the amount of PLN 137.7 million, while in Q2 2021 an impairment allowance was taken for interest on loans granted to Elektrownia Ostrołęka Sp. z o.o. in the amount of PLN 3.8 million (difference of PLN 133.9 million)

Financial performance of the ENEA Group in H1 2021

EBITDA [PLN 000s]	H1 2020 ¹⁾	H1 2021	Change	% change	Q2 2020 ¹⁾	Q2 2021	Change	% change
Trading	40,310	8,910	-31,400	-77.9%	-70,002	-38,075	31,927	45.6%
Distribution	678,499	687,457	8,958	1.3%	372,263	318,698	-53,565	-14.4%
Generation	872,079	655,325	-216,754	-24.9%	399,821	288,126	-111,695	-27.9%
Mining	214,314	318,333	104,019	48.5%	84,929	154,766	69,837	82.2%
Other activity	52,429	60,254	7,825	14.9%	27,985	33,131	5,146	18.4%
Unassigned items and elimination	-35,933	-78,144	-42,211	-117.5%	-8,880	-27,015	-18,135	-204.2%
Total EBITDA	1,821,698	1,652,135	-169,563	-9.3%	806,116	729,631	-76,485	-9.5%

¹⁾ restatement of data for presentation purposes in accordance with the consolidated financial statements



Trading Area in H1 2021 and Q2 2021

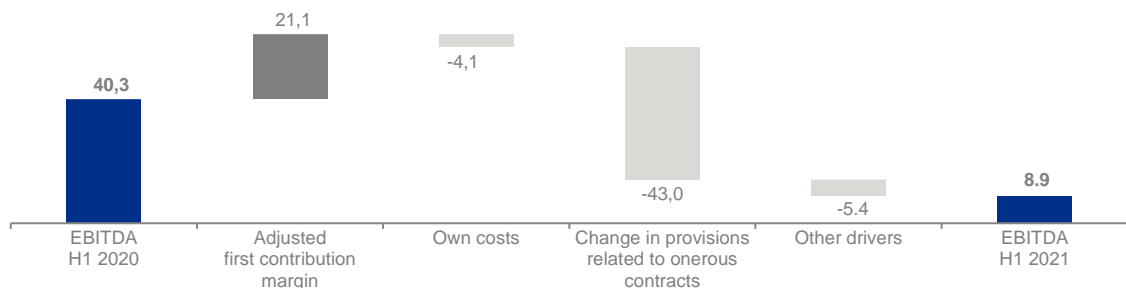
Retail sales of electricity are carried out by ENEA S.A.

Wholesale trade is carried out by ENEA Trading.

[PLN 000s]	H1 2020	H1 2021	Change	% change	Q2 2020	Q2 2021	Change	% change
Revenue from sales and other income	3,999,162	4,646,322	647,160	16.2%	1,950,882	2,286,735	335,853	17.2%
EBIT	39,647	7,311	-32,336	-81.6%	-70,346	-38,810	31,536	44.8%
Depreciation	663	1,599	936	141.2%	344	735	391	113.7%
EBITDA	40,310	8,910	-31,400	-77.9%	-70,002	-38,075	31,927	45.6%
CAPEX ¹⁾	676	1,285	609	90.1%	662	549	-113	-17.1%
Share of the segment's sales revenue in the Group's sales revenue	37%	39%	2 p.p.	-	37%	39%	2 p.p.	-

¹⁾ without ENEA S.A.'s equity investments

PLN million



Key H1 2021 EBITDA drivers:

Adjusted first contribution margin

- (+) average energy purchase price down by 6.7%
- (+) energy sales volume up by 15.3%
- (-) average energy sales price down by 1.6%
- (-) costs of environmental obligations up by 20.4%
- (-) lower result on trading in gaseous fuel
- (+) lower costs of provisions for claims under terminated RES property rights contracts by PLN 0.5 million
- (-) remeasurement of CO₂ contracts, forward transactions for energy, gas and property rights

Own costs

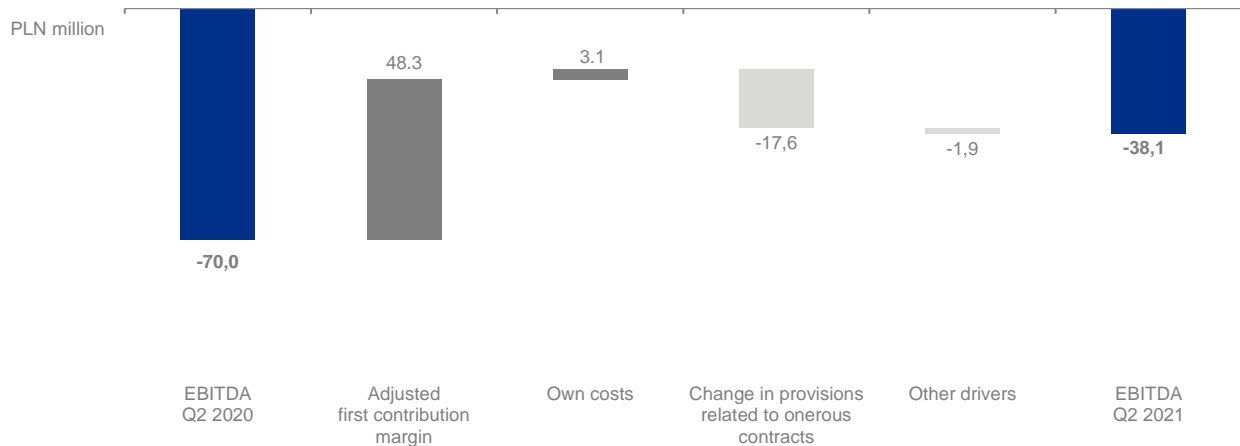
- (-) direct selling costs up by PLN 7.6 million
- (+) general and administrative expenses down by PLN 3.5 million

Change in provisions related to onerous contracts

(-) in H1 2020, the use of a portion of the provision in the amount of PLN 39.3 million established in expenses in December 2019 in the amount of PLN 68.6 million was recognized in revenues due to a loss on Tariff G approved by the ERO. In H1 2021, the use of a portion of a provision in the amount of PLN 8.2 million established in expenses in December 2020 was recognized due to a loss arising from the settlement of the distribution fee rebate regarding the electricity fed into the grid by prosumers amounting to PLN 50.8 million by ENEA S.A. as the offtaker of last resort and an update of this provision in the amount of PLN 11.9 million was recognized in expenses

Other drivers:

- (-) costs of distribution services related to the existing model of settlements with prosumers up by PLN 15.0 million
- (-) impairment losses for receivables up by PLN 2.0 million
- (-) written off receivables up by PLN 0.2 million
- (+) litigation costs down by PLN 5.2 million
- (+) costs of provisions for anticipated losses and potential claims down by PLN 2.0 million
- (+) costs of contributions to institutions where membership is not mandatory down by PLN 1.6 million
- (+) revenues from the provision of wholesale trading services up by PLN 1.3 million
- (+) lower costs of donations by PLN 1.0 million
- (+) revenues from licenses linked to the ENEA brand up by PLN 0.8 million



Key Q2 2021 EBITDA drivers:

Adjusted first contribution margin

- (+) average energy purchase price down by 6.5%
- (+) energy sales volume up by 18.3%
- (-) average energy sales price down by 1.0%
- (-) costs of environmental obligations up by 22.6%
- (-) lower result on trading in gaseous fuel
- (+) lower costs of provisions for claims under terminated RES property rights contracts by PLN 1.9 million
- (-) remeasurement of CO₂ contracts, forward transactions for energy, gas and property rights

Own costs

- (+) direct selling costs down by PLN 5.1 million
- (+) general and administrative expenses down by PLN 1.6 million
- (-) costs of shared services up by PLN 3.6 million

Change in provisions related to onerous contracts

(-) in Q2 2020, the use of a portion of the provision in the amount of PLN 14.9 million established in expenses in December 2019 in the amount of PLN 68.6 million was recognized in revenues due to a loss on Tariff G approved by the ERO. In Q2 2021, the use of a portion of a provision in the amount of PLN 5.9 million established in expenses in December 2020 was recognized due to a loss arising from the settlement of the distribution fee rebate regarding the electricity fed into the grid by prosumers amounting to PLN 50.8 million by ENEA S.A. as the offtaker of last resort and an update of this provision in the amount of PLN 8.6 million was recognized in expenses

Other drivers:

- (-) costs of distribution services related to the existing model of settlements with prosumers up by PLN 7.0 million
- (-) impairment losses for receivables up by PLN 0.9 million
- (+) costs of provisions for anticipated losses and potential claims down by PLN 2.9 million
- (+) revenues from the provision of wholesale trading services up by PLN 1.5 million
- (+) litigation costs down by PLN 0.6 million
- (+) written off receivables down by PLN 0.5 million
- (+) revenues from licenses linked to the ENEA brand up by PLN 0.3 million

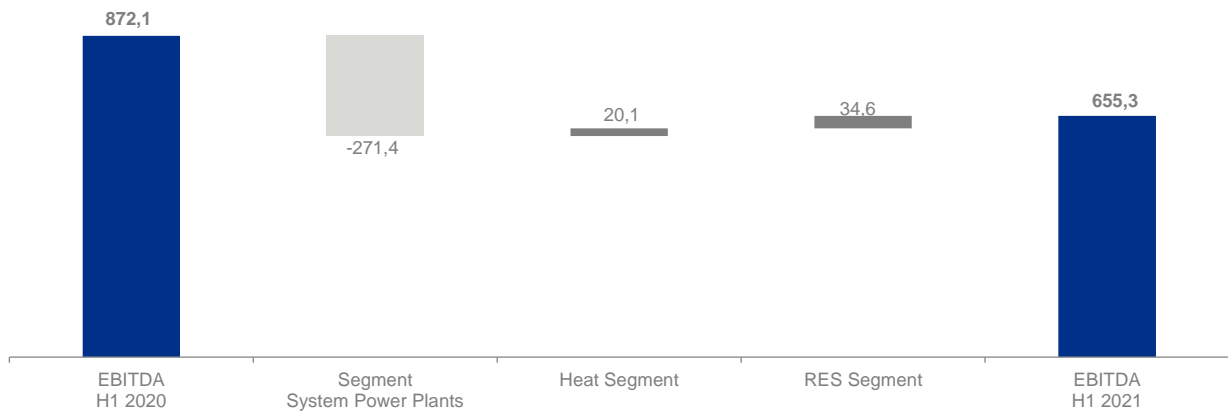
Generation Area in H1 2021 and Q2 2021

In the Generation Area, the financial data of ENEA Wytwarzanie are presented together with those of its subsidiaries: ENEA Nowa Energia, ENEA Ciepło, ENEA Ciepło Serwis, ENEA Elektrownia Połaniec, ENEA Połaniec Serwis and ENEA Bioenergia.

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

[PLN 000s]	H1 2020	H1 2021	Change	% change	Q2 2020	Q2 2021	Change	% change
Net revenue from sales	4,105,533	4,463,545	358,012	8.7%	2,009,832	2,220,454	210,622	10.5%
<i>electricity</i>	3,729,248	3,623,479	-105,769	-2.8%	1,853,499	1,822,165	-31,334	-1.7%
<i>capacity market</i>	0	426,151	426,151	100.0%	0	213,199	213,199	100.0%
<i>certificates of origin</i>	172,326	155,775	-16,551	-9.6%	76,889	88,294	11,405	14.8%
<i>heat</i>	182,893	230,380	47,487	26.0%	67,902	80,804	12,902	19.0%
<i>other</i>	21,066	27,760	6,694	31.8%	11,542	15,992	4,450	38.6%
Revenue from leases and operating subleases	273	450	177	64.8%	137	267	130	94.9%
Revenue from sales and other income	4,105,806	4,463,995	358,189	8.7%	2,009,969	2,220,721	210,752	10.5%
EBIT	64,933	454,187	389,254	599.5%	-266,355	186,739	453,094	170.1%
Depreciation	284,324	201,138	-83,186	-29.3%	143,354	101,387	-41,967	-29.3%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	522,822	0	-522,822	-100.0%	522,822	0	-522,822	-100.0%
EBITDA	872,079	655,325	-216,754	-24.9%	399,821	288,126	-111,695	-27.9%
CAPEX	254,796	203,947	-50,849	-20.0%	138,856	121,155	-17,701	-12.7%
Share of the area's sales revenue in the Group's net revenue from sales	38%	37%	-1 p.p.	-	38%	37%	-1 p.p.	-

PLN million



Key H1 2021 EBITDA drivers:

System Power Plants Segment – down by PLN 271.4 million

- (-) trading and Balancing Market margin down by PLN 366.7 million
- (-) generation margin down by PLN 238.6 million
- (-) revenue from Regulatory System Services down by PLN 50.8 million
- (-) other drivers down by PLN 35.0 million
- (+) revenue from the capacity market of 419.7 million

Heat Segment – up by PLN 20.1 million

- (+) margin on heat up by PLN 20.4 million
- (+) revenue from the capacity market of 2.6 million
- (-) fixed costs up by PLN 8.3 million
- (+) other drivers up by PLN 5.4 million

RES Segment – up by PLN 34.6 million

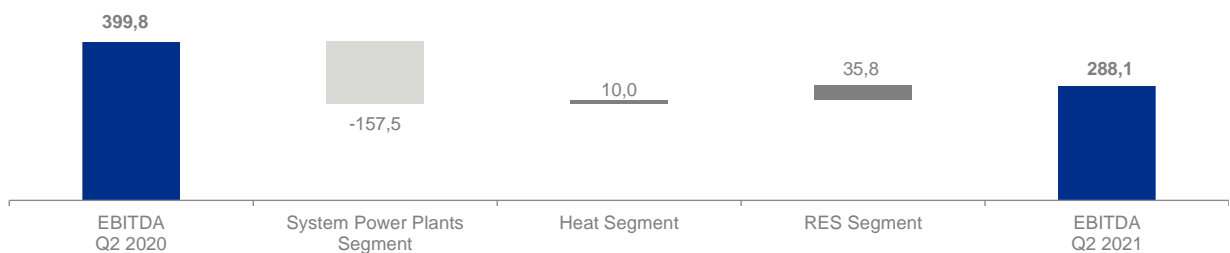
(+) Biomass Area (Green Unit): PLN +18.1 million (of which PLN -3.4 million from ENEA Bioenergia): margin on renewable energy generation up by PLN +18.8 million, Green Block's margin on sales of green certificates up by PLN +3.0 million, fixed costs up by PLN -0.2 million

(+) Wind Area (PLN +10.1 million): revenue from certificates of origin up by PLN +11.7 million, energy sales up by PLN +2.2 million, fixed costs up by PLN -3.6 million

(+) Hydro Area (PLN +5.3 million): revenue from the capacity market of PLN +3.9 million, revenue from sales of energy up by PLN +3.6 million, fixed costs up by PLN -2.4 million

(+) Biogas Area (PLN +1.0 million): chiefly revenue from certificates of origin up by PLN +1.2 million

PLN
million



Key Q2 2021 EBITDA drivers:

System Power Plants Segment – down by PLN 157.5 million

(-) trading and Balancing Market margin down by PLN 223.3 million

(-) generation margin down by PLN 121.3 million

(-) revenue from Regulatory System Services down by PLN 25.0 million

(+) revenue from the capacity market of 210.5 million

(+) other drivers up by PLN 1.6 million

Heat Segment – up by PLN 10.0 million

(+) margin on heat up by PLN 5.3 million

(+) revenue from the capacity market of 0.5 million

(-) fixed costs up by PLN 4.2 million

(+) other drivers up by PLN 8.4 million

RES Segment – up by PLN 35.8 million

(+) Biomass Area (Green Unit): PLN +25.1 million (of which PLN -1.6 million from ENEA Bioenergia): margin on renewable energy generation up by PLN +26.4 million, Green Block's margin on sales of green certificates up by PLN +0.2 million, fixed costs down by PLN +0.1 million

(+) Wind Area (PLN +6.7 million): revenue from certificates of origin up by PLN +5.8 million, energy sales up by PLN +4.0 million, fixed costs up by PLN -3.0 million

(+) Hydro Area (PLN +3.6 million): revenue from the capacity market of PLN +2.1 million, revenue from sales of energy up by PLN +2.8 million, fixed costs up by PLN -1.3 million

(+) Biogas Area (PLN +0.4 million): chiefly revenue from certificates of origin up by PLN +0.6 million

Distribution Area in H1 2021 and Q2 2021

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

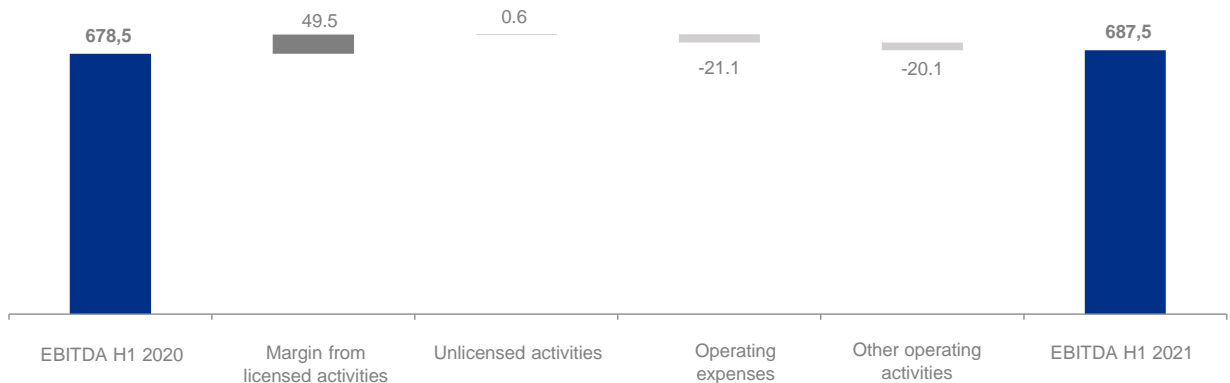
The Distribution Area includes financial data of the following companies:

- ENEA Operator
- ENEA Serwis
- ENEA Pomiar
- ENEA Logistyka
- Annacond Enterprises (until 24 February 2020)

[PLN 000s]	H1 2020 ¹⁾	H1 2021	Change	% change	Q2 2020 ¹⁾	Q2 2021	Change	% change
Net revenue from sales	1,622,318	1,628,588	6,270	0.4%	816,386	789,081	-27,305	-3.3%
distribution services to end users	1,427,274	1,508,288	81,014	5.7%	680,191	720,649	40,458	5.9%
grid connection fees	100,804	36,397	-64,407	-63.9%	88,915	26,050	-62,865	-70.7%
other	94,240	83,903	-10,337	-11.0%	47,280	42,382	-4,898	-10.4%
EBIT	369,543	355,391	-14,152	-3.8%	213,236	151,126	-62,110	-29.1%
Depreciation	308,956	332,066	23,110	7.5%	159,027	167,572	8,545	5.4%
EBITDA	678,499	687,457	8,958	1.3%	372,263	318,698	-53,565	-14.4%
CAPEX	488,509	371,059	-117,450	-24.0%	315,288	215,618	-99,670	-31.6%
Share of the segment's sales revenue in the Group's net revenue from sales	15%	14%	-1 p.p.	-	15%	13%	-2 p.p.	-

¹⁾ restatement of data for presentation purposes in accordance with the consolidated financial statements

PLN million



Key H1 2021 EBITDA drivers:

Margin from licensed activities

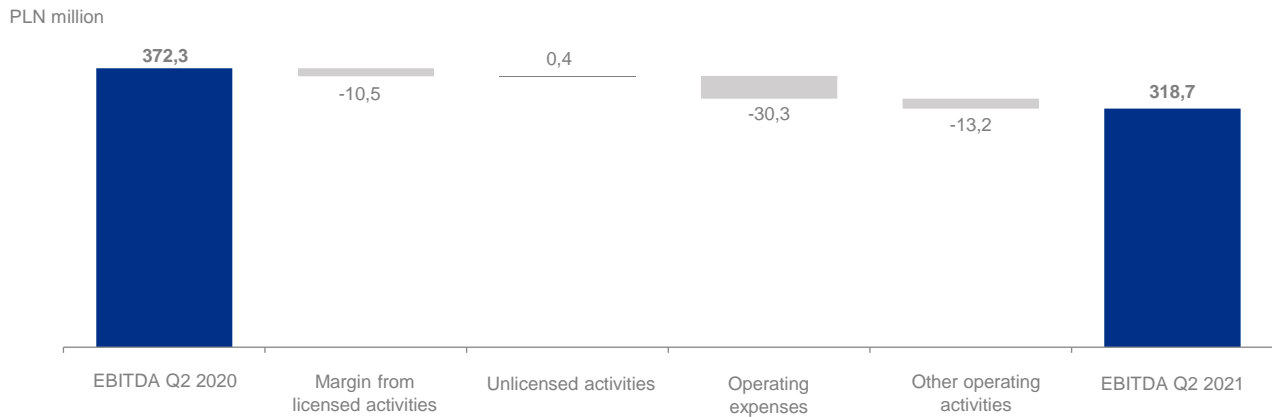
- (+) revenue from sales of distribution services to end users up by PLN 81 million
- (+) costs of purchasing transmission and distribution services (balance) down by PLN 18 million
- (+) costs of purchasing electricity to cover the balancing difference (balance) down by PLN 11 million
- (+) other revenues up by PLN 3 million
- (-) revenue from grid connection fees down by PLN 64 million

Operating expenses

- (-) employee benefit costs up by PLN 8 million
- (-) costs of third-party services up by PLN 8 million
- (-) costs of taxes and charges up by PLN 6 million

Other operating activities

- (-) revenues from infrastructure collision down by PLN 10 million
- (-) revenue from contractual penalties and indemnities received down by PLN 10 million
- (-) change in impairment allowances by PLN 9 million
- (+) change in provisions related to grid assets by PLN 8 million



Key Q2 2021 EBITDA drivers:

Margin from licensed activities

- (-) revenue from grid connection fees down by PLN 63 million
- (+) revenue from sales of distribution services to end users up by PLN 40 million
- (+) costs of purchasing transmission and distribution services (balance) down by PLN 6 million
- (+) costs of purchasing electricity to cover the balancing difference (balance) down by PLN 4 million
- (+) other revenues up by PLN 2 million

Operating expenses

- (-) costs of taxes and charges up by PLN 23 million
- (-) costs of third-party services up by PLN 6 million
- (-) employee benefit costs up by PLN 2 million

Other operating activities

- (-) revenue from contractual penalties and indemnities received down by PLN 9 million
- (-) change in impairment allowances by PLN 9 million
- (-) revenues from infrastructure collision down by PLN 5 million
- (+) change in provisions related to grid assets by PLN 10 million

Mining Area in H1 2021 and Q2 2021

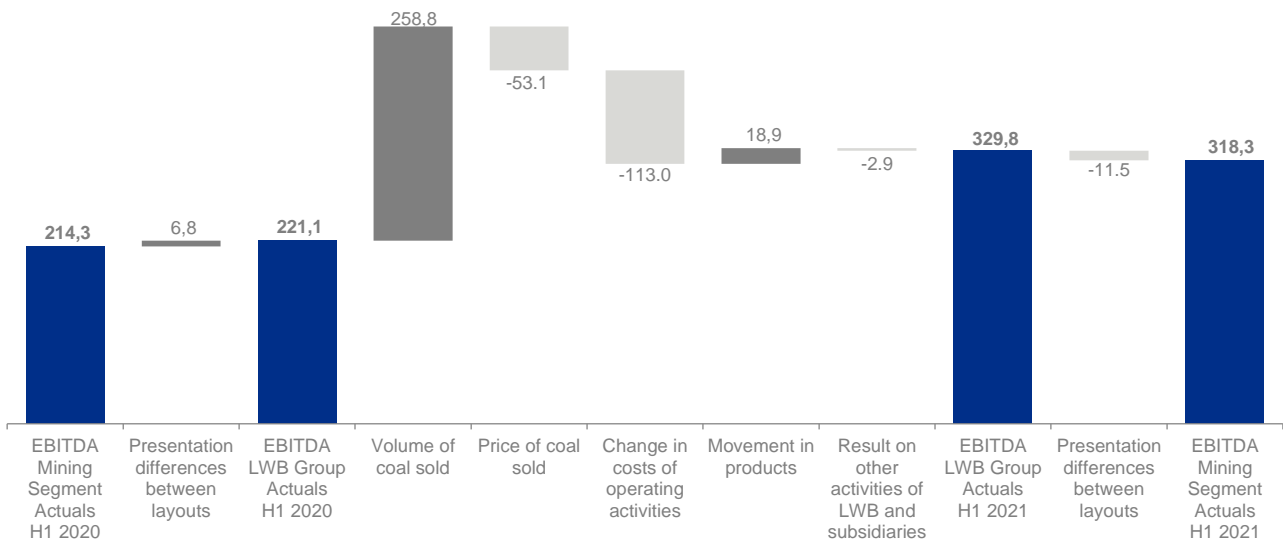
The Mining Area presents the financial results of the LW Bogdanka Group with the parent company - Lubelski Węgiel Bogdanka S.A. and its subsidiaries.

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

The main buyers are commercial and industrial energy sectors.

[PLN 000s]	H1 2020	H1 2021	Change	% change	Q2 2020	Q2 2021	Change	% change
Net revenue from sales	844,196	1,042,416	198,220	23.5%	382,602	500,881	118,279	30.9%
coal	826,235	1,018,563	192,328	23.3%	375,675	489,885	114,210	30.4%
other products and services	11,921	16,056	4,135	34.7%	4,249	6,463	2,214	52.1%
goods and materials	6,040	7,797	1,757	29.1%	2,678	4,533	1,855	69.3%
Revenue from leases and operating subleases	4,816	4,179	-637	-13.2%	2,327	2,037	-290	-12.5%
Revenue from sales and other income	849,012	1,046,595	197,583	23.3%	384,929	502,918	117,989	30.7%
EBIT	66,022	131,404	65,382	99.0%	12,802	59,347	46,545	363.6%
Depreciation	149,342	186,923	37,581	25.2%	73,177	95,413	22,236	30.4%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	(1,050)	6	1,056	100.6%	(1,050)	6	1,056	100.6%
EBITDA	214,314	318,333	104,019	48.5%	84,929	154,766	69,837	82.2%
CAPEX	399,485	137,124	-262,361	-65.7%	133,211	65,255	-67,956	-51.0%
Share of the area's sales revenue in the Group's net revenue from sales	8%	9%	1 p.p.	-	7%	8%	1 p.p.	-

PLN million

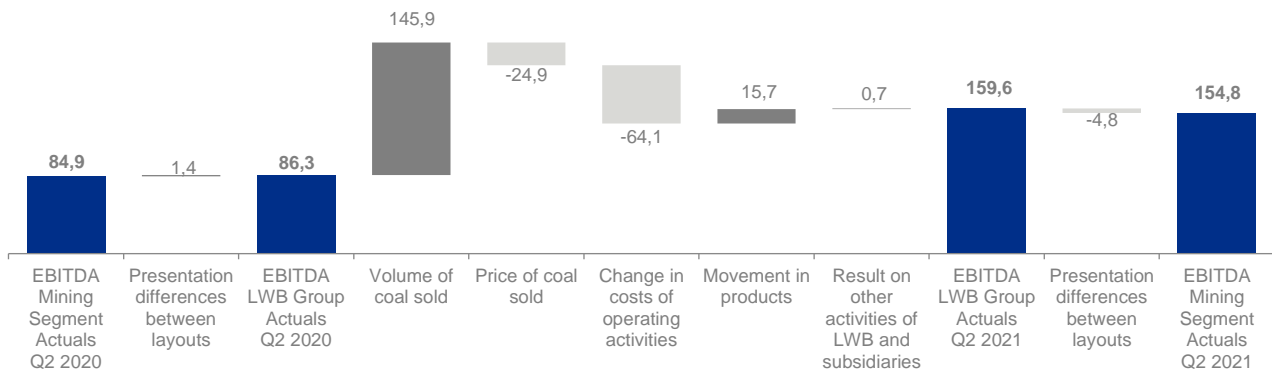


H1 2021 EBITDA drivers:

- (+) Greater revenue from sales of coal in connection with the higher volume of coal sales (+1.1 million tons).
- (-) Greater volume of sales coupled with a lower price of coal sold.
- (-) Higher mining cash cost – mining volume was up by 1.4 million tons, which translated into a higher cost of consumption of materials and costs of third-party services (more mining days).
- (-) In 2020, an increase in the number of employees taking advantage of the benefits introduced by the “anti-crisis shield” in connection with the current pandemic – reduced burden on the company. Due to the limited coal output in 2020, some employees were relocated to excavation works originally intended to be performed by external contractors. In 2020, a higher value of employee compensations was derecognized to CAPEX (it was activated and did not burden the company's current financial result; effect of a lower base).

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

PLN
million



Q2 2021 EBITDA drivers:

(+) Greater revenue from sales of coal in connection with the higher volume of coal sales (+0.6 million tons).

(-) Greater volume of sales coupled with a lower price of coal sold.

(-) Higher mining cash cost – mining volume was up by 0.9 million tons, which translated into a higher cost of consumption of materials and costs of third-party services (more mining days).

(-) In 2020, an increase in the number of employees taking advantage of the benefits introduced by the “anti-crisis shield” in connection with the current pandemic – reduced burden on the company. Due to the limited coal output in 2020, some employees were relocated to excavation works originally intended to be performed by external contractors. In 2020, a higher value of employee compensations was derecognized to CAPEX (it was activated and did not burden the company’s current financial result; effect of a lower base).

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

Other Activities Area in H1 2021

[PLN 000s]	H1 2020 ¹⁾	H1 2021	Change	% change	Q2 2020 ¹⁾	Q2 2021	Change	% change
Net revenue from sales	236,914	248,388	11,474	4.8%	120,153	123,066	2,913	2.4%
Revenue from leases and operating subleases	2,534	2,276	-258	-10.2%	106	71	-35	-33.0%
Revenue from sales and other income	239,448	250,664	11,216	4.7%	120,259	123,137	2,878	2.4%
EBIT	17,195	20,253	3,058	17.8%	10,506	15,659	5,153	49.0%
Depreciation	35,234	36,643	1,409	4.0%	17,479	17,472	-7	0.0%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	0	3,358	3,358	100.0%	0	0	-	-
EBITDA	52,429	60,254	7,825	14.9%	27,985	33,131	5,146	18.4%
CAPEX	17,344	14,684	-2,660	-15.3%	10,891	9,096	-1,795	-16.5%
Share of the segment's sales revenue in the Group's sales revenue	2%	2%	-	-	2%	2%	-	-

¹⁾ restatement of data for presentation purposes in accordance with the consolidated financial statements

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

- activities supporting other Group companies:
 - ENEA Centrum – the Shared Services Center in the Group in the field of accounting, human resources, ITC and customer service, collection, procurement and administration.
 - ENEA Innowacje – deals with ventures that offer a chance to become, in the future, innovative and modern products offered by the Group.
 - ENEA Badania i Rozwój – responsible for research and experimental development on other natural sciences and engineering. On 12 April 2021, the Extraordinary General Meeting of ENEA Badania i Rozwój adopted a resolution on the merger with ENEA Innowacje through the acquisition of ENEA Badania i Rozwój by ENEA Innowacje, as a result of which an entry was made on 1 June 2021 in the National Court Register on the merger of ENEA Innowacje and ENEA Badania i Rozwój.
- accompanying activities:
 - ENEA Oświetlenie – a company specializing in indoor and outdoor lighting; it designs and builds road lighting, illumination for urban spaces, illumination for historic and public buildings, provides services of construction and comprehensive operation of photovoltaic power plants.

Ratio analysis¹⁾

	H1 2020	H1 2021	Q2 2020	Q2 2021
Profitability ratios				
ROE - return on equity	-1.1%	10.6%	-14.2%	9.5%
ROA - return on assets	-0.5%	4.7%	-6.9%	4.2%
Net profitability	-0.9%	7.5%	-12.4%	6.9%
Operating profitability	5.9%	9.2%	-2.4%	7.4%
EBITDA profitability	20.4%	16.8%	18.5%	15.3%
Liquidity and financial structure ratios				
Current liquidity ratio	1.4	1.1	1.4	1.1
Coverage of non-current assets with equity	64.3%	63.6%	64.3%	63.6%
Total debt ratio	51.2%	55.2%	51.2%	55.2%
Net debt / EBITDA	1.60	1.07	1.60	1.07
Economic activity ratios				
Current receivables turnover in days ²⁾	50	46	51	47
Trade and other payables turnover in days ³⁾	67	67	68	67
Inventory turnover in days	39	34	40	34

¹⁾ Definitions of the ratios are presented on page 68

²⁾ Trade receivables – trade receivables, assets under contracts with customers and costs of concluding contracts

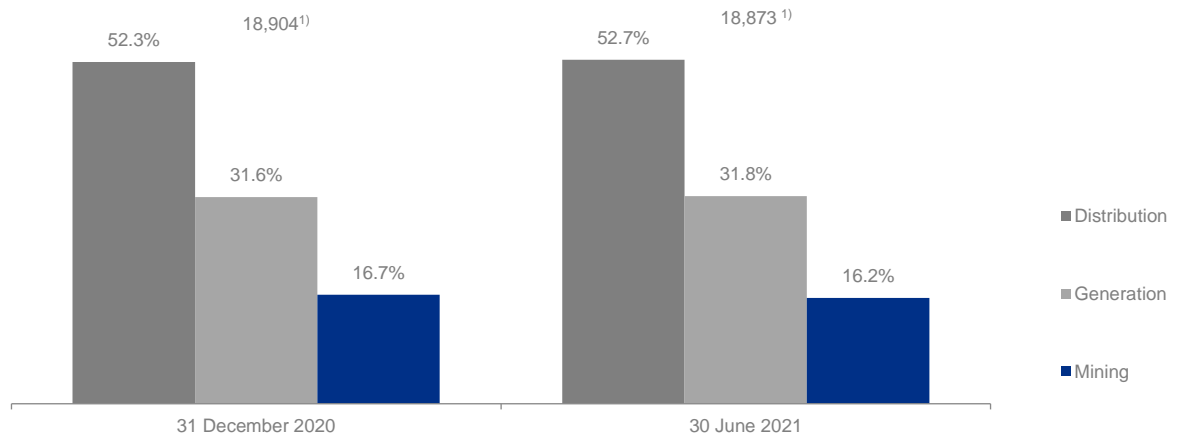
³⁾ Trade payables – trade payables, liabilities under contracts with customers

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

Assets [PLN 000s]	As at:			
	31 December 2020	30 June 2021	Change	% change
Non-current assets	21,767,810	21,867,440	99,630	0.5%
Property, plant and equipment	18,903,722	18,872,613	-31,109	-0.2%
Right-of-use asset	730,078	748,123	18,045	2.5%
Intangible assets	359,365	349,380	-9,985	-2.8%
Investment property	21,239	20,753	-486	-2.3%
Investments in associates and jointly controlled entities	133,647	140,751	7,104	5.3%
Deferred tax assets	1,296,061	1,134,501	-161,560	-12.5%
Financial assets at fair value	97,957	55,732	-42,225	-43.1%
Trade and other receivables	72,381	391,157	318,776	440.4%
Costs incurred to obtain a contract	11,256	12,432	1,176	10.4%
Receivables under leases and finance subleases	513	772	259	50.5%
Funds accumulated in the Mine Liquidation Fund	141,591	141,226	-365	-0.3%
Current assets	8,122,053	9,159,233	1,037,180	12.8%
CO ₂ emission allowances	2,529,059	794,054	-1,735,005	-68.6%
Inventories	1,129,975	1,291,217	161,242	14.3%
Trade and other receivables	2,132,191	2,294,947	162,756	7.6%
Costs incurred to obtain a contract	13,428	11,970	-1,458	-10.9%
Assets arising from contracts with customers	322,446	415,756	93,310	28.9%
Receivables under leases and finance subleases	975	868	-107	-11.0%
Current income tax receivables	10,470	125,663	115,193	1,100.2%
Financial assets at fair value	41,894	29,429	-12,465	-29.8%
Debt financial assets measured at amortized cost	61	61	-	-
Cash and cash equivalents	1,941,554	4,195,268	2,253,714	116.1%
Total Assets	29,889,863	31,026,673	1,136,810	3.8%

PLN million

Structure of non-current assets



¹⁾ including elimination

Change drivers for non-current assets (up by PLN 100 million):

- PLN 319 million increase in trade and other receivables – mainly in the value of collateral margins related to the contracting of CO₂ emission allowances
- PLN 162 million decrease in deferred tax assets – mainly as a result of a change in provisions for CO₂
- PLN 42 million decrease in financial assets measured at fair value – chiefly due to the sale of a stake in PGE EJ1

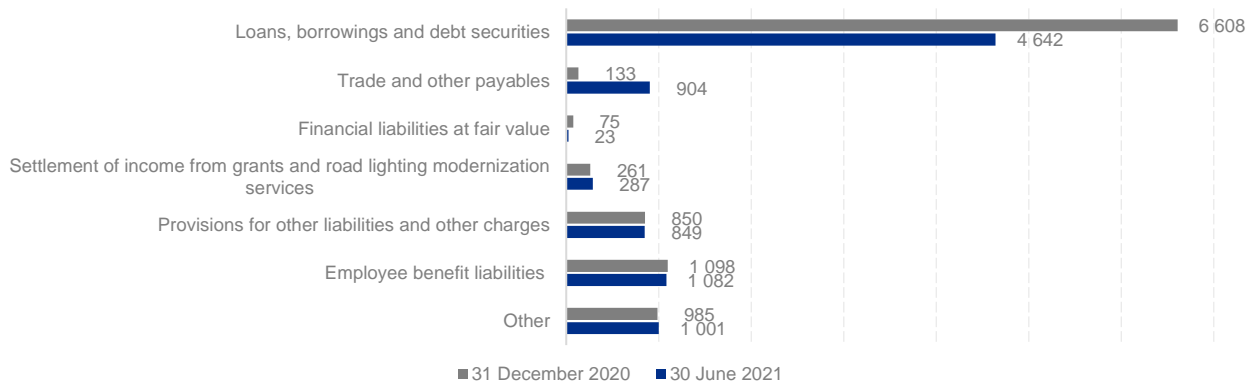
Change drivers for current assets (up by PLN 1,037 million):

- PLN 2,254 million increase in cash and cash equivalents – chiefly due to a change in the amount of earmarked funds for trade in CO₂ emission allowances and revenues from the capacity market
- PLN 163 million increase in trade and other receivables – mainly in the value of trade receivables with a concurrent decrease in tax receivables
- PLN 115 million increase in income tax receivables – chiefly the amount receivable on account of the overpaid liability of the ENEA Tax Group
- PLN 161 million increase in inventories – including: increase in coal inventories, increase in inventories of energy origin certificates, decrease in biomass inventories
- PLN 93 million increase in assets arising from contracts with customers – largely due to a higher volume of non-invoiced electricity sales
- PLN 1,735 million decrease in the value of CO₂ emission allowances, including: PLN -1,918 million redemption of rights, PLN +183 million purchase of allowances in 2021

Equity and liabilities [PLN 000s]	As at		Change	Change [%]
	31 December 2020	30 June 2021		
Total equity	13,094,353	13,914,735	820,382	6.3%
Share capital	588,018	588,018	-	-
Share premium	3,632,464	2,692,784	-939,680	-25.9%
Revaluation reserve – measurement of financial instruments	-16,295	0	16,295	100.0%
Revaluation reserve – measurement of hedging instruments	-105,534	-40,111	65,423	62.0%
Retained earnings	7,938,162	9,580,185	1,642,023	20.7%
Non-controlling interests	1,057,538	1,093,859	36,321	3.4%
Total liabilities	16,795,510	17,111,938	316,428	1.9%
Non-current liabilities	10,009,542	8,787,574	-1,221,968	-12.2%
Current liabilities	6,785,968	8,324,364	1,538,396	22.7%
Total equity and liabilities	29,889,863	31,026,673	1,136,810	3.8%

PLN
million

Structure of non-current liabilities

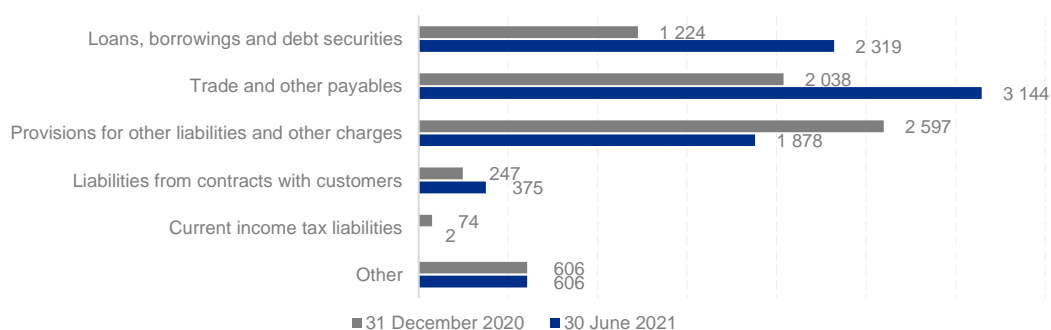


Change drivers for non-current liabilities (down by PLN 1,222 million)

- PLN 1,966 million decrease in loans, borrowings and other debt securities – mainly through reclassification of non-current liabilities to current liabilities
- PLN 53 million decrease in financial liabilities measured at fair value – remeasurement of IRS financial instruments hedging against an increase in costs caused by changes in interest rates
- PLN 771 million increase in trade and other payables – mainly due to an increase in liabilities caused by the valuation of CO₂ futures and forward transactions
- PLN 26 million increase in subsidy income settlements and road lighting modernization services – mainly deferred income from subsidies

PLN
million

Structure of current liabilities

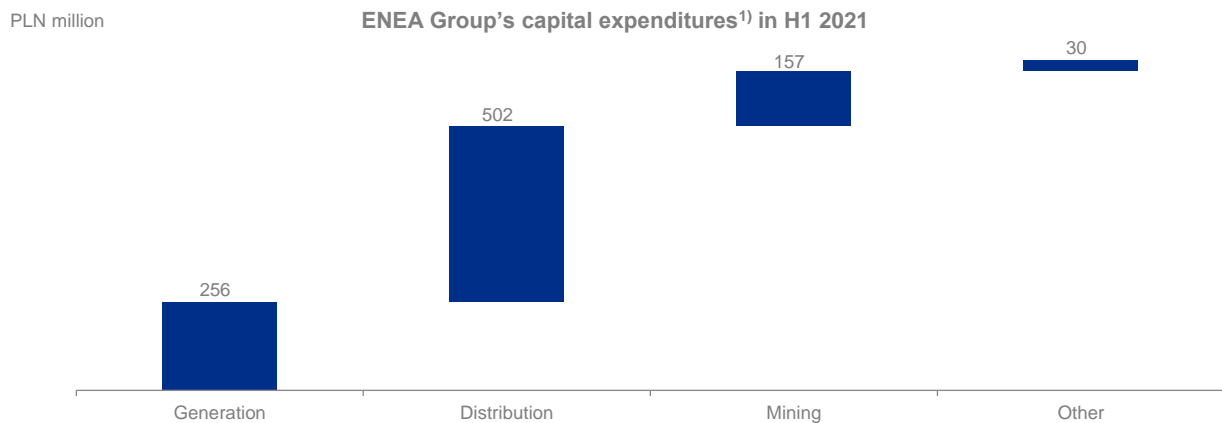
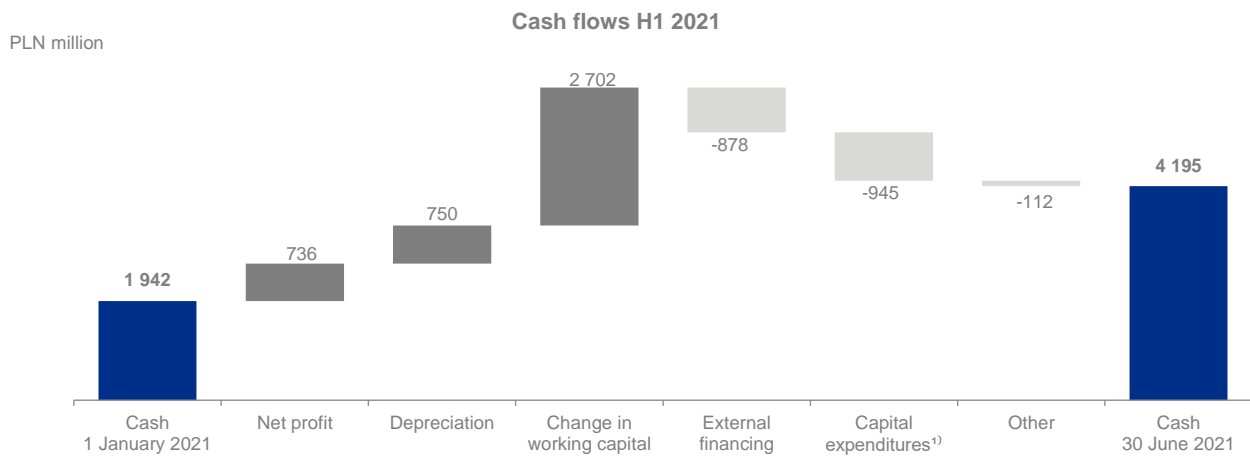


Change drivers for current liabilities (up by PLN 1,538 million)

- PLN 1,106 million decrease in trade and other payables – an increase in liabilities related to the valuation of futures transactions for CO₂ emission allowances, with a concurrent drop in investment liabilities and tax liabilities
- PLN 1,095 million increase in loans, borrowings and other debt securities – mainly reclassification of non-current to current liabilities with a simultaneous redemption of bonds by ENEA S.A.
- PLN 129 million increase in liabilities from contracts with customers – advanced for connection fees
- PLN 719 million decrease in provisions for other liabilities and other charges – mainly a decrease in provisions for the purchase of CO₂ emission allowances, partial reversal of the provision for future investment commitments to Elektrownia Ostrołęka (established in 2020), increase in provisions for certificates of origin of energy
- PLN 72 million decrease in current income tax liabilities – chiefly settlement of the CIT liability of the ENEA Tax Group for Q4 2020

Cash position of the ENEA Group

Statement of cash flows [PLN 000s]	H1 2020	H1 2021	Change	% change
Net cash flows from operating activities	2,458,385	4,147,201	1,688,816	68.7%
Net cash flows from investing activities	(1,207,676)	(891,522)	316,154	26.2%
Net cash flows from financing activities	(1,367,369)	(1,001,965)	365,404	26.7%
Increase / (decrease) in net cash	(116,660)	2,253,714	2,370,374	2,031.9%
Cash at the beginning of reporting period	3,761,947	1,941,554	-1,820,393	-48.4%
Cash at the end of reporting period	3,645,287	4,195,268	549,981	15.1%



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

6. Shares and shareholders

6.1. Equity and shareholding structure

As at 30 June 2021 and as at the publication date of this report, the share capital of ENEA S.A. amounts to PLN 441,442,578 and is divided into 441,442,578 ordinary bearer shares with a nominal value of PLN 1 each. The total number of votes resulting from all outstanding shares of the Issuer corresponds to the number of shares, translating into 441,442,578 votes.

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

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

The table above presents the shareholding structure of ENEA S.A. as at the date of the periodic report for H1 2021.

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

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

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

In H1 2021, the ENEA S.A. stock price increased from PLN 6.535 to PLN 8.505, that is by PLN 1.970, or 30.1%. The highest closing price of ENEA S.A. stock in H1 2021 was recorded on 8 June 2021 (PLN 10.15), while the lowest price was recorded on 19 and 25 March 2021 (PLN 6.04).

Share of the Company's stock in stock exchange indices as at 30 June 2021:

Data	H1 2021
Number of shares	441,442,578
Minimum [PLN]	6.04
Maximum [PLN]	10.15
Stock price at the end of the period [PLN]	8.505
Stock price at the end of the previous period [PLN]	6.535
Average trading volume	606,965

WIG 30

0.7

m WIG 40

2.6

WIG energia

12.7

WIG Poland

0.6

7. Company authorities

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

As at 1 January and as at the date of this report	
Name	Position
Paweł Szczeszek	President of the Management Board
Tomasz Siwak	Management Board Member for Commercial Matters
Tomasz Szczegieliński	Management Board Member for Corporate Matters
Marcin Pawlicki	Management Board Member for Operational Matters
Rafał Mucha	Management Board Member for Financial Matters

During the reporting period and until the publication date of the report for H1 2021, there were no changes in the composition of the Company's Management Board.

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

As at 1 January 2021		As at the publication date of the report for H1 2021	
Name	Position	Name	Position
Izabela Felczak-Poturnicka	Supervisory Board Chairwoman	Rafał Włodarski	Chairman of the Supervisory Board
Roman Stryjski	Supervisory Board Deputy Chairman	Roman Stryjski	Supervisory Board Deputy Chairman
Michał Jaciubek	Supervisory Board Secretary	Michał Jaciubek	Supervisory Board Secretary
Mariusz Fistek	Supervisory Board Member	Mariusz Fistek	Supervisory Board Member
Paweł Korobłowski	Supervisory Board Member	Paweł Korobłowski	Supervisory Board Member
Ireneusz Kulka	Supervisory Board Member	Ireneusz Kulka	Supervisory Board Member
Maciej Mazur	Supervisory Board Member	Maciej Mazur	Supervisory Board Member
Piotr Mirkowski	Supervisory Board Member	Piotr Mirkowski	Supervisory Board Member
Mariusz Pliszka	Supervisory Board Member	Mariusz Pliszka	Supervisory Board Member
Rafał Włodarski	Supervisory Board Member	Dorota Szymanek	Supervisory Board Member

- On 4 January 2021, the Company received a resignation tendered by Ms. Izabela Felczak-Poturnicka from the position of Chairwoman of the Supervisory Board and from her membership in the ENEA S.A. Supervisory Board as of 5 January 2021.
- On 7 January 2021, the Extraordinary General Meeting of ENEA S.A. appointed Mr. Rafał Włodarski as Chairman of the ENEA S.A. Supervisory Board.
- On 7 January 2021, the Company's Extraordinary General Meeting adopted a resolution by the power of which Ms. Dorota Szymanek was appointed to the ENEA S.A. Supervisory Board of the 10th term of office.
- 15 September 2021 – the Company received the letter of resignation tendered by Mr. Ireneusz Kulka from serving in the capacity of a Supervisory Board member and of the Chairman of the Audit Committee as of 16 September 2021.

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

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

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

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

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

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

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

Nominations and Remuneration Committee	
Name	Position
Roman Stryjski ¹⁾	Chairman
Mariusz Fisteck ¹⁾	Member
Michał Jaciubek ¹⁾	Member
Paweł Korobłowski ¹⁾	Member
Piotr Mirkowski ¹⁾	Member
Rafał Włodarski	Member

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

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

Strategy and Investment Committee	
Name	Position
Rafał Włodarski	Chairman
Dorota Szymanek	Member
Michał Jaciubek	Member
Paweł Korobłowski	Member
Ireneusz Kulka	Member
Maciej Mazur	Member
Mariusz Pliszka	Member

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

Name	Position	Number of ENEA S.A. shares as at 27 May 2021	Number of ENEA S.A. shares as at 16 September 2021
Michał Jaciubek	Supervisory Board Member	5,020	5,020
Mariusz Pliszka	Supervisory Board Member	3,880	3,880

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

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

Regulatory environment

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

8.1. Internal electricity market

The business of entities operating in the power sector is also governed by a number of EU regulations. Information on key regulations in force in this area is provided in Chapter 10 of the "Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2020".

In H1 2021 and after the balance sheet date, there were no changes in material regulations governing the operation of the internal electricity market.

8.2. Demand for electricity

It is estimated that net domestic demand for electricity will surpass 181 TWh in 2030 and 204 TWh in 2040. Demand for maximum capacity will reach nearly 28 GW in 2030 and over 31 GW in 2040. The overall increase in net demand for electricity in 2020–2040 is estimated at 27.7%. The peak demand for electricity will increase 27.8%¹⁾ during this period.

¹⁾ <https://www.gov.pl/web/klimat/polityka-energetyczna-polski>

8.3. Amendment to the Energy Law

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

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

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

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

8.4. Electricity tariffs for 2021

The ERO President approved the Tariff for electricity distribution services of ENEA Operator. The decision of the ERO President no. DRE.WPR.4211.67.11.2020.KKu of 8 January 2021 was published in the ERO Industry Bulletin "Energia Elektryczna" (Electricity) No. 2 (3247) of 8 January 2021. The new Tariff has been approved for application until 31 December 2021.

Pursuant to Resolution No. 15/2021 of the ENEA Operator Management Board of 12 January 2021, the tariff came into force on 1 February 2021.

On 9 December 2020, the ERO President made a decision to approve the electricity tariff for Tariff Group G for ENEA S.A. for the period from 1 January 2021 to 31 December 2021. The tariff entered into force on 1 January 2021.

8.5. Financial markets (EMIR)

The European Market Infrastructure Regulation (EMIR) is Regulation (EU) No. 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories, along with implementing regulations issued on its basis – as amended by Regulation 2019/834 of 20 May 2019 (EMIR Refit).

The EMIR requirements vary depending on the classification of entities into distinct categories. As regards non-financial entities, the classification is made on the basis of the average value of the entity's contractual position. ENEA S.A. has been classified into the category of the so-called non-financial counterparties minus, which reduces the extent of requirements applicable to the

Company arising from the said Regulation down to the need to notify any executed transactions to the Transaction Repository at the Central Securities Depository of Poland (KDPW).

8.6. Capacity market

In 2021, pursuant to the provisions of:

- the Capacity Market Act of 8 December 2017,
- The Capacity Market Regulations approved by the decision of the ERO President of 30 December 2020,
- the Regulations of the Minister of Energy:
 - of 18 July 2018 on performance of the capacity obligation, its settlement and demonstration, and execution of transactions on the secondary market,
 - of 3 September 2018 on financial collateral provided by power suppliers and participants of preliminary auctions.
- The Regulation of the Minister of Climate:
 - of 6 August 2020 on the parameters of the main auction for the supply year 2025 and the parameters of additional auctions for the supply year 2022.

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

- general certifications;
- certifications for the main auctions for the years 2021–2025;
- certifications for the additional auctions for the years 2021-2022;
- main auction for 2021 – 15 November 2018;
- main auction for 2022 – 5 December 2018;
- main auction for 2023 – 21 December 2018;
- main auction for 2024 – 6 December 2019;
- additional auctions for 2021 – 18 March 2020;
- main auction for 2025 – 14 December 2020;
- additional auctions for 2022 – 16 March 2021.

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

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

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

[PLN million] ¹⁾	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1-year contract (existing)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5-year contract (modernized)	652	652	652	652	652	-	-	-	-	-	-	-	-	-	-
15-year contract (new)	220	220	220	220	220	220	220	220	220	220	220	220	220	220	220
Total	872	872	872	872	872	220	220	220	220	220	220	220	220	220	220

¹⁾ Non-indexed value

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

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

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

These assumptions resulted from the ENEA Group's strategy approved by decisions of the ENEA S.A. Management Board before each of the main auctions. Unit 3 and coal-fired units in Elektrociepłownia Białystok and MEC Piła were notified for participation in the secondary market.

8.6.3. Contracted capacity obligations of ENEA Ciepło

[MW]	2021				2022				2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4													
Quarterly contracts (existing)	29	-	22	34	-	-	22	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1-year contract (existing)	-	-	-	-	-	-	-	-	29	37 ¹⁾	-	-	-	-	-	-	-	-	-	-	-
5-year contract (modernized)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15-year contract (new)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	29	-	22	34	-	-	22	-	29	37	-	-	-	-	-	-	-	-	-	-	-

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

8.6.4. Estimated revenue from the capacity market of ENEA Ciepło

[PLN million] ²⁾	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Quarterly contracts (existing)	4	3	-	-	-	-	-	-	-	-	-	-	-	-	-
1-year contract (existing)	-	-	-	8	3 ¹⁾	-	-	-	-	-	-	-	-	-	-
5-year contract (modernized)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15-year contract (new)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	4	3	-	8	3	-	-	-	-	-	-	-	-	-	-

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

²⁾ Non-indexed value

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

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

8.6.5. Contracted capacity obligations of Enea Nowa Energia

[MW]	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1-year contract (existing)	37	37	37	38	37	-	-	-	-	-	-	-	-	-	-
5-year contract (modernized)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15-year contract (new)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	37	37	37	38	37	-	-	-	-	-	-	-	-	-	-

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

[PLN million] ¹⁾	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1-year contract (existing)	9	7	8	10	6	-	-	-	-	-	-	-	-	-	-
5-year contract (modernized)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15-year contract (new)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	9	7	8	10	6	-	-	-	-	-	-	-	-	-	-

¹⁾ Non-indexed value

Enea Nowa Energia (formerly: RES Segment of Enea Wytwarzanie) participated in all the aforementioned capacity market processes and, as a result, concluded one-year contracts for deliveries for the period 2021-2025, for three units with the average capacity of approx. 37 MW in a given delivery year

8.6.7. Contracted capacity obligations of MEC Piła

[MW]	2021				2022				2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4													
Quarterly contracts (existing)	-	-	-	-	6	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1-year contract (existing)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5-year contract (modernized)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15-year contract (new)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	6	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

8.6.8. Estimated revenue from the capacity market of MEC Piła

[PLN million] ¹⁾	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Quarterly contracts (existing)	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-
1-year contract (existing)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5-year contract (modernized)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15-year contract (new)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-

¹⁾ Non-indexed value

MEC Piła participated in all the aforementioned processes on the capacity market and, as a result, concluded 2 quarterly capacity contracts in delivery year 2022 (Q2 and Q3).

8.7. REMIT

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

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

Starting from 1 January 2021, an effective disclosure of inside information is a publication made through Inside Information Platforms (IIPs) approved by the Agency for the Cooperation of Energy Regulators (ACER). In Poland, such a platform for the energy market is the Exchange Information Platform operated by the Polish Power Exchange.

Also from 1 January 2021, ACER charges fees to reporting entities under the Registered Reporting Mechanism (RRM) for collecting, processing and analyzing information reported by market participants or entities acting on their behalf.

8.8. EU Emissions Trading System (EU ETS)

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

In turn, the increased demand for EUAs is largely affected by announced and scheduled legislative initiatives of European Union institutions pursuing the objectives of the “European Green Deal” announced in 2019.

Accordingly, the European Commission announced that it was working on the preparation of a broad package of legislative proposals under the name of “Fit for 55”, which it published on 14 July 2021. Detailed information on the package is provided in section 8.10. In this context, a strong upward trend in the quotations of greenhouse gas emission allowances has been observed since November 2020, continuing also until the end of Q2 2021.

8.9. Electromobility and Alternative Fuels Act

The Electromobility and Alternative Fuels Act of 11 January 2018 requires distribution system operators to build publicly accessible charging points for electric vehicles in the areas of their operation installed in generally accessible charging stations. In the area of operation of ENEA Operator, this obligation involves the construction of 417 charging points located in publicly available charging stations in 4 urban areas: Poznań, Szczecin, Bydgoszcz and Gorzów Wielkopolski. This number is the difference between the minimum number of publicly available charging points, which according to the Act should be built in the territory of the said four townships by 31 March 2021, and the existing and planned number of such points to be built by private investors. For this reason, ENEA Operator is currently carrying out a project entitled "Implementation of ENEA Operator's statutory obligations related to electromobility under the Electromobility and Alternative Fuels Act". Currently, the parliament is working on a bill amending the Act on Electromobility and Alternative Fuels and certain other acts, implementing Directive (EU) 2019/944 of the European Parliament and of the Council into the Polish legal system. The legislator intends to phase out the so-called intervention mechanism to account for the content of the above Directive, according to which DSOs may not own, create, operate or manage electric vehicle charging points, except for private charging points exclusively for their own use.

8.10. European Green Deal and "Fit for 55" Package

European Green Deal

One of the priorities of the European Commission 2019-2024 is the so-called European Green Deal, which is an action plan for sustainable EU economy, which is supposed to materialize Europe's aspiration for becoming the first climate-neutral continent. To this end, numerous legislative initiatives are taken and planned for subsequent years.

- In December 2019, the European Council adopted the climate neutrality objective for the entire European Union (any greenhouse gas emissions must be totally compensated by their increased removal) by 2050.
- On 21 April 2021, the European Parliament and representatives of the Council of the European Union reached an agreement on the regulation related to the so-called European Climate Law. The draft regulation was adopted by the European Parliament on 24 June 2021 and by the EU Council on 28 June 2021 and then it will be published in the Official Journal of the EU. The key assumptions of the regulation included:
 - The European Union as a whole (rather than each Member State) commits to achieving climate neutrality by 2050;
 - also for the Union as a whole, a target was set to reduce net greenhouse gas emissions to at least 55% by 2030, compared to 1990 levels (under current regulations, the Union's emission reduction target for 2030 is 40%);
 - the commitment to raise the ambition of carbon sink while limiting the amount of absorbed emissions that can count towards the emission reduction target, meaning that the actual reduction target for 2030 will be 57%;
 - in relevant cases, the EC may set an additional intermediate emission reduction target for 2040, no later than within 6 months of the first global review carried out under the Paris Agreement, which will have to take into account the projected 'greenhouse gas budget' for 2030-2050, i.e. the maximum Union emissions during the period 2030-2050 that will not jeopardize the achievement of the EU's commitments under the Paris Agreement;
 - the Union has been obligated to achieve negative emissions after 2050;
 - new legislative proposals will be reviewed in terms of compliance with the climate neutrality objective; the absence of such compliance will have to be expressly indicated in the draft proposal.
- The implementation of the European Green Deal involves the necessity to revise a large set of currently applicable EU regulations and introduce many new ones. Accordingly, on 14 July 2021, the European Commission published a broad package of legislative proposals under the name of "Fit for 55". The package will include the following documents and propose the following changes:
 - revision of Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading, in which the main amendments will introduce:
 - extension of EU ETS to new sectors: shipping and construction;
 - an increase in the level of the linear reduction factor (LRF) in the year following the effective date of the document's revision, further strengthened by the introduction of a one-off reset of emission allowances;
 - preventing the financing of investments in fossil fuels (gas) from the Modernization Fund;
 - Member States will have to use 100% of their revenues from sales of emission allowances for investments supporting emission reductions; until then, 50% of the funds were earmarked for this purpose;
 - receipt of free allowances will depend on the requirement of conducting an energy audit and implementing its requirements;
 - revision of Directive 2018/2001/EU on the promotion of the use of energy from renewable sources, in which the main amendments will introduce:
 - an increase of the overall target for the heating industry and the target for the district heating industry. The proposal put forward by the European Commission is related to the definition of "efficient heating systems" in accordance with the draft EED directive;
 - an increased annual RES consumption target in the district heating and cooling industry, by 1.1% until 2030;
 - revision of directive 2012/27/EU on energy efficiency, with the following key amendments:
 - a change of the definition of efficient heating and cooling systems by introducing progressively changeable minimum conditions that an installation must satisfy to be classified as efficient;
 - revision of the Directive on taxation of energy products and electricity, with the following main amendments:
 - the Commission proposes that the presented amendments come into effect as of 1 January 2023.
 - maintaining the option of applying tax credits and reduced tax rates for RES electricity.
 - maintaining the option of applying tax credits and reduced tax rates for electricity produced in cogeneration, meeting the definition of high-efficiency cogeneration under the EED.

- The presented proposal of minimal taxation rates for heating fuels is as follows: for natural gas and non-sustainable biogas: initially EUR 0.6 per GJ in 2023 and ultimately EUR 0.9 per GJ in 2033; for coal EUR 0.9 per GJ from 2023; for sustainable biogas: EUR 0.45 per GJ from 2023, for unsustainable forest biomass EUR 0.9 per GJ from 2023; and for sustainable forest biomass EUR 0.45 per GJ from 2023;
 - The presented proposal of the minimum tax rate for electricity is EUR 0.15 per GJ from 2023.
- implementation of new reduction targets by adapting the Regulation on the inclusion of greenhouse gas emissions and removals resulting from activities related to land use, land use change and forestry (LULUCF).

Up to 50 EU legal acts could be affected by the changes by the end of 2022 to ensure they are consistent with the objectives adopted in the Climate Law Regulation.

8.11. Operating Capacity Reserve (OCR)

Detailed information on the Operating Reserve Mechanism is provided in Chapter 10 of the “Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2020” and, as at the preparation date of this report, it remains valid.

8.12. Number of customers exercising their right to change the seller

As at the end of H1 2021, the number of business customers (tariff groups A, B, C) which changed their electricity seller was 221.5 thousand, having increased by nearly 5 thousand (or 2.3%) from the end of 2020. As regards customers in the household segment (Tariff Group G), the number was 707.4 thousand, up 17 thousand, or 2.5%, from the end of 2020. The above data show that the rate of seller switches in 2021 is low, remaining at a level similar to that of the corresponding period of the previous year.

8.13. Concessions

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

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

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

8.15. Significant trends in the Distribution Area

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

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

The rapid development of distributed energy sources combined with new technologies, including ICT technologies, has had a significant impact on the distribution network, while shaping the new role of DSOs on the energy market. New challenges in this area for ENEA Operator include: the new role of DSOs as entities supporting market development (local markets in particular), tapping into the flexibility of distributed energy sources, data management, cooperation with TSOs/DSOs, new IT and ICT technologies, development of smart grids, activation of customers, emergence of energy communities (energy clusters and cooperatives), cyber security and development of research and development and innovation activities.

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

The changes transpiring on the energy market force the market players to implement numerous innovative solutions. ENEA Operator is following the same path. For this reason, ENEA Operator adopted a framework enabling external entities to suggest and jointly execute various pilot and innovative projects with the Company. The pursuit of such initiatives will provide the opportunity to jointly develop or test new innovative technical and technological solutions in real-life conditions.

8.16. SO GL grid code in ENEA Operator's business

Since 1 January 2021, RES producers from across Poland have been bound by new laws concerning the sending of data about electricity produced and fed into the power grid, following from the System Operation Guideline (SO GL) for the operation of the electricity transmission system. The process of sending of the information obtained from producers to PSE is achieved via distribution system operators, with ENEA Operator being one of them. The company's experts decided to share their knowledge and experience to make it easier for undertakings producing electricity from renewable sources to adapt to the new obligations already at the very beginning of their application. A webinar was prepared for generators to clarify the purpose of the Guideline and the manner of complying with it. On the Company's website, the tab <https://www.operator.enea.pl/dlawytworcow> contains, among others, templates of forms for entering the data arising from SO GL. ENEA Operator's experts also respond to questions and doubts of RES producers under the dedicated email address: wytworcy@operator.enea.pl. Work is currently underway to launch a Generator Portal to facilitate and automate data submission according to SO GL.

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

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

8.18. Quality regulation model

The key component affecting ENEA Operator's activity is the quality regulation introduced by the ERO President. At present, its rules are specified in the "Quality Regulation in 2018-2025 for Distribution System Operators" in its wording of 29 May 2019.

On 7 October 2019, the ERO President set ENEA Operator's settlement objectives for the 2018-2025 period. Accordingly, the following indicators for 2018-2025 directly affect ENEA Operator's regulated revenue in the part concerning return on capital: interruption duration indicator (CTP) and interruption frequency indicator (CP) in the area of large cities, towns with county rights, towns and villages.

8.19. Membership of ENEA Operator in international organizations

ENEA Operator is involved in international cooperation with electricity market entities. In particular, this cooperation involves such European organizations and entities as EDSO and the EU DSO Entity established under Directive 2019/944. Within the framework of this cooperation, events of a technological and legislative nature are monitored across Europe on an ongoing basis. Moreover, proposals for changes in and development of the electricity distribution market are presented and deployed in consideration of the outlook and specific features of the Polish market.

8.20. General Data Protection Regulation (GDPR)

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

8.21. Court and administrative proceedings

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

A detailed description of the proceedings is provided in Note 25 to the "Condensed interim consolidated financial statements of the ENEA Group for the period from 1 January to 30 June 2021".

8.22. Litigation related to actions for annulment or revocation of resolutions of the general meeting

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

Plaintiff	Subject of the statement of claim (literal wording)	Status of the proceedings
Synergia Inter-Company Trade Union of ENEA Group Employees	Statement of claim for annulment of a resolution of the Company's general meeting or, alternatively, for revocation of a resolution of the Company's general meeting ¹⁾	The procedure was discontinued in the 1st instance (in respect to item 1 of the decision of 26 May 2021, i.e. in respect to discontinuation of the procedure; the decision becomes legal on 12 August 2021).
Synergia Inter-Company Trade Union of ENEA Group Employees	Statement of claim for revocation of a resolution of the Company's General Meeting ²⁾	Proceedings before the Regional Court in Poznań – as the court of first instance. Case pending.

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

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

8.23. Rules for the preparation of financial statements

The condensed financial statements of ENEA S.A. and the ENEA Group included in the extended consolidated report of ENEA S.A. for H1 2021 have been prepared in accordance with the requirements of International Financial Reporting Standard IAS 34 'Interim Financial Reporting', as endorsed by the European Union.

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

8.24. Collective disputes

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

8.25. Headcount

As at 30 June 2021, the headcount in ENEA Group companies included 17,523 employees with employment contracts. As at 30 June 2021, the headcount in ENEA S.A. was 417 employees with employment contracts.

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

Distribution: 5,419; Trading: 522; Mining: 5,809; Generation: 4,001; Other: 1,772.

8.26. Financial result forecasts

The ENEA S.A. Management Board did not publish any financial result forecasts for 2021.

8.27. Rating

As at the date of this report, the Issuer has a rating score awarded by Fitch Ratings. This rating was expressed in the communication of 19 March 2020, in which the agency affirmed ENEA S.A.'s long-term foreign- and local-currency issuer default ratings at 'BBB' with a stable outlook. The affirmation reflects ENEA S.A.'s business profile as an integrated utility with large electricity generation and distribution businesses, and moderate financial leverage. The ENEA S.A.'s ratings are supported by a high market share in terms of results of regulated and quasi-regulated activity – from electricity distribution and capacity market payments, respectively. The main risk factors are close-to-full reliance on coal in electricity generation as well as exposure to higher-risk mining and supply divisions.

8.28. Amendments resulting from COVID-19

In connection with the state of coronavirus pandemic existing in Poland, anti-crisis shield programs have been introduced, which also covered the energy sector. Detailed information on the changes introduced by Shields 1.0 through 6.0 are described in Chapter 10 of the "Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2020". In H1 2021, Shields 7.0 and 8.0 entered into force. Their provisions did not affect the area covered by ENEA S.A.'s licensed business.

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

Since 20 March 2020, the state of epidemic caused by SARS-Cov-2 coronavirus is in force in Poland. The occurrence and effects of the virus as well as the consequences of countermeasures taken by the state to restrict the pandemic have had a significant impact on the condition of the Polish economy. This situation has also affected the Group's business:

- in the Mining Segment, an increased demand for coal was recorded (by approx. 30% compared to the corresponding period of 2020).
- in the Trading Segment, in H1 2021, the total sales volume of electricity increased by 1,500 GWh, or 15.3%, compared to the corresponding period of 2020. The sales volume of gaseous fuel also increased compared to the corresponding period of the previous year, by 171 GWh, or 25.1%. In H1 2021, revenue from sales of electricity and gas increased by PLN 410 million, or 13%, compared to the corresponding period of 2020. This increase affected revenues in both the business customer segment and in the household segment.

- in the Generation Segment, production of electricity in H1 2021 is higher by approx. 16% compared to the corresponding period of 2020. This translates into an increase in revenues of this segment (by approx. 9% compared to the corresponding period of 2020).
- in the Distribution Segment, in H1 2021, the Group observed an increase in sales of distribution services to end users by 7% as compared to the same period of the previous year, driven chiefly by an increase in sales in Tariff Groups B and G.
- since the pandemic started, the Company has made additional analyses of the possible impact related to the COVID-19 pandemic on the level of allowances for receivables. The effect of the analyses is a review of the allowance for the expected losses. The level of the additional allowance – since the analyses began – has been insignificant from the reporting point of view. Nevertheless, the Group believes that if the restrictions related to the prevention of the COVID-19 epidemic effects are maintained and thus business activity continues to be limited, it is quite possible that the receivables turnover ratio will deteriorate as a result of the reduced payment capacity of electricity buyers.
- in connection with the reorganization of work, increased security measures caused by the state of epidemic and temporary unavailability of contractors, the Group has identified the risk of delaying the completion dates of scheduled overhauls and modernizations of the generation units, including those concerning BAT conclusions. The risk materialization consequences will be limited in time and conditioned, among others, on the current market situation.

As at the date of this report, it is difficult to predict how the situation will develop in 2021 and what further negative effects it may exert on the operations and financial standing of the Parent Company and the Group. Further spread of the virus, after all, may cause additional restrictions and a decline in business activity (at present, numerous restrictions affect the business of such entities as hotels, restaurants, cafes, shopping centers). Also, a significantly increased number of infectees in the Group would potentially affect the risks related to business continuity of Group companies as business interruptions, if any, could adversely affect revenue from sales. The Group, however, takes preventive measures to mitigate such risks.

The ENEA S.A. Management Board has established the ENEA Group *Crisis Management and Coordination Center*. All Group companies have appointed Teams to coordinate continuity assurance tasks for ENEA Group companies in the context of the coronavirus threat. The ENEA S.A. Management Board coordinates all the activities in this respect acting through the Center. The Crisis Center and the Teams take actions to protect the health of employees by providing personal protective equipment (including masks, antibacterial gel, gloves), implementing safe working principles (including remote working being introduced where possible, limiting direct meetings in workplaces, disinfecting rooms, introducing limits on numbers of employees in rooms, maintaining safe distances between employees). The precautions taken to prevent coronavirus infections have translated into shifts in operating expenses, which, along with changes in the level of revenues, ultimately affects the Group's consolidated financial result.

In H1 2021, the COVID-19 pandemic did not have such a strong impact on the activity of LWB as in 2020. In addition, due to intensified work of the teams and optimizing the longwall run arrangement and schedule in the period of increased demand for coal, it was possible to achieve very good production results, which translated into the financial result in H1 2021.

Considering, though, all the time the risks caused by COVID-19, LWB continues to apply appropriate measures and security mechanisms to protect it against the adverse consequences of COVID-19 on the company's operations and results. These measures include, in particular, personal protective equipment, keeping a distance, appropriate work organization and the use of shift work and remote working where possible, as well as appropriate technical measures to facilitate prevention of disease.

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

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

On 28 October 2016, ENEA S.A. made a statement of termination or rescission of long-term property right purchase agreements resulting from the certificates of origin of energy from renewable sources (the so-called green certificates). These agreements were dissolved. The reason for the Company's termination/rescission of the individual agreements was exhaustion of all possibilities of restoring contract balance and equivalence of the parties' performances resulting from amendments to the law. The financial consequences of dissolving the abovementioned agreements will be the avoidance by the Company of the loss being the balance of the contractual prices and the market price of green certificates. At present, three cases are pending before the Regional Court in Poznań for declaring ineffectiveness of termination (rescission) by ENEA S.A. of property right sale agreements. In addition, some proceedings are pending against ENEA S.A. for payment of the fee for property rights resulting from the deduction of payment for the damage caused to ENEA S.A. through the contracting parties' non-fulfillment of their contractual obligation to participate, in good faith, in renegotiating the long-term property right sale agreements pursuant to the adaptation clause binding on the parties. The estimate total net value of ENEA S.A.'s contractual liabilities was approx. PLN 1,187 million.

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

In April 2020, ENEA Badania i Rozwój (EBiR) filed an application with the Łęczna Township to issue an environmental conditions decision (DUŚ) for a power plant project using the integrated coal gasification combined cycle (IGCC Project) technology in the Łęczna township. The application was accompanied by an environmental impact report, which is one of the many concept research and development documents for the IGCC Project. The decision to implement the investment project is conditional upon the progress of the analyses carried out by the ENEA Group, while taking into account the changing market and regulatory environment. In August 2020, due to the information about the expected changes in the energy group operation concept announced by the Ministry of State Assets, and in particular due to the plans to separate coal assets from the energy group structures, it was recommended to withhold the expenditure for the implementation of the IGCC Project until the program for coal assets is formed. By the notice of 22 September 2020, the Mayor of Łęczna suspended the proceeding on obtaining the DUŚ for the IGCC Project at the request of EBiR.

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

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

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

8.33. Participation in the nuclear power plant construction program

On 26 March 2021, an agreement was executed between ENEA, PGE, TAURON and KGHM on the one side and the State Treasury on the other side for the acquisition by the State Treasury of a 100% stake in PGE EJ1. Under the provisions of the Share Purchase Agreement, the title to PGE EJ1 shares was transferred on 31 March 2021. ENEA sold to the State Treasury 532,523 shares in PGE EJ1, representing 10% of the share capital and carrying the right to 10% of votes at the general meeting of PGE EJ1. The purchase price for the 100% equity stake was PLN 531,362 thousand, of which PLN 53,136 was payable to ENEA. The purchase price will be subject to adjustment based on the valuation of PGE EJ1 updated as at the transaction closing date. In ENEA S.A.’s opinion, such adjustment, if any, will not have a significant impact on the final purchase price.

Moreover, on 26 March 2021, the Shareholders and PGE EJ1 executed an Annex to the Agreement of 15 April 2015 regarding a dispute between PGE EJ1 and the WorleyParsons consortium. Under the Annex, the amount of the Shareholders’ liability towards PGE EJ1 arising from the Agreement for the outcome of the dispute with the WorleyParsons consortium was limited, and in the event of the settlement of the dispute in favor of PGE EJ1, the Shareholders will be entitled to pertinent benefits from PGE EJ1. Information on the progress of the dispute between PGE EJ1 and the WorleyParsons consortium was disclosed in the respective periodic reports.

In connection with the acquisition by the State Treasury of a 100% stake in PGE EJ1, the Shareholders also terminated the Shareholders’ Agreement of 3 September 2014 with effect from 26 March 2021.

Due to the sale of all shares in PGE EJ1 held by ENEA S.A. to the State Treasury, ENEA S.A. ceased to be a shareholder of PGE EJ1.

8.34. Interest in ElectroMobility Poland S.A.

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

On 19 August 2021, the Extraordinary General Meeting of ElectroMobility Poland S.A. adopted a resolution to reduce the company’s share capital by PLN 17,699,500.00 through a decrease in the par value of all its shares from the current amount of PLN 7,000.00 each to a new par value of PLN 5,230.05 per share. The decrease in the share capital is aimed at transferring funds from the share capital to supplementary capital. The General Meeting also adopted a resolution to increase the share capital by PLN 249,996,390.00 to PLN 302,296,890.00, for the total issue price of PLN 250,000,000, to be contributed exclusively in cash. The issue of the new shares was effected by way of a private placement. All the new shares are ordinary registered shares. The share premium (excess of the total issue price over the total par value) will be transferred to supplementary capital. The new shares have been offered to the State Treasury with which ElectroMobility Poland S.A. entered into a share subscription agreement. Following the completion of all formalities related to the share capital increase, ENEA S.A. will hold a 4.325% stake in the company’s share capital.

8.35. Research and development projects carried out in ENEA Operator

ENEA Operator executes numerous research and development projects:

1. The project entitled “System of power and energy balancing and monitoring the quality of electricity supply of distributed energy sources and storage facilities” executed together with the AGH University of Science and Technology. Continuous monitoring systems cover a broad range of issues associated with the process of continuous monitoring of the operation of power grids, quality of electricity, measurement instruments and the whole ICT infrastructure required in order to transmit the measurement data, as well as remote management of measurement systems and instruments. The project has received co-funding from the National Centre for Research and Development as part of Measure 1.2: “Sector R&D Programmes” of Operational Programme Smart Growth 2014–2020. Implementation of the project is in progress. The industrial research phase has been completed and the experimental development phase is currently in progress.
2. The project entitled “Innovative system services of energy storage increasing the quality and efficiency of electricity usage” implemented together with the University of Zielona Góra provides for the testing of strategies and methods, including business ones, for using energy storage facilities in electric power grids in order to improve quality and efficiency of electricity usage and for developing a product offering for customers. The project has received co-funding from the National Centre for Research

and Development as part of Measure 1.2: “Sector R&D Programmes” of Operational Programme Smart Growth 2014–2020. The industrial research phase has been completed and the experimental development phase is currently in progress.

3. The project entitled “A flexible system of increasing competences of technical service employees using virtual reality technology” implemented together with the Poznań University of Technology and the Poznań University of Economics and Business, concerns the application of VR techniques in the training of technical service employees on virtual models of electric power facilities using realistic interaction methods. The project has received co-funding from the National Centre for Research and Development as part of Measure 2/1.1.1/2018 “Quick Path” of Operational Programme Smart Growth 2014–2020. The project is currently in the experimental development phase (the industrial research phase has been completed).
4. The project entitled “eNeuron: greEN Energy hUbs for local integRATED energy cOMmunities optimizatioN” carried out under the Horizon 2020 program. The goal of the project is to develop innovative tools to optimize the process of designing and operating local power systems with the main purpose of effectively integrating distributed energy sources. The Energy Hub concept, defined as the model for controlling and managing distributed energy sources to be integrated in the system in order to optimize their operation, will be analyzed and tested in practice. The outcome is to ensure effective, economical and sustainable solutions offered to entities potentially interested in implementing such systems, including, among others, distribution grid operators, local communities and individual prosumers.
5. The project entitled “DRES2Market: Technical, business and regulatory approaches to enhance the renewable energy capabilities to take part actively in the electricity and ancillary services markets”, executed as part of the Horizon 2020 program. The primary goal of the DRES2Market project is to prepare a comprehensive and cost-efficient approach to facilitate the effective participation of distributed generation based on renewable energy in electricity markets and to enable the provision of balancing and storage services in accordance with market criteria. The DRES2Market project focuses on overcoming the existing barrier (technological and regulatory framework) impeding the development of integration of these technologies.
6. The project entitled “Development of a smart unmanned system for stabilizing the operation of distribution power grids based on modular installations of a hydrogen energy buffer with prospects for commercial use of hydrogen” executed under the Smart Development Operational Program, Action: Research and development works – National Center for Research and Development. The project is executed in an industrial and scientific consortium in collaboration with the West Pomeranian University of Technology in Szczecin and the University of Szczecin.

The Company also executes pilot projects, which were submitted both by external entities and by the employees. Apart from providing an opportunity to develop or test ideas in real conditions jointly, such initiatives permit a reliable assessment of new solutions regarding technological maturity, development prospects, benefits and costs, as well as risk factors. This way ENEA Operator appreciates the potential of its employees and establishes cooperation with successive external entities.

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

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

In 2020, “Feasibility study for the construction of photovoltaic farms in the areas of LW Bogdanka” was completed. Based on the document, in H1 2021, the procedure for selecting a contractor for the photovoltaic farm for the needs of the field of Bogdanka was completed.

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

The project of building large-scale photovoltaic plants in cooperation with the National Support Center for Agriculture is one of the key projects underlying the assumptions for ENEA Group's energy transition. In performance of the ENEA Group Strategy, updated in December 2019, development of PV projects up to the total capacity of 1500-2000 MWp (base/dynamic scenario) is considered. The cooperation between the ENEA Group and KOWR fits the assumptions of Poland's Energy Policy until 2040, which provides for development of renewable energy sources for the purpose of diversification of the production structure and reduction of energy sector's emissions.

8.38. Execution of the construction project of Ostrołęka C Power Plant

Detailed information on the execution of the Ostrołęka C Power Plant construction project are described in Note 11 of the “Condensed Interim Consolidated Financial Statements of the ENEA Group for the period from 1 January to 30 June 2021”.

8.39. Activity of ENEA Innowacje

ENEA Innowacje is a company established by the ENEA S.A. Management Board on 29 September 2015. Its business involves initiatives and undertakings which have a chance of becoming actual, innovative and modern products or services offered in the future by the ENEA Group. Responsibilities of the company include: seeking, analyzing and evaluating projects in terms of attractiveness and conformity to the Group's strategy and supporting operational and strategic integration of processes. It eagerly supports projects with global ambitions. The company's core interests include seeking and implementing solutions to seize the opportunities existing in the respective areas, i.e. circular economy, energy storage and new RES technologies, electromobility, Smart Cities, Internet of Things, artificial intelligence and automation.

In H1 2021, the company did not conduct any research and development activity.

At the end of June 2021, ENEA Innowacje signed a master cooperation agreement with NCBR Investment Fund ASI S.A., a public co-investment venture capital fund owned and managed by the National Center for Research and Development (NCBR). According to the master agreement, ENEA Innowacje will act as a management entity for the common investment portfolio. Its main responsibility will be investing common funds on an arm's length basis in shares of selected companies that are in the growth or expansion phase and already commercializing the results of their previous research and development work. The goal of these

investment activities is an increase in the value of portfolio companies and the maximization of the value of the entire investment portfolio for both entities (investors).

8.40. Report on Application of Best Practice for WSE Listed Companies 2021

The “Best Practice for WSE Listed Companies 2021” is a new edition of the set of corporate governance rules that issuers of shares listed on the WSE Main Market have been subject to since 2002 under the Regulations of the Exchange. The Best Practice takes into account the existing legal status and the latest trends in corporate governance, and address the demands of market players interested in improving corporate governance in listed companies. The comply or explain formula applies to the rules included in the Best Practice.

At the end of July, ENEA S.A. published the Best Practice application report. The Company complies with a large majority of the rules. the entire report may be downloaded in the Corporate Governance tab on the <https://ir.enea.pl> website.

8.41. Reduction of pollutant emissions

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

Kozienice Power Plant – units 1-10

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
H1 2021	4,103.3	0.676	2,297.8	4,304.4	0.709	2,410.5	160.6	0.026	61.0	5,132,958.8	845	6,072,292.9
H1 2020	3,689.4	0.732	2,029.2	3,505.0	0.696	1,927.7	160.8	0.032	59.5	4,279,353.6	849	5,037,543.9
% change	11.22	-7.73	13.24	22.81	1.88	25.05	-0.12	-17.14	2.52	19.95	-0.49	20.54

In 2021, the emission fee rates increased:

SO₂: 0.55 PLN/kg in 2020 => 0.56 PLN/kg in 2021

NO_x: 0.55 PLN/kg in 2020 => 0.56 PLN/kg in 2021

Dust: 0.37 PLN/kg in 2020 => 0.38 PLN/kg in 2021

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

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
H1 2021 Unit 11 ¹⁾	907.2	0.322	508.1	1,122.1	0.398	628.4	35.7	0.013	13.6	2,115,057.3	750	2,818,530.0
H1 2020 Unit 11 ¹⁾	771.0	0.329	424.0	971.4	0.414	534.3	37.3	0.016	13.8	1,756,358.7	748	2,346,998.4
H1 2021 Units 1-10	4,103.3	0.676	2,297.8	4,304.4	0.709	2,410.5	160.6	0.026	61.0	5,132,958.8	845	6,072,292.9
H1 2020 Units 1-10	3,689.4	0.732	2,029.2	3,505.0	0.696	1,927.7	160.8	0.032	59.5	4,279,353.6	849	5,037,543.9

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

ENEA Elektrownia Połaniec

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
H1 2021	2,394.20	0.629	1,340.75	2,750.51	0.723	1,540.29	210.17	0.055	79.87	2,630,358	691.2	3,805,320.8
H1 2020	3,246.63	0.919	1,785.65	2,471.46	0.700	1,359.3	160.19	0.045	59.27	2,224,541	629.6	3,533,112.1
% change	-26.3	-31.5	-24.9	11.3	3.3	13.3	31.2	21.8	34.8	18.2	9.8	7.7

Białystok CHP Plant

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
H1 2021	134.9	0.148	75.5	281.9	0.309	157.9	14.0	0.015	5.3	156,515.5	171.399	282,443.6
H1 2020	62.3	0.081	34.3	226.3	0.295	124.5	25.9	0.034	9.6	122,177.9	159.041	235,273.9
% change	116.5	82.7	120.1	24.6	4.7	26.8	-45.9	-55.9	-44.8	28.1	7.8	20.0

Białystok "Zachód" Heat Plant

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
H1 2021	16.7	-	9.3	14.1	-	7.9	0.5	-	0.2	14,411	-	-
H1 2020	4.0	-	2.2	3.5	-	1.9	0.4	-	0.1	7,314	-	-
% change	317.5	-	322.7	302.9	-	315.8	25.0	-	100.0	97.0	-	-

8.42. Compliance with formal and legal requirements

ENEA Wytwarzanie

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

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

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

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

In H1 2021, no exceedance of the emission standards and other formal and legal requirements was found.

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

ENEA Ciepło

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

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

ENEA Elektrownia Połaniec

ENEA Elektrownia Połaniec S.A. takes advantage of the derogation arising from the IED – natural derogation of 17,500 hours covering boiler 1.

In H1 2021, a total of 1,307 hours were utilized from the available limit. 2,621 hours remain to be utilized.

9. CSR – Corporate social responsibility

1. Fight against COVID-19:

Up until now, the ENEA Group spent more than PLN 6.2 million on support for medical centers and aid institutions that were involved in combating the pandemic. The amount was provided to 43 hospitals and other treatment facilities across Poland. In H1 2021, the Foundation donated PLN 1.9 million for combating COVID-19 and for rehabilitation of coronavirus patients. The ENEA Foundation will carry out aid activities in accordance with the guidelines issued by the Ministry of State Assets.

2. ENEA for Generations. Together about Safety

Out of concern for the health and safety of senior citizens during the pandemic, we launched a free TeleRada (TeleAdvice) hotline under the project “ENEA for Generations. Together about Safety”. 5 days a week, within specific hours, experts in selected areas are available to offer their services: a dietitian, a lawyer, a social worker, a consumer ombudsman, a physician and a pharmacist. The project also aims to educate, raise consumer awareness and support fire protection in households of our customers and in local communities. Due to safety concerns, in order to ensure good health of all participants, direct meetings have been replaced with webinars devoted to the health and safety of senior citizens. Special materials have been developed to help senior citizens and their families learn how to navigate safely in the jungle of commercial contracts, how to behave during a meeting with a visiting sales representative, what tricks are used by dishonest sales people or how to secure one’s house against fire.

3. From Greater Poland to Independent Poland. The youth speaks about 27 December 1918 – a historical education project

ENEA S.A. is working with the Educational Project Society Foundation to implement a historical and educational project about the Greater Poland Uprising (*Powstanie Wielkopolskie*), implementing the quality education goal of the Sustainable Development Goals. The following materials have been developed as part of the project: a multimedia lesson for the youth in grades 7 and 8 of 120 elementary schools, materials and teaching aids necessary to present the lesson: a textbook for students, a methodology teacher pack, a website dedicated to the campaign at <https://1918pamietamy.enea.pl>, two historical education conferences have been organized, and a large-format exhibition for schools has been prepared. In autumn, there will be a contest with prizes testing the knowledge provided during the lessons about the Uprising. The goal of the project is to spread knowledge and educate the young generation about the Greater Poland Uprising and its significance for building the independence of Poland as well as integration of the local community from ENEA’s area of operation around important historical events – building the sense of community and patriotism.

4. Exempt From theory Nationwide Contest

For the second time, the ENEA Group became one of the partners of the nationwide contest for students called “Exempt From theory” as part of the “Energy in Education” path supported by the ENEA Group. In this year’s edition, the path sponsored by ENEA attracted 315 participants, who implemented 33 projects, supporting 752 thousand beneficiaries. The projects supported by ENEA included, among others, ideas from the area of environmental protection and conscious consumption, a project supporting the unemployed on the education and labor market, educational activities relating to mental disorders and the fight against obesity and excess weight, or initiatives in the area of health prevention. The representatives of ENEA sat on the jury and took part in meetings with students and last-year high-school students telling them about their work for the ENEA Group. Additionally, a workshop covering knowledge of the social media was delivered in the ENEA’s path. Overall, more than 3,800 people participated in the contest, which implemented nearly 750 projects.

5. #Ogarnijhejt Campaign

As part of the Year of Lem established by the Sejm of the Republic of Poland, the ENEA Group became a partner of the Ogarnij Hejt [Know about Hate] campaign and activities carried out as part of the Year of Lem activities. Until the end of June, schools were registering for participation in educational activities. Starting in September, free cyberbullying awareness and cyber security classes will be delivered for students, teachers and parents in 30 elementary schools in the ENEA Group’s area of activity. A workshop for employees was also held, teaching how to prevent cyberbullying that may affect their loved ones. On 10-15 September, the Technology Congress will be held with the participation of ENEA Group representatives.

6. “ENEA for Women” social campaign providing information about the negative effects of the pandemic especially among women

On the occasion of Women’s Day, 8 March, we broadcast a premiere concert of Kasia Stankiewicz and Varius Manx in our Group’s social media for all our employees, especially women. The concert launched a social campaign aimed at mitigating the negative emotional effects caused by the coronavirus pandemic. Due to the support of the ENEA Foundation and the organized collection, from 8 to 31 March 2021, women were able to take advantage of remote psychological care free of charge. 51 women used the aid, and psychologists provided 68 hours of support. The social campaign was organized in cooperation with the Development Ladder Foundation.

7. Mission: prevention. Health begins in your head

The ENEA Foundation has become the partner of the 13th edition of the campaign entitled “Faces of depression. I don’t judge. I accept” to be launched on 1 October. As part of the campaign, through the financial involvement of the ENEA Foundation, the “Faces of depression” Foundation will provide free remote psychological assistance for those who need it in the area of operation of the ENEA Group for nearly 100 days. The project also included prophylactic activities for employees, including a webinar on the

treatment of depression, a meeting with a psychologist and actor Piotr Zelt, who suffers from depression, and stress management workshops attended by more than 230 ENEA Group employees.

8. “Koncerty nad Rusalką” Project

The ENEA Group has supported the Polish young musical scene during the pandemic, becoming the main partner of Koncerty nad Rusalką event. The project included 25 concerts of the young musical scene, including outdoor concerts activating people with disabilities thanks to the installation of an induction loop transmitting music for hearing-impaired people.

9. Pro-environmental campaign for ENEA’s customers

The project entitled “Together for Bees” has been developed as an inspiration for ENEA customers to create “city canteens” for bees by sowing nectar-rich flowers together. As part of the project, seeds of nectar-rich flowers were prepared and supplied to ENEA Branches in the form of a leaflet (a biodegradable leaflet in the spirit of the “zero waste” concept). The goal of the campaign was to spread knowledge and educate ENEA’s customers and employees about the importance of bees in our everyday life, to create sensitivity to the issues of protection of biodiversity, to engage ENEA’s customers in a pro-environmental action and to sow nano-meadows together.

10. “Help animals survive through winter” action

ENEA also engages in activities focused on education about nature and environmental protection. In February, the ENEA Foundation invited schools to the campaign entitled “Help animals survive through winter”. As part of the activities, pupils learned how to protect and help feathered creatures in frosty weather and bird feeders were delivered to thirty schools, with nearly one ton of bird feed. Each school was also provided with educational materials and instruction for feeding birds. Schools in Poznań, Staszów, Zielona Góra, Połaniec, Piła and Szczecin, attended by the children of our employees or their relatives, also signed up for the campaign.

11. Help with passion

ENEA performed a campaign for employees of the ENEA Group within the Polish nationwide initiative “Pomagaj z pasją” [“Help with passion”], whose originator was the Pro NGO Foundation. The idea of the campaign was for employees to create works of art, such as paintings, photographs or handicraft products, which would eventually be put up for a charitable auction to support selected Polish non-governmental organizations.

The six best works by our employees were nominated to the next stage of the contest held by the Pro NGO Foundation, out of which five reached the final stage at which the jury of the contest selected the best works in each category. The results of the contest were announced on 28 April 2021.

12. The final of the “Run–Raise–Help” program – grants

“Biegamy–Zbieramy–Pomagamy” [‘Run–Raise–Help’] is one of the most important social responsibility programs initiated by the ENEA Foundation, encouraging ENEA Group employees who are passionate about sport to help others. Every year, hundreds of people participate in sports competitions – running, triathlon, cycling and Nordic walking – collecting points to be converted into Polish zloty. Due to cash collected in this way, the ENEA Foundation organizes sports events for children and youth. In 2021, due to exceptional circumstances caused by the coronavirus pandemic, the ENEA Foundation resolved to earmark funds collected by employees in 2019 and 2020 for grants of PLN 5,000 each to Youth Sports Clubs whose members include young athletes with disabilities. Clubs from the areas where ENEA Group companies operate could apply for the grants. The grants were awarded to two sports clubs in Inowrocław and Gorzów Wielkopolski. Since the beginning of the “Run – Raise – Help” program, at 1,122 competitions, a total amount of PLN 148 thousand was collected. The cash was earmarked for development of children and youth through sports.

13. Shoebox

For the fourth time already, the ENEA Group joined the Shoebox campaign by encouraging people to donate their unused cosmetics for individuals who have found themselves in a difficult life situation. The name of the campaign comes from shoeboxes in which cosmetics are collected. Cosmetics were collected in seven cities: Poznań, Bydgoszcz, Piła, Szczecin, Połaniec, Kozienice and Gorzów Wielkopolski. This year, cosmetics weighing 118 kilograms were collected in the Group!

10. Non-financial reporting

Responsible management practices – publication of the Group’s first ESG report for 2020



The non-financial reporting process for 2020, which commenced in the ENEA Group by publication of the “Non-Financial Statement of ENEA Group” in March 2021 as a separate but also integral part of the annual “Management Board Report on the activity of ENEA S.A. and the ENEA Group in 2020”, was continued in May 2021, when the first ESG Report of the ENEA Group was presented online and which is currently available at <https://raportesg2020.csr.enea.pl/>

The publication summarizes the exceptional pandemic year of 2020 with a breakdown into the environmental, social responsibility and corporate governance areas. Still, ENEA’s operating model is invariably based on equal treatment of economic, social and environmental goals. This is why, in the previous 9 years (2011-2019), the Group’s non-financial reports mentioned sustainability/CSR in the title. The change of the approach is aimed

at increasing the effectiveness the non-financial evaluation of enterprises, among others by investors, analysts and independent rating agencies.

In the ESG report we show how ENEA supports the solution of the most critical problems of the modern world by incorporating the context of the UN Sustainable Development Goals. We also present the ENEA Group’s approach to managing individual environmental, labor and social issues, the internal policies and procedures in place, and the results of our efforts. We have devoted much space to two universal social issues. The first one concerns activities pursued for the benefit of the public health care system and local communities in the context of the COVID-19 epidemic. What is important, they were not limited to financial support only, but also included involvement of our volunteers. The other, equally important topic, is the ENEA Group’s contribution to the fight with the global climate crisis; therefore, we present not only the results achieved but also commitments for the future, for example, for transition towards a zero-emission corporation, such as the development of energy production from renewable sources.

The transparency and credibility of the presented information is supported, among others by a detailed description of the risks inherent in the Enea Group’s business and a description of how the Group manages them on a daily basis, with an extended analysis of risks resulting from climate change, as well as reliable information on problematic incidents in the work safety area.

The publication has been prepared in accordance with the international GRI reporting standards, while at the same meeting even greater accessibility standards (WCAG 2.1).

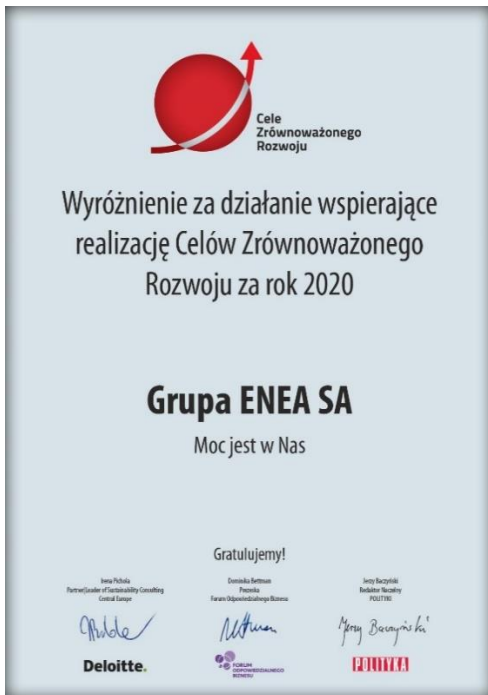
ENEA ranked 4th and LW Bogdanka 3rd in the fuel, energy and mining industry category in the 2021 Ranking of Responsible Companies.



In June 2021, the ENEA Group ranked 4th and LW Bogdanka 3rd in the Fuel, energy and mining industry category of the 15th edition of the Ranking of Responsible Companies presented by the Responsible Business Forum and the Kozminski University. Our direct competitors placed further down the ranking list. This confirms the high quality of sustainable development processes conducted within our Group.

Nearly 80 companies took part in the Ranking, with 70 qualified for the main list. Among them, ENEA was 16th and LW Bogdanka 15th overall. In this case, our direct competitors placed further down the list.

ENEA Group was one of the winners of the 11th edition of the CSR Silver Leaf award from the Polityka Weekly



In June 2021, for the fourth time in a row, the ENEA Group won the CSR Silver Leaf presented by the Polityka Weekly in a contest organized by Deloitte, Responsible Business Forum and the Polityka Weekly for the most responsible and socially engaged companies in the sustainable development area in 2020.

The good practices distinguished this year included the ENEA Group's "Power Within Us" campaign, which was a response of the company and its employees to the exceptional situation related to the coronavirus pandemic. In that campaign, Group companies, employees and volunteers carried out aid initiatives, which included spontaneous facemask production campaigns, material and financial support, psychological aid, shopping for seniors.

The listing recognizes and motivates companies to improve their management in the corporate social responsibility area and as part of the 17 Sustainable Development Goals (SDGs).

92 companies were distinguished in the 10th edition (24 companies more than the year earlier). Half of them received Polityka's White CSR Leaf, 24 Polityka's Silver CSR Leaf and 15 Polityka's Gold CSR Leaf.

LW Bogdanka, an ENEA Group company was among the companies awarded with the White CSR Leaf.

11. Appendices

Appendix 1 – Statement of profit and loss of ENEA Operator in H1 2021

[PLN 000s]	H1 2020	H1 2021	Change	% change
Revenue from sales of distribution services to end users	1,422,514	1,488,615	66,101	4.6%
Revenue from additional fees	1,545	2,271	726	47.0%
Revenue from non-invoiced sale of distribution services	4,760	19,673	14,913	313.3%
Settlement of the balancing market	20,259	2,507	-17,752	-87.6%
Grid connection fees	100,804	36,397	-64,407	-63.9%
Revenue from illegal consumption of electricity	2,785	5,084	2,299	82.6%
Revenue from services	13,784	14,106	322	2.3%
Revenue from sales of distribution services to other entities	12,914	12,716	-198	-1.5%
Revenue from sales of goods and materials and other revenue	631	906	275	43.6%
Revenue from sales	1,579,996	1,582,275	2,279	0.1%
Depreciation of fixed assets and amortization of intangible assets	305,074	328,033	22,959	7.5%
Employee benefit costs	257,590	265,380	7,790	3.0%
Consumption of materials and supplies and cost of goods sold	14,654	16,310	1,656	11.3%
Purchase of energy for own needs and grid losses	176,814	147,584	-29,230	-16.5%
Costs of transmission services	231,464	212,835	-18,629	-8.0%
Other third-party services	130,605	138,135	7,530	5.8%
Taxes and charges	114,587	120,875	6,288	5.5%
Tax-deductible expenses	1,230,788	1,229,152	-1,636	-0.1%
Other operating revenue	66,902	20,115	-46,787	-69.9%
Other operating costs	42,568	17,407	-25,161	-59.1%
Profit/ (loss) on the sale and liquidation of property, plant and equipment	(2,659)	(1,139)	1,520	57.2%
Operating profit / (loss)	370,883	354,692	-16,191	-4.4%
Finance income	2,940	4,509	1,569	53.4%
Finance costs	49,134	29,446	-19,688	-40.1%
Profit / (loss) before tax	324,689	329,755	5,066	1.6%
Income tax	63,902	65,549	1,647	2.6%
Net profit / (loss) for the reporting period	260,787	264,206	3,419	1.3%
EBITDA	675,957	682,725	6,768	1.0%

ENEA Operator – EBITDA drivers in H1 2021 (up by PLN 7 million):

(+) revenue from sales of distribution services to end users up by PLN 81 million, largely due to a higher volume of distributed energy. The consequences of the pandemic and restrictions in the business sector do not significantly affect total demand for electricity. Moreover, we are constantly observing the impact of end users working from home on the level of demand for electricity in Tariff Groups G

(+) costs of purchasing transmission and distribution services (balance) down by PLN 18 million, in particular as a consequence of a decline in contracted capacity and lower variable and fixed fee rates in settlements with PSE S.A. and neighboring DSO, respectively

(-) revenues from grid connection fees down PLN 64 million as a result of the settlement, in 2020, of a connection which entailed a large connection fee in Connection Group II

(+) costs of purchasing electricity to cover the balancing difference (balance) down by PLN 11 million, chiefly as a result of a decline in wholesale prices with delivery in 2021

(-) higher operating costs by PLN 23 million resulting mainly from higher employee benefit costs, higher costs of third-party services and higher costs of taxes and charges

(-) lower result on other operating activities by PLN 20 million resulting mainly from lower revenue from contractual penalties and indemnities, lower revenues from the removal of collisions and changes in impairment losses offset by remeasurement of provisions for grid assets

Appendix 2 - Statement of profit and loss of ENEA Operator in Q2 2021

[PLN 000s]	Q2 2020	Q2 2021	Change	% change
Revenue from sales of distribution services to end users	690,315	726,670	36,355	5.3%
Revenue from additional fees	320	1,303	983	307.2%
Revenue from non-invoiced sale of distribution services	-10,124	-6,021	4,103	40.5%
Settlement of the balancing market	7,748	262	-7,486	-96.6%
Grid connection fees	88,915	26,050	-62,865	-70.7%
Revenue from illegal consumption of electricity	1,211	2,167	956	78.9%
Revenue from services	6,696	6,858	162	2.4%
Revenue from sales of distribution services to other entities	7,028	6,641	-387	-5.5%
Revenue from sales of goods and materials and other revenue	284	557	273	96.1%
Revenue from sales	792,393	764,487	-27,906	-3.5%
Depreciation of fixed assets and amortization of intangible assets	157,126	165,520	8,394	5.3%
Employee benefit costs	133,069	135,062	1,993	1.5%
Consumption of materials and supplies and cost of goods sold	6,307	8,228	1,921	30.5%
Purchase of energy for own needs and grid losses	82,400	70,754	-11,646	-14.1%
Costs of transmission services	114,374	108,204	-6,170	-5.4%
Other third-party services	63,389	69,855	6,466	10.2%
Taxes and charges	38,139	60,730	22,591	59.2%
Tax-deductible expenses	594,804	618,353	23,549	4.0%
Other operating revenue	42,193	8,319	-33,874	-80.3%
Other operating costs	25,506	5,960	-19,546	-76.6%
Profit/ (loss) on the sale and liquidation of property, plant and equipment	(1,684)	(573)	1,111	66.0%
Operating profit / (loss)	212,592	147,920	-64,672	-30.4%
Finance income	2,239	4,032	1,793	80.1%
Finance costs	27,543	14,600	-12,943	-47.0%
Profit / (loss) before tax	187,288	137,352	-49,936	-26.7%
Income tax	36,457	27,449	-9,008	-24.7%
Net profit / (loss) for the reporting period	150,831	109,903	-40,928	-27.1%
EBITDA	369,718	313,440	-56,278	-15.2%

ENEA Operator – EBITDA drivers in Q2 2021 (down by PLN 56 million):

- (+) revenue from sales of distribution services to end users up by PLN 40 million, largely due to a higher volume of distributed energy
- (+) costs of purchasing transmission and distribution services (balance) down by PLN 6 million
- (-) revenue from grid connection fees down by PLN 63 million
- (+) costs of purchasing electricity to cover the balancing difference (balance) down by PLN 4 million, chiefly as a result of a decline in wholesale prices with delivery in 2021
- (-) operating costs up by PLN 33 million, mainly due to higher costs of taxes and charges and costs of third-party services
- (-) lower result on other operating activities by PLN 13 million resulting mainly from lower revenue from contractual penalties and indemnities, changes in impairment losses and lower revenues from the removal of collisions offset by remeasurement of provisions for grid assets

Appendix 3 – Statement of profit and loss of ENEA Wytwarzanie in H1 2021

[PLN 000s]	H1 2020 ¹⁾	H1 2021	Change	% change
Revenue from sales of electricity	2,547,033	2,335,631	-211,402	-8.3%
generation license	1,946,445	2,207,592	261,147	13.4%
trading license	541,769	110,606	-431,163	-79.6%
Regulatory System Services	58,819	17,433	-41,386	-70.4%
Revenue from the capacity market	0	298,475	298,475	100.0%
Revenue from certificates of origin	22,570	91	-22,479	-99.6%
Revenue from sales of heat	521	574	53	10.2%
Revenue from sales of other products and services	3,267	2,614	-653	-20.0%
Revenue from sales of goods and materials	6,292	12,025	5,733	91.1%
Net revenue from sales	2,579,683	2,649,410	69,727	2.7%
Revenue from leases and operating subleases	162	302	140	86.4%
Net revenue from sales and other income	2,579,845	2,649,712	69,867	2.7%
Depreciation of fixed assets and amortization of intangible assets	204,405	114,635	-89,770	-43.9%
Employee benefit costs	133,168	135,309	2,141	1.6%
Consumption of materials and supplies and cost of goods sold	1,437,659	1,789,960	352,301	24.5%
Purchase of energy for subsequent sale	375,582	233,067	-142,515	-37.9%
Transmission services	1	3	2	200.0%
Other third-party services	55,586	58,251	2,665	4.8%
Taxes and charges	36,508	39,667	3,159	8.7%
Tax-deductible expenses	2,242,909	2,370,892	127,983	5.7%
Other operating revenue	36,047	14,150	-21,897	-60.7%
Other operating costs	6,991	7,916	925	13.2%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(81)	11	92	113.6%
Impairment loss allowance on non-financial non-current assets	522,822	0	-522,822	-100.0%
Operating profit / (loss)	(156,911)	285,065	441,976	281.7%
Finance income	347	8,533	8,186	2,359.1%
Finance costs	75,646	49,160	-26,486	-35.0%
Dividend income	152	120	-32	-21.1%
Profit / (loss) before tax	(232,058)	244,558	476,616	205.4%
Income tax	-43,553	137,276	180,829	415.2%
Net profit / (loss) for the reporting period	(188,505)	107,282	295,787	156.9%
EBITDA	570,316	399,700	-170,616	-29.9%

¹⁾ data for 2020 do not include the RES Segment spun-off from ENEA Wytwarzanie as of 1 December 2020

ENEA Wytwarzanie – key EBITDA drivers in H1 2021 (down by PLN 171 million):

- (-) trading and Balancing Market margin down by PLN 248.2 million
- (-) generation margin down by PLN 133.0 million
- (-) revenue from Regulatory System Services down by PLN 41.4 million
- (-) decrease in other drivers by PLN 41.1 million, including result on other operating activities down by PLN 22.8 million and revenue from sales of property rights down by PLN 22.5 million
- (-) fixed costs up by PLN 5.4 million
- (+) revenue from the capacity market of 298.5 million

Appendix 4 – Statement of profit and loss of ENEA Wytwarzanie in Q2 2021

[PLN 000s]	Q2 2020 ¹⁾	Q2 2021	Change	% change
Revenue from sales of electricity	1,273,762	1,184,138	-89,624	-7.0%
generation license	951,007	1,114,951	163,944	17.2%
trading license	293,381	60,109	-233,272	-79.5%
Regulatory System Services	29,374	9,078	-20,296	-69.1%
Revenue from the capacity market	0	149,070	149,070	100.0%
Revenue from certificates of origin	7,427	0	-7,427	-100.0%
Revenue from sales of heat	191	181	-10	-5.2%
Revenue from sales of other products and services	1,828	1,275	-553	-30.3%
Revenue from sales of goods and materials	3,258	7,183	3,925	120.5%
Net revenue from sales	1,286,466	1,341,847	55,381	4.3%
Revenue from leases and operating subleases	83	191	108	130.1%
Net revenue from sales and other income	1,286,549	1,342,038	55,489	4.3%
Depreciation of fixed assets and amortization of intangible assets	102,393	56,893	-45,500	-44.4%
Employee benefit costs	70,520	68,132	-2,388	-3.4%
Consumption of materials and supplies and cost of goods sold	710,346	932,045	221,699	31.2%
Purchase of energy for subsequent sale	198,057	122,525	-75,532	-38.1%
Transmission services	1	1	-	-
Other third-party services	27,753	30,888	3,135	11.3%
Taxes and charges	18,605	19,867	1,262	6.8%
Tax-deductible expenses	1,127,675	1,230,351	102,676	9.1%
Other operating revenue	17,970	11,441	-6,529	-36.3%
Other operating costs	2,304	5,815	3,511	152.4%
Profit / (loss) on the sale and liquidation of property, plant and equipment	99	(1)	-100	-101.0%
Impairment loss allowance on non-financial non-current assets	522,822	0	-522,822	-100.0%
Operating profit / (loss)	(348,183)	117,312	465,495	133.7%
Finance income	150	8,476	8,326	5,550.7%
Finance costs	40,835	26,213	-14,622	-35.8%
Dividend income	152	120	-32	-21.1%
Profit / (loss) before tax	(388,716)	99,695	488,411	125.6%
Income tax	-74,329	109,347	183,676	247.1%
Net profit / (loss) for the reporting period	(314,387)	(9,652)	304,735	96.9%
EBITDA	277,032	174,205	-102,827	-37.1%

¹⁾ data for 2020 do not include the RES Segment spun-off from ENEA Wytwarzanie as of 1 December 2020

ENEA Wytwarzanie – key EBITDA drivers in Q2 2021 (down by PLN 103 million):

- (-) trading and Balancing Market margin down by PLN 129.1 million
- (-) generation margin down by PLN 87.4 million
- (-) revenue from Regulatory System Services down by PLN 20.3 million
- (-) decrease in other drivers by PLN 14.1 million, including result on other operating activities down by PLN 10.0 million and revenue from sales of property rights down by PLN 7.4 million
- (-) fixed costs up by PLN 1.0 million
- (+) revenue from the Capacity Market of 149.1 million

Appendix 5 – Statement of profit and loss of ENEA Elektrownia Połaniec – H1 2021

[PLN 000s]	H1 2020	H1 2021	Change	% change
Revenue from sales of electricity	1,089,849	1,177,488	87,639	8.0%
generation license	881,901	831,507	-50,394	-5.7%
trading license	191,821	339,273	147,452	76.9%
Regulatory System Services	16,127	6,708	-9,419	-58.4%
Revenue from the capacity market	0	121,166	121,166	100.0%
Revenue from certificates of origin	126,917	124,411	-2,506	-2.0%
Revenue from sales of heat	21,833	33,519	11,686	53.5%
Revenue from sales of other products and services	2,765	2,651	-114	-4.1%
Revenue from sales of goods and materials	1,864	1,123	-741	-39.8%
Excise duty	27	33	6	22.2%
Revenue from sales and other income	1,243,201	1,460,325	217,124	17.5%
Depreciation of fixed assets and amortization of intangible assets	31,645	38,610	6,965	22.0%
Employee benefit costs	37,938	38,873	935	2.5%
Consumption of materials and supplies and cost of goods sold	734,192	772,491	38,299	5.2%
Purchase of energy for subsequent sale	128,360	394,602	266,242	207.4%
Transmission services	164	220	56	34.1%
Other third-party services	118,522	113,287	-5,235	-4.4%
Taxes and charges	17,795	17,740	-55	-0.3%
Tax-deductible expenses	1,068,616	1,375,823	307,207	28.7%
Other operating revenue	8,813	18,002	9,189	104.3%
Other operating costs	915	529	-386	-42.2%
Profit / (loss) on the sale and liquidation of property, plant and equipment	56	0	-56	-100.0%
Operating profit / (loss)	182,539	101,975	-80,564	-44.1%
Finance income	138	10	-128	-92.8%
Finance costs	3,575	4,804	1,229	34.4%
Dividend income	0	3,517	3,517	100.0%
Profit / (loss) before tax	179,102	100,698	-78,404	-43.8%
Income tax	56,640	21,735	-34,905	-61.6%
Net profit / (loss) for the reporting period	122,462	78,963	-43,499	-35.5%
EBITDA	214,184	140,585	-73,599	-34.4%

ENEA Elektrownia Połaniec – key EBITDA drivers in H1 2021 (down by PLN 74 million):

System Power Plants Segment (EBITDA down by PLN 100.8 million):

- (-) trading and Balancing Market margin down by PLN 118.5 million
- (-) generation margin down by PLN 105.6 million
- (-) revenue from sales of Regulatory System Services down by PLN 9.4 million
- (+) revenue from the capacity market of 121.2 million
- (+) fixed costs down by PLN 11.5 million

RES Segment (EBITDA up by PLN 21.5 million):

- (+) RES energy production margin up by PLN 18.8 million
- (+) Green Block's margin on sales of green certificate inventories up by PLN 3.0 million
- (-) fixed costs up by PLN 0.2 million

Heat Segment (EBITDA up by PLN 5.7 million)

- (+) margin on heat up by PLN 5.8 million due to: higher sales price of heat by PLN 5.0 million, lower fuel cost by PLN 1.8 million, higher heat generation volume by PLN 0.8 million, higher cost CO₂ by PLN 1.8 million
- (-) fixed costs up by PLN 0.2 million

Appendix 6 – Statement of profit and loss of ENEA Elektrownia Połaniec – Q2 2021

[PLN 000s]	Q2 2020	Q2 2021	Change	% change
Revenue from sales of electricity	544,007	588,954	44,947	8.3%
generation license	400,677	412,824	12,147	3.0%
trading license	136,183	173,700	37,517	27.5%
Regulatory System Services	7,147	2,430	-4,717	-66.0%
Revenue from the Capacity Market	0	61,416	61,416	100.0%
Revenue from certificates of origin	57,300	72,255	14,955	26.1%
Revenue from sales of heat	11,774	16,963	5,189	44.1%
Revenue from sales of other products and services	1,427	1,328	-99	-6.9%
Revenue from sales of goods and materials	845	539	-306	-36.2%
Excise duty	13	15	2	15.4%
Revenue from sales and other income	615,340	741,440	126,100	20.5%
Depreciation of fixed assets and amortization of intangible assets	16,660	20,246	3,586	21.5%
Employee benefit costs	21,130	20,595	-535	-2.5%
Consumption of materials and supplies and cost of goods sold	339,285	376,616	37,331	11.0%
Purchase of energy for subsequent sale	88,879	220,897	132,018	148.5%
Transmission services	51	125	74	145.1%
Other third-party services	62,525	53,234	-9,291	-14.9%
Taxes and charges	9,120	9,485	365	4.0%
Tax-deductible expenses	537,650	701,198	163,548	30.4%
Other operating revenue	8,388	17,554	9,166	109.3%
Other operating costs	834	207	-627	-75.2%
Profit / (loss) on the sale and liquidation of property, plant and equipment	56	0	-56	-100.0%
Operating profit / (loss)	85,300	57,589	-27,711	-32.5%
Finance income	44	3	-41	-93.2%
Finance costs	2,443	2,464	21	0.9%
Dividend income	0	3,517	3,517	100.0%
Profit / (loss) before tax	82,901	58,645	-24,256	-29.3%
Income tax	-6,571	-15,562	-8,991	-136.8%
Net profit / (loss) for the reporting period	89,472	74,207	-15,265	-17.1%
EBITDA	101,960	77,835	-24,125	-23.7%

ENEA Elektrownia Połaniec – key EBITDA drivers in Q2 2021 (down by PLN 24 million):

System Power Plants Segment (EBITDA down by PLN 53.8 million):

- (-) trading and Balancing Market margin down by PLN 94.2 million
- (-) generation margin down by PLN 33.9 million
- (-) revenue from sales of Regulatory System Services down by PLN 4.7 million
- (+) revenue from the Capacity Market of 61.4 million
- (+) fixed costs down by PLN 17.6 million

RES Segment (EBITDA up by PLN 26.7 million):

- (+) RES energy production margin up by PLN 26.4 million
- (+) Green Block's margin on sales of green certificate inventories up by PLN 0.2 million
- (+) fixed costs down by PLN 0.1 million

Heat Segment (EBITDA up by PLN 2.9 million)

- (+) margin on heat up by PLN 2.9 million due to: higher sales price of heat by PLN 2.5 million, lower fuel cost by PLN 0.8 million, higher heat generation volume by PLN 0.4 million, higher cost CO₂ by PLN 0.9 million

12. Glossary of terms and abbreviations

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

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

Financial ratios	Item
Current receivables turnover in days	Average balance of trade and other receivables x days / Revenue from sales and other income
Trade and other payables turnover in days	Average balance of trade and other payables x days / Cost of goods and materials sold
Inventory turnover in days	Average balance of inventories x days / Cost of goods and materials sold
Net debt / EBITDA	(Loans, borrowings and non-current and current debt securities + non-current and current finance lease liabilities + non-current and current financial liabilities measured at fair value - cash and cash equivalents - non-current and current financial assets measured at fair value - non-current and current debt financial assets measured at amortized cost) / EBITDA LTM
EBITDA	Operating profit (loss) + depreciation and amortization + impairment losses on non-financial non-current assets
EBITDA LTM	EBITDA for the last 12 months
EBIT	Operating profit (loss)
External financing	Sum of the following Statement of cash flows items: Loans and borrowings received, Issue of bonds, Repayment of loans and borrowings, Redemption of bonds
Operating expenses	Depreciation and amortization; Employee benefit costs Consumption of materials and supplies and cost of goods sold; Purchase of energy and gas for subsequent sale; Transmission services; Other third-party services; Taxes and charges
Cost of goods and materials sold	Consumption of materials and supplies and cost of goods sold; purchase of energy and gas for subsequent sale; transmission services; other third-party services; taxes and charges; excise duty
Fixed costs	Costs that are independent of the electricity production volume. In a power plant, these costs include: payroll costs and charges, depreciation and amortization, costs of consumption of materials and supplies, costs of third-party services, costs of taxes and charges and other fixed costs
Own costs	Direct and indirect selling costs of ENEA S.A. and ENEA Trading
Margin on heat	Margin on sales of heat calculated as the difference between revenue from sales of heat and its variable production costs
Margin on trading	Difference between revenue from sales of electricity purchased in trading operations and the costs of purchasing electricity incorporating the result on sales of CO ₂
Margin on RES energy production	Margin on sales of energy and production of green certificates from the Green Unit, calculated as the difference between revenue from sales of energy and from the valuation of certificates produced and the variable costs of producing them

Financial ratios	Item
Margin on the Balancing Market	Difference between revenue from sales of electricity purchased on the balancing market and the costs of purchasing that electricity incorporating the result on CO ₂ sales
Margin on generation	Difference between revenue from sales of electricity produced and revenue from certificates, and the variable costs related to production of that electricity
Margin from licensed activities	<p>Margin from licensed activities is a management indicator incorporating revenues and costs related to business activity involving distribution of electricity to customers located in a specified area. Those include primarily:</p> <ul style="list-style-type: none"> • revenue from sales of distribution services to end users • costs of transmission and distribution services • costs of electricity purchased to cover the balancing difference and for own needs • revenue from grid connection fees – ENEA Operator holds a concession granted by the President of the Energy Regulatory Office until 1 July 2030.
Green Block's margin on sales/remeasurement of green certificate inventories	Margin on the sale of green certificates from the Green Block calculated as a difference between revenue from sales and the cost of sales of the certificates, which takes into account the updated inventories of green certificates, i.e. the updated average weighted price of the inventory of certificates to market price in case their market price drops significantly
Coverage of non-current assets with equity	Equity / Non-current assets
Operating profitability	Operating profit (loss) / Revenue from sales and other income
Return on equity (ROE)	Net profit (loss) for the reporting period / Equity
Return on assets (ROA)	Net profit (loss) for the reporting period / Total assets
Net profitability	Net profit (loss) for the reporting period / Revenue from sales and other income
EBITDA profitability	EBITDA / Revenue from sales and other income
Adjusted first contribution margin	Margin on retail trading of electricity and gaseous fuel earned by ENEA S.A., presented together with wholesale sales of ENEA Trading adjusted for presentation by other conditional factors, such as costs of provisions for claims of terminated PMOZE agreements, revenues and costs from sales and purchases of CO ₂ emission allowances, valuation of CO ₂ contracts, forward transactions for energy, gas and property rights presented in operating activities.
Result on other operating activities	Change in the following items: other operating revenue, other operating costs, profit/loss on a change, sale and liquidation of property, plant and equipment
Current liquidity ratio	Current assets / Current liabilities
Total debt ratio	Total liabilities / Total assets
Change in working capital	An item from the statement of cash flows

Abbreviation/term	Full name/definition
ACER	European Union Agency for the Cooperation of Energy Regulators
Capacity auction	A mechanism introduced by the Capacity Market Act of 8 December 2017 (Journal of Laws 2020, Item 247). In capacity auctions, electricity producers offer the operator a capacity obligation for the duration of a delivery period, which means that they undertake to maintain readiness in the delivery period to deliver the specified electric power output to the system and to deliver the specified electric power output to the system in emergency periods
BAT	Best Available Techniques – a document drawing conclusions on best available techniques for the installations concerned and indicating the emission levels associated with the best available techniques
Blockchain	A decentralized platform with a dispersed network infrastructure used to account for transactions, payments or accounting entries. Advantages of this technology include, among others, safety, which is ensured by the application of cryptographic algorithms, resilience to failures and transparency of transactions, while maintaining anonymity of users. The list of possible applications includes, among others, cryptocurrencies, the Internet of Things, exchange transactions without intermediaries and institutions, land and mortgage registers without notaries and mortgage courts, electricity trading between prosumers and buyers without intermediaries, accounting ledgers
CAPEX	Capital expenditures on property, plant and equipment, intangible assets and right-to-use asset
CDS (Clean dark spread)	Difference between revenue from sales of electricity produced and the variable costs related to production of that electricity (unit CO ₂ cost and unit cost of coal including transportation).
Baseload price (BASE)	Contract price for delivery of the same volume of electricity in each hour of the day
CER	Certified Emission Reduction – the unit of certified emission reduction
CO	Carbon monoxide
CO₂	Carbon dioxide
CSR (Corporate Social Responsibility)	Corporate Social Responsibility. Responsibility of an organization for the impact exerted by its decisions and actions on society and the environment; it is ensured by transparent and ethical conduct, which: <ul style="list-style-type: none"> – contributes to sustainable development, including wellbeing and health of the society – takes stakeholder expectations into account – complies with the applicable law and consistent with international standards of conduct – is integrated with the organization's activities and is practiced in its relations
IED	Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 concerning industrial emissions. It tightens the standards for emissions of sulfur dioxide, nitrogen oxides and dust from combustion plants
EUA	EU Emission Allowance - emission allowance under the European Emissions Trading System
EU ETS European Emissions Trading System	A European scheme to promote the reduction of greenhouse gas emissions
GWh	Gigawatt-hour
HCL	Hydrogen chloride
HF	Hydrogen fluoride
Hg	Mercury
ICE	Platform for trading EU CO ₂ Emission Allowances (EUAs) and Certified Emission Reduction units (CERs) on the futures market
IIP	Inside Information Platform
SCR installation	Catalytic flue gas denitrification installation
Stakeholder	A person or group of persons interested in decisions or activities of an organization. A stakeholder is anyone who influences an organization and anyone influenced by it.
Internet of Things	A concept according to which various items, such as household appliances, lighting and heating products, may directly or indirectly collect, process or exchange data via a power installation or a computer network. The purpose of this concept is to create smart cities, transport, products, buildings, power supply systems, health systems or daily life systems.
FGD	Flue gas desulfurization and heavy metal reduction installation.
IT	Information technology. Computer hardware and software as well as tools and other techniques related to the collection, processing, transmission, storage, protection and presentation of information.
Mg	Megagram, or a ton.
MWe	Megawatt of electrical power
MWh	Megawatt-hour (1 GWh = 1,000 MWh)
MWt	Megawatt of thermal power
NH₃	Ammonia.
Nm³	Normalized cubic meter of gas, i.e. the number of cubic meters that the gas would occupy in normal conditions.
LV	Low voltage grid supplying individual users with 50 Hz alternating current at 230 V phase voltage.
NO_x	Nitrogen oxides
DSO	Distribution System Operator
TSO	Transmission System Operator. Polskie Sieci Elektroenergetyczne S.A., a company wholly-owned by the State Treasury, which owns highest voltage grids and therefore is the operator of the power transmission system.

RES	Renewable energy sources
“White” Property Rights	Common name of PMOZE-BIO instruments
“Blue” Property Rights	Common name of PMEF, PMEF_F, PMEF-XXXX instruments
“Green” Property Rights	Same as PMOZE
PMOZE	Property rights under certificates of origin for energy from renewable sources
PMOZE - BIO	Property rights under certificates of origin of electricity from agricultural biogas plants
PSCMI 1	Reflects the price level of class 20-23/1 fine steam coal in sales to commercial and industrial energy sector.
Energy Law	Act of 10 April 1997 - Energy Law (Journal of Laws 2019 Item 755).
DAM	Day-Ahead Market (DAM) has been operating since 30 June 2000. It is a spot electricity market in Poland. Since the beginning of quotation, DAM prices are a benchmark for energy prices in bilateral contracts in Poland. The DAM is intended for the companies that want to actively and safely close their electricity purchase/sales portfolios on an ongoing basis at particular hours of the day
REMIT	Regulation (EU) No. 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency
Balancing market	Technical market operated by TSOs. Its objective is to ensure real-time balancing of demand for electricity and its production in the Polish Power System (PPS)
SPOT market	Cash (spot) market
Forward market	Electricity market where forward products are quoted
SCR (Selective Catalytic Reduction)	Catalytic flue gas denitrification installation – it operates based on the principle of reduction of nitrogen oxides to atmospheric nitrogen on the surface of a catalyst, using substances containing ammonia.
Smart Grid	Smart electrical grids, which feature communication between all the participants on the energy market, in order to supply energy services at lower costs, enhance efficiency and integrate dispersed energy sources, including renewable energy sources.
MV	Medium voltage grid, in which the phase-to-phase voltage ranges from 1 kV to 60 kV.
SO2	Sulfur dioxide
PPE	Polish Power Exchange
TWh	Terawatt-hour
ERO	Energy Regulatory Office
Energy Law	Act of 10 April 1997 entitled Energy Law
HV	High voltage grid. An electric power transmission grid, in which the phase-to-phase voltage ranges from 60 to 200 kV (in Poland: 110 kV). This grid is used to transmit electricity over large distances.



Signatures of the Management Board

Date of approval and publication of the Management Board Report on the Activity of the ENEA Group in H1 2021: 16 September 2021

Signed by:

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Vice-President of the Management Board for Corporate Matters Tomasz Szczegielniak

Vice-President of the Management Board for Operational Matters Marcin Pawlicki

Vice-President of the Management Board for Financial Matters Rafał Mucha