



Additional information to the extended consolidated report of ENEA S.A. for Q1 2021

Poznań, date of publication: 27 May 2021

Table of contents

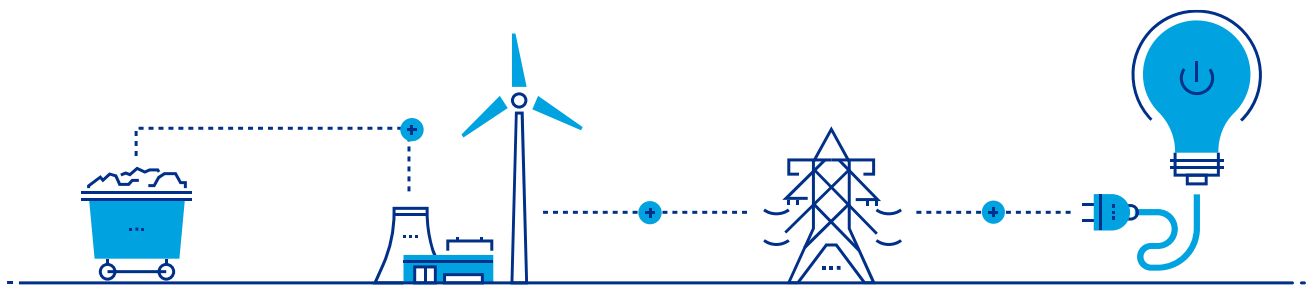
1. Operating summary for Q1 2021	4
2. Organization and activity of the ENEA Group	6
3. ENEA Group's Risk Model	18
4. Market environment	19
5. Financial standing	22
6. Shares and shareholders	34
7. Governing bodies	35
8. Other information relevant to evaluation of the issuer's standing	37
9. CSR – Corporate social responsibility	50
10. Non-financial reporting	51
11. Appendices	52
12. Glossary of terms and abbreviations	55

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
441 million tons	443 MW	119.3 thousand km	6.3 TWh
mining potential in 4 mining concession areas	installed RES capacity	distribution lines, including connections	sales of electricity and gaseous fuel to retail customers in Q1 2021
2.6 million tons	6.1 TWh	5.2 TWh	32
net coal production in Q1 2021	total net energy generated in Q1 2021	energy distributed in Q1 2021	Customer Service Offices



1. Operating summary for Q1 2021

In Q1 2021, the ENEA Group generated EBITDA of PLN 923 million (down by PLN 93 million y/y).



The Generation area posted EBITDA of 367 million (down by PLN 105 million y/y). A significant decrease in EBITDA was recorded in the System Power Plants Segment, by PLN 114 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), while revenue was earned on the Capacity Market. EBITDA in the Heat Segment EBITDA increased by PLN 10 million y/y, while declining slightly in the RES Segment by PLN 1 million y/y.



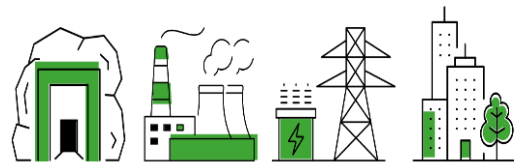
The Mining area generated EBITDA of PLN 164 million, (up by PLN 34 million y/y). The higher EBITDA was driven mainly by the higher sales of coal, partially offset by a lower sales price.



The Distribution area posted EBITDA of 369 million (up by PLN 63 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 Trading area posted EBITDA of 47 million (down by PLN 63 million y/y). The segment's performance was unfavorably affected by a decrease in the average sales price of energy, a revaluation of CO₂ contracts, movement in provisions related to onerous contracts and an increase in cost of environmental obligations, partially offset by a lower average energy purchase price.



- The ENEA Group made capital expenditures of over PLN 316 million.
- Production of commercial coal was 2.6 million tons.
- Sales of commercial coal were 2.4 million tons.
- The Group produced over 6 TWh of electricity.
- Sales of heat in the Generation segment were 2,607 TJ.
- Sales of distribution services to end users were over 5 TWh.
- The volume of sales of electricity and gaseous fuel to retail customers was more than 6 TWh.

+

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

-

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

1.1. Key events in 2021

First quarter

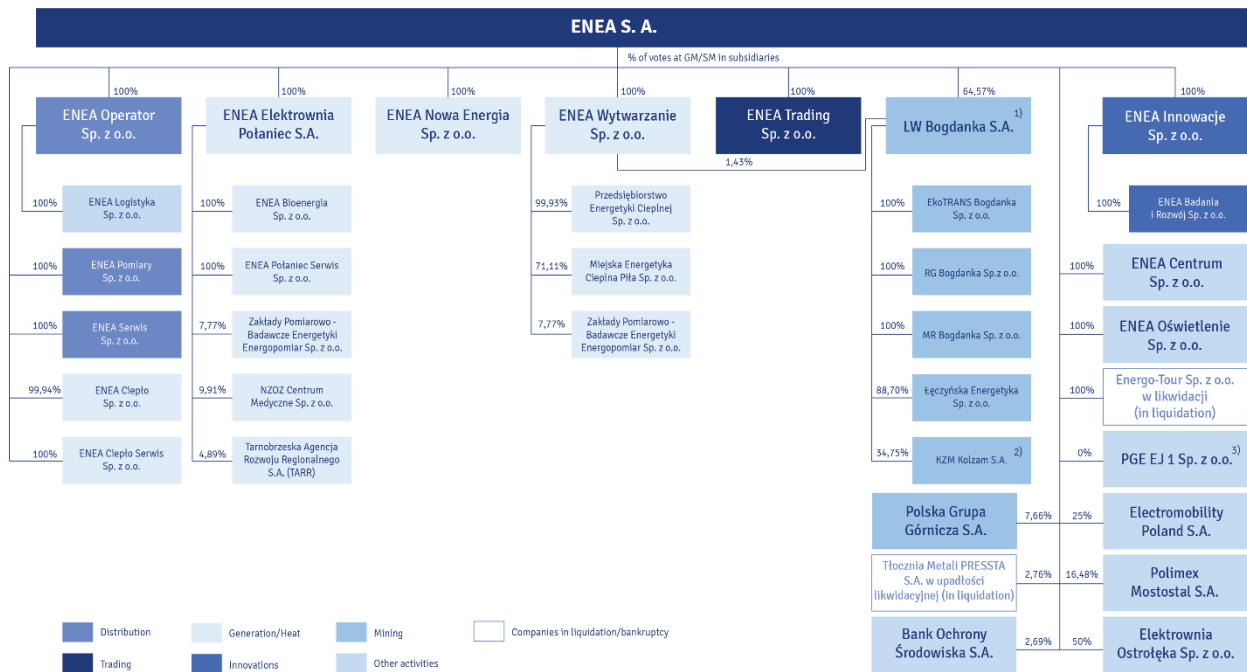
- On 4 January 2021, the Company received a resignation tendered by Ms. Izabela Felczak-Poturnicka from the position of Chairwoman of the Supervisory Board and from her membership in the ENEA S.A. Supervisory Board as of 5 January 2021.
- On 5 January 2021, ENEA S.A., PGE Polska Grupa Energetyczna and 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 Mrs. 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 Lubelski Węgiel 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 Lubelski Węgiel 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 the State Treasury of a 100% stake in PGE EJ1 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.

1.2. Events after the reporting period

- 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.

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 shareholder 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. ⁴⁾

⁴⁾ Further down in the document, the names of the companies may be presented without the abbreviation of their legal form.

2.2. Changes in the ENEA Group's structure

Asset restructuring

Following key organizational changes in Q1 2021, in addition to the initiatives associated with the planned changes, the ENEA Group did not carry out any major asset restructuring activities.

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.

Changes in the organization

In Q1 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 Q1 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. Currently, the merger is pending registration in the National Court Register. According to the adopted timetable, the project is expected to be completed by the end of June of this year. However, the final date of completion of the project depends on how long it will take the court to make the pertinent entry in the National Court Register. Currently, due to the epidemiological situation, the waiting time for the entry may be as long as several months.
- 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.

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 offer tailored to customer needs
- Comprehensive customer service

2.3.1. Mining

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

Item	Q1 2020	Q1 2021	Change
Net production [000s of tons]	2,066	2,612	26.4%
Sales of coal [000s of tons]	1,918	2,383	24.2%
Inventories (at the end of the period) [000s of tons]	327	350	7.0%
Excavation works [km]	6.7	5.3	-20.9%

2.3.2. Generation

2.3.2.1. Generation assets of the ENEA Group as at 31 March 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 last year of production	2026	2026	2028	2028	2031	2031	2033	2033	2041	2042	2048

The above data were prepared on the basis of the current working schedule of the units and the scheduled generation unit shutdowns. At present, ENEA Wytwarzanie conducts 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 result from the concept documentation. Several stages of generation capacity replacement is planned. Only after the target capacity replacement model is developed, the shutdown schedule for the 200 MWe power units will be updated.

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

As at the end of March 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 and Obra.

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	Q1 2020	Q1 2021	Change
Total electricity generation (net) [GWh], of which:	3,438	4,119	19.8%
Net generation from conventional sources [GWh], of which:	3,438	4,119	19.8%
<i>ENEA Wytwarzanie – Koźienice Power Plant</i>	3,421	4,101	19.9%
<i>MEC Piła</i>	17	18	8.9%
Gross heat production [TJ]	414	515	24.4%

¹⁾ Accounting treatment

Unit 11 in the Koźienice Power Plant	Q1 2020	Q1 2021	Change
Net electricity production [GWh]	996	1,156	16.1%
Average monthly net load [MW]	677	679	0.3%

2.3.2.4. Data for ENEA Nowa Energia

Item	Q1 2020	Q1 2021	Change
Total generation from renewable energy sources (net) [GWh], including:	113	78	-30.7%
<i>hydro power plants</i>	44	38	-13.3%
<i>wind farms</i>	67	38	-42.5%
<i>biogas plants</i>	2	2	-

2.3.2.5. Data for ENEA Elektrownia Połaniec

Item	Q1 2020	Q1 2021	Change
Total electricity generation (net) [GWh], of which:	1,758	1,744	-0.8%
<i>ENEA Elektrownia Połaniec – net generation from conventional sources</i>	1,230	1,348	9.6%
<i>ENEA Elektrownia Połaniec – generation from renewable energy sources (firing of biomass – Green Unit)</i>	393	335	-14.6%
<i>ENEA Elektrownia Połaniec – generation from renewable energy sources (cofiring of biomass)</i>	135	61	-55.1%
Gross heat production [TJ]	429	576	34.3%

2.3.2.6. Data for ENEA Ciepło

Item	Q1 2020	Q1 2021	Change
Total electricity generation (net) [GWh], including:	123	147	19.9%
<i>Net generation from conventional sources [GWh] – excluding combustion of biomass</i>	70	100	45.0%
<i>Net generation from renewable energy sources – combustion of biomass [GWh]</i>	53	47	-12.6%
Gross heat production [TJ] (with the Zachód Heat Plant)	1,418	1,762	24.3%

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]
Kozienice – Power Plant			
Q1 2020	3,045,033	14,021	322 660
Q1 2021	3,618,023	-. ³⁾	409 625
MEC Piła			
Q1 2020	30,881	11,827 ²⁾	2 606 ¹⁾
Q1 2021	37,988	-. ³⁾	3 476 ¹⁾
Białystok – CHP Plant			
Q1 2020	114,800	70,157 ²⁾	4 443
Q1 2021	156,515	-. ³⁾	16 728
Białystok – “Zachód” Heat Plant			
Q1 2020	6,568	668 ²⁾	666
Q1 2021	14,007	-. ³⁾	1 591
Połaniec – Power Plant			
Q1 2020	1,204,068	122,907	106 218
Q1 2021	1,398,026	-. ³⁾	139 590
Łęczyńska Energetyka⁴⁾			
Q1 2020	17,377	6,535	1 158
Q1 2021	22,605	-. ³⁾	3 468
Total Q1 2020	4,418,727	226,115	437 751
Total Q1 2021	5,247,164	-	574 477

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 Q1 2021 were pulverized 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 Q1 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 Q1 2021	LW Bogdanka (approx. 89%) PGG (approx. 8%)	LW Bogdanka (47%) PGG (52%)	LW Bogdanka (100%)
Main operator effecting deliveries in Q1 2021	PKP Cargo (approx. 100%)	Kolprem (approx. 52%) PKP Cargo (approx. 28%)	LW Bogdanka (approx. 100%)

Purchase of fuel	Q1 2020		Q1 2021	
	Quantity [000s of tons]	Cost [PLN m]	Quantity [000s of tons]	Cost [PLN m]
Bituminous coal	2,147	551	2,438	592
Biomass	524	143	432	76
(Heavy) fuel oil ¹⁾	5	8	4	6
(Light) fuel oil ²⁾	2	7	2	7
Natural gas [thous. m ³] ³⁾	6,583	8	7,023	7
Total		716		688

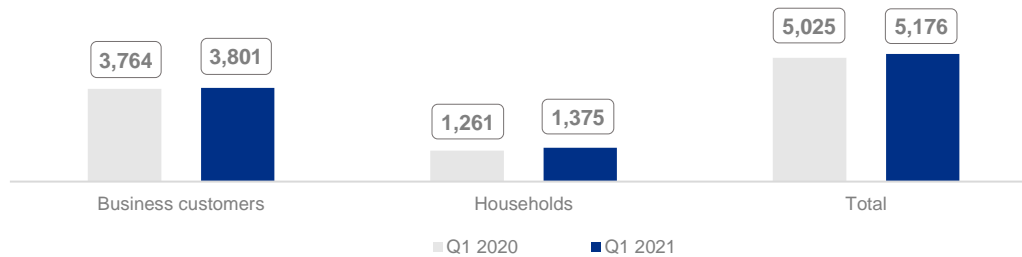
¹⁾ Light up fuel in U1-10 of the Kozienice Power Plant and U1-7 of the Połaniec Power Plant

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

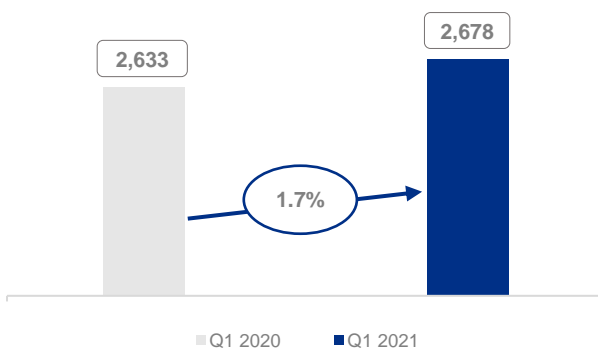
³⁾ Used for generation of electricity and heat in MEC Piła

2.3.3. Distribution

Sales of distribution services [GWh]



Number of customers (in thousands)



106.34 thous. km of distribution lines

13.00 thous. km of connections

38.51 thousand transformer substations

965.99 thousand connections

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

	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 micro-installations, 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
Q1 2021	69,382	68,766	2,123	486

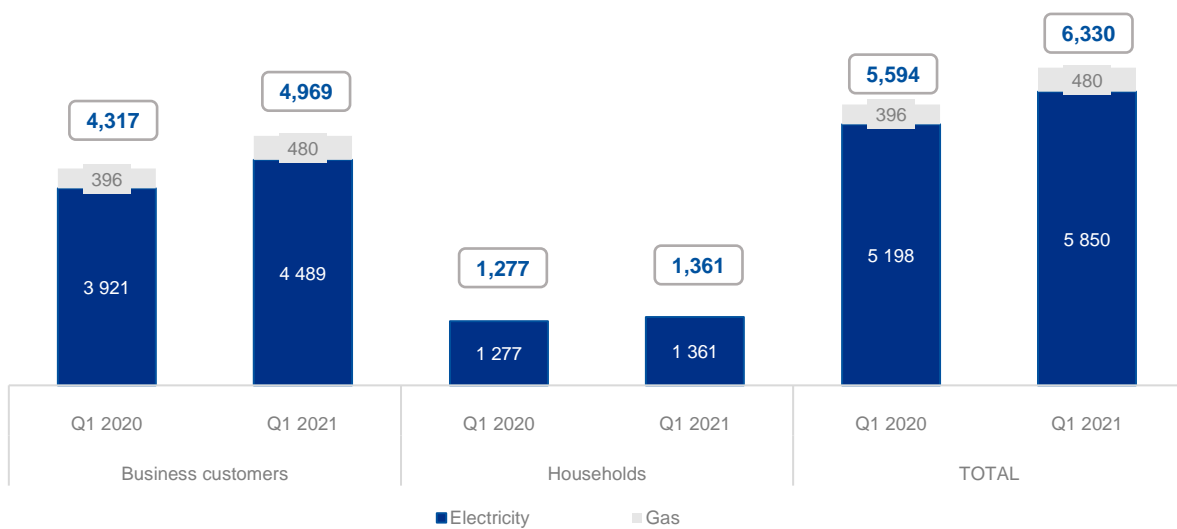
2.3.4. Trading

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

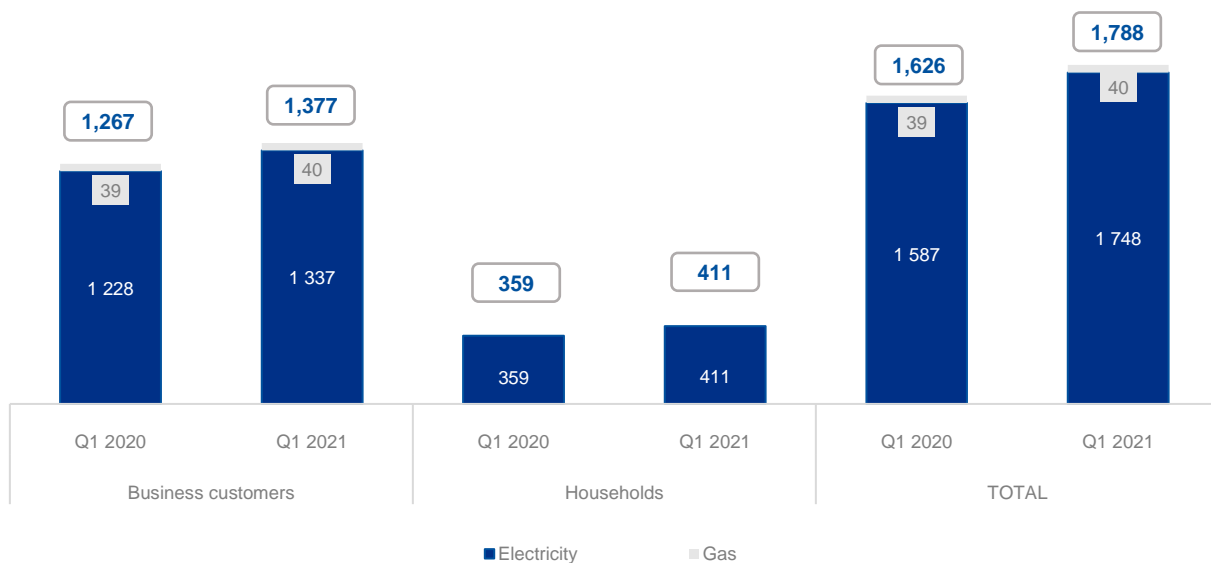
In Q1 2021, the total sales volume of electricity and gaseous fuel increased by 736 GWh, or 13.2%, as compared to the corresponding period of 2020. The increase was recorded in sales of electricity in the business customer segment and the household segment. In the business customer segment, the sales volume went up by 568 GWh, or 14.5%, and was caused by a change in the customer portfolio between 2020 and 2021. The increase in the volume of electricity sales in the household segment was 84 GWh, or 6.6%. The sales volume of gaseous fuel also increased compared to the corresponding period of the previous year, by 84 GWh, i.e. 21.2%.

Total revenue from sales of electricity and gaseous fuel increased in Q1 2021 by PLN 162 million, or 10%, 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 million]



2.4. Development strategy

MISSION:

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

VISION:

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

ENEA Group Development Strategy until 2030 with an outlook to 2035

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

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

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

Environment and key stakeholder expectations



Value creation



Competitive advantages



Climate protection



Green energy



Financial stability



Energy security

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

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

1. diversification of the ENEA 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 ENEA Group;
5. innovativeness in all aspects of the ENEA Group's activity.

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

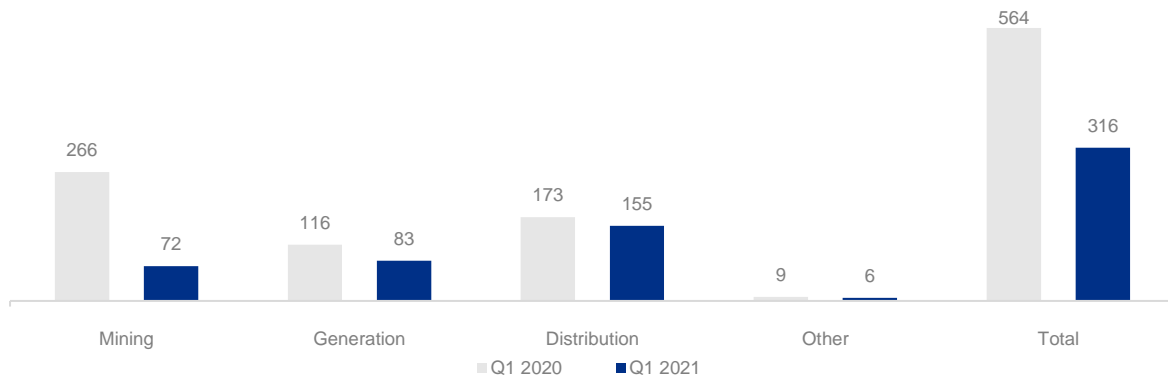
The ENEA Group's Strategy currently in force calls for the achievement of a number of KPIs by 2030 and 2035. Detailed parameters adopted for the Strategy and information on the capital expenditures earmarked for its implementation were presented in various disclosure instruments, including Current Report 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 ENEA 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 ENEA 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 Q1 2021.

2.5. Actions and investments pursued

2.5.1. Capital expenditures



Capital expenditures [PLN m]	Q1 2020	Q1 2021	Actuals Q1 2021 / Plan Q1 2021	Plan 2021
Mining	266.3	71.9	76.5%	597.7
Generation	115.9	82.8	67.9%	568.8
Distribution	173.2	155.4	71.8%	901.3
Support and other	8.6	6.3	68.9%	440.1
Total plan performance	564.0	316.4	71.7%	2,507.9

Environmental investment projects

Item	Actuals Q1 2021 [PLN million]
Adaptation to BAT conclusions (Polaniec Power Plant)	22.4
Adaptation to BAT conclusions (Kozienice Power Plant)	1.5
Other	3.6
Total environmental investments	27.5

2.5.2. Execution of other projects

Distribution Area – ENEA Operator

Name of investment	Value [PLN million]
Investments completed in Q1 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.	148.8
• Development of the infrastructure area to support operations in terms of IT and telecommunications	5.2
• Development of the infrastructure area to support operations in terms of buildings and tools	0.4
• Development of the infrastructure area to support operations in terms of transport	0.2

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 Q1 2021:	
<ul style="list-style-type: none"> 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. 	6.5
Investments planned for execution in the subsequent quarters of 2021:	
1. Program entitled "Modernization of units 3 and 8 in 2021", consisting of the following projects:	41.7
<ul style="list-style-type: none"> modernization of unit 3 – modernization in progress. modernization of unit 8 – modernization in progress. 	39.6
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.	27.0
3. Program entitled "Modernization of the cooling water system in the Kozenice Power Plant", scheduled for execution in 2019-2022, including:	109.0
<ul style="list-style-type: none"> construction of draft cooling towers with design work. modernization of the cooling water intake canal. modernization of cooling water pumps for 200 MW units. 	1.0 21.8
4. Program to adapt ENEA Wytwarzanie to the BAT conclusions, including:	11.4
<ul style="list-style-type: none"> installation of a heavy metal reduction system for FGD wastewater. automation and optimization of the flue-gas desulfurization system FGD I-V (for Units 1-11). automation and optimization of FGD III (500 MW Unit 10). automation and optimization of FGD I and FGD IV. launch of a tender procedure for automation and optimization of FGD V. 	3.0
5. Modernization of the flue-gas desulfurization system FGD I	8.2
6. Modernization of the flue-gas desulfurization system FGD IV	

Generation Area – Połaniec Power Plant

Name of investment	Value [PLN million]
Investments completed in Q1 2021:	
<ul style="list-style-type: none"> adaptation of ENEA Elektrownia Połaniec to the BAT conclusions. 	22.4
Investments planned for execution in the subsequent quarters of 2021:	
<ul style="list-style-type: none"> adaptation of ENEA Elektrownia Połaniec to the BAT conclusions. 	76.0

Generation Area – ENEA Ciepło

Name of investment	Value [PLN million]
Investments completed in Q1 2021:	
<ul style="list-style-type: none"> investments with co-funding – rebuilding existing heat distribution networks and hubs; development investments – building new heat distribution networks, connections and hubs, telemetry; modernization of coal-fired boilers in the Zachód Heat Plant to adapt them to the environmental requirements; amount of capital expenditures in the Head Office area; other capital expenditures in the Białystok CHP Plant area 	0.5 0.4 0.03 1.3 1.4
Investments planned for execution in the subsequent quarters of 2021:	
<ul style="list-style-type: none"> investments with co-funding – rebuilding existing heat distribution networks and hubs; development investments – building new heat distribution networks, connections and hubs, telemetry; modernization of coal-fired boilers in the Zachód Heat Plant to adapt them to the environmental requirements; amount of capital expenditures in the Head Office area; revitalization of boiler K7; reconstruction of coal pulverizers for boilers K-7 and K-8; replacement of controllers in DCS automation systems of and FSC systems on units and off-unit systems; construction of a biomass-fired cogeneration unit; other capital expenditures in the Białystok CHP Plant area 	19.1 12.9 4.0 3.2 3.5 1.2 3.5 2.0 4.4

Mining Area

Name of investment	Value [PLN million]
Investments completed in Q1 2021:	
Development investments:	
• purchase of finished goods, machinery and equipment.	71.9
Operating investments	
• new mining pits and modernization of existing ones – 5.3 km of roadways were made in Q1 2021.	
Investments planned for execution in the subsequent quarters of 2021:	
Development investments:	
• purchase of finished goods, machinery and equipment.	
• purchase and installation of a longwall system.	525.8
Operating investments:	
• new excavations and upgrade of existing ones.	

Area	Events
Retail Area	<p>Completed actions aimed at optimizing the model for selling photovoltaic systems, increasing their sales and taking advantage of the ENEA Group's potential in this respect to a greater extent.</p> <p>Completed the expansion of the billing system, as a result of which we will be able to sell additional products and services independently from the sales of electricity. This significantly increases our sales potential and our capacity to generate additional revenues.</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>A process of selling photovoltaic installations by a member of the ENEA Group was launched.</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 Poznan. 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>
Wholesale Area	<p>Project "Logistics of biomass supplies through sea ports".</p> <p>Launched the project entitled "Adaptation of ENEA Group Companies to changes in the operation of the balancing market in Poland".</p>

2.5.3. Executed contracts

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

In Q1 2021, ENEA Group companies executed no contracts of material importance, although the following contracts were signed in this period:

- Annex to Steam Coal Purchase Agreement No. 3/W/2012 between ENEA Elektrownia Połaniec and LW Bogdanka for the purchase of coal.
- Annex to Steam Coal Purchase Agreement No. UW/LW/01/2012 ENEA Wytwarzanie and LW Bogdanka for the purchase of coal.
- 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 and LW Bogdanka.

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 Q1 2021, ENEA S.A. did not enter into any new loan agreements.

As at 31 March 2021, ENEA S.A. had PLN 1,859 million in outstanding long-term loans at the par value of debt.

As at 31 March 2021, the nominal debt of ENEA S.A. arising from issued bonds and contracted loans totaled PLN 7,674 million.

At the same time, members of the ENEA Group are parties to separate credit facility/loan agreements. As at 31 March 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 58.6 million.

In Q1 2021, no ENEA Group company terminated any loan agreement.

2.5.5. Sureties and guarantees granted

In Q1 2021, the ENEA Group companies did not grant any sureties or guarantees of a significant value.

As at 31 March 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 35.2 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 200.6 million.

2.5.6. Interest rate hedging transactions

In Q1 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 31 March 2021, the total nominal exposure under the bonds issued under these programs and held by ENEA S.A. was PLN 3,649 million. In the previous years, ENEA S.A. also concluded intra-group bond issue program agreements with its subsidiaries, which are used to finance investments in the RES and Heat Segments. As at 31 March 2021, the total value of bonds issued and outstanding under these programs was PLN 12 million.

2.5.8. Loans granted

In Q1 2021, ENEA S.A. did not enter into any new loan agreements with other ENEA Group companies or other companies in which it holds an equity stake. The par value of the companies' debt as at 31 March 2021 was PLN 3,999,000 thousand. Detailed information on the loan agreements signed by ENEA S.A. and active in Q1 2021 and their utilization is presented in the table below:

Starting date	Final maturity	Company	Value [PLN 000s]	Loan amount taken out in Q1 2021 [PLN 000s]	Interest rate	Loan debt as at 31 March 2021 [PLN 000s]
July 2019	December 2024	ENEA Operator	1,800,000	0	base rate + margin	1,500,000
September 2019	June 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

2.5.9. Related party transactions

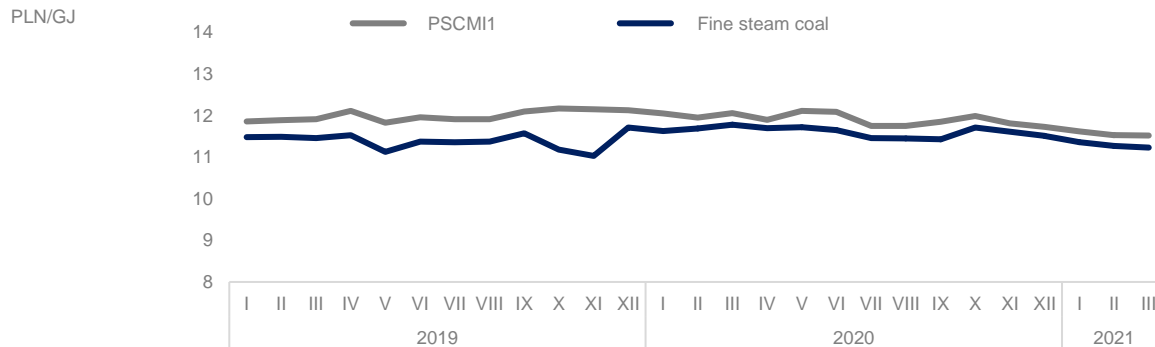
In Q1 2021, ENEA and its subsidiaries did not enter into any transactions with related parties other than on an arm's length basis. Information on transactions with related parties entered into by ENEA or its subsidiaries is provided in note 24 to the "Condensed interim consolidated financial statements of the ENEA Group for the period from 1 January to 31 March 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 resulting from the regulatory environment affecting costs and revenues • Risk of adopting erroneous assumptions for long-term financial projections • Risk of improper management of information in a crisis situation • Risk of non-compliance with the restrictive objectives of the EU climate policy • Risk of a generation gap • Risk 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 	<ul style="list-style-type: none"> • Participation in the work of thematic teams and other industry associations • Monitoring and verification of forecasts of exchange rates, interest rates, price paths and other macroeconomic assumptions • Maintaining efficient communication channels with key business units • Participation in work on regulations for the energy and coal industry • Implementation of solutions aimed at supplementing, enhancing and strengthening the 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 legislative activities • Monitoring of following the Compliance Program and employee training
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 	<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 • 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. 	<ul style="list-style-type: none"> • Monitoring of the performance of investments connected with meeting BAT conclusion requirements • Procurement process management • Regular periodic reviews and assessment of systems to ensure ICT security • Conducting an information campaign among employees, including induction and periodic training on, among others, rules of ICT security • Securing personal data processing systems through system security measures • Monitoring of hydrological conditions • Ongoing implementation of nationwide recommendations concerning minimization of the risk of infections. • Active and regular dialog with the social stakeholder. • Introduction of instructions and control mechanisms
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 • Risk involved in the sales of the assumed volume of coal to key customers 	<ul style="list-style-type: none"> • Improving methods and tools to optimize commodity portfolios • Maintaining and developing competence within the Company to manage commodity risk • Diversification of sources of supply and service provision • Continuous analysis of the fuel and energy market • Optimization of coal deliveries within the Group

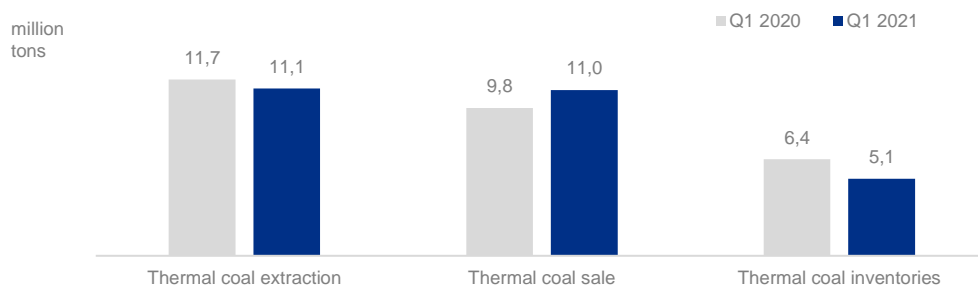
4. Market environment

Coal prices on the Polish market



PSCMI1: PSCMI1: The average value of PSCMI1 in Q1 2021 was PLN 11.56 per GJ (-3.9% y/y), which corresponds to the average purchase price of PLN 254 per ton of coal.

Fine coal fractions: The average price of fine steam coal sold to Commercial Power Plants in Q1 2021 was PLN 11.3 per GJ and was 4.2% lower than in the comparable period of 2020. In March of this year, the cost of purchasing 1 ton of fine steam coal was PLN 11.23 per GJ compared to PLN 11.78 per GJ in the previous year.



In Q1 2021, Polish mines produced a total of 11.1 million tons of steam coal, compared to 11.7 million tons in the corresponding period of last year. The decline in output by 5.0% y/y was due to the oversupply on the domestic coal market and the economic slowdown caused by the coronavirus pandemic. Sales of this commodity totaled 11 million tons, having increased by 12.4% y/y. This increase was driven by the prolonged winter and the relatively cold beginning of spring in Poland. As at the end of March, inventories of steam coal stood at 5.1 million tons, down by 19.2% year-over-year.

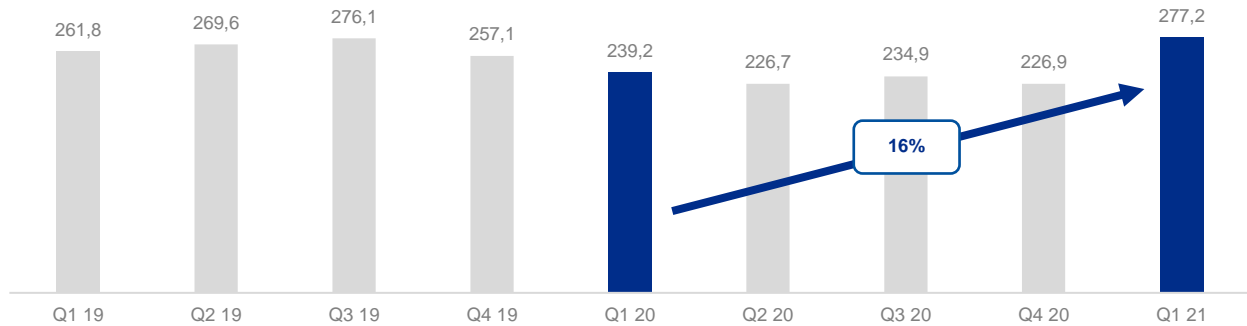
2021 is expected to be a challenging year for the Polish mining industry. As part of the transformation of the sector, a social contract was developed to be submitted to the European Commission. Negotiations between mining trade unions and the government regarding the terms of the social contract, the spin-off of coal assets from utility companies and their transfer to the National Energy Security Agency (NABE), and the disbursement of a PLN 1 billion liquidity loan from the Polish Development Fund (PFR) to PGG were the most significant events on the Polish coal market in Q1 2021. The mining area remains under pressure from record high prices of CO₂ emission allowances in excess of EUR 50 per ton, imports of cheaper energy and a growing share of renewable energy sources in the energy mix.

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 at their record high levels in excess of EUR 50 per ton. The restructuring process in progress in the mining sector translates into changes in the purchase prices of fine steam coal, which generates 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_19/20/21 (PLN/MWh)



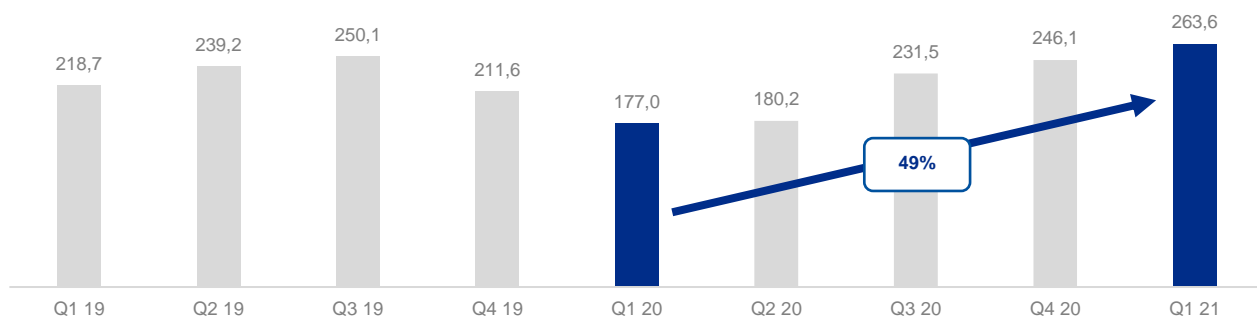
Source: PPE, clearing prices

On the wholesale electricity forward market, the price of the BASE Y-22 product increased 16%, to PLN 277.21 per MWh, compared to the corresponding product (i.e. BASE Y-21) in Q1 2020.

The market price of BASE Y-22 in Q1 2021 was highly volatile. At the beginning of the year, it hovered above PLN 259.86 per MWh, then increased to PLN 304.03 per MWh, to drop to slightly below PLN 300.00 per MWh towards the end of the quarter.

The BASE Y-22 price in Q1 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 Q1 2021 was 49% 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.

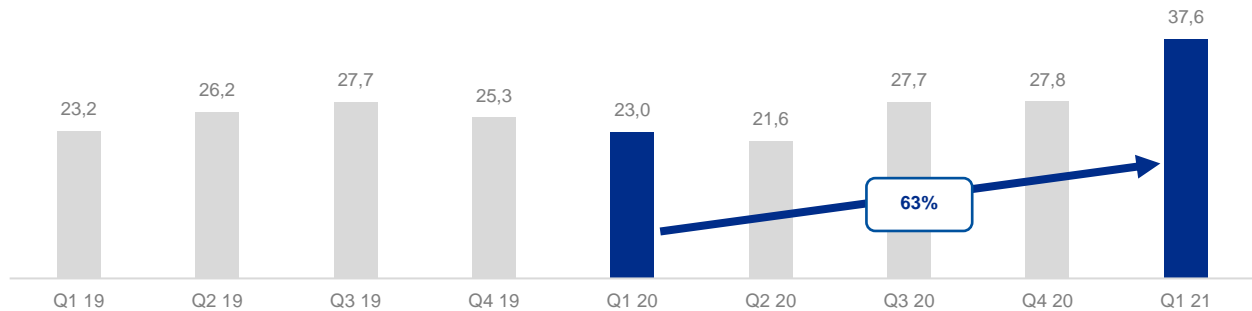
The level of electricity prices on the spot market in Q1 2021 was affected by:

- high prices of CO₂ emission allowances (price-increasing effect),
- high levels of power deficits in the National Power System (NPS) (price-increasing effect),
- relatively low, for this time of year, wind generation (price-increasing effect),
- average demand for power in the National Power System (NPS) at a higher level compared to 2020 (price-increasing effect),
- relatively low air temperatures (price-increasing effect),
- in January 2021, relatively low energy imports from neighboring countries (price-increasing effect).

In Q1 2021, the volume of trading in the annual frontal product, that is BASE_Y-22, totaled 2,287 MW, signifying a major drop compared to Q1 2020, when transactions for a total of as much as 3,948 MW were executed under BASE_Y-21 contracting (down by 42% y/y). Importantly, the disproportion in terms of liquidity for the products in question deepened with each subsequent month. Specifically, in January of this year, the decrease in trade was 28% y/y, but in February and March it was almost 44% and 47%, respectively, while the average volume contracted at each session declined from 63 MW in 2020 to 37 MW in 2021.

Prices of CO₂ emission allowances and “green” property rights

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



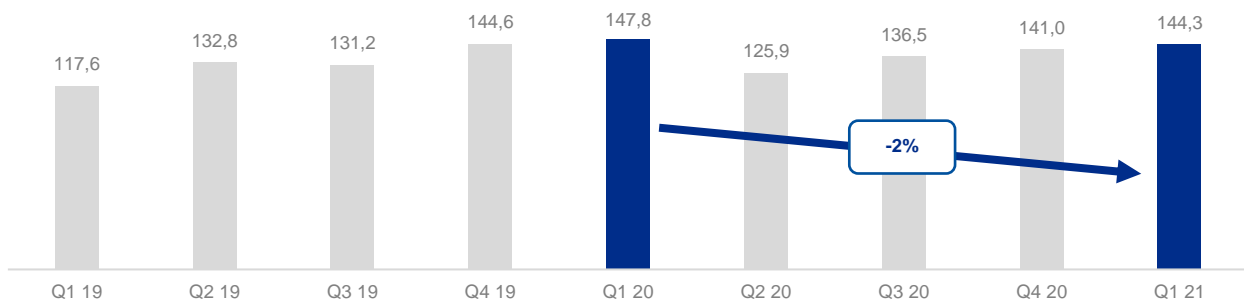
Source: ICE, clearing prices

In the early days of January, the prices of CO₂ emission allowances continued to follow an upward trend, which started at the turn of 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, reaching a level close to EUR 43 per ton (EUR 42.99 per ton on 17 March 2021). As a result of the price fluctuations, ultimately, the average price of CO₂ emission allowances in Q1 2021 was EUR 37.6 per ton (for the month of March alone, the average price was EUR 40.96 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 Q1 2021, the average price was 63% 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 commenced in Q4 2020, hovering above PLN 142.30 per MWh. Only in March the prices went up to as much as PLN 149.99 per MWh (average transaction price on 18 March 2021).

According to data provided by the Polish Power Exchange, approx. 22.5 TWh of property rights were redeemed in the period from 1 July 2019 to 31 June 2020, while about 29.4 TWh – which would be enough to cover the entire obligation for 2020 – remained in the register. As at the end of March 2021, 31.9 TWh of active rights remained in the register, with more than 11.8 TWh of property rights redeemed in the period from July 2020 to March 2021.

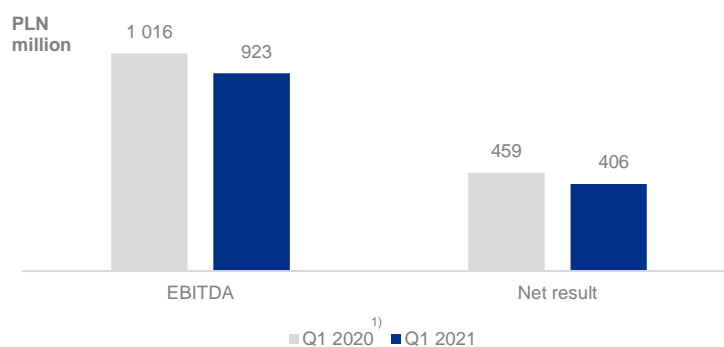
The draft regulation published on 17 July 2020 increasing the obligation from 19.35% (under Article 59 of the RES Act) to 19.50% in 2021 (retaining the 2020 level) has been accepted and will come into effect. In Q1 2021, the average price was 2% lower than the average price in the corresponding period of 2020.

5. Financial standing

5.1. Selected consolidated financial data

[PLN 000s]	Q1 2020 ¹⁾	Q1 2021	Change	Change [%]
Revenue from sales and other income	4,592,082	5,045,774	453,692	9.9%
Operating profit / (loss)	634,498	547,975	-86,523	-13.6%
Profit / (loss) before tax	555,099	505,180	-49,919	-9.0%
Net profit/(loss) for the reporting period	459,047	406,412	-52,635	-11.5%
EBITDA	1,015,582	922,504	-93,078	-9.2%
Net cash flows from:				
operating activities	(85,941)	1,622,346	1,708,287	1987.7%
investing activities	(630,180)	(476,569)	153,611	24.4%
financing activities	(1,025,339)	(170,763)	854,576	83.3%
Cash at the end of the period	2,020,487	2,916,568	896,081	44.3%
Net profit/(loss) attributable to shareholders of the parent company	444,597	385,564	-59,033	-13.3%
Weighted average number of shares	441,442,578	441,442,578	-	-
Net earnings/(loss) per share [PLN]	1.01	0.87	-0.14	-13.9%
Diluted earnings/(loss) per share [PLN]	1.01	0.87	-0.14	-13.9%

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



[PLN 000s]	31 December 2020	31 March 2021	Change	% change
Total assets	29,889,863	30,965,781	1,075,918	3.6%
Total liabilities	16,795,510	17,423,019	627,509	3.7%
Non-current liabilities	10,009,542	10,109,484	99,942	1.0%
Current liabilities	6,785,968	7,313,535	527,567	7.8%
Equity	13,094,353	13,542,762	448,409	3.4%
Share capital	588,018	588,018	-	-
Book value per share [PLN]	29.66	30.68	1.02	3.4%
Diluted book value per share [PLN]	29.66	30.68	1.02	3.4%

5.2. Key operating data and indicators for the ENEA Group

	Unit	Q1 2020 ¹⁾	Q1 2021	Change	Change [%]
Revenue from sales and other income	PLN 000s	4,592,082	5,045,774	453,692	9.9%
EBITDA	PLN 000s	1,015,582	922,504	-93,078	-9.2%
EBIT	PLN 000s	634,498	547,975	-86,523	-13.6%
Net profit / (loss) for the reporting period	PLN 000s	459,047	406,412	-52,635	-11.5%
Net profit/(loss) attributable to shareholders of the parent company	PLN 000s	444,597	385,564	-59,033	-13.3%
Net cash flows from operating activities	PLN 000s	(85,941)	1,622,346	1,708,287	1,987.7%
CAPEX	PLN 000s	563,998	316,426	-247,572	-43.9%
Net debt	PLN 000s	7,444,295	5,360,910	-2,083,385	-28.0%
Net debt / EBITDA ²⁾	-	2.09	1.67	-0.42	-20.1%
Return on Assets (ROA) ²⁾	%	5.8%	5.2%	-0.6 p.p.	-
Return on Equity (ROE) ²⁾	%	11.6%	12.0%	0.4 p.p.	-
Trading					
Sales of electricity and gaseous fuel to retail customers	GWh	5,594	6,330	736	13.2%
Number of customers (Power Delivery Points)	000s	2,531	2,587	56	2.2%
Distribution					
Sales of distribution services to end users	GWh	5,025	5,176	151	3.0%
Number of users (closing balance)	000s	2,633	2,678	45	1.7%
Generation					
Total net generation of electricity, of which:	GWh	5,431	6,089	658	12.1%
<i>from conventional sources</i>	GWh	4,737	5,568	831	17.5%
<i>from renewable sources</i>	GWh	694	521	-173	-24.9%
Gross heat generation	TJ	2,261	2,853	592	26.2%
Sales of electricity, including:	GWh	6,757	7,276	519	7.7%
<i>from conventional sources</i>	GWh	4,737	5,568	831	17.5%
<i>from renewable sources</i>	GWh	694	521	-173	-24.9%
<i>from purchase</i>	GWh	1,326	1,187	-139	-10.5%
Sales of heat	TJ	2,056	2,607	551	26.8%
Mining					
Net production	000s tons	2,066	2,612	546	26.4%
Sales of coal	000s tons	1,918	2,383	465	24.2%
Inventories at the end of the period	000s tons	327	350	23	7.0%
Excavation works	km	6.7	5.3	-1.4	-20.9%

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

²⁾ definitions of the ratios are presented on page 56

5.3. Financial performance of the ENEA Group in Q1 2021

Consolidated statement of profit and loss in Q1 2021

[PLN 000s]	Q1 2020 ¹⁾	Q1 2021	Change	% change
Revenue from sales of electricity	3,463,500	3,545,216	81,716	2.4%
Revenue from sales of heat	117,403	152,290	34,887	29.7%
Revenue from sales of gas	101,043	156,357	55,314	54.7%
Revenue from sales of distribution services	780,168	810,191	30,023	3.8%
Revenue from certificates of origin	2,406	0	-2,406	-100.0%
Revenue from sales of goods and materials	19,697	25,367	5,670	28.8%
Revenue from sales of other products and services	43,165	42,777	-388	-0.9%
Revenue from sales of coal	59,659	96,119	36,460	61.1%
Revenue from the Capacity Market	0	212,952	212,952	100.0%
Net revenue from sales	4,587,041	5,041,269	454,228	9.9%
Revenue from leases and operating subleases	5,041	4,505	-536	-10.6%
Revenue from sales and other income	4,592,082	5,045,774	453,692	9.9%
Depreciation	381,084	371,171	-9,913	-2.6%
Employee benefit costs	480,888	531,055	50,167	10.4%
Consumption of materials and supplies and cost of goods sold	791,431	1,004,451	213,020	26.9%
Purchase of energy and gas for subsequent sale	1,872,796	2,097,133	224,337	12.0%
Transmission services	121,465	107,164	-14,301	-11.8%
Other third-party services	205,011	224,402	19,391	9.5%
Taxes and charges	131,717	119,835	-11,882	-9.0%
Tax-deductible expenses	3,984,392	4,455,211	470,819	11.8%
Other operating revenue	78,378	41,491	-36,887	-47.1%
Other operating costs	61,140	67,438	6,298	10.3%
Change in provision related to onerous contracts	24,347	-1,080	-25,427	-104.4%
Profit/(loss) on change, sale and liquidation of property, plant and equipment and right-of-use assets	(14,777)	(12,203)	2,574	17.4%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	0	3,358	3,358	100.0%
Operating profit / (loss)	634,498	547,975	-86,523	-13.6%
Finance costs	92,065	58,796	-33,269	-36.1%
Finance income	12,340	22,482	10,142	82.2%
Impairment allowances/(reversal thereof) on financial assets measured at amortized cost	1,042	6,200	5,158	495.0%
Share in the results of associates and jointly controlled entities	1,368	-281	-1,649	-120.5%
Profit / (loss) before tax	555,099	505,180	-49,919	-9.0%
Income tax	96,052	98,768	2,716	2.8%
Net profit / (loss) for the reporting period	459,047	406,412	-52,635	-11.5%
EBITDA	1,015,582	922,504	-93,078	-9.2%

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

ENEA Group – key EBITDA drivers in Q1 2021 (down by PLN 93 million):

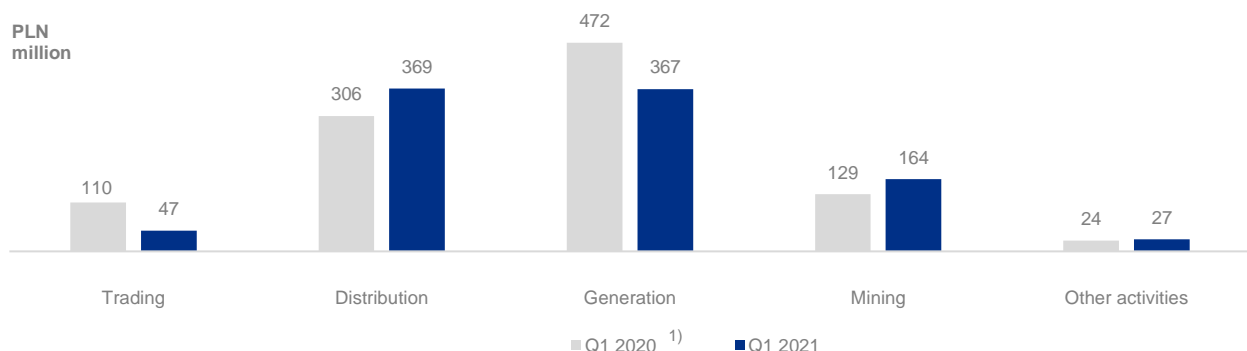
- (+) an increase in revenue from sales of electricity by PLN 82 million, driven mainly by a 1,221 GWh increase in sales volume with a concurrent 6% decrease in the average sales price and lower revenues from Regulatory System Services
- (+) an increase in revenue from sales of heat by PLN 35 million driven by an increase higher sales volume by 320 TJ and an increase in the average sales price by 13%
- (+) an increase in revenue from sales of natural gas by PLN 55 million, driven mainly by a 961 GWh increase in the sales volume and a 17% decrease in the average sales price
- (+) an increase in revenue from sales of distribution services by PLN 30 million as a result of a 151 GWh increase in the volume of distributed energy

- (+) an increase in revenue from sales of coal by PLN 36 million caused by a higher volume of sales with concurrent decrease in the average sales price
- (+) in Q1 2021, recognition of PLN 213 million in revenues from the Capacity Market
- (-) an increase in employee benefit costs by PLN 50 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 213 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 224 million results mainly from:
 - (-) electricity: volume +359 GWh; average price -1%
 - (-) natural gas: volume +968 GWh; average price -18%
- (+) a decrease in the costs of transmission services by PLN 14 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 19 million caused mainly by an increase in the costs of repair services, the costs of waste management and the costs of services outsourced to external companies
- (+) a decrease in costs of taxes and charges by PLN 12 million is driven mainly by the change in presentation of costs of placing devices on road lanes (derecognition under IFRS 16)
- (-) in Q1 2020, the use of a portion of the provision in the amount of PLN 24.3 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 Q1 2021, the use of a portion of a provision in the amount of PLN 2.4 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 3.5 million was recognized in expenses
- (-) result on other operating activities down by PLN 41 million:
 - (-) balance of refunds from the insurer down by PLN 16 million
 - (-) remeasurement of CO₂ contracts by PLN 7 million
 - (-) fixed assets accepted free of charge down by PLN 6 million
 - (-) provisions for potential claims up by PLN 5 million
 - (-) revenues arising from compensation, penalties and fines down by PLN 4 million

Financial performance of the ENEA Group in Q1 2021

EBITDA [PLN 000s]	Q1 2020 ¹⁾	Q1 2021	Change	% change
Trading	110,312	46,985	-63,327	-57.4%
Distribution	306,236	368,759	62,523	20.4%
Generation	472,258	367,199	-105,059	-22.2%
Mining	129,385	163,567	34,182	26.4%
Other activities	24,444	27,123	2,679	11.0%
Unassigned items and elimination	-27,053	-51,129	-24,076	-89.0%
Total EBITDA	1,015,582	922,504	-93,078	-9.2%

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

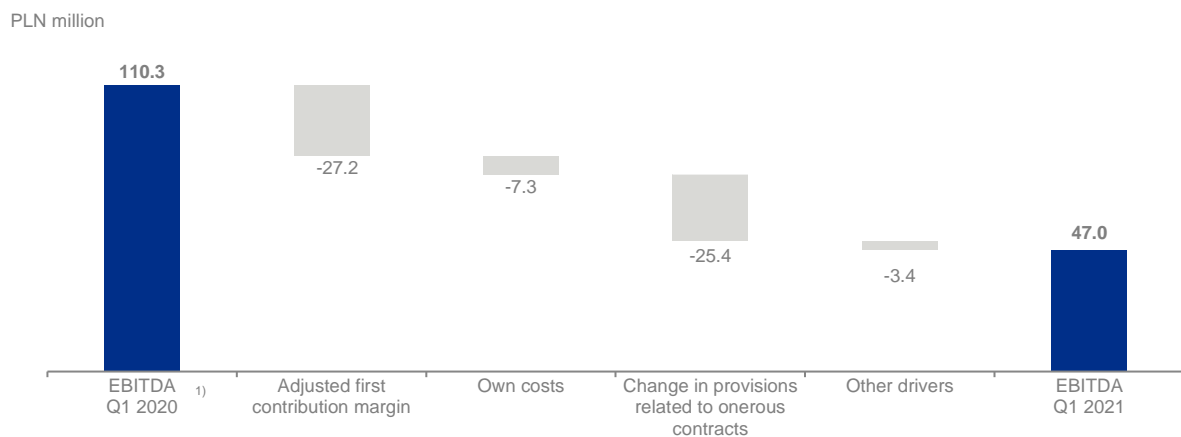


Trading Area in Q1 2021

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

Wholesale trade is carried out by ENEA Trading.

[PLN 000s]	Q1 2020 ¹⁾	Q1 2021	Change	Change [%]
Revenue from sales and other income	2,048,280	2,359,587	311,307	15.2%
EBIT	109,993	46,121	-63,872	-58.1%
Depreciation	319	864	545	170.8%
EBITDA	110,312	46,985	-63,327	-57.4%
CAPEX ²⁾	14	736	722	5,157.1%
Share of the segment's sales revenue in the Group's sales revenue	37%	39%	2 p.p.	-



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

²⁾ without ENEA S.A.'s equity investments

Key Q1 2021 EBITDA drivers:

Adjusted first contribution margin

- (-) average energy sales price down by 2.1%
- (-) costs of environmental obligations up by 18.3%
- (+) energy sales volume up by 12.5%
- (+) average energy purchase price down by 6.9%
- (+) higher result on trade in gaseous fuel
- (-) costs of provisions for claims under terminated RES property rights contracts up by PLN 1.4 million
- (-) remeasurement of CO₂ contracts, forward transactions for energy, gas and property rights

Own costs

- (-) direct selling costs up by PLN 12.6 million
- (+) general and administrative expenses down by PLN 1.9 million
- (+) costs of shared services down by PLN 3.4 million

Change in provisions related to onerous contracts

(-) in Q1 2020, the use of a portion of the provision in the amount of PLN 24.3 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 Q1 2021, the use of a portion of a provision in the amount of PLN 2.4 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 3.5 million was recognized in expenses

Other factors

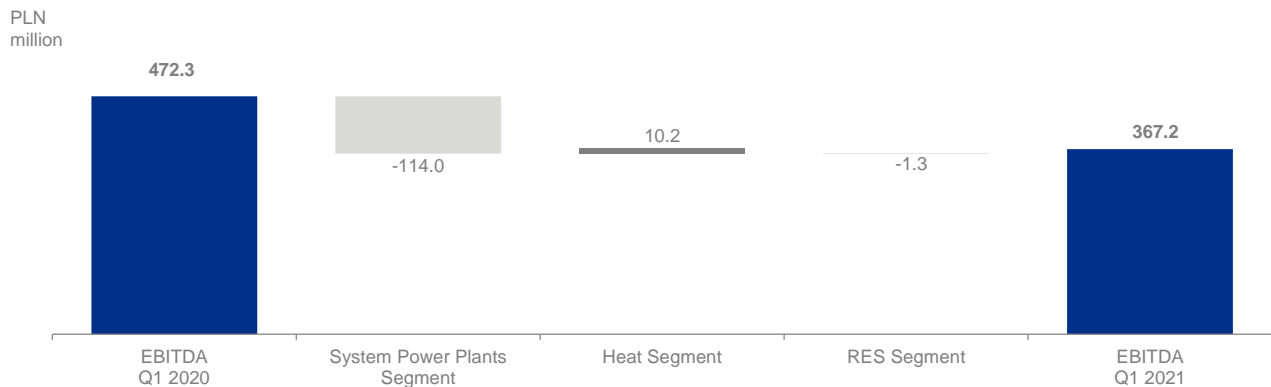
- (-) costs of distribution services related to the existing model of settlements with prosumers up by PLN 7.9 million
- (-) impairment losses for receivables up by PLN 1.1 million
- (-) costs of provisions for anticipated losses and potential claims up by PLN 0.9 million
- (-) written off receivables up by PLN 0.7 million
- (-) revenues from the provision of wholesale trading services down by PLN 0.3 million
- (+) litigation costs down by PLN 4.6 million
- (+) lower costs of donations by PLN 4.0 million

Generation Area in Q1 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]	Q1 2020	Q1 2021	Change	% change
Net revenue from sales	2,095,701	2,243,091	147,390	7.0%
<i>electricity</i>	1,875,750	1,801,314	-74,436	-4.0%
<i>Capacity Market</i>	0	212,952	212,952	100.0%
<i>certificates of origin</i>	95,437	67,481	-27,956	-29.3%
<i>heat</i>	114,991	149,576	34,585	30.1%
<i>other</i>	9,523	11,768	2,245	23.6%
Revenue from leases and operating subleases	136	183	47	34.6%
Revenue from sales and other income	2,095,837	2,243,274	147,437	7.0%
EBIT	331,288	267,448	-63,840	-19.3%
Depreciation	140,970	99,751	-41,219	-29.2%
EBITDA	472,258	367,199	-105,059	-22.2%
CAPEX	115,939	82,792	-33,147	-28.6%
Share of the area's sales revenue in the Group's net revenue from sales	38%	37%	-1 p.p.	-



Key Q1 2021 EBITDA drivers:

System Power Plants Segment – down by PLN 114.0 million

- (-) trading and Balancing Market margin down by PLN 143.4 million
- (-) generation margin down by PLN 117.3 million
- (-) revenue from Regulatory System Services down by PLN 25.8 million
- (-) other drivers down by PLN 36.7 million
- (+) revenue from the Capacity Market of 209.2 million

Heat Segment – up by PLN 10.2 million

- (+) heat margin up by PLN 15.1 million
- (+) revenue from the Capacity Market of 2.1 million
- (-) fixed costs up by PLN 4.1 million
- (-) other drivers down by PLN 2.9 million

RES Segment – EBITDA down by PLN 1.3 million

- (-) Biomass Area (Green Unit): PLN -7.0 million (of which PLN -1.8 million from ENEA Bioenergia): margin on renewable energy generation down by PLN -7.6 million, fixed costs up by PLN -0.4 million, Green Block's margin on sales of green certificates up by PLN +2.9 million
- (+) Wind Area (PLN +3.4 million): revenue from certificates of origin up by PLN +6.0 million, energy sales down by PLN -1.7 million, fixed costs up by PLN -0.6 million
- (+) Hydro Area (PLN +1.7 million): revenue from the Capacity Market of PLN +1.7 million, energy sales up by PLN +0.8 million, fixed costs up by PLN -1.0 million
- (+) Biogas Area (PLN +0.6 million): chiefly revenue from certificates of origin up by PLN +0.6 million

Distribution Area in Q1 2021

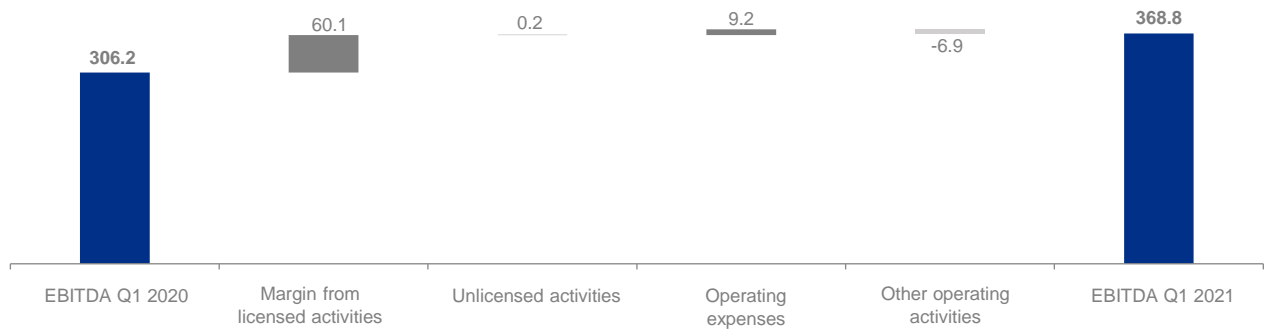
ENEA Operator is responsible for the distribution of electricity to 2.7 million Customers – in western and north-western Poland in the area of 58.2 thousand km². The key task of ENEA Operator is to provide energy in a continuous and reliable manner, while maintaining appropriate quality parameters.

In the Distribution Area, financial data includes data of the following companies:

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

[PLN 000s]	Q1 2020 ¹⁾	Q1 2021	Change	% change
Net revenue from sales	805,932	839,507	33,575	4.2%
distribution services to end users	747,083	787,639	40,556	5.4%
grid connection fees	11,889	10,347	-1,542	-13.0%
other	46,960	41,521	-5,439	-11.6%
EBIT	156,307	204,265	47,958	30.7%
Depreciation	149,929	164,494	14,565	9.7%
EBITDA	306,236	368,759	62,523	20.4%
CAPEX	173,221	155,441	-17,780	-10.3%
Share of the segment's sales revenue in the Group's net revenue from sales	15%	14%	-1 p.p.	-

PLN million



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

Key Q1 2021 EBITDA drivers:

Margin from licensed activities

- (+) revenue from sales of distribution services to end users up by PLN 41 million
- (+) costs of purchasing transmission and distribution services (balance) down by PLN 13 million
- (+) costs of purchasing electricity to cover the balancing difference (balance) down by PLN 7 million
- (-) revenue from grid connection fees down by PLN 2 million

Operating expenses

- (+) costs of taxes and charges down by PLN 16 million
- (-) employee benefit costs up by PLN 6 million
- (-) costs of third-party services up by PLN 1 million

Other operating activities

- (-) change in provisions concerning grid assets by PLN 2 million
- (-) revenues from infrastructure collision down by PLN 5 million

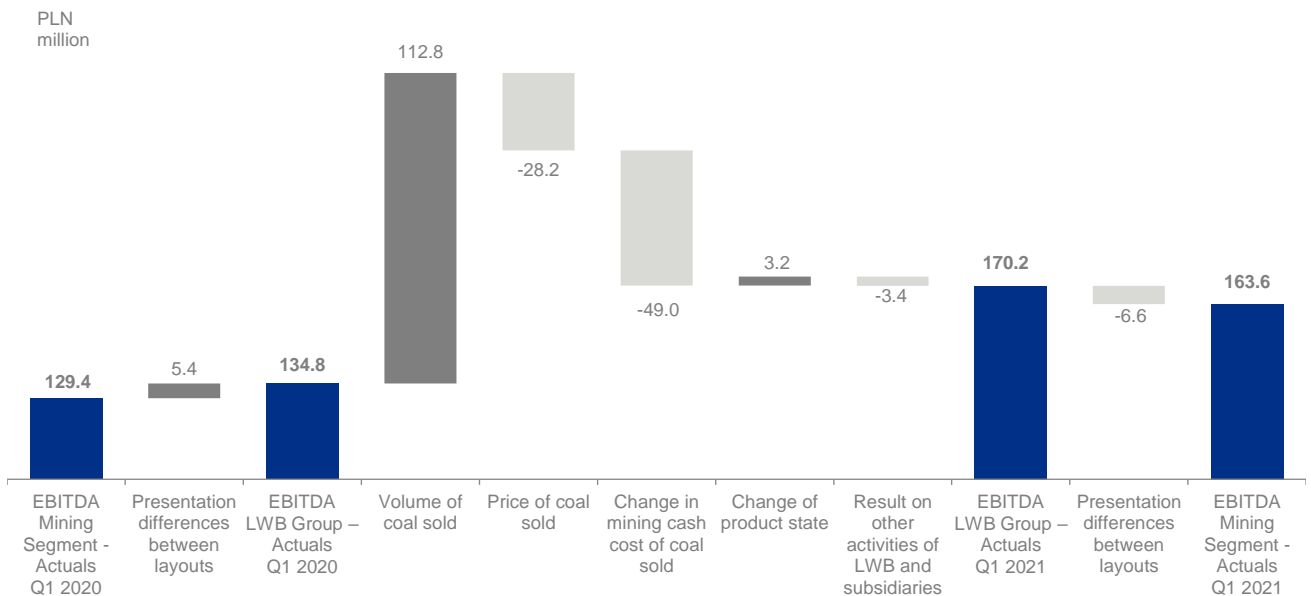
Mining Area in Q1 2021

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]	Q1 2020	Q1 2021	Change	% change
Net revenue from sales	461,594	541,535	79,941	17.3%
coal	450,560	528,678	78,118	17.3%
other products and services	7,672	9,593	1,921	25.0%
goods and materials	3,362	3,264	-98	-2.9%
Revenue from leases and operating subleases	2,489	2,142	-347	-13.9%
Revenue from sales and other income	464,083	543,677	79,594	17.2%
EBIT	53,220	72,057	18,837	35.4%
Depreciation	76,165	91,510	15,345	20.1%
EBITDA	129,385	163,567	34,182	26.4%
CAPEX	266,274	71,869	-194,405	-73.0%
Share of the area's sales revenue in the Group's net revenue from sales	8%	9%	1 p.p.	-



Q1 2021 EBITDA drivers:

(+) an increase in revenue from sales of coal in connection with the higher volume of coal sales (+0.46 million tons) with a concurrent decrease in the price of coal sold

(-) higher mining cash cost – gross mining volume was up by 0.46 million tons, which translated into a higher cost of consumption of materials and costs of third-party services

(-) 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)

(-) additional expenses for anti-COVID prevention (personal protective equipment, surface disinfections)

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

Other Activities Area in Q1 2021

[PLN 000s]	Q1 2020 ¹⁾	Q1 2021	Change	% change
Net revenue from sales	116,761	125,322	8,561	7.3%
Revenue from leases and operating subleases	2,428	2,205	-223	-9.2%
Revenue from sales and other income	119,189	127,527	8,338	7.0%
EBIT	6,689	4,594	-2,095	-31.3%
Depreciation	17,755	19,171	1,416	8.0%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	0	3,358	3,358	100.0%
EBITDA	24,444	27,123	2,679	11.0%
CAPEX	6,453	5,589	-864	-13.4%
Share of the segment's sales revenue in the Group's sales revenue	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:
 - ENECA Centrum – the Shared Services Center in the Group in the field of accounting, human resources, ITC and customer service, collection, procurement and administration.
 - ENECA Innowacje – deals with ventures that offer a chance to become, in the future, innovative and modern products offered by the Group.
 - ENECA Badania i Rozwój – responsible for research and experimental development on other natural sciences and engineering.
- accompanying activities:
 - ENECA 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 analysis²⁾

	Q1 2020 ¹⁾	Q1 2021
Profitability ratios		
ROE - return on equity	11.6%	12.0%
ROA - return on assets	5.8%	5.2%
Net profitability	10.0%	8.1%
Operating profitability	13.8%	10.9%
EBITDA profitability	22.1%	18.3%
Liquidity and financial structure ratios		
Current liquidity ratio	1.5	1.3
Coverage of non-current assets with equity	65.8%	62.1%
Total debt ratio	50.3%	56.3%
Net debt / EBITDA	2.09	1.67
Economic activity ratios		
Current receivables turnover in days ³⁾	54	54
Trade and other payables turnover in days ⁴⁾	52	55
Inventory turnover in days	39	33

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

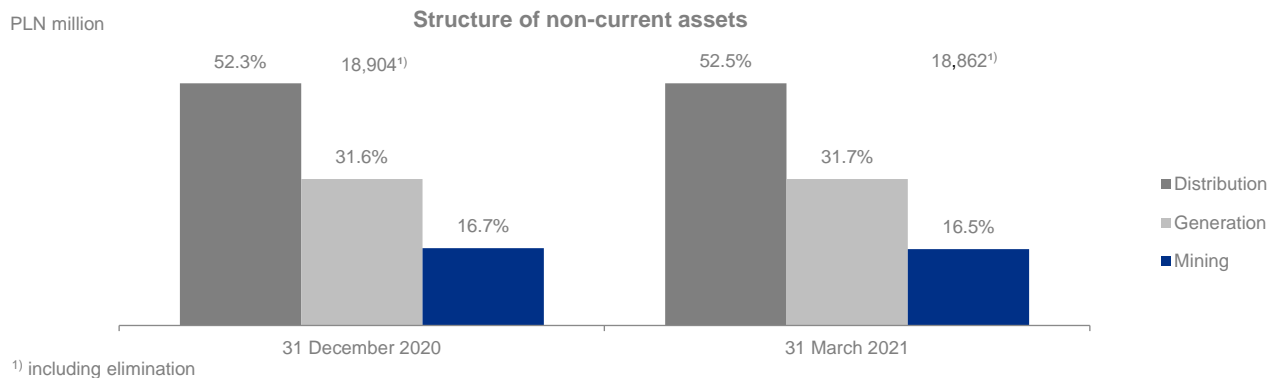
²⁾ definitions of the ratios are presented on page 56

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

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

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

Assets [PLN 000s]	As at:			
	31 December 2020	31 March 2021	Change	% change
Non-current assets	21,767,810	21,822,211	54,401	0.2%
Property, plant and equipment	18,903,722	18,862,354	-41,368	-0.2%
Right-of-use asset	730,078	751,709	21,631	3.0%
Intangible assets	359,365	349,833	-9,532	-2.7%
Investment property	21,239	20,995	-244	-1.1%
Investments in associates and jointly controlled entities	133,647	133,366	-281	-0.2%
Deferred tax assets	1,296,061	1,335,271	39,210	3.0%
Financial assets at fair value	97,957	70,318	-27,639	-28.2%
Trade and other receivables	72,381	143,530	71,149	98.3%
Costs incurred to obtain a contract	11,256	12,916	1,660	14.7%
Receivables under leases and finance subleases	513	693	180	35.1%
Funds accumulated in the Mine Liquidation Fund	141,591	141,226	-365	-0.3%
Current assets	8,122,053	9,143,570	1,021,517	12.6%
CO ₂ emission allowances	2,529,059	2,167,957	-361,102	-14.3%
Inventories	1,129,975	1,213,898	83,923	7.4%
Trade and other receivables	2,132,191	2,312,839	180,648	8.5%
Costs incurred to obtain a contract	13,428	12,780	-648	-4.8%
Assets arising from contracts with customers	322,446	449,908	127,462	39.5%
Receivables under leases and finance subleases	975	1,192	217	22.3%
Current income tax receivables	10,470	11,797	1,327	12.7%
Financial assets at fair value	41,894	56,570	14,676	35.0%
Debt financial assets measured at amortized cost	61	61	-	-
Cash and cash equivalents	1,941,554	2,916,568	975,014	50.2%
Total Assets	29,889,863	30,965,781	1,075,918	3.6%



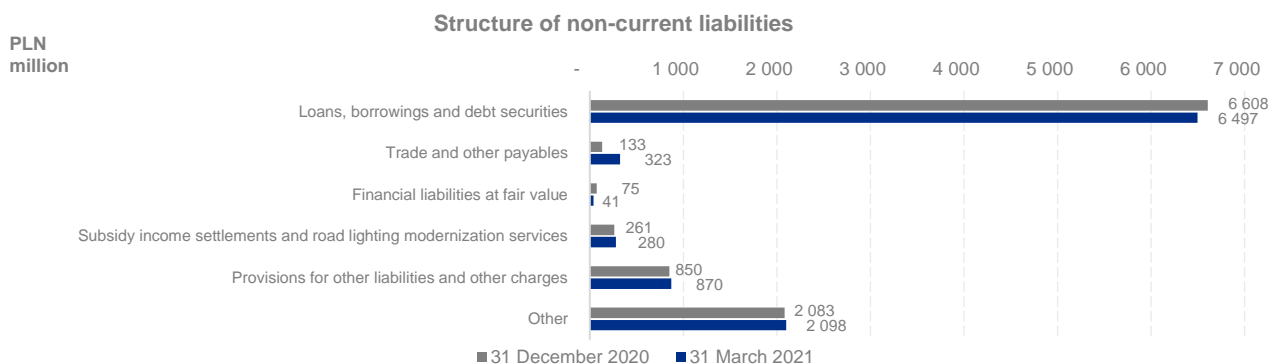
Change drivers for non-current assets (up by PLN 54 million):

- PLN 71 million increase in trade and other receivables – mainly in the value of collateral margins related to the contracting of CO₂ emission allowances
- PLN 39 million increase in deferred tax assets – mainly as a result of a change in provisions for CO₂
- PLN 28 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 1,022 million):

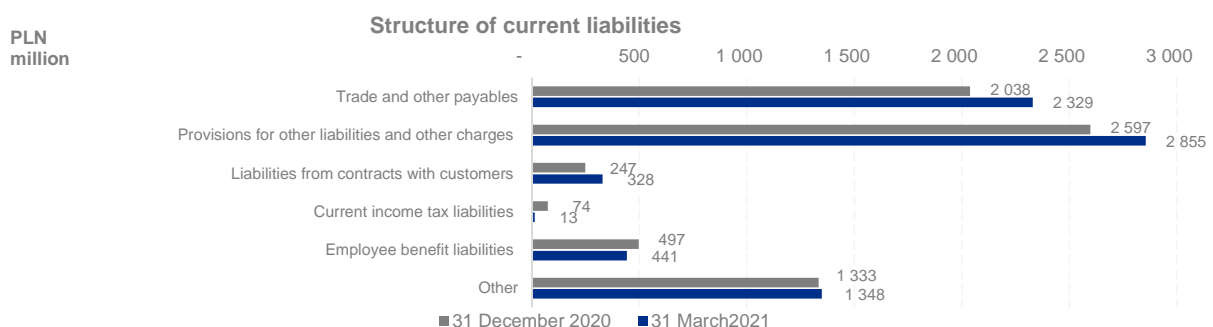
- PLN 975 million increase in cash and cash equivalents – chiefly due to a change in the collateral margin on the market for CO₂ emission allowances
- PLN 181 million increase in trade and other receivables – mainly in the value of trade receivables with a concurrent decrease in tax receivables
- PLN 127 million increase in assets arising from contracts with customers – largely due to a higher volume of non-invoiced electricity sales
- PLN 84 million increase in inventories – including: increase in coal inventories, increase in inventories of energy origin certificates, decrease in biomass inventories
- PLN 361 million decrease in the value of CO₂ emission rights, including: PLN -404 million redemption of rights, PLN 43 million purchase of allowances in 2021

Equity and liabilities [PLN 000s]	As at			
	31 December 2020	31 March 2021	Change	Change [%]
Total equity	13,094,353	13,542,762	448,409	3.4%
Share capital	588,018	588,018	-	-
Share premium	3,632,464	3,632,464	-	-
Revaluation reserve – measurement of financial instruments	-16,295	741	17,036	104.5%
Revaluation reserve – measurement of hedging instruments	-105,534	-62,807	42,727	40.5%
Retained earnings	7,938,162	8,305,960	367,798	4.6%
Non-controlling interests	1,057,538	1,078,386	20,848	2.0%
Total liabilities	16,795,510	17,423,019	627,509	3.7%
Non-current liabilities	10,009,542	10,109,484	99,942	1.0%
Current liabilities	6,785,968	7,313,535	527,567	7.8%
Total equity and liabilities	29,889,863	30,965,781	1,075,918	3.6%



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

- PLN 191 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 20 million increase in provisions for other liabilities and other charges – mainly a provision for the dismantling of wind farms
- PLN 19 million increase in subsidy income settlements and road lighting modernization services – mainly deferred income from subsidies
- PLN 110 million decrease in loans, borrowings and other debt securities – mainly through reclassification of non-current liabilities to current liabilities
- PLN 34 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

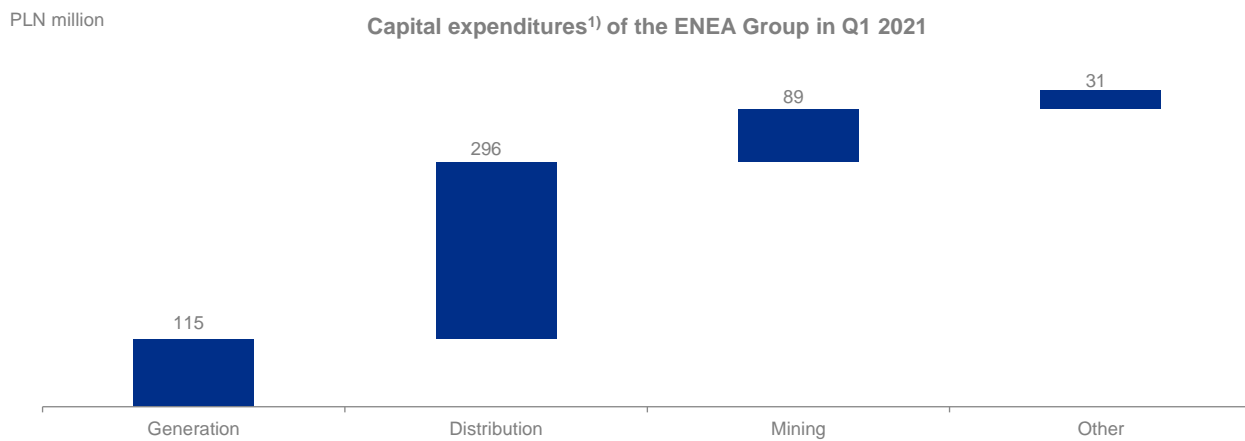
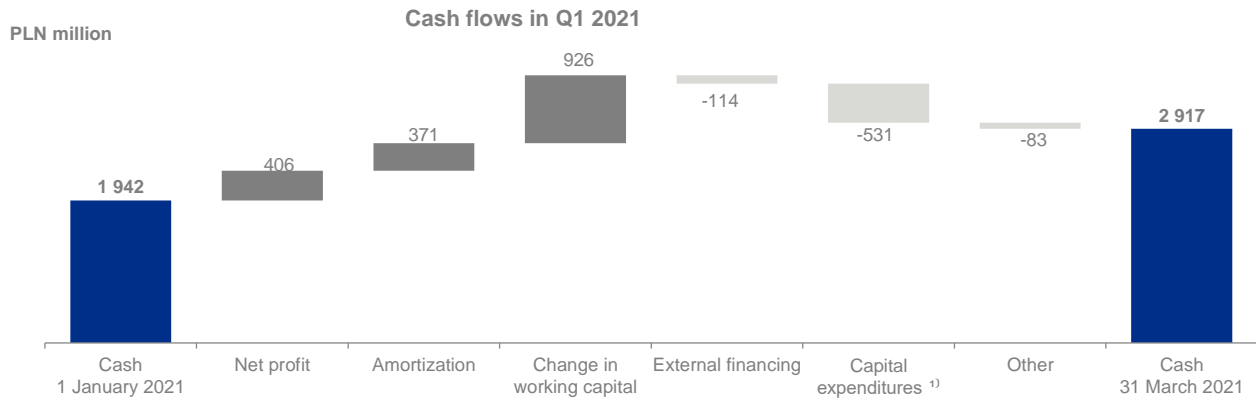


Change drivers for current liabilities (up by PLN 528 million)

- PLN 291 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 259 million increase in provisions for other liabilities and other charges – mainly an increase in the provision for the purchase of CO₂ emission allowances and the provision for certificates of origin for energy
- PLN 81 million increase in liabilities from contracts with customers – advanced for connection fees
- PLN 60 million decrease in current income tax liabilities – settlement of the ENEA Tax Group's CIT liability for Q4 2020
- PLN 57 million decrease in employee benefit liabilities – largely due to a decrease in liabilities for employee compensations

Cash position of ENEA Group

Statement of cash flows [PLN 000s]	Q1 2020	Q1 2021	Change	% change
Net cash flows from operating activities	(85,941)	1,622,346	1,708,287	1,987.7%
Net cash flows from investing activities	(630,180)	(476,569)	153,611	24.4%
Net cash flows from financing activities	(1,025,339)	(170,763)	854,576	83.3%
Increase / (decrease) in net cash	(1,741,460)	975,014	2,716,474	156.0%
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	2,020,487	2,916,568	896,081	44.3%



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

6. Shares and shareholders

6.1. Equity and shareholding structure

As at 31 March 2021 and as at the publication date of this report, the share capital of ENEA S.A. is PLN 441,442,578 and is divided into 441,442,578 ordinary bearer shares with a par value of PLN 1 each. The total number of votes resulting from all outstanding shares of the Issuer corresponds to the number of shares, translating into 441,442,578 votes.

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

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

The table above presents the shareholding structure of ENEA S.A. as at the date of the periodic report for Q1 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	227,364,428	51.5%
Others	214,078,150	48.5%
TOTAL	441,442,578	100.0%

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

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

In Q1 2021, the ENEA S.A. stock price fell from PLN 6.535 to PLN 6.35, that is by PLN 0.185, or 3%. The highest closing price of ENEA S.A. stock in Q1 2021 was recorded on 18 January 2021 (PLN 7.59), 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 31 March 2021:

Data	Q1 2021
Number of shares	441,442,578
Minimum [PLN]	6.04
Maximum [PLN]	7.59
Stock price at the end of the period [PLN]	6.35
Stock price at the end of the previous period [PLN]	6.535
Average trading volume	551,861

0.7

2.4

11.4

0.6

7. Governing bodies

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 Szczegielniak	Management Board Member for Corporate Matters
Marcin Pawlicki	Management Board Member for Operational Matters
Rafał Marek Mucha	Management Board Member for Financial Matters

During the reporting period and until the publication date of the report for Q1 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 Q1 2021	
Name	Position	Name	Position
Izabela Felczak-Poturnicka	Supervisory Board Chairwoman	Rafał Włodarski	Supervisory Board Chairman
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.

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 2016.

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 Fistek 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 2016.

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 25 March 2021	Number of ENEA S.A. shares as at 27 May 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.

8.1.1. 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 Q1 2021 and after the balance sheet date, there were no changes in material regulations governing the operation of the internal electricity market.

8.1.2. 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>

8.1.3. Amendment to the Energy Law

On 15 April 2021, the Sejm adopted an amendment to the Energy Law, whereby a number of solutions were introduced affecting the operations of energy market participants. 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 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.

8.1.4. 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.

8.1.5. 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 National Depository for Securities (KDPW).

8.1.6. 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.

8.1.6.1. 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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contract for 5 years (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

8.1.6.2. 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.

8.1.6.3. 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.

8.1.6.4. 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.

8.1.6.5. Contracted capacity obligations of Enea Nowa Energia

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

8.1.6.6. 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: ENEA Wytwarzanie Sp. z o.o. of the RES Segment) 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.

8.1.6.7. 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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

8.1.6.8. 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).

8.1.7. 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 imposes a requirement that each market participant must be registered in the national register and required to report data on the transactions it executes on wholesale energy markets, including any orders it places. 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.

8.1.8. 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. In the area of operation of ENEA Operator, this obligation involves the construction of 455 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".

8.1.9. 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.

8.1.10. Increase in the number of customers exercising their right to change the seller

As at the end of Q1 2021, the number of business customers (tariff groups A, B, C) which changed their electricity seller was 220,079, having increased by 3,581 (or 1.6%) since the end of 2020. As regards customers in the household segment (Tariff Group G), the number was 701,296, having increased by 10,987, or 1.6%, since the end of 2020. The above data show that the rate of seller switches in Q1 2021 was at a level similar to that of the corresponding period of the previous year.

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

Pursuant to Article 49 of the Energy Law, the ERO President may exempt a utility company from the duty to submit tariffs for approval if the ERO President considers the company to operate in a competitive environment. A possible exemption from the duty to submit tariffs for approval may have a favorable impact on the electricity sales margin of ENEA S.A. in the future.

8.1.12. Significant trends in the Distribution area

The provisions of EU law, in particular those of the energy regulations called Clean Energy for All Europeans, have an increasing impact on ENEA Operator's business. 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 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. It should be pointed out that, in December 2020, the Council of the European Union approved a new target for reducing CO₂ emissions by 2030 by at least 55% compared to 1990. 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.

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.

Innovations are a significant factor in ENEA Operator's growth. 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 innovative solutions in real-life conditions.

8.1.13. 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 metering data obtained from producers to PSE is carried out via distribution system operators, with ENEA Operator being one of them. Company 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/dlawtytworcow> 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.

8.1.14. 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.

8.1.15. 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 settlement objectives for 2018–2025.

Therefore, the following key performance indicators for the period 2018-2025 are currently the indicators that directly affect ENEA Operator's regulated revenue in the part concerning return on capital:

- CTPmd – regulatory indicator of interruption duration in the area: large cities,
- CTPmp – regulatory indicator of interruption duration in the area: towns with county rights,
- CTPm – regulatory indicator of interruption duration in the area: towns,
- CTPw – regulatory indicator of interruption duration in the area: villages,
- CPmd – regulatory indicator of interruption frequency in the area: large cities,
- CPmp – regulatory indicator of interruption frequency in the area: towns with county rights,
- CPM – regulatory indicator of interruption frequency in the area: towns,
- CPw – regulatory indicator of interruption frequency in the area: villages,
- CRP – Connection Completion Time.

8.1.16. Membership of ENEA Operator in international organizations

ENEA Operator is also involved in international cooperation with other participants of the electricity market. 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. ENEA Operator also participates in a research program carried out by the Electric Power Research Institute (EPRI) called "P94: Energy Storage and Distributed Generation", on the basis of an agreement providing for the participation of ENEA S.A. and its subsidiaries in the sub-programs "94A: Strategic Intelligence" and "94B: Energy Storage Technology and Analysis".

8.1.17. Rating

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

8.1.18. General Data Protection Regulation (GDPR)

GDPR (Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC) is a legal act of the European Union, which has been in effect in all member states since 25 May 2018. It has introduced new rules for processing personal data and imposed new obligations on data controllers. In its business, the ENEA Group observes the requirements of the indicated regulations, also by ensuring an appropriate level of security for the personal data it processes, 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.

8.1.19. Court and administrative proceedings

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

A detailed description of the proceedings is provided in Note 25 to the "Condensed interim consolidated financial statements of the ENEA Group for the period from 1 January to 31 March 2021".

8.1.20. 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 ²⁾	Statement of claim for annulment of a resolution of the Company's shareholder meeting or, alternatively, for revocation of a resolution of the Company's general meeting ¹⁾	Proceeding before the court of first instance – pending.
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 Resolutions No. 7, 8, 9 and 11 of the Ordinary General Meeting of ENEA S.A. of 30 July 2020 to grant discharge to individual former Members of the Company's Management Board on the performance of their duties in 2019.

8.1.21. 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. The matter is being handled by the Company's corporate bodies.

8.1.22. 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 shareholder 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.

8.1.23. 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.

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

8.1.24. Research and development projects carried out in ENEA Operator

ENEA Operator executes numerous research and development projects, which are continued in 2021:

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.

8.1.25. 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 the beginning of 2021, the procedure started for selecting a contractor for the photovoltaic farm for the needs of the field of Bogdanka.

8.1.26. 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.

8.1.27. 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 31 March 2021".

8.1.28. Rules for the preparation of financial statements

The condensed financial statements of ENEA S.A. and the ENEA Group included in the extended consolidated report of ENEA S.A. for the period of Q1 2021 have been prepared in accordance with the requirements of IAS 34 'Interim Financial Reporting', as endorsed by the European Union.

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

8.1.29. Collective disputes

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

8.1.30. Headcount

As at 31 March 2021, the headcount in ENEA Group companies included 17,464 employees with employment contracts. As at 31 March 2021, the headcount in ENEA S.A. was 417 employees with employment contracts.

8.1.31. Financial result forecasts

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

8.1.32. 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 Q1 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.

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

Since 20 March 2020, the state of epidemic caused by the SARS-CoV-2 coronavirus has been 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. 24% compared to the corresponding period of 2020).
- In the Trading segment, in Q1 2021, the total sales volume of electricity increased by 652 GWh, or 12.5%, 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 84 GWh, or 21.2%. In Q1 2021, revenue from sales of electricity and gas increased by PLN 162 million, or 10.0%, 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 Q1 2021 is higher by approx. 12% compared to the corresponding period of 2020. This translates into an increase in revenues of this segment (by approx. 7% compared to the corresponding period of 2020).
- In the Distribution segment, in Q1 2021, the Group observed an increase in sales of distribution services to end users by 3% as compared to the same period of the previous year, driven chiefly by an increase in sales in Tariff Group G due to a significant number of end users working from home.
- 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 these consolidated financial statements, 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 infected Group employees would potentially affect the risks related to business continuity of Group companies as business interruptions, if any, might 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 Q1 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 Q1 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. The LWB Management Board also expects that in the near future, it will be possible for the company to participate in the vaccination program organized in work establishments (the company has already declared its willingness to participate in the program).

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

8.1.34. 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.

8.1.35. Winter Package and European Green Deal:

Winter Package

In 2019, EU institutions completed legislative work on a set of legal acts constituting the so-called Clean Energy for All Europeans package. Since then, the EU package has been implemented in individual European Union Member States. The Winter Package was composed of:

- Directive 2018/2002 on energy efficiency (target 32.5% by 2030),
- Directive 2018/2001 on the promotion of the use of energy from renewable sources (target 32% of RES at the EU level),
- Regulation 2018/1999 on the Governance of the Energy Union and Climate Action (the obligation to prepare 10-year National Energy and Climate Plans was introduced),
- Regulation 2019/943 on the internal market for electricity,
- Directive 2019/944 on common rules for the internal market for electricity,
- Regulation 2019/941 on risk-preparedness in the electricity sector,
- Regulation 2019/942 establishing a European Union Agency for the Cooperation of Energy Regulators (ACER),
- Directive 2018/844 on the energy performance of buildings.

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.
- In March 2020, the European Commission published a draft regulation, the so-called European Climate Law, which is supposed to provide for both the climate neutrality objective and the increased greenhouse gas emission reduction target for 2030.
- On 21 April 2021, the European Parliament and representatives of the Council of the European Union reached an agreement on key decisions regarding the European Climate Law. The draft regulation will then be voted on by both the European Parliament and the Council of the EU, and then published in the Official Journal of the EU. To date, negotiators representing various EU institutions have agreed on the following:
 - 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% – a legislative proposal will be presented by the European Commission in June 2021 (the so-called LULUCF Regulation);
 - an additional intermediate emission reduction target will be set for 2040, 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 will be required to achieve negative emissions after 2050;
 - a European Scientific Advisory Board on Climate Change will be set up to provide independent advisory services to the EU bodies;
 - 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 review a large set of currently applicable EU regulations and introduce many new ones. The plans and developments underway include in particular:
 - reform of the European Emissions Trading System and the Regulation on binding annual emission reductions by Member States sectors of the economy that fall outside the scope of the EU ETS (Effort Sharing Regulation);
 - subsequent amendments to the Directives on the promotion of the use of energy from renewable sources and on energy efficiency;
 - European Offshore Strategy;
 - revision of the Directive on taxation of energy products and electricity;
 - adaptation of the Regulation on the inclusion of greenhouse gas emissions and removals resulting from activities related to land use, land use change and forestry (LULUCF).

The European Commission is expected to present its first package of legislative changes, the so-called 'Fit for 55', in June 2021. 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.

8.1.36. 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.

8.1.37. 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", in particular, the announcement of the European Commission's proposal for additional amendments to Directive 2003/87/EC on the EU ETS scheduled to be enacted at the turn of July 2021. In this context, a strong upward trend in the quotations of greenhouse gas emission allowances has been observed since November 2020, continuing also into Q1 2021.

8.1.38. 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.

8.1.39. Activity of ENEA Innowacje

ENEA Innowacje is a company established by the Management Board of ENEA S.A. on 29 September 2015. Its business involves initiatives and undertakings, which have a chance of becoming real, 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 Q1 2021, the company did not conduct any research and development activity.

8.2. Natural environment

8.2.1. 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, are required to adapt their power units to the new environmental requirements. The law, with a view to accommodating some of the problems faced by commercial undertakings, provides for the possibility of using certain derogation mechanisms. The relaxation of certain IED requirements by way of derogation has permitted commercial undertakings to gain additional time to adapt their generating units to the stricter air emissions standards. On 17 August 2017, the so-called BAT conclusions (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 will apply from 18 August 2021, following the 4-year adjustment period.

Kozienice Power Plant – units 1–10

Years	SO ₂			NO _x			Dust			CO ₂		Gross electricity generation [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
Q1 2021	2,204.2	0.694	1,234.3	2,278.6	0.717	1,276.0	65.3	0.021	24.8	2,659,895.6	837	3,178,083.8
Q1 2020	1,523.4	0.579	837.9	1,856.1	0.705	1,020.8	80.0	0.030	29.6	2,225,589.2	846	2,631,364.5
% change	44.69	19.86	47.31	22.76	1.70	25.00	-18.38	-30.00	-16.22	19.51	-1.06	20.78

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		Gross electricity generation [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
Q1 2021 Unit 11 ¹⁾	418.7	0.330	234.5	475.7	0.375	266.4	17.5	0.014	6.7	958,126.8	756	1,267,312.5
Q1 2020 Unit 11 ¹⁾	368.7	0.337	202.8	473.8	0.433	260.6	18.0	0.016	6.7	819,444.5	750	1,093,153.7
Q1 2021 Units 1-10	2,204.2	0.694	1,234.3	2,278.6	0.717	1,276.0	65.3	0.021	24.8	2,659,895.6	837	3,178,083.8
Q1 2020 Units 1-10	1,523.4	0.579	837.9	1,856.1	0.705	1,020.8	80.0	0.030	29.6	2,225,589.2	846	2,631,364.5

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		Gross electricity generation [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
Q1 2021	1,269.2	0.663	710.7	1,379.6	0.721	772.6	110.8	0.058	42.1	1,690,574.7	883.2	1,914,149.0
Q1 2020	1,309.3	0.681	720.1	1,371.2	0.713	754.2	87.2	0.045	32.3	1,204,067.8	626.0	1,923,477.0
% change	-3.1	-2.6	-1.3	0.6	1.1	2.4	27.0	28.9	30.5	40.5	41.1	-0.5

Białystok CHP Plant

Years	SO ₂			NO _x			Dust			CO ₂		Gross electricity generation [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
Q1 2021	96	0.16	54	175	0.28	98.1	8	0.01	3.1	156,515	253.2	176,780.844
Q1 2020	52	0.10	28.4	123	0.24	67.5	21	0.04	7.7	114,800	222.7	148,845.267
% change	87	56	90	43	19	45	-61	-67	-60	36	14	18.8

Białystok "Zachód" Heat Plant

Years	SO ₂			NO _x			Dust			CO ₂		Gross electricity generation [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
Q1 2021	5.6	-	3.1	5.4	-	3.0	0.2	-	0.08	14,007.0	-	-
Q1 2020	4.0	-	2.2	3.3	-	1.8	0.4	-	0.1	6,568.0	-	-
% change	40.0	-	40.9	63.6	-	66.7	-50.0	-	-20.0	113.3	-	-

8.2.2. Compliance with formal and legal requirements

ENEA Wytwarzanie

On 30 June 2020, the Kozienice 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 will come 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 Q1 2021, no exceedance of the emission standards and other formal and legal requirements was found.

Kozienice 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 Q1 2021, a total of 917 hours were utilized from the available limit. 3,011 hours remain to be utilized.

9. CSR – Corporate social responsibility

1. Fight against COVID-19:

The total support of the ENEA Group for fight against COVID-19 until the end of 2020 amounted to PLN 5,339,271, including PLN 4,391,100 donated through the ENEA Foundation to medical centers fighting coronavirus. In Q1 2021, the ENEA Foundation continues supporting medical centers, providing further support in the amount of more than PLN 1 million. The ENEA Foundation will carry out aid activities in accordance with the guidelines issued by the Ministry of State Assets.

2. “naGranie nad Rusałką” Project

Within the framework of the project “naGranie nad Rusałką” [“Recording on Lake Rusałka”], ENEA supported young artists, and by this, made it possible for music lovers to participate in live concerts online. Within the framework of the Pogoda Foundation, 20 concerts will be held until the end of 2021, addressed both to young people as well as seniors and the disabled. So far, there have been five online concerts at which new bands from the musical scene in Poznań appeared.

3. Help with passion

ENEA carried out 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 would select the best works in each category. The results of the contest were announced on 28 April 2021.

4. Women’s Day

On the occasion of Women’s Day, 8 March, in our Group’s social media – transmission of a premiere concert of Kasia Stankiewicz and Varius Manx for all our employees, especially women. The performance inaugurated a social campaign eliminating 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

5. The final of “Biegamy – Zbieramy – Pomagamy” program – grants

“Biegamy – Zbieramy – Pomagamy” [‘Run – Raise – Help’] is one of the most important programs within social responsibility initiated by the ENEA Foundation, which encourages employees from the ENEA Group 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.

6. Help animals survive through winter

ENEA also engages in activities focused on education about nature and environmental protection. In February, the ENEA Foundation invited schools to the action “Help animals survive through winter”. As part of the activities, pupils learned how to protect and help feathered creatures in frosty weather and thirty bird feeders were delivered to thirty schools, with nearly one ton of specially prepared 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.

7. 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, Koźminie and Gorzów Wielkopolski. This year, in the Group, cosmetics weighing 118 kilograms were collected!

8. Exempt from Theory Development of projects focused on aid for seniors and multi-generational families

Socially responsible activities conducted by the ENEA Group concentrate on such values as education and involvement, therefore ENEA, combining these values, supported once again pupils and students as partner at the Exempt from Theory Contest – the biggest Polish nationwide contest for young people to develop their own social projects. ENEA is a patron of projects supporting

sciences. In February, ENEA prepared workshops for participants on communication in social media and building a project image in the Internet. The participation in the workshops will help the participants to get cash and promote their projects. The Grand Final will be held in June 2021.

9. Development of projects focused on aid for seniors and multi-generational families

ENEA for generations. Together about Safety:

The ENEA for generations Together about Safety program was launched in 2018. It includes a series of workshops presenting advices on, among others, how to navigate safely in the jungle of commercial contracts, how to behave during a meeting with a visiting sales representative and what practices are used by unfair sellers. The goal of the workshops is to educate, raise consumer awareness and support fire protection in households.

As part of this year's (fourth) edition of the project "ENEA for generations. A safe and healthy senior citizen", in cooperation with the My50 + Association, an educational material entitled "Colors of the fall. A senior citizen's health guide" was prepared and printed. The guide was prepared with the help of experts from the Chair of Geriatrics of the Medical University in Poznań. Furthermore, within the "Safe and healthy senior citizen" project, a webinar was also created, available at:

Part I – consumer issues: <https://youtu.be/khIAfbGAaJY>

Part II – health issues: <https://youtu.be/jL6isD6B-mE>.

The free TeleAdvice hotline, launched last year, continues to be provided. The hotline at the phone number 800 805 605 offers, five years a week, services of experts of selected areas: a dietician, a lawyer, a social worker, a consumer ombudsman, a physician and a pharmacist.

10. Non-financial reporting

Responsible Management Practices – Non-Financial Statement of ENEA Group for 2020

In March 2021, in performance of the obligation imposed by the Accounting Act of 15 December 2016 implementing Directive 204/95/EU, the ENEA Group published the "Non-Financial Statement of ENEA Group" as a separate but at the same time an integral part of the annual "Management Board Report on the activity of ENEA S.A. and the ENEA Group in 2020".

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

In the Statement, much space was devoted in particular to two general social issues. First, we described in detail our response to the challenges brought by the COVID-19 pandemic, in the form of specific actions for our Employees, the public healthcare system, local communities and Clients. Second, the document includes a lot of information on our contribution to combating the global climate crisis. It provides information about how we develop energy generation from renewable sources and is a source of data demonstrating that we emit decreasing volumes of greenhouse gases per megawatt-hour of generated electricity. In this year's Non-financial Statement, we provide a summary, for the first time, of risks connected with climate changes that affect us and we also provide information on new rules of managing the issues related to the ENEA Group's impact on climate.

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

- the Stakeholder perspective was taken into account (through a survey) in the stage of determining the scope of reported non-financial information and the so-called "material aspects of reporting",
- the Statement used the ratios as recommended by the GRI reporting standards,
- in accordance with the guidelines in GRI Standards, the ratios related to the number of Employees, the data was presented as at the last day of the reporting period, i.e. as at 31 December 2020.

In addition to the Statement for 2020, in H2 2021, the ENEA Group plans to publish on its website, at raport2020.csr.enea.pl, a separate "ESG Report of ENEA Group 2020", including information on the ENEA Group's corporate governance and its influence on the society and the environment.

This is a continuation of the Group's policy of reporting on sustainable development and corporate business responsibility since 2011.

11. Appendices

Appendix 1 - Statement of profit and loss of ENEA Operator in Q1 2021

[PLN 000s]	Q1 2020	Q1 2021	Change	% change
Revenue from sales of distribution services to end users	732,199	761,945	29,746	4.1%
Revenue from additional fees	1,225	968	-257	-21.0%
Revenue from non-invoiced sale of distribution services	14,884	25,694	10,810	72.6%
Settlement of the balancing market	12,511	2,245	-10,266	-82.1%
Grid connection fees	11,889	10,347	-1,542	-13.0%
Revenue from illegal consumption of electricity	1,574	2,917	1,343	85.3%
Revenue from services	7,088	7,248	160	2.3%
Revenue from sales of distribution services to other entities	5,886	6,075	189	3.2%
Revenue from sales of goods and materials and other revenue	347	349	2	0.6%
Revenue from sales	787,603	817,788	30,185	3.8%
Depreciation of fixed assets and amortization of intangible assets	147,948	162,513	14,565	9.8%
Employee benefit costs	124,521	130,318	5,797	4.7%
Consumption of materials and supplies and cost of goods sold	8,347	8,082	-265	-3.2%
Purchase of energy for own needs and grid losses	94,414	76,830	-17,584	-18.6%
Costs of transmission services	117,090	104,631	-12,459	-10.6%
Other third-party services	67,216	68,280	1,064	1.6%
Taxes and charges	76,448	60,145	-16,303	-21.3%
Tax-deductible expenses	635,984	610,799	-25,185	-4.0%
Other operating revenue	24,709	11,796	-12,913	-52.3%
Other operating costs	17,062	11,447	-5,615	-32.9%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(975)	(566)	409	41.9%
Operating profit / (loss)	158,291	206,772	48,481	30.6%
Finance income	701	477	-224	-32.0%
Finance costs	21,591	14,846	-6,745	-31.2%
Profit / (loss) before tax	137,401	192,403	55,002	40.0%
Income tax	27,445	38,100	10,655	38.8%
Net profit / (loss) for the reporting period	109,956	154,303	44,347	40.3%
EBITDA	306,239	369,285	63,046	20.6%

ENEA Operator – EBITDA drivers in Q1 2021 (up by PLN 63 million):

(+) revenue from sales of distribution services to end users up by PLN 41 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 13 million, in particular as a consequence of a decline in contracted capacity and lower variable and fixed fee rates in settlements with PSE SA and neighboring DSO, respectively

(+) costs of purchasing electricity to cover the balancing difference (balance) down by PLN 7 million, chiefly as a result of a decline in wholesale prices with delivery in 2021

(+) lower operating costs by PLN 10 million resulted mainly from lower costs of taxes and charges,

(-) revenue from grid connection fees down by PLN 2 million, due to better results in connection groups IV and V in 2020

(-) lower result on other operating activities by PLN 7 million, chiefly as a result of lower revenue from removing collisions and remeasurement of provisions for grid assets

Appendix 2 - Statement of profit and loss of ENEA Wytwarzanie in Q1 2021

[PLN 000s]	Q1 2020 ¹⁾	Q1 2021	Change	% change
Revenue from sales of electricity	1,273,271	1,151,493	-121,778	-9.6%
generation license	995,438	1,092,641	97,203	9.8%
trading license	248,388	50,497	-197,891	-79.7%
Regulatory System Services	29,445	8,355	-21,090	-71.6%
Revenue from the Capacity Market	0	149,405	149,405	-
Revenue from certificates of origin	15,143	91	-15,052	-99.4%
Revenue from sales of heat	330	393	63	19.1%
Revenue from sales of other products and services	1,439	1,339	-100	-6.9%
Revenue from sales of goods and materials	3,034	4,842	1,808	59.6%
Net revenue from sales	1,293,217	1,307,563	14,346	1.1%
Revenue from leases and operating subleases	79	111	32	40.5%
Net revenue from sales and other income	1,293,296	1,307,674	14,378	1.1%
Depreciation of fixed assets and amortization of intangible assets	102,012	57,742	-44,270	-43.4%
Employee benefit costs	62,648	67,177	4,529	7.2%
Consumption of materials and supplies and cost of goods sold	727,313	857,915	130,602	18.0%
Purchase of energy for subsequent sale	177,525	110,542	-66,983	-37.7%
Transmission services	0	2	2	-
Other third-party services	27,833	27,363	-470	-1.7%
Taxes and charges	17,903	19,800	1,897	10.6%
Tax-deductible expenses	1,115,234	1,140,541	25,307	2.3%
Other operating revenue	18,077	2,709	-15,368	-85.0%
Other operating costs	4,687	2,101	-2,586	-55.2%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(180)	12	192	-106.7%
Operating profit / (loss)	191,272	167,753	-23,519	-12.3%
Finance income	197	57	-140	-71.1%
Finance costs	34,811	22,947	-11,864	-34.1%
Profit / (loss) before tax	156,658	144,863	-11,795	-7.5%
Income tax	30,776	27,929	-2,847	-9.3%
Net profit / (loss) for the reporting period	125,882	116,934	-8,948	-7.1%
EBITDA	293,284	225,495	-67,789	-23.1%

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 Q1 2021 (down by PLN 67.8 million):

- (-) trading and Balancing Market margin down by PLN 119.1 million
- (-) generation margin down by PLN 45.6 million
- (-) decrease in other factors by PLN 27.0 million (including: revenue from sales of property rights down by PLN 15.1 million, result on other operating activities down by PLN 12.8 million)
- (-) revenue from Regulatory System Services down by PLN 21.1 million
- (-) fixed costs up by PLN 4.4 million
- (+) revenue from the Capacity Market of 149.4 million

Appendix 3 - Statement of profit and loss of ENEA Elektrownia Połaniec – Q1 2021

[PLN 000s]	Q1 2020	Q1 2021	Change	% change
Revenue from sales of electricity	545,842	588,534	42,692	7.8%
generation license	481,224	418,683	-62,541	-13.0%
trading license	55,638	165,573	109,935	197.6%
Regulatory System Services	8,980	4,278	-4,702	-52.4%
Revenue from the Capacity Market	0	59,750	59,750	-
Revenue from certificates of origin	69,617	52,156	-17,461	-25.1%
Revenue from sales of heat	10,059	16,556	6,497	64.6%
Revenue from sales of other products and services	1,338	1,323	-15	-1.1%
Revenue from sales of goods and materials	1,019	584	-435	-42.7%
Excise duty	14	18	4	28.6%
Revenue from sales and other income	627,861	718,885	91,024	14.5%
Depreciation of fixed assets and amortization of intangible assets	14,985	18,364	3,379	22.5%
Employee benefit costs	16,808	18,278	1,470	8.7%
Consumption of materials and supplies and cost of goods sold	394,907	395,875	968	0.2%
Purchase of energy for subsequent sale	39,481	173,705	134,224	340.0%
Transmission services	113	95	-18	-15.9%
Other third-party services	55,997	60,053	4,056	7.2%
Taxes and charges	8,675	8,255	-420	-4.8%
Tax-deductible expenses	530,966	674,625	143,659	27.1%
Other operating revenue	425	448	23	5.4%
Other operating costs	81	322	241	297.5%
Operating profit / (loss)	97,239	44,386	-52,853	-54.4%
Finance income	94	7	-87	-92.6%
Finance costs	1,132	2,340	1,208	106.7%
Profit / (loss) before tax	96,201	42,053	-54,148	-56.3%
Income tax	63,211	37,297	-25,914	-41.0%
Net profit / (loss) for the reporting period	32,990	4,756	-28,234	-85.6%
EBITDA	112,224	62,750	-49,474	-44.1%

ENEA Elektrownia Połaniec – key EBITDA drivers in Q1 2021 (down by PLN 49.5 million):

System Power Plants Segment (EBITDA down by PLN 47.0 million):

- (-) generation margin down by PLN 71.7 million
- (-) trading and Balancing Market margin down by PLN 24.3 million
- (-) revenue from sales of Regulatory System Services down by PLN 4.7 million
- (-) fixed costs up by PLN 6.1 million
- (+) revenue from the Capacity Market of 59.8 million

RES Segment (EBITDA down by PLN 5.2 million)

- (-) RES energy production margin down by PLN 7.6 million
- (-) fixed costs up by PLN 0.4 million
- (+) Green Block's margin on sales of green certificate inventories up by PLN 2.9 million

Heat Segment (EBITDA up by PLN 2.8 million)

- (+) margin on heat up by PLN 2.9 million due to: higher sales price of heat by PLN 2.4 million, lower fuel cost by PLN 1.0 million, higher heat generation volume by PLN 0.4 million, higher cost CO₂ by PLN 0.9 million
- (-) fixed costs up by PLN 0.2 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 for resale; transmission services; other third-party services; taxes and charges; excise duty
Fixed costs	Costs that are independent of the electricity production volume. In a power plant, these costs include: payroll costs and charges, depreciation and amortization, costs of consumption of materials and supplies, costs of third-party services, costs of taxes and charges and other fixed costs
Own costs	Direct and indirect selling costs of ENEA S.A. and ENEA Trading
Margin on heat	Margin on sales of heat calculated as the difference between revenue from sales of heat and its variable production costs
Margin on trading	Difference between revenue from sales of electricity purchased in trading operations and the costs of purchasing electricity incorporating the result on sales of CO ₂
Margin on RES energy production	Margin on sales of energy and production of green certificates from the Green Unit, calculated as the difference between revenue from sales of energy and from the valuation of certificates produced and the variable costs of producing them

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
CDS (Clean dark spread)	Difference between revenue from sales of electricity produced and the variable costs related to production of that electricity (unit CO ₂ cost and unit cost of coal including transportation).
Price of baseload ("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
ICT	Information and Communication Technologies.
SCR installation	Catalytic flue gas denitrification installation
Stakeholder	A person or group of persons interested in decisions or activities of an organization. A stakeholder is anyone who influences an organization and anyone influenced by it.
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)
MW_t	Megawatt of thermal power
NH₃	Ammonia.
Nm³	Normalized cubic meter of gas, i.e. the number of cubic meters that the gas would occupy in normal conditions.
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 National Power System (NPS)
SPOT market	Cash market (spot)
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	The Energy Law Act of 10 April 1997
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 “Additional information to the extended consolidated report of ENEA S.A. for Q1 2021” – 27 May 2021.

Signed by:

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