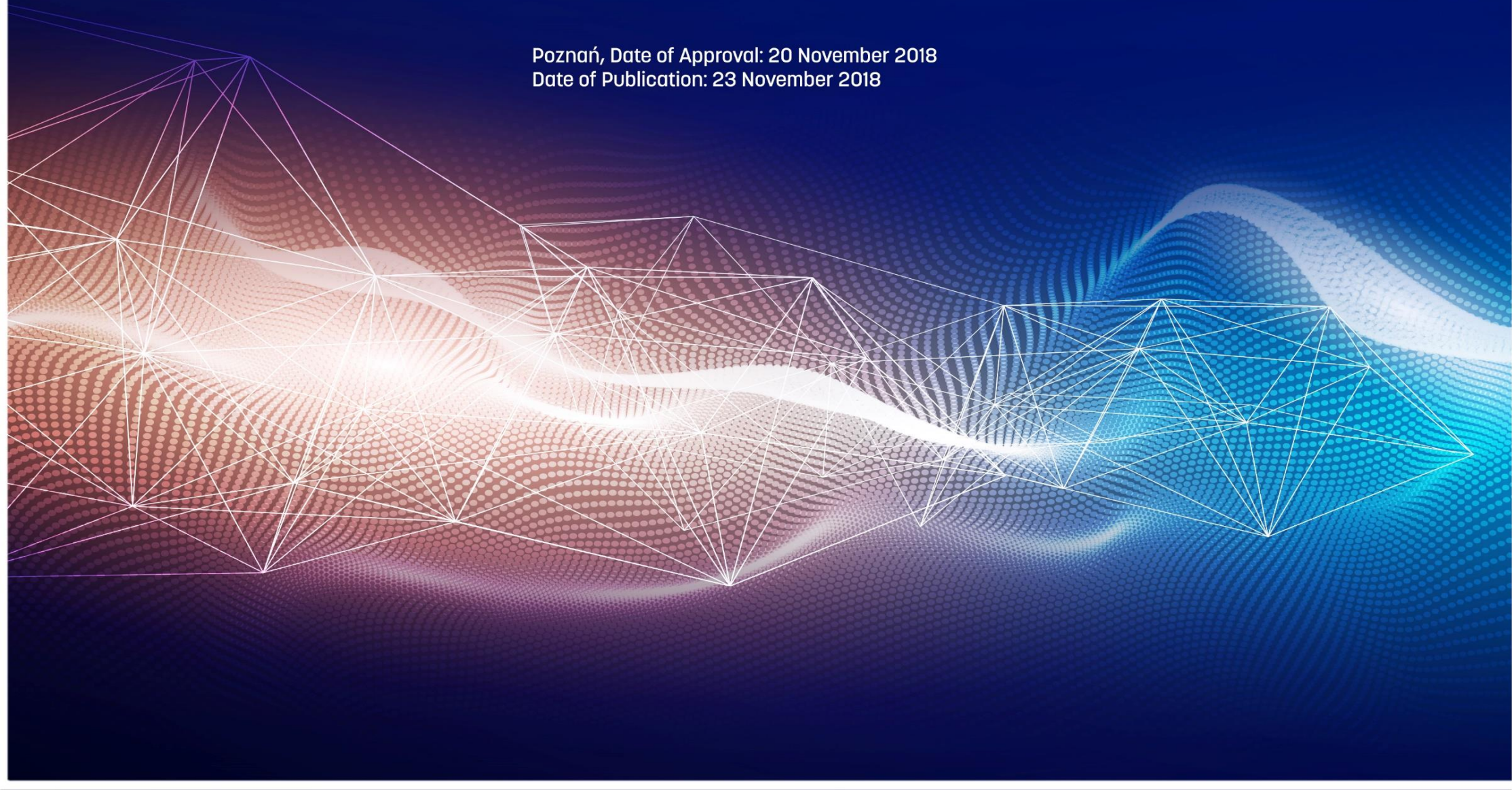




Other information to the extended consolidated report of ENEA S.A. for Q3 2018

Poznań, Date of Approval: 20 November 2018
Date of Publication: 23 November 2018





1. Operating summary

1. OPERATING SUMMARY

1.1 ENEA Group in numbers



Resources

- 6.2 GW of electrical power installed
- 391 million tonnes – extraction potential of 3 licenced areas
- 122.4 thousand km of distribution lines including connections
- 16.1 thousand Employees
- 2.6 million Customers



Q1-Q3 2018 financials

- PLN 9,384 million of net sales revenue
- PLN 1,973 million of EBITDA
- PLN 620 million of net profit
- PLN 1,455 million of CAPEX



Targets until 2025

- 75% own coal consumption
- 5.8-6.3 GW of conventional electrical power installed
- 20.1 TWh of electricity sale
- EBITDA of PLN 2,939 million (an increase of 38% on 2015)

In Q1-Q3 2018, ENEA Group generated a higher EBITDA result than in the corresponding period of the previous year. The highest EBITDA, amounting to PLN 872 million, was posted in the Distribution area, mainly on the back of the growth in sale of distribution services and of the improved result on other operating activities. The second highest EBITDA result was recorded in the Generation area, totalling PLN 663 million, with a growth of 8.8% y/y. The increase in the volume of electricity generated did not counterbalance the negative impact of the increase in variable costs in this area. The volume of electricity generation was affected by two counterbalancing factors – on the one hand, these were the acquisition of Połaniec Power Plant at the end of Q1 2017 and the commissioning of Unit No. 11 at Koźienice Power Plant, while, on the other hand, there were the protracted shutdowns of Units Nos. 9 and 10 at Koźienice Power Plant, also related to the adjustment of generation units to the BAT conclusions. The EBITDA result recorded by the Trading area reached PLN 38 million, down by 71% y/y. This was the effect of an increase in the costs of environmental obligations (mainly, the so-called green obligation) and in the prices of electricity in the retail trade, as well as an increase in the prices of CO₂ emission allowances in the wholesale trade. The EBITDA result in the Mining area, following a decrease of PLN 51 million y/y, amounted to PLN 400 million and remains under the pressure of temporary geological and hydro-technological difficulties experienced in Q1 2018.



- Growth in revenues from electricity sales
- Growth in revenues from sales of CO₂ emission allowances
- Growth in the volume of heat sales
- Growth of the result on other operating activities



- Drop in revenues from sales of natural gas
- Drop in revenues from sales of coal
- Growth in costs of purchase of electricity and gas
- Growth in costs of consumption of materials and raw materials

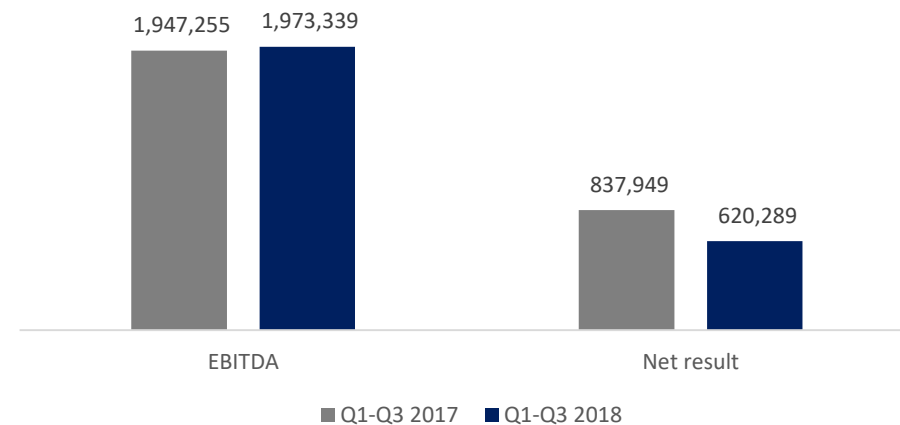
- In Q1-Q3 2018, ENEA Group's CAPEX totalled PLN 1,454.8 million.
- The production and sales of commercial coal stood at the level of 6.8 million tonnes.
- ENEA Group generated 19.9 TWh of electricity, up by 31% on the corresponding period of the previous year, of which 18.5 TWh came from conventional sources. There was also an increase of 7.9% y/y in RES generation.
- The sales of heat increased and totalled 4,703 TJ, up by 8.7% y/y.
- Sales of distribution services to end users totalled 14.9 TWh, which means a growth of 4.3% on the corresponding period of the previous year.
- Sales of electricity and gas fuel to retail customers totalled 15.9 TWh, i.e. increased by 13% y/y.

1.2. Selected consolidated financial data

[PLNk]	Q1-Q3 2017	Q1-Q3 2018	Change	% change
Net sales revenue	8,362,198 ¹⁾	9,384,198	1,022,000	12.2%
Operating profit / (loss)	1,069,855	920,248	-149,607	-14.0%
Profit / (loss) before tax	1,036,030	763,780	-272,250	-26.3%
Net profit / (loss) for the reporting period	837,949	620,289	-217,660	-26.0%
EBITDA	1,947,255	1,973,339	26,084	1.3%
Net cash flows from:				
operating activities	2,234,993	2,834,248	599,255	26.8%
investing activities	-2,828,149	-1,754,164	1,073,985	38.0%
financial activities	-67,845	-454,223	-386,378	-
Balance of cash	1,679,216	3,312,987	1,633,771	97.3%
Net profit attributable to shareholders of the Parent	785,532	584,117	-201,415	-25.6%
Weighted average number of shares	441,442,578	441,442,578	-	-
Net profit per share [PLN]	1.78	1.32	-0.46	-25.8%
Diluted profit per share [PLN]	1.78	1.32	-0.46	-25.8%

[PLN k]	31 Dec 2017	30 Sep 2018	Change	% change
Total assets	28,312,994	29,596,840	1,283,846	4.5%
Total liabilities	14,313,325	14,639,193	325,868	2.3%
Non-current liabilities	10,063,012	10,149,518	86,506	0.9%
Current liabilities	4,250,313	4,489,675	239,362	5.6%
Equity	13,999,669	14,957,647	957,978	6.8%
Share capital	588,018	588,018	-	-
Book value per share [PLN]	31.71	33.88	2.17	6.8%
Diluted book value per share [PLN]	31.71	33.88	2.17	6.8%

[PLN k]	Q3 2017	Q3 2018	Change	% change
Net sales revenue	2,793,974 ¹⁾	3,344,643	550,669	19.7%
Operating profit / (loss)	288,234	287,365	-869	-0.3%
Profit / (loss) before tax	267,375	205,524	-61,851	-23.1%
Net profit / (loss) for the reporting period	214,118	158,259	-55,859	-26.1%
EBITDA	588,820	669,275	80,455	13.7%
Net profit attributable to shareholders of the Parent	204,370	152,927	-51,443	-25.2%
Weighted average number of shares	441,442,578	441,442,578	-	-
Net profit per share [PLN]	0.46	0.35	-0.11	-23.9%
Diluted profit per share [PLN]	0.46	0.35	-0.11	-23.9%



¹⁾ Presentation change in the scope of valuation and own sales cost of property rights

1.3. Key operating data and ratios ¹⁾

	Unit	Q1-Q3 2017	Q1-Q3 2018	Change	% change
Net sales revenue	PLNk	8,362,198 ²⁾	9,384,198	1,022,000	12.2%
EBITDA	PLNk	1,947,255	1,973,339	26,084	1.3%
EBIT	PLNk	1,069,855	920,248	-149,607	-14.0%
Net profit	PLNk	837,949	620,289	-217,660	-26.0%
Net profit attributable to shareholders of the Parent	PLNk	785,532	584,117	-201,415	-25.6%
Net cash flows from operating activities	PLNk	2,234,993	2,834,248	599,255	26.8%
CAPEX	PLNk	3,122,871	1,454,803	-1,668,068	-53.4%
Net debt / EBITDA ¹⁾	-	2.1	1.7	-0.4	-19.0%
Return on assets (ROA) ¹⁾	%	4.3%	2.8%	-1.5 pp	-
Return on equity (ROE) ¹⁾	%	8.2%	5.5%	-2.7 pp	-
Trading					
Sales of electricity and gas fuel to retail customers	GWh	14,039	15,862	1,823	13.0%
Number of customers (Power Delivery Points)	'000	2,412	2,471	59	2.5%
Distribution					
Sale of distribution services to end users	GWh	14,322	14,935	613	4.3%
Number of customers (closing balance)	'000	2,541	2,579	38	1.5%
Generation					
Total generation of electricity, including:	GWh	15,178	19,940	4,762	31.4%
<i>from conventional sources</i>	GWh	13,834	18,490	4,656	33.7%
<i>from renewable energy sources</i>	GWh	1,344	1,450	106	7.9%
Gross heat generation	TJ	4,790	5,226	436	9.1%
Sale of electricity, including: ³⁾	GWh	17,676	26,962	9,286	52.5%
<i>from conventional sources</i>	GWh	14,105	18,602	4,497	31.9%
<i>from renewable energy sources</i>	GWh	1,073	1,339	266	24.8%
<i>from purchase</i>	GWh	2,498	7,022	4,524	181.1%
Sales of heat	TJ	4,326	4,703	377	8.7%
Mining					
Net production	'000 tonnes	6,712	6,820	106	1.6%
Coal sales	'000 tonnes	6,698	6,788	100	1.3%
Closing stocks	'000 tonnes	140	57	-83	-59.3%
Excavation works	km	22.5	28.6	6.1	27.1%

- an EBITDA increase of 1.3% (by PLN 26 million)
- a decrease in CAPEX, mainly in the Generation Area, i. a. due to a large equity investment in Q1 2017 (acquisition of ENEA Elektrownia Połaniec) and the investment project implemented and completed in 2017 (Unit No. 11)
- an increase of 13% in sales of electricity and gaseous fuel to retail customers (by 1,823 GWh)
- an increase in the total volume of electricity generated by 4.8 TWh

¹⁾ Ratio definitions are presented on Page 108.

²⁾ Presentation change in the scope of valuation and own sales cost of property rights

³⁾ Presentation change

	Unit	Q32017	Q32018	Change	% change
Net sales revenue	PLNk	2,793,974 ²⁾	3,344,643	550,669	19.7%
EBITDA	PLNk	588,820	669,275	80,455	13.7%
EBIT	PLNk	288,234	287,365	-869	-0.3%
Net profit	PLNk	214,118	158,259	-55,859	-26.1%
Net profit attributable to shareholders of the Parent	PLNk	204,370	152,927	-51,443	-25.2%
Net cash flows from operating activities	PLNk	880,256	940,420	60,164	6.8%
CAPEX	PLNk	677,751	630,391	-47,360	-7.0%
Net debt / EBITDA ¹⁾	-	2.1	1.7	-0.4	-19%
Return on assets (ROA) ¹⁾	%	3.3%	2.1%	-1.2 pp	-
Return on equity (ROE) ¹⁾	%	6.3%	4.2%	-2.1 pp	-
Trading					
Sales of electricity and gas fuel to retail customers	GWh	4,530	5,207	677	14.9%
Number of customers (Power Delivery Points)	'000	2,412	2,471	59	2.5%
Distribution					
Sale of distribution services to end users	GWh	4,668	4,888	220	4.7%
Number of customers (closing balance)	'000	2,541	2,579	38	1.5%
Generation					
Total generation of electricity, including:	GWh	5,841	7,148	1,307	22.4%
<i>from conventional sources</i>	GWh	5,350	6,600	1,250	23.4%
<i>from renewable energy sources</i>	GWh	491	548	57	11.6%
Gross heat generation	TJ	1,066	1,015	-51	-4.8%
Sale of electricity, including: ³⁾	GWh	6,633	9,520	2,887	43.5%
<i>from conventional sources</i>	GWh	5,465	6,617	1,152	21.1%
<i>from renewable energy sources</i>	GWh	376	531	155	41.2%
<i>from purchase</i>	GWh	792	2,373	1,581	199.6%
Sales of heat	TJ	915	879	-36	-3.9%
Mining					
Net production	'000 tonnes	2,154	2,301	147	6.8%
Coal sales	'000 tonnes	2,036	2,447	411	20.2%
Closing stocks	'000 tonnes	140	57	-83	-59.3%
Excavation works	km	7.5	8.9	1.4	18.7%

¹⁾ Ratio definitions are presented on Page 108.

²⁾ Presentation change in the scope of valuation and own sales cost of property rights

³⁾ Presentation change

- an EBITDA increase of 13.7% (by PLN 80 million)
- a decrease in CAPEX, mainly in the Generation Area, i. a. due to the investment project implemented and completed in 2017 (Unit No. 11)
- an increase of 14.9% in sales of electricity and gaseous fuel to retail customers (by 677 GWh)
- an increase in the total volume of electricity generated of 1.3 TWh

1.4. Comment of the Management Board



Dear Madams and Sirs,

In the past three quarters of 2018, ENEA Group posted stable financial results and improved its operating performance. We generated an EBITDA of close to PLN 2 billion, with sales revenues in excess of PLN 9.3 billion. This is more than in the same period of the previous year.

The good financial standing of ENEA Group has found confirmation by external international rating institutions. On 1 October 2018, Fitch Ratings agency affirmed ENEA's long-term local- and foreign-currency Issuer Default Ratings at 'BBB' with stable outlooks. ENEA and Lubelski Węgiel Bogdanka S.A., a subsidiary of our Group, were included in the FTSE Global Equity Index Series run by FTSE Russell at LSE. This is a great distinction for us and further proof that our actions consistently contribute to the strengthening of ENEA Group's market position.

It also confirms that ENEA Group's strategy announced two years ago and implemented until 2030 is delivering the expected results. Amid challenging market conditions, our Group remains a stable resource and energy concern that improves its operating and financial results. Our business model allows us to effectively capture an ever stronger market position. We want to increase our market share and build the Group's potential by continuously improving our efficiency across all areas of the value chain.

In Q1-Q3 2018, we achieved a substantial double-digit growth rate of electricity generation and electricity sales to retail customers. We also recorded a clear growth of 4.3% y/y in sales of distribution services to end users. We also achieve stable results in the mining area – in Q1-Q3 2018, the net coal production reached 6.82 million tonnes as projected. In Q1-Q3 2018, the consolidated net profit of ENEA Group totalled PLN 620 million. In the same period, we invested PLN 1,454.8 million in our Group. Investments outlays related to environmental protection increased to reach PLN 78 million in the analysed period.

Growing generation potential ensures energy security of the country

In December 2018, one year will have passed since the commissioning of our state-of-the-art Unit No. 11 in Koźienice Power Plant. With a capacity of 1,075 MW, the unit will remain the national recordholder in terms of generation capacity for a long time to come. A comparison of quarterly results shows how Unit No. 11 has boosted our generation capacity. What is equally important for us, for environmental and economic reasons, the new unit is one of the stable, highly efficient and low-emission energy sources leveraging our fuel potential. Unit 11 has already had a substantial share in the structure of electricity generation in our Group, but one should remember that 2018 is the first year of the Unit's commercial operation, and that, due to the planned overhauls, its potential has not yet been fully utilised.

In the generation area, we posted good results in the production of electricity from RES sources, which were additionally supported by higher prices of green certificates. On the other hand, conventional generation sources were influenced, among other things, by the availability of the units, resulting from planned overhauls and upgrades, including those related to the adaptation of our power units to the BAT conclusions.

On 12 July 2018, in Ostrołęka a contract for the construction of the Ostrołęka C Power Plant was signed. The joint investment of the ENEA and Energa Groups is carried out pursuant to an investment agreement by a special purpose vehicle, Elektrownia Ostrołęka sp. z o.o. The unit will increase the stability of the energy system and balance the demand for energy in the coming years, enabling the development of renewable energy sources. The contractor, GE Power, will build a turnkey condensing power unit with a capacity of 1,000 MWe and an efficiency of 46%. On 24 September 2018, the Extraordinary General Meeting of ENEA S.A. agreed to commence the construction stage of the Ostrołęka C Power Plant project. The transition to the Construction Phase requires further corporate approvals, including the consent of the Supervisory Board of ENEA S.A.

Effective sales activities and close cooperation with our Customers

In the trading area, we are intensively developing sales channels and enrich our offer with new products and services. We have expanded the ENEA Smart product line and launched the new ENEA ECO product line. At the same time, we are constantly working on further improvements in our customer service. We have launched IVR self-services for our Customers available on the helpline, we are conducting design works and finalising the preparations of the functional design for eBOK 2.0, and we have launched the functionality of arranging visits in our Customer Service Centres via the www.enea.pl website and through Contact Centre consultants.

In 2018, our sector has been under pressure from the high cost of CO₂ emission allowances and “colour” certificates. The result of changes in the price of CO₂ emission allowances is an increase in energy prices, which in turn has had a significant impact on the performance of the trading area in the entire energy sector. In the reported period, the most important factor for the retail trade was the fact that the increased volume and higher prices of electricity sold to end users did not offset the rising costs of environmental obligations and of electricity purchase while the wholesale trade remained under pressure of the afore-mentioned increase in prices of CO₂ emission allowances.

In Q3 2018, we observed a dynamic – as compared to the previous years – increase in reserve contracts. This increase was related to the discontinuation of electricity sales services provided by some companies. In order to ensure continuity of energy supply to the affected Customers, we developed solutions for business and individual customers, encouraging them to use the offer of a reliable and credible seller, without additional charges and conditions.

We invest in a modern distribution infrastructure

In the distribution area, we continue to implement a comprehensive investment plan aimed at improving network reliability indices and increasing the ability to respond quickly to customer demand. In July 2018, the 110 kV high voltage line between Leszno Gronowo and Śrem in Greater Poland was commissioned and the Main Power Supply Point Zdroje in Western Pomerania was comprehensively upgraded. The section of the line from Leszno to Śrem is the last stage of redevelopment of over 110 km of the important line between Leszno and Września. We also continued work on the development of smart grids and on improving the reliability of grid operation.

On 8 August 2018, together with other distribution system operators and the transmission system operator, we executed an agreement on cooperation in the rectification of power grid failures. If they occur, energy companies will be able to support each other, for example they will be able to delegate qualified, authorised employees together with specialist equipment, tools and materials to works related to the reconstruction of the power system, restoration of power supply and transformation at transformer stations and supply of electricity to customers. Thanks to this cooperation, the removal of failures caused by extreme weather conditions and the reconstruction of the power system will be even more efficient.

Stable production of the mining area

It has been over three years since Lubelski Węgiel Bogdanka became a part of our resources and energy concern. Constituting the mining area of ENEA Group, LWB has been a stable supplier of raw material to our power plants.

After Q1-Q3 2018, Bogdanka recorded an EBITDA of PLN 400 million, with coal production at the level of 6.82 million tonnes. The obtained extraction result indicates that the annual plan of at least 9 million tonnes will be achieved. This confirms LWB's earlier assurances that the geological and hydrological difficulties in terms of extraction experienced in Q1 2018 have been overcome. Coal sales in January-September 2018 amounted to 6.79 million tonnes. During the first nine months of the year, Bogdanka took steps towards further development and increasing the level of mining resources, with a view to increasing production in the future. Submitting an application for a licence to operate the “K-6 and K-7” deposits is an opportunity to access operational deposits estimated at 66 million tonnes.

As a responsible company, we care for the natural environment and local communities

With a significant scale of projects implemented in all areas of our operations, we do not forget about our environmental impact. ENEA is a socially responsible company that consistently takes care of its immediate surroundings and acts with respect for the natural environment as a responsible member of the local community. As part of our sustainable development policy, we implement projects aimed at improving the life quality of local communities and protecting natural resources.

In 2018, we have been developing our own project of cooperation with vocational education schools and technical schools. By supporting energy sector-related education, we invest in new employees, who in the future will work in the Polish power industry and economy. In Q1-Q3 2018, ENEA Group assumed the patronage of six educational institutions, which are distinguished by a high level of vocational training. These include schools in Połaniec, Nowa Sól, Szczecin, Poznań, Gorzów Wielkopolski and Bydgoszcz. By the end of the year, there will be fourteen of them in total.

In September 2018, we launched the call for applications for the second edition of ENEA Talent Academy – a programme addressed to schoolchildren and schools. We are looking for talented youth, as well as schools with interesting educational initiatives for the development of students' talents. We have scholarships and grants for the most talented in the field of science, art or sport. The winners will be selected in January 2019.

The year 2018 is connected with the anniversary of Poland's regaining independence, which is special for both Poland and its economy. The celebration of this event could not do without ENEA Group, which is the successor to over 100 years of the history of the Poznań power industry. We talked about the company's development, both in terms of technology, scope of operation and the number of customers served, as participants of the first edition of the Polish Economic Exhibition – an initiative of the President of the Republic of Poland. We talk about the history of Poland, the region of Wielkopolska (Greater Poland) and the great creators of the Independent Poland as a patron of many historical and patriotic projects, including large-format modern murals, which are unveiled to mark the centenary of independence.

We feel responsible for the shape and development of the Polish economy, therefore we make every effort to contribute not only to the energy security of the country, but also to contribute to the competitiveness of the Polish economy. The year 2018, and in particular the third quarter, we devoted to preparing ourselves for our participation in the capacity market. Applied in Poland for the first time, this regulatory solution is to prevent future shortages of electricity and to create favourable investment conditions for new generation units and for modernisation of the existing ones. The first of the three auctions planned for this year took place on 15 November. As a result of the auction, not less than 3,473 MW of capacity obligation was contracted for ENEA Group units, including Unit No. 11 at Koźmice Power Plant for a period of 15 years. Participation in the capacity market provides the funds to maintain the necessary levels of available capacity required for the safe operation of the National Power System, thus for stable and secure supplies of electricity to Polish homes and businesses.

We pursue our strategy by consistently increasing revenues from the sale of electricity and gas fuel, expanding our product offering and strengthening the Group's power generation and coal production potential. Thanks to our financial results achieved being in line with our baselines, we are consistently implementing our investment programme in individual areas of activity. We are developing responsibly in order to reinforce and further boost the power of the Polish economy.

Yours faithfully,
Miroslaw Kowalik
President of the Management Board of ENEA S.A.

1.5. Key events in Q1-Q3 2018

Q1

Coal supplies for ENEA Elektrownia Połaniec secured

On 3 January 2018, ENEA Trading Sp. z o.o. entered into the agreement for purchase of coal in 2018–2021 from Polska Grupa Górnicza Sp. z o.o. for the needs of power units of ENEA Elektrownia Połaniec S.A. The total net value of the agreement is PLN 1.49bn. In January 2018, an agreement was also concluded under which PGG will deliver PLN 0.52bn of coal supplies to ENEA Wytwarzanie by the end of 2021.

More funds for electromobility and innovation

On 3 January, the Extraordinary General Meeting of Shareholders of ElectroMobility Poland S.A. (a company in which ENEA holds 25% of shares) adopted a resolution on increasing the share capital of the company by PLN 20,000,000 up to the amount of PLN 30,000,000, by increasing the nominal value of existing shares from PLN 1,000 to PLN 3,000. The share capital increase was registered in the NCR on 23 April 2018.

On 31 January, the Extraordinary General Meeting of Shareholders of ENEA Innovation sp. z o.o. adopted a resolution on increasing the share capital by the amount of PLN 3,500,000 (from PLN 305,000 to PLN 3,805,000) by creating 35,000 new shares of nominal value of PLN 100 each. The share capital increase was registered in the NCR on 23 April 2018. On 17 April 2018, the company name was changed in the NCR from ENEA Innovation Sp. z o.o. to ENEA Innowacje Sp. z o.o.

Completion of the extension of the strategic power station in Kostrzyn-nad-Odrą

In January this year, ENEA Operator completed a multi-stage extension of the Main Transformer Station which ensures power supplies for Customers in the Kostrzyn-Słubice Special Economic Zone. The investment is a response to dynamic economic development of the frontier zone, which translates into the need of connecting new entities to the grid and a power demand which has been growing for a couple of years.

New offer supporting fight with smog

Since 31 January, ENEA has extended its offer by a new product promoting an increased consumption of electricity in night-time hours. The new offer – ENEA Eco – is to encourage the Customers to use electrical heating and electric cars thanks to attractive prices. The product is targeted to retail customers who consume energy for the needs of households connected to ENEA Operator grid. The product supports energy consumption increase between 10 p.m. and 6 a.m. It is intended as a supplementation of preferential solutions included in the tariff for distribution services of ENEA Operator, applicable as of 31 January this year.

Changes in Management Boards of subsidiaries

On 1 February this year, the Extraordinary Shareholders Meeting of ENEA Wytwarzanie dismissed Dariusz Skiba, economic and financial vice-president, as well as Stefan Pacyński, development strategy vice-president, from the management board of the company. On 16 February, the Supervisory Board of ENEA Wytwarzanie adopted a decision on the appointment, as of 26 February, Andrzej Wicik to act as development strategy vice-president of ENEA Wytwarzanie, and Jarosław Ołowski to act as economic and financial vice-president. The decision was preceded by a competition procedure and interviews. On 16 February, Krzysztof Szlaga ceased to act as President of the Management Board of Lubelski Węgiel Bogdanka S.A. Until the appointment of his successor, duties of President of the Management Board shall be performed by Sławomir Karlikowski, Production Vice-President of the Management Board. On 19 March, the Supervisory Board of LW Bogdanka adopted a resolution on appointing Artur Wasil to the position of President of the Management Board as of 21 March this year. After the recruitment procedure, which ended on 27 March, the Supervisory Board of ENEA Centrum adopted a resolution on the appointment, as of 28 March, of Sławomir Jankiewicz to the position of president of the management board of ENEA Centrum and Krzysztof Kierzkowski to the position of IT and development management board member of ENEA Centrum.

Positive evaluation of the funding application related to Jastrowie wind farm

In March this year, the construction project of a photovoltaic farm of 1 MW connection capacity in the locality of Jastrowie was positively evaluated and granted funding amounting to PLN 1,470,231.75. The total project value amounts to PLN 4,679,063.91.

Changes in the Supervisory Board of ENEA S.A.

Upon request of the Minister of Energy, as of 22 March 2018 Ireneusz Kulka was appointed to the Supervisory Board of ENEA S.A. By decision of the Minister of Energy, as of 15 April, Ireneusz Kulka was dismissed from his position, and then, on 16 April this year, appointed once again to the Supervisory Board of ENEA S.A. by the Extraordinary General Meeting of Shareholders. By decision of the Company's Extraordinary General Meeting of Shareholders, the Supervisory Board was also joined by Paweł Jabłoński, upon obtaining a positive opinion of the Board for Companies with State Treasury Shareholding and State Legal Persons. Moreover, the EGM dismissed Rafał Bargiel and Piotr Kossak from their positions.

Construction of the power unit in Elektrownia Ostrołęka draws nearer

On 27 March, Elektrownia Ostrołęka sp. z o.o., controlled by ENEA S.A. and Energa S.A., granted its consent for the settlement of the tender "Construction of Elektrownia Ostrołęka C with the capacity of approx. 1000 MW" by selecting as the best offer the one presented by the Consortium of GE Power Sp. z o.o. and Alstom Power System S.A.S, acting as General Contractor. The offer amounts to PLN 5,049,729,000 net, which is PLN 6,023,034,950 gross.

Q2

Another step towards the launch of the construction of Ostrołęka C

On 4 April this year Elektrownia Ostrołęka sp. z o.o. resolved a public procurement award procedure entitled "Construction of Elektrownia Ostrołęka C with an approximate output of 1000 MW" by selecting the a Consortium composed of GE Power Sp. z o.o. and Alstom Power System S.A.S as the General Contractor. The settlement of the procedure was not tantamount to granting consent to conclude a contract with the General Contractor – in order to grant such a consent, a prior agreement of the ENEA's Supervisory Board was necessary, among other things. The contract for the construction of Elektrownia Ostrołęka C with the consortium composed of GE companies (GE Power sp. z o.o. and Alstom Power Systems SAS) was signed on 12 July this year. Signing the agreement by the special purpose entity with the General Constructor is not tantamount to giving the consent for the notice to proceed.

Further actions for the development of electromobility

On 20 April, at the headquarters of the Ministry of Energy, ENEA Serwis, Kolejowe Zakłady Łączności, Grupa LOTOS, Poczta Polska and Telewizja Polska signed agreements on the joint actions towards the development of electromobility. The aim of the signed documents is to develop electromobility and to strengthen the cooperation between the companies in this scope. The companies will support each other in their efforts to increase the efficiency of their fleets of vehicles by introducing alternative fuel cars and creating the necessary infrastructure for them.

Moreover, on 25 June, the National Centre for Research and Development and energy companies: ENEA, Energa-Operator, PGE Dystrybucja and Tauron Dystrybucja signed a Letter of Intent relating to multilateral cooperation for the development of electromobility in Poland. The objective of the "e-VAN" programme is the development of innovative, zero emissions commercial vehicle. The vehicle will be aligned with the needs of the signatories of the letter of intent, so that it can be used, among other things, in the companies' fleets for the performance of daily tasks.

The warranty inspection of the new power unit in Elektrownia Kozienice

From 7 to 27 May this year, the warranty inspection of the new generation unit in Elektrownia Kozienice, Unit No. 11 – the biggest and the most modern unit in this power plant – was being carried out. It is the largest, the most efficient and the most modern hard coal power unit in Poland. Unit No. 11 was put into operation on 19 December 2017. Thanks to the use of advanced technological solutions for supercritical parameters, as early as in its "infancy" the unit achieves high efficiency, which enables it to significantly reduce CO₂ emissions in comparison to emissions from the existing hard coal-fired units. During the inspection, the unit was at a standstill, the installations and systems of Unit No. 11 were checked.

Changes in Management Boards of the subsidiaries

On 10 May, Krzysztof Figat left his office of the President of ENEA Wytwarzanie. As of 4 June 2018, after carrying out the qualification procedure, the Supervisory Board of ENEA Wytwarzanie company appointed Antoni Józwiowicz as the CEO of ENEA Wytwarzanie. Antoni Józwiowicz during his career held numerous management and executive positions, among other things, as the president of Polimex-Mostostal S.A., where he was responsible for the final stage of Unit No. 11 construction in ENEA Wytwarzanie, which was put into operation on 19 December 2017.

Bogdanka of the ENEA Group applied for a concession to extract the “K-6 and K-7” deposit

On 11 May, LW Bogdanka applied to the Minister of Environment for a concession to extract hard coal from the “K-6 and K-7” deposit in the region of Lublin. It borders directly with the “Puchaczów V” mining area, which is being currently exploited by Bogdanka. The operable resources covered by the Deposit Management Project in the period of validity of the concession requested by the company, which expires in 2046, are estimated at 66 million tonnes. Then, Bogdanka is planning to apply for the extension of this concession, which would ensure the increase of the level of resources by additional 60-70 million tonnes. The increase of resources by 66 million tonnes would result in the extension of the life of the mine approximately by nine years. The work on the first longwall of the K-6 and K-7 deposit may commence in 2022 – assuming that the concession will be granted this year.

ENEA supports vocational education...

ENEA has developed a project for cooperation between the companies belonging to the Group and vocational education schools and technical schools. The programme prepared by ENEA assumes providing the patronage for 14 vocational education schools and technical schools. These schools stand out as they provide their students with high quality education and skills development in the occupations which are in the highest demand in the companies belonging to ENEA Group. The launch of the programme took place on 17 May in Połaniec. ENEA and ENEA Elektrownia Połaniec signed the patronage agreement with Oddział Partyzancki AK “Jędrusie” School Complex in Połaniec.

... and higher education

In October this year, in cooperation with Poznań University of Technology, ENEA Group is launching a pilot dual study programme for BA students of the Faculty of Electrical Engineering. After graduating from this type of studies, a graduate will have both a diploma and the proper professional experience. The dual studies are the innovative system of studying – they cover acquiring academic knowledge and gaining practical experience. The curriculum of these studies covers the necessary scope of the theoretical knowledge that is meant to be acquired during lectures, laboratory and practical classes, as well as workshops at Poznań University of Technology (3 days in a week) accompanied by practical classes – laboratory and project classes in the companies belonging to ENEA Group (2 days in a week).

ENEA Serwis is constructing the photovoltaic power plant in Szczecin

ENEA Serwis will construct the photovoltaic power plant with the rated power of 420 kW together with electro-energetic connections. In June, the company won the tender issued by the investor – West Pomeranian Oncology Centre in Szczecin. The completion of the investment is scheduled for September this year. The power plant will consist of two parts: freestanding part with the electrical power of 404.24 kW and the part installed on the roof of the administrative building with the electrical power of 18.60 kW.

Q3

Ostrołęka C Project - next steps in the process

On 2 July 2018, the Management Board of ENEA S.A. received from the Management Board of Elektrownia Ostrołęka sp. z o.o. a request for consent to conclude a public procurement agreement with the general contractor selected through the procedure for the award of a sectoral public procurement contract under the competitive dialogue entitled “Construction of Ostrołęka C Power Plant with a capacity of approx. 1000 MW”. The Extraordinary Shareholder Meeting of Elektrownia Ostrołęka Sp. z o.o. expressed its consent to the conclusion of the aforementioned agreement on 6 July, and 6 days later, i.e. on 12 July, Elektrownia Ostrołęka sp. z o.o. signed a public procurement agreement with the general contractor: Consortium of GE Power Sp. z o.o. - Leader of the Consortium and Alstom Power Systems S.A.S. At the beginning of September, a decision was made on the involvement of a new entity in the financing of the Ostrołęka C Project. Apart from ENEA S.A. and Energa S.A., the entity involved in financing the construction of the power plant will also be Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych Energia. On 4 September 2018, a memorandum of understanding was signed between Elektrownia Ostrołęka sp. z o.o. and the aforementioned entities. The memorandum defines the preliminary structure of project financing, where a total of PLN 2 billion includes the capital contributed to the company by ENEA S.A. and Energa S.A. (PLN 1 billion each), including the funds contributed by ENEA S.A. and Energa S.A. before the date of concluding a possible investment agreement with the fund, and a maximum of PLN 1 billion is the capital contributed to the company by FIZAN Energia. The remaining amount will be raised through other forms of financing. The next milestone in the process took place on 24 September, when the Extraordinary General Meeting of ENEA S.A. granted a qualified consent to commence the Construction Stage within the Ostrołęka C Project. Earlier, on 3 September, the same decision was announced by Energa S.A. – the entity co-financing the Ostrołęka C Project.

Changes in the Supervisory Board of ENEA S.A. and in the Management Boards of the subsidiaries

On 31 July 2018, Rafał Szymański handed in his resignation from the position of a member of the Supervisory Board of ENEA S.A. On 24 September 2018, Paweł Andrzej Korobłowski was appointed to the Supervisory Board of ENEA S.A.

On 21 August 2018, Andrzej Wicik submitted a statement of resignation from the position of Vice-President of the Management Board for Development Strategy of ENEA Wytwarzanie sp. z o.o. effective as of 31 August 2018. At a meeting on 4 September 2018, the Supervisory Board of ENEA Wytwarzanie decided to appoint, as of 10 September 2018, Tomasz Siwak to the position of Vice-President of the Management Board for Development Strategy of ENEA Wytwarzanie.

On 10 August 2018, the Supervisory Board of ENEA Centrum dismissed from the Company's Management Board Ewa Troszczyńska - Member of the Management Board for Financial Affairs, Łukasz Pawłowski - Member of the Management Board for Customer Service and Krzysztof Kierzkowski - Member of the Management Board for IT and Development. On 12 September 2018, the Supervisory Board of ENEA Centrum decided to appoint, as of 13 September 2018, Dariusz Szymczak as Member of the Management Board for Customer Service and Józef Aleszczyk as Member of the Management Board for Operational Affairs.

On 19 September 2018, the Supervisory Board of LW Bogdanka S.A. dismissed Stanisław Misterka from the position of Vice-President for Economic and Financial Affairs and Sławomir Karlikowski from the position of Vice-President for Production and Development. On 4 October 2018, Artur Wasilewski was appointed to the Company's Management Board as Vice-President for Economic and Financial Affairs and Dariusz Dumkiewicz – as Vice-President for Development.

Completion of investments in Greater Poland and Western Pomerania

In July, the 110 kV high voltage line between Leszno Gronowo and Śrem in Greater Poland was commissioned and the Main Power Supply Point Zdroje in Western Pomerania was comprehensively revamped. The section of the line from Leszno to Śrem is the last stage of redevelopment of over 110 km of the line from Leszno to Września. Both investments were carried out by ENEA Operator.

ENEA S.A. and LW Bogdanka S.A. in FTSE Russell index at LSE

Poland was promoted from Emerging Markets to the prestigious Developed Markets status by FTSE Russell. On 24 September, next to GPW S.A. (the operator of Warsaw Stock Exchange), 36 other Polish companies also debuted in the Global Developed category of the FTSE Global Equity Index Series, among them ENEA S.A. and LW Bogdanka S.A., which were included in the Small Companies category. Poland's quotations in the FTSE Global Developed Index started from Rank 23 among 25 developed capital markets.

Significant events after the end of Q3

Affirmation by Fitch Ratings of ENEA S.A.'s ratings

On 1 October, Fitch Ratings affirmed ENEA S.A.'s long-term local- and foreign-currency Issuer Default Ratings at 'BBB' with stable outlooks. The affirmation reflects the Company's changed business profile with a higher contribution to EBITDA from riskier – according to Fitch – segments, i.e. electricity generation and coal mining. Still, the more predictable distribution of electricity remains an important part of the Company's operations.





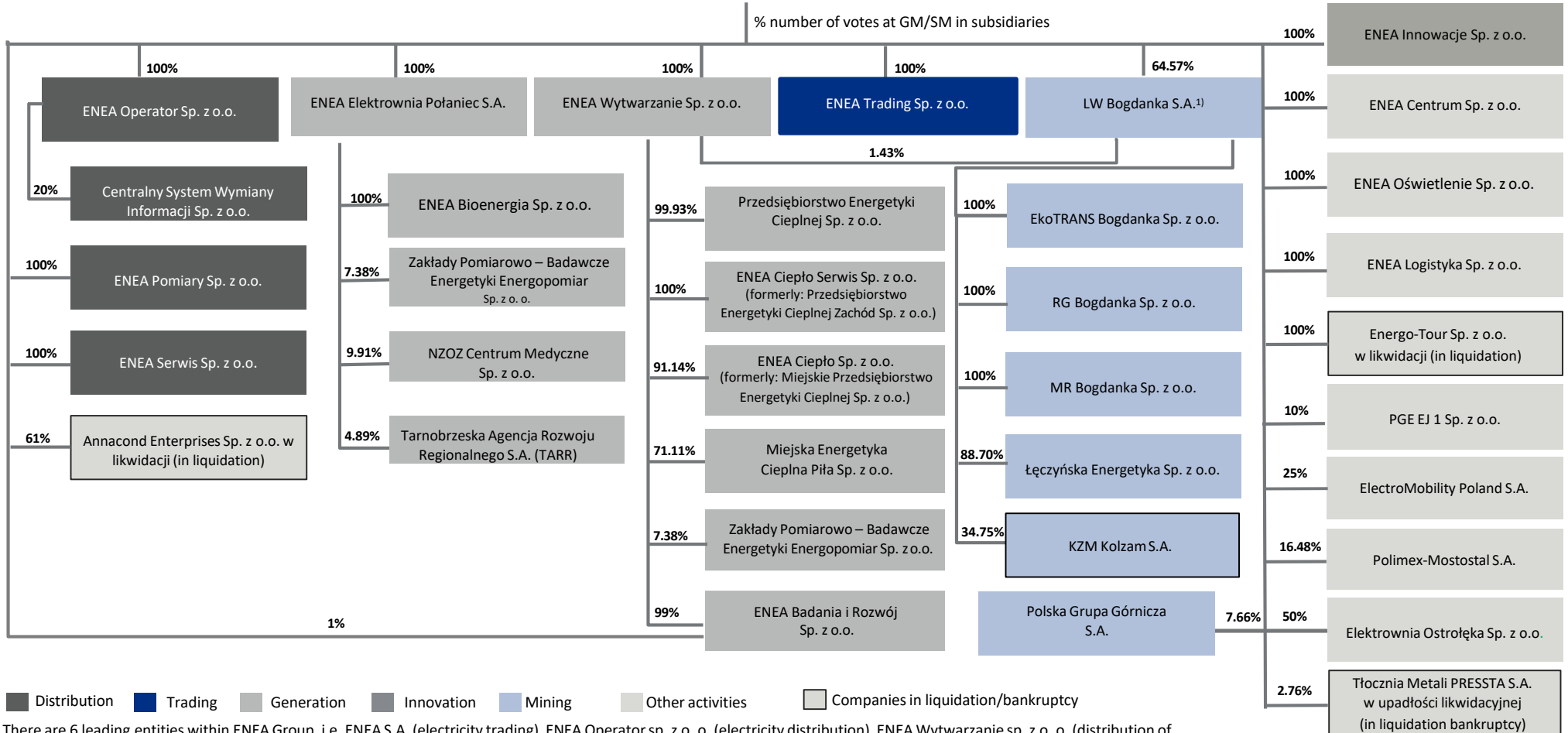
2. Organisation and operations of ENEA Group

2. ORGANISATION AND OPERATIONS OF ENEA GROUP

2.1. Structure of ENEA Group

ENEAS.A.

% number of votes at GM/SM in subsidiaries



■ Distribution ■ Trading ■ Generation ■ Innovation ■ Mining ■ Other activities ■ Companies in liquidation/bankruptcy

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

¹⁾ ENEA S.A. together with ENEA Wytwarzanie Sp. z o. o. holds 65.999% of the votes at the General Meeting.

2.2. Changes in the Group's structure

Asset restructuring

After performing key organisational changes in previous years, ENEA Group, apart from the initiatives related to the planned changes, did not conduct any significant activities within assets restructuring from January to September 2018.

Capital divestments

From January to September 2018, no significant capital divestments were effected.

Changes in the organisation of the Group

In the period of January-September 2018, ENEA Group continued activities aimed at the implementation of the Corporate Strategy of the Group.

Equity investments

Area	Date	Company	Event
Q1-Q3 2018			
Other activities	23 March 2018	Elektrownia Ostrołęka Sp. z o.o.	The acquisition, by ENEA S.A. from Energa S.A., of 1,201,036 shares of Elektrownia Ostrołęka sp. z o.o. - ENEA S.A. holds 50.00% of shares in the share capital of the Company in total.
Other activities	29 March 2018	Elektrownia Ostrołęka Sp. z o.o.	On 27 February 2018, the National Court Register registered the transformation of Elektrownia Ostrołęka S.A. into a limited liability company. On 29 March 2018, the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka sp. z o.o. adopted a resolution on increasing the share capital of the Company from PLN 229,100,000.00 to PLN 264,100,000.00, i.e. by PLN 35,000,000.00 through creation of 700,000 new equal and indivisible shares, preferred in terms of voting in such a way so as one share entitles to two votes; the said preference shall expire upon disposing the shares to another person than the Main Shareholder, i.e. ENEA S.A. or Energa S.A., with the nominal value of each of the new shares is PLN 50.00 and the total nominal value amounts to PLN 35,000,000.00. On 29 March 2018, ENEA S.A. signed a declaration on taking-up 350,000 shares and covering them with cash contribution of PLN 17,500,000.00. On 30.03.2018, ENEA S.A. made the cash contribution to the Company's account. The share capital increase was registered in the NCR on 30 July 2018.
Other activities	3 January 2018	Electro-Mobility Poland S.A.	The Extraordinary General Meeting of Shareholders of ElectroMobility Poland S.A. adopted a resolution on increasing the share capital of the company by PLN 20,000,000.00, i.e. from PLN 10,000,000 to PLN 30,000,000, by increasing the nominal value of the existing shares from PLN 1,000.00 to PLN 3,000.00. The share capital increase was registered on 23 April 2018.
Innovation	31 January 2018	ENEA Innovation Sp. z o.o.	On 31 January 2018, the Extraordinary General Meeting of Shareholders of ENEA Innovation sp. z o.o. adopted a resolution on increasing the share capital by PLN 3,500,000.00, i.e. from the amount of PLN 305,000.00 – including the prior increase of the Company's share capital based on Resolution no. 1 of the Extraordinary General Meeting of Shareholders of 02.08.2018 – to PLN 3,805,000.00, by creating 35,000 new shares of nominal value of PLN 100.00 each. The increase of the share capital was registered on 23 April 2018.
Mining	31 January 2018	PGG S.A.	On 31 January 2018, the EGMS of PGG S.A. adopted a Resolution on increasing the share capital of PGG S.A. by PLN 300,000,000 through the issuance of 3,000,000 new series B shares within a private subscription, of nominal value of PLN 100 each and the total nominal value of PLN 300,000,000. On 31 January 2018, ENEA also entered into an agreement on taking up 900,000 registered B series shares paid-up in whole through a cash contribution of PLN 90,000,000, increasing thereby its share in the share capital of the Company from 5.81% to 7.66% (entry in the NCR of 06.04.2018). The above recapitalisation is the third and the last PGG S.A. recapitalisation tranche resulting from the implementation of the provisions of the Investment Agreement dated 31 March 2017, providing for a total recapitalisation of PGG by ENEA S.A. amounting to PLN 300,000,000. The increase of the share capital was registered in the NCR on 6 April 2018.
Generation	1 February 2018	ENEA Badania i Rozwój Sp. z o.o.	On 1 February 2018, in connection with the resolution on increasing the share capital of the Company from PLN 5,000 to PLN 2,005,000, adopted on 17 November 2017 by the Extraordinary General Meeting of Shareholders of ENEA Badania i Rozwój sp. z o.o., ENEA S.A. signed a declaration on taking up 400 shares and covering them with cash contribution amounting to PLN 20,000. The increase of the share capital was registered in the NCR on 16 April 2018.
Other activities	28 February 2018	Annacond Enterprises sp. z o.o.	The Extraordinary General Meeting of Shareholders of Annacond Enterprises sp. z o.o. passed a resolution on putting the company into liquidation.

Innovation	17 April 2018	ENEA Innowacje Sp. z o.o.	On 2 February 2017, the Extraordinary General Meeting of Shareholders of ENEA Innovation sp. z o.o. with its registered office in Warsaw, with share capital of PLN 5,000, decided to increase the share capital by PLN 300,000, i.e. from PLN 5,000 to PLN 305,000. On 17 April 2018, the NCR registered the increase in consideration.
Other activities	9 July 2018	ENEA Oświetlenie sp. z o.o.	On 9 July 2018, the Extraordinary General Meeting of Shareholders of ENEA Oświetlenie sp. z o.o. with its registered office in Szczecin adopted a resolution on increasing the share capital of the Company by the amount of PLN 16,000,000, from PLN 166,127,000 to PLN 182,127,000, by creating 32,000 new shares of the total value of PLN 16,000,000 (the nominal value of each share totalled PLN 500). On 11 July 2018, ENEA S.A. signed a declaration on taking-up 32,000 shares and covering them with cash contribution of PLN 16,000,000. On 12 July 2018, ENEA S.A. made the cash contribution to the Company's account. The share capital increase was registered in the NCR on 5 November 2018.
Other activities	27 July 2018	Elektrownia Ostrołęka sp. z o.o.	On 27 July 2018, the Extraordinary General Meeting of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on increasing the Company's share capital to PLN 551,100,000, i.e. by PLN 287,000,000 through the creation of 5,740,000 new equal, indivisible shares, privileged as to vote in such a way that one share will carry two votes, and this privilege will expire in the event of disposal of shares to a person other than a Main Shareholder, i.e. ENEA S.A. or Energa S.A. with a nominal value of PLN 50.00 each and with a total nominal value of PLN 287,000,000. As a result of the increase in the share capital of Elektrownia Ostrołęka Sp. z o.o., on 30 July 2018, ENEA S.A. acquired 2,870,000 shares in the share capital with the value of PLN 143,500,000. On 2 August 2018, the Company acquired 2,870,000 shares with a value of PLN 143,500,000. ENEA S.A. made a cash contribution to the Company's account. The share capital increase was registered in the National Court Register on 16 October 2018.
Other activities	9 August 2018	PGE EJ 1 sp. z o.o.	On 9 August 2018, the Extraordinary General Meeting of PGE EJ 1 sp. z o.o. adopted a resolution on increasing the Company's share capital from PLN 310,858,470 to PLN 370,858,200, i.e. by PLN 59,999,730. As a result of increasing the share capital of PGE EJ 1 sp. z o.o., on 21 August 2018 ENEA S.A. acquired 42,553 shares in the share capital of the Company with a value of PLN 5,999,973. On 23 August 2018, ENEA made a cash contribution to the Company's account. The share capital increase was registered in the NCR on 11 September 2018.
Events after the reporting period			
Other activities	4 October 2018	ElectroMobility Poland S.A	The Extraordinary General Meeting of ElectroMobility Poland S.A. adopted a resolution on increasing the company's share capital by PLN 40,000,000, i.e. from PLN 30,000,000 to PLN 70,000,000 by increasing the face value of the existing shares from PLN 3,000.00 to PLN 7,000.00. The share capital increase is awaiting registration in the NCR.

A detailed description of capital investments can be found in the condensed interim financial statements of ENEA Group for the period from 1 January to 30 September 2018.

The Project of Heat Segment Reorganisation

ENEA Ciepło sp. z o.o. and ENEA Wytwarzanie sp. z o.o. are the companies participating in the Project of Heat Segment Reorganisation, the main objective of which is to develop organisational structures enabling the optimal asset management in the Heat Segment. The current structure of the Heat Segment is based on the business activity conducted by ENEA Ciepło sp. z o.o., ENEA Ciepło Serwis sp. z o.o. and Elektrociepłownia Białystok (Białystok Heat and Power Plant), which is part of the organisational structure of ENEA Wytwarzanie sp. z o.o. One of the tasks envisaged within the framework of the Project's implementation is the division of ENEA Wytwarzanie sp. z o.o. by separating the organised part of the enterprise – Elektrociepłownia Białystok (Białystok Heat and Power Plant) – to ENEA Ciepło sp. z o.o., and also the purchase by ENEA S.A. of shares in ENEA Ciepło sp. z o.o., and ENEA Ciepło Serwis sp. z o.o. from ENEA Wytwarzanie sp. z o.o.

Therefore, on 26 October 2018, an Extraordinary Shareholders Meeting of ENEA Ciepło sp. z o.o. was held, during which a resolution was adopted on the division of ENEA Wytwarzanie sp. z o.o. by separating and transferring the separated assets to ENEA Ciepło sp. z o.o. and on the consent to increase the share capital and amend the articles of association of ENEA Ciepło sp. z o.o. On the same day, the Extraordinary Shareholders Meeting of ENEA Wytwarzanie sp. z o.o. was held, during which a resolution on the division of ENEA Wytwarzanie sp. z o.o. with its registered office in Świerże Górne by separating and transferring the separated assets to ENEA Ciepło sp. z o.o. with its registered office in Białystok and the consent to amend the articles of association of ENEA Ciepło sp. z o.o. and a resolution on the consent to the disposal by ENEA Wytwarzanie sp. z o.o. of shares in ENEA Ciepło sp. z o.o. with its registered office in Białystok and ENEA Ciepło Serwis sp. z o.o. with its registered office in Białystok to ENEA S.A. with its registered office in Poznań were adopted. On 5 November 2018, shares in ENEA Ciepło sp. z o.o. and ENEA Ciepło Serwis sp. z o.o. were sold by ENEA Wytwarzanie Sp. z o.o. to ENEA S.A.

2.3. Areas of activities

Business areas of ENEA Group

MINING

- Bituminous coal production
- Bituminous coal sale
- Securing of raw material base for the Group



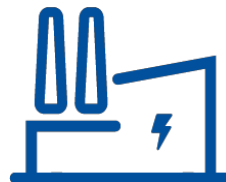
DISTRIBUTION

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



GENERATION

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



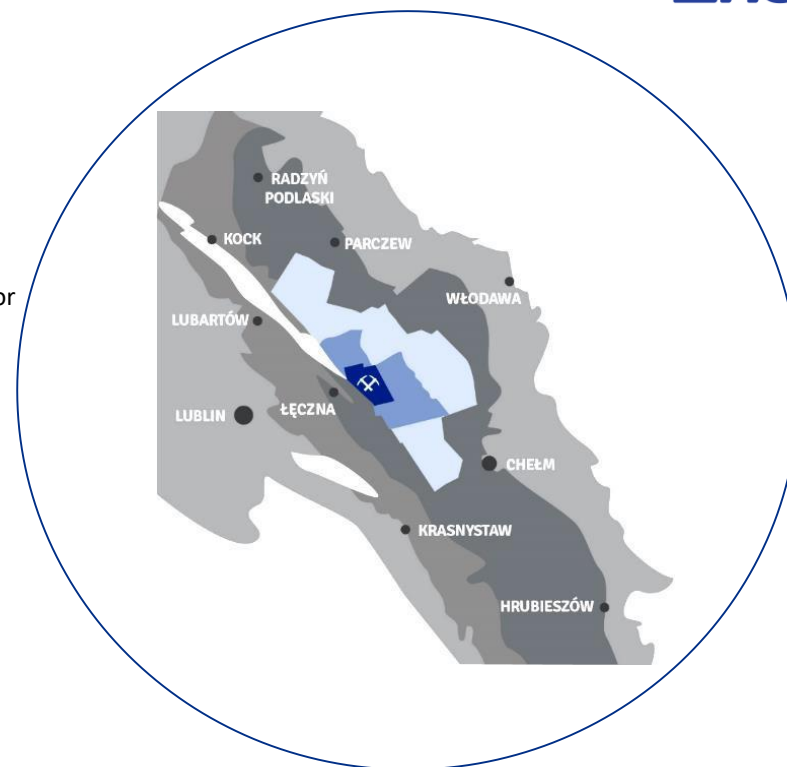
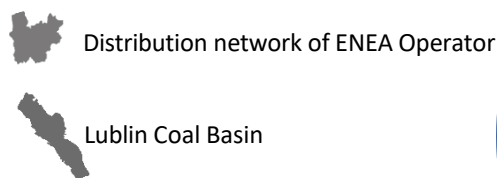
TRADING

Retail trading:

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

Wholesale trading:

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



LW Bogdanka is one of the leaders on the market of producers of bituminous coal in Poland, distinguishable within the industry in terms of the generated financial results, coal extraction efficiency and investment plans providing for the access to new deposits. The bituminous coal sold by the Company is used primarily for the generation of electricity and heat and the production of cement. The Company's clients include mainly industrial companies, primarily entities operating in the power industry located in eastern and north-eastern Poland.

Item	Q1-Q3 2017	Q1-Q3 2018	Change
Net production ['000 tonnes]	6,712	6,820	1.6%
Sale of coal ['000 tonnes]	6,698	6,788	1.3%
Closing stock ['000 tonnes]	140	57	-59.3%
Excavation works [km]	22.5	28.6	27.1%

Generation



- Power Plants: Koźnice, Połaniec
- Białystok Heat and Power Plant, MEC Piła, PEC Oborniki, ENEA Ciepło Serwis, ENEA Ciepło
- Wind farms: Bardy, Darżyno, Baczyna
- 21 hydroelectric plants
- Biogas plants: Gorzestaw, Liszkowo
- Distribution network of ENEA Operator

ENEA Group's generation assets

Item	Installed electrical capacity [MW _e]	Attainable electrical capacity [MW _e]	Installed heating capacity [MW _t]
Koźnice Power Plant	4,071.8	4,016.0	125.4
Połaniec Power Plant	1,837.0	1,882.0	130.0
Białystok Heat and Power Plant	203.5	156.6	383.7
Bardy, Darżyno and Baczyna wind farms	70.1	70.1	0.0
Liszkowo and Gorzestaw biogas plants	3.8	3.8	3.1
Hydroelectric plants	60.4	57.6	0.0
MEC Piła	10.0	10.0	121.3 ¹⁾
PEC Oborniki	0.0	0.0	30.4
ENEA Ciepło	0.0	0.0	185.0
Total	6,256.6	6,196.1	978.9¹⁾

¹⁾ The change in value was caused by a boiler update at the EC-Koszyce boiler plant in Piła

Data of ENEA Wytwarzanie and its subsidiaries

Item	Q1-Q3 2017	Q1-Q3 2018	Change	Q3 2017	Q3 2018	Change
Total generation of electricity (net) [GWh], including:	10,001¹⁾	12,380	23.8%	3,356¹⁾	4,379	30.5%
Net production from conventional sources [GWh], including:	9,711¹⁾	12,058	24.2%	3,277¹⁾	4,272	30.4%
ENEA Wytwarzanie (excluding biomass co-combustion)	9,410 ¹⁾	11,884	26.3%	3,196 ¹⁾	4,260	33.3%
ENEA Wytwarzanie – Heat Segment (Białystok Heat and Power Plant – excluding biomass combustion)	254	127	-50.0%	69	0	-100.0%
MEC Piła	47	47	0.0%	12	12	0.0%
Net production from renewable energy sources [GWh], including:	290	322	11.0%	79	107	35.4%
Combustion of biomass	40	112	180.0%	0	45	
ENEA Wytwarzanie - RES Segment (hydroelectric plants)	117	126	7.7%	41	29	-29.3%
ENEA Wytwarzanie - RES Segment (wind farms)	126	80	-36.5%	36	32	-11.1%
ENEA Wytwarzanie - RES Segment OZE (biogas plants)	7	4	-42.9%	2	1	-50.0%
Gross generation of heat [TJ]	3,514	3,434	-2.3%	492	451	-8.3%

¹⁾ Including 74 GWh in Unit No. 11 which was in the start-up phase

Generation of electricity and heat – ENEA Elektrownia Połaniec

Item	Q1-Q3 2017	Including in ENEA Group ¹⁾	Q1-Q3 2018	Q3 2017	Q3 2018
Total generation of electricity (net) [GWh], including:	6,932	5,177	7,560	2,485	2,769
ENEA Elektrownia Połaniec - net production from conventional sources	5,442	4,123	6,432	2,074	2,328
ENEA Elektrownia Połaniec - production from renewable energy sources (combustion of biomass - green unit)	1,030	783	1,017	297	423
ENEA Elektrownia Połaniec - production from renewable energy sources (co-combustion of biomass)	461	271	111	114	18
Gross production of heat [TJ]	1,821	1,276	1,792	574	564

¹⁾ Since 14 March 2017

Free emission allowances for CO₂



Kozenice

Free emission allowances for CO ₂ /electricity/	Y 2013	Y 2014	Y 2015	Y 2016	Y 2017	Y 2018	Total
Kozenice Power Plant - in acc. with CM Reg. of 8 Apr 2014	5,428,606	5,018,189	4,361,736	3,318,805	2,511,410	2,001,109	22,639,855
Kozenice Power Plant Unit No. 11	0	0	0	411,338	1,245,072	992,082	2,648,492
Kozenice Power Plant - allowance received ¹⁾	5,428,606	4,719,575	2,843,957	3,008,656	2,321,834	-	18,322,628

Free emission allowances for CO ₂ /heat/	Y 2013	Y 2014	Y 2015	Y 2016	Y 2017	Y 2018	Total
Kozenice Power Plant - in acc. with CM Reg. of 31 Mar 2014	26,297	23,434	20,673	18,035	15,546	13,137	117,122
Kozenice Power Plant - allowance received ¹⁾	26,297	23,434	20,673	18,035	15,546	13,137	117,122

¹⁾ Free CO₂ allowances received with a one-year shift



Białystok

Free emission allowances for CO ₂ /electricity/	Y 2013	Y 2014	Y 2015	Y 2016	Y 2017	Y 2018	Total
Białystok Heat and Power Plant - in acc. with CM Reg. of 8 Apr 2014	260,483	240,789	209,291	159,247	120,506	96,020	1,086,336
Białystok Heat and Power Plant - allowance received ¹⁾	260,483	240,789	161,766	127,514	74,054	-	864,606

Free emission allowances for CO ₂ /heat/	Y 2013	Y 2014	Y 2015	Y 2016	Y 2017	Y 2018	Total
Białystok Heat and Power Plant - in acc. with CM Reg. of 31 Mar 2014	253,400	212,489	175,707	142,958	123,118	104,906	1,012,578
Białystok Heat and Power Plant - allowance received ¹⁾	253,400	212,489	175,719	142,941	123,074	104,834	1,012,457

¹⁾ Free CO₂ allowances received with a one-year shift



Połaniec

Free emission allowances for CO ₂ /electricity/	Y 2013	Y 2014	Y 2015	Y 2016	Y 2017	Y 2018	Total
Połaniec Power Plant - in acc. with CM Reg. of 8 Apr 2014	2,696,073	2,492,243	2,166,221	1,648,258	1,247,271	993,835	11,243,901
Połaniec Power Plant - allowance received ¹⁾	2,696,073	2,492,243	2,161,221	204,565	0	0	7,559,102

Free emission allowances for CO ₂ /heat/	Y 2013	Y 2014	Y 2015	Y 2016	Y 2017	Y 2018	Total
Połaniec Power Plant - in acc. with CM Reg. of 31 Mar 2014	147,268	143,262	139,398	135,852	132,571	129,321	827,672
Połaniec Power Plant - allowance received ¹⁾	147,268	143,262	139,398	135,852	132,571	129,321	827,672

¹⁾ Free CO₂ allowances received with a one-year shift

Generation

Sales of electricity

ENEA Wytwarzanie

The electricity sales volume in ENEA Wytwarzanie in Q1-Q3 2018 amounted to 17,336.9 GWh, of which 322.4 GWh was energy from renewable sources. Sales were carried out by individual segments depending on the statutory obligations and the agreements concluded.

ENEA Elektrownia Połaniec

In Q1-Q3 2018, the volume of electricity sold in ENEA Elektrownia Połaniec totalled to 9,625 GWh, of which 1,017 GWh were generated from RES (the green unit).

Purchase of electricity on the wholesale market

ENEA Wytwarzanie

In Q1-Q3 2018, the volume of electricity purchased in Kozienice Power Plant totalled 4,934.0 GWh. 2,724.0 GWh were purchased for the needs of trading in energy. Additionally, as part of the Balancing Market operation, 2,210.0 GWh of energy were purchased. In the Heat Segment, the purchased volume in Q1-Q3 2018 totalled 22.9 GWh – purchase on the Balancing Market accounted for 12.5 GWh, and purchase in trading – for 10.4 GWh. As a rule, trading in energy (sales = purchase) is carried out as part of market possibilities guaranteeing the achievement of the assumed financial result as well as to limit the consequences of failures (in the case of lack of availability of generation units). The purchase as part of trading already takes into account the increase of available power with Unit No. 11. The increase in purchases is also related to the rise in the exchange obligation to 30% (act of December 2017), which due to the late date of the decision makes it necessary to repurchase the previously contracted energy (lack of availability to execute the full obligation). The purchase of electricity as part of trading in Q1-Q3 2018 concerned mainly Kozienice Power Plant and constituted 55% of the overall purchase of energy. The purchase of electricity as part of the Balancing Market mechanisms accounted for 45%. The purchase results from the ongoing balancing of the National Power System by the Operator. Within the Heat Segment, the purchase as part of trading resulted from the implementation of the agreements made with the customers and operations limiting the costs of failure of generation units and the lack of available power against the contracts made.

ENEA Elektrownia Połaniec

In Q1-Q3 2018, the volume of electricity purchased in ENEA Elektrownia Połaniec totalled to 2,065 GWh.



Fuel supply

ENEA Wytwarzanie – Kozenice Power Plant

Fuel type	Q1-Q3 2017		Q1-Q3 2018		Change	
	Volume [tonnes k]	Cost [PLN m] ¹⁾	Volume [tonnes k]	Cost [PLN m] ¹⁾	Volume [tonnes k]	Cost [PLN m] ¹⁾
Bituminous coal	4,508	936	5,270	1,187	16.9%	26.8%
Biomass	99	13	223	42	125.3%	223.1%
Fuel oil (heavy) ²⁾	6	7	5	7	-16.7%	0.0%
Fuel oil (light) ³⁾	0	0	6	19	-	-
Gas [thousand m ³] ⁴⁾	11,989	14	11,897	14	-0.8%	0.0%
TOTAL	16,602	970	17,401	1,269	4.8%	30.8%

¹⁾Including transport

²⁾Light-up fuel in Kozenice Power Plant

³⁾Light-up fuel of Unit No. 11

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

ENEA Wytwarzanie – Kozenice Power Plant

The main fuel used to produce electricity is bituminous coal (mainly fuel dust and small quantities of sludge). The main supplier of coal for ENEA Wytwarzanie – Kozenice Power Plant generation source in Q1-Q3 2018 was LW Bogdanka S.A. Moreover, coal was supplied by Polska Grupa Górnicza S.A., Węglokoks S.A., EP COAL Trading Polska S.A. and Jastrzębska Spółka Węglowa S.A. In Kozenice Power Plant, no biomass was co-combusted in Q1-Q3 2018.

ENEA Wytwarzanie – Heat Segment

The main fuels used in ENEA Wytwarzanie in the Heat Segment (Białystok Heat and Power Plant) are coal and biomass – mainly as wood chips, energetic willow chips and agricultural production left-overs and sunflower husk pellet. In Q1-Q3 2018, the volume of supplied biomass was approx. 209.4 thousand tonnes, and the supplies were performed by 10 entities. More than 68 thousand tonnes of biomass were supplies to the premises of ENEA Wytwarzanie – Heat Segment by rail transport.

In Q1-Q3 2018, coal supplies to ENEA Wytwarzanie – Heat Segment were ensured mainly by LW Bogdanka (more than 94% of total supplies) and Polska Grupa Górnicza S.A. The rail transport of coal to ENEA Wytwarzanie – Heat Segment was executed by PKP Cargo S.A.

Fuel supply

ENEA Elektrownia Połaniec

Fuel type	Q1-Q3 2017		Q1-Q3 2018		Change	
	Volume [tonnes k]	Cost ¹⁾ [PLN m]	Volume [tonnes k]	Cost ¹⁾ [PLN m]	Volume [tonnes k]	Cost ¹⁾ [PLN m]
Bituminous coal	2,634.60	517.62	3,136.16	705.13	501.56	187.52
Biomass	1,149.96	196.84	931.17	196.88	-218.79	0.03
Fuel oil	4.95	8.27	5.76	10.34	0.81	2.07
TOTAL	3,789.51	722.73	4,073.09	912.35	283.57	189.62

¹⁾ Including transport

In Q1-Q3 2018, the main coal supplier for Połaniec Power Plant was LW Bogdanka S.A.

Coal transport

ENEA Wytwarzanie

Kozienice Power Plant

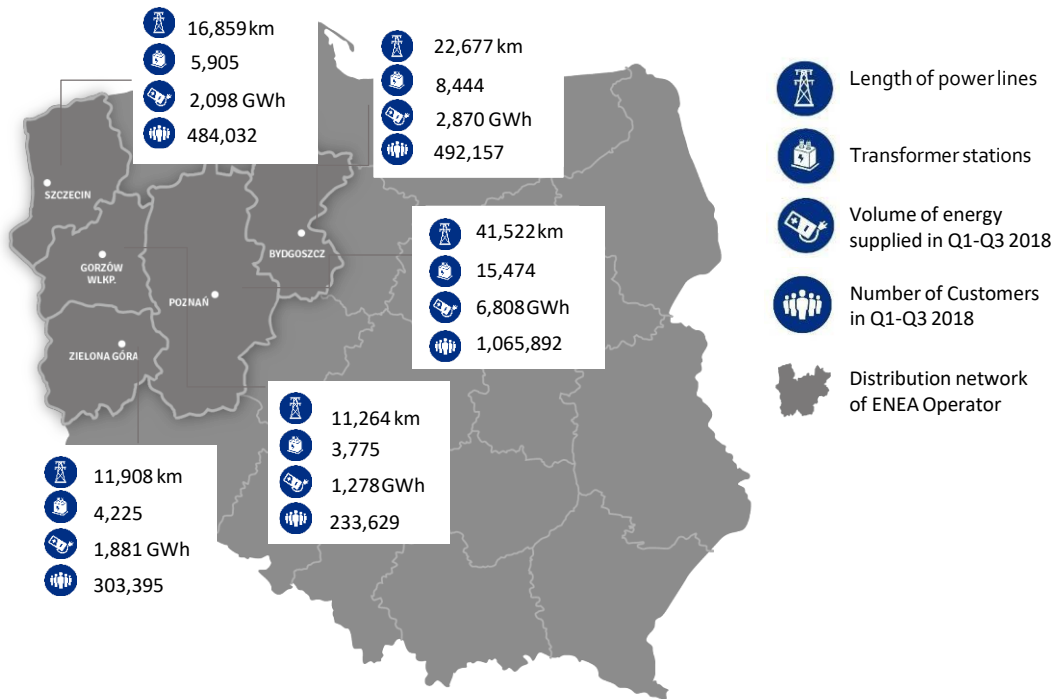
The only means of transport used to deliver bituminous coal to Kozienice Power Plant in Q1-Q3 2018 was rail transport ensured mainly by the carrier PKP Cargo S.A., which executed around 80% of deliveries. Under the concluded agreements, over 17% of deliveries were performed by the Contractor CD Cargo Poland Spółka z o.o., and about 3% by other Contractors.

ENEA Elektrownia Połaniec

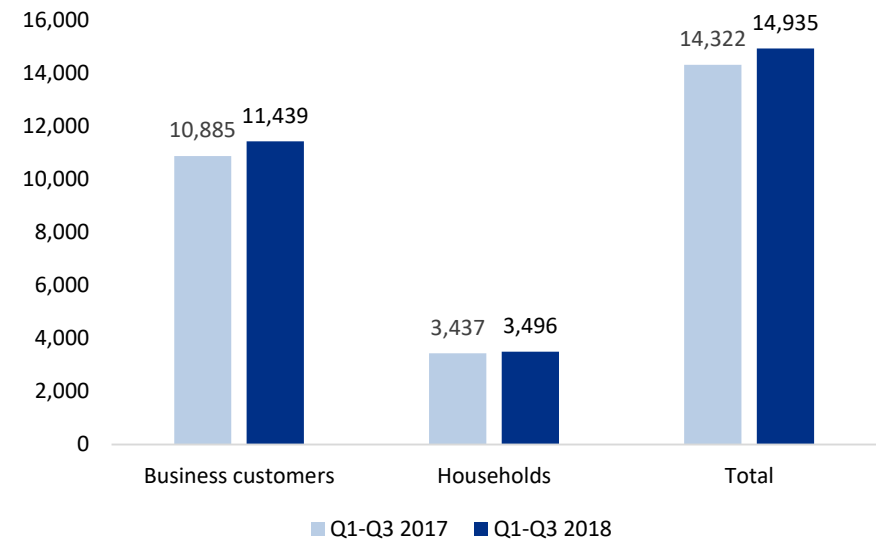
In Q1-Q3 2018, coal transport to ENEA Elektrownia Połaniec was carried out by PKP Cargo S.A.



Distribution



Sale of distribution services [GWh]



104.23 - Length of power lines ['000 km]



37.82 - Number of transformer stations ['000]



18.14 - Length of connections ['000 km]



840.05 - Number of connections ['000]

Technical indicators

Item	Q1-Q3 2017 ¹⁾	Q1-Q3 2018	Change
SAIDI planned interruptions and unplanned interruptions, including catastrophic ones (HV, MV) [min]	306.52	124.06	-59.53%
SAIFI planned interruptions and unplanned interruptions, including catastrophic ones (HV, MV)	2.76	2.49	-9.78%

¹⁾ Changes in SAIDI and SAIFI values result from the current update of data in the OMS (Outage Management System).

The values of reliability indices are determined in accordance with the quality regulation - they include planned and unplanned interruptions, including catastrophic ones on high and medium voltage. When analysing the consecutive years, a gradual decrease in reliability ratios can be observed, which results from the improving technical condition of the power grid. However, the catastrophic weather conditions, which occurred in a given year, as was the case in 2017, cause a rapid increase in the indices. After Q3 2018, the SAIDI and SAIFI indices improved significantly compared to the corresponding period of the previous year, mainly due to stable weather conditions.

Item	Q1-Q3 2017	Q1-Q3 2018	Change
Contracts performed in the reference term of 18 months - group IV [%]	97.80%	99.12%	1.32 pp
Contracts performed in the reference term of 18 months - group V [%]	98.10%	99.15%	1.05 pp

The indicators concerning the percentage of the performance of power grid connection agreements for connection groups IV and V within the specified reference period of 18 months constitute an element of the quality regulation.

Other technical indicators

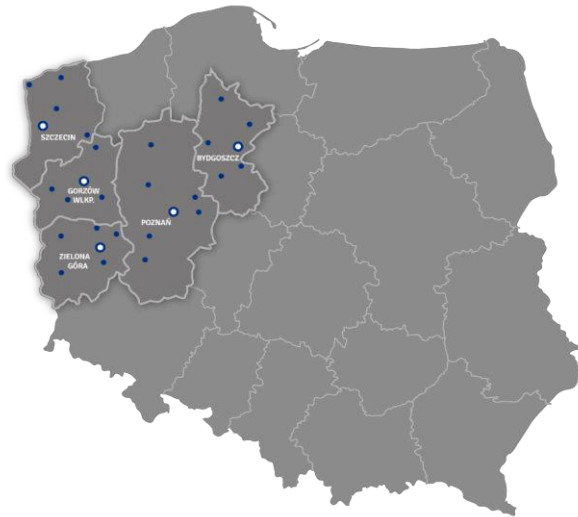
Item	Q1-Q3 2017	Q1-Q3 2018	Change
Grid distribution losses ratio [%]	5.95	5.53	-0.42 pp

The grid distribution losses ratio depends on seasonal fluctuations occurring during the year. For this reason, it is presented in a moving perspective - in the last 12 months.

Sales of distribution services

Item	Q1-Q3 2017	Q1-Q3 2018	Change
Sales of distribution services [GWh]	14,322	14,935	4.28%
Number of recipients at the end of the period	2,541,376	2,579,105	1.48%

Trading



32 Modern Customer Service Centres

● Customer Service Centre

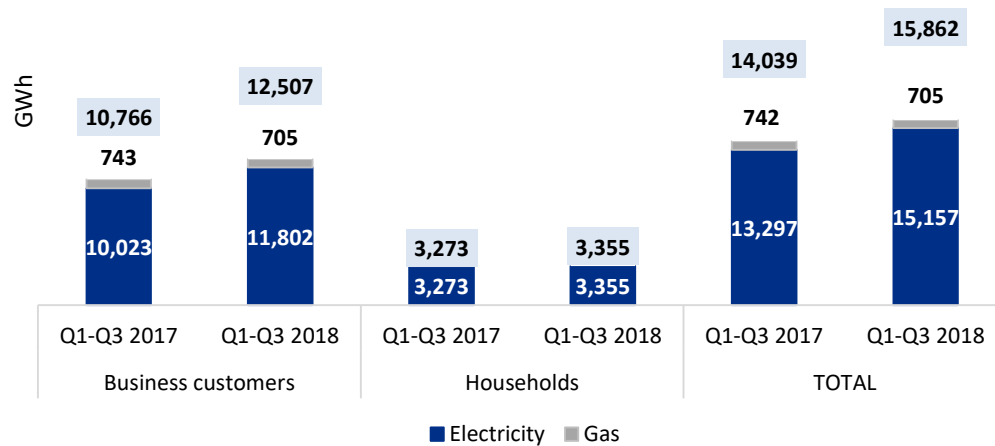


Distribution network of ENEA Operator

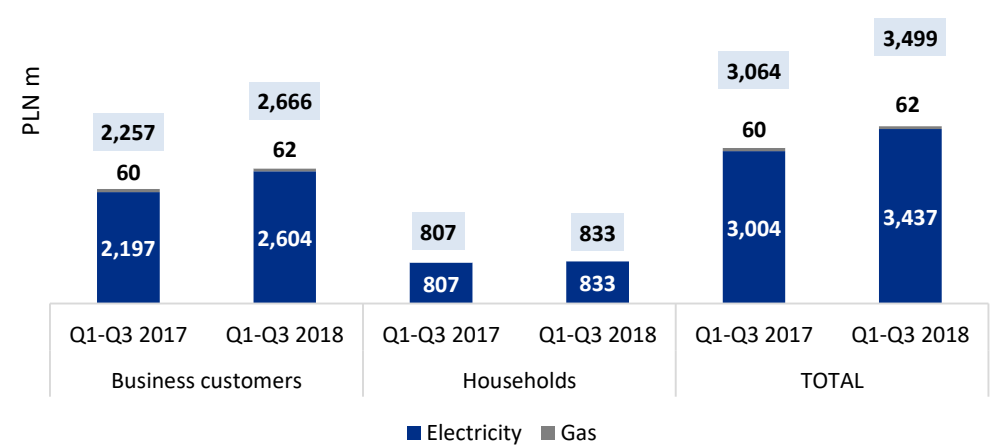
Sales of electricity and gas fuel to retail customers carried out by ENEA S.A.

In Q1-Q3 2018, as compared to the corresponding period of 2017, there was a significant growth in the total sales volume by 1,823 GWh, i.e. by nearly 13 %. The sales volume growth concerned the sale of electricity (an increase of 1,860 GWh, i.e. by nearly 14 %). The total growth in sales volumes translated into higher total sales revenues by PLN 435 million, i.e. by over 14% as compared to the corresponding period of 2017.

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



Revenues from sales of electricity and gas fuel to retail customers of ENEA S.A.



2.4. Development strategy

ENEA Group's Development Strategy until 2030 – baselines

MISSION:

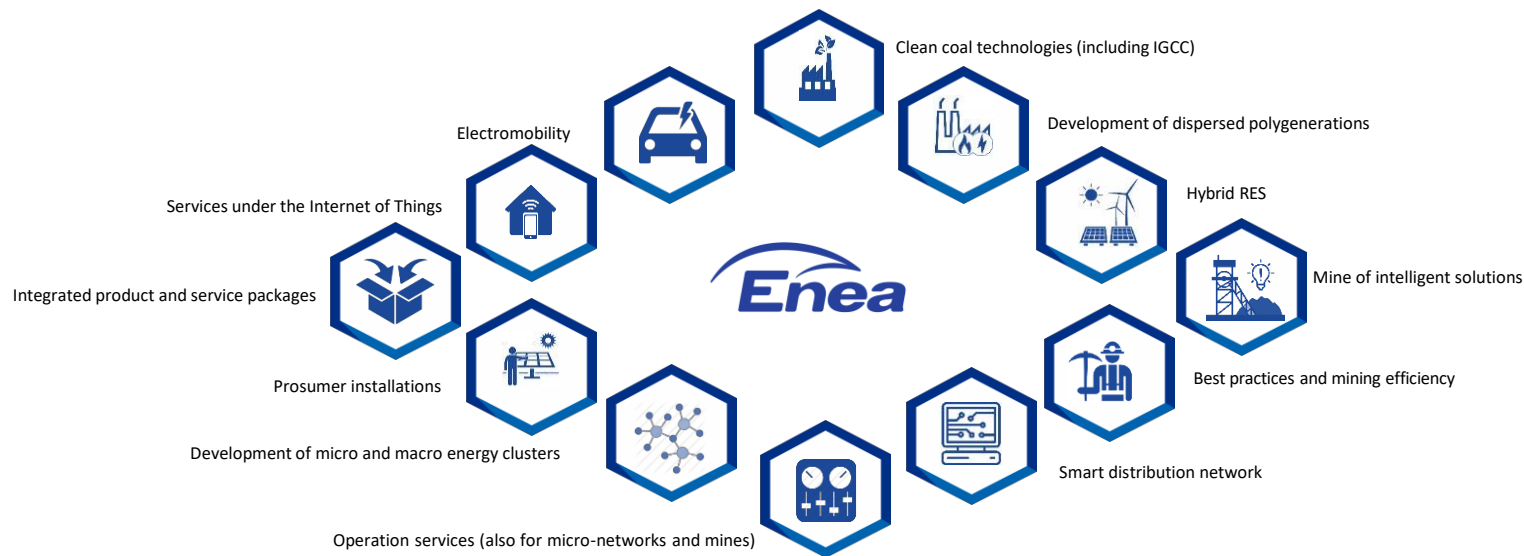
ENEA delivers constantly improved products and services, exceeding Customers' expectations due to motivated teams working in a friendly, safe and innovative organisation.

VISION:

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

ENEA has defined 60 strategic initiatives, of which over 50% are of innovative nature.

The implementation of potential-enhancing initiatives will support, i.a., the development of innovative products, services and business lines of ENEA Group.



Basic investment budget in the amount of PLN 26.4 billion

Estimated capital expenditures of ENEA Group in the years 2016-2030 [PLN m, current prices]

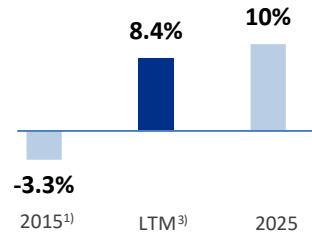
Area	2016-2025	2026-2030
Mining	3,712	2,080
Distribution	9,501	5,193
Generation	4,808	504
Other	403	153
Total basic investment budget of ENEA Group	18,424	7,930
CAPEX potential ¹⁾	6,176	5,320
Increasing the investment potential ²⁾	3,200	2,500
ENEA Group Total	27,800	15,750

¹⁾ CAPEX potential maintaining the net debt / EBITDA ratio on a safe level

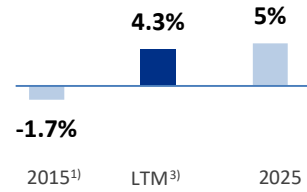
²⁾ Increasing the investment potential by PLN 5.7bn as a result of the implementation of innovative strategic initiatives (EBITDA increase)

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

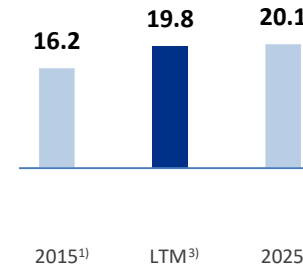
Return on equity (ROE)



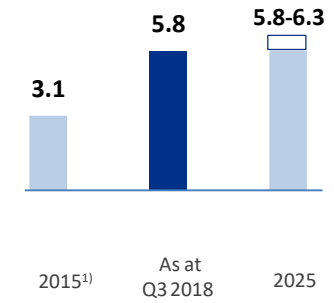
Return on assets (ROA)



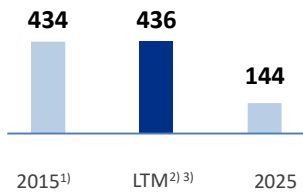
Sales of electricity to end users [TWh]



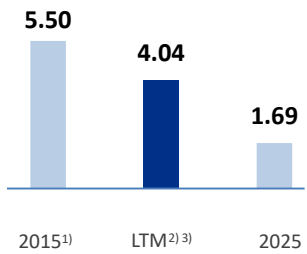
Installed conventional generation capacities [GW]



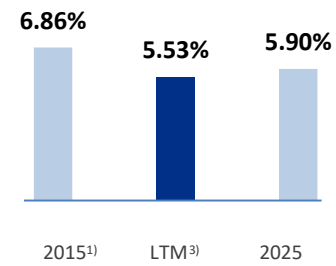
SAIDI [minutes]



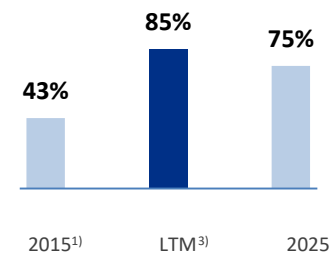
SAIFI



Grid distribution losses index



Own annual consumption of bituminous coal



¹⁾ Reference year

²⁾ Higher ratios as a result of weather phenomena

³⁾ LTM (Last Twelve Months) covering the period from Q4 2017 to Q3 2018

2.5. 2018 vs. 2017 trends

Area	2018 trend	Key drivers
Mining	Under pressure	<ul style="list-style-type: none"> (+) Coal price stabilisation (+) Construction of new heading excavations (-) Higher fixed costs (wages and raw materials) (-) Renovation of railway routes (-) Geological difficulties in Q1 2018
Generation	Under pressure	<ul style="list-style-type: none"> (+) Higher volume of electricity generation (-) Modernisation shutdowns of Units Nos. 9 and 10 at Kozenice Power Plant (-) Lower volume of free CO₂ emission allowances (-) Higher coal price and higher transportation costs (-) Increase in CO₂ prices to historically high levels (-) Higher fixed costs
Distribution	Stable	<ul style="list-style-type: none"> (+) Increased sales volumes of distribution services (+) Asset management optimisation (+) Works on the improvement of service quality (reduction in SAIDI and SAIFI) (-) Possible postponement of the implementation of investment tasks settled under the National Investment Plan
Trading	Under pressure	<ul style="list-style-type: none"> (+) Development of sale channels and product range (+) Greater sales volumes of electricity and gaseous fuel to retail users (-) Growing erosion of the first contribution margin in the Trading Area (-) Increase in the costs of environmental obligations (-) Valuation of CO₂ contracts to market price levels at historically high prices

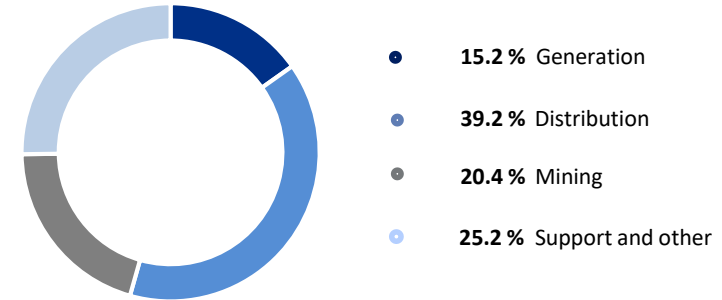
2.6. Implemented measures and investments

Capital expenditure in Q1-Q3 2018

Capital expenditure [PLN m]	Q1-Q3 2017	Q1-Q3 2018	Status of plan implementation	2018 plan
Generation	624.6	221.3	37.1 %	596.0
Distribution	593.0	570.3	59.0 %	966.6
Mining	254.4	296.0	59.7 %	496.0
Support and other	94.1	367.2	101.8 %	360.8
TOTAL Plan implementation	1,566.1	1,454.8	60.1 %	2,419.4
Equity investments ¹⁾	1,556.8	0.0	-	-
TOTAL ENEA Group's expenditures	3,122.9	1,454.8	-	-

¹⁾ Not included in ENEA Group's Material and Financial Plan

Capital expenditure



Investments implemented in Q1-Q3 2018

Mining

- Obtaining new licences:
 - application for new mining licences in K-6 and K-7 areas
- Maintenance of the machinery stock - purchase and assembly of machines and equipment
- Operating investments - execution of 28.6 km of new excavations
- Other development and replacement investments:
 - replacement investments in Zakład Przeróbki Mechanicznej Węgla, inter alia upgrades of steel structures and an electromagnetic separator development project, development of a gas extraction system from welding stations
 - power, telecommunication, and mechanical installations

Generation

ENEA Wytwarzanie

- On 30 March 2018, upgrade work within the project – Upgrade of the Stator from Unit No. 8 for reserve – was completed. The Institute of Power Engineering has drawn up an oversight report; the report has been received. The project has been completed successfully and timely.
- The work on project - Upgrade of Unit No. 10 as part of the 2 x 500 MW Units Upgrade Programme was finished, the Final Acceptance Report for the construction work was signed on 22 May 2018 and the investment was transferred to Company's assets.
- Continued development of the SCR installation along with an upgrade of electrostatic dust precipitators for Units Nos. 9 and 10 as part of the 2 x 500 MW Units Upgrade Programme
- Completion of on-site works and execution of tests and start-ups in accordance with the schedule – upgrade of Unit No. 6: on 6 October 2018, synchronisation of Unit No. 6; on 9 October 2018, completed test run of Unit No. 6

ENEA Elektrownia Połaniec

- Launch of the SCR installation on Unit No. 4
- Phoenix project for Unit No. 5 – negotiations were conducted on contracts for turbine (GE) and unit generator and transformer (Ethos Energy) upgrades. Appropriate annexes were signed with the Contractors and the prefabrication works were commenced. A tender for the SCR installation construction was announced, and the contractor, RAFAKO, was selected.

Distribution

- Completion of a series of investments related to the expansion, automation and modernization of stations and power grids, including those related to the connection to the grid, as well as to the modernisation of stations, including the redesigning of the Main Transformer Station Zdroje
- Continuation of ongoing investments and launching new investments to be implemented in 2018 and in the following years
- Continuation of the improvement of processes for connecting Customers to the power grid
- Continuation of development of IT tools supporting network management

Investments and other activities planned by the end of 2018 and in the following years within the existing assets

Mining

Development investments	<p>Obtaining new licences:</p> <ul style="list-style-type: none"> continuation of the application process related to mining licences in K- 6 and K-7 areas <p>Maintenance of the machinery stock:</p> <ul style="list-style-type: none"> purchase and assembly of new machinery and equipment upgrade of machinery and equipment <p>Increasing the operational resources:</p> <ul style="list-style-type: none"> programme and spatial concept OG Ludwin obtaining of a property in connection with the development plans for the mine
	<p>New excavations and upgrade of existing ones:</p> <ul style="list-style-type: none"> development of excavations, mainly longwall galleries, longwall cross-cuts and other technological and access excavations, enabling wall mining upgrades of mine excavations
	<p>Other development and replacement investments:</p> <ul style="list-style-type: none"> extension of the extractive waste disposal facility in Bogdanka continuation of work connected with “Integrated Production Management System” and “Smart Solutions Mine” project upgrade of main ventilators in shaft 1.4 upgrade of the drive system and the shaft signalling system construction of a shunter rail shelter in shaft 2.2 in the Stefanów field installation of a tower crane environment protection – water drainage – surrounding drainage trench, planned construction of a pumping station on the RE Źelazny trench along with water drainage and a pumping station on trench C in Nadrybie
Operating investments	
Other investments	

Generation

Enea Wytwarzanie	Continued	<ul style="list-style-type: none"> Adaptation of the Systemic Power Plants Segment of ENEA Wytwarzanie sp. z o.o. for BAT conclusions Upgrade of Unit No. 6 Development of the SCR installation for Units No. 9 and No. 10 (completion in 2019)
	Heat Segment	<ul style="list-style-type: none"> Reconstruction of the TZ3 turbine set – reconstruction of generation capacity of the TZ3 turbine set, ensuring fault-free operation and maintaining correct operating parameters of the turbine set as well as of the auxiliary systems and equipment Regeneration of K6 boiler Construction of a steam-water connection and junction to Jazbud residential buildings in Dojlidy
	RES Segment	<ul style="list-style-type: none"> Searching for bargain investment and acquisition projects
	Enea Elektrownia Połaniec	<ul style="list-style-type: none"> Prefabrication of elements of turbine No. 5 as part of the Phoenix project for Unit No. 5

Distribution

Key investments implemented

- Implementation of the smart grid development programme
- Continuation of the grid operation reliability improvement programme
- Continuation of the Grid Information System project
- Project “Innovative system services of energy storage facilities increasing the quality and efficiency of electricity usage – EnergyStore”.
- Construction and upgrade of a number of grid infrastructure elements, such as HV, MV, and LV power lines and transformer stations, including i.e.:
 - Development of Poznań Główna Main Transformer Station
 - Development of Suchy Las Main Transformer Station
 - Development of Kisielin Main Transformer Station
 - Development of Skwierzyna II Main Transformer Station
 - Redevelopment of Fordon Main Transformer Station along with the development of a duplex power supply for the station
 - Redevelopment of Chodzież Main Transformer Station
 - Redevelopment of Oborniki Main Transformer Station
 - Redevelopment of Dąbie Main Transformer Station
 - Development of Dąbie-Zdroje 110 kV power cable line
 - Development of Bydgoszcz Śródmieście-Bydgoszcz Północ 110 kV power cable line
 - Redevelopment of Kościan-Śmigiel 110 kV power cable line
 - Redevelopment of Morzyczyn-Drawski Młyn 110 kV power cable line
 - Redevelopment of Gryfino-Żydowce 110 kV power cable line
 - Development of Choszczno II Main Transformer Station and Recz Main Transformer Station
 - Development of Garbary Main Transformer Station and development of Garbary-Cytadela and Garbary-EC Karolin 110 kV power cable lines
 - Development of Garaszewo grid switchyard and development of Kromolice-Nagradowice, Kromolice-Gądki and Kromolice-Swarzędz 11- kV power cable lines
 - Development of Piła Krzewina-Miasteczko Krajeńskie 110 kV power cable line and redevelopment of Miasteczko Krajeńskie Main Transformer Station
 - Redevelopment of Wronki Main Transformer Station
 - Redevelopment of Piła Południe Main Transformer Station
 - Redevelopment of Żary Main Transformer Station

Operation of Unit No. 11 in Q1-Q3 2018

In 2017, ENEA Group commissioned the most modern power unit in Poland and Europe.



- The largest power unit fired with bituminous coal in Europe
- Entirely independent entity with its own infrastructure
- The new unit means a 1/3 increase in the capacity of Kozenice Power Plant
- Unit No. 11 allows us to eliminate energy deficits on the market
- High efficiency of energy generation
- High availability and low failure rate of the new unit
- The unit meets the requirements of environmental protection regulations

Unit No. 11	Q1-Q3 2018	Q3 2018
Net electricity generation (GWh)	3,752	1,359
Net average monthly load (MW)	717	777

The new 1,075 MWe unit in Kozenice Power Plant

Status of works on key investment projects

Investment	Project status	Q1-Q3 CAPEX [PLN m]	Total CAPEX [PLN m]	Work progress [%]	Planned completion date
Upgrade of Unit No. 10 as part of the 2 x 500 MW Units Upgrade Programme	The following works were completed:				
	<ul style="list-style-type: none"> Works on auxiliary installations of the turbine set, ended on 9 February 2018 Assembly of elements of the Automatic Test and Measurement Equipment, ended 31 January 2018 Works on the boiler pressure system, ended 19 February 2018 A 72-hour test run of the unit, ended 5 May 2018 The final acceptance protocol for the construction works was signed on 22 May The investment was transferred to Company's assets on 22 May 2018 Heat tests in unit were carried out to check if the predicted effect of the upgrade conducted from 13 to 17 June 2018 has been achieved On 22 August 2018, the Steering Committee of the "2017 Unit No. 10 Upgrade" Project implemented by ENEA Wytwarzanie Sp. z o.o., decided to close the project - Decision No. 1/2018. 	7.187	92.808	99%	2018
	Upgrade of Unit No. 9 as part of the 2 x 500 MW Upgrade Programme	The following works were completed:			
	<ul style="list-style-type: none"> On 1 May 2018, the upgrade of the unit started Works on the upgrade of the equipment in the facility - boiler house and engine house - are in progress the update of the Schedule of Unit No. 9 Upgrade - anticipated completion date of the unit's upgrade is on 31 May 2019 Chemical cleaning and blowing of the boiler. 	44.249	46.762	56%	2019
Upgrade of Unit No. 6	In Q1-Q3 2018, the following works were carried out:				
	<ul style="list-style-type: none"> On 9 May 2018, an agreement was executed with Rafako Engineering sp. z o.o. for "Preparation of an Expert Analysis of the Wear and Tear of Pressure Components of Boiler OP-650 No. 6" of the net value of PLN 417,000.00 On 1 June 2018, an agreement was executed with Polimex Energetyka sp. z o.o. for "Upgrade of Unit No. 6 Boiler" of the net value of PLN 7,916,608.94 On 30 July 2018, the upgrade of Unit No. 6 started Works under the "Boiler Upgrade of Unit No. 6" commenced on 2 July 2018 On 2 July 2018, three agreements were signed for the following tasks: "Upgrade of Catalyst Layers for the SCR installation of Unit No. 6", "Tests and Viability Evaluation along with an Upgrade of the Upper Bodies and Spring Sets of Safety Valves of Unit No. 6" and "Upgrade of Steam Pipeline Suspensions from Turbine Seals to CT2 in Unit No. 6" Completion of on-site works and execution of tests and start-ups in accordance with the schedule: <ul style="list-style-type: none"> ✓ synchronisation of Unit No. 6 on 6 October 2018 ✓ completed test run of Unit No. 6 on 9 October 2018 	24.549	24.551	98%	2018
Adaptation of ENEA Innowacje sp. z o.o.'s Systemic Power Plants Segment for BAT conclusions – Upgrade of the Electrostatic Dust Precipitator for Unit No. 6	<p>The agreement signed on 25 October 2017 with Balcke -Durr Polska Sp. z o.o. The Contractor provided implementation projects in all sectors until 19 February 2018. In March, elements for the upgrade of the precipitator were prefabricated.</p> <ul style="list-style-type: none"> On 2 July 2018, the object of the contract was transferred to the Contractor in order to perform the upgrade of the electrostatic precipitator of Unit No. 6. On 2 July 2018, upgrade works commenced, including inter alia: construction works, mechanical works, electrical works and Control and Measurement Instruments and Automation The planned date of completion is 5 November 2018 	3.331	3.817	95%	2018

Investment	Project status	Q1-Q3 CAPEX [PLN m]	Total CAPEX [PLN m]	Work progress [%]	Planned completion date
ENEA Wytwarzanie	<p>Development of the SCR installation with upgrade of electrostatic precipitators for boilers AP-1650 of Units No. 9 and No. 10 as part of the 2 x 500 MW Units Upgrade Programme</p> <p>In Q1-Q3 2018, the following activities were completed: Unit No. 10:</p> <ul style="list-style-type: none"> On 27 April 2018, the post-assembly acceptance report confirming the completion of construction and assembly work was signed. On 30 April 2018, unit no. 10 was started up with the SCR installation, the hot start has started with the anticipated completion date by 2 July 2018. On 18 and 25 June 2018, representatives of ENEA Wytwarzanie along with the Project Engineer conducted partial branch acceptance of the ash removal installation of the SCR installation of Unit No. 10 with a positive result in the Control and Measurement Instruments and Automation and electrical industries On 26 June 2018, representatives of ENEA Wytwarzanie along with the Project Engineer conducted partial branch acceptance of the basic and emergency lighting installation and repair sockets and cable routes of the SCR installation of Unit No. 10 with a positive result On 26 June 2018, representatives of ENEA Wytwarzanie along with the Project Engineer conducted partial branch acceptance of technological installations of the SCR installation of Unit No. 10 with a positive result Hot start of the SCR installation of Unit No. 10 is in progress. <p>Unit No. 9:</p> <ul style="list-style-type: none"> On 1 May 2018, Unit No. 9 was reclassified from operational standstill to renovation standstill On 11 May 2018, the report concerning handing-over of construction site no. 6, i.e. the area of Fume Extraction Fans and Electrostatic Dust Precipitator of unit no. 9. was signed Ongoing investor supervision was conducted, among others, over the performance of start-up works and construction works The Technical Board of ENEA Wytwarzanie sp. z o.o. successively and timely evaluated the documentation provided by the Contractor. 	34.697	136.266	48%	2019
	<p>Development of the FDG installation for K7 and K8 boilers</p> <p>An agreement was concluded with the National Fund for Environmental Protection and Water Management for investment subsidy in the form of a loan. On 29 September 2017, the installation was commissioned. In Q1-Q3 2018, works connected with the completion of the investment were continued, i.e.:</p> <ul style="list-style-type: none"> Regulation and optimisation of the FGD operation by the Contractor to ensure guaranteed parameters. Assembly of an additional element in the reactor, aimed at changing the flow distribution in the reactor and assessment of its influence on the operation of the installation. Installation test on a sorbent from another suppliers. On 20–23 February 2018, guaranteed parameters were again measured. The report on these measurement states that the installation achieves all technical and environmental parameters except for process water consumption and process temperature. On 12 March 2018, the Contractor submitted the installation for final acceptance; An Annex to the Agreement, changing the investment completion date to 15 March 2018, was entered into with the Contractor (this action was approved by the Management Board of ENEA Wytwarzanie and of ENEA Group's Investment Committee). The date of the final acceptance is 19 April 2018. On 24 April 2018, an Agreement regulating the issue of the installation defects removal was entered into with Rafako. Transfer to the Company's assets on 1 May 2018. 	6.593	86.460	100%	2018
ENEA Elektrownia Potaniec	<p>Development of the SCR installation for Unit No. 4</p> <p>Launch of the SCR installation for Unit No. 4</p>	12.66	34.4	98%	2019
	<p>Phoenix project for Unit No. 5</p> <p>The NTP for turbine upgrade and the NTP for generator upgrade and delivery of a new step-up transformer were issued. Contracts on start-up upgrade, generator circuit breaker upgrade, and on supervision of generator and transformer upgrade were executed.</p> <p>The tender procedure for the SCR installation construction was concluded (RAFAKO).</p>	6.37	127.4	6%	2020

Status of works on key investment projects



Retail Trade Area



Customer Service Area



Wholesale Trade Area

Measures implemented in Q1-Q3 2018

- Expansion of the SMART HOME product offer
 - Launching the new ENEA ECO product line
 - Launching the new formula of the ENEA+SPECIALIST product line
 - “Happy PLN 100 for Spring” sales promotion on the ENEA PURCHASE ZONE loyalty programme
 - “Switch on the Power of Benefits with ENEA” summer sales promotion
 - Implementing new agreement templates meeting GDPR requirements.
-
- Launching of IVR self-services available for customers
 - Opening customised Customer Service Centres in Krośno Odrzańskie, Wolsztyn, Nakło nad Notecią, Gryfice, Świnoujście and Kościan
 - Implementing a billing system for gas fuel for generation
 - Conducting design works and finalisation of the preparations for the functional project for eBOK 2.0
 - Introduction of automated service processes, using, among other things, robotic process automation, which will translate into the timely implementation of key indicators as part of ongoing processes
 - Production launching of the CRM system in the Contact Centre to facilitate everyday Customer service
 - Implementation of Active Sales in Customer Service Offices is the first stage of structuring customer portfolios
 - Sales Representative – launch of a pilot programme in the Bydgoszcz area of mobile sales in the Customer Service Centre structure
 - Adaptation of the rules of processing, use and storage of personal data, forms and documents to the new regulations resulting from the General Data Protection Regulation (GDPR) for the efficient exercise of ENEA Customers’ rights resulting from the GDPR
 - Launching the functionality for making appointments at Customer Service Centres via the www.enea.pl website and via Contact Centre consultants.
-
- Taking account of the increase in installed capacity in the generation potential of ENEA Wytwarzanie (Unit No. 11)
 - Active participation in impact analyses of the capacity market implementation as part of industry consultations
 - Optimisation of fuel (coal, biomass, fuel oil) deliveries using the ENEA Group’s extraction resources, taking account of geographical location in the scope of transport services
 - Commencing cooperation with PGG S.A. and JSW S.A. in the area of management of sludges and flotoconcentrates – execution of agreements on sludge supplies to Kozienice and Połaniec
 - Continuation of works on the “Development of the concept and change of the model of fuel coal trading in ENEA Group” (extension to include the functions of an intermediate coal trader)
 - Development of analytical models of long-term price paths for products listed on wholesale markets, taking account of the fundamental model for bituminous coal
 - Expansion of the product range with specialised services for the RES segment for installations with installed capacities of 500kW and above after the cessation of the obligation to purchase electricity by the obliged seller, i.e. from 1 January 2018
 - Developing regulatory support for ENEA Group companies with regard to the wholesale market



Retail Trade Area



Customer Service Area



Wholesale Trade Area

Measures to be implemented by the end of 2018

- Launching the Dual Fuel offer
 - Development of the ENEA ECO product line
 - Implementing the remote acquisition and metering data management services
 - Customer Satisfaction Surveys in the B2C and B2B areas
 - Development of the PURCHASE ZONE loyalty programme
 - Christmas promotion for households based on the PURCHASE ZONE
 - ENEA SMART special offer
-
- Continuation of the visual upgrade project for the Customer Service Centres – upgrade of the Customer Service Centres in Choszczno, Goleniów, Świecie and Mogilno
 - Implementation of an electronic pen for signing contracts in one pilot Customer Service Centre
 - Development of remote customer service channels by introducing a range of facilities, such as: new contact channels, i.e. video chat and mass customer service through social media
 - Continuation of design works on launching a new Digital Customer Service Centre and introducing changes on the service sub-pages of www.enea.pl website, to facilitate remote customer service
 - Within the framework of the developed concept of Omnicontract and planned activities aimed at building lasting relationships with customers by adapting the contact channels to the customer preferences, customer service in English will be rolled out in the Contact Centre and self-service offer will be further expanded
 - Further works in the process of automation of service processes using robotic process automation (RPA)
 - Implementation of the Central Customer Database in order to provide comprehensive, uniform information about clients and to implement the guidelines imposed by the new General Data Protection Regulation (GDPR) becoming effective in May 2018
 - Implementation of customer satisfaction surveys in Customer Service Centres
 - Providing new points of payment for VAT invoices and top-up points for prepaid metres in cooperation with the PayTel network
 - Process optimization to accelerate the provision of services for the customer and to further improve the quality of customer service in the Contact Centre, among other things, through automation of debt recovery suspension, the new Standard of Customer Service, adding to IVR a dedicated path to be used by a client subject to debt recovery procedure, improvements in customer authorisation
 - Implementation of the WFM (Workforce Management) system will allow for more effective use of the Contact Centre and its staff, among others, through work time and work performance analysis, and cost reduction due to more efficient use of human resources.
-
- Changing the approach to valuing portfolio management activities on the wholesale market
 - Execution of an interdisciplinary capacity market implementation project aimed at maximising financial revenue and optimising the cost management approach with regard to repairs and investments for generating units for ENEA Group
 - Optimisation and search for further synergies in the energy product portfolio management using the potential of the ENEA Group and wholesale markets
 - Development of tools supporting distributed generation as a result of changes in the support mechanism for renewable sources effective after 1 January 2018
 - Agreement on the conditions of 2019 coal supplies for the demand of ENEA Wytwarzanie and ENEA Elektrownia Połaniec provided for in forward contracts
 - Optimisation of fuel logistics
 - Performing analytical and conceptual work for the purpose of changing the coal purchase model in order to use low-caloric coals in the process of mixing sludges and flotoconcentrates
 - Development of tools and analytical database enabling effective prop-trading activities in the area of short-term cross-border operations in order to get prepared for the common energy market
 - Continuation and completion of works connected with the project “Development of the concept and change of the model of fuel coal trading in ENEA Group”

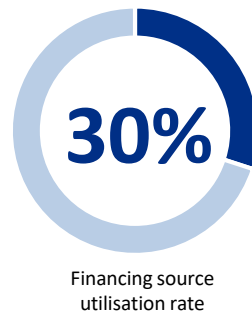
2.7. Agreements concluded

Financing sources of the investment programme

ENEA S.A. finances the investment programme using financial surpluses from its business activities and external debt. ENEA Group implements the investment financing model, in which ENEA S.A. acquires external sources of financing and distributes them to its subsidiaries. In further activities, ENEA S.A. will focus on ensuring appropriate diversification of external sources of financing for the investments planned in the Strategy of the ENEA Group in order to optimize the amount of costs and debt repayment dates. Description of active agreements is presented below.

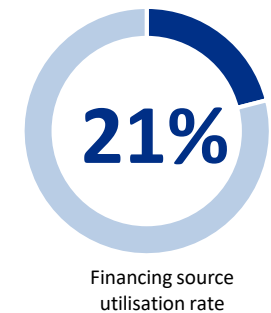
Programme Agreement on the bond issue programme up to the amount of PLN 5bn

On 30 June 2014, ENEA S.A. concluded a programme agreement relating to the bond issue programme up to the amount of PLN 5bn with the following banks acting as dealers: ING Bank Śląski S.A., PKO BP S.A., Bank Pekao S.A. and mBank S.A. Under the Programme, ENEA may issue bonds with the maturity of up to 10 years, and Bank dealers have the duty of care when offering the sale of bonds to market investors. In Q1-Q3 2018, ENEA S.A. did not issue bonds under that programme. As at 30 September 2018, the value of the bonds issued within the Programme totalled PLN 1,500m.



Programme Agreements on the bond issue programme guaranteed by BGK

Under the financing guaranteed by Bank Gospodarstwa Krajowego, ENEA S.A. concluded a bond issue programme agreement (signed on 3 December 2015) with the value of PLN 700 million. The financing is not hedged on ENEA Group's assets. The funds from that programme are allocated i.a. to the implementation of the investments by ENEA S.A. and its subsidiaries. The interest rate is based on floating WIBOR rate plus margin. So far, ENEA S.A. has issued bonds under the programme agreement of the value of PLN 150 million. As at 30 September 2018, the amount of PLN 550 million was available.



External financing sources utilised

Below is a summary of the loan agreements and bond issue programmes utilised, under which ENEA had liabilities as at 30 September 2018

Source	Purpose	Value	Final redemption/repayment date	Amount due at the balance sheet date	Additional information
Programme Agreement on the bond issue programme	Financing of the realisation of investment projects	up to PLN 3,000 million	June 2022	PLN 3,000 million	- underwriters of the issue – PKO BP S.A., Bank Pekao S.A., BZ WBK S.A. and Bank Handlowy - the financing is not hedged on assets
Programme Agreement on the bond issue programme	Financing of the current activities and investment purposes	up to PLN 1,000 million	December 2026	PLN 880 million	- underwriter of the issue – Bank Gospodarstwa Krajowego
Investment loans granted by the European Investment Bank	Financing of the multiannual investment plan regarding the upgrade and extension of the power grids of ENEA Operator	a loan up to PLN 950 million	September 2028	PLN 833 million	- the financing is not hedged on assets
		a loan up to PLN 475 million	June 2030	PLN 470 million	
		a loan up to PLN 946 million	September 2032	PLN 946 million	

Issue of ENEA S.A.'s securities in 2018

The companies of ENEA Group did not issue any securities in Q1-Q3 2018. As at 30 September 2018, the nominal debt in respect of bonds issued by ENEA S.A. totalled PLN 5,515 million.

Suretyships and guarantees granted

During the first nine months of 2018, the companies of the ENEA Group did not grant any new suretyships or guarantees of significant value. As at 30 September 2018, the total value of corporate suretyships and guarantees granted by ENEA S.A. for hedging the liabilities of ENEA Group companies amounted to PLN 111.9 million, whereas the total value of bank guarantees issued on request of ENEA S.A. and being the security of the liabilities of ENEA Group companies amounted to PLN 292.5 million.

Interest rate hedging transactions

Under the implementation of the Interest Rate Risk Management Policy, in the first nine months of 2018 ENEA S.A. did not conclude any transactions hedging the interest rate risk (Interest Rate Swaps).

Agreements of significance to ENEA Group's operations

On 3 January 2018, an agreement was concluded for the purchase of coal from Polska Grupa Górnicza Sp. z o.o. in the period of 2018 - 2021 for the needs of ENEA Elektrownia Połaniec S.A.'s units. The total net value of the agreement amounts to PLN 1.49 billion. Notwithstanding the aforementioned agreement, during the first three months of 2018, and until the publication date of this report, the companies of ENEA Group did not conclude any agreements of significance to the Group's operations. On 4 September 2018, ENEA S.A. entered into a memorandum of understanding with Energa S.A., Elektrownia Ostrołęka Sp. z o.o. (SPV) and Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych Energia ("Fund"), with respect to the Fund's capital involvement in the SPV's project of preparation, construction and operation of a hard coal-fired power unit with gross capacity of approximately 1,000 MW ("Project"). The Fund's engagement in the SPV is subject to a number of legal, corporate and financial conditions, including the market situation. The memorandum defines the preliminary structure of the Project's financing, where a total of PLN 2 billion includes capital contributed to the SPV by ENEA S.A. and Energa S.A. (PLN 1 billion each), including funds contributed by ENEA S.A. and Energa S.A. before the date of concluding a possible investment agreement with the Fund, and a maximum of PLN 1 billion of the capital contributed to the Company by the Fund, and the remaining amount will be raised through other forms of financing.

Related-party transactions

In Q1-Q3 2018, ENEA and its subsidiaries did not conclude any related-party transactions on non-market conditions. Information on related-party transactions concluded by ENEA or its subsidiaries is included in Note 25 to the condensed interim financial statements of ENEA Group for the period from 1 January to 30 September 2018.

Other agreements

In previous years, ENEA S.A. also concluded inter-group bond issue programme agreements with its subsidiaries, which are intended to finance investments in the RES and Heat segments. The programmes are fully utilised and redeemed in instalments. As at 30 September 2018, the value of the bonds to be redeemed under these programmes totalled PLN 55.5 million.

Distribution of cash



Bond issue programmes of subsidiaries

PLN 3 bn – Bond Issue Programme of 8 September 2012 (ENEA Wytwarzanie)

The Programme was fully utilised by ENEA Wytwarzanie. Under the Programme, ENEA Wytwarzanie has issued bonds to the total value of PLN 2,650 million. Bonds are to be redeemed in 2020, 2021 and 2022.

PLN 1,425 m – Bonds (ENEA Operator)

The Programme was fully utilised by ENEA Operator. The bonds, depending on the series, bear fixed or floating interest rate. The bonds are being redeemed in instalments from June 2017 and the final redemption date is June 2030.

PLN 1 bn – Programme Agreement of 17 February 2015 (ENEA Wytwarzanie)

On 17 February 2015, ENEA Wytwarzanie, ENEA and PKO Banki Polski concluded a Bond Issue Programme for the amount of PLN 760 million. On 3 June 2015, an annex to the Agreement was concluded, under which the parties increased the amount of the Programme to PLN 1 billion. The programme has been fully utilised.

PLN 946 m – Bond Issue Programme Agreement of 7 July 2015 (ENEA Operator)

The programme has been fully utilised by ENEA Operator. The bonds bear floating interest rate. The bonds are redeemed in instalments from December 2018, the final redemption date is in September 2032.

PLN 740 m - Bond Issue Programme Agreement of 17 November 2014 (ENEA Wytwarzanie)

Under the Programme, ENEA Wytwarzanie issued bonds of the value of PLN 350 million. The possibility of issuing bonds ended on 30 June 2016. The bonds will be redeemed on one date in March 2020.

PLN 260 m – Programme Agreement of 12 August 2014 (ENEA Wytwarzanie)

The Programme is fully utilised by ENEA Wytwarzanie. The bonds bear fixed interest rate. The redemption of the bonds started in instalments in September 2017. The final redemption date is in December 2026.

PLN 350 m – Bond Issue Programme Agreement of 20 September 2017 (ENEA Operator)

The Executive Bond Issue Programme Agreement for the amount of PLN 350 million was concluded between ENEA as guarantor, ENEA Operator as issuer and PKO Bank Polski as agent. Within the agreement, on 28 September ENEA Operator issued bonds of the value of PLN 350 million bearing floating interest rate WIBOR 3M plus margin. The bonds will be redeemed on one date and the redemption date is in December 2019.

PLN 400 m – Bond Issue Programme Agreement of 20 July 2018 (ENEA Operator Sp. z o.o.)

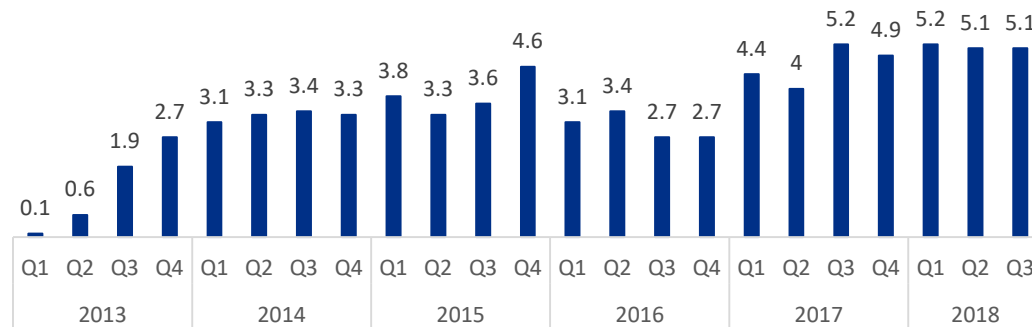
Within the agreement, on 26 July 2018 ENEA S.A. subscribed for bonds of the value of PLN 200 million bearing floating interest rate WIBOR 3M plus margin, with a one-off redemption date in December 2020.

2.8. Market and regulatory environment

Macroeconomic situation

Enea Group's operations are focused on the territory of Poland. Therefore, core macroeconomic factor affecting both the results achieved and its financial situation is the development pace and the general condition of the Polish economy. According to the preliminary estimate of the Central Statistical Office of Poland (GUS), the GDP in Q3 2018 (seasonally unadjusted) increased by 5.1% on the corresponding quarter in 2017.

GDP dynamics in 2013-2018 [%]



According to GUS data, in Q1-Q3 2018 growth tendencies were observed in the main areas of the economy.

According to the estimates by GUS, in Q1-Q3 2018 the industrial production sold was higher than the year before by 6.0%. The pace of growth of industrial production sold was slower than in H1 2018. In the subsequent months of Q3 2018, the sales dynamics was gradually getting weaker. In Q1-Q3 2018, production in all main industrial groupings was bigger than in the previous year. Among the main industrial groupings, the production of energy-related goods increased the most, and to the smallest extent - of perishable consumer goods.

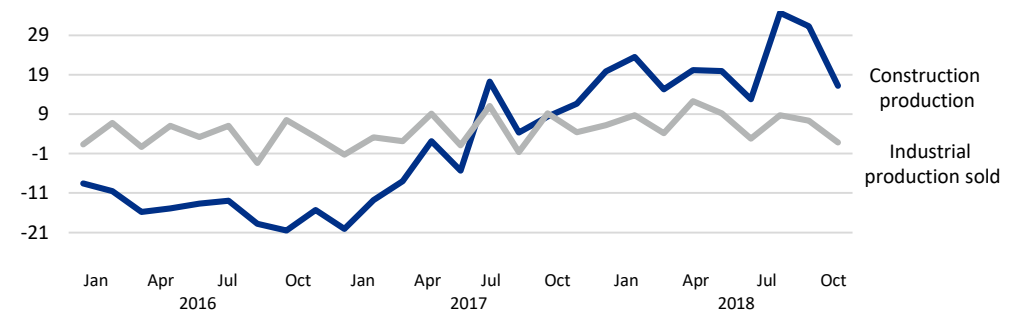
In Q1-Q3 2018, the domestic construction production was by approx. 19.8 % higher than in the preceding year. The production dynamics was weaker than the one recorded in the first half of 2018. Sales of renovation works increased slightly more than investment works. Production in all construction sectors was higher than in the previous year, with the largest sales increase in civil and water engineering construction.

In Q1-Q3 2018, the prices of consumer goods and services increased by 1.7% year on year. In the third quarter of the current year, the dynamics of transport prices was much higher than in previous periods. Prices related to housing rose slightly more than in the first and second quarter while the growth rate of prices of food and non-alcoholic beverages slowed down.

Below, the basis macroeconomic data for 2015–2018 are presented.

Item	Unit	2015	2016	2017	Q1-Q3 2018
GDP	% change	3.8	2.9	4.6	5.1
Industrial production sold	% change	6.0	3.6	6.6	6.0
Construction production	% change	3.7	-2.6	7.0	19.8
Inflation	%	-0.9	-0.6	2.0	1.7

Monthly domestic production dynamics in 2016-2018 [%]



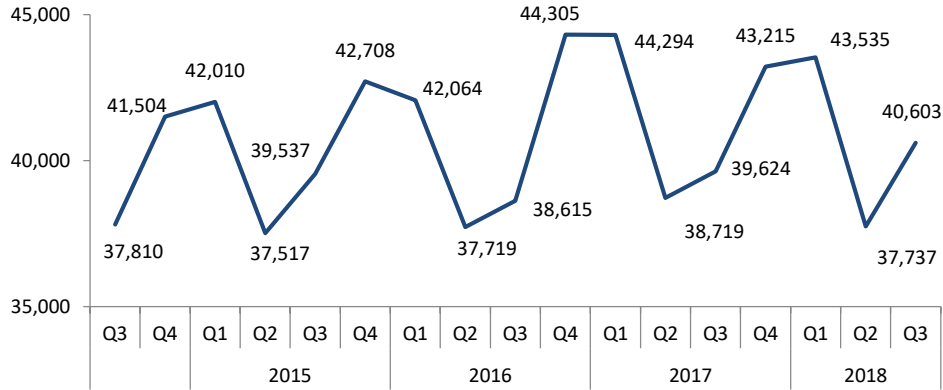
Source: <http://stat.gov.pl> and GUS studies entitled "Informacja o sytuacji społeczno-gospodarczej kraju w I-III kwartale 2018 roku" ("Information on the social and economic situation in the country in Q1-Q3 2018") and "Szybki szacunek produktu krajowego brutto za trzeci kwartał 2018 roku" ("A quick estimate of the Gross Domestic Product for Q3 2018")

Situation on the electricity market

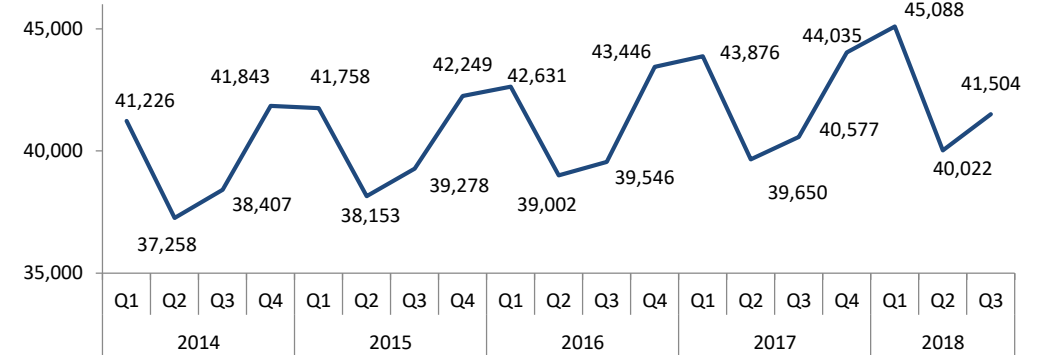
Production of electricity

According to the data published by Polskie Sieci Energetyczne, the domestic production of electricity in the period of January-September 2018 was 121,875 thousand GWh.

Domestic production of electricity [GWh]



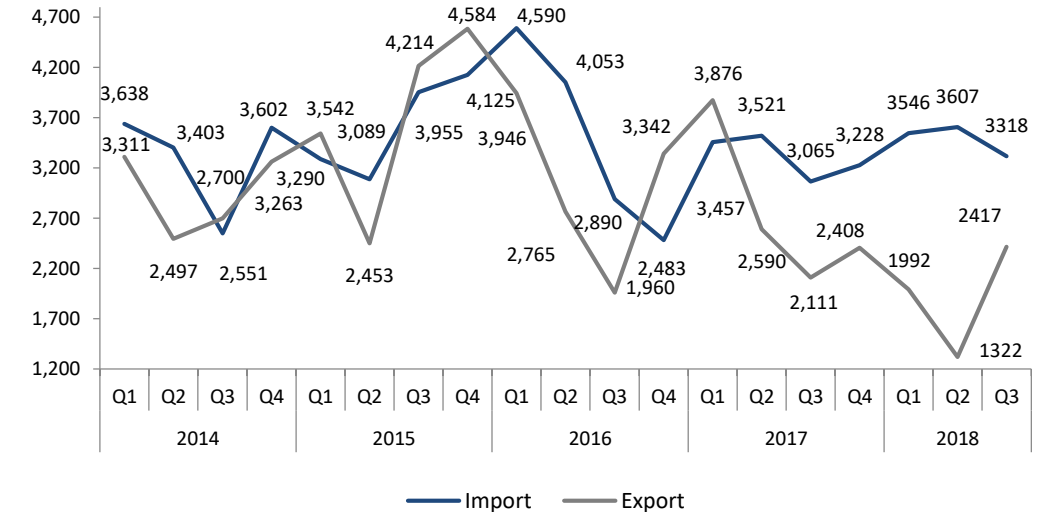
Domestic consumption of electricity [GWh]



Structure of electricity production [GWh]

Type of power plants	Q1-Q3 2017	Q1-Q3 2018
Commercial on bituminous coal	59,437	60,494
Commercial on lignite	39,860	37,012
Industrial	7,362	7,220
Gas	4,781	7,212
Commercial hydroelectric	1,857	1,769
Wind	9,227	7,983
Other renewable	113	186
Total production	122,637	121,875

Exchange of electricity with abroad [GWh]



Market prices of coal in Q3 2018

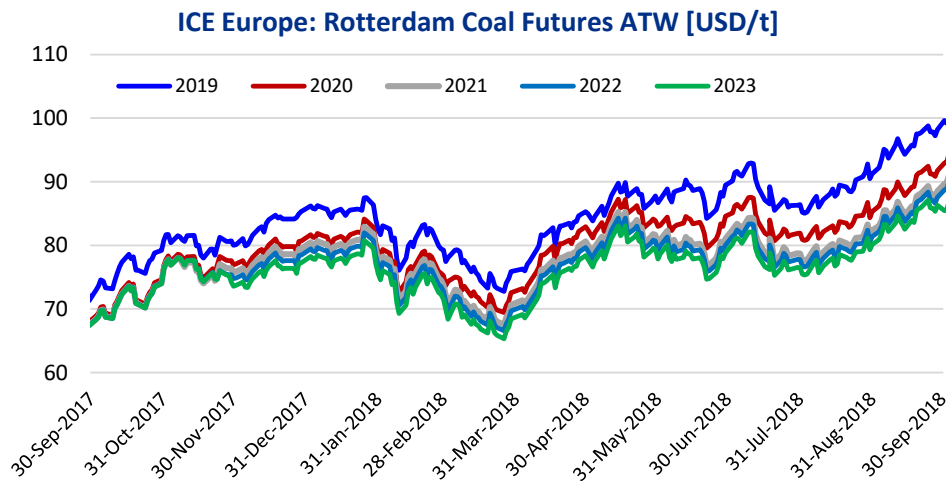
In Q3 2018, the international coal market remained in an upward trend throughout almost the entire period. High global coal prices were mainly caused by supply constraints and strong demand.

On the European market, increases in coal prices were fuelled, among others, by rising energy prices in many EU countries and the record highest prices of carbon emission allowances in a decade. The lower-than-projected level of RES generation in Europe and the recorded air temperatures remaining above long-term averages additionally stimulated coal prices and demand for coal energy. In ARA coal terminals, the average price for 1 tonne of thermal coal of about 99 USD was paid in Q3 2018 (+89.4% q/q; +15% y/y). Spot prices remained higher than futures prices, indicating an improvement in the economic outlook for coal-fired power generation. Next year's clean dark spreads almost doubled as compared to the beginning of August to reach 5.08 EUR/MWh on 6 September 2018.

In the Asia-Pacific area, the price volatility was lower than in Europe due to reduced involvement in the global market trade of the two largest players, i.e. China and India. In Q3 2018, the average price of 1 tonne of South African coal cost approximately USD 103 on average (+2.2% q/q; +18.3% y/y).

In both areas, a significant increase in Russian coal exports was observed along with the risk of the prices on the raw materials market remaining at a high level on the back of the trade tariffs imposed by, inter alia the USA.

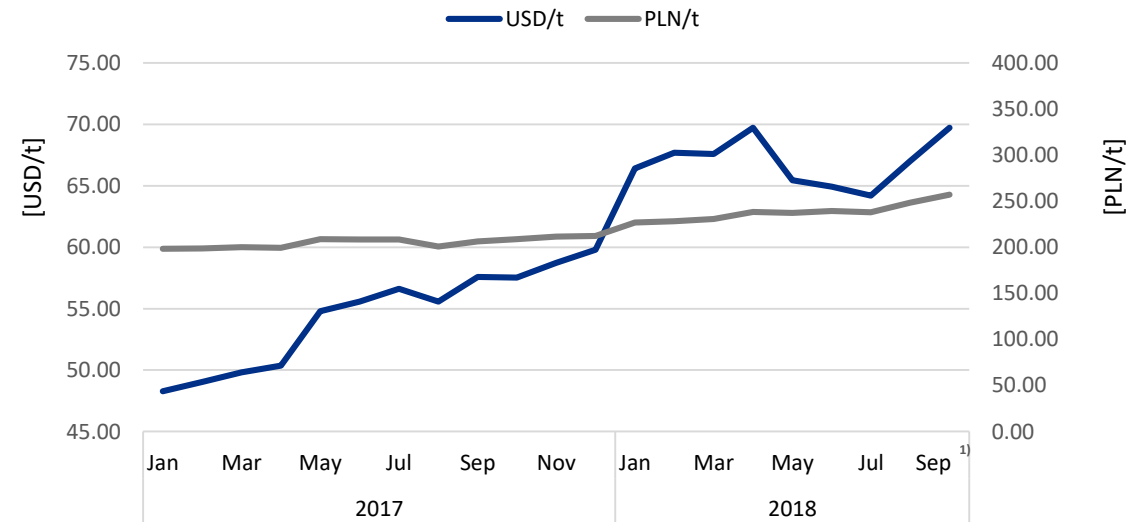
Global Coal Spot Prices [USD/t]



Polish Steam Coal Market Index

The third quarter of 2018 was a continuation of the upward trend in steam coal prices initiated at the end of 2017. Successive increases in quotations of the Polish Steam Coal Index (PSCMI1) result from a significant reduction in domestic coal supply in 2018 and the need to import more expensive coal from abroad. In the analysed period, 1 tonne of steam coal cost on average approximately 247.89 PLN /t (+4% q/q; +21% y/y), i.e. approximately 66 USD/t on average. The cost of 1 tonne of steam coal in the current USD 66-70 exchange rate bracket is the highest level of the Polish coal index since 2012.

Polish Steam Coal Market Index - PSCMI1 [Q3 2018]



¹⁾ Estimated

Wholesale electricity prices

The average price on the SPOT market in Q1-Q3 2018 was higher by 39.3% in comparison with the corresponding period of 2017. In all analysed months (except January), prices were significantly higher than in the same period in 2017. The prices were affected by the following factors:

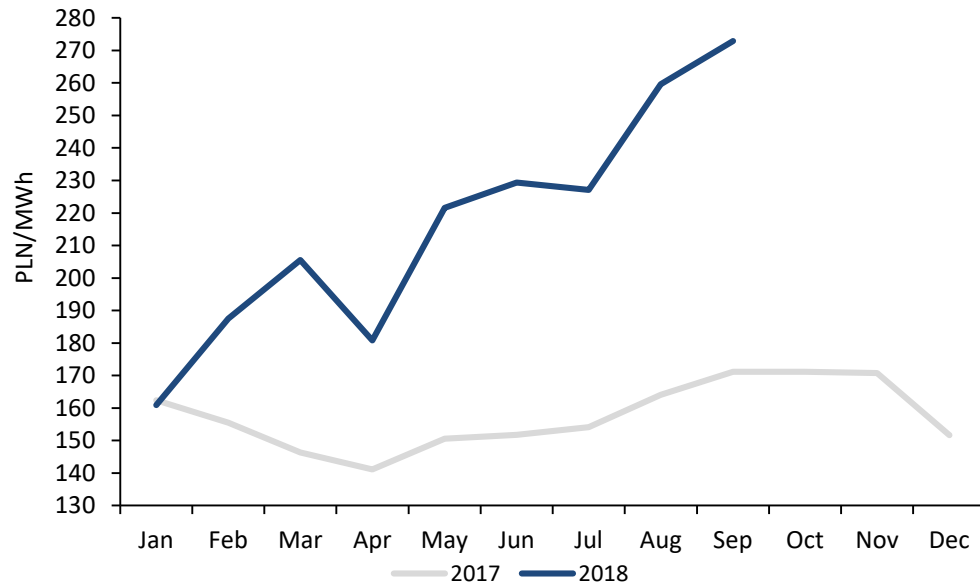
- higher demand for capacity in the National Power System (NPS),
- lower capacity available in NPS
- low energy generation of wind plants
- weather conditions - temperatures below multi-year averages in February-March and above multi-year averages in April-August
- growing prices in CO₂ emission allowances

Average prices on SPOT market (PPE Day Ahead Market)

Period	Average Price [PLN/MWh]	Change [%]
Q1-Q3 2017	155.22	-
Q1-Q3 2018	216.15	↑ 39.3%

Source: own study on the basis of the PPE data.

Average electricity prices on Day Ahead Market



On the forward market, growth in electricity prices could be observed. During the reporting period, the BASE Y-19 product price went up from the level of 183.25 PLN/MWh in the beginning of January to 289.25 PLN/MWh in the end of September.

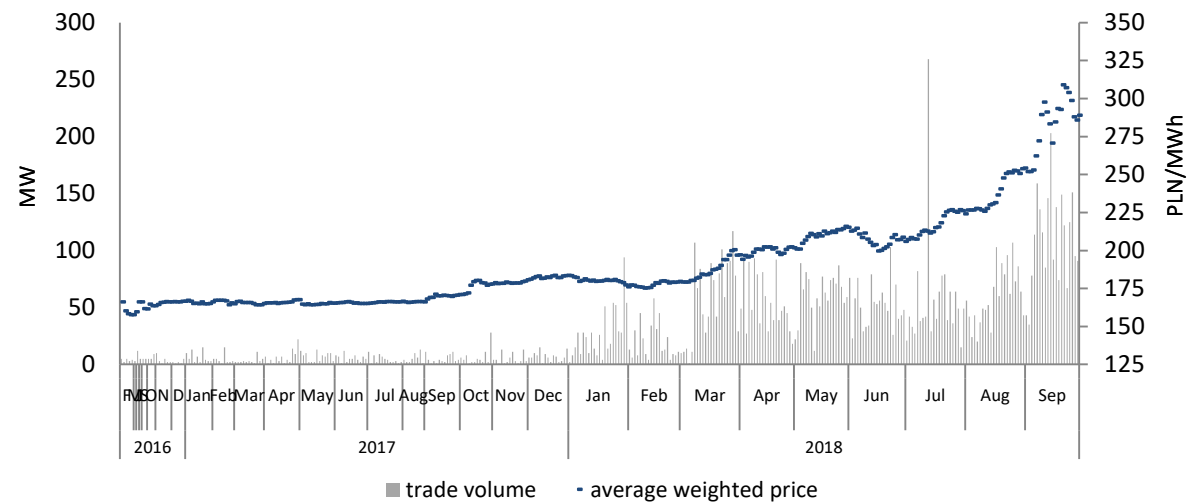
Prices on the forward market

Product	Price at the end of quotations	Change y/y	Average price during quotations	Change y/y
	[PLN/MWh]		[PLN/MWh]	
BASE Y-16	167.50		166.49	
BASE Y-17	162.00	↓ -3.3%	159.31	↓ -4.3%
BASE Y-18	177.65	↑ 9.7%	167.00	↑ 4.8%
BASE Y-19 ¹⁾	289.25	↑ 62.8%	219.86	↑ 31.7%

¹⁾ As at the end of September 2018

Source: Own study based on the PPE and TFS data.

Transaction prices and volumes – BASE Y-19



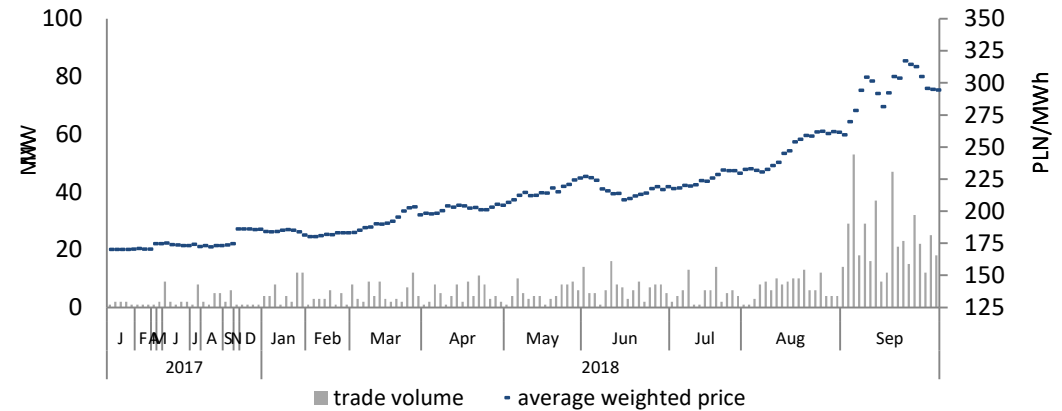
Such strong increases, never seen before on the market, coincided with strong growth in prices over shorter terms, with delivery in 2018. On the PPE forward market, an increased liquidity can be observed, the total trade volume of BASE Y-18 in Q1-Q3 2018 is almost 3-times higher than on BASE Y-17 in Q1-Q3 2017. The reason for this situation may be the introduction of the 30% “exchange obligation” in H1 2018 and the announced intention of increasing it to 100% still this year, along with imposing the obligation on some trading companies to take this change into account as of August this year and the acceleration of the contracting process by large customers.

As in the case of BASE Y-19, the prices of PEAK Y-19 were also changing. At the beginning of January, the market valuation of this product was 230.50 PLN/MWh, and 404.00 PLN/MWh at the end of September 2018.

The growth of prices seen in the first three quarters of the year was associated, among other things, with a high volatility of CO₂ emission allowances (the difference in prices ranged to even 17 EUR/tonne) and with a difficult situation on the hard coal market. A dynamic growth and significant volatility of the CO₂ emission allowance prices are connected with the implementation of the Market Stability Reserve and the increased activity of speculators.

In Q1-Q3 2018, transactions were also concluded for BASE Y-20; however, due to the remote delivery horizon, the trade volume was much lower than in the case of BASE Y-19.

Transaction prices and volumes – BASE Y-20



Source: Own study based on the PPE and TFS data.

Transaction prices and volumes – PEAK Y-19



Obligations involved in obtaining energy certificates

Pursuant to the effective regulations, energy companies selling electricity to end users in 2018 are obliged to obtain and redeem the following types of certificates of origin:

- for energy generated in renewable sources, the so-called “green” certificates – the obligation at the level of 17.5% of sales to end users
- for energy generated from agricultural biogas – an obligation at the level of 0.50% of sales to end users
- for energy generated in methane cogeneration, the so-called “violet” certificates – an obligation at the level of 2.3% of sales to end users
- for energy generated in gas cogeneration units or with a total installed capacity of up to 1 MW, the so-called “yellow” certificates – the obligation at the level of 8.0%
- for energy generated in other cogeneration sources, the so-called “red” certificates – the obligation at the level of 23.2%
- for energy efficiency certificates, the so-called “white” certificates – the obligation at the level of 1.5%

Below, the pricing structure of contracts on the PPE session market for individual property rights in the period January – September 2018 is presented. “Green” property rights (PMOZE) were omitted in the analysis due to the lack of trading and their complete replacement by PMOZE_A.

Prices on the market for certificates of origin (PPE’s session market)

		Average price in Q1-Q3 2018	Change in relation to Q4 2017		Maximum price	Minimum price
			%	PLN/MWh	PLN/MWh	PLN/MWh
OZEX_A (“green” property rights)		87.75	101.8%	44.27	165.00	45.01
OZEX_BIO (“light blue” property rights)		314.96	-0.2%	-0.61	322.00	300.05
KGMX (“yellow” property rights)	2017	117.51	0.6%	0.65	120.00	70.00
	2018	109.28	-	-	111.25	101.48
KECX (“red” property rights)	2017	9.81	0.6%	0.06	9.90	9.50
	2018	8.78	-	-	8.84	8.52
KMETX (“purple” property rights)	2017	55.38	0.3%	0.17	63.00	54.00
	2018	55.05	-	-	56.00	54.00
EFX (“white” property rights) ¹⁾		686.34	52.5%	236.23	910.00	440.00
EFFX (“white” property rights) ¹⁾		1,527.42	22.6%	281.16	1,625.00	1,400.00
EFX (“white” property rights) ¹⁾	2017	616.70	37.1%	166.93	900.00	400.00
	2018	654.75	-	-	1,000.00	450.00

¹⁾ Values in PLN/toe

Limits and market prices of carbon dioxide emissions allowances

With the beginning of 2018, the package of MiFID II regulations entered into force, aimed at the strengthening of the financial instrument markets and the protection of capital market participants in Europe.

The Member States of the UE have started distribution of free allowances for 2018 (until 18 May 2018, 681.49 million EUAs of 756.58 million were issued: 90% of all EUAs). Also, according to the data published, Poland has transferred 89% of the allowances granted to it.

Information about the CO₂ emission allowances in trading was published, along with information about the number of allowances that will be transferred to the MSR over the first 8 months from 1 January 2019, i.e. 264.7 million allowances out of 1,654.6 million identified as a surplus.

The European Commission suggested the continuation of the obligation resulting from the greenhouse gas emissions by aviation until final decisions are made regarding the global market mechanism.

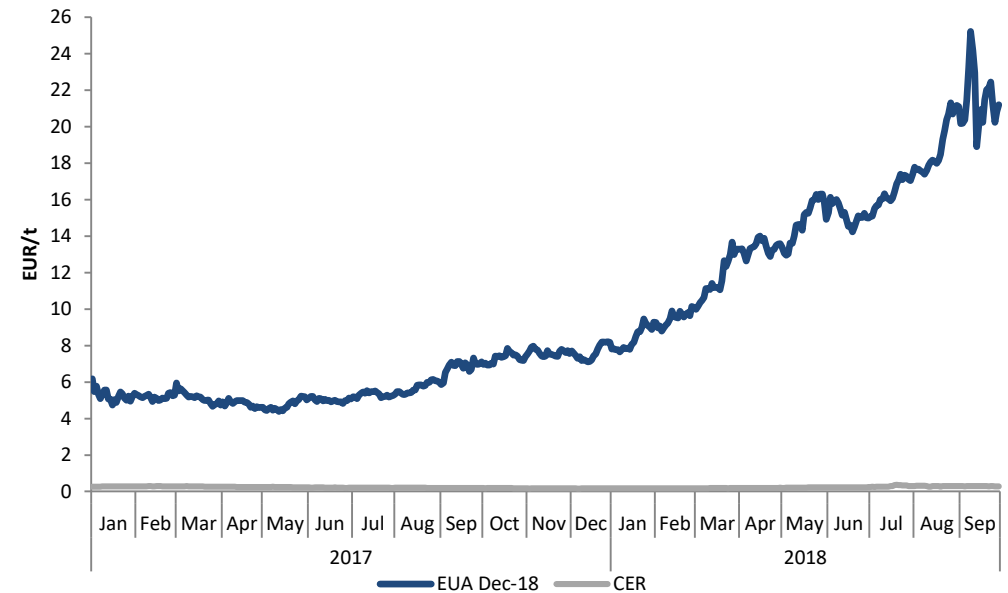
Prices of CO₂ emission allowances are at the highest level since 2011, and long-term price forecasts anticipate further increases. The identified cause of this situation is launching, in 2019, the MSR whose task is to limit oversupply of allowances on the market by transferring them to a reserve.

EUA and CER price change

Product	Price [EUR/t]			% change
	Beginning of January 2018	End of September 2018		
EUA Spot	7.78	21.26	↑	172.0%
CER Spot	0.17	0.28	↑	64.7%
EUA Dec-18	7.81	21.21	↑	171.6%
CER Dec-18	0.17	0.28	↑	64.7%

Source: Own study based on ICE data.

EUA and CER quotations



Source: Own study based on BlueNext and ICE data.



3. Financial standing

3.1. Financial results of ENEA Group in Q1-Q3 2018 and Q3 2018

Consolidated profit and loss account – Q1-Q3 2018

[PLN k]	1-3Q2017	1-3Q2018	Zmiana	Zmiana %
Revenue from the sale of electricity	5,115,088	6,717,906	1,602,818	31.3%
Revenue from the sale of heat	242,030	248,544	6,514	2.7%
Revenue from the sale of gas	100,750	77,627	-23,123	-23.0%
Revenue from the sale of distribution services	2,383,249	1,986,165	-397,084	-16.7%
Revenue from certificates of origin	20,301 ¹⁾	3,239	-17,062	-84.0%
Revenue from the sale of CO ₂ emission allowances	13,938	25,977	12,039	86.4%
Revenue from the sale of goods and materials	58,325	61,171	2,846	4.9%
Revenue from the sale of other services	125,260	111,914	-13,346	-10.7%
Revenue from the sale of coal	303,257	151,655	-151,602	-50.0%
Net sales revenue	8,362,198¹⁾	9,384,198	1,022,000	12.2%
Depreciation	877,400	1,104,456	227,056	25.9%
Costs of employee benefits	1,142,215	1,235,498	93,283	8.2%
Consumption of materials and raw materials and the value of goods sold	1,257,840	1,845,163	587,323	46.7%
Purchase of energy and gas for sale purposes	2,289,160 ¹⁾	3,087,195	798,035	34.9%
Transmission services	788,274	308,325	-479,949	-60.9%
Other third party services	545,389	636,404	91,015	16.7%
Taxes and levies	286,099	310,102	24,003	8.4%
Tax deductible cost of sales	7,186,377¹⁾	8,527,143	1,340,766	18.7%
Other operating revenue	77,036	140,680	63,644	82.6%
Other operating costs	171,940	106,695	-65,245	-37.9%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	(11,062)	(22,157)	-11,095	-100.3%
Reversal of the impairment loss on non-financial non-current assets	0	51,365	51,365	100.0%
Operating profit	1,069,855	920,248	-149,607	-14.0%
Financial costs	102,756	255,045	152,289	148.2%
Financial revenue	61,003	48,443	-12,560	-20.6%
Share in the results of affiliates and jointly controlled entities	7,402	49,704	42,302	571.5%
Dividend revenue	526	430	-96	-18.3%
Profit before tax	1,036,030	763,780	-272,250	-26.3%
Income tax	198,081	143,491	-54,590	-27.6%
Net profit of the reporting period	837,949	620,289	-217,660	-26.0%
EBITDA	1,947,255	1,973,339	26,084	1.3%

Q1-Q3 2018

Factors behind the change of ENEA Group's EBITDA:

- (+) higher revenues from sales of electricity by PLN 1,603 million results mainly from a higher sales volume (by 6,821 GWh) and a higher average sales price by 4.5%, as well as higher revenues from Regulatory System Services
- (+) higher revenues from sales of heat by PLN 7 million results from the higher sales volume by 373 TJ (mainly as a result of the EEP acquisition), with the concurrent decrease of the average sales price by 5.8%
- (-) lower revenues from sales of natural gas by PLN 23 million results mainly from a change in presentation of revenues from gas sales – distribution services (implementation of IFRS 15 from 1 January 2018)
- (+) higher revenues from sales of CO₂ emission allowances by PLN 12 million resulting mainly from an increase of the average prices of allowances on the European market
- (-) lower revenues from sales of other products and services by PLN 13 million resulting mainly from a change in presentation of sales revenues from carriage fees (implementation of IFRS 15 from 1 January 2018)
- (-) lower revenues from sales of certificates of origin by PLN 17 million results from a higher volume of intra-group transactions
- (-) lower revenues from sales of distribution services by PLN 397 million results mainly from a change in presentation of revenues from transferred charges (implementation of IFRS 15 from 1 January 2018), with the concurrent increase of sales volume of distribution services to end users
- (-) lower revenues from sales of coal by PLN 151 million result from a higher volume of intra-group supplies
- (-) an increase in the employee benefit costs by PLN 93 million mainly due to the EEP acquisition, rises paid in LWB, lower remunerations charged to expenditures in connection with the completion of Unit No. 11 investment and a change in the balance of actuarial provisions
- (-) an increase in the costs of consumption of materials and raw materials and the value of goods sold by PLN 587 million results mainly from the EEP acquisition in the end of Q1 2017, commissioning of the SCR installation in Połaniec Power Plant – consumption of ammonia water, launch of the operation of Unit No. 11 with a simultaneous increase in the costs of coal purchase and CO₂ emission allowances for the whole Generation Area
- (-) an increase in the costs of purchasing electricity and gas by PLN 798 million results mainly from the increase in average purchase prices:
 - (-) electricity: price: +19%; volume: +2,247 GWh
 - (-) natural gas: price: +13%; volume: -155 GWh
 - (-) higher purchase costs of property rights as a result of higher average prices by 40.9% and a change in the liability base from 15.4% to 17.5%
- (+) a decrease in the costs of transmission services by PLN 480 million mainly due to a change in presentation of costs without transmission fees (implementation of IFRS 15 from 1 January 2018), with a concurrent increase of volume of energy from PSE and a higher fixed transmission fee in the PSE tariff
- (-) an increase in the costs of third-party services by PLN 91 million results mainly from the EEP acquisition and higher gross extraction (larger scope of excavation works, larger scope of outsourced works)
- (-) higher taxes and levies by PLN 24 million result, among other things, from the EEP acquisition and from a higher value of fixed assets in connection with the completed investments processes
- (+) higher result on other operating activities by PLN 118 million:
 - (+) lower provisions for potential claims by PLN 74 million (including PLN 52.4 million for terminated contracts for purchase of property rights)
 - (+) higher revenues arising from compensation, penalties and fines by PLN 36 million
 - (+) higher balance of refunds from the insurer by PLN 18 million
 - (+) lower revaluation write-offs on overdue and bad debt by PLN 10 million
 - (+) higher revenues from gratuitously acquired fixed assets by PLN 6 million
 - (-) a profit from a bargain purchase of shares of ENEA Elektrownia Połaniec S.A. in 2017 amounting to PLN 12 million
 - (-) a higher loss arising from liquidation of tangible assets by PLN 11 million
 - (-) higher provisions for non-contractual use of transmission corridors by PLN 4 million

¹⁾ Presentation change in the scope of valuation and own sales cost of property rights

Consolidated profit and loss account – Q3 2018

[PLN k]	Q3 2017	Q3 2018	Change	% change
Revenue from the sale of electricity	1,787,535	2,498,607	711,072	39.8%
Revenue from the sale of heat	52,595	51,071	-1,524	-2.9%
Revenue from the sale of gas	30,646	23,412	-7,234	-23.6%
Revenue from the sale of distribution services	782,089	643,614	-138,475	-17.7%
Revenue from certificates of origin	759 ¹⁾	1,145	386	50.9%
Revenue from the sale of CO ₂ emission allowances	3,808	0	-3,808	-100.0%
Revenue from the sale of goods and materials	23,520	23,518	-2	0.0%
Revenue from the sale of other services	42,194	37,125	-5,069	-12.0%
Revenue from the sale of coal	70,828	66,151	-4,677	-6.6%
Net sales revenue	2,793,974¹⁾	3,344,643	550,669	19.7%
Depreciation	300,586	381,910	81,324	27.1%
Costs of employee benefits	370,736	409,841	39,105	10.5%
Consumption of materials and raw materials and the value of goods sold	548,072	696,964	148,892	27.2%
Purchase of energy and gas for sale purposes	714,288 ¹⁾	1,200,875	486,587	68.1%
Transmission services	260,836	103,935	-156,901	-60.2%
Other third party services	188,376	226,117	37,741	20.0%
Taxes and levies	88,532	94,076	5,544	6.3%
Tax deductible cost of sales	2,471,426¹⁾	3,113,718	642,292	26.0%
Other operating revenue	17,705	50,823	33,118	187.1%
Other operating costs	48,994	-13,919	-62,913	-128.4%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	(3,025)	(8,302)	-5,277	-174.4%
Operating profit	288,234	287,365	-869	-0.3%
Financial costs	20,814	68,917	48,103	231.1%
Financial revenue	-1,516	-39,093	-37,577	-2,478.7%
Share in the results of affiliates and jointly controlled entities	1,471	25,954	24,483	1,664.4%
Dividend revenue	0	215	215	100.0%
Profit before tax	267,375	205,524	-61,851	-23.1%
Income tax	53,257	47,265	-5,992	-11.3%
Net profit of the reporting period	214,118	158,259	-55,859	-26.1%
EBITDA	588,820	669,275	80,455	13.7%

Q3 2018

Factors behind the change of ENEA Group's EBITDA:

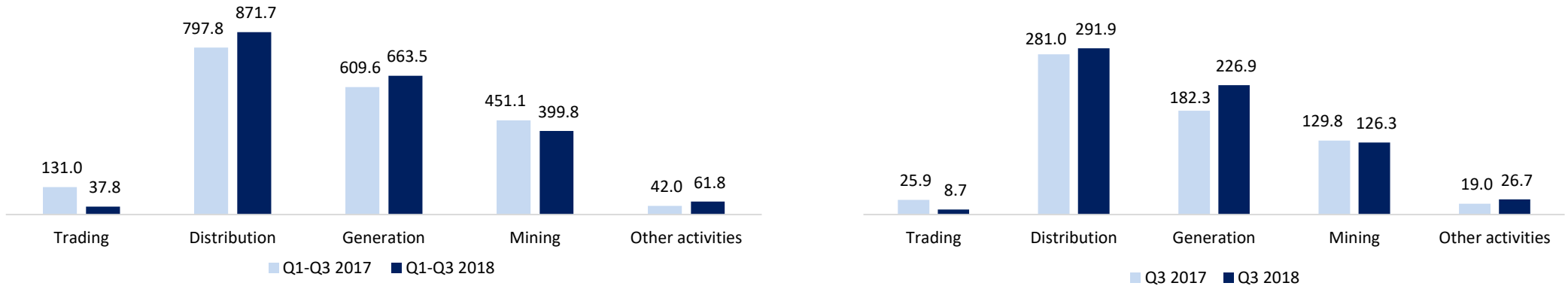
- (+) higher revenues from sales of electricity by PLN 711 million result mainly from a higher sales volume (by 2,602 GWh) and a higher average sales price by 9.6%, with a concurrent decrease in revenues from Regulatory System Services
- (-) lower revenues from sales of other products and services by PLN 5 million result from a change in presentation of sales revenues from carriage fees (implementation of IFRS 15 from 1 January 2018)
- (-) lower revenues from sales of natural gas by PLN 7 million result mainly from a change in presentation of revenues from gas sales – distribution services (implementation of IFRS 15 from 1 January 2018)
- (-) lower revenues from sales of distribution services by PLN 138 million result mainly from a change in presentation of revenues from transferred charges (implementation of IFRS 15 from 1 January 2018), with a concurrent increase in the sales volume of distribution services to end users
- (-) lower revenues from sales of coal by PLN 5 million result from a higher volume of intra-group supplies
- (-) an increase in the employee benefit costs by PLN 39 million mainly due to increased employment and rises paid in LWB, a change in the balance of actuarial provisions and lower remunerations charged to expenditures in connection with the completion of Unit No. 11 investment
- (-) an increase in the costs of consumption of materials and raw materials and a higher value of sold goods by PLN 149 million as a result of higher production, which caused higher consumption of materials and raw materials used directly in production, with a concurrent increase in the costs of purchasing coal, biomass, and CO₂ emission allowances for the whole Generation Area
- (-) an increase in the costs of purchasing electricity and gas by PLN 487 million results mainly from higher average purchase prices:
 - (-) electricity: price: +36%; volume: +1,195 GWh
 - (+) natural gas: price: +21%; volume: -68 GWh
- (-) an increase in the costs of purchasing property rights mainly as a result of a higher average price of green certificates
- (+) lower costs of transmission services by PLN 157 million mainly due to a change in presentation of costs without transmission fees (implementation of IFRS 15 from 1 January 2018), with a concurrent increase of volume of energy from PSE and a higher fixed transmission fee in the PSE tariff
- (-) an increase in the costs of third-party services by PLN 38 million results mainly from higher gross extraction (larger scope of excavation works, larger scope of outsourced works)
- (-) higher taxes and levies by PLN 6 million result, among other things, from a higher value of fixed assets in connection with the completed investments processes
- (+) higher result on other operating activities by PLN 91 million:
 - (+) lower provisions for potential claims by PLN 29 million (including PLN 19 million for terminated contracts for purchase of property rights)
 - (+) higher revenues arising from compensation, penalties and fines by PLN 11 million
 - (+) higher revenues from gratuitously acquired fixed assets by PLN 7 million
 - (+) higher balance of refunds from the insurer by PLN 3 million
 - (+) lower provisions for non-contractual use of transmission corridors by PLN 2 million
 - (-) a higher loss arising from liquidation of tangible assets by PLN 5 million
 - (-) higher revaluation write-offs on overdue and bad debt by PLN 4 million
 - (+) revaluation of CO₂ contracts by PLN 52 million

¹⁾ Presentation change in the scope of valuation and own sales cost of property rights

ENEA Group's financial results in Q1-Q3 2018 and in Q3 2018

EBITDA [PLN k]	Q1-Q3 2017	Q1-Q3 2018	Change	% change	Q3 2017	Q3 2018	Change	% change
Trading	130,971	37,822	-93,149	-71.1%	25,919	8,724	-17,195	-66.3%
Distribution	797,831	871,717	73,886	9.3%	281,020	291,907	10,887	3.9%
Generation	609,581	663,494	53,913	8.8%	182,301	226,878	44,577	24.5%
Mining	451,068	399,849	-51,219	-11.4%	129,834	126,300	-3,534	-2.7%
Other activities	42,008	61,807	19,799	47.1%	18,953	26,721	7,768	41.0%
Unassigned items and exclusions	-84,204	-61,350	22,854	27.1%	-49,207	-11,255	37,952	77.1%
Total EBITDA	1,947,255	1,973,339	26,084	1.3%	588,820	669,275	80,455	13.7%

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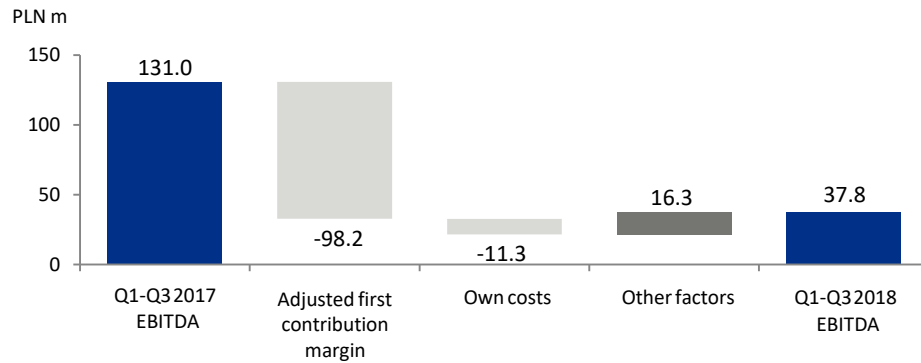
Trading Area

[PLN k]	Q1-Q3 2017	Q1-Q3 2018	Change	% change	Q3 2017	Q3 2018	Change	% change
Sales revenue	4,203,404	6,344,763	2,141,359	50.9%	1,404,369	2,344,824	940,455	67.0%
EBIT	130,258	37,337	-92,921	-71.3%	25,661	8,532	-17,129	-66.8%
Depreciation and amortization	713	485	-228	-32.0%	258	192	-66	-25.6%
EBITDA	130,971	37,822	-93,149	-71.1%	25,919	8,724	-17,195	-66.3%
CAPEX ¹⁾	283	1,806	1,523	538.2%	95	1,393	1,298	1,365.4%
Share of the area's sales revenue in the Group's sales revenue	36%	41%	5 pp		56%	66%	10 pp	

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

Wholesale trade is carried out by ENEA Trading sp. z o. o.

¹⁾ Without equity investments of ENEA S.A.



Q1-Q3 2018 EBITDA change drivers:

First contribution margin

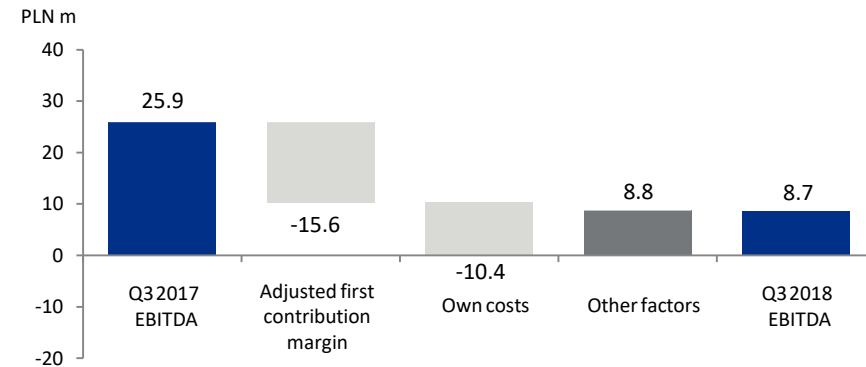
- (-) higher costs of environmental obligations by 48.7%
- (-) higher average price of purchasing energy by 6.5%
- (-) lower result on trade in gas fuel
- (+) higher average price of selling energy by 0.3%
- (+) an increase in the energy sales volume by 14.0%
- (+) a lower provision for potential claims under terminated contracts on RES property rights by PLN 52.4 million

Own costs

- (-) higher direct costs of sales by PLN 6 million
- (-) higher general administration costs by PLN 3 million
- (-) higher costs of SSC services by PLN 2 million

Other drivers

- (+) lower costs of donations by PLN 4 million
- (+) lower written-off debts by PLN 4 million
- (+) lower revaluation write-offs on receivables by PLN 7 million
- (+) higher revenues from licence fees connected with the ENEA trademark by PLN 6 million
- (+) higher revenues from the provision of wholesale trading services by PLN 5 million
- (-) higher provisions for anticipated losses and potential claims by PLN 9 million



Q3 2018 EBITDA change drivers:

First contribution margin

- (+) higher average price of selling energy by 3.3%
- (-) higher costs of environmental obligations by 55.6%
- (-) higher average price of purchasing energy by 11.3%
- (-) lower result on trade in gas fuel
- (+) higher volume of energy sales by 16.1%
- (+) a lower provision for potential claims under terminated contracts on RES property rights by PLN 19.6 million

Own costs

- (-) higher direct costs of sales by PLN 8 million
- (-) higher general administration costs by PLN 1 million
- (-) higher costs of SSC services by PLN 1 million

Other drivers

- (+) lower revaluation write-offs on receivables by PLN 6 million
- (+) higher revenues from licence fees connected with the ENEA trademark by PLN 2 million
- (+) lower written-off debts by PLN 2 million
- (-) higher provisions for anticipated losses and potential claims by PLN 1 million

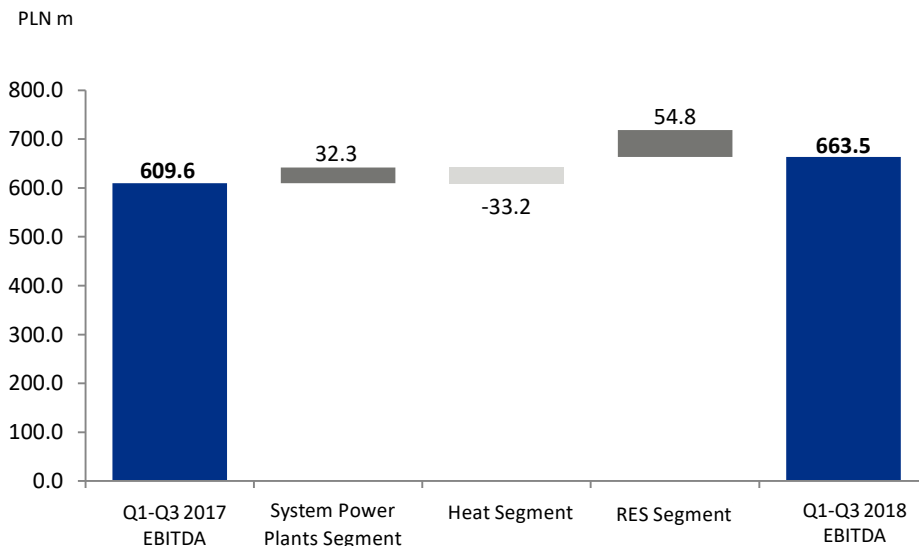
Generation Area

[PLN k]	Q1-Q3 2017	Q1-Q3 2018	Change	% change	Q3 2017	Q3 2018	Change	% change
Sales revenue	3,379,801	5,302,089	1,922,288	56.9%	1,232,760	1,910,208	677,448	55.0%
<i>electricity</i>	3,021,482	4,858,093	1,836,611	60.8%	1,124,285	1,775,375	651,090	57.9%
<i>certificates of origin</i>	82,268	147,634	65,366	79.5%	43,854	75,318	31,464	71.7%
<i>sales of CO₂ emission allowances</i>	14,235	26,019	11,784	82.8%	3,772	0	-3,772	-100.0%
<i>heat</i>	238,084	243,614	5,530	2.3%	51,859	49,958	-1,901	-3.7%
<i>others</i>	23,732	26,729	2,997	12.6%	8,990	9,557	567	6.3%
EBIT	387,286	307,797	-79,489	-20.5%	104,284	94,346	-9,938	-9.5%
Depreciation	222,295	407,062	184,767	83.1%	78,017	132,532	54,515	69.9%
Reversal of the impairment loss on non-financial non-current assets	0	51,365	51,365	100.0%	0	0	0	0.0%
EBITDA	609,581	663,494	53,913	8.8%	182,301	226,878	44,577	24.5%
CAPEX	624,640	221,312	-403,328	-64.6%	295,597	95,560	-200,037	-67.7%
Share of the area's sales revenue in the Group's sales revenue	29%	34%	5 pp		49%	53%	4 pp	

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

At the end of September 2018, ENEA Wytwarzanie possesses, e.g. 11 high-efficiency and modernized power units in the Koźienice Power Plant. As a result of the EEP acquisition, the production area was increased by additional 7 coal units with a total attainable capacity of 1,657 MW and the world's largest biomass-fired unit with a total installed gross capacity of 225 MW.

The annual production capacity in this area is about 32 TWh of electricity.



Q1-Q3 2018 EBITDA change drivers:

System Power Plants Segment – an EBITDA increase of PLN 32.3 million

- (+) higher generation margin by PLN 164.4 million
- (+) ENEA Elektrownia Połaniec PLN 10.4 million
- (-) lower margin on trading and on Balancing Market by PLN 84.6 million
- (-) higher fixed costs by PLN 50.3 million
- (-) lower revenues from Regulatory System Services by PLN 4 million

Heat Segment – an EBITDA decrease of 33.2 million

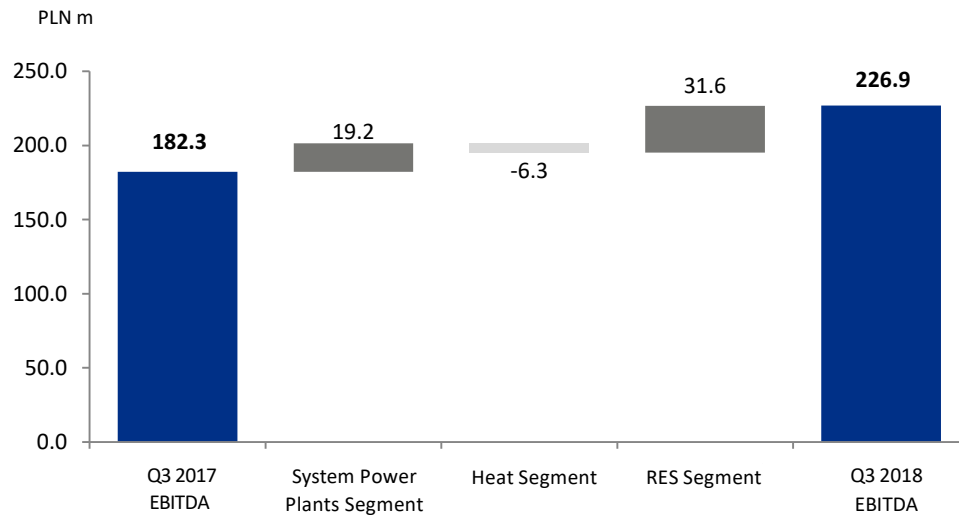
- (-) higher costs of consumption of materials and raw materials by PLN 24.1 million, including higher costs of biomass consumption by PLN 28.6 million, higher costs of CO₂ emissions by PLN 8.8 million, lower costs of coal consumption by PLN 13.7 million
- (-) higher revenues from heat sales by PLN 4.2 million
- (-) lower revenues from electricity sales by PLN 3.8 million
- (-) higher costs of taxes and levies by PLN 1.7 million
- (+) higher sales revenues from certificates of origin by PLN 6.0 million
- (+) ENEA Elektrownia Połaniec PLN 0.4 million

RES Segment – an EBITDA increase of PLN 54.8 million

- (+) Water Area (PLN +11.6 million): higher revenues from electricity sales by PLN 7.8 million, higher revenues from certificates of origin by PLN 4.3 million
- (+) Wind Area (PLN 7.6 million): lower fixed costs by PLN 8.1 million; higher revenues from certificates of origin by PLN 3.8 million; lower variable costs by PLN 1.4 million; lower revenues from electricity PLN 5.4 million
- (+) Biogas Area (PLN +0.2 million): lower variable costs by PLN 1.1 million; lower other costs by PLN 0.5 million; lower fixed costs by PLN 0.2 million; lower revenues from sales of electricity by PLN 0.4 million; lower revenues from certificates of origin by PLN 1.2 million
- (+) Biomass Area (Green Unit): PLN +35.4 million (including PLN +3 million from ENEA Bioenergia Sp. z o.o.)

Generation Area

[PLN k]	Q1-Q3 2017	Q1-Q3 2018	Change	% change	Q3 2017	Q3 2018	Change	% change
Sales revenue	3,379,801	5,302,089	1,922,288	56.9%	1,232,760	1,910,208	677,448	55.0%
<i>electricity</i>	3,021,482	4,858,093	1,836,611	60.8%	1,124,285	1,775,375	651,090	57.9%
<i>certificates of origin</i>	82,268	147,634	65,366	79.5%	43,854	75,318	31,464	71.7%
<i>sales of CO₂ emission allowances</i>	14,235	26,019	11,784	82.8%	3,772	0	-3,772	-100.0%
<i>heat</i>	238,084	243,614	5,530	2.3%	51,859	49,958	-1,901	-3.7%
<i>others</i>	23,732	26,729	2,997	12.6%	8,990	9,557	567	6.3%
EBIT	387,286	307,797	-79,489	-20.5%	104,284	94,346	-9,938	-9.5%
Depreciation	222,295	407,062	184,767	83.1%	78,017	132,532	54,515	69.9%
Reversal of the impairment loss on non-financial non-current assets	0	51,365	51,365	100.0%	0	0	0	0.0%
EBITDA	609,581	663,494	53,913	8.8%	182,301	226,878	44,577	24.5%
CAPEX	624,640	221,312	-403,328	-64.6%	295,597	95,560	-200,037	-67.7%
Share of the area's sales revenue in the Group's sales revenue	29%	34%	5 pp		49%	53%	4 pp	



Q3 2018 EBITDA change drivers:

System Power Plants Segment – an EBITDA increase of PLN 19.2 million

- (+) higher generation margin by PLN 127.5 million
- (-) lower margin on trading and on Balancing Market by PLN 90.1 million
- (-) higher fixed costs by PLN 11.7 million
- (-) lower revenues from Regulatory System Services by PLN 4.7 million
- (-) lower result on liquidation of tangible fixed assets by PLN 2.1 million

Heat Segment – an EBITDA decrease of PLN 6.2 million

- (-) higher costs of consumption of materials and raw materials by PLN 7.7 million
- (-) lower revenues from electricity sales by PLN 2.5 million
- (-) lower revenues from heat sales by PLN 1.2 million
- (+) higher revenues from certificates of origin by PLN 6.4 million

RES Segment – an EBITDA increase of PLN 31.6 million

- (+) Wind Area (PLN +7.7 million): lower fixed costs by PLN 2.8 million; higher revenues from certificates of origin by PLN 2.1 million; higher revenues from electricity sales by PLN 1.5 million; higher result on other operating activities by PLN 0.9 million; lower variable costs by PLN 0.4 million
- (+) Water Area (PLN +1.1 million): higher revenues from certificates of origin by PLN 0.8 million; higher revenues from electricity sales by PLN 0.2 million
- (+) Biogas Area (PLN +0.3 million): lower variable costs by PLN 0.6 million; lower fixed costs by PLN 0.1 million; lower revenues from certificates of origin by PLN 0.3 million; lower revenues from electricity sales by PLN 0.1 million
- (+) Biomass Area (Green Unit): PLN +22.5 million (including PLN 0.7 million ENEA Bioenergia Sp. z o.o.): higher unit valuation of green certificates +20.5%; higher volume of energy generation by PLN 10.2 million; higher price of energy PLN +8.6 million; higher price of biomass PLN -19.4 million; lower fixed costs PLN +1.8 million

Distribution Area

[PLN k]	Q1-Q3 2017	Q1-Q3 2018	Change	% change	Q3 2017	Q3 2018	Change	% change
Sales revenue	2,426,958	2,032,058	-394,900	-16.3%	798,298	661,081	-137,217	-17.2%
<i>distribution services to end users</i>	2,309,911	1,920,524	-389,387	-16.9%	753,259	624,435	-128,824	-17.1%
<i>network connection fees</i>	48,062	41,336	-6,726	-14.0%	18,399	11,677	-6,722	-36.5%
<i>others</i>	68,986	70,198	1,212	1.8%	26,640	24,969	-1,671	-6.3%
EBIT	426,418	479,567	53,149	12.5%	152,566	154,523	1,957	1.3%
Depreciation	371,413	392,150	20,737	5.6%	128,454	137,384	8,930	7.0%
EBITDA	797,831	871,717	73,886	9.3%	281,020	291,907	10,887	3.9%
CAPEX	592,962	570,268	-22,694	-3.8%	249,405	269,387	19,982	8.0%
Share of the area's sales revenue in the Group's sales revenue	21%	13%	-8 pp		32%	19%	-13 pp	

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

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

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

- Enea Operator sp. z o.o.
- Enea Serwis sp. z o.o.
- Enea Pomiary sp. z o.o.
- Annacond Enterprises sp. z o. o.

Q1-Q3 2018 EBITDA change drivers:

Margin on the licensed operations

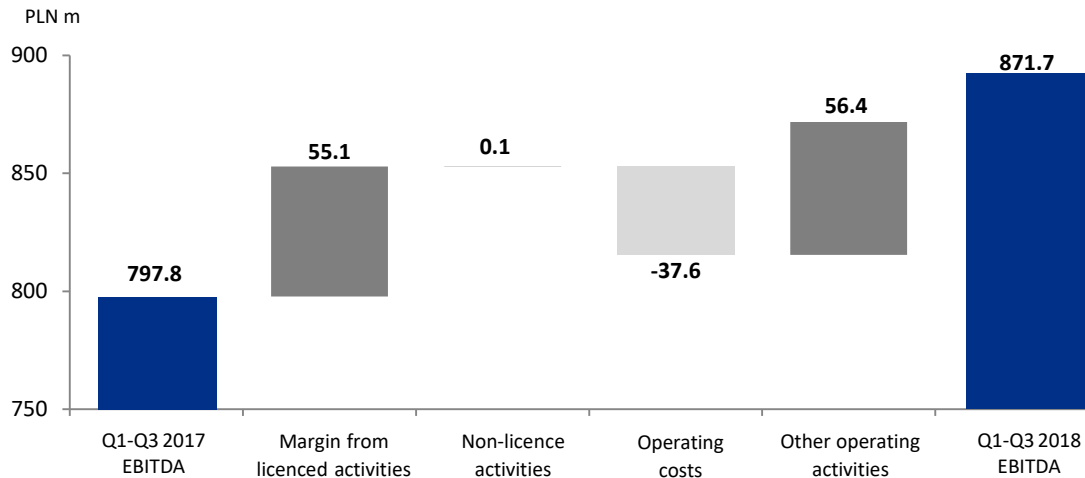
- (-) lower revenues from sales of distribution services to end users by PLN 389 million (from 1 January 2018, change of the IFRS 15 standard)
- (-) lower revenues from network connection fees by PLN 7 million result mainly from the settlement of quarterly IAS allowances in 2017 (from 1 January 2018, change of the IFRS 15 standard)
- (+) lower costs of purchasing transmission services (balance) by PLN 460 million (from 1 January 2018, change of the IFRS 15 standard)
- (-) higher costs of purchasing electricity to cover the balance-sheet difference (balance) by PLN 9 million result mainly from a higher average price of electricity

Operating costs

- (-) higher costs of third-party services by PLN 10 million mainly in areas relating to IT services and measurement
- (-) higher costs of taxes and levies by PLN 11 million result from the implemented investments in grid assets
- (-) higher costs of employee benefits by PLN 13 million result mainly from employee provisions

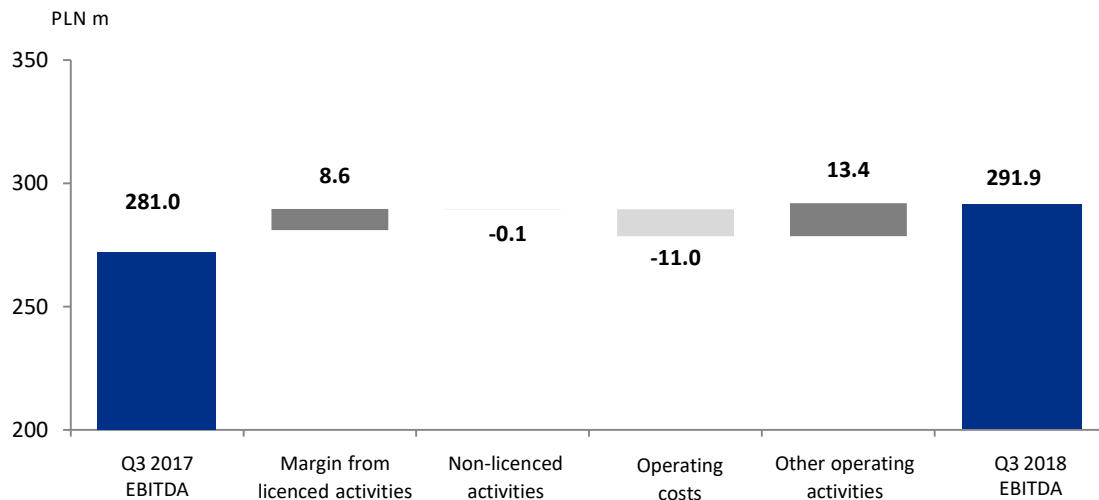
Other operating activity

- (+) lower provisions concerning grid assets by PLN 28 million
- (+) higher revenues from the insurer by PLN 17 million
- (+) lower revaluation write-offs by PLN 11 million



Distribution Area

[PLN k]	Q1-Q3 2017	Q1-Q3 2018	Change	% change	Q3 2017	Q3 2018	Change	% change
Sales revenue	2,426,958	2,032,058	-394,900	-16.3%	798,298	661,081	-137,217	-17.2%
<i>distribution services to end users</i>	2,309,911	1,920,524	-389,387	-16.9%	753,259	624,435	-128,824	-17.1%
<i>network connection fees</i>	48,062	41,336	-6,726	-14.0%	18,399	11,677	-6,722	-36.5%
<i>others</i>	68,986	70,198	1,212	1.8%	26,640	24,969	-1,671	-6.3%
EBIT	426,418	479,567	53,149	12.5%	152,566	154,523	1,957	1.3%
Depreciation	371,413	392,150	20,737	5.6%	128,454	137,384	8,930	7.0%
EBITDA	797,831	871,717	73,886	9.3%	281,020	291,907	10,887	3.9%
CAPEX	592,962	570,268	-22,694	-3.8%	249,405	269,387	19,982	8.0%
Share of the area's sales revenue in the Group's sales revenue	21%	13%	-8 pp		32%	19%	-13 pp	



Q3 2018 EBITDA change drivers:

Margin on the licenced operations

- (-) lower revenue from sales of distribution services to end users by PLN 129 million (from 1 January 2018, change of the IFRS 15 standard)
- (-) lower revenues from network connection fees by PLN 7 million result mainly from the settlement of quarterly IAS allowances in 2017 (from 1 January 2018, change of the IFRS 15 standard)
- (+) lower costs of purchasing transmission services (balance) by PLN 151 million (from 1 January 2018, change of the IFRS 15 standard)
- (-) higher costs of purchasing electricity to cover the balance-sheet difference (balance) by PLN 7 million result mainly from a higher average price of electricity

Operating expenses

- (-) higher costs of employee benefits by PLN 5 million result mainly from higher employee provisions
- (-) higher costs of taxes and levies by PLN 2 million result from the implemented investments in grid assets

Other operating activity

- (+) lower provisions concerning grid assets by PLN 10 million
- (+) higher revenues from gratuitously acquired fixed assets by PLN 7 million
- (-) lower result on liquidation of tangible fixed assets by PLN 2 million

Mining Area

[PLN k]	Q1-Q3 2017	Q1-Q3 2018	Change	% change	Q3 2017	Q3 2018	Change	% change
Sales revenue	1,307,130	1,335,640	28,510	2.2%	405,013	479,688	74,675	18.4%
<i>coal</i>	1,268,023	1,299,855	31,832	2.5%	393,029	467,757	74,728	19.0%
<i>other products and services</i>	29,349	21,901	-7,448	-25.4%	8,458	7,180	-1,278	-15.1%
<i>goods and materials</i>	9,758	13,884	4,126	42.3%	3,526	4,751	1,225	34.7%
EBIT	191,436	125,002	-66,434	-34.7%	44,262	25,013	-19,249	-43.5%
Depreciation	259,632	274,847	15,215	5.9%	85,572	101,287	15,715	18.4%
EBITDA	451,068	399,849	-51,219	-11.4%	129,834	126,300	-3,534	-2.7%
CAPEX	254,408	296,053	41,645	16.4%	115,375	96,602	-18,773	-16.3%
Share of the area's sales revenue in the Group's sales revenue	11%	9%	-2 pp		16%	13%	-3 pp	

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

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

The main recipients are professional and industrial power industry.

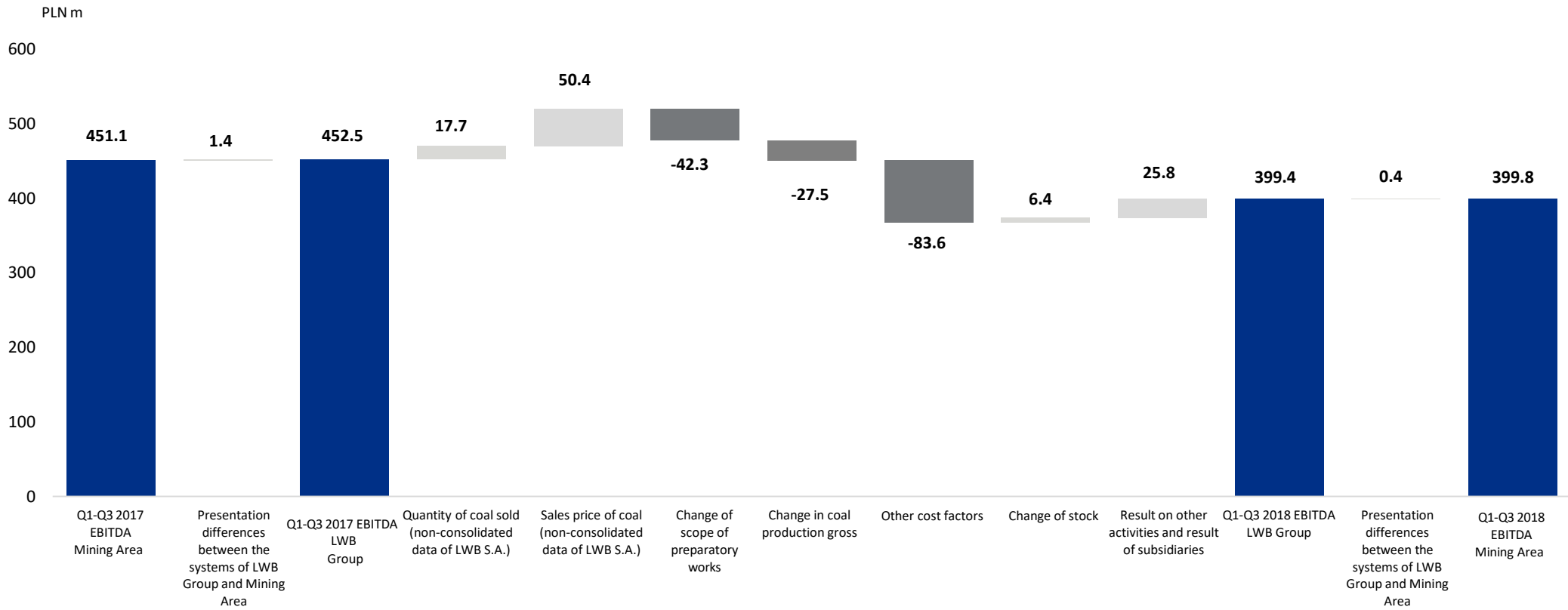
Q1-Q3 2018 EBITDA change factors:

- (-) EBITDA profitability: 29.9% in Q1-Q3 2018 vs. 34.5% in Q1-Q3 2017
- (+) higher revenues from coal sales: higher sales volume +90,000 t (+1.3%), at a higher price and a higher adjustment for coal from preparation works
- (+) higher revenues from sales of goods and materials – higher sales of scrap resulting from liquidated galleries
- (-) a higher revenue adjustment due to the value of excavated coal - larger scope of preparatory works (+6.14 km) at a higher coal price
- (-) higher extraction output by 1,104 thousand tonnes (+10.8%) – increase in production costs
- (-) an increase in the nominal production cost (without depreciation):
 - higher costs of third-party services (a larger scope of works commissioned to third-parties (drilling and mining services, stone transportation and loading services, weekend and holiday services, and higher rates for the services),
 - higher costs of employee benefits (a pay rise paid together with an extra bonus as well as higher average employment by 132 employees)
 - higher costs of materials and energy
- (+) in 2018, an increase in stocks of about PLN 8.0 million (a decrease in costs), as compared to PLN 1.6 million in 2017
- (+) a higher result on other operating activities – settlement of the arrangement entered into by and between LW Bogdanka S.A. and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras - a positive impact on EBITDA in the amount of PLN 28.7 million

Presentation differences concerning the financial reporting of ENEA Group and LW Bogdanka Group in the scope of depreciation.

The decrease in revenues from the sale of other products and services results primarily from the fact that, as a result of the adoption of the new IFRS 15 "Revenue from contracts with customers" as of 1 January 2018, revenues from sales under this item were shown in the balance with the incurred costs (the amount of revenues was reduced by costs amounting to approximately PLN 9 million). In the previous year, revenues from transport were presented in an open order (change without impact on EBITDA).

Mining Area



Mining Area

[PLN k]	Q1-Q3 2017	Q1-Q3 2018	Change	% change	Q3 2017	Q3 2018	Change	% change
Sales revenue	1,307,130	1,335,640	28,510	2.2%	405,013	479,688	74,675	18.4%
<i>coal</i>	1,268,023	1,299,855	31,832	2.5%	393,029	467,757	74,728	19.0%
<i>other products and services</i>	29,349	21,901	-7,448	-25.4%	8,458	7,180	-1,278	-15.1%
<i>goods and materials</i>	9,758	13,884	4,126	42.3%	3,526	4,751	1,225	34.7%
EBIT	191,436	125,002	-66,434	-34.7%	44,262	25,013	-19,249	-43.5%
Depreciation	259,632	274,847	15,215	5.9%	85,572	101,287	15,715	18.4%
EBITDA	451,068	399,849	-51,219	-11.4%	129,834	126,300	-3,534	-2.7%
CAPEX	254,408	296,053	41,645	16.4%	115,375	96,602	-18,773	-16.3%
Share of the area's sales revenue in the Group's sales revenue	11%	9%	-2 pp		16%	13%	-3 pp	

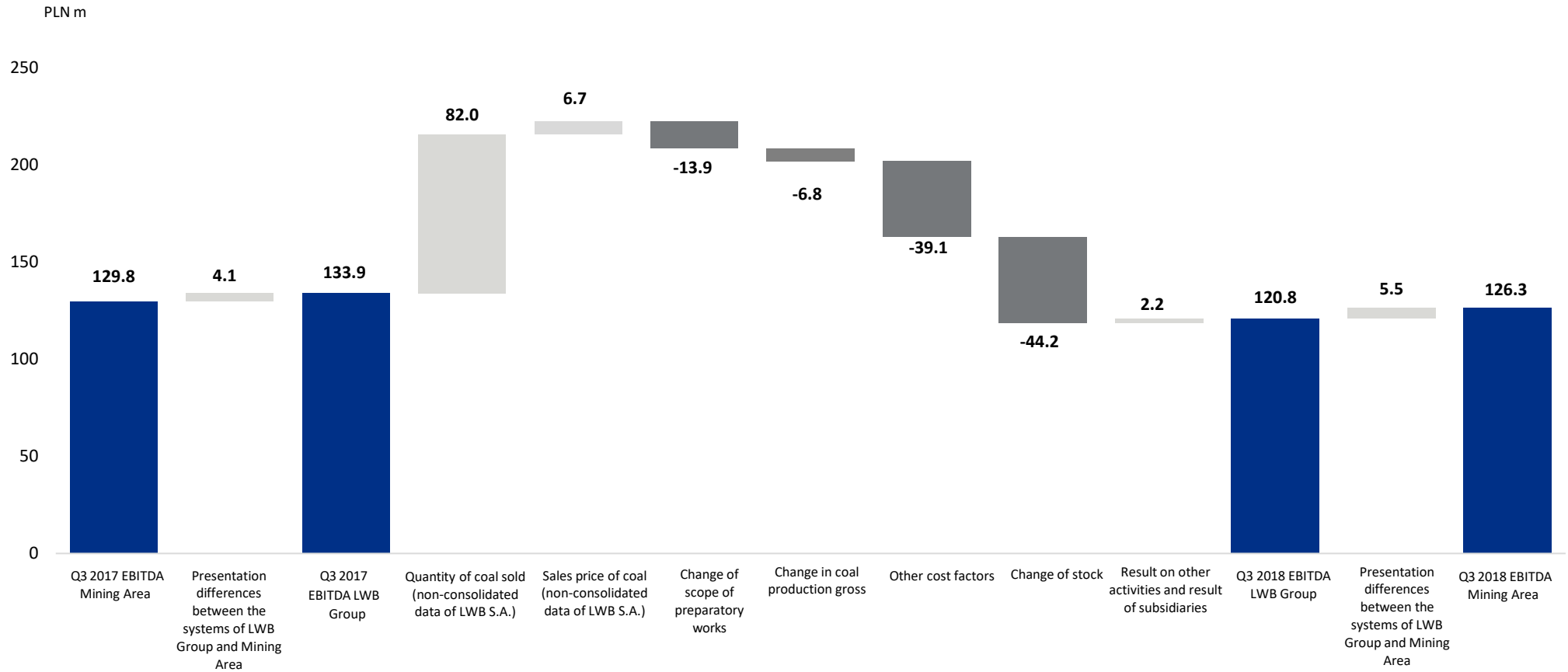
Q3 2018 EBITDA change factors:

- (+) EBITDA profitability: 26.3% in Q3 2018 vs. 32.1% in Q3 2017
- (+) higher revenues from coal sales: higher sales volume (+411,000 tonnes, +20.2%), at a higher price and a higher adjustment for coal from preparatory work
- (+) higher revenues from sales of goods and materials – higher sales of scrap resulting from liquidated galleries
- (-) a higher revenue adjustment due to the value of excavated coal - larger scope of preparatory works (+1.36 km) at a higher coal price
- (-) higher extraction output by 276 thousand tonnes (+8.0%) – increase in production costs
- (-) higher costs of employee benefits – higher average employment (more than 150 employees), a pay rise paid and an extra bonus (settled over time)
- (-) higher costs of materials and energy
- (-) higher costs of taxes and levies
- (+) in Q3 2018, an increase in stocks of PLN 25.9 million (increase in costs), as compared to an increase in stocks of PLN 18.3 million (decrease in costs) in 2017

Presentation differences concerning the financial reporting of ENEA Group and LW Bogdanka Group in the scope of depreciation.

The decrease in revenues from the sale of other products and services results primarily from the fact that, as a result of the adoption of the new IFRS 15 “Revenue from contracts with customers” as of 1 January 2018, revenues from sales under this item were shown in the balance with the incurred costs (the amount of revenues was reduced by costs amounting to approximately PLN 1.5 million). In the previous year, revenues from transport were presented in an open order (change without impact on EBITDA).

Mining Area



Area of Other Activities

[PLN k]	Q1-Q3 2017	Q1-Q3 2018	Change	% change	Q3 2017	Q3 2018	Change	% change
Sales revenue	418,047	441,658	23,611	5.6%	153,619	155,976	2,357	1.5%
EBIT	10,807	22,701	11,894	110.1%	7,985	13,089	5,104	63.9%
Depreciation	31,201	39,106	7,905	25.3%	10,968	13,632	2,664	24.3%
EBITDA	42,008	61,807	19,799	47.1%	18,953	26,721	7,768	41.0%
CAPEX	40,712	44,264	3,552	8.7%	15,687	17,388	1,701	10.8%
Share of the area's sales revenue in the Group's sales revenue	4%	3%	-1 pp		6%	4%	-2 pp	

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

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

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

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

- **Accompanying activities:**

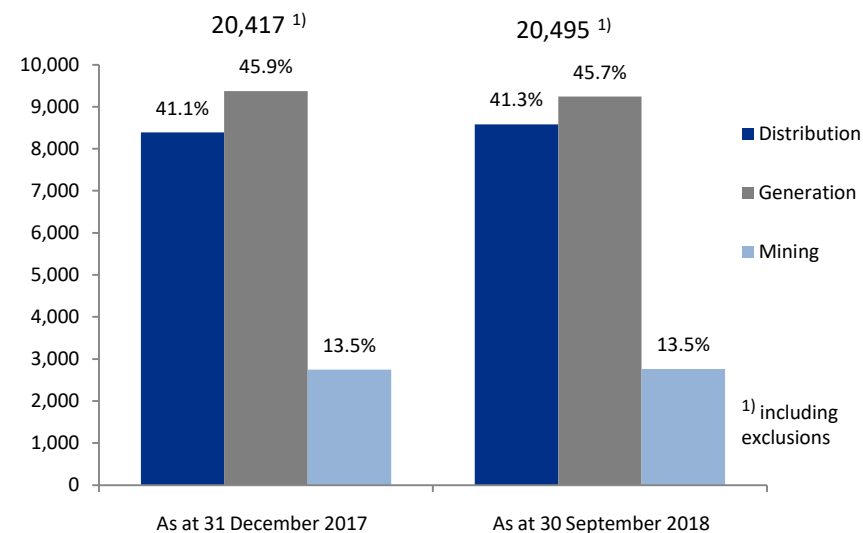
ENEA Oświetlenie sp. z o.o. – a company specializing in indoor and outdoor lighting; it designs, builds road lighting, it illuminates urban spaces, illuminates historic and public buildings, and provides construction and comprehensive services for photovoltaic power plants.

Asset position - the structure of assets and liabilities of ENEA Group

Assets [PLN k]	As at: 31 Dec 2017	30 Sep 2018	Change	% change
Non-current assets	22,080,914	22,646,810	565,896	2.6%
Property, plant and equipment	20,416,867	20,495,165	78,298	0.4%
Perpetual usufruct of land	105,571	104,840	-731	-0.7%
Intangible assets	418,248	410,840	-7,408	-1.8%
Investment real estates	26,981	25,826	-1,155	-4.3%
Investments in subsidiaries, affiliates and jointly controlled entities	355,152	718,550	363,398	102.3%
Deferred income tax assets	501,945	448,168	-53,777	-10.7%
Financial assets at fair value	0	81,473	81,473	100.0%
Debt financial assets at amortized cost	0	7,741	7,741	100.0%
Financial assets available for sale – until 2017	40,698	0	-40,698	-100.0%
Financial assets at fair value through profit or loss – until 2017	33,364	0	-33,364	-100.0%
Derivatives – until 2017	29,553	0	-29,553	-100.0%
Trade and other receivables	30,729	219,213	188,484	613.4%
Costs incurred to obtain or fulfil a contract	0	14,868	14,868	100.0%
Funds accumulated in the Mine Liquidation Fund	121,806	120,126	-1,680	-1.4%
Current assets	6,232,080	6,950,030	717,950	11.5%
CO ₂ emission allowances	595,533	95,135	-500,398	-84.0%
Inventories	846,187	1,061,319	215,132	25.4%
Trade and other receivables	1,903,568	1,993,860	90,292	4.7%
Costs incurred to obtain or fulfil a contract ¹⁾	0	16,350	16,350	100.0%
Assets due to contracts with clients ¹⁾	0	230,364	230,364	100.0%
Current income tax assets	149,859	71,250	-78,609	-52.5%
Financial assets at fair value ²⁾	0	92,021	92,021	100.0%
Debt financial assets at amortized cost ²⁾	0	178	178	100.0%
Other short-term investments	0	76,566	76,566	100.0%
Financial assets held to maturity – until 2017	478	0	-478	-100.0%
Financial assets at fair value through profit or loss – until 2017	49,329	0	-49,329	-100.0%
Cash and cash equivalents	2,687,126	3,312,987	625,861	23.3%
Total assets	28,312,994	29,596,840	1,283,846	4.5%

PLN m

Structure of non-current assets



Change factors for non-current assets (an increase of PLN 566 million):

- an increase in investments in in associates and jointly controlled entities by PLN 363 million resulting mainly from taking up new shares in the increased share capital of Polska Grupa Górnicza Sp. z o.o., Elektrownia Ostrołęka Sp. z o.o. and from an increase in the share capital of ElectroMobility Poland S.A.
- an increase in long-term trade and other receivables and costs incurred to obtain or fulfil a contract by PLN 203 million relating mainly to security deposits under futures contracts on CO₂ emission allowances
- a decrease in tangible fixed assets by PLN 78 million resulting mainly from an increase in the value of property, plant and equipment by PLN 985 million, at a concurrent increase in depreciation of PLN 907 million

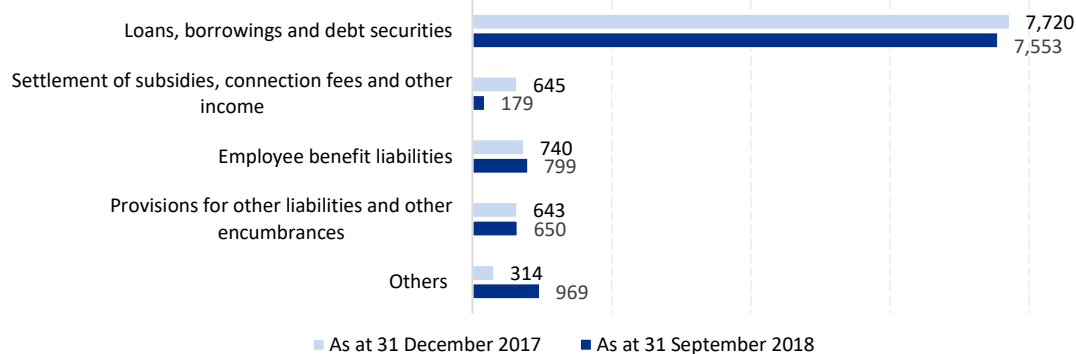
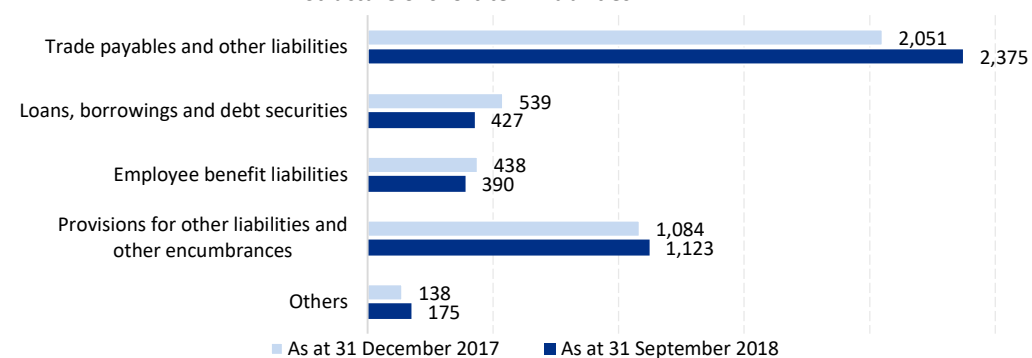
Change factors for current assets (a decrease of PLN 718 million):

- an increase in cash and cash equivalents by PLN 626 million caused mainly by an increase in security deposits for trade for the Commodity Clearing House and the concluded futures contracts on CO₂ emission allowances
- an increase in stocks by PLN 215 million due to the purchase of more certificates of origin at a higher price
- an increase in trade and other receivables, costs incurred to obtain or fulfil a contract and assets due to contracts with clients by PLN 337 million, relating to, among other things, a higher level of trade receivables and security deposits under futures contracts for CO₂ emission allowances
- a decrease in the value of CO₂ emission allowances by PLN 500 million due to redemption of allowances for the previous year

¹⁾ Data for Q1-Q3 2018 incorporate changes resulting from the introduction of IFRS 15, while balance-sheet items for 2017 do not include new asset categories. Restated data for 31 December 2017 are presented in the Consolidated Financial Statements for Q1-Q3 2018

²⁾ Data for Q1-Q3 2018 incorporate changes resulting from the introduction of IFRS 9, while balance-sheet items for 2017 do not include new asset categories. Restated data for 31 December 2017 are presented in the Consolidated Financial Statements for Q1-Q3 2018.

Equity and liabilities [PLN k]	As at:		Change	% change
	31 December 2017	30 September 2018		
Total equity	13,999,669	14,957,647	957,978	6.8%
Share capital	588,018	588,018	0	0.0%
Capital from the surplus of the issue price over the nominal value	3,632,464	3,632,464	0	0.0%
Capital from the revaluation of financial instruments	741	760	19	2.6%
Other equity	-27,101	-27,101	0	0.0%
Reserve capital from the valuation of hedging instruments	25,967	3,105	-22,862	-88.0%
Retained profits	8,858,130	9,804,391	946,261	10.7%
Non-controlling shares	921,450	956,010	34,560	3.8%
Total liabilities	14,313,325	14,639,193	325,868	2.3%
Long-term liabilities	10,063,012	10,149,518	86,506	0.9%
Short-term liabilities	4,250,313	4,489,675	239,362	5.6%
Total equity and liabilities	28,312,994	29,596,840	1,283,846	4.5%

Structure of long-term liabilities

Structure of short-term liabilities

Change factors for long-term liabilities (an increase of PLN 87 million)

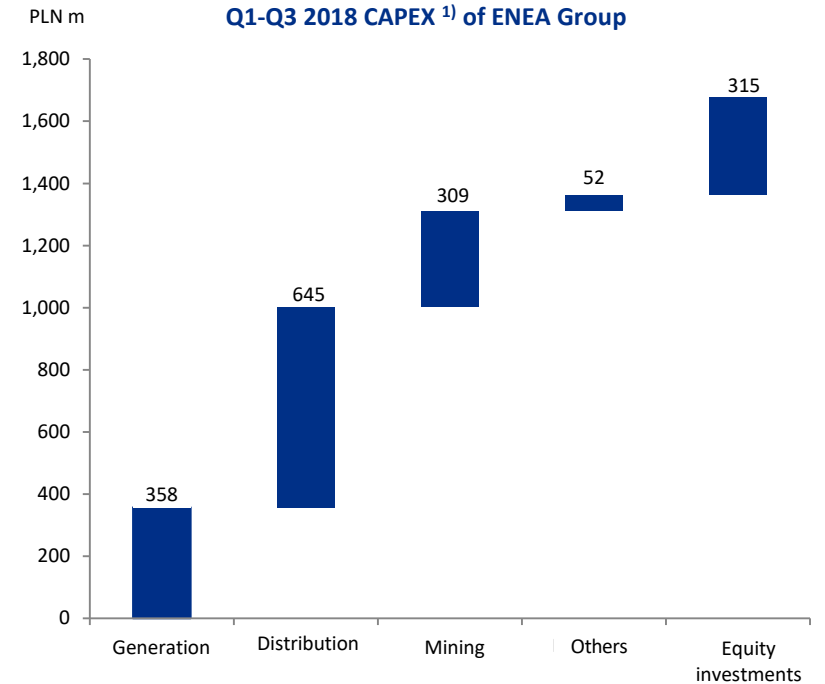
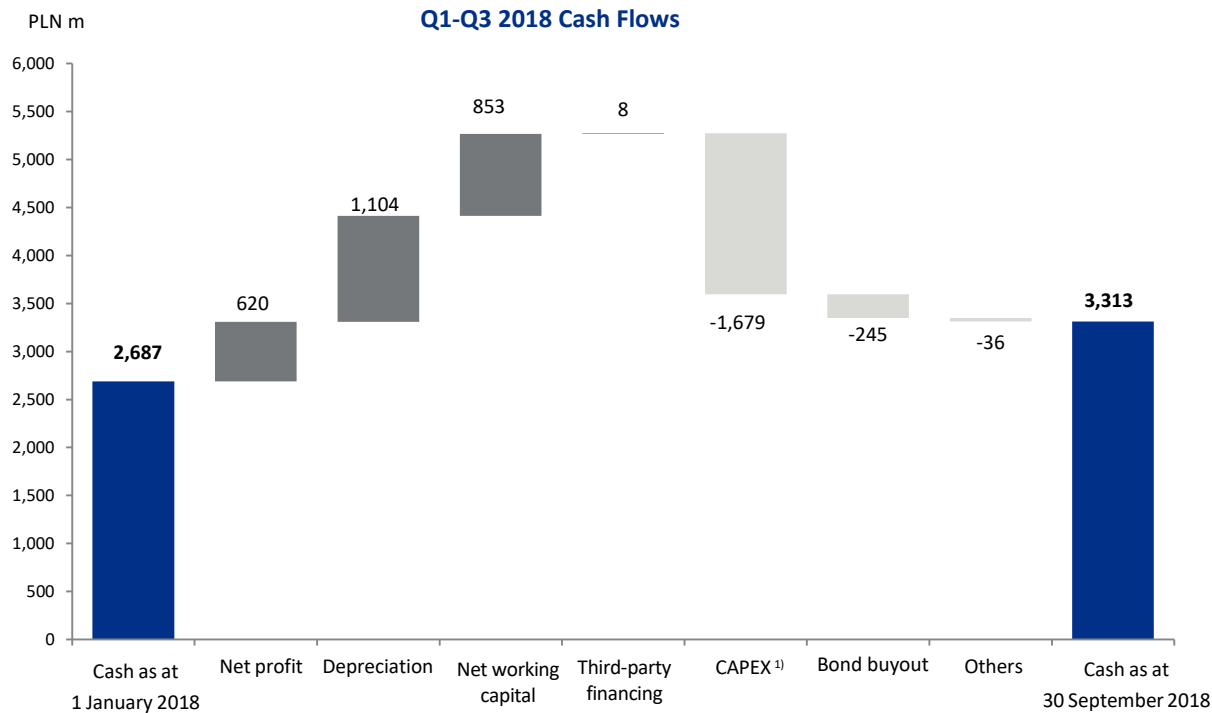
- a decrease in the item of settlement of income on subsidies, connection fees of PLN 466 million resulting from the implementation of IFRS 15 which affects the presentation of revenues from connection fees for tasks completed until 31 December 2009, recognised previously as deferred revenues
- a decrease million in loans, borrowings and debt securities of PLN 167 mainly due to payment of liabilities (PLN 149 million)
- an increase of employee benefit provisions of PLN 58 million
- an increase in other long-term liabilities of PLN 661 million, including: an increase in trade and other liabilities of PLN 532 million, an increase in liabilities due to contracts with customers of PLN 21 million (new balance sheet item since the implementation of IFRS 15), an increase in deferred income tax provisions of PLN 93 million

Change factors for short-term liabilities (a decrease of PLN 239 million)

- a decrease in employee benefit liabilities of PLN 48 million – payment of one-off benefits
- a decrease in the item of settlement of income on subsidies, connection fees of PLN 81 million resulting from the implementation of IFRS 15 which affects the presentation of revenues from connection fees for tasks completed until 31 December 2009, recognised previously as deferred revenues
- a decrease in loans, borrowings and debt securities of PLN 112 million resulting from the instalment redemption of bonds issued by LWB Bogdanka
- an increase in other short-term liabilities by PLN 480 million, including: an increase in trade and other liabilities of PLN 323 million, an increase in liabilities due to contracts with customers of PLN 47 million (new balance sheet item since the implementation of IFRS 15)

Cash position of ENEA Group

Cash flow statement [PLN k]	Q1-Q3 2017	Q1-Q3 2018	Change	% change
Net cash flow from operating activities	2,234,993	2,834,248	599,255	26.8%
Net cash flow from investment activities	-2,828,149	-1,754,164	1,073,985	38.0%
Net cash flow from financial activities	-67,845	-454,223	-386,378	-
Increase / (Decrease) in net cash	-661,001	625,861	1,286,862	194.7%
Cash balance at the beginning of the reporting period	2,340,217	2,687,126	346,909	14.8%
Cash balance at the end of the reporting period	1,679,216	3,312,987	1,633,771	97.3%



¹⁾ Acquisition of tangible and intangible non-current assets and acquisition of subsidiaries, associates and jointly controlled entities, adjusted for the acquired cash

Ratio analysis ¹⁾

	Q1-Q3 2017	Q1-Q3 2018	Q3 2017	Q3 2018
Profitability ratios				
ROE – return on equity	8.2%	5.5%	6.3%	4.2%
ROA – return on assets	4.3%	2.8%	3.3%	2.1%
Net profitability	10.0%	6.6%	7.6%	4.7%
Operating profitability	12.7%	9.8%	10.2%	8.6%
EBITDA profitability	23.2%	21.0%	20.8%	20.0%
Liquidity and financial structure ratios				
Current liquidity ratio	1.4	1.5	1.4	1.5
Coverage of non-current assets with equity	63.9%	66.0%	63.9%	66.0%
Total debt ratio	46.9%	49.5%	46.9%	49.5%
Net debt / EBITDA	2.1	1.7	2.1	1.7
Economic activity ratios				
Current receivables turnover in days ²⁾	54	57	53	53
Trade and other liabilities turnover in days ³⁾	51	77	48	69
Inventory turnover in days	35	38	33	34

¹⁾ Ratio definitions are presented on Page 108.

²⁾ Receivables due for supplies and services - commercial, assets on account of contracts with customers and costs of concluding contracts.

³⁾ Liabilities due for deliveries and services - commercial, liabilities on account of contracts with customers.

3.2. Rules for preparing financial statements

The condensed financial statements of ENEA S.A. and ENEA Group contained in the extended consolidated report of ENEA S.A. for Q3 2018 have been drawn up in accordance with the International Accounting Standards and the International Financial Reporting Standards (IAS/IFRS) approved by the European Union. The condensed financial statements have been drawn up on the basis of the going-concern principle. As at the day of signing the condensed financial statements, the Management Board of the Company is not aware of any facts or circumstances indicating any threat to the possibility of continuing the Company's activities in the period of 12 months after the balance-sheet date as a result of voluntary or enforced discontinuation or a significant limitation of the present activities. Financial data presented in the statements, unless indicated otherwise, are expressed in PLN thousand.

3.3. Expected financial situation

In Q3 2018, the Mining Area worked off the worse results of the first quarter, in line with the expectations so this area will reach the annual results planned for the 12 months of this year. In Q2 and Q3, significant stabilisation of the mining level was noted, which had a significant impact on the achievement of the planned revenues from the sale of coal. In 2018, the growth of fixed costs (such as wages, materials and costs of third-party services) independent of geological conditions is seen, which makes it impossible for a unit production cost to remain at the level of 2017. Actions taken in the Area are aimed at maintaining high efficiency of the mine and a stable level of extraction in accordance with the assumptions presented in the Strategy for LW Bogdanka S.A. If decisions regarding the increase in mining are taken in subsequent periods, an increase in investment outlays related to the commencement of mining in the Ostrów field should be expected. The predictability of the results of the Mining Area is influenced by: continuous search for process optimization and innovative solutions, rising prices of energy fine coals, and ensuring the receipt of extracted coal by units included in ENEA Group. More long-term activities are aimed at developing the mine and extending the prospects of its operations have become irrelevant, hence the subsequent applications for obtaining licences for new mining areas.

The Generation Area, which in Q1-Q3 2018 was responsible for 33% EBITDA of ENEA Group, remains invariably under the influence of the extremely demanding situation on the energy market. The coal-oriented production involves exposure to the risk associated with carbon dioxide emission costs, which in the period in question increased in a way that has not been observed so far. The results of the Generation Area will also be influenced by the number of free CO₂ emission rights obtained, which will be significantly lower than in previous years. As in every element of the value chain of ENEA Group, an increase in the fixed costs of the power plant, especially in the area of remuneration, as well as in variable costs, such as the cost of fuel transport resulting from ongoing repairs of railway routes, is noticed. The major repairs of generation units planned for 2018-2021, which will make relatively long periods of suspension of electricity production inevitable, are important for the revenues generated by the Generation Area. Lower production of existing generation assets is and will be compensated by Unit No. 11 in subsequent periods. In the RES Segment, an increase in revenues from the sale of electricity and "green certificates" is observed as a result of significant price increases. The results of the segment are affected by significant optimisation of fixed costs, but also by the failure of the Bardy wind farm, which reduced the volume of electricity produced.

The area that consistently stabilizes the predictability of financial flows is Distribution, responsible for 44% of the EBITDA result of ENEA Group. The results of this area are primarily affected by two elements: a decrease in the weighted average cost of capital adopted by the Energy Regulatory Office (ERO) for tariff calculations (WACC) - 7.197% in 2015, 5.675% in 2016, 5.633% in 2017 - and the Energy Regulatory Office's introduction of the so-called quality tariff from 2016. It should be noted that only EBITDA for 2019 may be subject to significant impact of weather events that took place in Q3 2017. These events had a huge influence on the SAIDI and SAIFI indicators achieved in 2017, though ENEA Group conducts activities aimed at the regulator taking their catastrophic nature into account. In order to ensure the implementation of indicators determined by the President of the Energy Regulatory Office, ENEA Group implements investments in the Distribution Area, increasing the safety and stability of energy supplies. With a view to ensuring also stable financial flows in the future, ENEA Group intends to maintain investment expenditures related to the development of the network at an unchanged level in the following years.

In the Trading Area, operational activities invariably concentrate on increasing revenues from the sale of electricity and gaseous fuel - thanks to the constantly developing product offer, new customers are gained and the volume of energy and gas sold is also growing. The financial results of the Trading Area are adversely affected by the growing market competition exerting pressure on realised sales prices in the segment of biggest accounts. In the current period, the result of the Trading Area is significantly reduced compared to the corresponding period of 2017 as a consequence of the growing prices of environmental obligations, with particular emphasis on "green certificates". It should be remembered that the increase in the price of property rights affects the reduction of the provision related to possible claims resulting from the termination of long-term contracts in 2016. An important element affecting the reduction of the segment's results is the growing price of electricity, which in turn is influenced by the invariably high costs of purchasing CO₂ emission allowances and increasing fuel prices.

At the moment, the Group's activities focus on seeking solutions that respond to the difficult market situation in the Generation and Trading Areas, so that the generated financial results and flows are subject to the least possible erosion compared to previous years. The fact that the Group is a closed value chain from coal mining to the sale of electricity to the final customer enables flexible response to dynamic price increases, variable market and regulatory situation. The financial position of the Group remains safe, for instance due to the relatively high level of cash, which at the end of Q3 2018, together with short-term financial assets held to maturity and financial assets at fair value through profit, amounted to approx. PLN 3 billion. It should be noted, however, that a significant part of the financial resources was located as collateral for transactions at IRGIT and concluded contracts for the purchase of CO₂ for subsequent settlement periods. A significant part of these contracts will be settled in December this year and this will significantly reduce the balance of funds gathered on bank accounts.

In subsequent periods, the Group will launch activities aimed at determining a new approach to financing, due to the forthcoming period of intense repayment of liabilities contracted in previous years. The largest accumulation of necessary repayments or decisions regarding the refinancing of the existing debt falls in 2020-2021. The Group's flows will be significantly supported as a result of the implementation of the Capacity Market and the contracts for supply of capacity obtained as a result of tenders won. From the point of view of the Generation Area, the most important is obtaining a 15-year contract for the supply of capacity from Unit No. 11 commissioned in 2017, the unique parameters of which allow electricity to be produced with relatively low variable costs if the costs are compared to production from higher-emission and less-efficient units.

Thanks to financial results that do not deviate from the planned ones, availability of financing and additional cash flows obtained from the Capacity Market, ENEA Group can implement the CAPEX (investment outlays) programme in particular Areas of activities more freely.

3.4. Post balance sheet date events

On 25 October 2018, the Management Board of ENEA S.A. gained knowledge of a legal action to declare Resolution No. 3 of the Company's Extraordinary General Meeting of held on 24 September 2018 on expressing qualified consent to commence the Construction Stage of the Ostrołęka C project null and void or non-existent or to revoke it, launched by the Company's shareholder "CLIENTEARTH Prawnicy dla Ziemi" (Lawyers for the Earth) Foundation with its registered office in Warsaw.

On 30 October 2018, the Management Board of ENEA S.A. gained knowledge of a legal action to declare Resolution No. 3 of the Extraordinary General Meeting of ENEA S.A. held on 24 September 2018 on expressing qualified consent to commence the Construction Stage of the Ostrołęka C project null and void or to revoke it, launched by the Company's shareholder Międzyzakładowy Związek Zawodowy Synergia Pracowników Grupy Kapitałowej ENEA (Synergy Intercompany Trade Union of ENEA Capital Group Employees) with its registered office in Poznań.

3.5. Financial results forecasts

The Management Board of ENEA S.A. did not publish any financial results forecast for 2018.



4. Shares and shareholding

4. SHARES AND SHAREHOLDING

4.1. Shareholding structure and share quotations

As at publication date of the Q3 2018 report, the share capital of ENEA S.A. amounts to PLN 441,442,578 and is divided into 441,442,578 ordinary bearer shares of the nominal value of PLN 1 each.

The total number of votes resulting from all the issued shares of the Issuer corresponds to the number of shares and amounts to 441,442,578 votes.

Shareholding structure

All shares of the Company are dematerialised bearer shares registered with the National Depository for Securities. The table below presents the shareholding structure of ENEA S.A. as at the date of release of the H1 2018 report, that is as at 13 September 2018.

Shareholder	Number of shares /number of votes at GM	Share in the share capital / share in the total number of votes
State Treasury	227,364,428	51.50%
PZU TFI	43,959,339	9.96%
Others	170,118,811	38.54%
TOTAL	441,442,578	100.00%

On 23 October 2018, the Company was notified by Towarzystwo Funduszy Inwestycyjnych PZU S.A. on the reduction of its shareholding below the threshold of 5% of the total number of votes.

The table below presents the shareholding structure of ENEA S.A. as at the date of release of the Q1-Q3 2018 report, that is as at 23 November 2018.

Shareholder	Number of shares /number of votes at GM	Share in the share capital / share in the total number of votes
State Treasury	227,364,428	51.50%
Others	214,078,150	48.50%
TOTAL	441,442,578	100.00%

Price quotations of ENEA shares on the Warsaw Stock Exchange

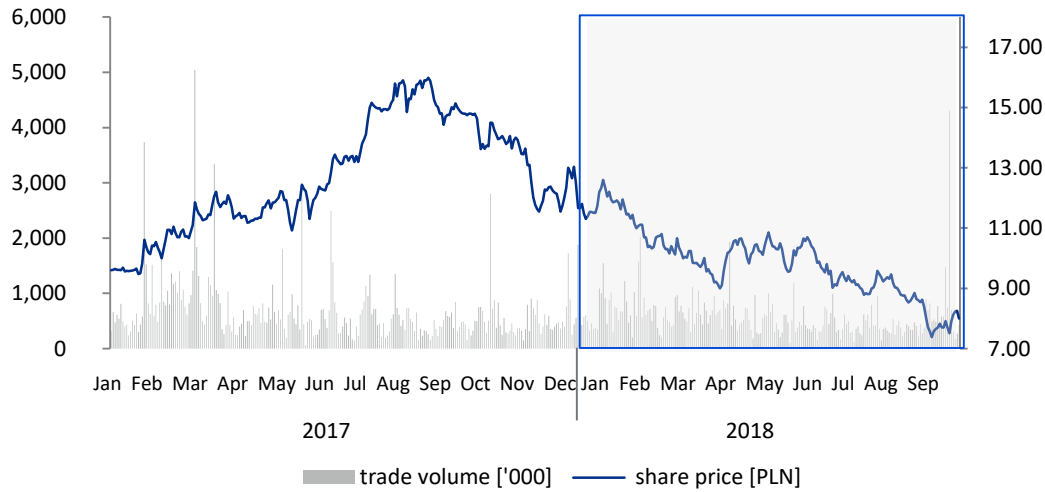
ENEA shares have been listed on the Warsaw Stock Exchange (WSE) since 17 November 2008. Weights of the Company's shares in stock indices as at 28 September 2018 were as follows:

WIG30 0.77%	WIG40 2.67%	WIG energia 11.88%	WIG Poland 0.59%
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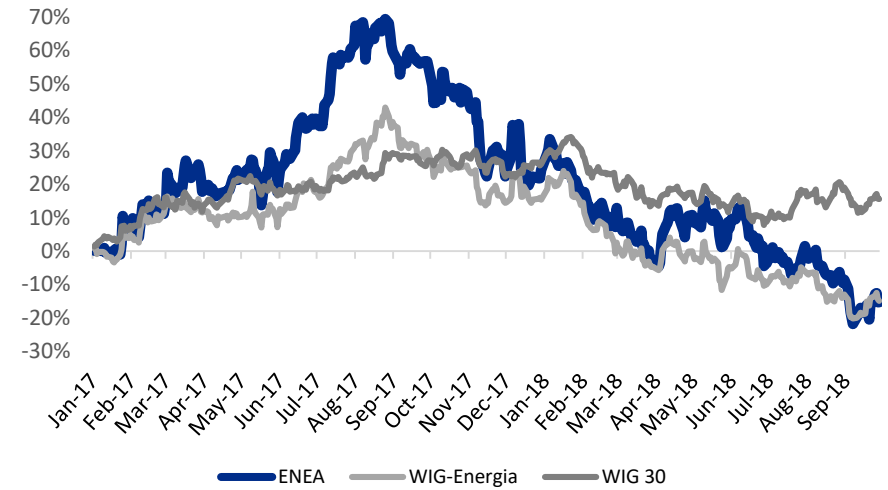
The table below presents data related to the Company's shares in the period January to September 2018

Data	Q1-Q3 2018
Number of shares	441,442,578
Minimum price [PLN]	7.38
Maximum price [PLN]	12.6
Closing price [PLN]	8.0
Starting price [PLN]	11.5
Average volume	587,948

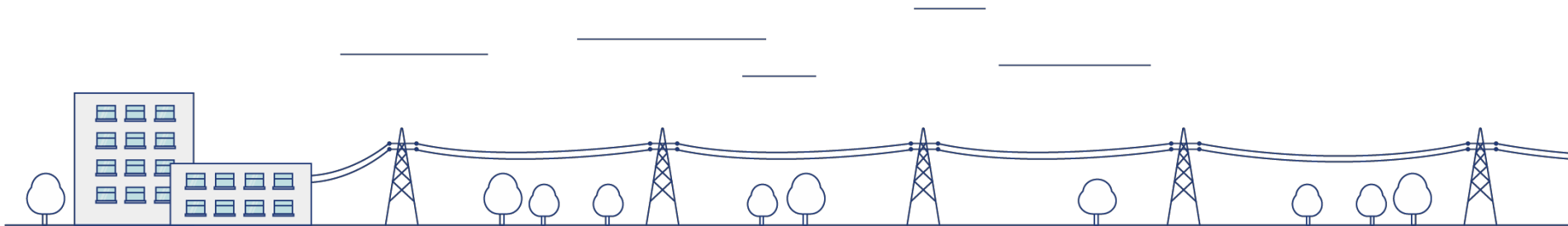
Quotations of ENEA S.A.'s shares in 2017 and in Q1-Q3 2018



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



In Q1-Q3 2018, the share price of ENEA dropped from PLN 11.73 to PLN 8.00, i.e. by PLN 3.73 or 32%. From January-September 2018, the highest closing price for ENEA shares was achieved on 8 January 2018 and the lowest - on 10 September 2018.





5. Governing bodies

5. GOVERNING BODIES

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

From the beginning of 2018, the Management Board of the Company included the following persons: Mirosław Kowalik - President of the Management Board and CEO, Piotr Adamczak - Vice-President of the Management Board for Commercial Affairs, Piotr Olejniczak - Vice-President of the Management Board for Financial Affairs and Zbigniew Piętko - Vice-President of the Management Board for Corporate Affairs.

Mirosław Kowalik President and CEO



Mirosław Kowalik has been connected with the power energy for over 20 years, holding managerial positions on an operating and strategic level. In 2015, he managed SNC Lavalin Sp. z o.o. Polska as Vice-President of the Board and Business Development Director. During 1999-2015, he worked on various managerial positions for ASLTOM Power Group, recently as Marketing and Sales Director. Connected with the ABB concern during 1995–1998. Mr. Kowalik is a graduate of the Faculty of Energy Engineering of the Gdynia Maritime University. He graduated from MBA (Rotterdam School of Management programme in cooperation with the University of Gdańsk and Gdańsk Foundation for Management Development), achieving the degree of Executive Master of Business Administration. He is also a graduate of postgraduate studies of Corporate Finance Management at the Warsaw School of Economics. He has also completed many specialist product and management training courses, including most recently four-year part-time doctoral studies and two-year postgraduate Executive Doctor of Business Administration studies at the Institute of Economics of the Polish Academy of Sciences. Scope of competence: chairs the work of the Management Board and directly coordinates the activities of the Company and ENEA Group in accordance with the adopted Strategy.

Piotr Adamczak Vice-President for Commercial Affairs



Piotr Adamczak has been connected with the power industry for over 20 years. He commenced his professional career in Zakład Energetyczny Poznań. He managed the Market Organisation Department in EnergoPartner Wielkopolska. During 2002-2011, he worked in Energetyka Poznańska, and after the consolidation in Grupa Energetyczna ENEA S.A., on the positions of the Office Manager, Division Manager and Department Director, he dealt with the centralisation and realisation of tasks within the wholesale trade in electricity, duties of a commercial and technical coordinator, commercial coordinator, and commercial cooperation with RES as well. From 2011, he worked on the position of Office Manager, and from 2013 of Trading Department Director in ENEA Trading, where he dealt with commercial activities on electricity markets, proprietary interests to certificates of origin, emission allowances and commercial cooperation with RES for the account of ENEA Group companies. Mr. Adamczak is a graduate of the Poznań University of Technology, majoring in Electrical Engineering at the Faculty of Electrical Engineering. He also graduated from Postgraduate Studies in Economic Problems of Power Sector Transformation at the Warsaw School of Economics, and Postgraduate Studies in Electricity Trade Management at the Poznań Trade and Services College. Scope of competence: Supervision and coordination of the overall tasks related to the trading activity and Customer service.

Piotr Olejniczak Vice-President for Financial Affairs



Piotr Olejniczak has been involved in corporate finance area since the very beginning of his business career. He has over 20 years of experience gained in consulting companies where he was employed on managerial positions. Since 2015, he has been carrying on his own business activity in the field of consulting, among others. Earlier, in the years 2008–2015, he had been Director of the Capital Market Department at IPOPEMA Securities. Also, he spent seven years working for KPMG Advisory as a manager and vice director in the Corporate Finance Team. In the period 1996-2001, he was engaged by BRE Corporate Finance where he got promoted from Senior Consultant to Area Manager. He started his business career at Doradca Consultants Ltd. as a junior consultant in the Financial Consulting Department. Mr. Olejniczak is a graduate of the Faculty of Economy at the University of Gdańsk. He also studied finance and the German language during his scholarship at FHTW Berlin (at present: Hochschule für Wirtschaft und Recht Berlin) and at the Johann Wolfgang Goethe University in Frankfurt am Main. He completed postgraduate studies at the University of Warsaw in the field of corporate law and capital market law. Scope of competence: Supervision and coordination of the entirety of economic, financial, and accounting issues related to risk management in the Company and in ENEA Group, ICT and controlling.

Zbigniew Piętko Vice-President for Corporate Affairs



Zbigniew Piętko has been involved in the power sector for almost 40 years. From 2016, he was Deputy Director of the Maritime Office in Szczecin for technical affairs. From 2009 to 2014, he worked as an electro-technical officer in the Polish Shipping industry, with which he was also associated at the beginning of his career from 1981 to 1994. From 2007 to 2008, he was Vice-President of ENEA for Infrastructure. He also gained managerial experience in the Szczecin-Świnoujście Seaports Authority, where in 1994-2007 he was Head of the Energy Department - Main Energy Officer. Mr. Piętko is a graduate of the Faculty of Electrical Engineering of the Szczecin University of Technology. He also completed Postgraduate Studies at the Warsaw University of Technology in the field of energy company management in the conditions of development of energy markets. Scope of competence: Supervision and coordination of all issues related to Corporate Governance, ownership supervision, services in ENEA Group.

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

W On 13 March 2018, the Company received the notice of resignation of Paweł Skopiński from his function of ENEA S.A. Supervisory Board Member effective as of 13 March 2018. On 22 March 2018, the Company received a statement of the Minister of Energy, effective as of 22 March 2018, on exercising the entitlement to appoint, pursuant to § 24 item 1 of the Company's statute, a Member of ENEA S.A. Supervisory Board. In accordance with the above entitlement as of 22 March 2018 Ireneusz Kulka was appointed to the Supervisory Board. On 16 April 2018, the Management Board of ENEA S.A. became aware of the statement of the Minister of Energy dated 13 April 2018 on the dismissal of a Company's Supervisory Board Member in accordance with the entitlements vested in the Minister of Energy pursuant to § 24 item 1 of the Company's statute. In accordance with these entitlements, as of 15 April 2018, Ireneusz Kulka was dismissed from the Supervisory Board of the Company. Moreover, on 16 April 2018, the Extraordinary General Meeting of Shareholders of ENEA S.A. dismissed Rafał Bargiel and Piotr Kossak from the Supervisory Board of ENEA S.A., and appointed Ireneusz Kulka and Paweł Jabłoński to the Supervisory Board of the Company, whereas the resolution on appointing Paweł Jabłoński entered into force as of obtaining a binding positive opinion of the Board for Companies with State Treasury Shareholding and State Legal Persons in relation to this candidate, namely as of 20 April 2018. On 31 July 2018, the Company received a resignation dated the same date of Rafał Szymański from his position of a member of the Supervisory Board of ENEA S.A. On 24 September 2018, the Extraordinary General Meeting of ENEA S.A. adopted a resolution appointing Paweł Andrzej Korobłowski to the Supervisory Board of the Company.

As at the day of publication of this report, the Company's Supervisory Board of the 9th tenure was comprised of nine members and it acts in the following composition:

Stanisław Kazimierz Hebda, Chairman of the Supervisory Board. Date of appointment: 28 December 2017

Stanisław Kazimierz Hebda is the General Director at the Ministry of Energy. He has over 28 years of professional experience, including 15 years on managerial positions. He is an appointed civil servant. As an expert in shareholder supervision over state-owned companies, he represented the State Treasury in many supervisory boards. He was a member of the Examination Board at the Ministry of the State Treasury for candidates to supervisory boards. Stanisław Kazimierz Hebda has graduated from the Main School of Planning and Statistics (present name: the Warsaw School of Economics). He studied at the Faculty of Production Economics (major: Economics and Organisation of Industry). He completed postgraduate National Security Studies (University of Warsaw), European Studies (University of Warsaw) and postgraduate Audit and Internal Control Studies (Vistula University). He was the Chairman of the Audit Committee at Korporacja Ubezpieczeń Kredytów Eksportowych S.A. He has over 10 years of experience in diplomatic service as a former commercial consul in the Consulate General of the Republic of Poland in Munich and Cologne.

Paweł Jabłoński, Vice-Chairman of the Supervisory Board. Date of appointment: 20 April 2018

Paweł Jabłoński is an attorney-at-law entered on the list kept by the Warsaw Bar Association. In 2010, he graduated in Law from the Faculty of Law and Administration of the Warsaw University. He worked, among others, in the Warsaw branch of Gide Loyrette Nouel, and then, since 2015, he run his own attorney-at-law firm providing services to businesses and natural persons. In his professional practice, he was dealing e.g. in matters related to property law, due diligence of power and heating companies, regulatory proceedings, and running civil litigations in matters related to the transmission service easement and correctness of power consumption measurements. Currently, he is a member of the Expert Team to the Prime Minister.

Piotr Mirkowski, Secretary of the Supervisory Board. Date of appointment: 15 January 2016

In 2009-2015, Piotr Mirkowski was a Member of the Supervisory Board of the joint-stock company Radpec S.A. In 2007-2015, he was associated with RTBS "Administrator" sp. z o.o. From 1998 to 1999, he was employed in Zakład Usług Technicznych Energetyki Ciepłej in Radom on the position of Operations Director. During 1989–1998, he worked as Manager of the Heat Networks Department in Wojewódzkie Przedsiębiorstwo Energetyki Ciepłej in Radom.

Piotr Mirkowski is a graduate of the Radom School of Engineering, specialising in mechanical engineering. He also completed Postgraduate Studies at the Warsaw University of Technology in Heating and Energy Auditing. He holds certificates of an ISO Auditor and an ISO Representative.

Wojciech Klimowicz, Member of the Supervisory Board. Date of appointment: 2 July 2015

Wojciech Klimowicz has been associated with ENEA S.A. since 2003 and currently works in the Sales Department. Mr. Klimowicz graduated from the Adam Mickiewicz University in Poznań with a Master's degree, Faculty of Social Sciences, majoring in Political Science (specialization: Local Government Administration). He also completed Postgraduate Studies: Statistical Analysis of Data in Administration and Business at the Faculty of Economics of the Poznań University of Economics.

Tadeusz Mikłosz, Member of the Supervisory Board. Date of appointment: 2 July 2015

Tadeusz Mikłosz has many years of professional experience in the area of power engineering and corporate governance. Since 1983 he has been associated with ENEA S.A. and its legal predecessor; currently he is an employee of the Operational Management Department. Since 1997, he has been a member of numerous supervisory boards of commercial law companies. Mr. Mikłosz has a university degree in Team Management and Political Science. In addition, he completed Postgraduate Studies in Business Law at the Poznań University of Economics.

Sławomir Brzeziński, Member of the Supervisory Board. Date of appointment: 2 July 2015

Sławomir Brzeziński has been associated with ENEA S.A. since 2008. Currently, he holds the position of Organisation and Security Department Director. Previously he was related to the International Fairs of Poznań. Mr. Brzeziński is a graduate of the Faculty of Mechanical Engineering and Management at Poznań University of Technology. He also completed Postgraduate Studies at Poznań University of Economics in Logistics and Supply Chain Management and Poznań University of Technology, majoring in Quality Management.

Roman Stryjski, Member of the Supervisory Board. Date of appointment: 15 January 2016

Roman Stryjski is a Professor of the University of Zielona Góra, Director of the Institute of Computer Science and Production Management. Formerly, he was professionally connected with the Higher Engineering School in Zielona Góra and the Pedagogical University in Zielona Góra for many years. Member of international scientific societies and advisory committees, the Polish Association for Energy Certification and the Committee of Organisation and Management Sciences of the Polish Academy of Sciences Branch in Poznań. Mr. Stryjski is a Doctor habil. of technical sciences of Martin Luther University Halle-Wittenberg.

Ireneusz Kulka, Member of the Supervisory Board. Date of appointment: 16 April 2018

Ireneusz Kulka is an experienced manager with many years of experience in business management. His area of expertise covers the broadly understood Customer Area including Product Development, Sales, and Maintenance of Services provided to Customers in Telecommunications and Power Industry. Mr. Kulka holds a doctoral degree in Economics, and he also graduated from the IESE Advanced Management Program at the University of Navarra.

Paweł Korobłowski, Member of the Supervisory Board. Date of appointment : 24 September 2018

Paweł Andrzej Korobłowski graduated from the Faculty of Electrical Engineering at the Warsaw University of Technology in 1991 with a Master of Science degree, and in 1997 he defended his doctoral thesis, obtaining a doctoral degree in Technical Sciences. In 2002, he graduated from the Faculty of Management at the University of Warsaw. From 1992 to 2001, Mr. Korobłowski worked at the state-owned company PKP (Polish State Railways) and from 2017-2018, in the private-limited company PKP Energetyka, holding the positions of Strategy Office Director, Risk Management Office Director and Director for System Analyses, heading the Market Analyses Department. Since 12 September 2018, Mr. Korobłowski has been the Deputy Director of the Department of Power and Heat Engineering at the Ministry of Energy. Mr. Korobłowski was a member of the supervisory boards of the following companies: Telekomunikacja Kolejowa, PKP Informatyka and Elester-PKP.

In connection with the nomination of the Supervisory Board of the 9th term of office, the Audit Committee and the Nominations and Remuneration Committee were established. As at the date of publication of this report, the compositions of the aforementioned committees were as follows:

Audit Committee

Name	Function
Ireneusz Kulka ¹⁾	Chairman
Roman Stryjski ¹⁾	Member
Piotr Mirkowski ¹⁾	Member
Sławomir Brzeziński	Member
Wojciech Klimowicz	Member

Nominations and Remuneration Committee

Name	Function
Paweł Jabłoński	Chairman
Stanisław Hebda	Member
Tadeusz Mikłosz	Member
Piotr Mirkowski ¹⁾	Member

¹⁾ Independent Member within the meaning of Article 129 Section III. 1 point 3 of the Act of 11 May 2017 on Statutory Auditors of Audit Firms and Public Supervision

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

Name	Function	Number of ENEA S.A. shares as at 13 September 2018	Number of ENEA S.A. shares as at 23 November 2018
Tadeusz Mikłosz	Member of the Supervisory Board	4,140	4,140

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



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

6. OTHER INFORMATION SIGNIFICANT FOR THE ASSESSMENT OF THE ISSUER'S SITUATION

6.1. Events which may affect future results

Regulatory environment

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

Internal energy market

On 30 November 2016, the European Commission published a draft of a series of EU regulations entitled "Clean Energy for all Europeans", the so-called Winter Package (WP), i.e. a set of new, comprehensive legislative proposals in the field of energy and climate policy (Regulations and Directives) concerning the establishment of a single internal energy market, changes in the structure of the retail market, development of RES and increasing energy efficiency, with the planned date of entry into force across the EU on 1 January 2020. The main objectives of the regulation were set out in the document of the EU Climate and Energy Policy Framework adopted by the resolution of the European Council in October 2014. The proposed package of measures is also intended to maintain the EU's competitiveness at a time when the transition to clean energy is determining the development of global energy markets.

The concept of the internal energy market that has been put forward considers the consumer, including the prosumer, to be its central player. EU consumers are to be actively involved in the energy market, including being provided with more opportunities to generate and sell their own electricity, more choice of energy supplier, access to reliable benchmarking tools for electricity prices (transparency of the internal market). Four of the eight legal acts in the package have now been finalised. Under the Bulgarian presidency representing the EU Member States which finished on 30 June 2018, works on the Directive on the energy performance of buildings, the RES directive, the "Governance" regulation and the Directive on energy efficiency were completed. The key points are set out below. After the takeover of the EU presidency by Austria on 1 July, compromise positions will be reached on the regulation and the market design directive – in the so-called trilogue phase, i.e. in trilogue negotiations between the European Commission, the European Parliament and the Council.

Demand for electricity

According to the forecasts included in the document entitled "Updated forecast of demand for fuels and energy until 2030", the demand for electricity in the forthcoming years will rise in all economy sectors. Pursuant to the abovementioned document, net electricity production will have risen to 193.3 TWh by 2030. Moreover, pursuant to the document entitled "Conclusions from forecasting analyses for purposes of the Polish energy policy until 2050", in the time horizon reaching 2050, electricity production will increase by approx. 40% – from 158 TWh in 2010 to 223 TWh in 2050.¹⁾ Notwithstanding the above, the Ministry of Energy is currently working on the new Polish power policy (PPP) which will describe the government's long-term vision for the power sector.

¹⁾ bip.me.gov.pl/files/upload/21394/Wnioski%20z%20analiz%20prognostycznych_2014-08-11.pdf

Capacity Market

Last year, the President of the Republic of Poland signed the Act of 8 December 2017 on the capacity market, the purpose of which is to ensure the continuity and stability of power supply for both industry and households. The introduction of the capacity market means a change in the structure of the energy market from a single commodity market to a dual commodity market, where, in addition to electricity generation, readiness to supply the grid will also be subject to trading (net available capacity). The selection of the remunerated capacity market units will be based on “Dutch type” auctions. On 7 February 2018, the Polish Capacity Market Act was approved by the European Commission as a result of the notification. In the text of the decision, the EC introduced a provision in the form of an obligation to deduct the public aid of an investment character obtained by entities from the capacity remuneration. Consequently, on 30 March 2018, the President of the Energy Regulatory Office issued a decision approving the Capacity Market Rules, which contains detailed operating conditions and specifies technical and operational details of the Polish capacity market. The document also regulates the rules of operation of the capacity market register used for individual certifications and auctions. In the regulatory aspect, the issuance of executive acts to the Act is important from the point of view of the Capacity Market. So far, draft regulations have been published concerning financial security and the rules for the implementation of the capacity obligation. The Regulation on the parameters of the auctions, which is crucial in the context of preparation for participation in the auctions, was issued on 22 August 2018.

Schedule of capacity market processes for 2018:

Start of the general certification process – 3 April 2018

Start of certification for main auctions for 2021–2023 – 5 September 2018

End of certification for main auctions for 2021–2023 – 31 October 2018

Main auction for 2021 – 15 November 2018

Main auction for 2022 – 5 December 2018

Main auction for 2023 – 21 December 2018

In accordance with the schedule of capacity market processes for 2018, in the period from 3 April to 29 May 2018, PSE S.A. carried out the first general certification process, under which all the assets of ENEA Wytwarzanie and ENEA Elektrownia Połaniec had been notified.

ENEA Group has established an interdisciplinary team consisting of employees from the Group's main companies, including those responsible for generation and trading. The team works on the strategy of participation in main auctions using fundamental methods and game theory. At the same time, it participates in industry bodies (Polish Electricity Association - PKEE, Economic Society Polish Power Plants - TGPE, Association of Energy Trading - TOE) in order to actively support the implementation of the capacity market in Poland. At this stage, all certification applications submitted by ENEA Wytwarzanie have been approved under the certification process for the main auctions in 2021-2023.

REMIT

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

Key objectives and provisions of the Winter Package:

1) Decarbonisation:

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

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

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

3) Increasing energy efficiency, with a binding EU target of 35% by 2030 – the draft Energy Efficiency Directive, related to support (transformation, modernisation) in the area of heating and cooling:

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

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

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

- Regulation of the European Parliament concerning the internal energy market;

The act introduces, inter alia, the criterion of qualification of units to the capacity market - the EPS 550g CO₂/kWh emission standard for generating units taking part in the capacity market (eliminating support for coal-fired units). Currently, negotiations on the final form of the provisions are in progress. The position of the EU Council assumes a transitional period to 2025 and 2030 for concluded capacity contracts, while the European Parliament's position constitutes a tightening of the position of the European Commission, taking into account the priority of the strategic reserve with an annual emission limit of 200g CO₂/kW, before capacity mechanisms.

- Directives concerning common rules for the internal energy market,
- Currently, the documents are under negotiations in the so-called trilogue, and a solution is expected by the end of this year.

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

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

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

The European Union Emission Trading Scheme (EU ETS)

On 8 April 2018, Directive (EU) 2018/410 of the European Parliament and of the Council introducing changes to the greenhouse gas emission allowance trading system came into force.

The Directive establishes, inter alia, two financial mechanisms:

- Modernisation Fund - for the modernisation of energy systems in low income Member States. It is intended to be financed by proceeds from the auction of allowances in the years 2012 to 2030. The Fund is to be used primarily to support the development of energy efficiency and investments in renewable energy sources.
- Innovation Fund - to provide financial support for RES development, carbon capture and storage and innovative low-emission projects. It is to be supplied with funds from allowances, which otherwise would be allocated free of charge or sold through auctions.

Financial markets (MiFID 2)

Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID 2). On 3 January 2018 came into force MiFID 2, which is a legal act primarily concerning financial markets, but also affecting companies from the energy sector. Several key issues are relevant to the energy sector. Firstly, emission allowances and derivatives based on emission allowances have been unconditionally included in the list of financial instruments. Also, to the list were added commodity derivatives (including forward contracts for electricity and gas), which are equivalent to contracts concluded on organised markets, i.e. regulated markets, MTFs and OTFs. An exception will be the contracts traded on the OTF markets, settled by physical delivery, concerning the so-called wholesale energy products - i.e. transactions concerning electricity and gas falling within the scope of the REMIT regulation (the so-called REMIT carve-out). Classification of certain products as financial instruments will have an impact on the rules of trading in these instruments – conditions of trading, security and clearing. As a consequence, the existing Commodity Forward Instruments Market operated by TGE S.A. will ultimately be transformed into an OTF (organised trading platform). MiFID 2 also amended the rules for exemptions from the need to obtain permits from the financial supervision authority (KNF) to conduct brokerage activities with respect to financial instruments. As a result of this change, energy companies had to analyse their activities and adapt to the new requirements, or decide to obtain the status of an investment firm. MiFID 2 was implemented into the Polish legal system by the Act of 1 March 2018 amending the Act on trading in financial instruments and certain other acts, which entered into force on 21 April 2018.

Limits on Property Rights

GREEN

In the area of PMOZE_A (certificates of origin of energy generated from renewable sources), there has been a permanent surplus of rights on the market, which was reflected by the low price levels recorded in 2016 and in H1 2017. As at 27 April, it is estimated that after the fulfilment of the obligation for 2017 around 25 TWh of active PMOZE_A will remain on registers. The Regulation of the Minister of Energy of 11 August 2017 determining the obligation level for the years 2018-2019 (17.5% and 18.5%, respectively) improved the perspective for the long-term handling of the surplus. In addition, the amendment to the RES Act (of 20 July 2017) and the interpretation of the Minister of Energy in the scope of the lack of possibility of settling the replacement fee as long as the unit replacement fee does not reach the maximum level (300.03 PLN/MWh), resulted in a strong increase in prices of PMOZE_A to the level of PLN 70/MWh and established a sustained upward trend.

LIGHT BLUE

In the area of PMOZE_BIO (certificates of origin of energy generated from agricultural biogas), the situation has completely changed when compared to the redemption obligation for 2016. In the first half of 2017, the prices reached a level of PLN 470/MWh. The valuation of the instrument came close to the level of the unit replacement fee (PLN 300.03/MWh) only after the publication of the first draft amendment to the RES Act in June 2017, conditionally unlocking the possibility of settling the replacement fee. Since this point in time, the prices of “light blue” property rights have remained above the replacement fee, but they are close to it (above PLN 317/MWh), with account taken of the purchaser’s benefit resulting from the possibility of deducting the excise tax (PLN 20/MWh) for the fulfilment of the obligation through redemption of certificates of origin. The price trend is maintained due to the fact that the conditions for paying the replacement fee have been met since the beginning of 2018. This should continue as long as the average three-month PMOZE_BIO price is above the level of the unit replacement fee.

COGENERATION

The current system of property rights for cogeneration will remain in effect until the end of 2018 and legislative work is under way on a new support system operating on the basis of an auction system.

WHITE

In the previous year, for the first time the moment of fulfilment of the obligation was set to the end of June, in connection with the new Act on Energy Efficiency of 20 May 2016. As a result, there are currently four indices for “white” property rights on the market, i.e.:

- PMEF – energy efficiency certificates issued on the basis of a system of tenders pursuant to the previous legal basis, subject to expiry as of 30 June 2019;
- PMEF-2017 – energy efficiency certificates issued for completed investments, for applications submitted in 2017 (outside the system of tenders), which, like “cogeneration” property rights, shall expire after 30 June 2018;
- PMEF-2018 – energy efficiency certificates issued for completed investments, for applications submitted in 2018 (outside the system of tenders), which, like “cogeneration” property rights, shall expire after 30 June 2019;
- PMEF_F – energy efficiency certificates issued for non-started investments pursuant to the Act of 20 May 2016, without expiry date.

On 20 July 2017, results of the last tender for investments in the field of energy efficiency, announced by the Energy Regulatory Office on 21 September 2016, were published. The projects selected in individual categories amounted in total to nearly 55% of the pool (806.743/toe in total). The growth in the number of PMEF on the market resulted in the fall of prices of the instrument in the second half of 2017. In the end, however, index prices returned to the average level of PLN 712/toe due to the appearance of information from the Ministry of Energy that if there is a risk that after the obligation for 2018, i.e. after 30 June 2019, unused PMEFs will remain on the registers, then measures may be taken to change the date of their redemption, i.e. extend their validity.

The recent amendment to the Act on Energy Efficiency, although it facilitated the process of application for support for activities in favour of energy efficiency, in connection with the failure to initiate a tender procedure, it simultaneously reduced the PMEF_F supply through the limitation of support for a project to the amount of one average annual energy saving. This translated into the valuation of PMEF_F at a level of PLN 1,500/toe (similar to the unit replacement fee).

Variability and liquidity on the wholesale market

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

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

On 28 October 2016, ENEA made a statement of termination of or withdrawal from all long-term property right purchase agreements resulting from the certificates of origin of energy from renewable sources (the so-called green certificates). These agreements became dissolved. The Company had to terminate/withdraw from the individual agreements as it has exhausted all possibilities of restoring contract balance and equivalence of the parties’ performances due to the amendments to the law. The financial consequences of dissolving the abovementioned agreements will be the avoidance by the Company of the loss being the balance of the contractual prices and the market price of green certificates. At present, three cases are pending before the Regional Court in Poznań for declaring ineffectiveness of termination (withdrawal) by ENEA S.A. of (from) property right sale agreements. In addition, some proceedings are pending against ENEA S.A. for payment of the fee for property rights resulting from the deduction of payment for the damage caused to ENEA S.A. through the contracting party’s non-fulfilment of its contractual obligation to participate, in good faith, in renegotiating the long-term property right sale agreements pursuant to the adaptation clause binding on the parties. The estimate total net value of ENEA’s contractual liabilities was approx. PLN 1.187m net.

Continued cooperation in the construction of Poland's first nuclear power plan

On 3 September 2014, a Shareholder Agreement was concluded between PGE Polska Grupa Energetyczna and Tauron Polska Energia, ENEA and KGHM Polska Miedź (Business Partners). On April 15, 2015, pursuant to the Shareholder Agreement, an agreement was signed for the sale of shares in PGE EJ 1 sp. z o.o., under which each Business Partner acquired a 10% share in PGE EJ 1. Following the disposal by PGE Polska Grupa Energetyczna to its Business Partners of shares in PGE EJ 1, PGE Polska Grupa Energetyczna holds 70% of the share capital of PGE EJ 1, and the other Business Partners (Tauron Polska Energia, ENEA and KGHM Polska Miedź) hold 30%, i.e. 10% each. According to the assumptions of PGE Polska Grupa Energetyczna, it plays a leading role in the project of construction and operation of the first Polish nuclear power plant, and PGE EJ 1 is to act as the operator of the power plant in the future. Pursuant to the Shareholder Agreement, the Parties undertake to finance jointly, in proportion to their shares, the activities of the Project Preliminary Phase (Development Phase). The financial involvement of ENEA during the Development Phase will not exceed approximately PLN 107 million. In Q1-Q3 2018, PGE EJ 1 continued to work on the programme to prepare for the construction of a nuclear power plant in Poland. The Parties to the Shareholder Agreement foresee that the decision regarding the declaration of further participation of the individual Parties in the next stage of the Project will be taken after the end of the Development Phase.

Act on electromobility and alternative fuels

On 28 December 2017, the Council of Ministers passed draft Act on electromobility and alternative fuels which was submitted by the Minister of Energy. Draft Act proposes the regulations whose aim is to stimulate electromobility development in Poland and the use of alternative fuels, including electricity, in transport. The Act is to set out the legal framework for expansion of the vehicle charging infrastructure, supporting the growth of the market and infrastructure of alternative fuels as well as innovative forms of transport. The Act was signed by the President of the Republic of Poland, Andrzej Duda, on 5 February 2018 and will come into effect 14 days after the day of its publication in the Journal of Laws. The Act introduced new terms, such as charging services. Electric vehicle charging is the new type of business activity; such charging services are not considered the sale of electricity within the meaning of the Energy Law Act, which is why they do not require a licence. Charging services will ensure free-of-charge charging of vehicles in the publicly available charging stations. The first stage of the electricity charging stations construction will take place in the years 2018 and 2019. The relevant infrastructure should be developed on an arm's length basis during this period, with co-financing from the public funds. If the target number of charging stations in the municipalities meeting the conditions set out in the Act is not reached by the end of 2019, such municipalities will have to prepare a plan for development of the missing vehicle charging infrastructure; the party responsible for the construction of the missing charging stations in such municipalities will be the electricity distribution system operator.

Individual solutions will be implemented gradually until 2028. On 28 July 2018, the Act of 6 June 2018 amending the Act on biocomponents and liquid biofuels and certain other acts amending some provisions of the Act on electromobility and alternative fuels came into force. The Act established, among others, the Low Emission Transport Fund, a state special purpose fund administered by the minister in charge of energy matters. The management of the Fund has been entrusted to the National Fund for Environmental Protection and Water Management. Bank Gospodarstwa Krajowego will provide banking services for the Fund. The purpose of the Fund will be to finance projects related to the development of electromobility and transport based on alternative fuels.

Operations of ElectroMobility Poland S.A.

On 19 October 2016, PGE Polska Grupa Energetyczna, Energa, ENEA and Tauron Polska Energia established ElectroMobility Poland S.A. The new company's activity is to contribute to establishing the electromobility system in Poland and to implement a programme aimed at the construction of a Polish electric vehicle and selling it on a mass scale. Each of the ElectroMobility Poland S.A. founding companies took up 25% of the share capital, thus achieving 25% of votes at the general meeting. At present, the company has the share capital of PLN 30m. On 4 October 2018, the Extraordinary General Meeting of ElectroMobility S.A. adopted a resolution on increasing the Company's share capital by PLN 40 million, i.e. from 30 PLN million to PLN 70 million. The share capital increase is awaiting registration in the NCR.

Situation in the domestic bituminous coal mining sector

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

New projections for energy price curves

The long-term financial projections of ENEA Group based on electricity price curve forecasts and the expectations regarding fluctuations in market prices of energy origin certificates, CO₂ emissions allowances, and coal prices prove that the situation in the Generation Area becomes more and more demanding. Due to the continued rising trend on the market of energy fuels and their transport, causing the imbalance between the revenues earned and the energy generation cost, the Group anticipates the need for the fast coming into effect of the announced systemic power industry support mechanisms (e.g., through implementing the abovementioned power market). The difficulties experienced by generation sources in generating good financial results exclude the possibility of making outlays on development investments which seem unavoidable in the years to come.

Expansion of generation portfolio

Irrespective of the fact that the 1,075 MW unit was commissioned at Koźienice Power Plant, ENEA plans to engage in the construction of new sources or acquisition of existing ones. It will carry out some of these activities through partnerships with other energy groups. The implementation of this strategy will mean a significant increase in the significance of ENEA in the generation of electricity for the needs of the National Power System. The total installed capacity of conventional generation sources is expected to increase to 5.8-6.3 GW in 2025. This will allow the Group to produce 20.7-22.8 TWh of electricity from its own sources, which will mean balancing the production and sale of electricity.

Amended RES Act

On 29 June 2018, the President of the Republic of Poland signed the Act of 7 June 2018 amending the Act on renewable energy sources and certain other acts ("RES Act"). The purpose of the RES Act was to adapt the Polish regulations on state aid to the requirements that the European Commission set for the Republic of Poland in the notification procedure of the RES development support system. The RES Act regulates changes to the principles of the auction system, introducing a clear division into auction baskets along with the conclusion of the quantity and value of energy that can be contracted at this year's auctions. The effect of the implemented changes is also the abolition of the limit for participation in RES auctions for biomass combustion units with a total installed electrical capacity greater than 50 MW. In addition, in terms of biomass, the Act sets the share of agricultural biomass in the total biomass weight share at 10%. These regulations are important, inter alia, from the point of view of Unit No. 9 of Połaniec Power Plant. In the context of ensuring compliance of the definitions adopted in the RES Act with the Directive of the European Parliament and of the Council on the promotion of the use of energy from renewable sources, the regulations introduce definition changes, inter alia, increasing the scopes of installed capacity in small and micro RES installations. In the field of energy wood, its definition catalogue has been extended to biomass of agricultural origin. In terms of the use of fuels in practice, there is still no clear definition of the characteristics of energy wood as defined in the relevant regulation. Also, a provision was added imposing an obligation to sell all electricity generated from RES installations by 31 December 2020 (with certain inclusions) on the commodity exchange or on another regulated market.

The President of ERO announced that in October and November 2018, in accordance with the applicable regulations and based on the rules set out in the Auction Regulations, auctions for the sale of electricity generated from RES will be held. The auctions will be conducted using the functionalities of the Online Auction Platform, where producers wanting to join an auction will be able to set up their accounts and register their installations for which they are planning to submit bids.

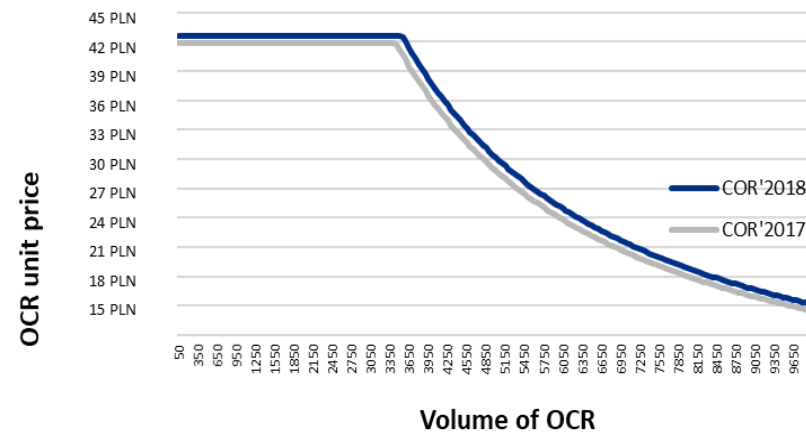
The announced auctions will be open to the producers of energy generated in RES installations who have obtained a confirmation of submitting the declaration referred to in Article 71 item 4 of the RES Act, inter alia, for existing installations with an installed power capacity greater than 1 MW constituting dedicated biomass combustion installations, including high-efficiency cogeneration, and those constituting hybrid systems, including high-efficiency cogeneration, or constituting dedicated multi-fuel combustion installations. This information is important, inter alia, from the point of view of Połaniec Power Plant.

Operating Capacity Reserve (OCR)

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

A unit price for OCR depends on the volume of generating capacity available to OTSs over the demand and may not be higher than the reference price which for 2015 was 37.28 PLN/MWh, for 2016 was 41.20 PLN/MWh, and for 2017 it was 41.79 PLN/MWh.

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



Parameters of the OCR settlement model in 2017-2018

Parameter	2017	2018
Hourly budget [PLN]	144,070.61	150,815.81
Reference price [PLN/MWh]	41.79	42.58
Hourly volume of required OCR [MWh]	3,447.49	3,514.94
Number of demand peak hours	3,765	3,780
OCR annual budget [PLN m]	542.4	570.1

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

Significant trends in the Distribution area

New technologies emerging, Clients' rising expectations, and a dynamically changing economic environment in Poland and worldwide anticipate changes to the way of operation of Distribution System Operators (DSO); in particular, they emphasise the need to implement innovative solutions in the area of distribution which lead to upgrade and extension of the distribution network enabling to absorb the leading trends in the power industry.

Key trends are related to:

- the development and implementation of smart grids
- the development and implementation of high-end IT systems supporting network management
- the occurrence of new institutional and technical solutions, such as clusters, power cooperatives, prosumer market, power warehouses, electromobility
- implementation of R&D projects

2018 Tariff for electricity distribution services in the context of quality regulation and the so-called "anti-smog tariff"

The new model of quality regulation came into effect on 1 January 2016. According to its assumptions, the President of the Energy Regulatory Office made part of ODSs' regulated revenue dependent on the quality of services provided by these entities.

The service quality assessment will take place in the form of measurement of various indicators, including, without limitation, power supply reliability and the time of connection to the power grid. From the perspective of the approved 2018 Tariff for electricity distribution services, the quality regulation impact on the revenue achievable by the Company is negligible for the reported year.

Moreover, in connection with the Regulation of the Minister of Energy of 29 December 2017 on the detailed rules for determining and calculating rate structures and settlements in electricity trading, a new power tariff group G12 as was established within the Tariff for electricity distribution services. It is to promote energy consumption during the so-called night consumption fall by setting preferential rates of the grid rate variable component. The conducted analyses indicate that its impact on ODSs' revenues is currently neutral.

Increasing number of energy sellers

The number of electricity sellers has been constantly growing. The occurrence of a seller pursuing an aggressive pricing policy may put a pressure on the margin on energy sales to retail clients. Another important fact is that more and more clients decide to change their energy seller. As at the end of December 2017, the number of TPA (Third Party Access) recipients among enterprises (power tariff groups A, B, C) reached 188,231, which means a rise by 8.3%. As regards households, there were 546,867 TPA recipients among them (power tariff group G) as at 2017, which means an increase by 18.2% when compared to the status as at the end of December 2016.¹⁾

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

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

¹⁾ ure.gov.pl/pl/urzed/informacje-ogolne/aktualnosci/7389,Kolejni-odbiorcy-energii-elektrycznej-skorzystali-z-prawa-wyboru-sprzedawcy.html?search=17331048

General Data Protection Regulation (GDPR)

GDPR is an EU legal act which entered into force on 25 May 2018 in all member states. It introduces new rules for the processing of personal data and imposes new obligations on data controllers. GDPR provides for high administrative fines for non-compliance with the provisions of the Regulation and the right to compensation for persons whose right to the protection of personal data has been infringed. ENEA S.A. is currently preparing for the upcoming changes and is implementing the obligations for data controllers laid down in GDPR.

Court and administrative proceedings

As at the day of submitting this report, there are no pending proceedings regarding the liabilities or debt claims, to which ENEA S.A. or its subsidiary unit is a party. A detailed description of the proceedings is included in note 27 to the condensed consolidated mid-year financial statements of ENEA Group for the period from 1 January to 30 September 2018.

Collective disputes

There is no collective dispute in any of the key companies being members of ENEA Group. In order to eliminate the risk and occurrence of potential collective dispute, the management boards of the companies remain in constant dialogue with the community.



CO₂ emission allowances

An important element on the cost side which determines the profitability of electricity generation is the allocation of free emission allowances for carbon dioxide and other gases and substances in a given settlement period. Receiving a free allocation of CO₂ emission is a condition for the implementation of dedicated investments in ENEA Group submitted to the National Investment Plan (NIP). The value of actual expenses incurred is the basis for receiving allowances.

In 2018, Poland carries out, in accordance with the plan, the sales of 78.03 million CO₂ emission allowances. Polish EUAs are sold on the auction platform of the EEX exchange with which Poland has executed once again an agreement on sales of emission allowances. The auctions take place every second Wednesday – at each of them, except for the auctions carried out in August, 3.547 million EUAs are put to sale. In the period of January-September 2018, Poland sold 60.30 million CO₂ emission allowances, generating in that manner EUR 862.10 of revenues.

Auction date	Volume [t]	Price [EUR]	Revenue [EUR]	Volume, cummulatively [t]	% of planned volume [%]
17 Jan 2018	3,547,000	EUR 7.99	EUR 28,340,530.00	3,547,000	5%
30 Jan 2018	3,547,000	EUR 9.88	EUR 35,044,360.00	7,094,000	9%
14 Feb 2018	3,547,000	EUR 8.78	EUR 31,142,660.00	10,641,000	14%
28 Feb 2018	3,547,000	EUR 9.99	EUR 35,434,530.00	14,188,000	18%
14 Mar 2018	3,547,000	EUR 11.25	EUR 39,903,750.00	17,735,000	23%
28 Mar 2018	3,547,000	EUR 14.05	EUR 49,835,350.00	21,282,000	27%
11 Apr 2018	3,547,000	EUR 13.55	EUR 48,061,850.00	24,829,000	32%
25 Apr 2018	3,547,000	EUR 13.09	EUR 46,430,230.00	28,376,000	36%
9 May 2018	3,547,000	EUR 13.92	EUR 49,374,240.00	31,923,000	41%
23 May 2018	3,547,000	EUR 15.81	EUR 56,078,070.00	35,470,000	45%
6 Jun 2018	3,547,000	EUR 15.70	EUR 55,687,900.00	39,017,000	50%
20 Jun 2018	3,547,000	EUR 14.43	EUR 51,183,210.00	42,564,000	55%
4 Jul 2018	3,547,000	EUR 15.35	EUR 54,446,450.00	46,111,000	59%
18 Jul 2018	3,547,000	EUR 16.17	EUR 57,354,990.00	49,658,000	64%
1 Aug 2018	1,773,500	EUR 17.38	EUR 30,823,430.00	51,431,500	66%
19 Aug 2018	1,773,500	EUR 20.90	EUR 37,066,150.00	53,205,000	68%
12 Sep 2018	3,547,000	EUR 23.55	EUR 83,531,850.00	56,752,000	73%
26 Sep 2018	3,547,000	EUR 20.44	EUR 72,358,800.00	60,299,000	77%
10 Oct 2018	3,547,000	EUR 20.70	EUR 73,422,900.00	63,846,000	82%
24 Oct 2018	3,547,000	EUR 19.10	EUR 67,747,700.00	67,393,000	86%
7 Nov 2018	3,547,000	EUR 18.25	EUR 64,732,750.00	70,940,000	91%
21 Nov 2018	3,547,000	EUR 19.84	EUR 70,372,480.00	74,487,000	95%
5 Dec 2018	3,543,000			78,030,000	100%

Reduction of pollutant emissions

In accordance with EU regulations, and in particular Directive of the European Parliament and of the Council 2010/75/EU of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (IED), as of 1 January 2016 new, more strict environment protection standards are applicable. Therefore all electricity producers in Poland who use first of all carbon-intensive technologies are obliged to adjust their energy units to the new environmental requirements. To address the problems of entrepreneurs, EU law envisages a possibility of using derogation mechanisms. The alleviation of the IED requirements in the form of a derogation makes it possible to obtain additional time for adjusting generation units to the stricter air pollutant emission standards.

On 17 August 2017, the so-called BAT conclusions (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. Published kBATs introduce, among other things, stricter requirements (than in the IED) for pollutants such as sulphur dioxide, nitrogen oxides and dust. The emission limit values (BATs) also cover the additional substances mercury, hydrogen chloride, hydrogen fluoride and ammonia. In accordance with the requirements of the CNS, a 4-year adjustment period started on 17 August 2017.

Kozienice Power Plant – Units Nos. 1-10

2018/2017	SO ₂			NO _x			Dust ¹⁾			CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions [PLN k]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO ₂ emissions [Mg]	CO ₂ emissions ratio [kg/MWh]	
Q1-Q3 2018	6,266.93	0.710	3,321.5	6,030.39	0.683	3,196.1	197.31	0.022	69.1	7,615,746.99	863	8,828,872.24
Q1-Q3 2017	7,297.36	0.722	3,867.6	9,626.71	0.953	5,102.2	213.73	0.021	74.8	8,833,258.55	874	10,102,664.93
% change	-14.12	-1.66	-14.12	-37.35	-28.33	-37.36	-7.68	4.76	-7.62	-13.78	-1.26	-12.61

Kozienice Power Plant – Unit No. 11 vs. Units Nos. 1-10

Q1-Q3 2018	SO ₂			NO _x			Dust			CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions [PLN k]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO ₂ emissions [Mg]	CO ₂ emissions ratio [kg/MWh]	
Unit No. 11 ²⁾	896.87	0.217	475.3	1,387.04	0.336	735.1	77.30	0.019	27.1	3,082,480.95	747	4,126,367.00
Units Nos. 1-10	6,266.93	0.710	3,321.5	6,030.39	0.683	3,196.1	197.31	0.022	69.1	7,615,746.99	863	8,828,872.24

¹⁾ In June 2018, FGD IV was overhauled, therefore, part of the flue gases from 200 MW units were emitted without desulphurisation by the K2 flue gas stack, which was connected with a periodical increase in the amount of dust emitted.

²⁾ Data taking into account emissions of pollutants from the start-up boiler house.

Compliance with formal and legal requirements

ENEA Wytwarzanie

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

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

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

The emission of pollutants as part of the TNP for Q1-Q3 2018 and the utilisation of the annual emission limits are presented in the table below.

Plant		SO ₂		Dust		NO _x	
		[Mg]	% utilisation	[Mg]	% utilisation	[Mg]	% utilisation
Koziencice Power Plant	emission	5,692.93		157.47		N/A	N/A
	annual max. limit	10,018.00	56.83	1,127.00	13.97		
Białystok Heat and Power Plant	emission	122.90		6.59		265.37	27.44
	annual max. limit	1,688.34	7.28	143.37	4.60	966.99	
Total	emission	5,815.83		164.06		265.37	
	annual max. limit	11,706.34	49.68	1,270.37	12.91	966.99	27.44

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

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

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

In Q1-Q3 2018, no emission standards as defined in the integrated permit for Units Nos. 1-10 were exceeded.

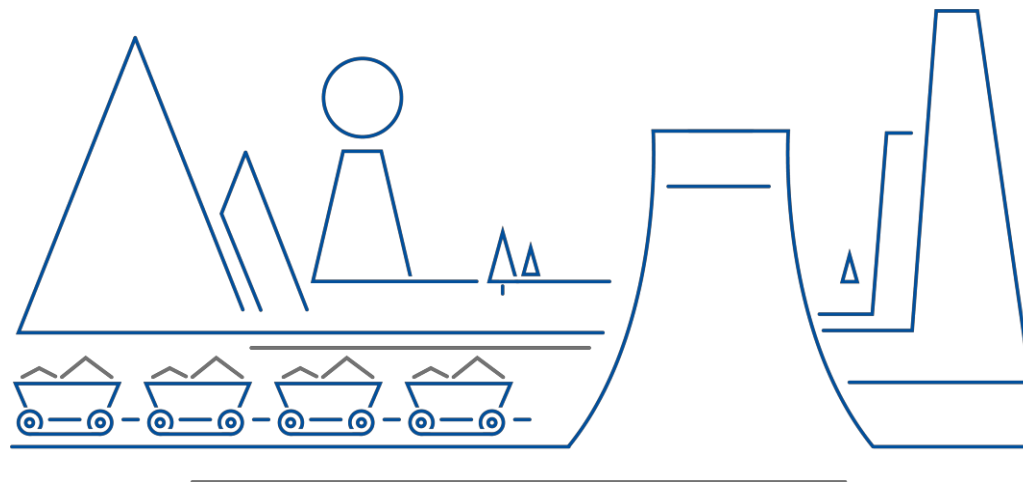
Koziencice Power Plant meets the objectives set by the national and community law (IED directive, BAT conclusion). The power plant operates five FDG installations for flue gas desulphurisation, which guarantee the required reduction of SO₂ emissions from flue gases of all units. All units of the power 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 No. 3) are also equipped with selective catalytic NO_x reduction (SCR) installations. The last SCR installation is currently under construction - for the 500 MW Unit No. 9 (including replacement of the electrostatic precipitator). During the last years, the domestic and rain-industrial sewage treatment plants for Units Nos. 9-11 have been upgraded.

ENEA Elektrownia Połaniec

2018/2017	SO ₂ emissions [Mg]	SO ₂ ¹⁾ emissions rate [kg/MWh]	Fee for SO ₂ emissions [PLN k]	NO _x emissions [Mg]	NO _x emissions rate [kg/MWh]	Fees for NO _x emissions [PLN k]	Dust emissions [Mg]	Dust emissions rate [kg/MWh]	Fee for dust emissions [PLN k]	Gross production of electricity [MWh]
Q1-Q3 2018	6,890.75	0.83	3,652.10	5,870.15	0.71	3,111.18	460.69	0.06	161.24	8,261,608.10
Q1-Q3 2017	5,179.53	0.68	2,745.15	9,218.23	1.22	4,885.66	400.12	0.05	140.04	7,576,008.40
% change	33.04	22.06	33.04	-36.32	-41.80	-36.32	15.14	20.00	15.14	9.05

¹⁾The total increase in SO₂ emissions in the first half of 2018 was mainly influenced by the operation of Unit No. 1. Unit No. 1 (with natural derogation of 17,500 h), compared to the same period of 2017, worked 1,365 hours more with the permissible SO₂ emissions to 1,200 mg/Nm³, which translated into an increase in SO₂ emissions.

ENEA Połaniec S.A. benefits from the derogation resulting from the IED Directive - a natural derogation of 17,500 hours, which covers boiler No. 1. Until the end of September 2018, 7,873 hours in total were used out of the limit of 17,500 hours, including 3,137 hours in Q1-Q3 2018. The emission standards specified in the integrated permit were not exceeded.



Corporate Social Responsibility of ENEA Group in Q3 2018 was focused on the implementation of the following activities:



**Summary of the first edition
and inauguration of the
second edition of ENEA
Talent Academy**

In August 2018, the Poznań Science and Technology Park hosted a gala summing up the first edition of ENEA Talent Academy and inaugurating the second edition of the competition, which was launched in September 2018. The event was attended by winners of the competition (children who received grants and representatives of the winning schools); representatives of the Organiser and Co-organiser of the Competition, representatives of the Jury - representatives of three categories (Sport, Art, Science) and patrons of the Project, among others a representative of the Ministry of National Education and media patrons of the project. The aim of the event was to present the most important information concerning the second edition of the competition and to encourage the participation of talented students and schools. Subsequent meetings inaugurating the second edition of ENEA Talent Academy took place in Połaniec, Koźienice and Szczecin.



**Social programme
- Energy is in Our Blood**

The social campaign launched in March this year covered the regions where the Group's companies are located. So far, subscriptions for the "gift of life" have taken place twice in the following locations: Poznań (ul. Strzeszyńska 58, ul. Górecka 1), Koźienice – the area of ENEA Wytwarzanie and Połaniec (the area of ENEA Elektrownia Połaniec). Hundreds of employees of our Group reported to collection points. Despite very restrictive verification, we managed to collect the "gift of life" from over 160 persons. The "Energy is in the Our Blood" campaign will last until the end of the year.



Campaign
“We Run – We Raise – We Help”

“We Run – We Raise – We Help” is a programme that gathers hundreds of competitors - ENEA Group employees, who, thanks to the completed running competitions at various distances, actively participate in collecting points, which will be converted into zlotys to support the sport development of children. So far, 218 competitors have completed the competition over a distance of up to 20 km; 54 people have engaged in half marathons and runs of up to 42 km. 21 people ran in the marathon, and as many as 36 completed the triathlon competition. The action was finished on 11 November 2018.



The ENEA Foundation programme: “ENEA for Generations. Together about Safety”

In Q3 2018, we continued the workshops within the framework of the “ENEA dla Pokoleń. Wspólnie o Bezpieczeństwie” programme was held in the first half of the year. The project is dedicated to the inhabitants of those municipalities in which the ENEA Group operates. The organisers of the project are: The ENEA Foundation, My50+ Association and the Greater Poland Headquarters of the State Fire Service in Poznan. So far, seniors and their families from six cities have had the opportunity to get involved in the programme. “ENEA for Generations” visited Kórnik, Kościan, Wronki, Kostrzyn-nad-Odrą, Miasteczko Krajeńskie and Chodzież.

As part of the Project, there will be 10 meetings held in 2018. The objective of this action is to ensure safety through education and raising consumer awareness, and to support fire protection among households. We understand educational activities mainly as meetings with senior citizens and multigenerational families, during which we will:

- present examples of most common mistakes made by consumers and examples of fraudulent sales practices;
- practice the appropriate reactions to sudden blackouts resulting from unexpected weather changes;
- discuss fire hazards which can be encountered in a household, among others, we will discuss preventive actions related to asphyxiations with carbon monoxide and actions related to providing first aid.



Grant programme – “The Power of Help”

In Q3 2018, the grant programme “Potęga pomocy” (The Power of Help), carried out by the ENEA Foundation and dedicated to the Employees of ENEA Group, was continued. It enabled the Employees to submit a social initiative to be implemented with a social entity operating in the local community, and initiate projects offering real support to social stakeholders. So far, three editions have taken place, in which nine winners have been selected. Within each edition, ENEA Foundation supports 3 pro-social projects submitted by ENEA Group Employees. The maximum amount of support for the project is PLN 4,000. During the third edition, eight very interesting initiatives were obtained. The winners were the projects to be carried out in the cities of Gniezno, Bydgoszcz and Kozienice. All the winning projects received a grant in the amount of 4,000 PLN, and each of the winning projects involves at least 7 employees of our Group.



“Mission: Prevention – We Will Defeat Melanoma Together”

In Q3 2018, we initiated a project run together with Melanoma Patients Association.

It is a pilot project, which covers ENEA Group employees working in two locations in Poznań (ul. Górecka 1 and ul. Strzeszyńska 58). The project consists in conducting two educational meetings and four days of medical examinations (two days for each location).

In Q3 2018, the lecture and workshop part of the project was conducted. More than seventy people took part in the meetings during which they learned how to recognise potentially harmful skin changes, who is particularly affected by the risk of getting melanoma, how this illness develops and how to prevent it. The medical examination part scheduled for Q4 2018.

Corporate Social Responsibility of LW Bogdanka in Q1-Q3 2018 was focused on the implementation of the following activities:



Volunteering and charitable initiatives in LW Bogdanka

The employee volunteering in LW Bogdanka was implemented through the following campaigns:

- Promoted and supported blood donation, constituting an element of the implementation of “Trilateral Agreement on Blood Donation, Haemotherapy, and Bone Marrow Donation” – running blood donation campaigns at the premises of Bogdanka
- “Positive Caps” - collection of caps for the inhabitants of the Little Prince Lublin Children’s Hospice
- “Gold Rush” - collection of usually unused coins of low nominals: 1, 2, and 5 grosz, to be provided to the Lublin branch of the Polish Red Cross

and “bottom-up” employee charitable campaigns for disadvantaged groups, i.e. victims of accidents or people with illnesses.



Efficiency in the field of security and biodiversity protection

Nature-friendly mine

As a founder and co-organiser (together with OTOP) of the Educational Path Nadrybie, LW Bogdanka continued to extend its infrastructure and intensified education activities undertaken in the area. In 2018, promotional and educational activities are carried out on the Nadrybie path. Moreover, the “Nadrybie” Path Guide was promoted and distributed, among others, during meetings with Nature Educators.

Another pro-ecological project undertaken by the Company in Q3 2018 is the “Protection of Peat Bog Ecosystems in the Łęczyńsko-Włodawskie Lake District”. The project, which will last 2 years, consists in peat bog restoration in environmentally valuable areas in the mine’s vicinity, so that the most valuable species of flora and fauna can migrate, and then settle and thrive.

First: security

As part of the implementation of “Plan of Occupational Safety Improvement” in the Company, a number of initiatives directed to the Staff were undertaken, promoting education in the field of OHS. In 2018, the “OHS Toolbox” was issued and distributed among LW Bogdanka’s employees and subcontractors. Also, a “Let’s Work Safer Programme” – a box of employee initiatives – based on Lean Management principles was implemented. In October, a “Safety Week” was organised, i.e. a series of activities in the area of OHS, first aid and prevention for employees.



Responsible management practices

The Company continuously undertakes activities aimed at increasing the transparency and enabling the stakeholders to participate in the process of creation of activities and strategy. To support this activity, the Company:

- published the “Non-financial Statement”, extending the scope of the reported data with disclosures from the CSR area;
- organised a series of dialogue sessions with stakeholders (March 2018) in accordance with the AA1000 standard, ensuring space for discussion on the previous and future objectives of the Company in the field of corporate social responsibility;
- conducted an evaluation of the “Corporate Social Responsibility Strategy for the Years 2014–2017”, whose results were included in the document update process;
- adopted the “Corporate Social Responsibility Strategy for the Years 2018-2021”, in which it made a commitment to:
 - ensure the highest level of occupational safety
 - limit the impact of the activity on the safety of the local natural environment
 - ensure security and stimulate the development of local communities
 - follow transparent and responsible management practices



Annexes

ANNEXES

Annex No. 1 - Profit and loss account of ENEA S.A. – Q1-Q3 2018 ¹⁾

[PLN k]	Q1-Q3 2017	Q1-Q3 2018	Change	% change
Sales of electricity to retail customers	3,004,430	3,436,829	432,399	14.4%
Sales of gas fuel to retail customers	59,711	61,810	2,099	3.5%
Sales of distribution services to customers who have comprehensive agreements	1,182,571	0	-1,182,571	-100.0%
Sales of energy and gas fuel to other entities	112,871	108,235	-4,636	-4.1%
Sales of services	3,211	2,362	-849	-26.4%
Other revenue	2,226	62	-2,164	-97.2%
Excise tax	190,169	186,782	-3,387	-1.8%
Net sales revenue	4,174,851	3,422,516	-752,335	-18.0%
Depreciation	2,073	1,688	-385	-18.6%
Costs of employee benefits	37,967	44,945	6,978	18.4%
Consumption of materials and raw materials and the value of goods sold	1,625	1,922	297	18.3%
Purchase of energy and gas for sale purposes	2,632,975	3,209,996	577,021	21.9%
Transmission and distribution services	1,183,216	1,599	-1,181,617	-99.9%
Other third party services	133,110	146,566	13,456	10.1%
Taxes and levies	2,749	2,763	14	0.5%
Tax deductible costs of sale	3,993,715	3,409,479	-584,236	-14.6%
Other operating revenues	13,369	15,488	2,119	15.9%
Other operating costs	109,508	48,146	-61,362	-56.0%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	255	148	-107	-42.0%
Operating profit	85,252	-19,473	-104,725	-122.8%
Financial costs	141,822	194,066	52,244	36.8%
Financial revenues	176,347	249,244	72,897	41.3%
Dividend revenues	810,534	645,293	-165,241	-20.4%
Profit before tax	930,311	680,998	-249,313	-26.8%
Income tax	19,691	-31,320	-51,011	-259.1%
Net profit of the reporting period	910,620	712,318	-198,302	-21.8%
EBITDA	87,325	-17,785	-105,110	-120.4%

Q1-Q3 2018

Factors behind the change of EBITDA of ENEA S.A. (a decrease of PLN 105 million):

- (-) lower first contribution margin by PLN 146 million:
 - (-) higher costs of environmental obligations by 49.3%
 - (-) higher average price of energy purchase by 6.2%
 - (-) lower result on trade in gas fuel
 - (+) higher average sale price of energy by 0.3%
 - (+) higher volume of energy sales by 14.0%
- (-) higher costs of employee benefits (by PLN 7 million):
 - (-) higher costs of provisions for employee benefits by PLN 3 million
 - (-) higher costs of remunerations with derivatives by PLN 4 million
- (-) higher costs of third-party services (by PLN 13 million):
 - (-) higher costs of sales by PLN 10 million
 - (-) higher costs of SSC services by PLN 2 million
 - (-) higher costs of rents and fees related to rental, lease by PLN 1 million
 - (-) higher costs of advertisement and representation by PLN 1 million
 - (+) lower costs of consultancy services by PLN 1 million
- (+) higher result on other operating activity (by PLN 63 million) results from:
 - (+) lower provisions for expected losses and potential claims by PLN 43 million, including lower provisions for terminated contracts of purchase of RES property rights by PLN 52 million
 - (+) lower revaluation write-offs on receivables by PLN 7 million
 - (+) higher revenue from licence fees connected with the ENEA trademark by PLN 6.0 million
 - (+) lower written-off debts by PLN 4 million
 - (+) lower costs of donations by PLN 4 million

¹⁾ As of 1 January 2018, the entry into force of the new IFRS 15 Revenue from Contracts with Customers. Change in presentation (in terms of results) of revenues and costs of distribution services in Q1-Q3 2018.

Annex No. 2 - Profit and loss account of ENEA S.A. – Q3 2018 ¹⁾

[PLN k]	Q3 2017	Q3 2018	Change	% change
Sales of electricity to retail customers	969,423	1,163,109	193,686	20.0%
Sales of gas fuel to retail customers	17,035	17,188	153	0.9%
Sales of distribution services to customers who have comprehensive agreements	377,702	0	-377,702	-100.0%
Sales of energy and gas fuel to other entities	44,484	52,512	8,028	18.0%
Sales of services	1,088	815	-273	-25.1%
Other revenue	387	-259	-646	-166.9%
Excise tax	60,781	60,587	-194	-0.3%
Net sales revenue	1,349,338	1,172,778	-176,560	-13.1%
Depreciation	651	580	-71	-10.9%
Costs of employee benefits	13,028	14,578	1,550	11.9%
Consumption of materials and raw materials and the value of goods sold	394	562	168	42.6%
Purchase of energy and gas for sale purposes	866,074	1,121,928	255,854	29.5%
Transmission and distribution services	377,911	745	-377,166	-99.8%
Other third party services	45,252	56,576	11,324	25.0%
Taxes and levies	660	751	91	13.8%
Tax deductible costs of sale	1,303,970	1,195,720	-108,250	-8.3%
Other operating revenues	3,193	5,122	1,929	60.4%
Other operating costs	42,066	15,338	-26,728	-63.5%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	6	108	102	1700.0%
Operating profit	6,501	-33,050	-39,551	-608.4%
Financial costs	47,864	63,134	15,270	31.9%
Financial revenues	38,112	64,091	25,979	68.2%
Dividend revenues	12,807	0	-12,807	-100.0%
Profit before tax	9,556	-32,093	-41,649	-435.8%
Income tax	-1,330	3,144	4,474	336.4%
Net profit of the reporting period	10,886	-35,237	-46,123	-423.7%
EBITDA	7,152	-32,470	-39,622	-554.0%

Q3 2018
Factors behind the change of EBITDA of ENEA S.A. (a decrease of PLN 40 million):

- (-) lower first contribution margin by PLN 54 million:
 - (-) higher costs of environmental obligations by 55.4%
 - (-) higher average price of energy purchase by 10.5%
 - (-) lower result on trade in gas fuel
 - (+) higher average sale price of energy by 3.3%
 - (+) higher volume of energy sales by 16.1%
- (-) higher costs of employee benefits by PLN 2 million – higher costs of remunerations with derivatives
- (-) higher costs of third-party services (by PLN 11 million):
 - (-) higher costs of sale by PLN 9 million
 - (-) higher costs of advertisement and representation by PLN 2 million
 - (-) higher costs of SSC services by PLN 1 million
 - (+) lower costs of consultancy services by PLN 1 million
- (+) higher result on other operating activity (by PLN 29 million) results from:
 - (+) lower provisions for expected losses and potential claims by PLN 19 million, including: lower provisions for terminated contracts of purchase of RES property rights (by PLN 20 million)
 - (+) lower revaluation write-offs on receivables by PLN 6 million
 - (+) lower written-off debts by PLN 2 million
 - (+) higher revenue from licence fees connected with the ENEA trademark by PLN 2 million

¹⁾ As of 1 January 2018, the entry into force of the new IFRS 15 Revenue from Contracts with Customers. Change in presentation (in terms of results) of revenues and costs of distribution services in Q1-Q3 2018.

Annex No. 3 - Profit and loss account of ENEA Operator sp. z o.o. – Q1-Q3 2018

[PLN k]	Q1-Q3 2017	Q1-Q3 2018	Change	% change
Revenue from the sale of distribution services to end users	2,311,582	1,927,115	-384,467	-16.6%
Revenue from additional fees	4,086	4,159	73	1.8%
Revenues from the non-invoiced sale of distribution services	-1,671	-6,591	-4,919	294.3%
Clearing of the Balancing Market	4,277	1,694	-2,583	-60.4%
Fees for connection to the grid	48,062	41,336	-6,725	-14.0%
Revenue from illegal electricity consumption	4,889	4,815	-73	-1.5%
Revenue from services	20,860	21,464	604	2.9%
Sale of distribution services to other entities	12,025	13,635	1,610	13.4%
Sales of goods and materials and other revenues	2,041	1,498	-543	-26.6%
Sales revenue	2,406,150	2,009,126	-397,024	-16.5%
Depreciation of power, plant and equipment and intangible fixed assets	366,215	386,694	20,479	5.6%
Costs of employee benefits	297,376	310,646	13,270	4.5%
Consumption of materials and raw materials and the value of goods sold	21,244	23,025	1,781	8.4%
Purchase of energy for own needs and grid losses	168,302	174,243	5,941	3.5%
Costs of transmission services	763,835	305,713	-458,122	-60.0%
Other third party services	190,842	201,237	10,395	5.4%
Taxes and levies	145,688	156,416	10,728	7.4%
Tax deductible costs of sale	1,953,502	1,557,974	-395,528	-20.2%
Other operating revenues	23,098	62,204	39,106	169.3%
Other operating costs	49,595	29,545	-20,050	-40.4%
Profit/ (loss) on the sale and liquidation of property, plant and equipment	(3,005)	(5,805)	-2,800	93.2%
Operating profit / (loss)	423,146	478,006	54,860	13.0%
Financial revenues	1,153	2,400	1,247	108.2%
Financial costs	38,987	49,686	10,699	27.4%
Gross profit / (loss)	385,312	430,720	45,408	11.8%
Income tax	76,887	78,911	2,024	2.6%
Net profit/(loss)	308,425	351,809	43,384	14.1%
EBITDA	789,361	864,700	75,339	9.5%

Q1-Q3 2018
ENEA Operator Sp. z o.o. – EBITDA change drivers (an increase of PLN 75 million):

- (-) lower revenues from sales of distribution services to end users by PLN 389 million result mainly from a change in presentation of revenues from sales of distribution services (from 1 January 2018, change of the IFRS 15 standard)
- (-) lower revenues from network connection fees by PLN 7 million result mainly from the settlement of quarterly IAS allowances in 2017 (from 1 January 2018, change of the IFRS 15 standard)
- (+) lower purchase cost balance of transmission services by PLN 460 million results mainly from a change in presentation of costs of purchase of transmission services (from 1 January 2018, change of the IFRS 15 standard)
- (-) higher costs of energy purchase to cover the balance-sheet difference by PLN 9 million result mainly from a higher average price of electricity
- (-) higher costs of other third-party services by PLN 10 million, mainly in areas relating to IT and measurement services
- (-) higher costs of taxes and levies by PLN 11 million result from the implemented investments in grid assets
- (-) higher costs of employee benefits by PLN 13 million result mainly from higher employee provisions
- (+) higher result on other operating activities (balance) by PLN 56 million results mainly from the change in stock related to grid assets, higher revenues from insurers and revaluation write-offs on receivables recognised in 2017

Annex No. 4 – Profit and loss account of ENEA Operator sp. z o.o. – Q3 2018

[PLN k]	Q3 2017	Q3 2018	Change	% change
Revenue from the sale of distribution services to end users	755,612	631,443	-124,169	-16.4%
Revenue from additional fees	1,320	1,422	102	7.8%
Revenues from the non-invoiced sale of distribution services	-2,353	-7,008	-4,655	197.9%
Clearing of the Balancing Market	3,418	16	-3,402	-99.5%
Fees for connection to the grid	18,399	11,677	-6,721	-36.5%
Revenue from illegal electricity consumption	1,680	1,484	-196	-11.7%
Revenue from services	6,963	7,021	58	0.8%
Sale of distribution services to other entities	4,013	4,578	565	14.1%
Sales of goods and materials and other revenues	664	508	-156	-23.5%
Sales revenue	789,716	651,142	-138,574	-17.5%
Depreciation of power, plant and equipment and intangible fixed assets	126,629	135,408	8,779	6.9%
Costs of employee benefits	93,269	98,192	4,923	5.3%
Consumption of materials and raw materials and the value of goods sold	5,945	7,436	1,491	25.1%
Purchase of energy for own needs and grid losses	53,584	57,024	3,440	6.4%
Costs of transmission services	253,564	103,086	-150,478	-59.3%
Other third party services	66,994	67,229	235	0.4%
Taxes and levies	43,396	45,748	2,352	5.4%
Tax deductible costs of sale	643,381	514,123	-129,258	-20.1%
Other operating revenues	8,873	28,122	19,249	216.9%
Other operating costs	5,444	9,198	3,754	69.0%
Profit/ (loss) on the sale and liquidation of property, plant and equipment	(868)	(2,934)	-2,066	238.0%
Operating profit / (loss)	148,896	153,009	4,113	2.8%
Financial revenues	357	781	424	118.8%
Financial costs	13,398	16,402	3,004	22.4%
Gross profit / (loss)	135,855	137,388	1,533	1.1%
Income tax	27,205	27,189	-16	-0.1%
Net profit / (loss)	108,650	110,199	1,549	1.4%
EBITDA	275,525	288,417	12,892	4.7%

Q3 2018
ENEA Operator Sp. z o.o. – EBITDA change drivers (an increase of PLN 13 million):

- (-) lower revenues from sales of distribution services to end users by PLN 129 million result mainly from a change in presentation of revenues from sales of distribution services (from 1 January 2018, change of the IFRS 15 standard)
- (-) lower revenues from network connection fees by PLN 7 million result mainly from the settlement of quarterly IAS allowances in 2017 (from 1 January 2018, change of the IFRS 15 standard)
- (+) lower purchase cost balance of transmission services by PLN 151 million results mainly from a change in presentation of costs of purchase of transmission services (from 1 January 2018, change of the IFRS 15 standard)
- (-) higher costs of energy purchase to cover the balance-sheet difference (by PLN 7 million) result mainly from a higher average price of electricity
- (-) higher costs of employee benefits by PLN 5 million result mainly from higher employee provisions
- (-) higher costs of taxes and levies by PLN 2 million result from the implemented investments in grid assets
- (+) higher result on other operating activities (balance) by PLN 13 million results mainly from the change in stock related to grid assets and from gratuitously acquired fixed assets

Annex No. 5 - Profit and loss account of ENEA Wytwarzanie sp. z o.o. – Q1-Q3 2018

[PLN k]	Q1-Q3 2017	Q1-Q3 2018	Change	% change
Revenue from the sale of electricity	1,958,669	3,117,001	1,158,332	59.1%
<i>generation licence</i>	1,836,282	2,653,715	817,433	44.5%
<i>trading licence</i>	122,387	463,286	340,899	278.5%
Revenue from certificates of origin	18,250	31,605	13,355	73.2%
Revenue from the sale of CO ₂ emissions allowances	14,235	26,019	11,784	82.8%
Revenue from the sale of heat	113,411 ¹⁾	107,230	-6,181	-5.5%
Revenue from services	9,565	9,100	-465	-4.9%
Sale of goods and materials and other revenue	9,286	9,455	169	1.8%
Excise tax	165	198	33	20.0%
Net sales revenue	2,123,251¹⁾	3,300,212	1,176,961	55.4%
Depreciation of power, plant and equipment and intangible fixed assets	175,296	345,923	170,627	97.3%
Costs of employee benefits	177,871	200,999	23,128	13.0%
Consumption of materials and raw materials and the value of goods sold	1,175,198	1,574,053	398,855	33.9%
Purchase of energy for sale purposes	183,572	904,182	720,610	392.5%
Transmission services	295 ¹⁾	398	103	34.9%
Other third party services	100,435	114,506	14,071	14.0%
Taxes and levies	63,066	63,285	219	0.3%
Tax deductible costs of sale	1,875,733¹⁾	3,203,346	1,327,613	70.8%
Other operating revenues	9,770	21,974	12,204	124.9%
Other operating costs	3,497	15,094	11,597	331.6%
Profit/ (loss) on the sale and liquidation of property, plant and equipment	755	(2,119)	-2,874	-380.7%
Reversal of the impairment loss on non-financial non-current assets	0	51,365	51,365	-
Operating profit / (loss)	254,546	152,992	-101,554	-39.9%
Financial revenues	220	4,434	4,214	1,915.5%
Financial costs	12,249	113,005	100,756	822.6%
Dividend revenue	1,013	1,217	204	20.1%
Gross profit / (loss)	243,530	45,638	-197,892	-81.3%
Income tax	50,127	39,785	-10,342	-20.6%
Net profit / (loss)	193,403	5,853	-187,550	-97.0%
EBITDA	429,842	447,550	17,708	4.1%

Q1-Q3 2018
ENEA Wytwarzanie Sp. z o.o. – EBITDA change drivers (an increase of PLN 17.7 million):
Kozienice Power Plant –EBITDA higher by PLN 21.9 million

- (+) higher generation margin by PLN 164.4 million
- (-) lower revenues from Regulatory System Services by PLN 4 million
- (-) higher fixed costs by PLN 50.3 million
- (-) lower margin on trading and on Balancing Market by PLN 84.6 million

Heat Segment –EBITDA higher by PLN 23.6 million

- (-) higher costs of biomass consumption by PLN 28.6 million
- (-) lower revenues from sales of electricity by PLN 7.1 million
- (-) higher costs of CO₂ emission allowances by PLN 5.9 million
- (-) lower revenues from sales of heat by PLN 5.9 million
- (+) higher revenues from the sale of certificates of origin by PLN 6.4 million
- (+) lower costs of coal consumption by PLN 15.6 million

RES Segment – EBITDA higher by PLN 19.4 million

- (+) Water Area (+PLN 11.6 million): higher revenues from electricity by PLN 7.8 million, higher revenues from certificates of origin by PLN 4.3 million
- (+) Wind Area (+PLN 7.6 million): lower fixed costs by PLN 8.1 million; higher revenues from certificates of origin by PLN 3.8 million; lower variable costs by PLN 1.4 million; lower revenues from electricity by PLN 5.4 million
- (+) Biogas Area (+PLN 0.2 million): lower variable costs by PLN 1.1 million; lower other costs by PLN 0.5 million; lower fixed costs by PLN 0.2 million; lower revenues from certificates of origin by PLN 1.2 million; lower revenues from sales of electricity by PLN 0.4 million

¹⁾ In accordance with IFRS, in 2018 there was a change in the presentation to the ECB, i.e. the costs of transmission services decrease heat revenues. For the sake of comparability, the comparative period, i.e. 2017, was adjusted.

Annex No. 6 - Profit and loss account of ENEA Wytwarzanie sp. z o.o. – Q3 2018

[PLN k]	Q3 2017	Q3 2018	Change	% change
Revenue from the sale of electricity	641,070	1,137,528	496,458	77.4%
<i>generation licence</i>	605,413	972,332	366,919	60.6%
<i>trading licence</i>	35,657	165,196	129,539	363.3%
Revenue from certificates of origin	4,909	13,960	9,051	184.4%
Revenue from the sale of CO ₂ emissions allowances	3,772	0	-3,772	-100.0%
Revenue from the sale of heat	22,979 ¹⁾	21,930	-1,049	-4.6%
Revenue from services	3,540	3,165	-375	-10.6%
Sale of goods and materials and other revenue	3,242	3,285	43	1.3%
Excise tax	58	68	10	17.2%
Net sales revenue	679,454¹⁾	1,179,800	500,346	73.6%
Depreciation of power, plant and equipment and intangible fixed assets	58,346	111,272	52,926	90.7%
Costs of employee benefits	55,904	60,099	4,195	7.5%
Consumption of materials and raw materials and the value of goods sold	394,310	554,678	160,368	40.7%
Purchase of energy for sale purposes	57,783	366,306	308,523	533.9%
Transmission services	80 ¹⁾	179	99	123.8%
Other third party services	34,247	42,093	7,846	22.9%
Taxes and levies	18,861	17,571	-1,290	-6.8%
Tax deductible costs of sale	619,531¹⁾	1,152,198	532,667	86.0%
Other operating revenues	1,457	14,701	13,244	909.0%
Other operating costs	-992	11,004	11,996	-1,209.3%
Profit/ (loss) on the sale and liquidation of property, plant and equipment	125	(1,951)	-2,076	-1,660.8%
Operating profit / (loss)	62,497	29,348	-33,149	-53.0%
Financial revenues	84	1,715	1,631	1,941.7%
Financial costs	4,026	39,537	35,511	882.0%
Gross profit / (loss)	58,555	(8,474)	-67,029	-114.5%
Income tax	14,124	-6,023	-20,147	-142.6%
Net profit / (loss)	44,431	(2,451)	-46,882	-105.5%
EBITDA	120,843	140,620	19,777	16.4%

Q3 2018
ENEA Wytwarzanie Sp. z o.o. – EBITDA change drivers (an increase of PLN 19.8 million):
Koziencie Power Plant – higher EBITDA by PLN 16.2 million

- (+) higher generation margin by PLN 103.4 million
- (-) lower result on liquidation of tangible fixed assets by PLN 2.1 million
- (-) lower revenues from Regulatory System Services by PLN 2.3 million
- (-) higher fixed costs by PLN 14.8 million
- (-) lower margin on trading and on Balancing Market by PLN 68.4 million

Heat Segment – lower EBITDA by PLN 5.5 million

- (-) higher costs of biomass consumption by PLN 16.9 million
- (-) lower revenues from sales of electricity by PLN 4.0 million
- (-) higher costs of CO₂ emission allowances by PLN 0.9 million
- (-) lower revenues from sales of heat by PLN 0.9 million
- (+) lower costs of coal consumption by PLN 10.8 million
- (+) higher revenues from certificates of origin by PLN 6.5 million

RES Segment – higher EBITDA by PLN 9.1 million

- (+) Water Area (+PLN 1.1 million): higher revenues from electricity by PLN 0.2 million, higher revenues from certificates of origin by PLN 0.8 million
- (+) Wind Area (+PLN 7.7 million): lower fixed costs by PLN 2.8 million; higher revenues from certificates of origin by PLN 2.1 million; higher revenues from electricity by PLN 1.5 million; higher result on other operating activities by PLN 0.9 million; lower variable costs by PLN 0.4 million
- (+) Biogas Area (|+PLN 0.3 million): lower variable costs by PLN 0.6 million; lower fixed costs by PLN 0.1 million; lower revenues from certificates of origin by PLN 0.3 million; lower revenues from sales of electricity by PLN 0.1 million

¹⁾ In accordance with IFRS, in 2018 there was a change in the presentation to the ECB, i.e. the costs of transmission services decrease heat revenues. For the sake of comparability, the comparative period, i.e. 2017, was adjusted.

Annex No. 7 - Profit and loss account of ENEA Elektrownia Połaniec Group – Q1-Q3 2018

[PLN k]	14 Mar-30 Sep 2017 ¹⁾	Q1-Q3 2018	Change	% change
Sales revenue	1,147,263	1,889,905	742,642	64.7%
Excise tax	50	157	107	214.0%
Net sales revenue	1,147,213	1,889,748	742,535	64.7%
Depreciation of power, plant and equipment and intangible fixed assets	23,456	41,918	18,462	78.7%
Costs of employee benefits	42,159	44,595	2,436	5.8%
Consumption of materials and raw materials and the value of goods sold	705,248	1,121,215	415,967	59.0%
Purchase of energy for sale purposes	136,256	361,761	225,505	165.5%
Transmission services	938	0	-938	-100.0%
Other third part services	108,841	152,426	43,585	40.0%
Taxes and levies	18,952	30,029	11,077	58.4%
Tax deductible costs of sale	1,035,850	1,751,944	716,094	69.1%
Other operating revenues	2,975	1,332	-1,643	-55.2%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	(23)	0	23	100.0%
Other operating costs	530	602	72	13.6%
Operating profit / (loss)	113,785	138,534	24,749	21.8%
Financial revenues	3,057	1,976	-1,081	-35.4%
Financial costs	628	36,549	35,921	5,719.9%
Dividend revenue	0	215	215	-
Gross profit / (loss)	116,214	104,176	-12,038	-10.4%
Income tax	14,813	20,112	5,299	35.8%
Net profit / (loss)	101,401	84,064	-17,337	-17.1%
EBITDA	137,241	180,452	43,211	31.5%

Q1-Q3 2018

EBITDA of ENEA Elektrownia Połaniec:

- revenues from sales of electricity (together with Regulatory System Services) in the amount of PLN 1,732 million (sales of 9,625 GWh of electricity)
- revenues from sales of heat in the amount of PLN 41 million, at the sales volume of 1,749 TJ
- revenues from certificates of origin in the amount of PLN 111 million – sales adjusted by revenue from recognition, own cost of sales, and revaluation of the green certificate stock as at the balance-sheet date
- other revenues in the amount of PLN 6 million – revenues from rental and management of combustion by-products
- consumption of materials and raw materials and the value of goods sold in the amount of PLN 1,121 million, including: fuel consumption – PLN 936 million, a provision for CO₂ consumption costs – PLN 154 million, consumption of overhaul materials – PLN 15 million, other – PLN 16 million (consumption of other materials and energy)
- purchase of energy for sale purposes PLN 362 million – the purchase volume of 2,065 GWh
- other third party services in the amount of PLN 152 million – including: overhaul services – PLN 56 million, transport services – PLN 7 million, waste management – PLN 15 million, biomass pre-treatment services – PLN 17 million, insurance of assets – PLN 6 million, ENEA Centrum services – PLN 4 million, SLA ENEA Trading – PLN 7 million, use of the ENEA trademark – PLN 4 million, other services – PLN 36 million (including: operational and legal services, audits, rental and lease, property protection, other third-party services)
- taxes in the amount of PLN 30 million – including: property tax – PLN 18 million, environment protection fee – PLN 10 million, license fee – PLN 1 million

¹⁾ Data for the period 14–30 September 2017 concerned ENEA Elektrownia Połaniec Group, while items presented from 1 January 2018 concern individual data of ENEA Elektrownia Połaniec (without ENEA Bioenergia Sp. z o.o.)

Annex No. 8 - Profit and loss account of ENEA Elektrownia Połaniec Group – Q3 2018

[PLN k]	Q32017 ¹⁾	Q32018	Change	% change
Sales revenue	533,921	710,508	176,587	33.1%
Excise tax	24	43	19	79.2%
Net sales revenue	533,897	710,465	176,568	33.1%
Depreciation of power, plant and equipment and intangible fixed assets	10,780	14,714	3,934	36.5%
Costs of employee benefits	20,905	14,798	-6,107	-29.2%
Consumption of materials and raw materials and the value of goods sold	341,229	419,896	78,667	23.1%
Purchase of energy for sale purposes	50,249	130,438	80,189	159.6%
Transmission services	69	0	-69	-100.0%
Other third part services	52,311	49,673	-2,638	-5.0%
Taxes and levies	7,316	9,664	2,348	32.1%
Tax deductible costs of sale	482,859	639,183	156,324	32.4%
Other operating revenues	230	176	-54	-23.5%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	(23)	0	23	100.0%
Other operating costs	177	182	5	2.8%
Operating profit / (loss)	51,068	71,276	20,208	39.6%
Financial revenues	-626	561	1,187	-189.6%
Financial costs	84	109	25	29.8%
Dividend revenue	0	215	215	-
Gross profit / (loss)	50,358	71,943	21,585	42.9%
Income tax	4,652	13,794	9,142	196.5%
Net profit / (loss)	45,706	58,149	12,443	27.2%
EBITDA	61,847	85,990	24,143	39.0%

Q3 2018

EBITDA of ENEA Elektrownia Połaniec (an increase of PLN 24.1 million):

- (+) higher sales revenues by PLN 177 million result from higher energy sales by PLN 156 million on the back of a higher energy sales volume by 567 GWh and a higher sales price by PLN 18.17/MWh. Higher revenues from green certificates by PLN 22.5 million resulting from a higher price of green certificates by PLN 83.78/MWh. Lower revenues from sales of system services by PLN 2.4 million due to a lower volume of free available capacity
- (+) lower costs of employee benefits by PLN 6 million resulting mainly from the lack of consolidation of Bioenergia in 2018 and the ENEA Centrum Integration project
- (-) higher consumption of materials and raw materials by PLN 79 million mainly due to a higher production by 283 GWh, which resulted in a higher consumption of materials and raw materials used directly in production with a concurrent growth of coal costs by PLN 9.31/MWh and biomass costs by PLN 45.8/MWh
- (-) higher energy purchase costs by PLN 80 million result from a higher energy purchase price by PLN 63.10/MWh with a concurrent growth in volume of purchased energy by 280 GWh
- (+) higher costs of third party services by PLN 3 million result mainly from: lower costs of overhauls by PLN 10 million (in 2017, there were two medium-scale renovations, in 2018 – only routine overhauls), lower costs of SLA Trading by PLN 1 million, higher costs of ENEA Centrum Integration by PLN 1 million, higher costs of ENEA trademark use by PLN 1 million, higher costs of biomass installation operation by PLN 5 million (lack of Bioenergia consolidation – change in the presentation of costs, transfer of remuneration cost to costs of services), higher cost of other services by PLN 1 million
- (+) lower taxes and levies by PLN 2 million result from a release of the provision for Tax Inspection Authority claims in respect of VAT at the value of PLN 2.1 million in Bioenergia in 2017

¹⁾ Data for Q3 2017 concerned ENEA Elektrownia Połaniec Group, while items presented for Q3 2018 concerned ENEA Elektrownia Połaniec standalone data (excluding ENEA Bioenergia Sp. z o.o.).

Annex No. 9 - Profit and loss account of LW Bogdanka Group – Q1-Q3 2018

[PLN k]	Q1-Q32017	Q1-Q32018	Change	% change
Net sales revenue	1,307,130	1,335,640	28,510	2.2%
Depreciation of power, plant and equipment and intangible fixed assets	259,632	274,847	15,215	5.9%
Costs of employee benefits	391,132	425,192	34,060	8.7%
Consumption of materials and raw materials and the value of goods sold	215,205	253,527	38,322	17.8%
Other third party services	206,230	238,431	32,201	15.6%
Taxes and levies	36,095	35,251	-844	-2.3%
Tax deductible costs of sale	1,108,294	1,227,248	118,954	10.7%
Other operating revenues	2,973	33,654	30,681	1,032.0%
Other operating costs	1,607	2,569	962	59.9%
Profit/ (loss) on the sale and liquidation of property, plant and equipment	(8,766)	(14,475)	-5,709	-65.1%
Operating profit / (loss)	191,436	125,002	-66,434	-34.7%
Financial revenues	6,404	12,613	6,209	97.0%
Financial costs	18,473	12,359	-6,114	-33.1%
Gross profit / (loss)	179,367	125,256	-54,111	-30.2%
Income tax	36,076	23,008	-13,068	-36.2%
Net profit / (loss)	143,291	102,248	-41,043	-28.6%
EBITDA	451,068	399,849	-51,219	-11.4%

Q1-Q3 2018

LW Bogdanka Group's EBITDA change drivers (a decrease of PLN 51 million):

- (+) higher revenues from sales of coal: higher sales volume (+90,000 tonnes, +1.3%), at a higher price and a higher adjustment for coal from preparatory work
- (-) higher costs of employee benefits – a pay rise paid together with an extra bonus as well as higher average employment by 132 employees
- (-) higher costs of materials and energy resulting from higher gross extraction (+10.8%) and a broader scope of excavation works (+27.3%)
- (-) higher costs of third-party services – a larger scope of works commissioned to third-parties (drilling and mining services, stone transportation and loading services, weekend and holiday services, and higher rates for the services)

Significant one-off events:

- higher other operating revenues – settlement of the arrangement entered into between the Company and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras; a positive impact on EBITDA of PLN 28.7 million
- higher value of liquidated tangible fixed assets – mainly, the net value of decommissioned excavations (last metres)
- higher financial revenues – a release of the provision for Corporate Income Tax interest (approx. PLN 3.6 million)
- lower financial costs – lower debt; settlement of the arrangement entered into between the Company and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras; a positive impact on financial costs of PLN 2.7 million

Annex No. 10 - Profit and loss account of LW Bogdanka Group – Q3 2018

[PLN k]	Q3 2017	Q3 2018	Change	% change
Net sales revenue	405,013	479,688	74,675	18.4%
Depreciation of power, plant and equipment and intangible fixed assets	85,572	101,287	15,715	18.4%
Costs of employee benefits	124,226	154,731	30,505	24.6%
Consumption of materials and raw materials and the value of goods sold	69,800	96,798	26,998	38.7%
Other third party services	67,585	85,876	18,291	27.1%
Taxes and levies	11,934	13,268	1,334	11.2%
Tax deductible costs of sale	359,117	451,960	92,843	25.9%
Other operating revenues	1,050	1,327	277	26.4%
Other operating costs	541	516	-25	-4.6%
Profit/ (loss) on the sale and liquidation of property, plant and equipment	(2,143)	(3,526)	-1,383	-64.5%
Operating profit / (loss)	44,262	25,013	-19,249	-43.5%
Financial revenues	1,824	1,959	135	7.4%
Financial costs	5,712	3,317	-2,395	-41.9%
Gross profit / (loss)	40,374	23,655	-16,719	-41.4%
Income tax	8,964	5,540	-3,424	-38.2%
Net profit / (loss)	31,410	18,115	-13,295	-42.3%
EBITDA	129,834	126,300	-3,534	-2.7%

Q3 2018

LW Bogdanka Group's EBITDA change drivers (a decrease of PLN 3.5 million):

- (+) higher revenues from coal sales: higher sales volume (+411,000 tonnes, +20.2%), at a higher price and a higher adjustment for coal from preparatory work
- (+) higher revenues from sales of materials and raw materials – higher sales of scrap
- (-) higher costs of employee benefits – higher average employment (more than 150 employees in LWB alone), a pay rise paid and an extra bonus (settled over time); additionally, higher costs due to a decrease in the value of stock y/y
- (-) higher costs of materials and energy resulting from higher gross extraction (+8.0%) and a larger scope of excavation works (+18.1%); additionally, higher costs due to a decrease in the value of stock y/y
- (-) higher costs of third-party services, mainly costs of Saturday and Sunday work and of tunnelling works; additionally, higher costs due to a decrease in the value of stock y/y

Significant one-off events:

- higher value of liquidated tangible fixed assets – mainly, the net value of decommissioned excavations
- lower financial costs – lower debt



Glossary of terms and abbreviations

GLOSSARY OF TERMS AND ABBREVIATIONS

Financial ratios

The following is a glossary of terms and a list of abbreviations used in this report.

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

Abbreviation/term	Full name/definition
ACER	Agency for the Cooperation of Energy Regulators – EU agency established pursuant to the third energy package. The objective of the Agency is coordination and support of the national regulatory authorities. A full list of duties is specified in Regulation No. 713/2009
AMI	Advanced systems measuring, collecting and analysing energy consumption and enabling two-way communication between the end user and central system. AMI includes both intelligent meters and smart power grids
Backloading	Suspension of some auctions of CO ₂ emission allowances by EU to increase the price of allowances
Balancing market	Technical market operated by OTSS. Its objective is to balance in real time the demand for electricity with its production in the National Power System (NPS)
BAT	Best Available Techniques – a document drawing conclusions on best available techniques for the installations concerned and indicating the emission levels associated with the best available techniques
CAPEX	Capital expenditures
Carbon leakage	Leakage of CO ₂ from one country to another
CER	Certified Emission Reduction – the unit of certified emission reduction
CO ₂	Carbon dioxide
Cogeneration	A technological process of simultaneous generation of electricity and usable thermal energy in a CHP plant
DAP	Delivered at Place – a situation where the seller of the goods is responsible for delivering the goods to a particular place and the buyer is responsible for unloading the goods
EFX	Index for session transactions, the subject of which are contracts for property rights resulting from Energy Efficiency Certificates, the so called “white” certificates
Energy Law	Act of 10 April 1997 - Energy Law (Journal of Laws of 1997 No. 54, item 348, as amended)
EUA	EU Emission Allowance - emission allowances under the European Emissions Trading System
European Emission Trading System EU ETS	A European scheme to promote the reduction of greenhouse gas emissions
FGD installation	Flue gas desulphurisation installation
Forward market	Electricity market where forward products are listed
GPZ	(Polish) Transformer/Switching Point – a transformer station, responsible for converting high or medium voltage into low voltage for end users in a specified area
“Green” Property Rights	Same as PMOZE
ICE	Intercontinental Exchange – a trading platform for trading EU CO ₂ Emission Allowances (EUA) and units of Certified Emission Reduction (CERs) in the futures market
IGCC	Integrated Gasification Combined Cycle – gas/steam block technology with integrated gasification of the fuel. Enables the construction of power plants with much higher efficiency compared to conventional coal-fired power plants
KECX	Index for session transactions, the subject of which are contracts for property rights resulting from certificates of origin for electricity generated in other cogeneration sources
KGMX	Index for session transactions, the subject of which are contracts for property rights resulting from certificates of origin for electricity generated in gas cogeneration units or with total installed capacity up to 1 MW.
KMETX	Index for session transactions concerning contracts for property rights resulting from certificates of origin for electricity generated in cogeneration units fired with methane released and accounted for during underground mining works or by gas obtained from biomass processing within the meaning of Article 1 (2) (a) of the Act on biocomponents and liquid biofuels
“Light blue” Property Rights	Property rights to certificates of origin confirming the production of electricity from agricultural biogas
MW _e	Megawatthour (1 GWh = 1.000 MWh)
MWh	Megawatthour (1 GWh = 1.000 MWh)
MW _t	Megawatt of heating power
NFOŚiGW	(Polish) National Fund for Environmental Protection and Water Management

Abbreviation/term	Full name/definition
NO_x	Nitrogen oxides
ODS	Operator of the Distribution System
OPR	Operational Power Reserve
OTS	Operator of the Transmission System
OZEX_A	Index for session transactions concerning contracts for property rights resulting from certificates of origin for electricity generated from renewable energy sources, the production period of which (indicated in the certificate of origin) has started since 1 March 2009 (inclusive)
PMOZE	Property rights to certificates of origin for energy from renewable energy sources
PPE	Polish Power Exchange
Price of baseload ("BASE")	The contract price for delivery of the same volume of electricity in euro-peak (i.e. from 7:00 a.m. to 10:00 p.m. on business days)
Price of euro-peak ("PEAK")	The contract price for delivery of the same volume of electricity in each hour of the day
"Purple" Property Rights	Property Rights to certificates of origin confirming the generation of electricity in a cogeneration unit fired with methane released and included in underground mining works or with gas obtained from biomass processing within the meaning of Article 2 (1) of the Act on biocomponents and liquid biofuels
"Red" Property Rights	Property rights to certificates of origin confirming the generation of electricity in other cogeneration sources
REMIT Regulation	Regulation on Wholesale Energy Market Integrity and Transparency which sets out a framework for monitoring wholesale energy markets in order to detect and prevent unfair practices at EU level.
RES	Renewable Energy Sources
SAIDI	System Average Interruption Duration Index - indicator of the average system duration of a long and very long break (expressed in minutes per Customer)
SAIFI	System Average Interruption Frequency Index - indicator of the average system frequency of long interruptions in energy supply (expressed in the number of breaks per Customer)
SCR installation	Installation of catalytic flue gas denitrification
SO₂	Sulphur dioxide
SPOT market	Cash market (spot)
Tariff group A	Energy sold and supplied to customers connected to the high voltage grid
Tariff group B	Energy sold and supplied to customers connected to the medium voltage grid
Tariff group C	Energy sold and supplied to customers connected to the low voltage grid, excluding customers using electricity for household purposes
Tariff group G	Energy sold and supplied to household customers connected to the grid irrespective of the voltage level
TFS	Tradition Financial Services - an electricity trading platform designed to conclude various types of transactions, purchase and sale of conventional energy, property rights, renewable energy and CO ₂ emission allowances
TPA	Third Party Access – the principle of third party access to the power grid, which enables the purchase of electricity and electricity distribution services on the basis of two separate agreements
WACC	Weighted average cost of capital
"White" Property Rights	Property rights to certificates of origin resulting from energy efficiency certificates, the so called "white" certificates
WIBOR	Warsaw Interbank Offered Rate - interest rate on loans on the Polish interbank market
WRA	Regulatory Value of Assets
"Yellow" PM	Property rights to certificates of origin confirming the generation of electricity in a gas cogeneration unit or with a total installed capacity of up to 1 MW

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