



Management Board report on the activity of ENEA S.A. and the ENEA Group in 2020

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Letter from President of the Management Board and CEO

Dear Stakeholders,

we have the honor to present to you this periodic report of the ENEA Group, in which we have described the activities we carried out during all twelve months of 2020. In this period, the ENEA Group ran its business in a demanding market environment and in an economy fighting the effects of the pandemic.

We successfully reorganized our work at every level of operation to ensure the safety of our employees and customers and a stable supply of electricity to all recipients. During this special time, our employees performed their assigned tasks with responsibility and commitment. I wish to thank them very much for this outstanding effort.

With a great deal of commitment, we are actively supporting governmental and non-governmental endeavors aimed at counteracting the spread of the coronavirus. In 2020, the ENEA Group donated more than PLN 5.3 million through various channels, including the ENEA Foundation. This aid was provided to hospitals, treatment centers, hospices, sanitary and epidemiological stations and non-governmental organizations for the purchase of medical equipment and necessary sanitary and personal protection products. We know what responsibility means. For this reason, we care not only for our employees and customers, but also for the whole communities in the locations where we run our business.



Financial and operating performance

2020 was a tough period for the global economy. Also our domestic power sector experienced a major decline in the activity of large businesses, which triggered a decline in demand for electricity. The ENEA Group's financial and operating performance was affected by the volatile and tough market environment. Despite this, we generated stable results with an increase in revenues by 11% y/y to PLN 18.2 billion and an EBITDA of PLN 3.3 billion.

In 2020, the volume of sales of electricity and gaseous fuel to retail customers reached 21.1 TWh, up by approx. 3.8%, or 774 GWh, compared to 2019. In the business customer segment, the sales volume was higher than the year before by 371 GWh, or approx. 2.5%. In the household segment, the sales volume increased by 133 GWh, or approx. 2.9%. The sales volume of gaseous fuel also increased compared to the corresponding period of the previous year (by 270 GWh, or approx. 25.5%). The total volume of energy generated from renewable sources reached almost 2.4 TWh and increased by 5%, or 112 GWh.

More than 43 thousand renewable sources, including micro-installations, got connected to ENEA Operator's grid, and the total number of renewable energy sources connected by the distribution company was nearly 63 thousand at yearend 2020. The total capacity of the sources installed during this period was over 546 MW, owing to which the current total capacity of connected renewable energy sources, including micro-installations, surpassed 2,043 MW.

In 2020, the ENEA Group's capital expenditures totaled PLN 2.4 billion and were completed largely in accordance with the previously adopted assumptions. PLN 273 million was allocated to capital expenditures related to the Group's environmental protection endeavors, including commercial connection of wind farms to ENEA Operator's grid and upgrades and projects adapting the Group's power plants to the BAT conclusions.

Stable fuel source for power plants

The key supplier of the input commodity for two of our power plants is LW Bogdanka, a member of the Group. Last year, the Company recorded nearly 7.6 million tons of production, down by nearly 19.5% y/y. In the same period, sales of coal decreased by 18%. The company's weaker operating performance in 2020 was driven down primarily by the reduced demand for steam coal from the commercial power and heat generation sectors. LW Bogdanka posted PLN 1,822 million in revenue from sales. EBITDA stood at PLN 466 million.

Before the end of 2020, LW Bogdanka presented a new strategy in response to the challenges presented by Poland's Energy Policy until 2040. The Company focuses chiefly on preserving production capacity, upholding high profitability ratios, demonstrating respect for the natural environment and maintaining the position of the region's economic and social stronghold. In accordance with its objectives, LW Bogdanka remains the performance leader in the mining industry attaining the highest standards of work safety, flexibly adjusting its operations to evolving environmental requirements and market conditions and involved in endeavors aimed at reaching the "green deal" through diversification of its business.

ENEA Group building the power sector of the future

The ENEA Group is also updating its Development Strategy, which will be aligned with the new external conditions and will enable an effective and successful transformation process. The commitment to implement the adopted development directions and objectives is very important, especially in the current period of an economic downturn caused by the pandemic. We strive to play



an active role in building a strong Polish economy and, above all, support the sustainable development of the fuel and power sector. We are taking actions, executing projects and making investments to jointly build the power sector of the future.

We will intensify our investment endeavors in the area of renewable energy sources. We have given up our capital involvement in the project aimed at building a gas-fired unit at the Ostrołęka C Power Plant. We will execute any potential coal-to-gas conversion projects using our own generation assets.

Renewable energy sources in the focus of the Group's attention

In pursuit of the ENEA Group's ambitious transformation, a company by the name of ENEA Nowa Energia was established in mid-2020 to develop and manage projects based on renewable energy sources. The company went through the organization process successfully and in a timely manner. Today, it manages 26 RES facilities, including hydro power plants and wind farms across Poland.

Offshore energy generation from wind sources plays an important role in the ENEA Group's growth plans. In order to boost our competitive edge on the demanding offshore market, we intend to collaborate with other partners active in the Polish energy sector in the execution of future offshore wind farm projects: PGE Polska Grupa Energetyczna and Tauron Polska Energia. We believe that the letter of intent between our companies on the establishment of this collaboration, signed in January 2021, will accelerate and solidify our activities in this business segment.

In addition to developing our own RES capacity, we are involved in endeavors aimed at ensuring the country's energy transformation, supporting RES generators in fulfilling the reporting duty arising from European law (SOGL guidelines). ENEA Operator's experts share their knowledge and experience, supporting entities generating electricity from renewable sources in providing data on electricity generated and introduced to the power grid.

Please read the following summary of activity of the ENEA Group in 2020. On behalf of the ENEA Management Board, I wish to thank all members of the Supervisory Board, the management boards of other Group companies and all employees of the ENEA Group for their professional and committed efforts, permitting us to jointly build and increase the Group's value, making it an even more attractive asset for our investors and shareholders.

Respectfully,

Paweł Szczeszek

President of the Management
Board of ENEA S.A. and CEO

Table of contents

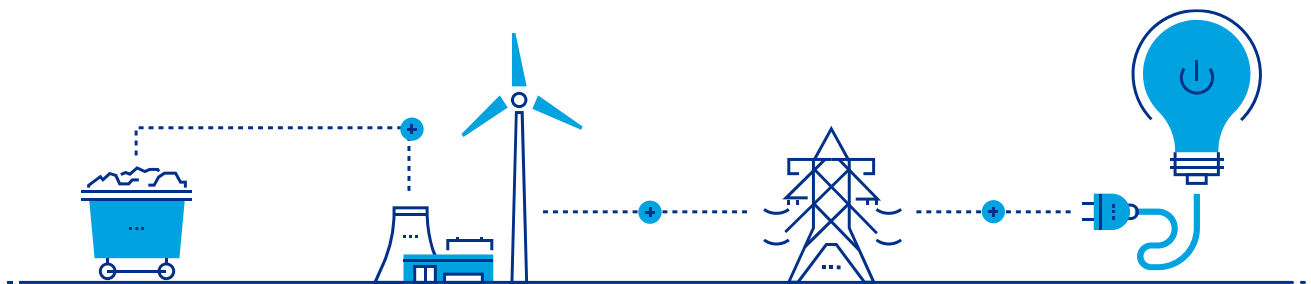
1. Operating summary	6
2. ENEA S.A. as the parent company in the Group	11
3. Organization and activity of the ENEA Group	12
4. Risk management	32
5. Headcount	35
6. Industry profile	37
7. Financial standing	41
8. Shares and shareholders	69
9. Governing bodies	70
10. Other information relevant to evaluation of the issuer's standing	75
11. Representation on the application of corporate governance	98
12. Non-Financial Statement of ENEA Group for 2020	110
13. Appendices	143
14. Glossary of terms and abbreviations	151

ENEA Group in numbers



ENEA has 17.5 thousand employees

MINING	GENERATION	DISTRIBUTION	TRADING
19.7%	6.3 GW	2.7 million	2.6 million
share in the steam coal market in Poland	of total installed capacity	users of distribution services	customers
439 million tons	443 MW	119.3 thousand km	21.1 TWh
of mining potential in 4 mining concession areas	of installed RES capacity	of distribution lines, including connections	of sales of electricity and gaseous fuel to retail customers in 2020
7.6 million tons	22.5 TWh	19.4 TWh	32
of net coal production in 2020	of total net energy generated in 2020	of electricity supplied in 2020	Customer Service Offices



1. Operating summary for 2020

In 2020, the ENEA Group generated EBITDA of PLN 3,302 million (down by PLN 36 million y/y).



The highest EBITDA of PLN 1,530 million was earned in the Generation area (down by PLN 64 million y/y). A significant decrease in EBITDA was recorded in the System Power Plants Segment; the y/y decrease of approx. PLN 97 million, which resulted from: in 2019, the reversal of the provision for the acquisition of the Skoczylody wind farm in the amount of PLN 129 million, a decrease in the generation margin (lower unit CDS due to the increase in coal costs with transport and CO₂ costs, partly covered by higher energy prices), with a simultaneous increase in the turnover margin and the Balancing Market (higher unit margins, volume growth). Higher EBITDA in the Heat and RES Segments by PLN 21 million y/y and PLN 12 million y/y, respectively.



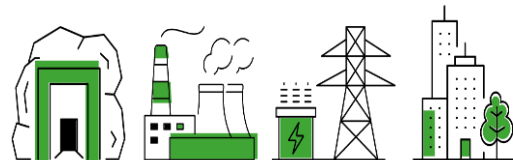
The Mining area generated EBITDA of PLN 470 million (down by PLN 301 million y/y). The segment's result is attributed mainly to a decrease in revenue from sales of coal (lower sales volume offset to a certain degree by the higher selling price), in connection with the unfavorable oversupply of coal in the market, with a simultaneous decrease in employee benefit costs due to the subsidy obtained from anti-crisis shield.



The Distribution area posted EBITDA of 1,313 million (up by PLN 221 million y/y). The increase was driven by higher margins on licensed activities (affected by, among others, a higher rate of the fixed and variable grid charge in the approved 2020 tariff and higher revenues from grid connection fees) as well as a better result on other operating activities (driven mainly by changes in the provisions for grid assets and higher revenue from contractual penalties and indemnities).



The Trading area posted EBITDA of -15 million (up by PLN 35 million y/y). The segment's result was favorably affected by the increase in the average sales price of energy and the updated valuation of CO₂ contracts. At the same time, the energy purchase prices increased (mainly due to the increase in the price of CO₂ emission allowances) and so did the costs of environmental obligations.



- The ENEA Group made capital expenditures of over PLN 2,441 million.
- Production of commercial coal was 7.6 million tons.
- Sales of commercial coal were 7.7 million tons.
- The Group produced over 22 TWh of electricity.
- Sales of heat in the Generation Segment reached 6,000 TJ.
- Sales of distribution services to end users were over 19 TWh.
- The volume of sales of electricity and gaseous fuel to retail customers was more than 21 TWh.

+

Higher revenue from sales of electricity
Higher revenue from sales of distribution services
Higher revenue from sales of gas
Lower costs of third-party services

-

Higher costs of purchase of electricity and gas
Price difference and compensation in 2019
Higher costs of consumption of materials and supplies
Higher employee benefit costs
Drop in revenue from sales of coal

1.1 Key events in 2020

First quarter

- On 3 February 2020, the Company received a statement from the Minister of State Assets that the Minister of State Assets has exercised its powers to appoint a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. Based on the aforementioned powers, Mr. Bartosz Nieścior was appointed to the Company's Supervisory Board as of 3 February 2020.
- On 6 February 2020, the Company received a resignation letter from the Supervisory Board Chairman, Stanisław Kazimierz Hebda, dated the same day.
- On 11 February 2020, ENEA Wytwarzanie Sp. z o.o. and GAZ-SYSTEM S.A. signed an agreement to design the connection of Koziernice Power Plant to the GAZ-SYSTEM transmission network. The agreement will open the process of designing a gas connection for the Koziernice Power Plant. Expansion of the transmission system by GAZ-SYSTEM will increase its capacity to supply higher volumes of natural gas throughout Poland. This will increase the capacity for connecting industrial plants as well as individual customers to the network.
- On 13 February 2020, ENEA S.A. and Energa S.A. concluded a Memorandum of understanding to suspend the financing of the Ostrołęka Power Plant C construction project. On 14 February 2020, Elektrownia Ostrołęka Sp. z o.o. submitted an order to suspend all the works related to the Contract to the general contractor of the Ostrołęka Power Plant C Construction Contract, with the suspension taking effect as of 14 February 2020.
- On 14 February 2020, the Company received information about the following:
 - an order issued by Elektrownia Ostrołęka on 14 February 2020 to the contractor under the agreement to redevelop the railway infrastructure for the Ostrołęka C Power Plant to suspend the performance of the railway contract with the suspension coming into effect on 14 February 2020,
 - an order issued by Elektrownia Ostrołęka on 14 February 2020 to the contractor under the agreement to redevelop the railway infrastructure for the Ostrołęka C Power Plant of 4 October 2019, to suspend the performance of the railway contract with the suspension coming into effect on 14 February 2020.
- On 14 February 2020, in connection with receipt of the audited financial statements of Polska Grupa Górnicza S.A. (PGG) for 2019, in which PGG recognized an impairment loss for PGG's non-current assets as at 31 December 2019, the Company became aware of the possible need to recognize an impairment loss on the Company's holding in PGG. The impairment loss was recognized in the consolidated financial statements of the ENEA Group for 2019 and in the standalone financial statements of ENEA S.A. for 2019.
- On 21 February 2020, the Company and Energa S.A. signed a memorandum of understanding on analyses to be conducted during the period of suspension of work on the Ostrołęka C Project. The memorandum sets out the detailed scope and schedule of analysis of the technical, technological, economic, organizational, legal and financial aspects of the project.
- On 21 February 2020, ENEA Wytwarzanie Sp. z o.o. concluded an out-of-court settlement with Fen Wind Farm B.V. based in Amsterdam and Wento Holdings S.à r.l. based in Luxembourg in connection with a court dispute concerning the acquisition by ENEA Wytwarzanie of shares in Eco-Power Sp. z o.o., which owns the Skoczylody wind farm. By its power, the parties terminated the preliminary agreement for the purchase of shares in Eco-Power Sp. z o.o. by ENEA Wytwarzanie Sp. z o.o. with effect on the date of the settlement and unconditionally and irrevocably waived any claims against each other regarding rights to any shares directly or indirectly related to the intended sale of shares in Eco-Power Sp. z o.o. to ENEA Wytwarzanie Sp. z o.o. In this situation, the Group reversed the provision in the amount of PLN 129 million. The reversal of the provision was recognized in the consolidated financial statements of ENEA Group for 2019.
- On 19 March 2020, the Fitch Ratings agency issued a press release, in which it affirmed the Company's long-term foreign- and local-currency issuer default ratings at 'BBB' with stable outlook.
- On 19 March 2020, the Extraordinary General Meeting of the Company adopted resolutions, by the power of which Ms. Izabela Felczak-Poturnicka and Mr. Mariusz Fistek were appointed to the Supervisory Board of ENEA S.A. of the 10th term, effective on the same date (where Ms. Izabela Felczak-Poturnicka was at the same time appointed Chairwoman of the Company's Supervisory Board).
- On 31 March 2020, a decision was made to recognize impairments on the carrying amount of assets in the Generation Area, Renewable Energy Sources Area, the Biogas CGU and in the Heat Area; on the same date, a decision was made to recognize an impairment loss on PGG shares.

Second quarter

- On 19 May 2020, the Company received information from Elektrownia Ostrołęka Sp. z o.o., the company currently executing the Ostrołęka C power plant construction project, about the recognition of impairment losses on non-current assets in Elektrownia Ostrołęka in the amount of PLN 1,027.3 million. According to information received from Elektrownia Ostrołęka, these impairment losses were recognized as a result of an impairment test for non-current assets carried out in connection with an update of the business assumptions for the coal-based project. Accordingly, on the same date the Management Board of the Company made a decision to recognize an impairment loss on Elektrownia Ostrołęka shares and to write off the loans granted to Elektrownia Ostrołęka along with interest. The impairment losses were recognized in the consolidated financial statements of the ENEA Group for 2019 and in the standalone financial statements of ENEA S.A. for 2019. On 27 May 2020, the Company received a statement from the Minister of State Assets that the Minister of State Assets has exercised its powers to appoint and dismiss a member of the ENEA S.A. Supervisory Board pursuant to

§ 24 sec. 1 of the Company's Articles of Association. According to the said statements, the Minister of State Assets, in exercise of the powers conferred on him, dismissed, effective as of 27 May 2020, Mr. Bartosz Nieścior from the Company's Supervisory Board and, at the same time, appointed Mr. Paweł Szczeszek to the Company's Supervisory Board.

- On 2 June 2020, the Company accepted the final report on analyses conducted in cooperation with Energa S.A. (Energa) regarding technical, technological, economic, organizational and legal aspects and potential continuation of funding for the project involving the construction of a new coal-fired unit in the form of the planned Ostrołęka C power plant in Ostrołęka with a capacity of approx. 1,000 MW (Project). The conclusions drawn from the analyses do not justify the continuation of the project in its current form, i.e. as a construction project of a power plant generating electricity through combustion of bituminous coal. At the same time, the technical analysis confirmed feasibility of the scenario of building a power plant generating electricity in a natural gas combustion process (Gas-Fired Project) at the current site of the coal-fired unit being built. Consequently, the Company's Management Board made a decision to continue the construction of the generating unit in Ostrołęka based on the assumption of changing the power source from coal-based to gas-based. On 2 June 2020, a trilateral agreement was also signed between the Company, Energa and PKN ORLEN, whereby the following key principles of cooperation in the Gas-Fired Project were defined.
- On 3 June 2020, the Company signed a letter of intent (Letter of Intent) with Iberdrola Eólica Marina S.A. (Iberdrola) regarding the Company's potential investment in offshore wind farm projects to be developed in the Polish exclusive economic zone of the Baltic Sea. In connection with the signing of the Letter of Intent, the parties will enter into exclusive negotiations aimed at assessing the feasibility of execution of a joint capital expenditure project by the Company and Iberdrola in the said wind farm projects with a total capacity of up to approx. 3.3 GW and their shared preparation, construction and operation.
- On 4 June 2020, Mr. Mirosław Kowalik tendered his resignation from the position of President of the ENEA S.A. Management Board and from membership in the Company's Management Board effective as of 5 June 2020. On the same date, the Company's Supervisory Board adopted a resolution to second, starting 6 June 2020, Mr. Paweł Szczeszek, Supervisory Board Member, to temporarily perform the duties of the President of the ENEA S.A. Management Board until the appointment of a new President of the Company's Management Board, but no longer than for a period of three months from the date of his secondment.
- On 30 June 2020, the Company's Supervisory Board adopted a resolution to appoint Mr. Paweł Szczeszek to the position of President of the ENEA S.A. Management Board for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018. The resolution came into force upon adoption. Upon his appointment to the position of President of the Management Board, Mr. Paweł Szczeszek's mandate of a Member of the Company's Supervisory Board expired.

Third quarter

- On 8 July 2020, the Company received information that, on the same date, the Court of Appeal in Poznań announced a judgment, in which the Court of Appeal dismissed the Company's appeal against a Regional Court judgment declaring the annulment of Resolution No. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 to express a directional consent to proceed with the Construction Stage under the Ostrołęka C project. As a result, as of 8 July 2020, the judgment of the Regional Court in Poznań declaring annulment of the Resolution became final.
- On 22 July 2020, Mr. Zbigniew Piętka tendered his resignation from the function of ENEA S.A. Management Board Member for Corporate Matters, effective as of 24 July 2020.
- On 23 July 2020, Mr. Piotr Adamczak tendered his resignation from the function of ENEA S.A. Management Board Member for Commercial Matters, effective as of 10 August 2020.
- On 7 August 2020, the Company's Supervisory Board adopted resolutions in the matter of: appointing Mr. Tomasz Szczegielniak to the position of the ENEA S.A. Management Board Member for Corporate Matters, effective as of the resolution adoption date and appointing Mr. Tomasz Siwak to the position of ENEA S.A. Management Board Member for Commercial Matters effective as of 17 August 2020 for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018.
- On 11 August 2020, the Company reported on its intention to include non-recurring operations of an accounting nature in the financial statements for H1 2020. The Company identified the need to recognize an impairment loss on the value of shares in ENEA Wytwarzanie sp. z o.o. (ENEA Wytwarzanie) in the standalone financial statements for H1 2020 and an impairment loss on the value of generation assets of its subsidiary ENEA Wytwarzanie in the consolidated financial statements for H1 2020, as a result of the completion, on 11 August 2020, of tests for the impairment of fixed assets, including shares in ENEA Wytwarzanie. Moreover, following its assessment, carried out on 11 August 2020, of the impact exerted by the decision to continue the construction of the generating unit in the form of the Ostrołęka C Power Plant, based on a change from a coal-fired power source to a gas-fired power source, the Company has identified the need to:
 - recognize impairment losses on a granted loan and ENEA's S.A. liability towards ENERGA S.A. to return half the loans with interest granted by the latter to Elektrownia Ostrołęka sp. z o.o. under the loan agreements of 30 September 2019 and 23 December 2019, which the Issuer disclosed, among others, in its annual consolidated financial statements for 2019. The impairment loss covered the remaining part, which was not included in the impairment loss disclosed in Current Report No. 18/2020, of the value of loans with interest granted to Elektrownia Ostrołęka sp. z o.o. in the standalone and consolidated financial statements for H1 2020,
- establish, in the standalone and consolidated financial statements for H1 2020, a provision for future investment commitments towards Elektrownia Ostrołęka sp. z o.o. and ENERGA S.A., the level of which reflects the possible, estimated as at the date of establishment of the provision, funding amounts for Elektrownia Ostrołęka sp. z o.o. earmarked for the settlement of the project execution carried out to date by Elektrownia Ostrołęka sp. z o.o., On 8 September 2020, the

parties to the Letter of Intent announced on 3 June 2020 on the potential investment in offshore wind farm projects made a decision to terminate their exclusive talks on the potential investment in the projects in question without preparing the term sheet. Accordingly, on the same date, the parties to the Letter of Intent confirmed that it would no longer be binding on them.

- On 17 September 2020 the Company received a statement from the Minister of State Assets that on 16 September 2020 the Minister exercised his powers to appoint a Member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. In accordance with these powers, Mr. Rafał Włodarski was appointed to the Company's Supervisory Board as of 16 September 2020.

Fourth quarter

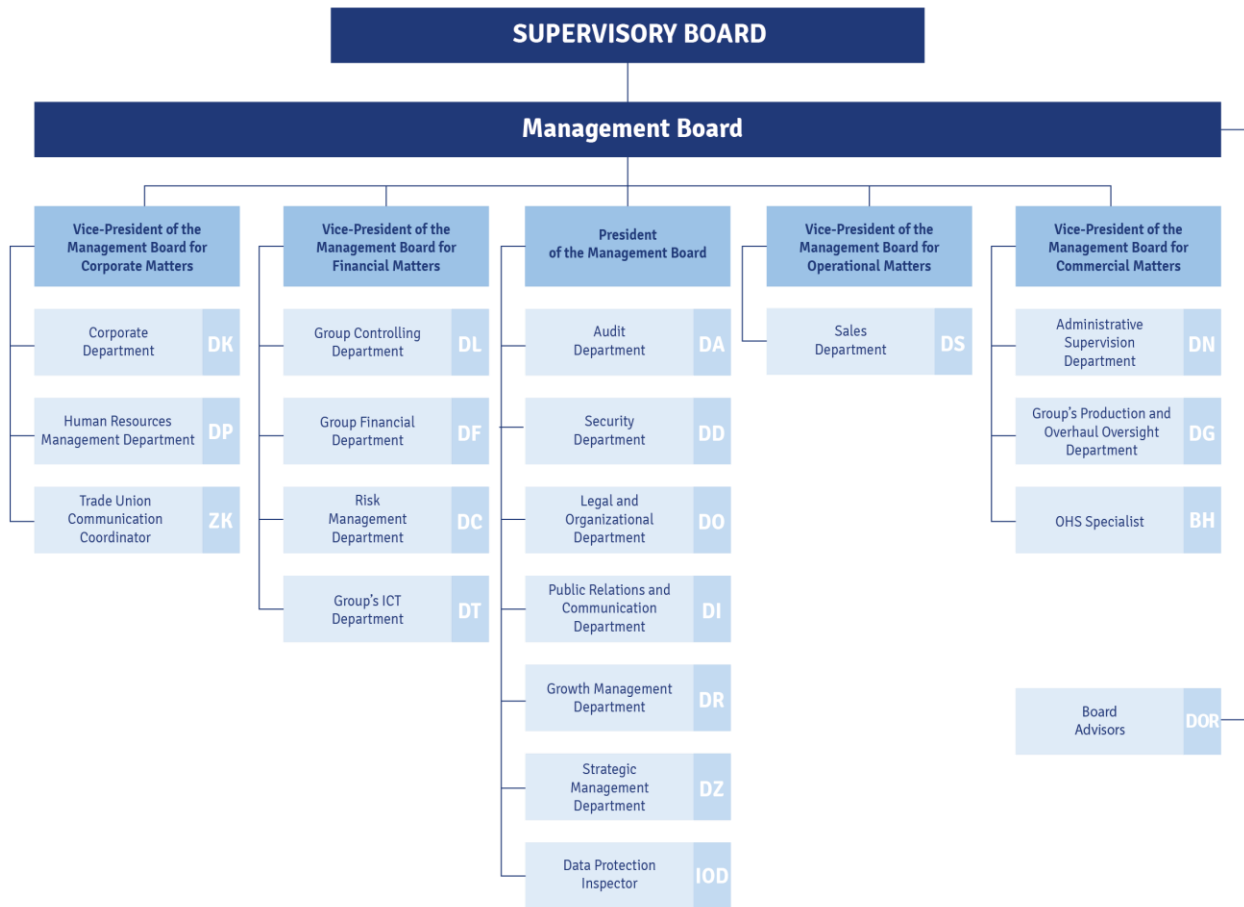
- On 1 October 2020, the Company signed a Letter of Intent with the State Treasury on the acquisition by the State Treasury of a 100% equity stake in PGE EJ 1 sp. z o.o. The Letter of Intent was signed by all shareholders of PGE EJ 1 sp. z o.o. (besides ENEA, these are KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A.). The company is responsible for the preparation and execution of an investment project involving the construction and operation of Poland's first nuclear power plant. The signatories of the Letter of Intent have committed themselves to taking, in good faith, all steps necessary to prepare and make a transaction involving the acquisition by the State Treasury of an equity stake in PGE EJ 1 sp. z o.o. The State Treasury's intent expressed in the Letter of Intent is to purchase shares in PGE EJ 1 sp. z o.o. by 31 December 2020, although the parties have not set any end date of the LoI's term of validity. The Letter of Intent does not require the parties to execute the Transaction eventually. The decision as to whether or not to execute the Transaction is contingent on the outcome of the negotiations between the parties and the fulfillment of other conditions provided for in the applicable laws or corporate documents.
- On 21 October 2020, the Połaniec Power Plant signed with PSE and annex to the electricity transmission service agreement, on the basis of which warranty testing and measurements were carried out. As of 21 October, the maximum available capacity of Unit 5 was officially increased to 242 MW and of the whole Połaniec Power Plant to 1,899 MW. The modernization of Unit 5 was the last part of a major project entitled "Phoenix" carried out in the Połaniec Power Plant in the 2013-2020 period. It served the purpose of boosting the economics and reliability of the power plant's operations by carrying out a through modernization of six out of seven conventional power units, extension of their life span and modification of the power plant's emission parameters to the current, more strict standards.
- On 23 October 2020 the Company's Supervisory Board adopted a resolution to appoint Mr. Marcin Pawlicki, effective as of 29 October 2020, to the position of the ENEA S.A. Management Board Member for Operational Matters for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018.
- On 27 October 2020, the Company identified the need to recognize an impairment loss on the block of shares held by the Company in Polska Grupa Górnicza S.A. estimated at approx. PLN 254 million in the standalone financial statements for Q3 2020 and approx. PON 129 million in the consolidated financial statements for Q3 2020.
- On 17 November 2020 the Company's Supervisory Board adopted a resolution to dismiss Mr. Jarosław Ołowski, ENEA S.A. Management Board Member for Financial Matters, from the ENEA S.A. Management Board.
- On 9 December 2020, the Company's Supervisory Board adopted a resolution to appoint, as of 21 December 2020, Mr. Rafał Marek Mucha to the position of Member of the ENEA S.A. Management Board for Financial Matters for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018.
- On 22 December 2020, the Issuer's Supervisory Board made the following decisions: for the Issuer to opt out of its capital involvement in the construction of a gas-fired unit under the Ostrołęka C Project, and to agree with Energa S.A. on the principles to be applied to the settlement of expenses incurred on the execution of the project to build a coal-fired unit under the Ostrołęka C Project.
- On 22 December 2020, the following agreements were signed: an agreement between the Company, Energa S.A. and Elektrownia Ostrołęka Sp. z o.o. (the special purpose vehicle executing the construction of the Ostrołęka C Power Plant) on cooperation in the SPV's split-up, and an agreement between the Company and Energa on cooperation in the settlement of the Coal-Fired Project.

1.2 Events after the reporting period

- On 4 January 2021, the Company received a resignation tendered by Ms. Izabela Felczak-Poturnicka from the position of Chairwoman of the Supervisory Board and from her membership in the ENEA S.A. Supervisory Board as of 5 January 2021.
- On 5 January 2021, ENEA, PGE Polska Grupa Energetyczna and Tauron Polska Energia executed a letter of intent the purpose of which is to establish a strategic alliance to execute future investment projects in offshore wind energy, to be located within the boundaries of the Polish Exclusive Economic Zone in the Baltic Sea.
- On 22 January 2021, Annex 24 to the Steam Coal Purchase Agreement No. 3/W/2012 was entered into between ENEA Elektrownia Połaniec S.A. and Lubelski Węgiel Bogdanka S.A. for the purchase of coal. The annex extended the term of the agreement until 31 December 2024 and shifted from 2020 to 2021 the quantitative volume of unrealized deliveries.

- On 22 January 2021, execution of Annex 2 to Appendix 5 to Steam Coal Purchase Agreement No. UW/LW/01/2012 by and between ENEA Wytwarzanie Sp. z o.o. and Lubelski Węgiel Bogdanka S.A. for the purchase of coal. Following the execution of the Annex, the quantitative volume of unrealized deliveries has been shifted from 2020 to 2021.
- On 25 February 2021, the Company identified the need to recognize an impairment loss on the value of shares in ENEA Wytwarzanie of approx. PLN 2,817 million in the standalone financial statements for 2020 and an impairment loss on the value of ENEA Wytwarzanie's generation assets of approx. PLN 2,881 million in the ENEA Group's consolidated financial statements for 2020, which information was disclosed by the Company in Current Report No. 7/2021.

2. ENEA S.A. as the parent company in the Group



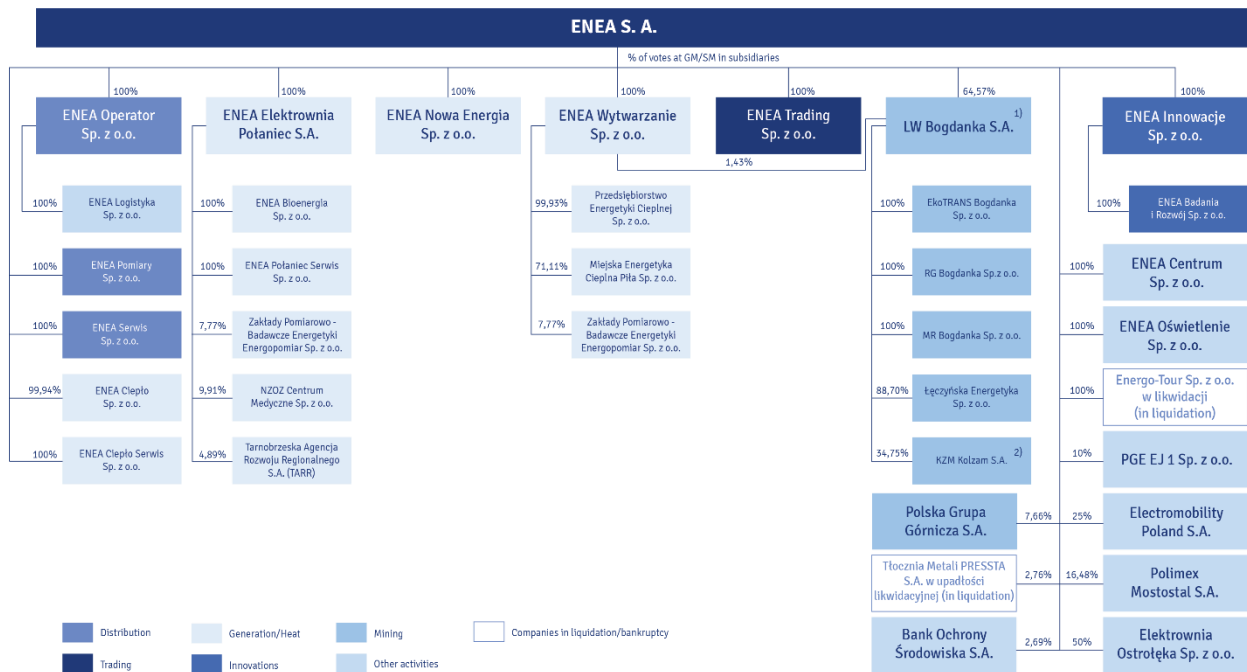
Changes effected in 2020 in ENEA S.A.'s organizational structure concerned chiefly the separation of areas related to legal services, security and administration, which were previously concentrated in a single department. The reason for the separation of these areas was the need to entrust the responsibility for the performance of various assignments to separate areas of competence. This permitted the Company to separate the responsibilities, improve the efficiency of management and reflect the care of the ENEA S.A. Supervisory Board and Management Board for the establishment and observance of the highest ethical, compliance and anti-corruption standards. The grouping of the legal and compliance area with the security and administration area within a single organizational unit may have been perceived as a solution affecting the balance between and mutual control exercised by these units.

In 2020, no significant changes were made to the management principles of the Issuer and the ENEA Group. The formal reflection of the relations established in the Company (including the organizational structure of the Company) and the division of tasks, responsibilities and powers are the organizational regulations: *Corporate Organizational Regulations of the Company* and *Regulations of Organizational Units of ENEA S.A.*

The organizational structure of the Company as at 31 December 2020 is presented above.

3. Organization and activity of the ENEA Group

3.1. Structure of the ENEA Group



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

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

There are 7 leading entities in the ENEA Group, namely ENEA S.A. (trading in electricity), ENEA Operator Sp. z o.o. (distribution of electricity), ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A. and ENEA Nowa Energia Sp. z o.o. (generation and sales of electricity), ENEA Trading Sp. z o.o. (wholesale of electricity) and LW Bogdanka S.A. (coal mining). Other companies carry out ancillary activity in relation to the operations of those listed above. The Group's structure includes also minority interests held by ENEA S.A. and its subsidiaries, in particular ENEA Wytwarzanie Sp. z o.o. and LW Bogdanka S.A. ³⁾

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

3.2. Changes in the ENEA Group's structure

Asset restructuring

Following key organizational changes in 2020, in addition to the initiatives associated with the planned changes, the ENEA Group did not carry out any major asset restructuring activities.

Equity divestments

In 2020 no significant capital divestment activities were carried out.

Changes in the organisation

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

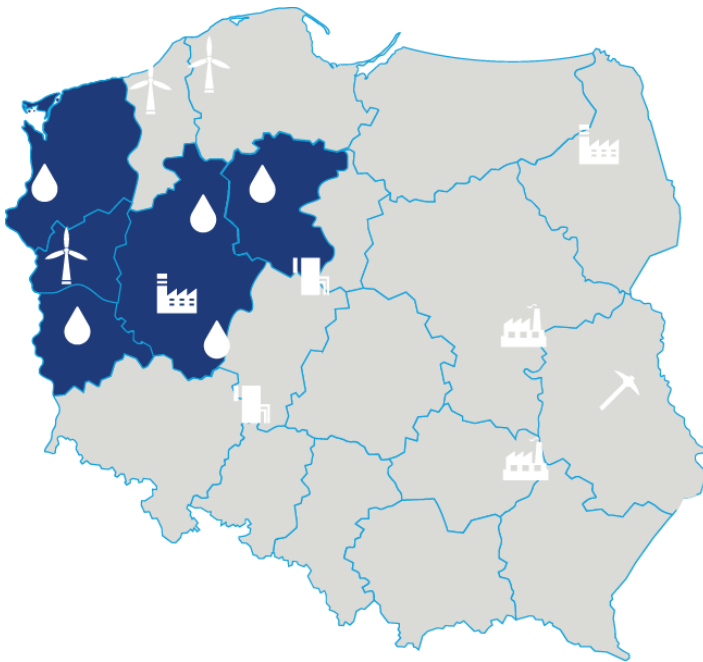
Equity investments

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

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

- On 24 February 2020, Annacond Enterprises Sp. z o.o. was deleted from the National Court Register. The decision to strike the Company from the register became final on 12 March 2020.
- On 26 August 2020, the Draft Terms of Division were filed with the District Court Lublin-Wschód in Lublin, for ENEA Wytwarzanie Sp. z o.o. with its registered office in Świerże Górne (Company Being Divided) and ENEA Nowa Energia Sp. z o.o. with its registered office in Radom (Acquiring Company) as part of the reorganization of the Renewable Energy Segment in the ENEA Group. The planned division will be carried out following the procedure under Article 529 par. 1 item 4 of the Commercial Company Code, i.e. by spinning off the RES Segment from ENEA Wytwarzanie Sp. z o.o. to ENEA Nowa Energia Sp. z o.o.
- On 27 August 2020, the Extraordinary Shareholder Meeting of ENEA Operator Sp. z o.o. adopted a resolution to increase the Company's share capital by PLN 13,863,800, i.e. from PLN 4,683,073,700 to PLN 4,696,937,500 by creating 138,638 new shares with a par value of PLN 100 each in exchange for a contribution-in-kind of 165,407 shares in ENEA Logistyka Sp. z o.o. with its registered office in Poznań (KRS no. 0000525547) with a par value of PLN 100 each and the total par value of PLN 16,540,700. On 8 September 2020, ENEA S.A. filed a statement on the subscription to 138,638 of the newly-created shares in the increased share capital of ENEA Operator Sp. z o.o. The share capital increase was registered on 27 October 2020.
- On 1 September 2020, the Extraordinary Shareholder Meeting of ENEA Innowacje Sp. z o.o. adopted a resolution to increase the Company's share capital by PLN 9,300,000, i.e. from PLN 17,060,000 to PLN 26,360,000 by creating 93,000 new shares with a par value of PLN 100 each. On 2 September 2020, ENEA S.A. subscribed to all the newly-created shares in ENEA Innowacje Sp. z o.o. The share capital increase was registered on 15 October 2020.
- On 3 September 2020, the Extraordinary Shareholder Meeting of ENEA Badania i Rozwój Sp. z o.o. adopted a resolution to increase the Company's share capital by PLN 9,300,000, i.e. from PLN 7,855,000 to PLN 17,155,000 by creating 186,000 new shares with a par value of PLN 50 each. On 3 September 2020, ENEA Innowacje Sp. z o.o. subscribed to all the newly-created shares in ENEA Badania i Rozwój Sp. z o.o. The share capital increase was registered on 29 October 2020.
- On 9 September 2020, the ownership of the 100% stake in ENEA Logistyka Sp. z o.o. was transferred to ENEA Operator Sp. z o.o. As a result, ENEA Logistyka Sp. z o.o. became a subsidiary of ENEA Operator Sp. z o.o.
- As part of the corporate actions related to the reorganization of the RES Segment in the ENEA Group, on 10 November 2020 the Extraordinary Shareholder Meeting of ENEA Wytwarzanie Sp. z o.o. with its registered office in Świerże Górne (Company Being Divided) adopted a resolution to divide ENEA Wytwarzanie Sp. z o.o. through a spin-off. The division through a spin-off was carried out following the procedure set forth in Art. 529 §1 Item 4 of the Polish Commercial Company Code, by transferring to ENEA Nowa Energia Sp. z o.o. in Radom ("Acquiring Company") a collection of tangible and intangible assets separated organizationally, financially and functionally from the Company Being Divided, including liabilities, constituting an organized part of the enterprise within the meaning of Article 4a item 4 of the Corporate Income Tax Act of 15 February 1992 and Article 2 item 27e of the VAT Act of 11 March 2004 ("RES Segment", "OPE"), on the terms and conditions set forth in the Draft Terms of Division of 25 August 2020. The Division was carried out without reduction of the share capital of the Company Being Divided, by way of reducing other capital items of the Company Being Divided, i.e. retained earnings in the amount of PLN 526,430,903.46. At the same time, on 10 November 2020 the Extraordinary Shareholder Meeting of the Acquiring Company adopted a resolution on dividing the Company Being Divided through a spin-off, i.e. transfer of the OPE of the Company Being Divided in the form of the RES Segment, to the Acquiring Company. By the same resolution, in connection with the transfer of the RES Segment, the share capital of the Acquiring Company was increased from PLN 5,000 to PLN 52,648,100, i.e. by PLN 52,643,100 by creating 1,052,862 new shares, which were allocated to the sole shareholder of the Acquiring Company, i.e. ENEA S.A. Pursuant to Article 530 § 2 of the Polish Commercial Company Code, the division was carried out on the Spin-Off Date, i.e. on the date the increase of the Acquiring Company's share capital is entered in the National Court Register, which took place on 1 December 2020. After the share capital increase is registered by the National Court Register, ENEA S.A. holds 1,052,962 shares in the Acquiring Company representing 100% of its share capital.
- On 23 November 2020, the Extraordinary Shareholder Meeting of PGE EJ 1 Sp. z o.o. adopted a resolution to increase the company's share capital from PLN 370,858 thousand to PLN 750,857 thousand, i.e. by PLN 379,999 thousand. As a result of the increase of the PGE EJ 1 Sp. z o.o.'s share capital, on 24 November 2020 ENEA S.A. subscribed for 269,503 shares in the Company's share capital worth PLN 38,000 thousand. The share capital increase was registered on 8 December 2020. At the same time, the parties decided to set off the receivables related to the subscription for shares with the loan receivables related to all loans granted to the company by ENEA S.A. in the total amount of approx. PLN 19,084 thousand (of principal and interest); consequently, the receivables were set off by the amount equal to the lower figure, i.e. the amount of the loan receivables.

3.3. ENEA Group's Business Areas



Distribution

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

Generation

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

Mining

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

Wholesale trading

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

Retail trading

- Trading in electricity and gaseous fuel on the retail market
- Product and service offer tailored to customer needs
- Comprehensive customer service

3.3.1. Mining

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

Item	2019	2020	Change	Q4 2019	Q4 2020	Change
Net production [000s of tons]	9,451	7,612	-19.5%	2,324	2,074	-10.8%
Sales of coal [000s of tons]	9,359	7,670	-18.0%	2,298	1,970	-14.3%
Inventories (at the end of the period) [000s of tons]	179	122	-31.8%	179	122	-31.8%
Excavation works [km]	29.1	25.7	-11.7%	7.4	6.1	-17.6%

3.3.2 Generation

3.3.2.1 Generation assets of the ENEA Group

Item	Installed electricity generation capacity [MWe]	Achieved electricity generation capacity [MWe]	Installed heat generation capacity [MW _t]	Installed RES capacity [MWe]
Kozienice Power Plant	4,071.8	4,020.0	125.4	-
Połaniec Power Plant	1,837.0	1,899.0	130.0	230.0
Bardy, Darżyno and Baczyzna (Lubno I and Lubno II) wind farms	71.6	70.1	0.0	71.6
Liszkowo and Gorzestaw biogas plants	3.8	3.8	3.1	3.8
Hydro power plants	58.8	55.8	0.0	58.8
MEC Piła	10.0	10.0	135.3	-
PEC Oborniki	0.0	0.0	27.4	-
ENEA Ciepło (Białystok CHP Plant, "Zachód" Heat Plant)	203.5	156.6	684.1	78.5
Total [gross]	6,256.5	6,215.3	1,105.3	442.7

3.3.2.2. Generation – installed capacity

Kozienice Power Plant

Unit	B1	B2	B3	B4	B5	B6	B7	B8	B9	B10	B11
Installed capacity [MW]	230	230	230	230	230	230	230	230	560	560	1,112
Planned last year of production	2025	2025	2028	2028	2030	2030	2032	2032	2040	2041	2050

The above data were prepared on the basis of the current working schedule of the units and the scheduled generation unit shutdowns. At present, ENEA Wytwarzanie conducts the conceptual work including analysis of the possibility and justification for the use of gaseous fuel (gas and steam unit) in the existing infrastructure of 200 MWe class units. It is assumed that all the generation capacity of the 200 MWe units will be replaced, however the final capacity of the units to be replaced will result from the concept documentation. Several stages of generation capacity replacement is planned. Only after the target capacity replacement model is developed, the shutdown schedule for the 200 MWe class units will be updated.

Połaniec Power Plant

Unit	B1	B2	B3	B4	B5	B6	B7	U8
Installed capacity [MW]	200	242	242	242	200	242	239	230
Planned last year of production	2023	2034	2034	2034	2034	2034	2034	2042

ENEA Nowa Energia

At the end of 2020 the Company had productive and non-productive assets: 21 water stages with auxiliary facilities on which hydroelectric power plants are located with installed capacity from 132 kW to 24.8 MW, Liszkowo Biogas CHP Plant with installed capacity of 2.126 MW, Wind Farms: Darżyno with installed capacity of 6.3 MW, Bardy with installed capacity of 50.02 MW and FW Lubno I and Lubno II with installed capacity of 7.65 MW each. The hydro power plants are located on the rivers: Brda, Wda, Gwda, Rega, Drawa, Myśla and Obra.

ENEA Ciepło

Unit	B1	B2	B3	B4 ¹⁾	Water boilers	K1	K2	K3	K4	K5
Installed capacity [MW]	55	55	70	23.5	Installed capacity [MW]	0	0	0	0	0
Thermal capacity [MWt]	98.4	108	108	0	Thermal capacity [MWt]	33	35	35	40	40
Planned last year of production	2028	2040	2055	2040	Planned last year of production	-	-	-	-	-

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

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

Item	2019	2020	Change	Q4 2019	Q4 2020	Change
Total electricity generation (net) [GWh], of which:	16,694	15,518	-7.0%	3,905	3,862	-1.1%
Net generation from conventional sources [GWh], of which:	16,694	15,518	-7.0%	3,905	3,862	-1.1%
<i>ENEA Wytwarzanie – Koźienice Power Plant</i>	16,630	15,447	-7.1%	3,888	3,844	-1.1%
<i>MEC Piła</i>	64	71	10.9%	17	18	5.9%
Gross heat production [TJ]	1,067	1,018	-4.6%	355	364	2.5%

¹⁾ Accounting treatment

Unit 11 in the Koźienice Power Plant	2019	2020	Change	Q4 2019	Q4 2020	Change
Net electricity production [GWh]	5,411	4,046	-25.2%	1,179	271	-77.0%
Average monthly net load [MW]	755	700	-7.2%	658	617	-6.3%

3.3.2.4. Data for ENEA Nowa Energia

Item	2019	2020	Change	Q4 2019	Q4 2020	Change
Total generation from renewable energy sources (net) [GWh], including:	320	323	1.1%	88	83	-5.6%
<i>hydro power plants</i>	130	130	0.2%	35	30	-14.8%
<i>wind farms</i>	185	183	-0.7%	52	51	-2.1%
<i>biogas plants</i>	5	9	87.9%	2	3	77.2%

3.3.2.5. Data for ENEA Elektrownia Połaniec

Item	2019	2020	Change	Q4 2019	Q4 2020	Change
Total electricity generation (net) [GWh], of which:	8,557	6,280	-26.6%	1,956	1,581	-19.2%
<i>ENEA Elektrownia Połaniec – net generation from conventional sources</i>	6,802	4,467	-34.3%	1,458	1,100	-24.6%
<i>ENEA Elektrownia Połaniec – generation from renewable energy sources (firing of biomass – Green Unit)</i>	1,441	1,442	0.1%	367	401	9.3%
<i>ENEA Elektrownia Połaniec – generation from renewable energy sources (cofiring of biomass)</i>	314	371	18.3%	130	79	-38.9%
Gross heat production [TJ]	2,390	2,016	-15.7%	581	613	5.6%

3.3.2.6. Data for ENEA Ciepło

Item	2019	2020	Change	Q4 2019	Q4 2020	Change
Total electricity generation (net) [GWh], including:	361	361	0.0%	104	103	-1.0%
Net generation from conventional sources [GWh] – excluding combustion of biomass	156	105	-32.1%	26	32	23.1%
Net generation from renewable energy sources – combustion of biomass [GWh]	204	255	25.0%	77	71	-7.8%
Gross heat production [TJ] (with the Zachód Heat Plant)	3,750	3,642	-2.9%	1,188	1,239	4.4%

3.3.2.7. CO₂ emissions

	Kozienice – Power Plant [t]	Allocation of free CO ₂ emission allowances [t]	Costs of allowances [PLN]
2019	14,883,265	1,719,943	834,265,665.03
2020	13,786,235	55,833	1,455,081,507.83
	MEC Piła [t]	Allocation of free CO ₂ emission allowances [t]	Costs of allowances [PLN]
2019	80,450	14 954 ²⁾	6,276,583.02 ¹⁾
2020	81,089	11 827 ³⁾	6,670,018.02 ¹⁾
	Białystok – CHP Plant [t]	Allocation of free CO ₂ emission allowances [t]	Costs of allowances [PLN]
2019	253,522	87 180 ²⁾	16,867,573.66
2020	174,755	70 157 ³⁾	11,525,145.94
	Białystok – “Zachód” Heat Plant [t]	Allocation of free CO ₂ emission allowances [t]	Costs of allowances [PLN]
2019	12,254	682 ²⁾	1,480,174.14
2020	14,588	668 ³⁾	1,546,186.44
	Połaniec – Power Plant [t]	Allocation of free CO ₂ emission allowances [t]	Costs of allowances [PLN]
2019	6,751,791	126 099 ²⁾	411,162,326.88
2020	4,555,879	1 241 357 ³⁾	398,680,605.31
	Łęczyńska Energetyka ⁴⁾ [t]	Allocation of free CO ₂ emission allowances [t]	Costs of allowances [PLN]
2019	44,697	8,261	3,480,764.42
2020	45,263	6,535	3,901,740.30
Total 2019	22,025,979	1,957,119	1,273,533,087.15
Total 2020	18,657,809	1,386,377	1,877,405,203.84

¹⁾ Accounting treatment

²⁾ Non-recurring allocation of free allowances for 2019

³⁾ Non-recurring allocation of free allowances for 2020

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

3.3.2.8. Fuel supply

The main fuel used by the Kozenice Power Plant and the Polaniec Power Plant to generate electricity is pulverized bituminous coal. The main fuels used in ENEA Ciepło Sp. z o.o. (Białystok CHP Plant) in 2020 included: coal and biomass – mainly in the form of steam wood chips, steam willow and poplar wood chips, residues from agricultural production and the agricultural processing industry.

Coal deliveries



	Kozenice Power Plant	Polaniec Power Plant	ENEA Ciepło
Major coal suppliers in 2020	LW Bogdanka (87%) PGG (11%)	LW Bogdanka (47%) PGG (47%)	LW Bogdanka (84%)
Main operator effecting deliveries in 2020	PKP Cargo (approx. 100%)	Kolprem (approx. 45%) PKP Cargo (approx. 26%)	LW Bogdanka (approx. 84%) PKP Cargo (approx. 16%)

Purchase of fuel

Fuel type	Generation Area			
	2019		2020	
	Quantity [000s of tons]	Cost [PLN million]	Quantity [000s of tons]	Cost [PLN million]
Bituminous coal	11,345	2,924	8,719	2,144
Biomass	1,913	538	1,957	515
(Heavy) fuel oil ¹⁾	15	23	13	16
(Light) fuel oil ²⁾	7	20	6	15
Gas [thous. M] ^{3,4)}	18,105	27	21,507	25
Total		3,533		2,715

¹⁾ Light up fuel in U1-10 of the Kozenice Power Plant and U1-7 of the Polaniec Power Plant

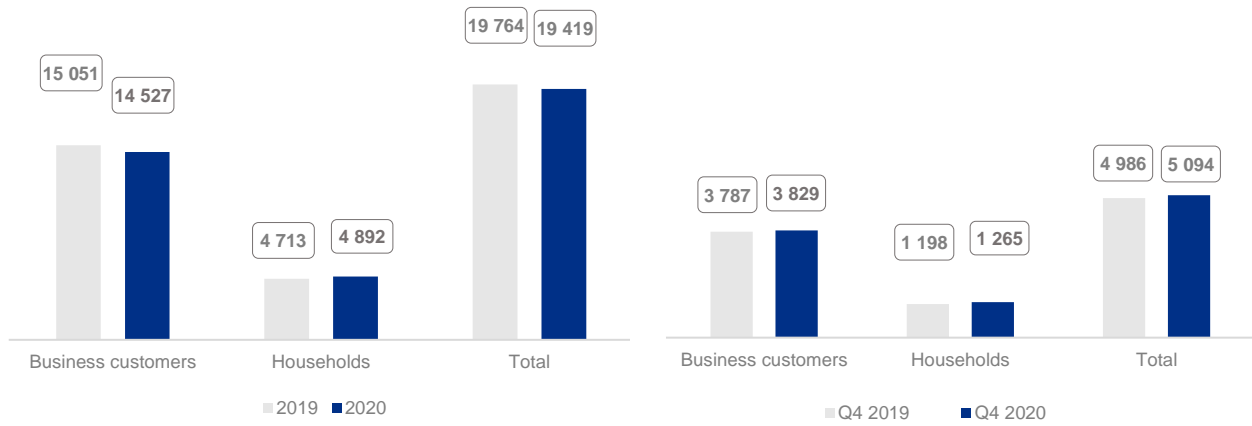
²⁾ Light up fuel in U11 of the Kozenice Power Plant and U9 of the Polaniec Power Plant

³⁾ Used for generation of electricity and heat in MEC Pila and heat in PEC Oborniki

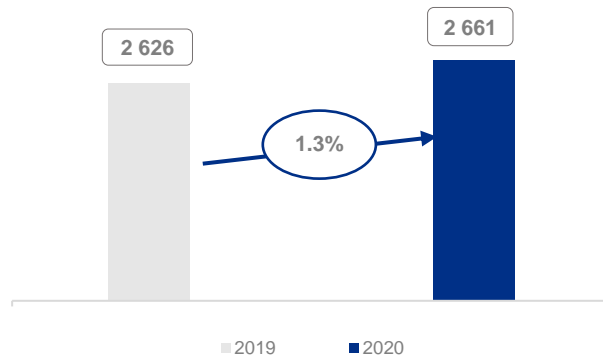
⁴⁾ Used for generation of heat in the "Zachód" Heat Plant; gas volume unit: thousand Nm³

3.3.3. Distribution

Sales of distribution services [GWh]



Number of customers (in thousands)



106.34 thous. km of distribution lines

13.00 thous. km of connections

38.51 thousand transformer substations

965.99 thousand connections

In the tariff year 2020, the values of Regulatory Based Asset (RAB) totalled PLN 8,733,022 thousand.

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

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

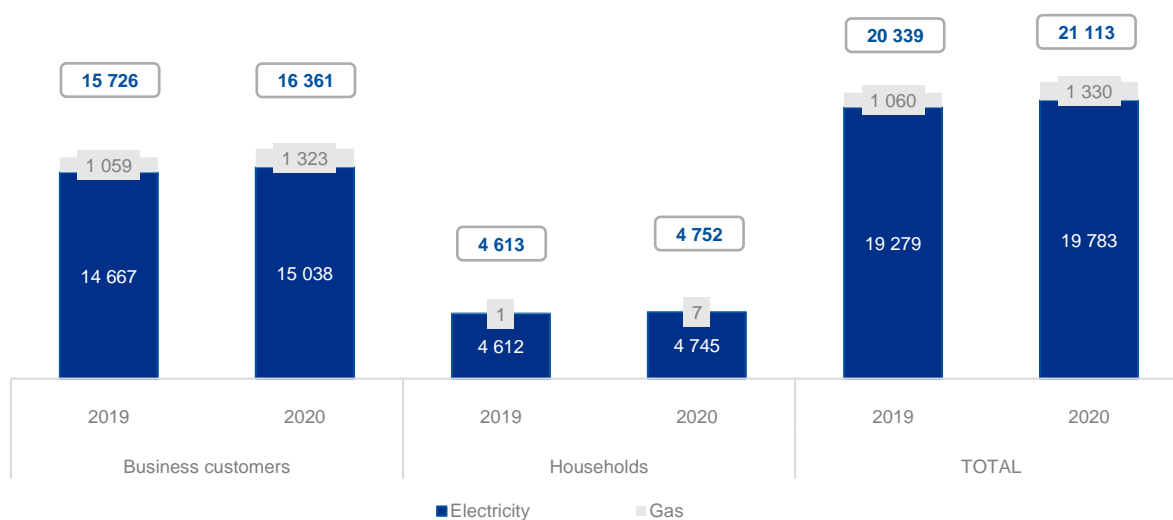
3.3.4. Trading

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

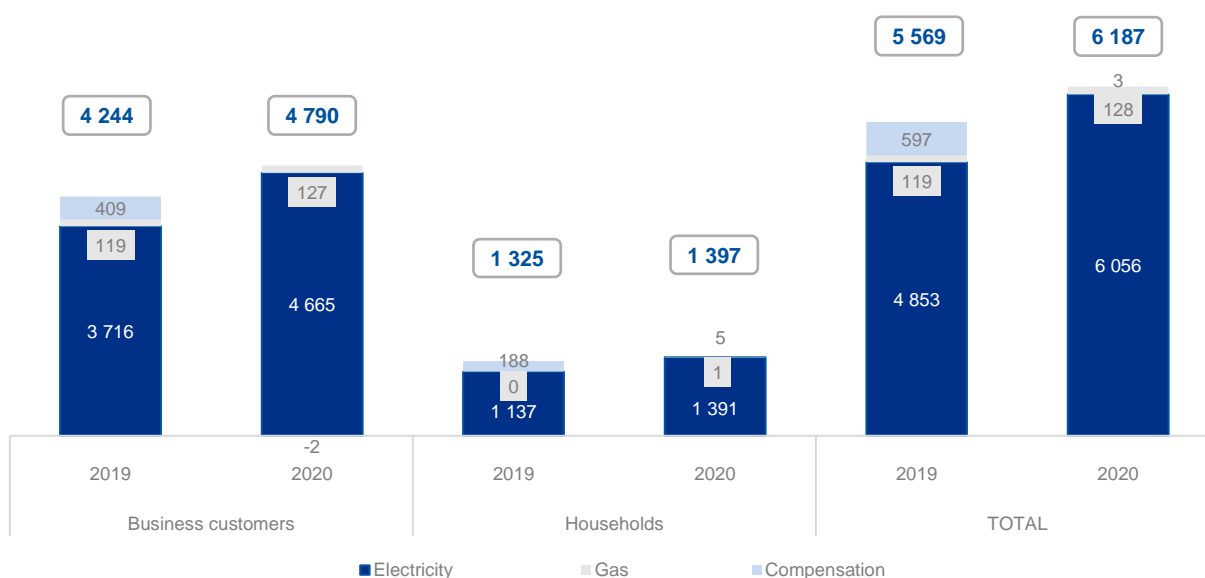
In 2020, the total sales volume of electricity and gaseous fuel increased by 774 GWh, i.e. 3.8%, compared to the corresponding period of 2019. The increase was recorded in sales of electricity in the business customer segment and the household segment. In the business customer segment, the sales volume went up by 371 GWh, i.e. approx. 2.5%, and was caused by a change in the customer portfolio between 2019 and 2020. The increase in the volume of electricity sales in the household segment was 133 GWh, nearly 2.9%. The sales volume of gaseous fuel also increased compared to the corresponding period of the previous year by 270 GWh, i.e. about 25.5%, of which in the business customer segment by 264 GWh, or 24.9%.

Total revenue from sales of electricity and gaseous fuel increased in 2020 by PLN 618 million, or approximately 11.1%, as compared to 2019. This increase affected revenues both in both the business customer segment and in the household segment.

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



Sales of electricity and gaseous fuel to ENEA S.A.'s retail customers [PLN million]¹⁾



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

3.4. Development strategy

MISSION:

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

VISION:

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

ENEA Group Development Strategy until 2030 with an outlook to 2035

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

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

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

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

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

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

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

Environment and key stakeholder expectations

 **Value creation**

 **Competitive advantages**

 **Climate protection**

 **Green energy**

 **Financial stability**

 **Energy security**

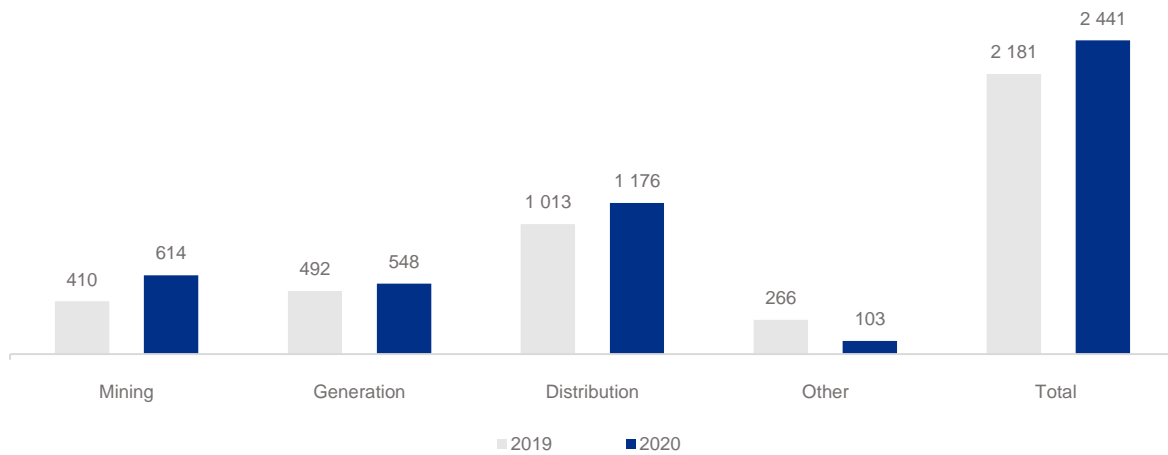
The ENEA Group's Strategy currently in force calls for the achievement of a number of KPIs by 2030 and 2035. Detailed parameters adopted for the Strategy and information on the capital expenditures earmarked for its implementation were presented in various disclosure instruments, including Current Report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

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

In light of the foregoing, in the context of this report, the Issuer has opted to refrain from presenting the level of attainment of selected KPIs provided for in the current Strategy from the perspective of the performance and operational data for 2020.

3.5. Actions and investments pursued

3.5.1. Capital expenditures



Capital expenditures [PLN million]	Q4 2019	Q4 2020	Actuals Q4 2020 / Plan Q4 2020	2019	2020	Actuals 2020 / Plan 2020	Plan 2020
Mining	115.7	117.9	132.2%	410.4	613.8	93.8%	654.2
Generation	203.3	185.9	81.3%	491.7	548.0	72.9%	751.6
Distribution ¹⁾	335.0	428.5	105.1%	1,013.3	1,176.2	99.3%	1,185.0
Support and other ¹⁾	35.7	71.4	142.4%	265.7	103.3	58.4%	176.9
Total plan performance	689.7	803.7	103.6%	2,181.1	2,441.3	88.2%	2,767.7

¹⁾ Presentation change compared to previous reports; the expenditures of ENEA Logistyka sp. z o.o. are not included in the Distribution segment (previously in the Support and other segment).

Environmental investment projects

Item	Actuals 2020 [PLN million]
Adaptation to BAT conclusions (Połaniec Power Plant)	103.7
Connections of commercial wind farms (Enea Operator)	79.2
SCR development for units 9 and 10 (Kozienice Power Plant)	27.8
Adaptation to BAT conclusions (Kozienice Power Plant)	27.1
Other environmental investments (Połaniec Power Plant)	22.3
Other environmental investments (Kozienice Power Plant)	5.8
Other	6.6
Total investments related to environmental protection	272.5

3.5.2. Execution of other projects

Area	Event
Retail Area	<ul style="list-style-type: none"> • Completed actions aimed at optimizing the model for selling photovoltaic systems, increasing their sales and taking advantage of the ENEA Group's potential in this respect to a greater extent. • Completed the expansion of the billing system, as a result of which we will be able to sell additional products and services independently from the sales of electricity. This significantly increases our sales potential and our capacity to generate additional revenues. • Started the process of signing product contracts online in eBOK (Electronic Customer Service Office) and in the Shopping Zone for ENEA Customers in the household segment, which allows the Customers to sign an agreement in just a few steps over the Internet at their convenience. We save costs through full automation of the agreement creation and signing process and digitization. • Launched the process of selling product contracts by phone to ENEA Customers from the household segment with contracts signed by e-mail. • Launched sales of a new project, ENEA Optima. This is a system used to acquire metering data remotely, which allows business clients to monitor and optimize their energy and power consumption. • On 29 September 2020, the Company filed an application with the Price Settlements Authority to correct the received price difference amount and the compensation for the period from 1 January to 31 December 2019. The application was reviewed and accepted and the funds requested in the Application were provided to the Company.
Customer Service Area	<ul style="list-style-type: none"> • Continued work on introducing automation processes in the customer service area through, e.g., robotic process automation (RPA) that will translate into timely achievement of key indicators within the implemented processes, • Launched the eCustomer Program, the purpose of which is to implement new technical and organizational solutions, increasing the level of digitalization of Customer contacts, develop modern and low-cost channels for reaching and servicing Customers and to develop modern service and sales channels. In 2020 the following Stage 1 remote solutions were implemented in connection with the COVID-19 pandemic: <ol style="list-style-type: none"> a) support for executing/terminating a contract based on images of documents and a qualified electronic signature, b) updating telephone and address data by the Customer during a phone call with a consultant on the 611 111 111 hotline (without the need for written confirmation), c) support for execution of product online in the Electronic Customer Service Office (eBOK) and the Shopping Zone, d) sending text messages before collection procedures begin, • At present, analytical work is underway for online contracting, e-Applications, launch of a mobile application, chatbots and voicebots, marketplace. • Implemented changes to service processes, documents, and systems for customers who are sole proprietors, which enabled them to exercise certain consumer rights pursuant to the Act of 31 July 2019 amending certain acts to reduce regulatory burdens, including amendments to the Civil Code and the Consumer Rights Act. • Shortened the contract signing process, by: <ol style="list-style-type: none"> a) for consumers – restoring a Customer's written statement of acceptance of an offer as part of Simple Customer Service, b) activating prosumer contracts without having to wait for a return of contracts signed by a Customer and decentralization of processes. • Actions taken to ensure continuity and improve service during the period of pandemic: <ol style="list-style-type: none"> a) simplifying the process of changing the seller by accepting scanned notices of termination and sending letters to all sellers with a request to accept scanned notices of termination, b) actively promoting accounts in the Electronic Customer Service Office (eBOK) and e-invoices that provide an online access to up-to-date information and invoices along with the option to submit applications, requests and complaints without leaving home, Currently more than half a million Customers have accounts. c) working out with Bank Pekao S.A. and PKO BP the option of electronic authorization of newly received consents to debit the account, rather than authorization in the paper form, • extension of the self-service IVR on the 611 111 111 hotline, through which Customers may obtain information on, among others, how and with what documents they can sign a new agreement with ENEA or change the terms and conditions of the current agreement.
Wholesale Area	<ul style="list-style-type: none"> • Project entitled "Creation of a logistical support system for biomass deliveries through seaports to ENEA Elektrownia Połaniec Spółka Akcyjna". • Launched the project entitled "Adaptation of ENEA Group Companies to changes in the operation of the balancing market in Poland" • Launched the project entitled "Development of biomass trading activity by ENEA Trading sp. z o.o."

Generation Area – Kozenice Power Plant

Name of investment	Value [PLN million]
Investment projects completed in 2020:	
<ul style="list-style-type: none"> Modernization of unit 1 – the unit was started up and synchronized on schedule, i.e. on 11 April 2020. The investment was transferred to Company's assets on 12 May 2020. 	26.0
<ul style="list-style-type: none"> Modernization of unit 4 – on 2-5 August 2020 the unit underwent a 72-hour test run, which was successful. Progress of the unit modernization work - 100% The modernization has been completed. 	32.7
<ul style="list-style-type: none"> Modernization of unit 5 – the unit was started up on 31 October 2020. 	25.8
<ul style="list-style-type: none"> Modernization of draft cooling towers – cells CB21 and CB22. The project was carried out until 15 June 2020. 	8.1
<ul style="list-style-type: none"> Electrostatic precipitator of unit 1 – the work has been completed. The final acceptance was carried out on 11 May 2020. 	5.3
<ul style="list-style-type: none"> Electrostatic precipitator of unit 2 – the work has been completed. The final acceptance was carried out on 24 September 2019. The agreement was settled with a final acceptance report of 20 February 2020. 	16.5
<ul style="list-style-type: none"> Electrostatic precipitator of unit 4 – the electrostatic precipitator was started up and synchronized with the grid on 2 August 2020. The final acceptance was carried out on 24 August 2020. 	0.6
<ul style="list-style-type: none"> Electrostatic precipitator of unit 5 – Unit 5 was started up on 31 October 2020. On 25 November 2020, the final acceptance of the facility was carried out. The as-built documentation was collected on 28 January 2021. 	6.4
<ul style="list-style-type: none"> Continuous monitoring of NH₃, HCl, HF and Hg levels on the smoke stack. Continuation of work under the 2019 contract. A system for continuous monitoring of NH₃, HCl, HF and Hg levels on smoke stack K6 has been installed on the FGD IV installation. Calibration measurements have been performed on the E5B10 emitter in the period from 29 June to 2 July 2020. The final acceptance of the task was completed on 31 August 2020. 	5.5
<ul style="list-style-type: none"> EW's formal and legal adjustment to the requirements of the BAT conclusions – Financially, the project has been completed; continued until 31 March 2021 without expenditures (due to instruction P13/2020). 	0.1
Investment projects not completed in 2020; completion expected in 2021:	
<ul style="list-style-type: none"> Installation of a catalytic flue gas denitrification system and modernization of electrostatic precipitators for AP-1650 boilers in units 9 and 10 under the 2 x 500 MW Units Modernization Program – continuation from 2018. unit 9 with a replaced electrostatic precipitator of Unit 9 has been in operation since 30 June 2019. The Adjustment Run started on 5 February 2020 and on 6 March 2019, the Parties signed a report on completion of the Adjustment Run for the SCR Installation of Unit 9 without the DRiM II Station. Built-in SCR Installation of unit 10 with the modernized electrostatic precipitator of unit 10 – in operation. The investment was commissioned for operation on 30 June 2020. The final acceptance remains to be performed after the delivery of spare parts, as-built documentation and after the buyer performs warranty measurements. Built-in SCR installation of Unit 9 with a replaced electrostatic precipitator – in operation. It was commissioned for operation on 30 June 2020; the final acceptance remains to be performed after the delivery of spare parts, as-built documentation and after the buyer performs warranty measurements. On 30 June 2020, the Parties to the Agreement signed a settlement agreement and annex 6 to the agreement. On 2 September 2020, the Contractor notified the buyer that the Management Board of Rafako S.A. made a decision on 2 September 2020 to open the restructuring procedure for the Company by submitting a relevant declaration to the Court and Economic Monitor. Considering the above, it is estimated that the completion dates specified in annex 6 may be at risk, in particular the final acceptance dates for SCR Installations in boilers 9 and 10 and electrostatic precipitators 9 and 10. It is currently estimated that the Subject Matter of the Agreement will be completed by 30 June 2021 and the project will end on 30 September 2021. 	27.0
<ul style="list-style-type: none"> Modernization of the cooling water system in the Kozenice Power Plant – the procedure was canceled because the prices proposed in the bids were significantly higher than the planned expenditures. Subsequently, the technology and the scope of modernization was optimized together with Energoprojekt Katowice and the next tender procedure was announced. The implementation was scheduled for 2021-2022. 	100.5
<ul style="list-style-type: none"> Installation of a FGD wastewater heavy metals reduction plant – the following tasks are implemented in the project of adapting parameters of the wastewater from the flue-gas desulphurization system to comply with the BAT conclusions requirements (installation of FGD wastewater heavy metals reduction system): <ul style="list-style-type: none"> Automation and optimization of the flue-gas desulphurization system FGD I-V (for units 1-11). Contract signed with a contractor, to be performed in 2019-2021. To be performed in 2021: examination of the FGD V system (Unit 11) and preparation of the material scope of the modernization, Automation and optimization of FGD III (500 MW Unit 10) – in 2020 the concept was implemented in the reference facility, i.e. FGD III. The requirements of BAT and the integrated permit have been satisfied, Automation and optimization of FGD I, FGD II, FGD IV. In 2020, a contract was signed with the contractor, Energopomiar. Deliveries in 2020, modernization in 2021, Automation and optimization of FGD V – it will be performed in 2021. 	11.4
<ul style="list-style-type: none"> Modernization of the FGD I flue-gas desulphurization installation – the modernization of the facility was completed in April 2020. After the QAL2 calibration measurements and guarantee measurements were performed, certain concerns arose as to the reliability of the presented measurement results and the modernization work itself. Certain issues have occurred during the measurements performed to confirm the effects of the modernization. The measurement results are unsatisfactory. The concept for further modernization, to be implemented in 2021, is currently in development. 	3.0
<ul style="list-style-type: none"> Modernization of the FGD IV flue-gas desulphurization installation – according to the agreement, the technology used was to improve the distribution of SO₂ concentrations. Upon submission of the QAL-2 measurement report, it became apparent that this was not the case. The contractor was requested to provide a solution to the problem. The contractor attempted to make the repair and QAL-2 measurements were made. The remaining procedure from the moment of completion of work on the facility must be repeated: a trial run and warranty measurements. The estimated date of completion of the project: Q1 2021 	7.9

Generation Area – Połaniec Power Plant

Name of investment	Value [PLN million]
Investment projects completed in 2020:	
<ul style="list-style-type: none"> Modernization of unit 5 - the "Phoenix" project Adaptation of ENEA Elektrownia Połaniec to the BAT conclusions 	<p>103.6</p> <p>15.3</p>
Investments planned for Q1 2021:	
Adaptation of ENEA Elektrownia Połaniec to the BAT conclusions	37.1

Generation Area – ENEA Ciepło

Name of investment	Value [PLN million]
Investment projects completed in 2020:	
<ul style="list-style-type: none"> Investments with co-funding – rebuilding existing heat distribution networks and hubs Development investments – building new heat distribution networks, connections and hubs, telemetry Modernization of the electrostatic precipitator for boiler K8 Expansion of the continuous flue gas monitoring system – Hg, NH₃, HCL measurements Revitalization of boiler K7 Upgrade of the Experion PKS system on units and auxiliary systems and the PHD database 	<p>9.9</p> <p>12.2</p> <p>0.8</p> <p>0.5</p> <p>2.8</p> <p>0.3</p>
Investments planned for Q1 2021:	
<ul style="list-style-type: none"> Expansion of the continuous flue gas monitoring system – Hg, NH₃, HCL measurements Upgrade of the Experion PKS system on units and auxiliary systems and the PHD database 	<p>0.4</p> <p>0.5</p>

Distribution Area – ENEA Operator

Name of investment	Value [PLN million]
Investment projects completed in 2020:	
<ul style="list-style-type: none"> Construction and modernization of a number of grid infrastructure elements, such as high, medium and low voltage lines and transformer stations, related to the pursuit of the following objectives: fulfilling the public-legal obligation, ensuring energy security for the region, improving the reliability and quality of electricity supply – grid automation, change of the MV network structure from overhead to cable, activities aimed at achieving the "smart grid" standard. Development of IT tools supporting grid management Development of the infrastructure area in order to support the operations, including, among others, the purchase of specialist aerial lifts for live-line working, diagnostic equipment for cable lines and for locating damage in MV and LV lines, maintenance of buildings used Development of the infrastructure area in order to support the operations, including, among others, oversight over the correct operation of the fleet in the distribution area 	<p>1,086.5</p> <p>31.7</p> <p>26.9</p> <p>19.4</p>

Mining Area

Name of investment	Value [PLN million]
Investment projects completed in 2020:	
Development investments: <ul style="list-style-type: none"> Ostrów Field – design work. Purchase of finished goods, machinery and equipment. 	613.8
Operating investments <ul style="list-style-type: none"> New mining pits and modernization of existing ones – 25.7 km of roadways were made in 2020. Purchase and installation of a shearer system. 	
Investments planned for 2021:	
Development investments: <ul style="list-style-type: none"> Purchase of finished goods, machinery and equipment. 	597.7
Operating investments <ul style="list-style-type: none"> New excavations and upgrade of existing ones 	

3.5.3. Executed contracts

3.5.3.1. Agreements of significance to ENEA Group's operations

In 2020, ENEA Group companies executed no contracts of material importance, although the following contracts were signed in this period:

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

3.5.3.2. Performance of operating and financing contracts

Contract date	Parties		Description
28 June 2011	ENEA Wytwarzanie	Rafako	Supply and assembly of the SCR installation for OP-650 Boilers 4 to 8
23 January 2012	ENEA Wytwarzanie	LW Bogdanka	Multi-Year Agreement No. UW/LW/01/2012 – sets forth the general terms and conditions of coal supply in 2017-2036
30 September 2016	ENEA Wytwarzanie	Rafako	Supply and assembly of the SCR installation for AP-1650 Boilers 9 and 10, including the upgrade of electrostatic precipitators
27 December 2017	ENEA Wytwarzanie	Polska Grupa Górnicza	Multi-Year Agreement No. 44/P/PGG/2018/K – sets forth the general terms and conditions of coal supply in 2018-2021
29 December 2017	ENEA Wytwarzanie	Jastrzębska Spółka Węglowa	Multi-Year Steam Coal Purchase Agreement No. 48/DH/HE/2017 – sets forth the general terms and conditions of coal supply in 2018-2020
12 July 2012	ENEA Elektrownia Połaniec	LW Bogdanka	Multi-Year Agreement – specifies the general terms and conditions of coal supply in 2013-2021
27 December 2017	ENEA Elektrownia Połaniec	Polska Grupa Górnicza	Multi-Year Agreement No. 60/P/PGG/2018/K – sets forth the general terms and conditions of coal supply in 2018-2021
28 August 2018	ENEA Elektrownia Połaniec	Rafako	“Design, delivery, assembly and start-up of a complete flue gas desulphurisation (FDG) installation for Unit No. 5 in ENEA Elektrownia Połaniec S.A.”

3.5.3.3. Agreements concluded by LW Bogdanka with entities outside ENEA Group

Contract date	Party to the Agreement	Description
8 January 2009	Zakłady Azotowe Puławy	Multi-Year Agreement – specifies the general terms and conditions of coal supply in 2010 – 2026
14 December 2010	Energa Elektrownie Ostrołęka	Multi-Year Agreement – specifies the general terms and conditions of coal supply in 2011 – 2026

3.5.3.4. Dependence on suppliers or users

Due to the sales structure, there is no dependence on any customer. In the area of coal supply, LW Bogdanka's subsidiary is the largest supplier of coal.

3.5.3.5. Insurance agreements

ENEA Group enters into insurance agreements in accordance with the ENEA Group Insurance Policy (hereinafter the Policy). The common Policy has unified the insurance standards and the insurance contracting process in the ENEA Group; moreover, the purchases of insurance cover are consolidated, offering measurable benefits, both in terms of the insurance (insurance conditions) and the costs incurred. Under the Policy, Companies transfer the risk of loss due to property damage or third party claims by signing insurance agreements with assistance from leading domestic and global insurance brokers, generally in Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych mutual insurance company, in which it is a member. Because of the significant exposure of ENEA Group companies to damage and potential claims, it cannot be ruled out that the current insurance agreements may prove to be insufficient.

3.5.3.6. Agreements signed between shareholders of the Parent Company

The Company is not aware of any agreements that may have been concluded between the shareholders of ENEA S.A.

3.5.3.7. Partnering or cooperation agreements

Through innovative activities and execution of research and development projects, in 2020 ENEA Operator continued its cooperation with the research institutions listed below:

- University of Zielona Góra
- Institute of Power Engineering in Warsaw
- Institute of Power Engineering, Gdańsk Division
- AGH University of Science and Technology in Krakow
- Poznań University of Technology
- Łukasiewicz Research Network – Institute of Logistics and Warehousing
- Maritime Academy in Szczecin
- Poznań University of Economics and Business
- University of Technology and Life Sciences in Bydgoszcz
- Electric Power Research Institute (EPRI)

Additionally, in 2020, pursuant to new agreements, cooperation with the following academic institutions was extended:

- West Pomeranian University of Technology in Szczecin
- University of Szczecin

Activity of ENEA Innowacje

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

In the financial year 2020, the Company:

1. adapted the organization of work and the implementation of the Company's objectives taking into account the epidemiological situation in Poland related to the spread of the SARS-CoV-2 coronavirus. The impact and development of the pandemic forced the Company to introduce appropriate measures preventing the spread of coronavirus and to ensure safety of employees and business continuity in the Company. In connection with the above, internal rules and instructions were implemented concerning office work, remote work and organization of meetings and business trips based on national regulations and decisions of the ENEA Group's Crisis Center. For this purpose, personal protection equipment was purchased, including masks, gloves, disinfectant fluids, and mandatory measurement of temperature was introduced in offices.

2. continued to pursue the objectives of the updated operating model of the ENEA Group's innovation area and took an active part in projects to improve internal innovation management regulations within the Group, through the development and implementation of a procedure for evaluating innovative projects and preparation of a draft Corporate Strategy, which is to come into effect in 2021.
3. identified numerous innovation initiatives and ideas and conducted preliminary pre-selection of several of them. Subsequently, 5 of the most promising projects were subjected to an in-depth analysis and evaluation, following which 2 projects were forwarded to the unit responsible for investment decisions in the ENEA Group.
4. conducted analyses of, among others, the market and technology environment, the energy sector and its competitiveness; the purpose of these analyses was to support the directions of activities and management decisions on future investments in the Company's innovations.
5. it commenced the work to optimize innovation and R&D activities, by analysing a merger with its subsidiary ENEA Badania i Rozwój, to establish a single entity with two areas, i.e. innovation and R&D.
6. adopted internal regulations describing the Company's detailed principles of operation in the area of HR and administration, by introducing documents such as the labor regulations, training principles or guidance on using the car fleet.
7. signed letters of intent and cooperation agreements with universities and institutions such as: the Cardinal Stefan Wyszyński University in Warsaw, the Foundation of the Adam Mickiewicz University in Poznań, West Pomeranian University of Technology in Szczecin, Warsaw University of Technology.
8. it took an active part and represented the ENEA Group in industry events and in start-ups.
9. continued the traineeship program aimed at attracting young and ambitious talent to contribute to the future growth of the Company.

In 2020, the company did not conduct any research and development activity. Information on other partnering and cooperation agreements is provided in the section entitled "Other information relevant to evaluation of the issuer's standing"

3.5.3.8. Other agreements

In the previous years, ENEA S.A. also concluded intra-group bond issue programme agreements with its subsidiaries, which are used to finance investments in the RES and Heat Segments. These programmes have been fully utilised and are redeemed in installments. As at 31 December 2020, the total par value of bonds issued and outstanding under these programmes was PLN 18 million.

3.5.4. Financing sources of the investment programme – security issues

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

During the 12-month period ended 31 December 2020, ENEA S.A. did not enter into any new bond issue programme agreements.

3.5.4.1. Available external financing sources

Source of liability	Purpose	Value of issue	Maturity	Liability amount as at the balance sheet date [par value]	Additional information
		PLN 500 million	September 2021	PLN 500 million	
Bond Issue Programme Agreement up to PLN 5,000 million	Capital expenditures and ongoing activity of ENEA Group entities	PLN 1,000 million	June 2024	PLN 1,000 million	Market program, not guaranteed
		PLN 1,000 million	June 2024	PLN 1,000 million	

3.5.4.2. Utilisation of external financing sources

Below is a summary of the utilised loan agreements and bond issue programmes, under which ENEA S.A. had liabilities as at 31 December 2020.

Source of liability	Purpose	Value	Final maturity/repayment date	Amount due at the balance sheet date [par value]	Additional information
Bond Issue Programme Agreement	Financing of the execution of investment projects	up to PLN 3,000 million	June 2022	PLN 2,140 million	issue underwritten by: PKO BP, Bank Pekao, Santander Bank Polska, Bank Handlowy w Warszawie the financing is not secured on assets
Bond Issue Programme Agreement	Financing of current activities and investment needs	up to PLN 1,000 million	December 2026	PLN 720 million	underwriter of the issue: Bank Gospodarstwa Krajowego the financing is not secured on assets
		up to PLN 700 million	September 2027	PLN 533 million	
Loan Agreement with the European Investment Bank	Financing the multi-year investment plan for modernization and expansion of ENEA Operator's power grids	up to PLN 950 million	September 2028	PLN 633 million	the financing is not secured on assets
		up to PLN 475 million	June 2030	PLN 381 million	
		up to PLN 946 million	September 2032	PLN 878 million	

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

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

Currently, in the Generation and Distribution areas ENEA S.A. has intra-group bond issue programs in place with a total value of PLN 5,371 million. These programs have been fully utilized and are partly redeemed in installments. As at 31 December 2020, the total nominal exposure under the bonds issued under these programs and held by ENEA S.A. was PLN 3,682 million. In the previous years, ENEA S.A. also concluded intra-group bond issue program agreements with its subsidiaries, which are used to finance investments in the RES and Heat Segments. As at 31 December 2020, the total value of bonds issued and outstanding under these programmes was PLN 18 million.

Company	Source of liability	Contract date	Value	Amount due at the balance sheet date (par value)	Final maturity/repayment date	Additional information
ENEA Wytwarzanie	Bond Issue Programme Agreement	September 2012	PLN 3,000 million	PLN 1,790 million	June 2022	The capacity to issue bonds under the programme ended on 31 December 2017. The bonds bear interest at fixed or floating rates, depending on the series.
ENEA Operator	Bond Issue Programme Agreement	June 2013	PLN 1,425 million	PLN 1,014 million	June 2030	The programme has been fully utilised. The bonds bear interest at fixed or floating rates, depending on the series. Repayment in semi-annual instalments from June 2017.
	Bond Issue Programme Performance Agreement	July 2015	PLN 946 million	PLN 878 million	September 2032	The programme has been fully utilised. The bonds bear interest at a floating rate. Repayment in semi-annual instalments from December 2018.

3.5.4.4. Loan and borrowing agreements concluded and completed

As at 31 December 2020, ENEA S.A. has taken out PLN 1,892 million of long-term loans at the nominal debt value. In 2020 ENEA S.A. did not terminate any loan and borrowing agreements. ENEA S.A. did not increase its debt under loans and borrowings in 2020.

Starting date	Lender	Value	Amount of credit taken in 2020	Interest rate	Outstanding capital as at 31 December 2020	Final maturity
19 June 2013	European Investment Bank	PLN 1,425 million	0	fixed or floating	PLN 1,014 million	June 2030
29 May 2015	European Investment Bank	PLN 946 million	0	fixed or floating	PLN 878 million	September 2032

3.5.4.5. Loans and borrowings taken out by ENEA Group companies

As at 31 December 2020, the total nominal amount of external debt under the loans and borrowings incurred by ENEA Group companies (without ENEA S.A.) was PLN 62,668 thousand. ENEA Group companies did not terminate any loan and borrowing agreements in 2020.

Starting date	Final maturity	Company	Type of financing	Value [PLN 000s]	Amount of credit taken in 2020 [PLN 000s]	Interest rate	Credit debt as at 31 December 2020 [PLN 000s]
November 2016	June 2023	MEC Piła	loan from WFOŚiGW	4,861	0	base rate + margin	2,952
October 2013	September 2028	PEC	loan from WFOŚiGW	3,500	0	base rate + margin	1,850
August 2012	November 2023	ENEA Ciepło.	investment loan	16,367	0	base rate + margin	3,272
April 2016	December 2026	ENEA Ciepło	loan from NFOŚiGW	60,075	0	base rate + margin	42,406
June 2014	July 2024	Łęczyńska Energetyka	loan from WFOŚiGW	26,580	0	base rate + margin	10,894
April 2020	May 2027	ENEA Operator	loan from WFOŚiGW	1,429	1,429	base rate + margin	1,295

3.5.4.6. Loans granted

In 2020, ENEA S.A. granted loans to ENEA Group companies and other companies, in which it held interests, in the total value of PLN 3,660,500¹⁾ thousand. The nominal value of debt as at 31 December 2020 was PLN 3,999,000 thousand. Detailed information on the loan agreements signed by ENEA S.A. and active in 2020 and their utilisation is presented in the table below:

Starting date	Final maturity	Company	Value [PLN 000s]	Amount of credit taken in 2020 [PLN 000s]	Interest rate	Debt as at 31 December 2020 [PLN 000s]
July 2019	June 2030	ENEA Centrum.	40,000	0	base rate + margin	0 ²⁾
January 2015	January 2020	ENEA Oświetlenie	10,000	0	base rate + margin	0 ³⁾
November 2017	September 2023	PGE EJ 1	18,240	10,500	fixed	0 ⁴⁾
October 2018	December 2019	PEC	2,000	0	base rate + margin	0 ⁵⁾
July 2019	December 2024	ENEA Operator	1,800,000	650,000	base rate + margin	1,500,000
September 2019	February 2021	Elektrownia Ostrołęka	199,000	90,000	fixed	199,000 ⁶⁾
January 2020	September 2024	ENEA Wytwarzanie	2,200,000	1,800,000	base rate + margin	1,800,000
February 2020	December 2024	ENEA Elektrownia Połaniec	500,000	500,000	base rate + margin	500,000

¹⁾ ENEA S.A. signed agreements with ENEA Operator, ENEA Wytwarzanie, ENEA Elektrownia Połaniec and PGE EJ 1 for the total amount of PLN 3,661 million. The amount PLN 2,961 million has been drawn down under these agreements.

²⁾ The agreement in the amount of PLN 40 million with ENEA Centrum was signed in 2019, but so far no tranche of this loan has been disbursed and the availability period expired on 30 June 2020.

³⁾ The loan was repaid in January 2020.

⁴⁾ Under the Set Off Agreement of 25 November 2020, all amounts due to ENEA S.A. under the loan agreements signed with PGE EJ 1 were written off.

⁵⁾ The loan was repaid in January 2020.

⁶⁾ As at 31 December 2020, impairment losses on loans granted to Elekrownia Ostrołęka Sp. z o.o. amounted in aggregate to PLN 209,785 thousand, including interest (the full value of the loans was covered by the impairment loss). The total impairment loss for the loans granted to Elekrownia Ostrołęka Sp. z o.o. recognized in the 12-month period ended 31 December 2020 was PLN 144,014 thousand; this amount was captured in the consolidated statement of comprehensive income in the item "Impairment allowances recognized for financial assets measured at amortized cost".

3.5.4.7. Sureties granted and received

In 2020 ENEA Group companies did not grant any new sureties. As at 31 December 2020, the total value of the off-balance sheet items under suretyships granted by ENEA S.A. was PLN 35,154 thousand.

3.5.4.8. Guarantees granted

As at 31 December 2020, the total value of the bank guarantees extended upon orders from ENEA S.A. was PLN 417,221 thousand.

In 2020, bank guarantees in the total amount of PLN 423,380 thousand were issued upon orders from ENEA S.A.

The table below presents the largest bank guarantees extended upon orders from ENEA S.A. in 2020 under the concluded bank guarantee agreements (size threshold > PLN 5 million):

Security granting date	Security validity date	Secured entity	Purpose of the agreement	Security form	Extended security amount [PLN 000s]
21 September 2020	23 March 2021	Stal-Systems	Guarantee of payment for construction work	under the guarantee facility up to PLN 350,000,000	67,382
17 December 2020	31 December 2022	Izba Rozliczeniowa Gield Towarowych	security deposit ¹⁾ provided	under the guarantee facility up to PLN 600,000,000	70,000
30 December 2020	31 December 2022	Izba Rozliczeniowa Gield Towarowych	security deposit ²⁾	under the guarantee facility up to PLN 600,000,000	100,000

¹⁾ for transactions concluded by ENEA Wytwarzanie on the Polish Power Exchange

²⁾ for transactions concluded by ENEA Elekrownia Polaniec on the Polish Power Exchange

3.5.4.9. Interest rate swaps

Under the Interest Rate Risk Management Policy, in 2020 ENEA S.A. concluded transactions hedging the interest rate risk (Interest Rate Swaps) for exposures in the amount of PLN 1,000 million.

3.5.4.10. Related party transactions

In 2020 ENEA S.A. and its subsidiaries did not enter into any related party transactions on a non-arm's length basis. Information on related party transactions concluded by ENEA S.A. and its subsidiaries is presented in Note 39 to the consolidated financial statements of the ENEA Group for the period from 1 January to 31 December 2020.

3.5.4.11. Allocation of profit for 2019

On 30 July 2020, the Ordinary General Meeting of ENEA S.A. adopted Resolution 6 on the allocation of net profit for the financial year from 1 January 2019 to 31 December 2019, according to which 100% of the 2019 net profit was allocated for an increase of reserve capital and designated for financing of capital expenditures.

3.5.4.12. Assessment of feasibility of investment plans

The Company's financial standing creates a solid basis for implementation of investment plans. The ENEA Group's balance sheet, equity and cash balance are a strong foundation for financing capital expenditures, both from own and external sources. In order to ensure efficient use of funds, the Company in its investment activities (especially in the event of acquisitions) intends to obtain debt financing to achieve financial leverage.

4. Risk management

The ENEA Group is exposed to risks in each segment of its activity. The risk materialization may have a significant adverse effect on the continuity of business of individual companies of the Group as well as their financial standing and ability to achieve strategic goals.

The awareness of these risks requires maintaining, using, and constantly improving a formalized and integrated enterprise risk management (ERM) system. Its framework is determined by the single Enterprise Risk Management Policy binding in the ENEA Group. At the ENEA Group, ERM system is based on the comprehensive approach to the risk management issue and determination of rules for risk identification and assessment. This is the basis for the selection of key enterprise risks, the preparation of mitigating activities, the monitoring of exposures and the deployment of activities. In the case of some risks, such as credit, liquidity loss, FX, interest rate, and commodity risks, as well as in the case of project, breach of personal data protection and cybernetic risks, the formalized approach to risk management or risk assessment takes the form of dedicated Policies and/or Procedures.

An important element of the model functioning at the ENEA Group is also the business continuity management system, whose purpose is to identify critical processes for the operations of the key Companies of the ENEA Group and to implement such actions and procedures that will reduce the risk of their interruption and ensure their continuity in an emergency situation.

The adopted risk management rules are determined on the basis of the highest management standards and compliant with the best market practice. The Group uses available IT systems to perform risk management processes.

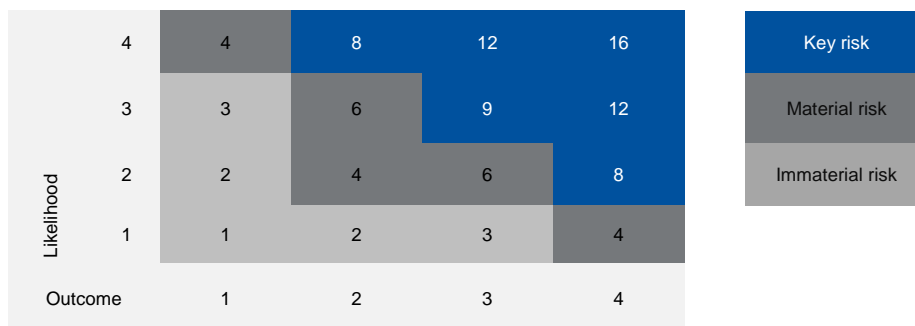
4.1. Management model

The risk management organization at the ENEA Group is based on a model which assumes coordination of the risk management processes at the ENEA Group by ENEA S.A. Specific features of the model are also:

- key ENEA Group companies manage risks on the basis of uniform standards set out in the Policies and Procedures.
- the companies ensure operating management of risks within allocated limits and pursuant to the rules approved by the ENEA Group Risk Committee.
- the companies report to ENEA S.A. and the ENEA Group Risk Committee on the measures implemented in the area of risk management.

4.2. Risk assessment

Each risk included in the Risk Register is assessed in terms of probability and potential financial, reputational and health and safety impacts in line with the Enterprise Risk Assessment Scale. The assessment scale defines the scope of the Risk Management Plan and the frequency of monitoring.



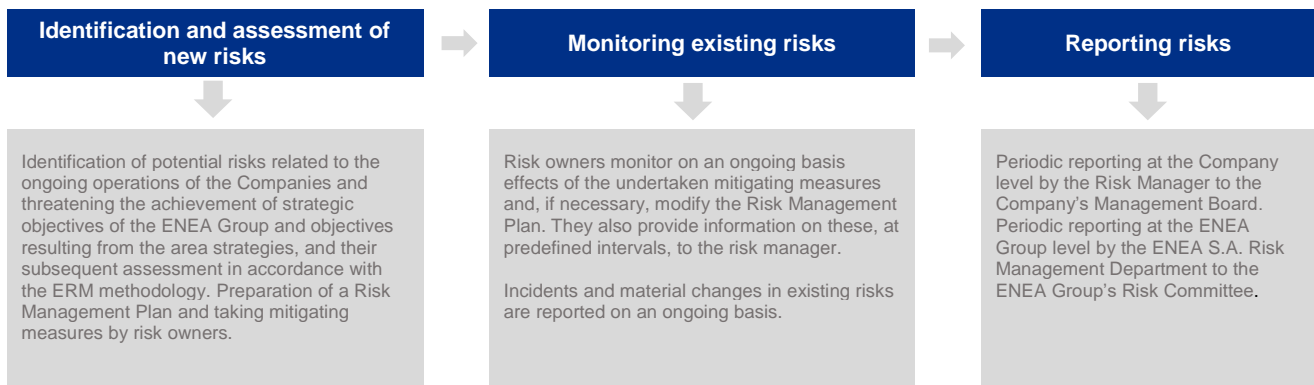
4.3. Risk management process

The risk management process at the ENEA Group is a multi-stage process, engaging all the significant organizational units of the Group Companies.

Integrated risk management system

ERM Enterprise risk management policy





What is also taken into consideration within the process of identification are non-financial risks which may have a significant negative impact on social, labor, environmental, human rights and anti-corruption issues. Their detailed description can be found in "The Non-Financial Statement" hereinbelow.

4.4. ENEA Group Risk Committee

The key authority in the risk management process at the ENEA Group is the Risk Committee. The Committee is an interdisciplinary body composed of the representatives of key business areas at the ENEA Group who represent all key companies of the Group.

Powers of the Risk Committee

For the Risk Management and Compliance Area, and in particular:

1. Giving recommendations to the ENEA S.A. Management Board on approving the policies governing the process of managing risks, business continuity, insurances, and Compliance as well as on any relevant updates.
2. Accepting and analyzing information received from Content Management Units in the area of managing risks, business continuity, and insurances.
3. Providing opinion on annual reports on the Compliance Policy implementation which are submitted to the ENEA S.A. Management Board for approval.
4. Accepting semi-annual reports on the Compliance Policy ongoing implementation and preparing recommendations as to the Compliance Policy implementation.
5. Issuing binding interpretation (construction) of the Compliance Policy provisions.
6. Approving the operating documentation governing the process of managing risks, insurances, and business continuity with approval of any relevant updates (strategies, procedures, methodologies, tools, instructions, guidelines, etc.).

For the Market Regulation Area:

1. Issuing guidelines concerning the presentation of the position and undertaking negotiation, regulatory, and lobbying activities in favor of ENEA Group companies regarding market regulations.
2. Setting the direction and scope of the analysis of the impact of market regulations on development and investment plans and strategy of the ENEA Group.
3. Receiving and analyzing information from the Market Regulation Area received from the Content Management Units.

4.4.1. Members of ENEA Group Risk Committee

The Risk Committee is composed of dedicated members of the Management Board of ENEA S.A. and its Subsidiaries within the Group as well as directors in charge of substantively relevant departments of ENEA S.A.

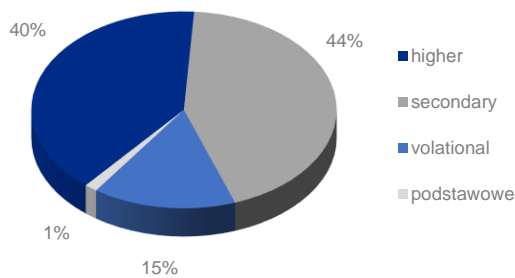
4.5. ENEA Group's Risk Model

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

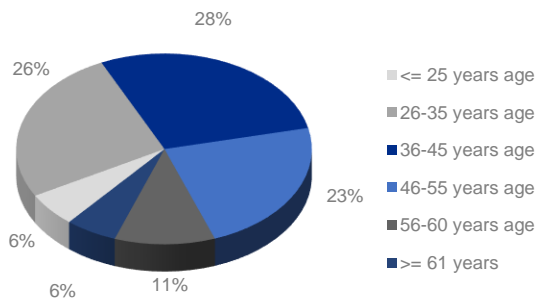
5. Headcount

As at the last day of 2020, the headcount in ENEA Group companies included 17,452 employees with employment contracts, including 3,104 women and 14,348 men. As at 31 December 2020, the headcount in ENEA S.A. was 410 employees with employment contracts.

Headcount structure in the ENEA Group by education as at 31 December 2020



Headcount structure in the ENEA Group by age as at 31 December 2020



5.1. HR Policy implementation at the ENEA Group in 2020

1. Optimization of the HR work organization model aimed to facilitate the Group's activity. The essence of the model is:
 - creating HR policy at the level of ENEA S.A. and cascading the assumptions for implementation to individual member companies of the Group, which should consequently ensure the cohesion of HR operations and support for the pursuit of the ENEA Group Strategy
 - ensuring business support in member companies of the Group through HR Business Partners responsible for implementing HR solutions, supporting the Management Boards and the management staff in HR managing, and cooperation with the company's trade union organizations
 - monitoring the cohesion of HR processes and standards throughout the ENEA Group in such areas as: recruiting, onboarding, hiring, and changes to employment terms and conditions, development policy, training, management by objectives, incentive systems, etc.
 - leaving in the Shared Services Centre at ENEA Centrum only the operating activities in the field of HR and payroll services, the Company Social Benefit Fund, handling of training, and settlement of trade union organizations.
2. Developing an action plan based on an analysis of the results of the performed satisfaction survey of Employees in selected ENEA Group companies.
3. HR process digitalization – continuation of the operations aimed to introduce electronic personal files (e-files), electronic document circulation with regard to processes handled by the Business Partner's HR (recruiting, hiring, changes to employment terms and conditions, etc.).
4. Activities in the area of employer branding aiming to win the best candidates for work, including:
 - activities dedicated to students and graduates such as promoting the traineeship and apprenticeship program "Get Installed at ENEA", running practice-oriented studies or cooperating with student organizations
 - activities addressed to students from vocational and technical schools performed within a model of cooperation with patronage schools in the territory of the companies' operation, including the organization of the second edition of the "POWER TO START" contest for ENEA scholarship
 - promoting job offers among job seekers, professionals and specialists, as well as maintaining employer profiles in social media.

In this area, activities are also undertaken aimed at current employees through running the Employee Zone in the intranet, organizing competitions and promoting ethical values following from the ENEA Group Code of Ethics. What is also significant is winning the Friendly Workplace award and the Company without Mobbing Certificate confirming effectiveness of actions taken by the employer to combat discrimination and other undesirable behaviors.
5. Permanent review of incentive systems and adjusting them to market conditions; implementing the tool for management by objectives, being the basis for transparent and incentive remunerating for the performance, including remuneration for the management staff and for the Personnel from the sales area.

5.2 Information on the remuneration rules at ENEA S.A.

On 30 July 2020, the Ordinary General Meeting of ENEA S.A., with Resolution no. 24, adopted the document entitled the "Remuneration Policy for members of the supervisory body and management body at ENEA Spółka Akcyjna", which came into force with effect as of 30 July 2020 and from that date it is applicable to the payment of remuneration to Management Board and Supervisory Board members. Furthermore, various formal remuneration regulations regarding Employees are applied in the Company. At ENEA S.A., remunerations are determined on the basis of the Internal Collective Bargaining Agreement, bonus regulations, and work regulations. The rules for determining remunerations at ENEA S.A. are linked to its strategy, objectives, interests, and results. In addition, they are set out taking into consideration the principle of non-discrimination on any grounds. Save for the modifications in the rules of remunerating persons performing management or supervision functions, there were no significant changes to the remuneration rules applied at the Company in 2020.

The extra-financial remuneration components applied by ENEA S.A. in 2020 included, in particular: health care services, training courses, welfare benefits (under the Company's Welfare Benefits Fund, i.e., co-financing the employees' holidays and sports, leisure, cultural and education activities, and low-interest loans for housing purposes), an additional day off, preferential insurance offer, company cars with the option to use them for private purposes, and the employee pension scheme.

The remuneration rules applied in the Company are assessed positively in view of the performance of its objectives, including in particular a long-term increase in value for shareholders and stability of the enterprise operation.

As at 31 December 2020, neither the Issuer nor the member companies of the ENEA Group had any liabilities (including assumed liabilities) on account of retirement pensions or similar benefits assigned individually to former employees performing management or supervision functions or former members of corporate authorities.

6. Industry profile

The main legal act regulating the Polish energy market is the Energy Law Act, supplemented by the associated regulations/ implementing acts, which are introduced most often by the Minister of Economy or Environment. Adoption of the Energy Law of April 1997 is regarded as the key moment in the process of establishing the domestic market. The Energy Regulatory Office (ERO) was also established at that time. The Office is still responsible for setting the prices of transmission of electricity as well as of the property rights from the certificates of origin of electricity and carbon dioxide emission allowances.

After Poland joined the European Union, national law had to be harmonised with the EU laws. From then on, European legislation became the basis for developing national regulations governing the energy market. The key European document was the Directive concerning common rules for the internal market in electricity. The Polish market was also significantly affected by the laws, which liberalized the market in 2007, allowing individual consumers to purchase electricity from any operator.

Nowadays, electricity is a commodity traded on an open, competitive market. Electricity is similar to other goods, as it is generated by producers, subsequently taken over by market intermediaries, to finally reach individual customers, businesses and institutions. Just as all other produced goods, electricity must be transported to the final consumer, which is effected via the transmission and distribution grid.

The energy market in Poland is divided among several energy groups, with the major ones, apart from ENEA, being: PGE, TAURON, Energa (Orlen Group), ZE PAK and Innogy (operating in Warsaw only). Pursuant to the Energy Law, special permits (concessions) issued by the ERO president are required to carry out an activity in the electricity transmission and distribution market. Leading electricity distributors in Poland include: ENEA Operator, PGE Dystrybucja, TAURON Dystrybucja and Energa Operator.

Leading energy groups in Poland



The continual strive for building an open and competitive market is based on the assumption that both generation and sales of electricity are not subject to a natural monopoly. Moreover, market mechanisms, understood as competition between energy groups, guarantee high quality of the provided services, reliability of the national power system, as well as low electricity prices. Access to inexpensive electricity is necessary for the economy, in particular for local industrial products to be able to compete in international markets and thereby build Poland's competitive advantage.

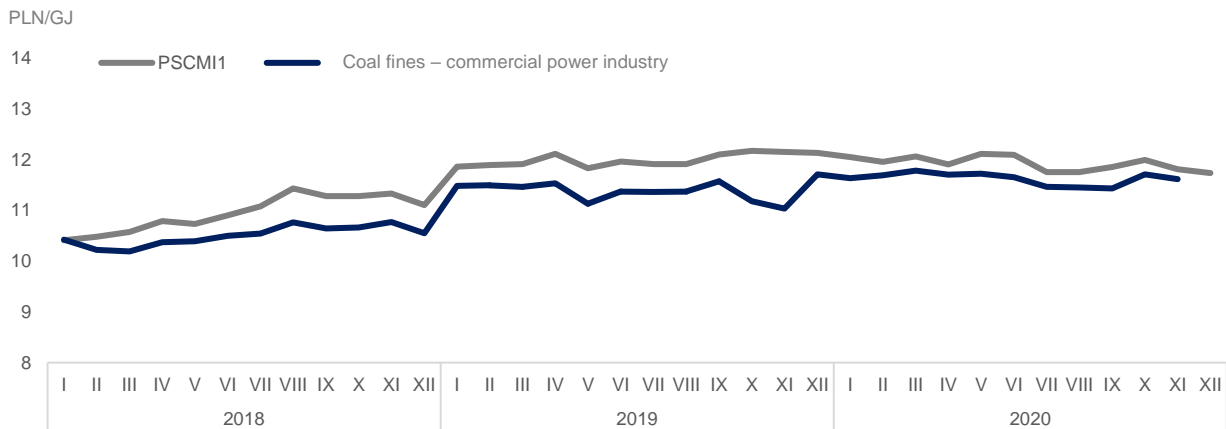
In February 2021, the Council of Ministers approved "Poland's Energy Policy until 2040" (PEP2040) - a new strategic document setting the development directions for this sector. According to that document, in 2040 more than half of the installed capacity will be in zero-emission sources. A special role in this process will be played by adding offshore wind power generation to the Polish power system and the commissioning of a nuclear power plant. These will be the two new strategic areas and branches of industry to be established in Poland. PEP2040 is one of nine integrated sectoral strategies built on the Strategy for Responsible Development. PEP2040 is consistent with the National Plan for Energy and Climate for 2021–2030. PEP2040 contains a description of the condition and considerations of the energy sector. The document identifies three pillars of PEP2040, eight detailed objectives of PEP2040 and the actions necessary to accomplish them, as well as strategic projects. It lays out the geographic coverage and presents the sources of financing for PEP2040 .

Key elements of PEP2040:

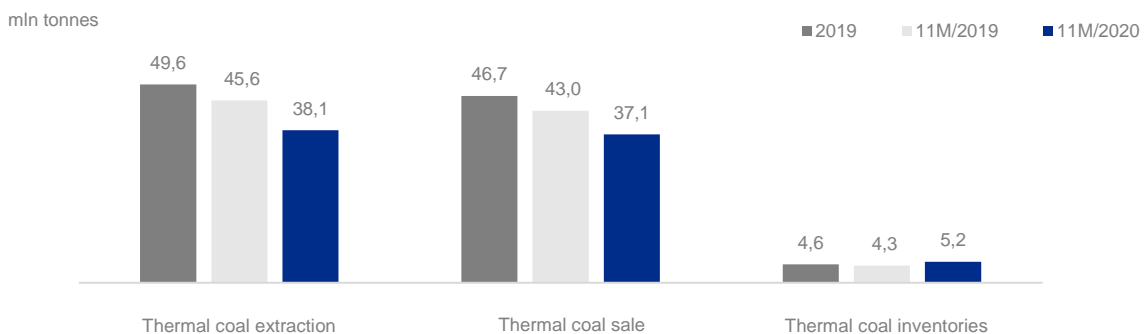
- Energy transition, including energy self-sufficiency.
- Increase in the share of RES in all sectors and technologies. In 2030, RES should cover at least 23% of final gross energy consumption, with the RES share being at least 32% in power generation (mainly wind and PV power), 28% in district heating (increasing by 1 p.p. y/y), 14% in transport (with a big contribution of electromobility).
- Offshore wind power generation – installed capacity will reach: from approx. 5.9 GW in 2030 till approx. 11 GW in 2040.
- Installed photovoltaic capacity will increase considerably: approx. 5–7 GW in 2030 and approx. 10-16 GW in 2040.
- In 2030, the share of coal in electricity generation will not exceed 56%, and given the increased prices of CO₂ emission allowances it may drop even lower to 37.5%.

6.1 Market environment

Coal prices on the Polish market



- **PSCMI1:** Average price of the PSCMI1 index in 2020 was 11.92 PLN/GJ, only 0.6% down from 11.99 PLN/GJ in the corresponding period of 2019.
- **Fine coal fractions:** Average price of fine steam coal sold to the commercial energy sector in 11M 2020¹⁾ was 11.62 PLN/GJ. The price was 1.2% higher than in the corresponding period of 2019.



The period of 11M 2020 saw a decrease in production and sales of steam coal in Polish mines; steam coal inventories increased and total imports volume was 10 million tons.

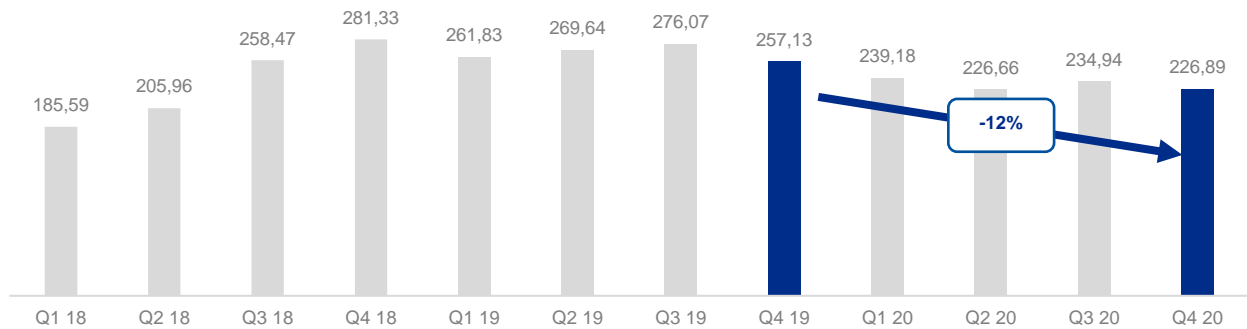
From January to November 2020, Polish mines produced 38.1 million tons of steam coal, compared to 45.6 million tons in the corresponding period of last year – down by 16.4% y/y. In that period, sales were 37.1 million tons, vs. 43 million tons in 2019 – down by 13.8% y/y. At the end of November, inventories of steam coal amounted to 5.2 million tons, up by 22% over the year. An oversupply of coal and high inventories of this raw material have maintained on the domestic coal market. The demand for electricity production from coal decreased as a result of replacement by gas, RES, electricity imports, high CO₂ prices and the coronavirus pandemic and economic lockdowns.

The Polish energy sector begins its transformation in the direction of low-emission technologies. The decarbonization process assumes a gradual shutdown of unprofitable mines and a consistent departure from coal.

¹⁾ Analysis of the period January - November 2020 due to the lack of publication market data for the Polish coal market for December 2020 by Agencja Rozwoju Przemysłu S.A. Branch in Katowice, at the time of publication of the report.

Energy prices on the Polish market

BASE_Y_19/20/21
PLN/MWh



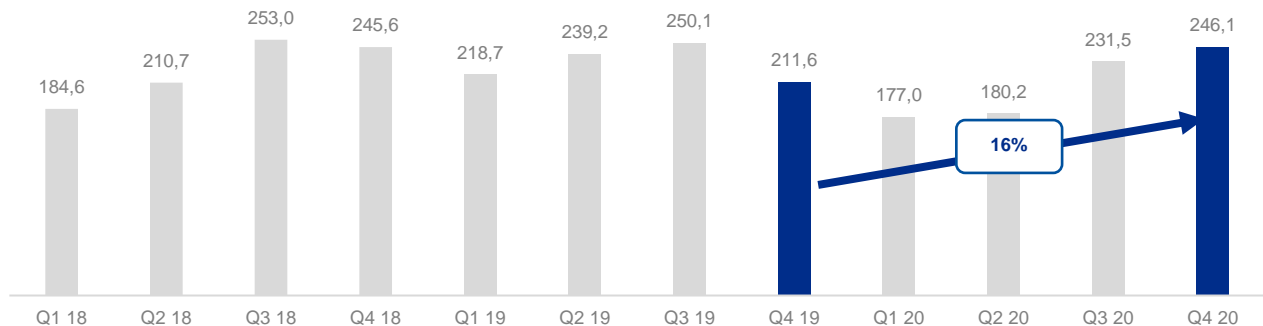
Source: PPE, clearing prices

On the wholesale electricity forward market, the price of the BASE Y-21 product decreased 12%, to 226.89 PLN/MWh, compared to the corresponding product (i.e. BASE Y-20) in Q4 2019.

BASE Y-21 prices in 2020 were highly volatile and the volume-weighted average price increased compared to the corresponding product in 2019. The BASE Y-21 price at the beginning of the year maintained close to 253.00 PLN/MWh, then dropped to about 211.00 PLN/MWh, to increase to 245.00 PLN/MWh in the final period of the year.

BASE Y-21 prices in 2020 were affected mainly by changes in the prices of CO₂ emission allowances.

RDN (DAY-AHEAD MARKET) BASE
PLN/MWh



Source: PPE, clearing prices

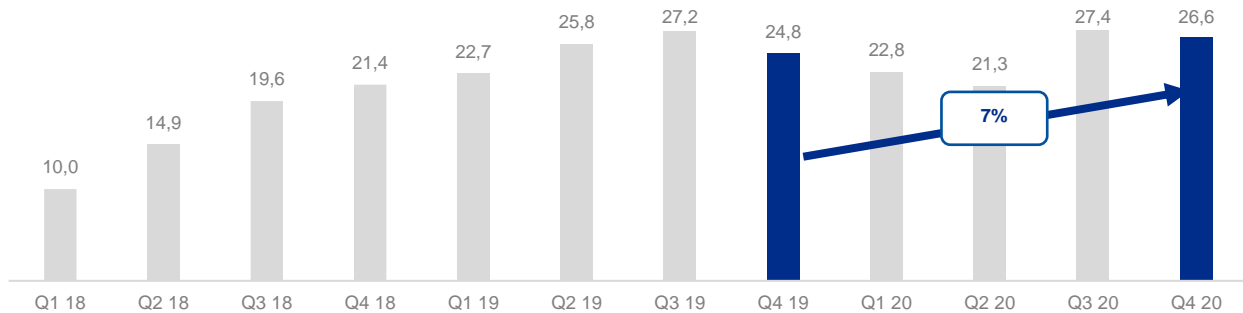
The average price of electricity on the spot market in Q4 2020 was 16% higher than in the corresponding period of 2019. This increase resulted mainly from the considerably higher valuation of all months in the quarter than in the corresponding period of 2019.

The level of electricity prices on the spot market in the whole 2020 was affected by:

- high prices of CO₂ emission allowances (price-increasing effect),
- higher levels of power deficits in the Polish Power System (PPS) than planned (price-increasing effect),
- quite high volume of wind generation (price-suppressing effect),
- average demand for power in the PPS at a lower level compared to 2019 (price-suppressing effect),
- higher energy imports from neighboring countries than in 2019 (price-suppressing effect)

Prices of CO₂ emission allowances and “green” property rights

CO₂ emission allowances (Dec-20)
EUR/t



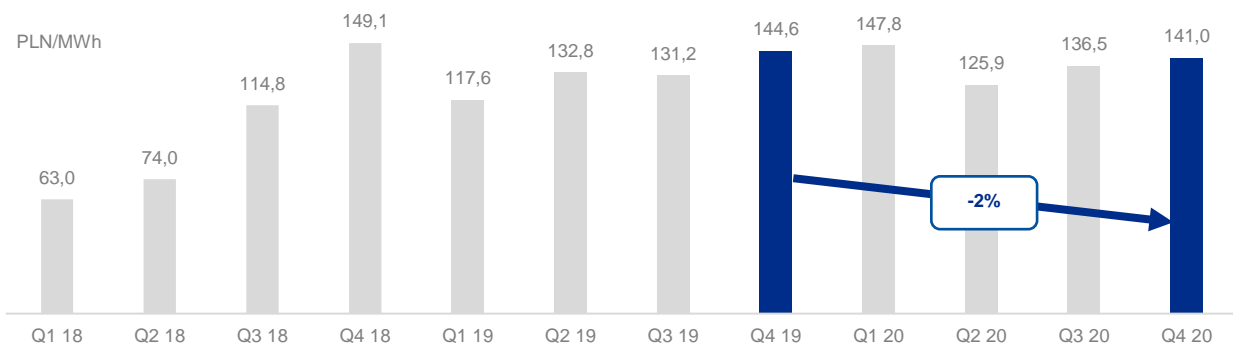
Source: ICE, clearing prices

In the period from January 2019 to February 2020, no auction of CO₂ emission allowances for the United Kingdom (UK) was held. This was caused by the European Commission’s decision to suspend the allocation of free allowances and auctions for the UK until an agreement is reached on the details of the UK’s exit from the European Union. Uncertainty surrounding the Brexit translated into the high volatility of prices of CO₂ emission allowance in 2019.

The beginning of 2020 was quieter: until the beginning of March, the prices of allowances oscillated in the range of EUR 23.2–25.7 per ton. After March 12th, as a result of the spread of coronavirus in Europe, and also as a result of increased supply by unfreezing the auctions for the UK (the first of which took place on 4 March 2020), there was a rapid sale of emissions within a few days causing a significant drop in prices to EUR 15.30 per ton. After this decline, the market started to recover gradually, which was related to the improving sentiments, continued efforts at the EU level to achieve ambitious climate goals and the gradual activation of economies. Throughout this period, the fear of the second coronavirus wave caused price fluctuations. The increases in Q3 2020 were caused, among others, by the proposed changes in the EU ETS system, including publication of a draft proposal of the European Commission to adopt stricter climate objectives. The initial drops in Q4 2020 resulting from the increasing incidence of COVID-19 and the introduction of partial or local lockdowns were stopped by the information about the development of effective vaccines. The price increase in the past months was caused also by the adoption of the new emission reduction target being at least 55% until 2030 and by the information about the delay in the primary auctions and in the allocation of free allowances to installations in 2021. Finally, the United Kingdom decided to leave EU ETS and to establish its own emissions trading system, with the minimum price set at 15 GBP/t. The operators participating in EU ETS are still obliged to fulfil the obligation for 2020.

In Q4 2020, the average price was 7% higher than the average price in the corresponding period of 2019.

Prices of “green” property rights (PMOZE_A)



Source: PPE, session market indices

As regards “green” property rights, the prices remained in a side trend in Q1 2020, while in Q2 2020 they followed a downward trend with a low slope. Up until the draft regulation was published (in July 2020), setting the obligation level for 2021 at 19.5%, the prices remained below 130 PLN/MWh. Ultimately, between August and December the prices reached the level of approx. 140 PLN/MWh and then remained in a side trend; as a result the average price of PMOZE_A in Q4 was 141.01 PLN/MWh.

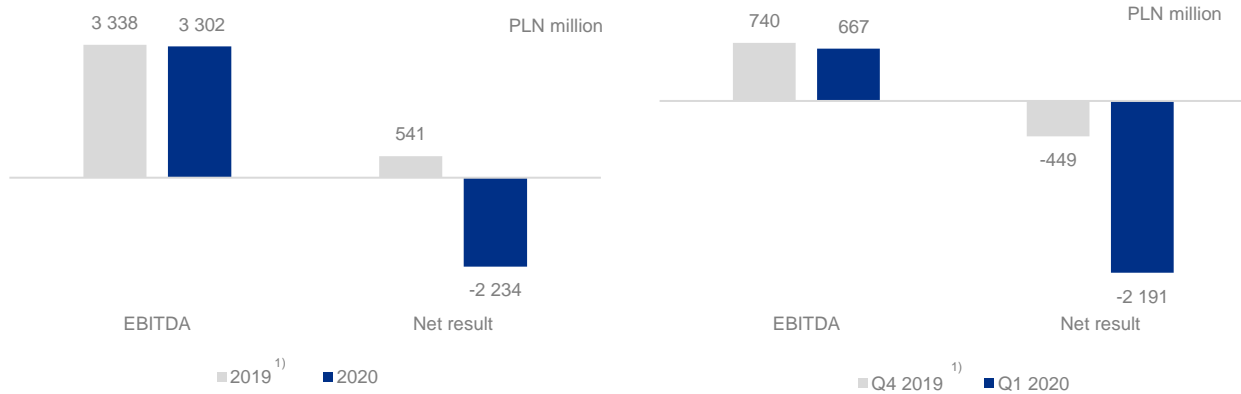
According to data provided by the Polish Power Exchange, approx. 22.5 TWh of property rights were redeemed in the period from 1 July 2019 to 31 June 2020, while about 29.4 TWh – which would be enough to cover the entire obligation for 2020 – remained in the register. At the end of December 2020, 30.2 TWh of active rights remained in the register.

The draft regulation published on 17 July 2020 increasing the obligation from 19.35% (under Article 59 of the RES Act) to 19.50% in 2021 (retaining the 2020 level) has been accepted and will come into effect.

7. Financial standing

7.1 Selected consolidated financial data

[PLN 000s]	2019 ¹⁾	2020	Change	Change [%]
Revenue from sales and other income	16,401,298	18,194,554	1,793,256	10.9%
Operating profit / (loss)	1,784,127	(1,706,259)	-3,490,386	-195.6%
Profit / (loss) before tax	871,271	(2,603,549)	-3,474,820	-398.8%
Net profit / (loss) for the reporting period	540,697	(2,234,337)	-2,775,034	-513.2%
EBITDA	3,337,916	3,301,958	-35,958	-1.1%
Net cash flows from:				
operating activities	2,144,615	3,157,764	1,013,149	47.2%
investing activities	(2,312,818)	(2,576,300)	-263,482	-11.4%
financing activities	1,279,312	(2,401,857)	-3,681,169	-287.7%
Cash at the end of the period	3,761,947	1,941,554	-1,820,393	-48.4%
Net profit/(loss) attributable to shareholders of the parent company	423,205	(2,268,412)	-2,691,617	-636.0%
Weighted average number of shares	441,442,578	441,442,578	-	-
Earnings/(loss) per share [PLN]	0.96	(5.14)	-6.10	-635.4%
Diluted earnings/(loss) per share [PLN]	0.96	(5.14)	-6.10	-635.4%



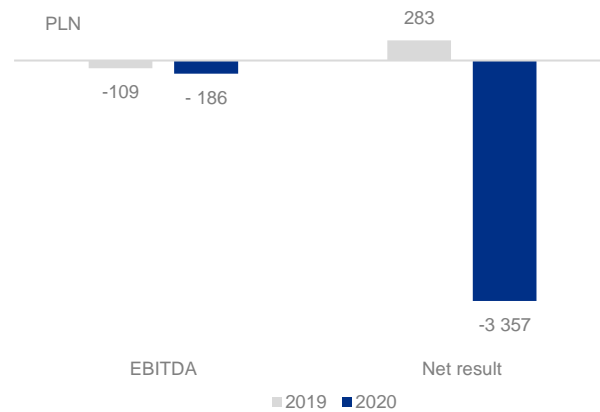
[PLN 000s]	31 December 2019	31 December 2020	Change	Change [%]
Total assets	32,843,854	29,889,863	-2,953,991	-9.0%
Total liabilities	17,364,083	16,795,510	-568,573	-3.3%
Non-current liabilities	10,855,419	10,009,542	-845,877	-7.8%
Current liabilities	6,508,664	6,785,968	277,304	4.3%
Equity	15,479,771	13,094,353	-2,385,418	-15.4%
Share capital	588,018	588,018	-	-
Book value per share [PLN]	35.07	29.66	-5.41	-15.4%
Diluted book value per share [PLN]	35.07	29.66	-5.41	-15.4%

[PLN 000s]	Q4 2019 ¹⁾	Q4 2020	Change	Change [%]
Revenue from sales and other income	4,232,509	4,730,656	498,147	11.8%
Operating profit / (loss)	312,718	(2,629,568)	-2,942,286	-940.9%
Profit / (loss) before tax	(405,839)	(2,693,961)	-2,288,122	-563.8%
Net profit / (loss) for the reporting period	(449,214)	(2,190,633)	-1,741,419	-387.7%
EBITDA	739,534	666,851	-72,683	-9.8%
Net profit/(loss) attributable to shareholders of the parent company	(468,332)	(2,205,995)	-1,737,663	-371.0%
Weighted average number of shares	441,442,578	441,442,578	-	-
Earnings/(loss) per share [PLN]	-1.06	(5.00)	-3.94	-371.7%
Diluted earnings/(loss) per share [PLN]	-1.06	(5.00)	-3.94	-371.7%

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

7.2. Selected non-consolidated financial data

[PLN 000s]	2019	2020	Change	Change [%]
Revenue from sales and other income	5,697,448	6,190,956	493,508	8.7%
Operating profit / (loss)	(113,831)	(191,109)	-77,278	-67.9%
Profit / (loss) before tax	287,294	(3,397,659)	-3,684,953	-1282.6%
Net profit / (loss) for the reporting period	283,331	(3,356,750)	-3,640,081	-1284.7%
EBITDA	-108,589	-185,973	-77,384	-71.3%
Net cash flows from:				
operating activities	(30,933)	(411,351)	-380,418	-1229.8%
investing activities	429,197	400,024	-29,173	-6.8%
financing activities	1,318,154	(2,326,190)	-3,644,344	-276.5%
Cash at the end of the period	2,715,611	378,094	-2,337,517	-86.1%
Weighted average number of shares	441,442,578	441,442,578	-	-
Earnings/(loss) per share [PLN]	0.64	(7.60)	-8.24	-1,287.5%
Diluted earnings/(loss) per share [PLN]	0.64	(7.60)	-8.24	-1,287.5%



[PLN 000s]	31 December 2019	31 December 2020	Change	Change [%]
Total assets	24,696,633	19,494,521	-5,202,112	-21.1%
Total liabilities	11,122,454	9,367,049	-1,755,405	-15.8%
Non-current liabilities	7,936,568	6,720,747	-1,215,821	-15.3%
Current liabilities	3,185,886	2,646,302	-539,584	-16.9%
Equity	13,574,179	10,127,472	-3,446,707	-25.4%
Share capital	588,018	588,018	-	-
Book value per share [PLN]	30.75	22.94	-7.81	-25.4%
Diluted book value per share [PLN]	30.75	22.94	-7.81	-25.4%

[PLN 000s]	Q4 2019	Q4 2020	Change	Change [%]
Revenue from sales and other income	1,487,487	1,625,006	137,519	9.2%
Operating profit / (loss)	(77,781)	(89,415)	-11,634	-15.0%
Profit / (loss) before tax	(439,379)	(2,912,085)	-2,472,706	-562.8%
Net profit / (loss) for the reporting period	(416,439)	(2,894,621)	-2,478,182	-595.1%
EBITDA	-76,498	-88,036	-11,538	-15.1%
Weighted average number of shares	441,442,578	441,442,578	-	-
Earnings/(loss) per share [PLN]	(0.94)	(6.56)	-5.62	-597.9%
Diluted earnings/(loss) per share [PLN]	(0.94)	(6.56)	-5.62	-597.9%

7.3. Key operating data and indicators for the ENEA Group

	Unit	2019 ¹⁾	2020	Change	Change [%]	4 kw.2019 ¹⁾	4 kw.2020	Change	Change [%]
Revenue from sales and other income	PLN 000s	16,401,298	18,194,554	1,793,256	10.9%	4,232,509	4,730,656	498,147	11.8%
EBITDA	PLN 000s	3,337,916	3,301,958	-35,958	-1.1%	739,534	666,851	-72,683	-9.8%
EBIT	PLN 000s	1,784,127	(1,706,259)	-3,490,386	-195.6%	312,718	(2,629,568)	-2,942,286	-940.9%
Net profit / (loss) for the reporting period	PLN 000s	540,697	(2,234,337)	-2,775,034	-513.2%	(449,214)	(2,190,633)	-1,741,419	-387.7%
Net profit/(loss) attributable to shareholders of the parent company	PLN 000s	423,205	(2,268,412)	-2,691,617	-636.0%	(468,332)	(2,205,995)	-1,737,663	-371.0%
Net cash flows from operating activities	PLN 000s	2,144,615	3,157,764	1,013,149	47.2%	(823,281)	(836,318)	-13,037	-1.6%
CAPEX	PLN 000s	2,181,120	2,441,339	260,219	11.9%	689,714	803,746	114,032	16.5%
Net debt	PLN 000s	6,637,344	6,450,781	-186,563	-2.8%	6,637,344	6,450,781	-186,563	-2.8%
Net debt / EBITDA ²⁾	-	1.99	1.95	-0.04	-2.0%	1.99	1.95	-0.04	-2.0%
Return on Assets (ROA) ²⁾	%	1.6%	-7.5%	-9.1 p.p.	-	-5.5%	-29.3%	-23.8 p.p.	-
Return on Equity (ROE) ²⁾	%	3.5%	-17.1%	-20.6 p.p.	-	-11.6%	-66.9%	-55.3 p.p.	-
Trading									
Sales of electricity and gaseous fuel to retail customers	GWh	20,339	21,113	774	3.8%	5,243	5,507	264	5.0%
Number of customers (Power Delivery Points)	000s	2,535	2,565	30	1.2%	2,535	2,565	30	1.2%
Distribution									
Sales of distribution services to end users	GWh	19,764	19,419	-345	-1.7%	4,986	5,094	109	2.2%
Number of users (closing balance)	000s	2,626	2,661	35	1.3%	2,626	2,661	35	1.3%
Generation									
Total net generation of electricity, of which:	GWh	25,931	22,482	-3,449	-13.3%	6,053	5,629	-424	-7.0%
<i>from conventional sources</i>	GWh	23,653	20,090	-3,563	-15.1%	5,390	4,994	-395	-7.3%
<i>from renewable sources</i>	GWh	2,278	2,392	114	5.0%	663	635	-28	-4.2%
Gross heat generation	TJ	7,207	6,676	-531	-7.4%	2,123	2,217	94	4.4%
Sales of electricity, including:	GWh	30,584	27,776	-2,808	-9.2%	7,664	6,990	-674	-8.8%
<i>from conventional sources</i>	GWh	23,653	20,090	-3,563	-15.1%	5,390	4,994	-395	-7.3%
<i>from renewable sources</i>	GWh	2,278	2,392	114	5.0%	663	635	-28	-4.2%
<i>from purchase</i>	GWh	4,653	5,294	641	13.8%	1,611	1,361	-250	-15.5%
Sales of heat	TJ	6,518	6,000	-518	-7.9%	1,944	2,011	67	3.4%
Mining									
Net production	000s tons	9,451	7,612	-1,839	-19.5%	2,324	2,074	-250	-10.8%
Sales of coal	000s tons	9,359	7,670	-1,689	-18.0%	2,298	1,970	-328	-14.3%
Inventories at the end of the period	000s tons	179	122	-57	-31.8%	179	122	-57	-31.8%
Excavation works	km	29.1	25.7	-3.4	-11.7%	7.4	6.1	-1.3	-17.6%

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

²⁾ definitions of the ratios are presented on page 151

7.4. Financial results of the ENEA Group in 2020

2020 Consolidated Statement of Profit and Loss

[PLN 000s]	2019 ¹⁾	2020	Change	Change [%]
Revenue from sales of electricity	11,865,052	13,872,606	2,007,554	16.9%
Revenue from sales of heat	352,746	356,547	3,801	1.1%
Revenue from sales of gas	179,699	332,875	153,176	85.2%
Revenue from sales of distribution services	2,823,514	3,097,810	274,296	9.7%
Revenue from certificates of origin	29,587	9,268	-20,319	-68.7%
Revenue from sales of goods and materials	105,744	106,296	552	0.5%
Revenue from sales of other products and services	170,810	166,286	-4,524	-2.6%
Revenue from sales of coal	269,146	234,817	-34,329	-12.8%
Net revenue from sales	15,796,298	18,176,505	2,380,207	15.1%
Compensation	597,278	3,284	-593,994	-99.5%
Revenue from leases and operating subleases	7,722	14,765	7,043	91.2%
Revenue from sales and other income	16,401,298	18,194,554	1,793,256	10.9%
Amortization and depreciation	1,548,268	1,598,063	49,795	3.2%
Employee benefit costs	1,904,022	1,963,108	59,086	3.1%
Consumption of materials and supplies and cost of goods sold	3,333,521	3,643,315	309,794	9.3%
Purchase of energy and gas for subsequent sale	6,090,506	7,514,300	1,423,794	23.4%
Transmission services	447,154	472,104	24,950	5.6%
Other third-party services	925,799	914,208	-11,591	-1.3%
Taxes and charges	414,439	443,407	28,968	7.0%
Tax-deductible expenses	14,663,709	16,548,505	1,884,796	12.9%
Other operating revenue	285,962	248,815	-37,147	-13.0%
Other operating costs	186,733	173,824	-12,909	-6.9%
Change in provision related to onerous contracts	10,415	17,745	7,330	70.4%
Profit/(loss) on change, sale and liquidation of property, plant and equipment and right-of-use assets	(57,585)	(34,890)	22,695	39.4%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	5,521	3,410,154	3,404,633	61,667.0%
Operating profit / (loss)	1,784,127	(1,706,259)	-3,490,386	-195.6%
Finance costs	369,234	346,336	-22,898	-6.2%
Finance income	63,890	54,346	-9,544	-14.9%
Dividend income	201	283	82	40.8%
Impairment allowances/(reversal thereof) on financial assets measured at amortized cost	65,771	144,014	78,243	119.0%
Share in the results of associates and jointly controlled entities	-482,165	-332,361	149,804	31.1%
Recognition/(reversal) of impairment loss on investments in associates and jointly controlled entities	59,777	129,208	69,431	116.2%
Profit / (loss) before tax	871,271	(2,603,549)	-3,474,820	-398.8%
Income tax	330,574	-369,212	-699,786	-211.7%
Net profit / (loss) for the reporting period	540,697	(2,234,337)	-2,775,034	-513.2%
EBITDA	3,337,916	3,301,958	-35,958	-1.1%

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

ENEA Group – EBITDA key drivers in 2020 (down by PLN 36 million):

- (+) an increase in revenue from sales of electricity by PLN 2,008 million, driven mainly by a 578 GWh increase in sales volume, a 16% increase in the average sales price
- (+) an increase in revenue from sales of distribution services by PLN 274 million as a result of higher rates in the approved 2020 tariff
- (+) an increase in revenue from sales of natural gas by PLN 153 million, driven mainly by a 2,188 GWh increase in the sales volume and a 15% decrease in the average sales price
- (-) a decrease in revenue from sales of coal by PLN 34 million driven mainly by a lower sales volume, combined with a slightly higher price
- (-) a decrease in revenue from sales of certificates of origin by PLN 20 million resulting from a lower volume of transactions outside of the Group
- (-) in 2019, revenue included the price difference and compensation amount in the amount of PLN 597 million, which covers the price difference between the prices used in settlements with customers and the prices set as benchmarks for calculating the price difference amount under the Act amending the Excise Duty Act and its secondary regulations. In the actual figures of 2020, the revenue includes an adjustment of the value of price difference and compensation pertaining to 2019, having obtained from distribution system operators a confirmation of the data on the volume of the electricity sold and consumed for the period from 1 January to 31 December 2019 in the amount of PLN 3 million
- (+) an increase in revenue from leases and operating subleases by PLN 7 million – mainly LW Bogdanka
- (-) an increase in employee benefit costs by PLN 59 million driven mainly by higher average headcount and higher payroll costs and payroll-related charges and a change in actuarial provisions
- (-) an increase in the costs of consumption of materials and supplies and cost of goods sold by PLN 310 million results from:
 - (-) higher costs of purchasing CO₂ emission allowances, coupled with lower costs of purchasing coal and biomass consumption for the whole Generation Segment
 - (+) a decrease in the cost of goods and materials sold – mainly due to lower sales
 - (+) remeasurement of CO₂ contracts
- (-) an increase in the costs of purchasing electricity and gas by PLN 1,424 million results mainly from:
 - (-) electricity: volume +4,434 GWh; price +5%
 - (-) natural gas: volume +2,207 GWh; price -16%
- (-) an increase in costs of transmission services by PLN 25 million, mainly due to higher rates in the approved 2020 tariff
- (+) a decrease in costs of third-party services by PLN 12 million caused mainly by: lower costs of renovation services and waste management costs, partially offset by higher costs of consulting services
- (-) an increase in taxes and charges by PLN 29 million caused partly by a higher property tax and higher fees on the establishment of transmission easements
- (+) in 2019, utilization of the provision for onerous contracts was recognized in revenues in the amount of PLN 79.0 million relating to the financial effects of the Act amending the Excise Duty Act and Certain Other Acts of 28 December 2018, while a provision of PLN 68.6 million for the loss on the G tariff approved by the ERO was recognized in costs. In 2020, PLN 68.6 million of the provision for the loss on the G Tariff was utilized and a provision for the loss on the settlement of rebates for energy fed by prosumers into the grid was recognized in the amount of PLN 50.8 million.
- (-) result on other operating activities down by PLN 2 million
 - (-) change in provisions for potential claims by PLN 134 million (including: in 2019 reversal of the provision the Skoczylody wind farm PLN 129 million)
 - (+) remeasurement of CO₂ contracts by PLN 72 million
 - (+) loss arising from liquidation of property, plant and equipment down by PLN 23 million, among others in connection with a change in the range of liquidated mining pits
 - (+) impairment losses on overdue receivables and uncollectible receivables down by PLN 13 million
 - (+) balance of refunds from the insurer up by PLN 10 million
 - (+) fixed assets accepted free of charge up by PLN 10 million
 - (+) revenues arising from compensation, penalties and fines up by PLN 6 million

Material factors driving the net result:

- (-) impairment allowance on generating assets of the ENEA Wytwarzanie Sp. z o.o. subsidiary in the amount of PLN 3,404 million
- (-) recognition of a provision for future investment commitments to Elektrownia Ostrołęka Sp. z o.o. in the amount of PLN 222 million
- (-) impairment loss on the value of shares in Polska Grupa Górnicza S.A. in the amount of PLN 129 million
- (-) increase in the impairment allowance on loans granted to Elektrownia Ostrołęka Sp. z o.o. including interest by PLN 78 million

Consolidated statement of profit and loss in Q4 2020

[PLN 000s]	Q4 2019 ¹⁾	Q4 2020 ¹⁾	Change	Change [%]
Revenue from sales of electricity	3,061,782	3,534,355	472,573	15.4%
Revenue from sales of heat	106,625	117,240	10,615	10.0%
Revenue from sales of gas	74,610	130,679	56,069	75.1%
Revenue from sales of distribution services	739,787	788,052	48,265	6.5%
Revenue from certificates of origin	14,151	639	-13,512	-95.5%
Revenue from sales of goods and materials	27,081	34,254	7,173	26.5%
Revenue from sales of other products and services	38,701	43,655	4,954	12.8%
Revenue from sales of coal	74,216	73,987	-229	-0.3%
Net revenue from sales	4,136,953	4,722,861	585,908	14.2%
Compensation	90,701	3,208	-87,493	-96.5%
Revenue from leases and operating subleases	4,855	4,587	-268	-5.5%
Revenue from sales and other income	4,232,509	4,730,656	498,147	11.8%
Amortization and depreciation	417,016	408,249	-8,767	-2.1%
Employee benefit costs	569,309	508,329	-60,980	-10.7%
Consumption of materials and supplies and cost of goods sold	827,011	1,001,193	174,182	21.1%
Purchase of energy and gas for subsequent sale	1,670,675	2,045,017	374,342	22.4%
Transmission services	117,045	117,058	13	0.0%
Other third-party services	266,915	263,780	-3,135	-1.2%
Taxes and charges	83,178	108,020	24,842	29.9%
Tax-deductible expenses	3,951,149	4,451,646	500,497	12.7%
Other operating revenue	162,210	66,531	-95,679	-59.0%
Other operating costs	49,554	44,415	-5,139	-10.4%
Change in provision related to onerous contracts	-50,287	-35,687	14,600	29.0%
Profit/(loss) on change, sale and liquidation of property, plant and equipment and right-of-use assets	(21,211)	(6,837)	14,374	67.8%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	9,800	2,888,170	2,878,370	29,371.1%
Operating profit / (loss)	312,718	(2,629,568)	-2,942,286	-940.9%
Finance costs	130,567	86,315	-44,252	-33.9%
Finance income	19,863	22,993	3,130	15.8%
Dividend income	0	8	8	100.0%
Impairment allowances/(reversal thereof) on financial assets measured at amortized cost	65,771	2,544	-63,227	-96.1%
Share in the results of associates and jointly controlled entities	-482,305	1,465	483,770	100.3%
Recognition/(reversal) of impairment loss on investments in associates and jointly controlled entities	59,777	0	-59,777	-100.0%
Profit / (loss) before tax	(405,839)	(2,693,961)	-2,288,122	-563.8%
Income tax	43,375	-503,328	-546,703	-1,260.4%
Net profit / (loss) for the reporting period	(449,214)	(2,190,633)	-1,741,419	-387.7%
EBITDA	739,534	666,851	-72,683	-9.8%

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

ENEA Group – EBITDA key drivers in Q4 2020 (down by PLN 73 million):

(+) an increase in revenue from sales of electricity by PLN 473 million, driven mainly by a 176 GWh increase in sales volume, a 15% increase in the average sales price and lower revenues from Regulatory System Services

(+) an increase in revenue from sales of natural gas by PLN 56 million, driven mainly by a 889 GWh increase in the sales volume and a 17% decrease in the average sales price

(+) an increase in revenue from sales of distribution services by PLN 48 million as a result of higher rates in the approved 2020 tariff and a 109 GWh increase in volume

- (+) an increase in revenue from sales of heat by PLN 11 million driven mainly by an increase higher sales volume by 70 TJ
- (-) a decrease in revenue from sales of certificates of origin by PLN 14 million driven mainly by a lower sales volume
- (-) In Q4 2019, a compensation of PLN 91 million was recognized in the revenue, which was the amount of the coverage of the price difference between the prices used in settlements with customers and the prices set as benchmarks for calculating the price difference amount under the Act amending the Excise Duty Act and its secondary regulations In the actual figures of Q4 2020, the revenue includes an adjustment of the value of price difference and compensation pertaining to 2019, having obtained from distribution system operators a confirmation of the data on the volume of the electricity sold and consumed for the period from 1 January to 31 December 2019 in the amount of PLN 3 million
- (+) a decrease in employee benefit costs by PLN 61 million driven mainly by a change in actuarial provisions
- (-) an increase in the costs of consumption of materials and supplies and cost of goods sold by PLN 174 million results from:
 - (-) higher costs of purchasing CO₂ emission allowances, coupled with lower costs of biomass consumption for the whole Generation Segment
 - (+) remeasurement of CO₂ contracts
 - (-) an increase in the costs of purchasing electricity and gas by PLN 374 million results mainly from:
 - (-) electricity: volume +735 GWh; price +11%
 - (-) natural gas: volume +892 GWh; price -15%
 - (-) an increase in taxes and charges by PLN 25 million caused among others by a higher fees for placing devices in roads and from a higher property tax
- (+) in Q4 2019, utilization of the provision for onerous contracts was recognized in revenues in the amount of PLN 18.3 million relating to the financial effects of the Act amending the Excise Duty Act and Certain Other Acts of 28 December 2018, while a provision of PLN 68.6 million for the loss on the G tariff approved by the ERO was recognized in costs. In Q4 2020, PLN 15.1 million of the provision was utilized and a provision for the loss on the settlement of rebates for energy fed by prosumers into the grid in the amount of PLN 50.8 million was recognized in costs.
- (-) result on other operating activities down by PLN 76 million:
 - (-) change in provisions for potential claims by PLN 146 million (including: in 2019 reversal of the provision the Skoczylody wind farm PLN 129 million)
 - (-) impairment losses on overdue receivables and incollectible receivables down by PLN 12 million
 - (+) remeasurement of CO₂ contracts by PLN 61 million
 - (+) loss arising from liquidation of property, plant and equipment down by PLN 14 million, among others in connection with a change in the range of liquidated mining pits
 - (+) fixed assets accepted free of charge up by PLN 7 million

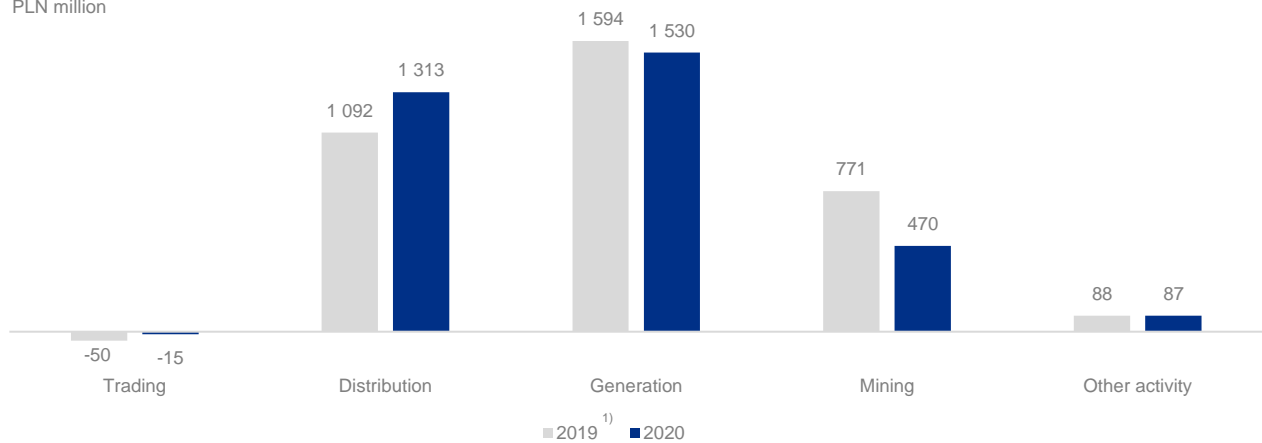
Material factors driving the net result:

- (-) impairment allowance on generating assets of the ENEA Wytwarzanie Sp. z o.o. subsidiary in the amount of PLN 2,881 million
- (+) lower impairment allowance on loans granted to Elektrownia Ostrołęka Sp. z o.o. with interest in the amount of PLN 63 million

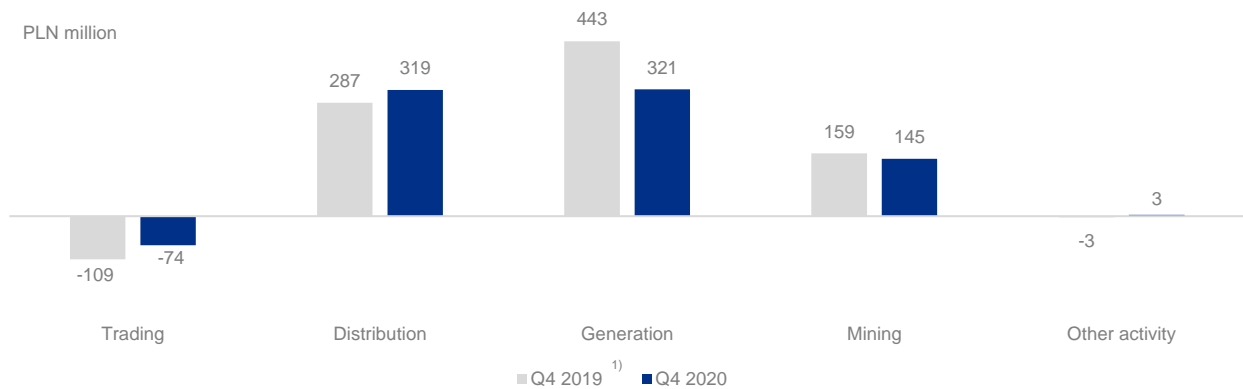
Financial results of the ENEA Group in 2020 and Q4 2020

EBITDA [PLN 000s]	2019 ¹⁾	2020	Change	Change [%]	Q4 2019 ¹⁾	Q4 2020	Change	Change [%]
Trading	-49,669	-14,835	34,834	70.1%	-109,494	-73,693	35,801	32.7%
Distribution	1,092,427	1,313,306	220,879	20.2%	287,002	319,279	32,277	11.2%
Generation	1,594,142	1,530,076	-64,066	-4.0%	442,699	321,074	-121,625	-27.5%
Mining	770,927	470,137	-300,790	-39.0%	158,799	145,208	-13,591	-8.6%
Other activity	87,610	87,456	-154	-0.2%	-2,904	3,481	6,385	219.9%
Unassigned items and elimination	-157,521	-84,182	73,339	46.6%	-36,568	-48,498	-11,930	-32.6%
Total EBITDA	3,337,916	3,301,958	-35,958	-1.1%	739,534	666,851	-72,683	-9.8%

PLN million



PLN million



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

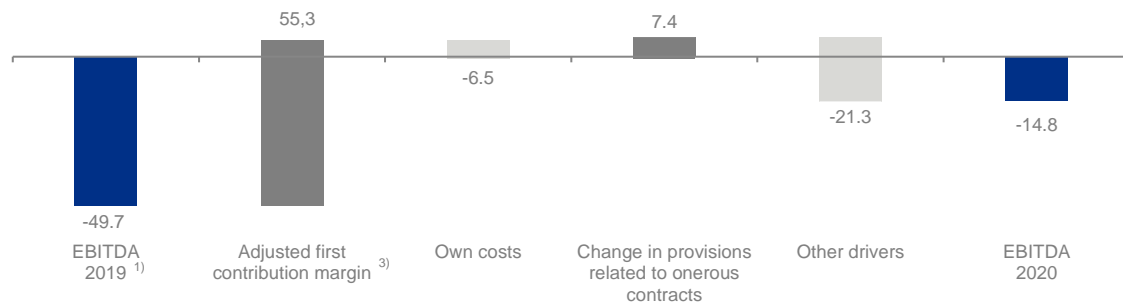
Trading Area in 2020 and Q4 2020

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

Wholesale trade is carried out by ENEA Trading.

[PLN 000s]	2019 ¹⁾	2020	Change	Change [%]	Q4 2019 ¹⁾	Q4 2020 ¹⁾	Change	Change [%]
Net revenue from sales	9,637,774	10,335,442	697,668	7.2%	3,617,068	4,463,974	846,906	23.4%
Compensation	597,163	3,284	-593,879	-99.5%	90,586	3,208	-87,378	-96.5%
Revenue from sales and other income	10,234,937	10,338,726	103,789	1.0%	3,707,654	4,467,182	759,528	20.5%
EBIT	-51,380	-16,375	35,005	68.1%	-109,945	-74,202	35,743	32.5%
Amortization and depreciation	1,711	1,540	-171	-10.0%	451	509	58	12.9%
EBITDA	-49,669	-14,835	34,834	70.1%	-109,494	-73,693	35,801	32.7%
CAPEX ²⁾	727	711	-16	-2.2%	691	0	-691	-100.0%
Share of the segment's sales revenue in the Group's sales revenue	43%	43%			52%	56%	4 p.p.	

PLN million



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

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

³⁾ presentation change - the amount of the difference in the price and compensation is taken into account in the adjusted first contribution margin

FY 2020 EBITDA key drivers:

Adjusted first contribution margin

- (+) average energy sales price up by 8.4%
- (+) higher volume of energy sales by 2.6%
- (-) average energy purchase price up by 11.4%
- (-) costs of environmental obligations up by 3.9%
- (+) higher result on trade in gaseous fuel
- (+) lower costs of provisions for claims under terminated RES property rights contracts by PLN 2.3 million
- (+) remeasurement of CO₂ contracts, forward transactions for energy, gas and property rights

Own costs

- (-) direct selling costs up by PLN 24.1 million
- (+) general and administrative expenses down by PLN 5.1 million
- (+) costs of shared services down by PLN 12.5 million

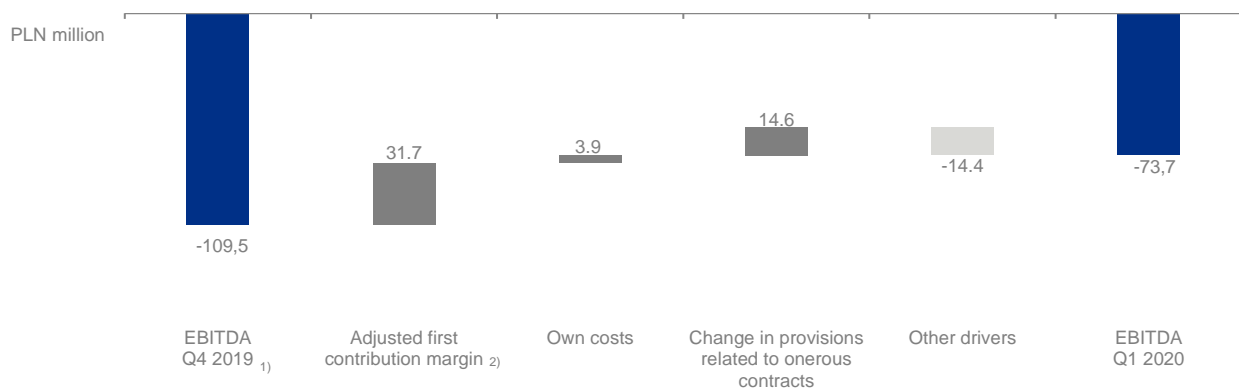
Change in provisions related to onerous contracts

(+) in 2019, utilization of the provision for onerous contracts was recognized in revenues in the amount of PLN 79.0 million relating to the financial effects of the Act amending the Excise Duty Act and Certain Other Acts of 28 December 2018, while a provision of PLN 68.6 million for the loss on the G tariff approved by the ERO was recognized in costs. In 2020, PLN 68.6 million of the provision for the loss on the G Tariff was utilized and a provision for the loss on the settlement of rebates for energy fed by prosumers into the grid was recognized in the amount of PLN 50.8 million.

Other drivers:

- (-) impairment losses for receivables up by PLN 10.3 million
- (-) costs of distribution services related to the existing model of settlements with prosumers up by PLN 8.2 million
- (-) revenues from the provision of wholesale trading services down by PLN 4.4 million
- (-) litigation costs up by PLN 1.2 million
- (-) donation costs up by PLN 1.2 million
- (-) revenues from license fees linked to the ENEA brand down by PLN 0.9 million
- (+) costs of provisions for anticipated losses and potential claims down by PLN 4.2 million
- (+) written off receivables down by PLN 0.9 million

Trading Area in Q4 2020



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

²⁾ presentation change - the amount of the difference in the price and compensation is taken into account in the adjusted first contribution margin

1)

Q4 2020 EBITDA key drivers:

Adjusted first contribution margin

- (+) average energy sales price up by 8.8%
- (+) energy sales volume up by 3.8%
- (+) costs of environmental obligations down by 2.2%
- (-) average energy purchase price up by 12.5%
- (-) lower result on trading in gaseous fuel
- (+) lower costs of provisions for claims under terminated RES property rights contracts by PLN 0.3 million
- (+) remeasurement of CO₂ contracts, forward transactions for energy, gas and property rights

Own costs

- (+) general and administrative expenses down by PLN 2.5 million
- (+) costs of shared services down by PLN 2.9 million
- (-) direct selling costs up by PLN 1.5 million

Change in provisions related to onerous contracts

(+) in Q4 2019, utilization of the provision for onerous contracts was recognized in revenues in the amount of PLN 18.3 million relating to the financial effects of the Act amending the Excise Duty Act and Certain Other Acts of 28 December 2018, while a provision of PLN 68.6 million for the loss on the G tariff approved by the ERO was recognized in costs. In Q4 2020, PLN 15.1 million of the provision was utilized and a provision for the loss on the settlement of rebates for energy fed by prosumers into the grid in the amount of PLN 50.8 million was recognized in costs.

Other drivers:

- (-) impairment losses for receivables up by PLN 9.4 million
- (-) revenues from the provision of wholesale trading services down by PLN 5.7 million
- (-) costs of distribution services related to the existing model of settlements with prosumers up by PLN 1.8 million
- (+) costs of provisions for anticipated losses and potential claims down by PLN 1.3 million
- (+) litigation costs down by PLN 0.5 million

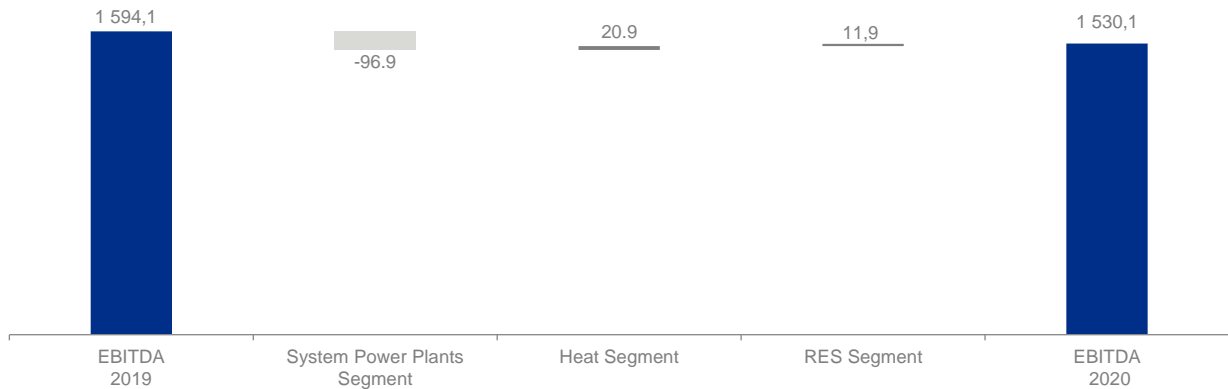
Generation Area in 2020 and Q4 2020

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

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

[PLN 000s]	2019	2020	Change	Change [%]	Q4 2019	Q4 2020	Change	Change [%]
Net revenue from sales	8,071,890	8,420,671	348,781	4.3%	2,045,747	2,150,094	104,347	5.1%
<i>electricity</i>	7,356,618	7,706,358	349,740	4.8%	1,839,116	1,940,249	101,133	5.5%
<i>certificates of origin</i>	302,156	318,465	16,309	5.4%	89,412	81,777	-7,635	-8.5%
<i>sale of CO₂ emission allowances</i>	21,780	0	-21,780	-100.0%	0	0	-	-
<i>heat</i>	346,540	349,276	2,736	0.8%	105,044	114,848	9,804	9.3%
<i>other</i>	44,796	46,572	1,776	4.0%	12,175	13,220	1,045	8.6%
Compensation	115	0	-115	-100.0%	115	0	-115	-100.0%
Revenue from leases and operating subleases	340	603	263	77.4%	96	129	33	34.4%
Revenue from sales and other income	8,072,345	8,421,274	348,929	4.3%	2,045,958	2,150,223	104,265	5.1%
EBIT	1,030,558	-2,443,356	-3,473,914	-337.1%	291,466	-2,701,657	-2,993,123	-1,026.9%
Amortization and depreciation	553,534	569,439	15,905	2.9%	141,183	141,560	377	0.3%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	10,050	3,403,993	3,393,943	33770.6%	10,050	2,881,171	2,871,121	28,568.4%
EBITDA	1,594,142	1,530,076	-64,066	-4.0%	442,699	321,074	-121,625	-27.5%
CAPEX	491,737	548,033	56,296	11.4%	203,303	185,916	-17,387	-8.6%
Share of the area's sales revenue in the Group's net revenue from sales	34%	35%	1 p.p.		29%	27%	-2 p.p.	

PLN million



FY 2020 EBITDA key drivers:

System Power Plants Segment – down by PLN 96.9 million

In 2019, the provision for the purchase of the Skoczyłody wind farm in the amount of PLN 129.0 million was reversed. The EBITDA deviation, without the reversal of the Skoczyłody provision is PLN +32.1 million

- (+) trading and Balancing Market margin up by PLN 308.0 million
- (+) other drivers up by PLN 22.4 million
- (-) generation margin down by PLN 298.3 million

Heat Segment – up by PLN 20.9 million

- (+) ENEA Ciepło up by PLN 10.7 million
 - (+) revenue from certificates of origin up by PLN 9.0 million
 - (+) revenue from sales of heat up by PLN 4.4 million
 - (+) costs of taxes and charges down by PLN 4.1 million
 - (-) costs of third-party services up by PLN 5.6 million

(+) result of other companies in the segment (PEC Oborniki, MEC Piła, ENEA Elektrownia Połaniec, ENEA Ciepło Serwis) up by PLN 10.2 million

RES Segment – up by PLN 11.9 million

(+) Biomass Area (Green Unit): PLN +46.6 million (of which PLN +2.0 million from ENEA Bioenergia Sp. z o.o.): RES energy production margin up by PLN 43.4 million, Green Block's margin on sales/remeasurement of green certificate inventories up by PLN 1.1 million, fixed costs down by PLN 0.1 million

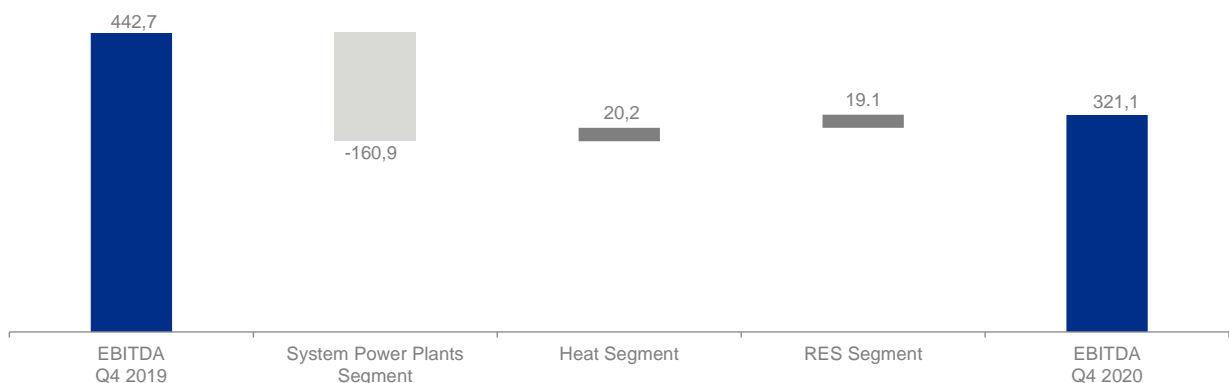
(-) Wind Area (PLN -20.8 million): revenue from certificates of origin down by PLN -14.0 million, energy sales down by PLN -3.6 million, costs up by PLN -0.8 million (of which a PLN -0.8 million increase in employee benefits), result on other operating activities down by PLN -2.5 million

(-) Hydro Area (PLN -12.9 million): revenue from certificates of origin down by PLN -8.1 million, energy sales down by PLN -3.2 million, costs up by PLN -1.6 million (of which a PLN -1.6 million increase in employee benefits)

(-) Biogas Area (PLN -0.8 million): energy sales of PLN +1.1 million, an increase in costs by PLN -1.9 million (mainly the PLN -1.6 million PLN increase in costs of materials.)

Generation Area in Q4 2020

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Q4 2020 EBITDA key drivers:

System Power Plants Segment – down by PLN 160.9 million

In 2019, the provision for the purchase of the Skoczylody wind farm in the amount of PLN 129.0 million was reversed. The EBITDA deviation, without the reversal of the Skoczylody provision is PLN -31.9 million

(-) generation margin down by PLN 24.0 million

(-) revenue from Regulatory System Services down by PLN 20.3 million

(+) other drivers up by PLN 5.9 million

(+) trading and Balancing Market margin up by PLN 6.5 million

Heat Segment – up by PLN 20.2 million

(+) ENEA Ciepło up by PLN 15.7 million

(+) revenue from certificates of origin up by PLN 7.9 million

(+) revenue from sales of heat up by PLN 5.5 million

(+) employee benefit costs down by PLN 4.0 million

(+) costs of taxes and charges down by PLN 3.4 million

(+) revenue from sales of electricity up by PLN 1.5 million

(-) costs of consumption of materials and supplies up by PLN 4.1 million

(+) result of other companies in the segment (PEC Oborniki, MEC Piła, ENEA Elektrownia Połaniec, ENEA Ciepło Serwis) up by PLN 4.5 million

RES Segment – up by PLN 19.1 million

(+) Biomass Area (Green Unit): PLN +22.0 million (of which PLN +1.6 million from ENEA Bioenergia Sp. z o.o.): margin on production of RES energy up by PLN 17.1 million, fixed costs down by PLN 3.2 million

(+) Wind Area (PLN +1.2 million): revenue from certificates of origin down by PLN -0.4 million, energy sales up by PLN +1.5 million

(+) Biogas Area (PLN +0.1 million): revenue from certificates of origin up by PLN +0.4 million, energy sales up by PLN +0.3 million, an increase in costs PLN -0.6 million (mainly an increase in variable costs of consumption and transport of substrates PLN -0.7 million)

(-) Hydro Area (PLN -3.9 million): revenue from certificates of origin down by PLN -3.0 million, energy sales down by PLN -0.5 million, costs up by PLN -0.6 million (of which a PLN -0.6 million increase in employee benefits), PLN +0.1 million result on other operating activities

Distribution Area in 2020 and Q4 2020

ENEA Operator is responsible for the distribution of electricity to 2.7 million Customers – in western and north-western Poland in the area of 58.2 thousand km².

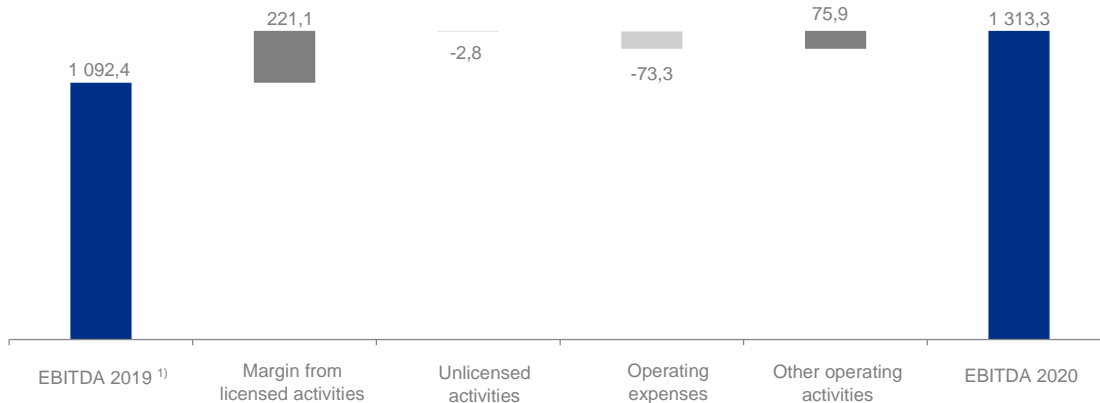
The key task of ENEA Operator is to provide energy in a continuous and reliable manner, while maintaining appropriate quality parameters.

The Distribution Area includes financial data of the following companies:

- ENEA Operator Sp. z o.o.
- ENEA Serwis Sp. z o.o.
- ENEA Pomiary Sp. z o.o.
- ENEA Logistyka Sp. z o.o.
- Annacond Enterprises Sp. z o.o. (until 24 February 2020)

[PLN 000s]	2019 ¹⁾	2020	Change	Change [%]	Q4 2019 ¹⁾	Q4 2020	Change	Change [%]
Net revenue from sales	2,966,861	3,228,142	261,281	8.8%	782,420	830,439	48,019	6.1%
distribution services to end users	2,697,577	2,891,196	193,619	7.2%	697,104	746,065	48,961	7.0%
grid connection fees	68,533	131,163	62,630	91.4%	21,647	18,398	-3,249	-15.0%
other	200,751	205,783	5,032	2.5%	63,669	65,976	2,307	3.6%
EBIT	493,042	679,855	186,813	37.9%	127,194	154,433	27,239	21.4%
Amortization and depreciation	603,664	633,451	29,787	4.9%	159,808	164,846	5,038	3.2%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	(4,279)	0	4,279	100.0%	0	0	-	-
EBITDA	1,092,427	1,313,306	220,879	20.2%	287,002	319,279	32,277	11.2%
CAPEX	1,013,297	1,176,220	162,923	16.1%	335,011	428,491	93,480	27.9%
Share of the segment's sales revenue in the Group's net revenue from sales	12%	13%	1 p.p.		11%	10%	-1 p.p.	

PLN million



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

FY 2020 EBITDA key drivers:

Margin from licensed activities

- (+) revenue from sales of distribution services to end users up by PLN 194 million
- (+) revenues from grid connection fees up by PLN 63 million
- (-) costs of purchasing transmission and distribution services (balance) up by PLN 13 million
- (-) costs of purchasing electricity to cover the balancing difference (balance) up by PLN 20 million

Operating expenses

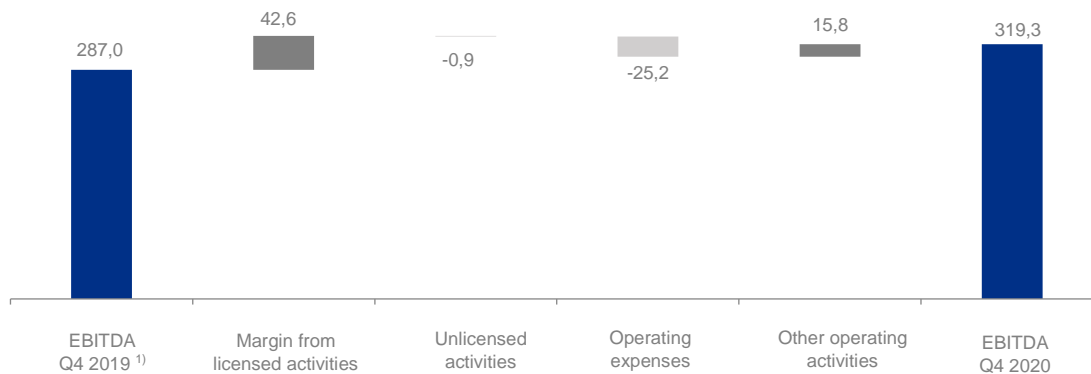
- (-) employee benefit costs up by PLN 36 million
- (-) costs of taxes and charges up by PLN 32 million
- (-) costs of third-party services up by PLN 7 million
- (+) other costs PLN 2 million

Other operating activities

- (+) change in provisions related to grid assets by PLN 29 million
- (+) revenue from contractual penalties and indemnities up by PLN 24 million
- (+) change in impairment allowances by PLN 11 million
- (+) costs of liquidation down by PLN 6 million
- (+) revenues from collision up by PLN 9 million
- (-) other income and expenses of PLN 3 million

Distribution Area in Q4 2020

PLN million



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

Q4 2020 EBITDA key drivers:

Margin from licensed activities

- (+) revenue from sales of distribution services to end users up by PLN 49 million
- (-) revenue from grid connection fees down by PLN 3 million
- (+) costs of purchasing transmission and distribution services (balance) down by PLN 2 million
- (-) costs of purchasing electricity to cover the balancing difference (balance) up by PLN 5 million

Operating expenses

- (+) employee benefit costs down by PLN 11 million
- (-) costs of taxes and charges up by PLN 24 million
- (-) costs of third-party services up by PLN 14 million
- (+) other costs PLN 2 million

Other operating activities

- (+) revenue from contractual penalties and indemnities up by PLN 7 million
- (+) revenues from collision up by PLN 6 million
- (+) change in provisions related to grid assets by PLN 3 million

Mining Area in 2020 and Q4 2020

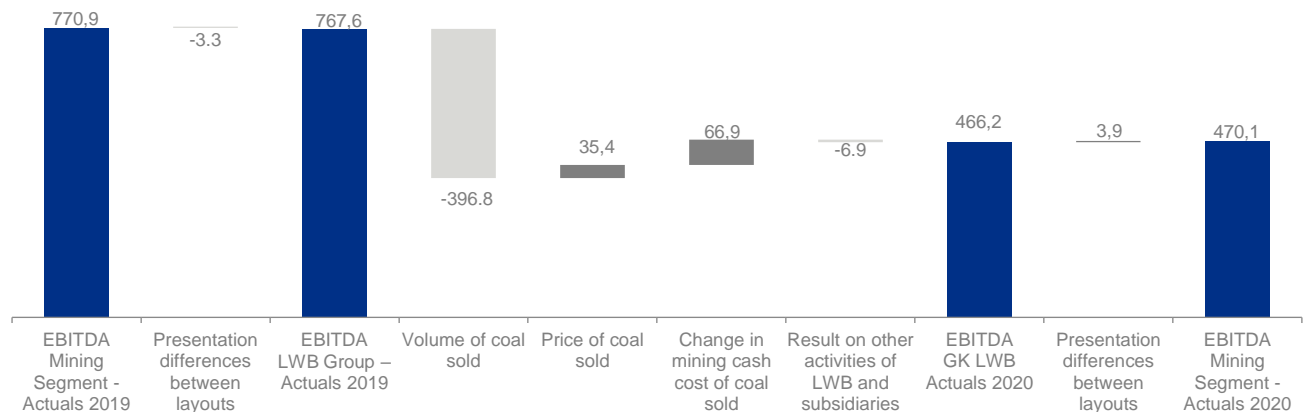
The Mining Area presents the financial results of the LW Bogdanka Group with the parent company - Lubelski Węgiel Bogdanka S.A. and its subsidiaries.

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

The main buyers are commercial and industrial energy sectors.

[PLN 000s]	2019	2020	Change	Change [%]	Q4 2019	Q4 2020	Change	Change [%]
Net revenue from sales	2,155,556	1,812,825	-342,731	-15.9%	529,445	466,386	-63,059	-11.9%
coal	2,109,275	1,775,588	-333,687	-15.8%	519,256	455,357	-63,899	-12.3%
other products and services	28,805	24,954	-3,851	-13.4%	6,537	8,117	1,580	24.2%
goods and materials	17,476	12,283	-5,193	-29.7%	3,652	2,912	-740	-20.3%
Revenue from leases and operating subleases	2,302	9,287	6,985	303.4%	2,302	2,192	-110	-4.8%
Revenue from sales and other income	2,157,858	1,822,112	-335,746	-15.6%	531,747	468,578	-63,169	-11.9%
EBIT	418,193	127,427	-290,766	-69.5%	66,848	52,099	-14,749	-22.1%
Amortization and depreciation	352,984	336,549	-16,435	-4.7%	92,201	86,110	-6,091	-6.6%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	(250)	6,161	6,411	2564.4%	(250)	6,999	7,249	2899.6%
EBITDA	770,927	470,137	-300,790	-39.0%	158,799	145,208	-13,591	-8.6%
CAPEX	410,407	613,750	203,343	49.5%	115,719	117,877	2,158	1.9%
Share of the area's sales revenue in the Group's net revenue from sales	9%	8%	-1 p.p.		7%	6%	-1 p.p.	

PLN million



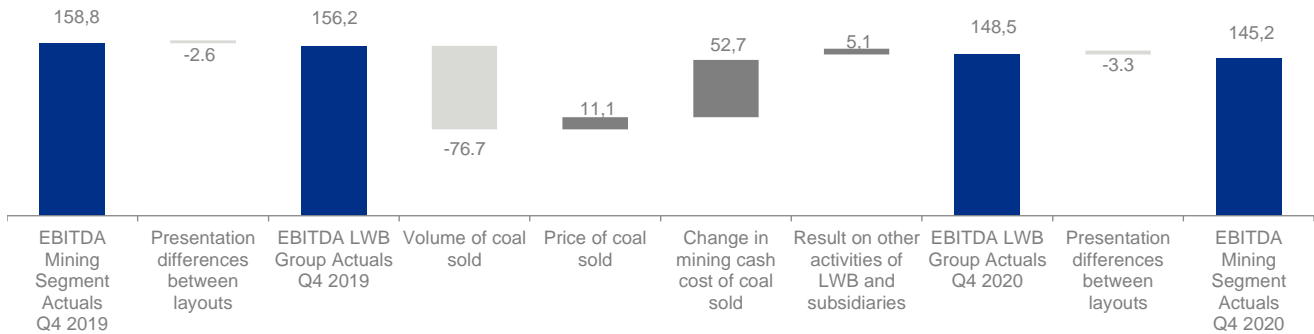
FY 2020 EBITDA key drivers:

- (-) a decrease in revenue from sales of coal in connection with the lower volume of coal sales (-1.69 million tons)
- (+) the lower sales volume was partially offset by a nearly 2.0% increase in the price of coal sold
- (+) lower mining cash cost – gross mining volume was 2.8 million tons lower, which translated into a lower cost of consumption of materials and third-party services, while unit price of electricity increased and employee benefit costs went down (as a result of an increase in average number of employees taking advantage of the benefits introduced by the “anti-crisis shield” in connection with the current pandemic [reduction of costs for the Group]; in 2020 co-funding from the Voivodship Labor Office in Lublin was included)
- (-) in 2019 reversal of the provision for claims under the dispute with ZUS (which increased the comparative level by approx. PLN 16 million)

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

Mining Area in Q4 2020

PLN million



Q4 2020 EBITDA key drivers:

(-) a decrease in revenue from sales of coal in connection with the lower volume of coal sales (-0.33 million tons).

(-) coal production fell by 0.25 million tons due to a significant change in inventories.

(+) lower mining cash cost – gross mining volume was 0.5 million tons lower, which translated into a lower cost of consumption of materials, while unit price of electricity increased and employee benefit costs went down (as a result of an increase in average number of employees taking advantage of the benefits introduced by the “anti-crisis shield” in connection with the current pandemic [reduction of costs for the Group]; in 2020 the co-funding from the Voivodship Labor Office in Lublin was included)

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

Other Activities Area in 2020 and Q4 2020

[PLN 000s]	2019 ¹⁾	2020	Change	Change [%]	Q4 2019 ¹⁾	Q4 2020	Change	Change [%]
Net revenue from sales	444,406	468,708	24,302	5.5%	101,437	106,796	5,359	5.3%
Revenue from leases and operating subleases	5,151	4,925	-226	-4.4%	2,475	2,279	-196	-7.9%
Revenue from sales and other income	449,557	473,633	24,076	5.4%	103,912	109,075	5,163	5.0%
EBIT	26,315	14,085	-12,230	-46.5%	-19,810	-16,719	3,091	15.6%
Amortization and depreciation	61,295	73,371	12,076	19.7%	16,906	20,200	3,294	19.5%
EBITDA	87,610	87,456	-154	-0.2%	-2,904	3,481	6,385	219.9%
CAPEX	83,353	62,570	-20,783	-24.9%	34,636	34,743	107	0.3%
Share of the segment's sales revenue in the Group's sales revenue	2%	2%			1%	1%		

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

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

- activities supporting other Group companies:

ENEA Centrum Sp. z o.o. – the Shared Services Center in the Group in the field of accounting, human resources, ITC and customer service, collection, procurement and administration

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

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

- accompanying activities:

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

Ratio analysis¹⁾

	2019 ²⁾	2020	Q4 2019 ²⁾	Q4 2020
Profitability ratios				
ROE - return on equity	3.5%	-17.1%	-11.6%	-66.9%
ROA - return on assets	1.6%	-7.5%	-5.5%	-29.3%
Net profitability	3.3%	-12.3%	-10.6%	-46.3%
Operating profitability	10.9%	-9.4%	7.4%	-55.6%
EBITDA profitability	20.4%	18.1%	17.5%	14.1%
Liquidity and financial structure ratios				
Current liquidity ratio	1.4	1.2	1.4	1.2
Coverage of non-current assets with equity	65.1%	60.2%	65.1%	60.2%
Total debt ratio	52.9%	56.2%	52.9%	56.2%
Net debt / EBITDA	1.99	1.95	1.99	1.95
Economic activity ratios				
Current receivables turnover in days ³⁾	51	49	50	47
Trade and other payables turnover in days ⁴⁾	74	59	70	55
Inventory turnover in days	42	35	40	32

¹⁾ Definitions of the ratios are presented on Page 151

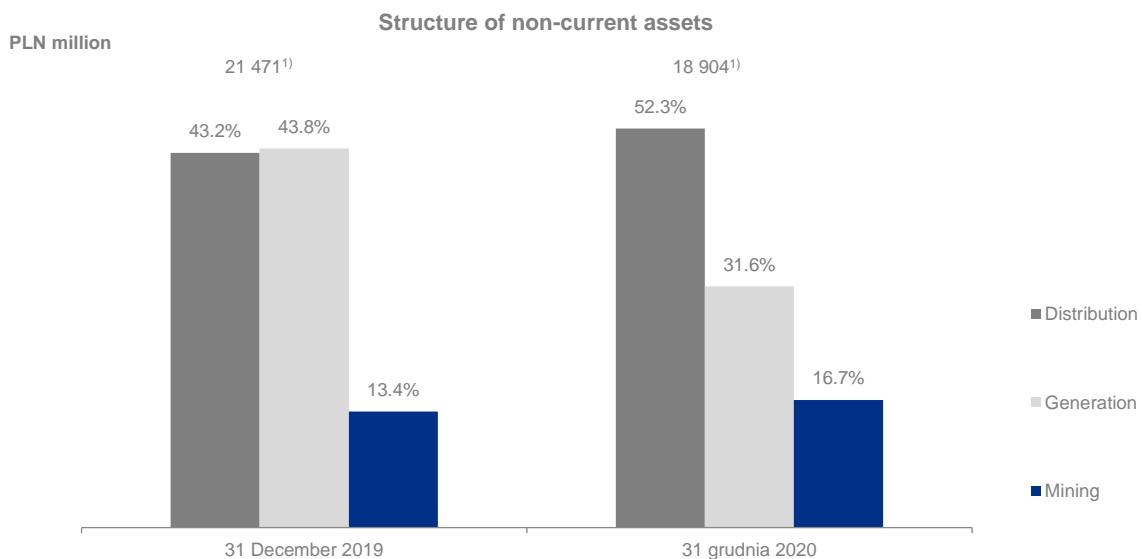
²⁾ restatement of data for presentation purposes in accordance with the consolidated financial statements

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

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

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

Assets [PLN 000s]	As at:		Change	Change [%]
	31 December 2019	31 December 2020		
Non-current assets	23,792,019	21,767,810	-2,024,209	-8.5%
Property, plant and equipment	21,470,804	18,903,722	-2,567,082	-12.0%
Right-of-use asset	719,948	730,078	10,130	1.4%
Intangible assets	379,024	359,365	-19,659	-5.2%
Investment property	23,109	21,239	-1,870	-8.1%
Investments in associates and jointly controlled entities	373,016	133,647	-239,369	-64.2%
Deferred tax assets	569,369	1,296,061	726,692	127.6%
Financial assets at fair value	40,172	97,957	57,785	143.8%
Debt financial assets measured at amortized cost	48,649	0	-48,649	-100.0%
Trade and other receivables	20,862	72,381	51,519	247.0%
Costs incurred to obtain a contract	12,749	11,256	-1,493	-11.7%
Receivables under leases and finance subleases	319	513	194	60.8%
Funds accumulated in the Mine Liquidation Fund	133,998	141,591	7,593	5.7%
Current assets	9,051,835	8,122,053	-929,782	-10.3%
CO ₂ emission allowances	1,375,128	2,529,059	1,153,931	83.9%
Inventories	1,376,295	1,129,975	-246,320	-17.9%
Trade and other receivables	2,123,567	2,132,191	8,624	0.4%
Costs incurred to obtain a contract	12,646	13,428	782	6.2%
Assets arising from contracts with customers	330,447	322,446	-8,001	-2.4%
Receivables under leases and finance subleases	950	975	25	2.6%
Current income tax receivables	59,746	10,470	-49,276	-82.5%
Financial assets at fair value	7,056	41,894	34,838	493.7%
Debt financial assets measured at amortized cost	3,576	61	-3,515	-98.3%
Other short-term investments	477	0	-477	-100.0%
Cash and cash equivalents	3,761,947	1,941,554	-1,820,393	-48.4%
Total Assets	32,843,854	29,889,863	-2,953,991	-9.0%



¹⁾ including eliminations

Key change drivers for non-current assets (down by PLN 2,024 million):

- PLN 2,567 million decrease in property, plant and equipment, including: an increase in accumulated depreciation by PLN 1,349 million and a recognition of an impairment allowance for assets in the Generation Segment, with a concurrent increase in the value of fixed assets by PLN 2,172 million
- PLN 239 million decrease in the value of investments in associates and jointly controlled entities – impairment of the investment in shares in Polska Grupa Górnicza S.A.
- PLN 49 million decrease in debt financial assets measured at amortized cost
- PLN 727 million increase in deferred tax assets – mainly as a result of an impairment of assets and changes in the CO₂ provision
- PLN 58 million increase in financial assets measured at fair value – mainly an increase in the net asset value of PGE EJ1
- PLN 52 million increase in trade and other receivables – mainly in the value of initial deposits related to the contracting of CO₂ emission allowances

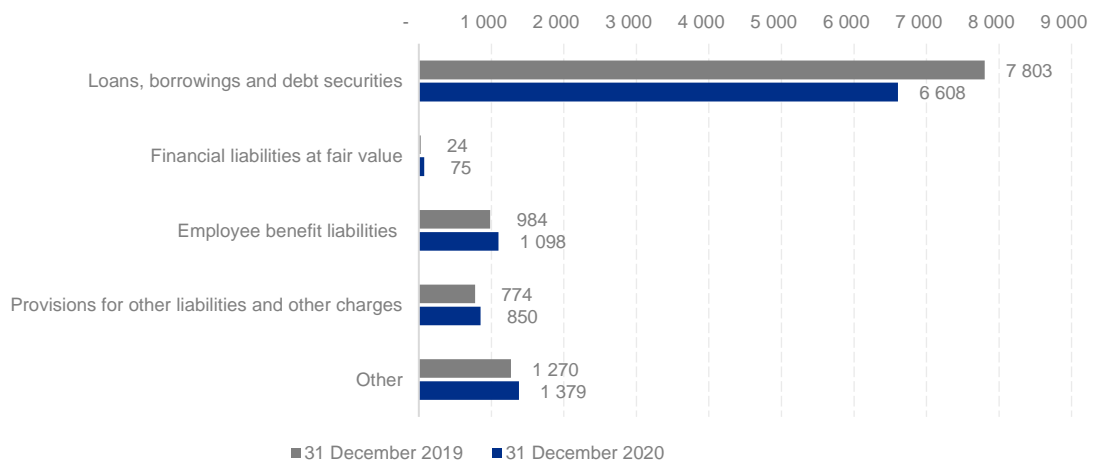
Key change drivers for current assets (down by PLN 930 million):

- PLN 1,820 million increase in cash and cash equivalents – mainly: repayment of the long-term financing and a change in collateral margins on the market for CO₂ emission allowances
- PLN 246 million decrease in inventories – including: a decrease in coal inventories, a decrease in inventories of certificates of origin, reversal of impairment allowance for other inventories
- PLN 1,154 million increase in CO₂ emission allowances, including: the purchase of allowances of PLN 2,436 million in 2020, PLN -1,282 million redemption of allowances for 2019

Equity and liabilities [PLN 000s]	As at			
	31 December 2019	31 December 2020	Change	Change [%]
Total equity	15,479,771	13,094,353	-2,385,418	-15.4%
Share capital	588,018	588,018	-	-
Share premium	3,632,464	3,632,464	-	-
Revaluation reserve – measurement of financial instruments	-16,295	-16,295	-	-
Revaluation reserve – measurement of hedging instruments	-17,356	-105,534	-88,178	-508.1%
Retained earnings	10,268,882	7,938,162	-2,330,720	-22.7%
Non-controlling interests	1,024,058	1,057,538	33,480	3.3%
Total liabilities	17,364,083	16,795,510	-568,573	-3.3%
Non-current liabilities	10,855,419	10,009,542	-845,877	-7.8%
Current liabilities	6,508,664	6,785,968	277,304	4.3%
Total equity and liabilities	32,843,854	29,889,863	-2,953,991	-9.0%

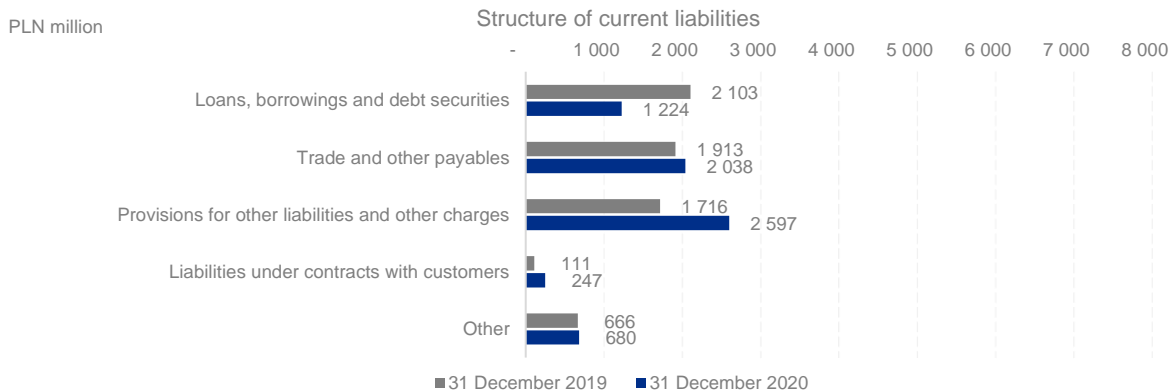
PLN million

Structure of non-current liabilities



Key change drivers for non-current liabilities (down by PLN 846 million)

- PLN 1,195 million decrease in loans, borrowings and other debt securities – mainly through reclassification of non-current liabilities to current liabilities
- PLN 114 million increase in employee benefit liabilities
- PLN 76 million increase in provisions for other liabilities and other charges – mainly an increase of the provision for non-contractual use of land, landfill reclamation and for mine closures
- PLN 51 million increase in financial liabilities measured at fair value – remeasurement of IRS financial instruments hedging against an increase in costs caused by changes in interest rates
- PLN 109 million increase in other non-current liabilities – mainly an increase in subsidy income settlements and road lighting modernization services, an increase in provisions for deferred tax assets

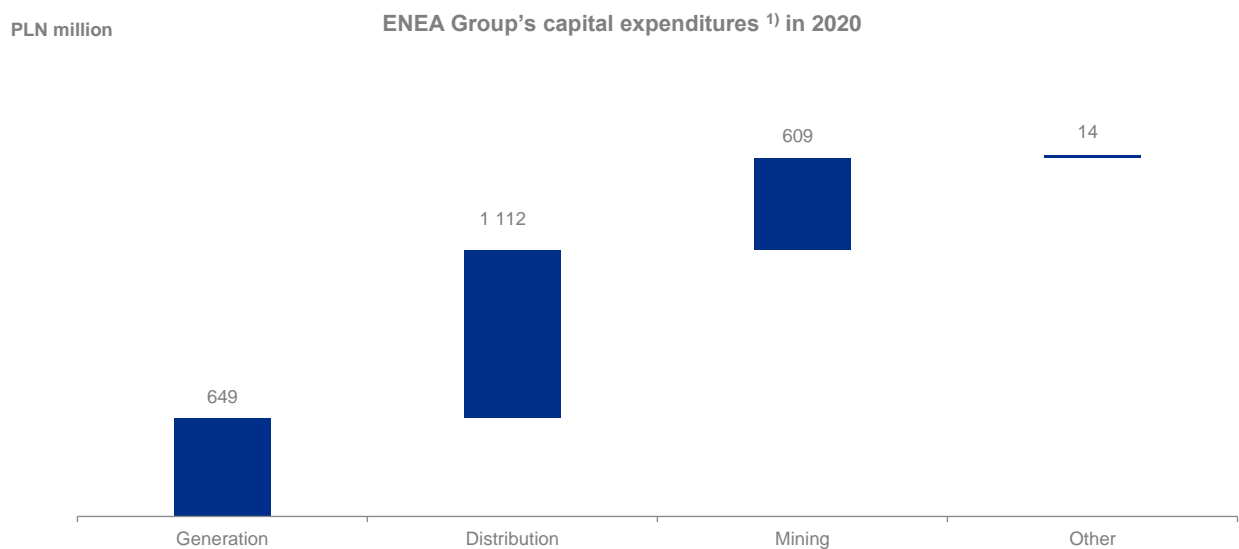
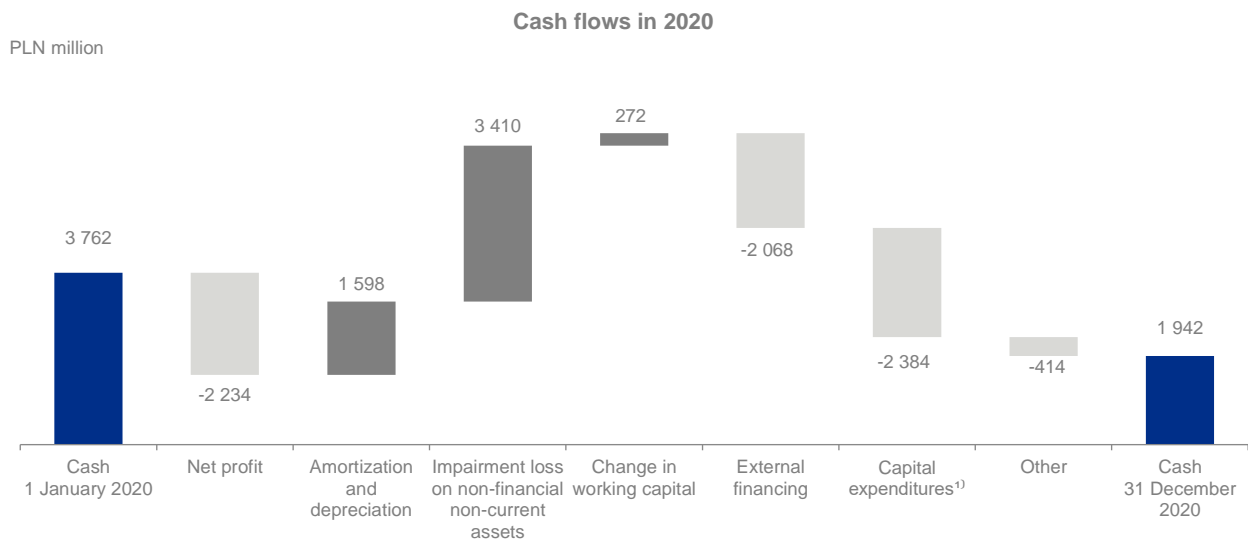


Key change drivers for current liabilities (up by PLN 277 million)

- PLN 880 million increase in provisions for other liabilities and other charges – mainly an increase in the provision for the purchase of CO₂ emission allowances and an increase in other provisions (including: recognition in 2020 of a provision for future investment commitments in the Ostrołęka Power Plant in the amount of PLN 222 million and recognition of a provision for the settlement of a rebate for energy fed by prosumers into the grid in the amount of PLN 51 million) with a concurrent reduction in provisions for certificates of origin of energy
- PLN 151 million decrease in other current liabilities – mainly due to a PLN 136 million increase in liabilities from contracts with customers
- PLN 125 million decrease in trade payables – an increase in liabilities related to deposits for futures transactions for CO₂ emission allowances, with a concurrent drop in liabilities for the purchase of property, plant and equipment and non-current intangible assets, a decrease in trade liabilities, a decrease in tax liabilities (excluding income tax)
- PLN 879 million decrease in loans, borrowings and debt securities – redemption of bonds by ENEA S.A. in the amount of PLN 1,184 million and repayments of loan installments in the amount of PLN 162 million, with a concurrent reclassification of loans and bonds from non-current to current

Cash position of ENEA Group

Statement of cash flows [PLN 000s]	2019	2020	Change	Change [%]
Net cash flows from operating activities	2,144,615	3,157,764	1,013,149	47.2%
Net cash flows from investing activities	(2,312,818)	(2,576,300)	-263,482	-11.4%
Net cash flows from financing activities	1,279,312	(2,401,857)	-3,681,169	-287.7%
Increase / (decrease) in net cash	1,111,109	(1,820,393)	-2,931,502	-263.8%
Cash at the beginning of reporting period	2,650,838	3,761,947	1,111,109	41.9%
Cash at the end of reporting period	3,761,947	1,941,554	-1,820,393	-48.4%



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

7.5 Financial results of ENEA S.A. in 2020 and Q4 2020

Statement of profit and loss of ENEA S.A. in 2020

[PLN 000s]	2019	2020	Change	Change [%]
Sales of electricity to retail customers	4,852,493	6,055,826	1,203,333	24.8%
Sales of gaseous fuel to retail customers	119,649	128,132	8,483	7.1%
Sales of energy and gaseous fuel to other entities	195,638	63,992	-131,646	-67.3%
Sales of services	4,972	4,853	-119	-2.4%
Sales of goods and materials	0	25	25	100.0%
Other revenue	-1,367	-77	1,290	94.4%
Excise duty	71,170	65,391	-5,779	-8.1%
Net revenue from sales	5,100,215	6,187,360	1,087,145	21.3%
Compensation	597,163	3,284	-593,879	-99.5%
Revenue from leases	70	312	242	345.7%
Revenue from sales and other income	5,697,448	6,190,956	493,508	8.7%
Amortization and depreciation	5,242	5,136	-106	-2.0%
Employee benefit costs	74,078	75,332	1,254	1.7%
Consumption of materials and supplies and cost of goods sold	2,437	2,794	357	14.6%
Purchase of energy and gas for subsequent sale	5,462,752	6,021,789	559,037	10.2%
Transmission and distribution services	6,331	14,597	8,266	130.6%
Other third-party services	217,439	222,568	5,129	2.4%
Taxes and charges	4,139	4,127	-12	-0.3%
Tax-deductible expenses	5,772,418	6,346,343	573,925	9.9%
Other operating revenue	16,591	11,390	-5,201	-31.3%
Other operating costs	66,298	64,981	-1,317	-2.0%
Change in provision related to onerous contracts	10,415	17,745	7,330	70.4%
Profit / (loss) on the sale and liquidation of property, plant and equipment	431	124	-307	-71.2%
Operating profit / (loss)	(113,831)	(191,109)	-77,278	-67.9%
Finance costs	285,835	275,906	-9,929	-3.5%
Finance income	264,845	232,918	-31,927	-12.1%
Dividend income	781,507	593,694	-187,813	-24.0%
Impairment loss recognized/(reversed) on investments in subsidiaries, associates and jointly controlled entities	293,621	3,613,242	3,319,621	1,130.6%
Impairment allowances on financial assets measured at amortized cost	65,771	144,014	78,243	119.0%
Profit / (loss) before tax	287,294	(3,397,659)	-3,684,953	-1,282.6%
Income tax	3,963	-40,909	-44,872	-1,132.3%
Net profit / (loss) for the reporting period	283,331	(3,356,750)	-3,640,081	-1,284.7%
EBITDA	-108,589	-185,973	-77,384	-71.3%

ENEA SA – EBITDA key drivers in 2020 (down by PLN 77.4 million):

- (-) first contribution margin down by PLN 65.9 million:
 - (-) average energy purchase price up by 11.1%
 - (-) costs of environmental obligations up by 5.0%
 - (+) average energy sales price up by 8.4%
 - (+) higher volume of energy sales by 2.6%
 - (+) higher result on trade in gaseous fuel

In 2019, revenue included the price difference and compensation amount in the amount of PLN 597.2 million, which covers the price difference between the prices used in settlements with customers and the prices set as benchmarks for calculating the price difference amount under the Act amending the Excise Duty Act and its secondary regulations. In the actual figures of 2020, the

revenue includes an adjustment of the value of price difference and compensation pertaining to 2019, having obtained from distribution system operators a confirmation of the data on the volume of the electricity sold and consumed for the period from 1 January to 31 December 2019 in the amount of PLN 3.3 million

(-) employee benefit costs up by PLN 1.3 million, including mainly:

(-) payroll costs with related charges up by PLN 1.4 million

(-) costs of third party services up by PLN 5.2 million, including mainly:

(-) selling costs and customer service costs up by PLN 22.4 million

(-) costs of rents and other fees related to rental or lease down by PLN 0.8 million

(+) costs of shared services down by PLN 10.7 million

(+) costs of advertisement and representation down by PLN 7.7 million

(-) result on other operating activities down by PLN 4.2 million, including mainly:

(-) impairment losses for receivables up by PLN 10.3 million

(-) litigation costs up by PLN 1.2 million

(-) donation costs up by PLN 1.2 million

(+) costs of provisions for anticipated losses and potential claims down by PLN 6.4 million

(+) revenues from license fees linked to the ENEA brand up by PLN 1.6 million

(+) written off receivables down by PLN 0.9 million

(+) change in the provisions related to onerous contracts – in 2019, utilization of the provision for onerous contracts was recognized in revenues in the amount of PLN 79.0 million relating to the financial effects of the Act amending the Excise Duty Act and Certain Other Acts of 28 December 2018, while a provision of PLN 68.6 million for the loss on the G tariff approved by the ERO was recognized in costs. In 2020, PLN 68.6 million of the provision for the loss on the G Tariff was utilized and a provision for the loss on the settlement of rebates for energy fed by prosumers into the grid was recognized in the amount of PLN 50.8 million.

Material changes affecting net result:

(-) higher impairment allowances recognized on investments in subsidiaries, associates and jointly controlled entities and impairment losses recognized on financial assets at amortized cost by a total of PLN 3,397.9 million, including:

(-) higher impairment allowance adjusting the value of shares in ENEA Wytwarzanie Sp. z o.o. by PLN 3,372.9 million and the value of shares Polska Grupa Górnicza S.A. (PGG) by PLN 206.7 million

(-) increase in the impairment allowance on loans granted to Elektrownia Ostrołęka Sp. z o.o. including interest by PLN 78.2 million

(+) decrease in the impairment allowance on shares in Elektrownia Ostrołęka Sp. z o.o. in the amount of PLN 231.1 million

(+) In 2019, an impairment allowance was recognized on shares in ENEA Ciepło Sp. z o.o. in the amount of PLN 28.8 million

Statement of profit and loss of ENEA S.A. – Q4 2020

[PLN 000s]	Q4 2019	Q4 2020	Change	Change [%]
Sales of electricity to retail customers	1,309,373	1,578,228	268,855	20.5%
Sales of gaseous fuel to retail customers	34,984	37,017	2,033	5.8%
Sales of energy and gaseous fuel to other entities	68,041	21,757	-46,284	-68.0%
Sales of services	2,435	1,557	-878	-36.1%
Other revenue	-534	7	541	101.3%
Excise duty	17,468	16,836	-632	-3.6%
Net revenue from sales	1,396,831	1,621,730	224,899	16.1%
Compensation	90,586	3,208	-87,378	-96.5%
Revenue from leases	70	68	-2	-2.9%
Revenue from sales and other income	1,487,487	1,625,006	137,519	9.2%
Amortization and depreciation	1,283	1,379	96	7.5%
Employee benefit costs	21,413	23,404	1,991	9.3%
Consumption of materials and supplies and cost of goods sold	827	661	-166	-20.1%
Purchase of energy and gas for subsequent sale	1,430,820	1,586,222	155,402	10.9%
Transmission and distribution services	3,776	5,573	1,797	47.6%
Other third-party services	52,485	49,766	-2,719	-5.2%
Taxes and charges	383	377	-6	-1.6%
Tax-deductible expenses	1,510,987	1,667,382	156,395	10.4%
Other operating revenue	8,605	2,885	-5,720	-66.5%
Other operating costs	12,593	14,237	1,644	13.1%
Change in provision related to onerous contracts	-50,287	-35,687	14,600	29.0%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(6)	0	6	100.0%
Operating profit / (loss)	(77,781)	(89,415)	-11,634	-15.0%
Finance costs	75,353	60,434	-14,919	-19.8%
Finance income	73,582	57,385	-16,197	-22.0%
Impairment loss recognized/(reversed) on investments in subsidiaries, associates and jointly controlled entities	293,855	2,817,077	2,523,222	858.7%
Impairment allowances on financial assets measured at amortized cost	65,972	2,544	-63,428	-96.1%
Profit / (loss) before tax	(439,379)	(2,912,085)	-2,472,706	-562.8%
Income tax	-22,940	-17,464	5,476	23.9%
Net profit / (loss) for the reporting period	(416,439)	(2,894,621)	-2,478,182	-595.1%
EBITDA	-76,498	-88,036	-11,538	-15.1%

ENEA S.A. – EBITDA key drivers in Q4 2020 (down by PLN 11.5 million):

(-) first contribution margin down by PLN 17.1 million:

- (-) average energy purchase price up by 12.3%
- (+) average energy sales price up by 8.8%
- (+) energy sales volume up by 3.8%
- (+) costs of environmental obligations down by 1.1%
- (-) lower result on trading in gaseous fuel

In Q4 2019, a compensation of PLN 90.6 million was recognized in the revenue, which was the amount of the coverage of the price difference between the prices used in settlements with customers and the prices set as benchmarks for calculating the price difference amount under the Act amending the Excise Duty Act and its secondary regulations. In the actual figures of Q4 2020, the revenue includes an adjustment of the value of price difference and compensation pertaining to 2019, having obtained from distribution system operators a confirmation of the data on the volume of the electricity sold and consumed for the period from 1 January to 31 December 2019 in the amount of PLN 3.2 million.

(-) employee benefit costs up by PLN 2.0 million, including:

- (-) payroll costs with related charges up by PLN 1.2 million
- (-) costs of provisions for employee benefits up by PLN 0.8 million
- (+) costs of third party services down by PLN 2.7 million, including mainly:
 - (+) selling costs and customer service costs down by PLN 0.5 million
 - (+) costs of shared services down by PLN 1.1 million
 - (+) costs of advertisement and representation down by PLN 0.8 million
- (-) result on other operating activities down by PLN 7.4 million, including mainly:
 - (-) impairment losses for receivables up by PLN 9.4 million
 - (+) litigation costs down by PLN 0.8 million
 - (+) costs of provisions for anticipated losses and potential claims down by PLN 1.6 million
- (+) a change in the provision related to onerous contracts – in Q4 2019, utilization of the provision for onerous contracts was recognized in revenues in the amount of PLN 18.3 million relating to the financial effects of the Act amending the Excise Duty Act and Certain Other Acts of 28 December 2018, while a provision of PLN 68.6 million for the loss on the G tariff approved by the ERO was recognized in costs. In Q4 2020, PLN 15.1 million of the provision was utilized and a provision for the loss on the settlement of rebates for energy fed by prosumers into the grid in the amount of PLN 50.8 million was recognized in costs.

Material changes affecting net result in Q4 2020:

- (-) higher impairment allowances recognized on investments in subsidiaries, associates and jointly controlled entities and impairment losses recognized on financial assets at amortized cost by a total of PLN 2,459.8 million, including:
 - (-) higher impairment allowance adjusting the value of shares in ENEA Wytwarzanie Sp. z o.o. by PLN 3,055.0 million
 - (+) decrease in the impairment allowance on shares in Elektrownia Ostrołęka Sp. z o.o. by PLN 454.9 million and the value of shares in Polska Grupa Górnicza S.A. (PGG) by PLN 47.7 million
 - (+) lower impairment allowance on loans granted to Elektrownia Ostrołęka Sp. z o.o. with interest in the amount of PLN 63.4 million
 - (+) In Q4 2019, an impairment allowance was recognized on shares in ENEA Ciepło Sp. z o.o. in the amount of PLN 28.8 million

Ratios	2019	2020	Q4 2019	Q4 2020
Profitability ratios				
ROE - return on equity	2.1%	-33.1%	-12.3%	-114.3%
ROA - return on assets	1.1%	-17.2%	-6.7%	-59.4%
Net profitability	5.0%	-54.2%	-28.0%	-178.1%
Operating profitability	-2.0%	-3.1%	-5.2%	-5.5%
EBITDA profitability	-1.9%	-3.0%	-5.1%	-5.4%
Liquidity and financial structure ratios				
Current liquidity ratio	2.2	1.4	2.2	1.4
Coverage of non-current assets with equity	76.8%	63.8%	76.8%	63.8%
Total debt ratio	45.0%	48.0%	45.0%	48.0%
Economic activity ratios				
Current receivables turnover in days	76	82	78	85
Trade and other payables turnover in days	38	30	36	31
Inventory turnover in days	17	8	20	11

Financial position – structure of assets and liabilities of ENEA S.A.

Assets [PLN 000s]	As at:		Change	Change [%]
	31 December 2019	31 December 2020		
Non-current assets	17,685,534	15,864,373	-1,821,161	-10.3%
Property, plant and equipment	24,070	23,910	-160	-0.7%
Right-of-use asset	33,249	29,978	-3,271	-9.8%
Intangible assets	4,376	4,180	-196	-4.5%
Investment property	13,755	13,206	-549	-4.0%
Investments in associates and jointly controlled entities	12,892,612	9,512,925	-3,379,687	-26.2%
Deferred tax assets	95,395	101,483	6,088	6.4%
Financial assets at fair value	38,848	84,848	46,000	118.4%
Debt financial assets at amortized cost	4,567,870	6,082,074	1,514,204	33.1%
Costs incurred to obtain a contract	12,749	11,256	-1,493	-11.7%
Receivables under leases and finance subleases	2,610	513	-2,097	-80.3%
Current assets	7,011,099	3,630,148	-3,380,951	-48.2%
Inventories	217,460	65,700	-151,760	-69.8%
Trade and other receivables	962,730	1,381,371	418,641	43.5%
Costs incurred to obtain a contract	12,646	13,428	782	6.2%
Assets arising from contracts with customers	215,223	228,905	13,682	6.4%
Receivables under leases and finance subleases	3,083	3,274	191	6.2%
Current income tax receivables	30,680	0	-30,680	-100.0%
Debt financial assets at amortized cost	2,801,067	1,406,802	-1,394,265	-49.8%
Cash and cash equivalents	2,768,210	530,668	-2,237,542	-80.8%
Total Assets	24,696,633	19,494,521	-5,202,112	-21.1%

Key change drivers for non-current assets (down by PLN 1,821 million):

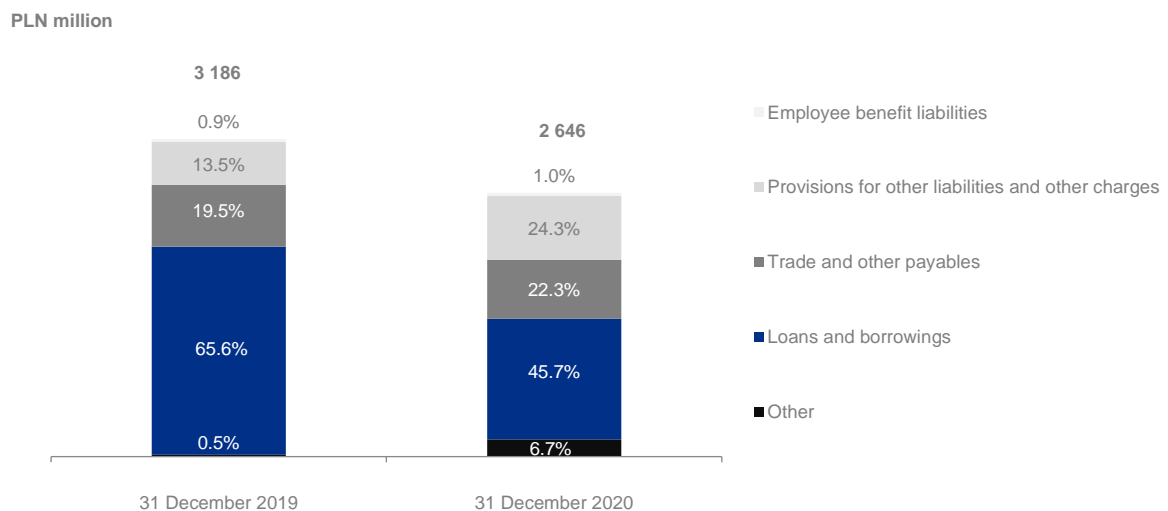
- PLN 3,380 million decrease in investments in subsidiaries, associates and jointly controlled entities, including: recognition of impairment allowances for shares held in ENEA Wytwarzanie in the amount of PLN 3,135 million, revaluation of shares in Polska Grupa Górnicza S.A. in the amount of PLN 254 million and subscription of shares in the increased capital of ENEA Innowacje Sp. z o.o. in the amount of PLN 9.3 million
- PLN 1,514 million increase in debt financial assets measured at amortized cost – due to granting of loans and reclassification of a portion of bonds and loans to current assets
- PLN 46 million increase in financial assets at fair value
- PLN 6 million increase in deferred tax assets

Key change drivers for current assets (down by PLN 3,381 million):

- PLN 2,238 million decrease in cash – mainly as a result of repayments of debt in the amount of PLN 2,000 million and interest on debt in the amount of PLN 0.2 million
- PLN 1,394 million decrease in intra-group bonds and loans – redemption of bonds by companies, reclassification of bonds and loans from non-current to current assets, impairment allowance for a loan (including a loan for Elektrownia Ostrołęka Sp. z o.o.)
- PLN 152 million decrease in inventories – pertains to certificates of origin of electricity
- PLN 31 million of current income tax receivables in 2019
- PLN 257 million increase in trade receivables
- PLN 161 million increase in other receivables, including mainly receivables on account of CIT settlements under a Tax Group in 2020

Equity and liabilities [PLN 000s]	As at:			
	31 December 2019	31 December 2020	Change	Change [%]
Total equity	13,574,179	10,127,472	-3,446,707	-25.4%
Share capital	588,018	588,018	-	-
Share premium	4,627,673	4,627,673	-	-
Revaluation reserve – measurement of financial instruments	-17,036	-17,036	-	-
Revaluation reserve – measurement of hedging instruments	-17,356	-105,534	-88,178	-508.1%
Reserve capital	5,690,700	5,974,031	283,331	5.0%
Retained earnings	2,702,180	-939,680	-3,641,860	-134.8%
Total liabilities	11,122,454	9,367,049	-1,755,405	-15.8%
Non-current liabilities	7,936,568	6,720,747	-1,215,821	-15.3%
Current liabilities	3,185,886	2,646,302	-539,584	-16.9%
Total equity and liabilities	24,696,633	19,494,521	-5,202,112	-21.1%

Structure of current liabilities

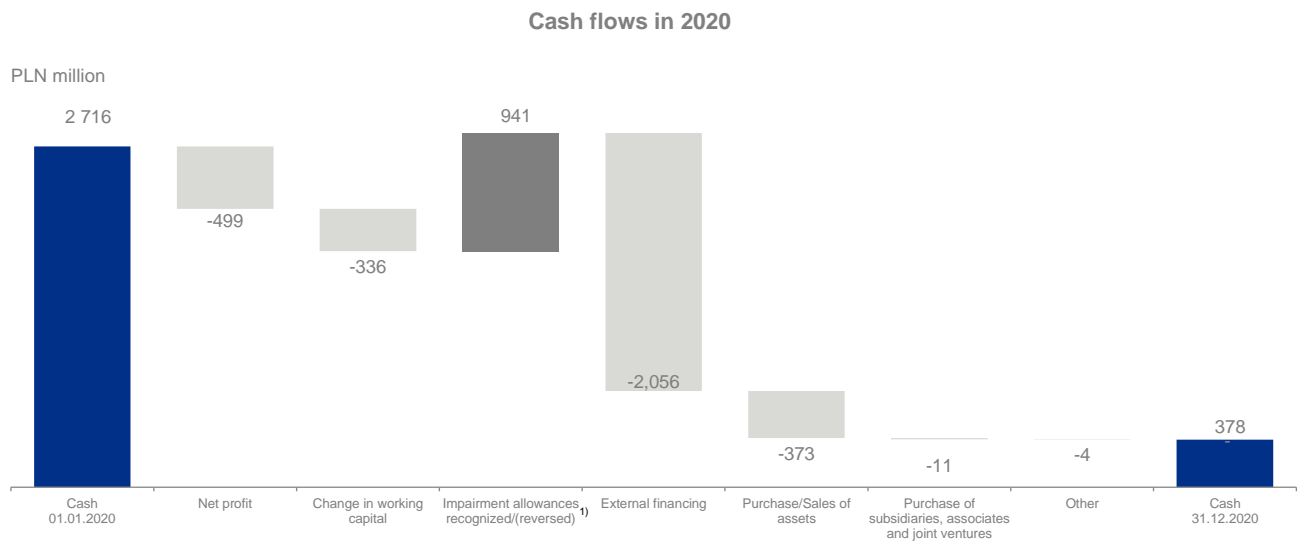


Key change drivers for liabilities (down by PLN 1,755 million)

- PLN 1,894 million – redemption of bonds
- PLN 162 million – repayment of loan installments
- PLN 156 million decrease in trade payables
- PLN 80 million decrease in liabilities to Energa S.A. on account of the assumption of a loan granted to Elektrownia Ostrołęka Sp. z o.o.
- PLN 213 million increase in provisions for other liabilities
- PLN 116 million increase in financial liabilities measured at fair value
- PLN 100 million increase cash pooling liabilities
- PLN 71 million of current income tax liabilities in 2020
- PLN 25 million increase in employee benefit liabilities (excluding income tax)
- PLN 20 million increase in liabilities from contracts with customers

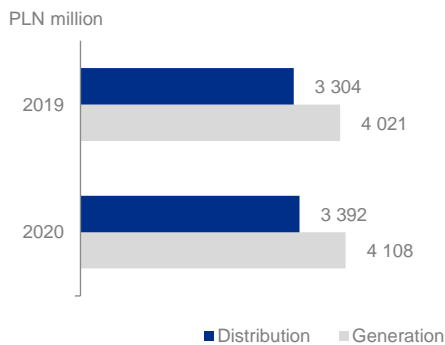
Cash position of ENEA S.A.

Statement of cash flows [PLN 000s]	2019	2020	Change	Change [%]
Net cash flows from operating activities	(30,933)	(411,351)	-380,418	-1229.8%
Net cash flows from investing activities	429,197	400,024	-29,173	-6.8%
Net cash flows from financing activities	1,318,154	(2,326,190)	-3,644,344	-276.5%
Increase / (decrease) in net cash	1,716,418	(2,337,517)	-4,053,935	-236.2%
Cash at the beginning of reporting period	999,193	2,715,611	1,716,418	171.8%
Cash at the end of reporting period	2,715,611	378,094	-2,337,517	-86.1%

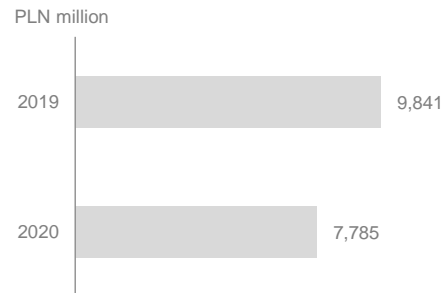


¹⁾ impairment allowances recognized/(reversed) on shares and impairment allowances recognized on financial assets measured at amortized cost

Balance of intra-group bonds held



Balance of external debt



8. Shares and shareholders

8.1. Equity and shareholding structure

As at 31 December 2020 and as at the publication date of this report, the share capital of ENEA S.A. amounts to PLN 441,442,578 and is divided into 441,442,578 ordinary bearer shares with a nominal value of PLN 1 each. The total number of votes resulting from all outstanding shares of the Issuer corresponds to the number of shares, translating into 441,442,578 votes.

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

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

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

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

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

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

In 2020, the ENEA S.A. stock price fell from PLN 7.915 to PLN 6.54, that is by PLN 1.38, or 17%. The highest closing price of ENEA S.A. stock in 2020 was recorded on 27 July 2020 (PLN 8.32), while the lowest price was recorded on 12 March 2020 (PLN 3.87).

Share of the Company's stock in stock exchange indices as at 31 December 2020:



Data	2020
Number of shares	441,442,578
Minimum [PLN]	3.87
Maximum [PLN]	8.32
Stock price at the end of the period [PLN]	6.54
Stock price at the end of the previous period [PLN]	7.915
Average trading volume	564,595

8.3. Potential changes in the shareholding structure

The Company is not aware of any contracts or events, which could potentially cause future changes in the structure of shares held by its current Shareholders. Nevertheless, the unique nature of the process of acquiring employee shares from the State Treasury by eligible employees and their heirs may cause slight changes in the number of shares held by the State Treasury.

8.4. Treasury shares

Neither ENEA S.A. nor ENEA Group companies purchased the Company's treasury shares in 2020.

8.5. Employee shares system

The Articles of Association of ENEA S.A. provide for the package of so-called employee shares. All of ENEA S.A.'s Series B registered common shares, i.e. 41,638,955 shares, were designated for that purpose. Under the applicable provisions of law, there were 8,818 people eligible for a purchase of ENEA S.A.'s shares free of charge, to whom 33,239,235 shares were allocated.

The right to acquire ENEA S.A.'s shares free of charge by eligible persons from the State Treasury expired on 16 May 2012. After that date, only the heirs of the beneficiaries may sign the agreements in the specific instances described in the above legal act.

In 2020, ENEA S.A. did not launch the standard control systems of employee share programs.

9. Governing bodies

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

As at 1 January 2020	
Name	Function
Mirosław Kowalik	President of the Management Board
Jarosław Ołowski	Management Board Member for Financial Matters
Piotr Adamczak	Management Board Member for Commercial Matters
Zbigniew Piętka	Management Board Member for Corporate Matters

As at the date of this report	
Name	Function
Paweł Szczeszek	President of the Management Board
Tomasz Siwak	Management Board Member for Commercial Matters
Tomasz Szczegieliński	Management Board Member for Corporate Matters
Marcin Pawlicki	Management Board Member for Operational Matters
Rafał Marek Mucha	Management Board Member for Financial Matters

- On 4 June 2020 Mr. Mirosław Kowalik tendered his resignation from the position of President of the ENEA S.A. Management Board and from membership in the Company's Management Board effective as of 5 June 2020.
- On the same date, the Company's Supervisory Board adopted a resolution to second, starting 6 June 2020, Mr. Paweł Szczeszek, Supervisory Board Member, to temporarily perform the duties of the President of the ENEA S.A. Management Board until the appointment of a new President of the Company's Management Board, but no longer than for a period of three months from the date of his secondment.
- On 30 June 2020 the Company's Supervisory Board adopted a resolution to appoint Mr. Paweł Szczeszek to the position of President of the ENEA S.A. Management Board for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018. The resolution came into force upon adoption. Upon his appointment to the position of President of the Management Board, Mr. Paweł Szczeszek's mandate of a Member of the Company's Supervisory Board expired.
- On 22 July 2020, Mr. Zbigniew Piętka tendered his resignation from the function of ENEA S.A. Management Board Member for Corporate Matters, effective as of 24 July 2020.
- On 23 July 2020, Mr. Piotr Adamczak tendered his resignation from the function of ENEA S.A. Management Board Member for Commercial Matters, effective as of 10 August 2020.
- On 7 August 2020, the Company's Supervisory Board adopted resolutions in the matter of: appointing Mr. Tomasz Szczegieliński to the position of the ENEA S.A. Management Board Member for Corporate Matters, effective as of the resolution adoption date and appointing Mr. Tomasz Siwak to the position of ENEA S.A. Management Board Member for Commercial Matters effective as of 17 August 2020 for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018.
- On 23 October 2020 the Company's Supervisory Board adopted a resolution to appoint Mr. Marcin Pawlicki, effective as of 29 October 2020, to the position of the ENEA S.A. Management Board Member for Operational Matters for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018.
- On 17 November 2020 the Company's Supervisory Board adopted a resolution to dismiss Mr. Jarosław Ołowski, ENEA S.A. Management Board Member for Financial Matters, from the ENEA S.A. Management Board.
- On 9 December 2020, the Company's Supervisory Board adopted a resolution to appoint, as of 21 December 2020, Mr. Rafał Marek Mucha to the position of Member of the ENEA S.A. Management Board for Financial Matters for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018.

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

As at 1 January 2020	
Name	Function
Stanisław Kazimierz Hebda	Chairperson of the Supervisory Board
Mariusz Pliszka	Deputy Chairperson of the Supervisory Board
Michał Jaciubek	Secretary of the Supervisory Board
Paweł Korobłowski	Member of the Supervisory Board
Ireneusz Kulka	Member of the Supervisory Board
Maciej Mazur	Member of the Supervisory Board
Piotr Mirkowski	Member of the Supervisory Board
Roman Stryjski	Member of the Supervisory Board

As at the date of this report	
Name	Function
Rafał Włodarski	Chairman of the Supervisory Board
Roman Stryjski	Deputy Chairman of the Supervisory Board
Michał Jaciubek	Secretary of the Supervisory Board
Dorota Szymanek	Member of the Supervisory Board
Paweł Korobłowski	Member of the Supervisory Board
Ireneusz Kulka	Member of the Supervisory Board
Maciej Mazur	Member of the Supervisory Board
Piotr Mirkowski	Member of the Supervisory Board
Mariusz Pliszka	Member of the Supervisory Board
Mariusz Fistek	Member of the Supervisory Board

- On 3 February 2020, the Company received a statement from the Minister of State Assets that the Minister of State Assets has exercised its powers to appoint a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. In accordance with these powers, Mr. Bartosz Nieścior was appointed to the Company's Supervisory Board as of 3 February 2020.
- On 6 February 2020, Mr. Mariusz Pliszka tendered his resignation as Deputy Chairman of the ENEA S.A. Supervisory Board.
- On 6 February 2020, the Supervisory Board elected Mr. Bartosz Nieścior to serve as Deputy Chairman of the ENEA S.A. Supervisory Board.
- On 6 February 2020, Mr. Stanisław Hebda tendered his resignation as a Member of the ENEA S.A. Supervisory Board, effective as of the same date.
- On 19 March 2020, the Extraordinary General Meeting of the Company appointed to the Supervisory Board, effective as of 19 March 2020, Ms. Izabela Felczak-Poturnicka, who was appointed Chairwoman of the Supervisory Board, and Mr. Mariusz Fistek.
- On 27 May 2020, the Company received statements from the Minister of State Assets that the Minister of State Assets has exercised its powers to appoint and dismiss a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. According to the said statements, the Minister of State Assets, in exercise of the powers conferred on him, dismissed, effective as of 27 May 2020, Mr. Bartosz Nieścior from the Company's Supervisory Board and, at the same time, appointed Mr. Paweł Szczeszek to the Company's Supervisory Board.
- On 4 June 2020, the Supervisory Board elected Mr. Roman Stryjski to serve as Deputy Chairman of the ENEA S.A. Supervisory Board.
- On 4 June 2020, the Company's Supervisory Board adopted a resolution to second, starting 6 June 2020, Mr. Paweł Szczeszek, Supervisory Board Member, to temporarily perform the duties of the President of the ENEA S.A. Management Board until the appointment of a new President of the Company's Management Board, but no longer than for a period of three months from the date of his secondment.
- On 30 June 2020 the Company's Supervisory Board adopted a resolution to appoint Mr. Paweł Szczeszek to the position of President of the ENEA S.A. Management Board for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018. The resolution came into force upon adoption. Upon his appointment to the position of President of the Management Board, Mr. Paweł Szczeszek's mandate of a Member of the Company's Supervisory Board expired.
- On 17 September 2020 the Company received a statement from the Minister of State Assets that on 16 September 2020 the Minister exercised his powers to appoint a Member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. In accordance with these powers, Mr. Rafał Włodarski was appointed to the Company's Supervisory Board as of 16 September 2020.
- On 4 January 2021, the Company received a resignation tendered by Ms. Izabela Felczak-Poturnicka from the position of Chairwoman of the Supervisory Board and from her membership in the ENEA S.A. Supervisory Board as of 5 January 2021.
- On 7 January 2021, the Extraordinary General Meeting of ENEA S.A. appointed Mr. Rafał Włodarski as Chairman of the ENEA S.A. Supervisory Board.
- On 7 January 2021, the Company's Extraordinary General Meeting adopted a resolution by the power of which Ms. Dorota Szymanek was appointed to the ENEA S.A. Supervisory Board of the 10th term of office.

In accordance with the provisions of the Rules and Regulations of the Supervisory Board, the following standing committees operate within the Supervisory Board: the Audit Committee, the Nominations and Remuneration Committee and the Strategy and Investment Committee. Detailed information on the committees and their composition is provided in section 11.10.4. of this report.

9.3. 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 26 November 2020	Number of ENEA S.A. shares as at 27 March 2021
Michał Jaciubek	Member of the Supervisory Board	5,020	5,020
Mariusz Pliszka	Member of the Supervisory Board	3,880	3,880

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

9.4. Remuneration rules for members of Management Board of ENEA S.A.

The rules for remunerating Members of the ENEA S.A. Management Board applicable in 2020 were introduced on the basis of the resolution adopted by the Extraordinary General Meeting of ENEA S.A. on 19 December 2019 on the rules for shaping the remuneration of Management Board Members, at the same time repealing the previous resolution on the rules for shaping the remuneration of Management Board Members of 15 December 2016 and subsequent resolutions of the Extraordinary General Meeting of ENEA S.A. on the rules for shaping the remuneration of Management Board Members. The new rules for remunerating Members of the ENEA S.A. Management Board, as adopted by the Extraordinary General Meeting on 19 December 2019, provide that an agreement for the provision of management services for the duration of the function (Agreement) must be entered into with the respective Management Board Member following the formulation of its wording by the Supervisory Board:

- a. during the term of the Agreement, Management Board Members are entitled to:
 - fixed monthly remuneration, set as an amount within the range from 7 to 15 times the calculation basis referred to in Article 1(3)(11) of the Act of 9 June 2016 on Rules for Setting the Remuneration of Persons Managing Certain Companies,
 - variable remuneration, depending on the level of fulfillment of the management objectives, which may not exceed 100% of the fixed remuneration amount in the previous financial year;
- b. The Supervisory Board may sign with a Management Board member a no-compete agreement effective after he/she ceases to perform the function, however it may be signed only if the Management Board member has performed the function for at least six (6) months and the compensation amount for each month of the no-compete undertaking may not exceed 50% of the monthly fixed remuneration received by the Management Board member before he/she ceased to perform the function. The no-compete period may not exceed 6 months after the Management Board member ceases to perform the function. In the event of non-performance or improper performance of the no-compete agreement by a Management Board member he/she will pay the Company a contractual penalty, which will not be lower than the compensation amount payable for the entire no-compete period.
- c. If the agreement is dissolved or terminated, a severance pay may be awarded to the Management Board Member in an amount no higher than three times the fixed component of remuneration, provided that he/she has performed the function for at least twelve months prior to the termination of the agreement. The severance pay will not be awarded to the Management Board Member in the event of:
 - dissolution, termination or amendment of the agreement resulting from a change of the function performed by the Management Board member in the Management Board,
 - termination, dissolution or amendment to the Agreement as a result of appointing the Management Board Member for another term of office at the Management Board
 - appointment as a management board member in a Group company,
 - resignation from performing the function.

Moreover, the Extraordinary General Meeting of ENEA S.A., by resolution of 30 July 2020, adopted a document entitled "Remuneration policy for members of the supervisory body and management body at ENEA Spółka Akcyjna".

The rules for remunerating Management Board Members resulting from the Resolution of the Extraordinary General Meeting of 19 December 2019 and from the document entitled "Remuneration policy for members of the supervisory body and management body at ENEA Spółka Akcyjna" have been implemented in the form of Agreement adopted by the ENEA S.A. Supervisory Board and are binding. In accordance with the "Remuneration policy for members of the supervisory body and management body at ENEA Spółka Akcyjna", the Company does not award remuneration to Management Board Members in the form of financial instruments, nor does it offer any additional pension or early retirement programs for Management Board Members.

9.5. Remuneration rules for members of Supervisory Board of ENEA S.A.

The remuneration rules for Members of Supervisory Board of ENEA S.A. in effect in 2020 have been implemented by virtue of a resolution of the Company's Extraordinary General Meeting of 15 December 2016. Pursuant to the provisions of the abovementioned resolution of the EGM, the monthly remuneration of the Supervisory Board Members was determined as the product of the average monthly remuneration in the enterprise sector, exclusive of distribution of profit in Q4 of the preceding year, published by the President of Statistics Poland (GUS) and the following multiplier:

- for Chairman of the Supervisory Board – 1.7
- for other Supervisory Board Members – 1.5

The resolution of the Extraordinary General Meeting, in § 1 sec. 2-3, further stipulates that:

- the Supervisory Board Members are entitled to the abovementioned remuneration regardless of the number of meetings convened
- the remuneration shall not be due for the month during which the Supervisory Board Member was not present at any of the duly convened meetings and such absence was not excused

On 19 December 2019, the Extraordinary General Meeting adopted a resolution to amend the resolution of the Extraordinary General Meeting of 15 December 2016 establishing the rules for remunerating Supervisory Board members, and set the monthly remuneration of Supervisory Board members as the product of the calculation basis referred to in Article 1(3)(11) of the Act of 9 June 2016 on Rules for Setting the Remuneration of Persons Managing Certain Companies and the following multiplier:

- for the Chairman of the Supervisory Board – 1.7;
- for other Supervisory Board Members – 1.5.

The resolution entered into force on the date of its adoption.

Moreover, on 30 July 2020, the Extraordinary General Meeting adopted a resolution on putting in place a document entitled "Remuneration policy for members of the supervisory body and management body at ENEA Spółka Akcyjna", in which, apart from the rules for remunerating Supervisory Board members in accordance with the function performed by the respective Member, it was specified that the Company does not award remuneration to Supervisory Board Members in the form of financial instruments, nor does it offer any additional pension or early retirement programs for Supervisory Board Members.

9.6. Remuneration

The remuneration received from 1 January 2020 to 31 December 2020 by members of the ENEA S.A. Management Board who signed Management Services Agreements with the Company is presented in the table below:

Name	Function	Remuneration under contract in PLN [without VAT] ¹⁾	Additional benefits	Remarks
Paweł Szczeszek	President of the Management Board	444,166.75	-	function discharged from 30 June 2020, takes into account the remuneration of a Supervisory Board Member seconded to discharge the duties of the President of the Management Board
Tomasz Siwak	Management Board Member	247,500.00	-	function discharged from 17 August 2020
Tomasz Szczegielniak	Management Board Member	265,833.25	-	function discharged from 7 August 2020
Marcin Pawlicki	Management Board Member	115,500.00	-	function discharged from 29 October 2020
Rafał Marek Mucha	Management Board Member	20,166.63	-	function discharged from 21 December 2020
Mirosław Kowalik	President of the Management Board	1,373,921.71 ¹⁾	-	function discharged until 5 June 2020
Piotr Adamczak	Management Board Member	1,289,740.83 ¹⁾	-	function discharged until 10 August 2020
Jarosław Ołowski	Management Board Member	1,130,330.60 ²⁾	-	function discharged until 17 November 2020
Zbigniew Piętka	Management Board Member	1,287,907.50 ¹⁾	-	function discharged until 24 July 2020
Piotr Olejniczak	Management Board Member	316,387.50 ³⁾	-	function discharged until 20 May 2019

¹⁾ this remuneration also includes non-competition compensation and bonuses for 2018 and 2019.

²⁾ this remuneration also includes non-competition compensation, severance pay and bonuses for 2019.

³⁾ this remuneration also includes bonuses for 2018.

In the period of performing managerial functions in 2020, Members of the ENEA S.A. Management Board did not receive remuneration for performing during this time any functions in subsidiaries of ENEA S.A. The remuneration received by managing persons did not include any non-financial components.

The table below presents the remuneration of members of the ENEA S.A. Supervisory Board in the financial year 2020:

Name	Remuneration [PLN]	Remarks
Stanisław Kazimierz Hebda	10,950.13	function discharged until 6 February 2020
Michał Dominik Jaciubek	82,159.84	-
Paweł Korobłowski	82,159.84	-
Ireneusz Kulka	82,159.84	-
Maciej Mazur	82,159.84	-
Piotr Mirkowski	82,159.84	-
Mariusz Pliszka	82,159.84	-
Roman Stryjski	82,159.84	-
Bartosz Nieścior	26,403.00	function discharged from 3 February until 27 May 2020
Izabela Felczak-Poturnicka	70,622.02	function discharged from 19 March 2020
Mariusz Fistek	62,313.50	function discharged from 19 March 2020
Paweł Szczeszek	2,201.90	function discharged from 27 May until 29 June 2020
Rafał Włodarski	23,119.86	function discharged from 16 September 2020

In the financial year 2020, Members of the ENEA S.A. Supervisory Board were remunerated for performing their functions in the Supervisory Board in the amounts resulting from the applicable legal regulations.

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

Regulatory environment

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

10.1.1. Internal electricity market

On 14 June 2019, Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity entered into force. This regulation is part of the "Winter Package" and forms the basic legal act forcing the introduction of new solutions pertaining to electricity markets and system services, both in Poland and in other Member States of the European Union. The main changes in national legal systems include the need to align the principles of operation of the national Balancing Market.

In the last quarter of 2019, a concept of changes in the Balancing Market was presented by Polskie Sieci Elektroenergetyczne S.A. as a Transmission System Operator responsible for the operation of the Balancing Market. A detailed description of the planned changes in the operation of the Balancing Market was presented by the Transmission System Operator in the document entitled "Concept of changes in the principles of operation of the balancing market in Poland", published on the Operator's website. In 2020, Polskie Sieci Elektroenergetyczne S.A. continued its works related to the change in the rules of operation of the Balancing Market, by conducting consultations and publishing the following documents: AMENDMENT no. 1/2020 of the Terms and Conditions of Balancing, approved by the decision of the President of the Energy Regulatory Office (ERO) on 1 December 2020 and AMENDMENT no. 2/2020 of the Terms and Conditions of Balancing, approved by the decision of the ERO President on 16 December 2020. At the same time, work was also initiated on amendments to the Capacity Market Act of 8 December 2017, aligning Poland's capacity market mostly to Article 22(4) and (5) of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity, which provisions require that support from the capacity market may be provided for generating units that fail to meet the so-called 550 g CO₂/kWh emission standard, but leave intact the support from the capacity market for units that fail to meet this emission standard if such support results from capacity contracts entered into before 31 December 2019.

On 21 December 2018, Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council, entered into force. This regulation has introduced the requirement to develop a national plan for energy and climate within the framework of implementation of the Energy Union comprising the following 5 dimensions: energy security, internal energy market, energy efficiency, reduction of emissions, as well as research, innovation and competitiveness. The main purpose of the Energy Union management mechanism is to enable achievement of the Energy Union goals, in particular the climate and energy policy goals by 2030 in terms of reducing greenhouse gas emissions, generating renewable energy and improving energy efficiency. The Minister of State Assets submitted the "National Plan for Energy and Climate for 2021-2030" to the European Commission on 30 December 2019, thereby fulfilling the requirement imposed on Poland in this respect. The document was prepared on the basis of national development strategies, taking into account the draft "Poland's Energy Policy until 2040". It sets the following climate and energy goals for 2030: 7% reduction in greenhouse gas emissions in non-ETS sectors compared to 2005, 21–23% share of renewable energy sources in final gross energy consumption (with 23% of the goal considered achievable if additional EU funds are allocated to Poland, including those allocated to equitable transition), energy efficiency up by 23% compared to PRIMES2007 forecasts, share of coal in electricity generation down to 56–60%.

10.1.2. Demand for electricity

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

¹⁾ https://www.gov.pl/documents/33372/436746/Wnioski_z_analiz_do_PEP2040_2018-11-23.pdf/1481a6a9-b87f-a545-4ad8-e1ab467175cf 83

10.1.3. Amendment to the Energy Law Act

On 13 May 2020, the Act amending the Energy Law Act came into force. It implemented the provisions of the Gas Directive, aimed to implement the provisions of the amended Gas Directive into the Polish legal order, into the Polish law.

The Council of Ministers adopted draft Act amending the Energy Law Act and certain other Acts on 24 November 2020. According to the draft Act amendment, a smart metering system will be introduced, among others. It provides for installation of smart meters at minimum 80% of end users by 31 December 2028. In addition, the draft provides for introduction of comprehensive solutions for development of energy storages – development of distributed power generation and RES; increase in the consumer protection in the electricity and gaseous fuel market by introducing a prohibition from concluding agreements by electricity and gas sellers in the form of solicitation, so-called door to door, facilitation of the activity of energy undertakings, among others, creation of a legal framework for the operation of closed distribution systems.

10.1.4. Amendment to the System Regulation

On 1 December 2020, the Regulation of the Minister of Climate and Environment of 11 November 2020 amending the Regulation on detailed conditions of operation of the power system came into force. The crucial change introduced in the Regulation concerns the rules of operation of the Balancing Market, i.e. enabling generation units which are not subject to central dispatching and electricity storages in the balancing market an active participation of the demand side response (DSR). Apart from the issues related to the operation of the Balancing Market, the amendment refers to a small extent to the provisions concerning connection of devices to the power grid.

10.1.5. Tariff for electricity distribution services in 2021

The ERO President approved the Tariff for electricity distribution services of ENEA Operator. The decision of the ERO President no. DRE.WPR.4211.67.11.2020.KKu of 8 January 2021 was published in the ERO Industry Bulletin “Energia Elektryczna” (Electricity) No. 2 (3247) of 8 January 2021.

The new Tariff has been approved for application until 31 December 2021. The decrease in own rates (fixed grid charge, variable grid charge, subscription fee) in the approved ENEA Operator’s tariff is 1.7% on average for all tariff groups, while for consumers in the Tariff Group G the decrease is approx. 2.2%. Since 1 January 2021, electricity distributors have collected also the so-called capacity fee from consumers. Taking this fee into account, the average increase in the distribution part of the bill will be approx. 20% for all tariff groups, while for the consumers in the Tariff Group G the increase will be approx. 15%.

For households with the average annual consumption (for average consumption in Poland in group G11 – 1777 kWh) the change in the distribution fees and charges means higher monthly payments by PLN 6.45, with this change already accounting for the capacity fee rate.

It must be underlined that the capacity fee is a transferred fee in nature.

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

10.1.6. Regulatory account for distribution system operators

On 1 December 2020, the Regulation of the Minister of Climate and Environment of 13 November 2020 amending the Regulation on detailed rules of determination and calculation of tariffs and settlements in electricity trading came into force. The crucial change is the establishment of the so-called regulatory account, which will guarantee additional funds for investments in the development of the power grid and the integration of RES with the National Power System. This instrument permits bridging the differences in tariffs of power system operators in the revenues actually achieved by these operators in relation to the planned revenue arising from the tariffs approved for them.

10.1.7. Financial markets (EMIR Refit)

On 17 June 2019, Regulation (EU) 2019/834 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories (EMIR Refit), entered into force. The aim of the Regulation is to simplify certain obligations arising from the Regulation (EU) No 648/2012 (EMIR) and to introduce a more proportional approach to the regulatory burdens towards entities characterized by a low volume of activity in financial markets. As a result of the introduced amendments, the duty has been introduced to report OTC derivative transactions (albeit, providing for an exception to this rule for intragroup derivative transactions, in the form of a possible waiver of the reporting obligation).

10.1.8. Capacity market

In 2020, pursuant to the provisions of:

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

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

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

10.1.8.1 Contracted capacity obligations of ENEA Wytwarzanie and ENEA Elektrownia Połaniec

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

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

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

¹⁾ Non-indexed value

ENEA Elektrownia Połaniec participated in all the aforementioned processes and, as a result, signed two capacity contracts for 5-year periods of 2021-2025, for units 2 and 7. This resulted from the ENEA Group's strategy approved by decisions of the ENEA S.A. Management Board before each of the main auctions. The other units, except for unit 9, were notified for participation in the secondary market. By decision of the ENEA Group's Capacity Market Steering Committee, an agreement on joint operation on the capacity market and mutual reservations will be signed by and between ENEA Wytwarzanie and ENEA Elektrownia Połaniec.

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

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

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

10.1.8.3 Contracted capacity obligations of ENEA Ciepło

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

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

10.1.8.4 Estimated revenue from the capacity market of ENEA Ciepło

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

¹⁾ Non-indexed value

²⁾ The capacity contract of ENEA Ciepło for 2025 is valid from 1 January 2025 to 30 June 2025.

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

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

10.1.8.5 Contracted capacity obligations of ENEA Nowa Energia

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

10.1.8.6 Estimated revenue from the capacity market of ENEA Nowa Energia

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

ENEA Nowa Energia (formerly: ENEA Wytwarzanie RES Segment) participated in all the aforementioned capacity market

processes and, as a result, concluded one-year contracts for deliveries for the period 2021-2025, for three units with the average capacity of approx. 37 MW in a given delivery year

10.1.9. REMIT

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

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

In the updates of the fourth edition of the “Guidance on the application of Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency” published in 2019, ACER stated in section 7.2. that in order to achieve effective disclosure of inside information according to Article 4(1) of REMIT, the inside information, which was published only on the energy market participant’s website or through social media before, shall be disclosed in particular using a platform for the disclosure of inside information (Inside Information Platforms – IIP) which meet ACER’s criteria.

10.1.10. Electromobility and Alternative Fuels Act

The Electromobility and Alternative Fuels Act of 11 January 2018 imposes an obligation on selected townships to build on their land publicly available charging stations for vehicles with alternative drive systems. If not fulfilled by the end of 2019 in accordance with the provisions of the Act, this obligation is passed on to distribution system operators, based on the geographic area of their activity. Due to the fact that this obligation was not fulfilled by local governments in the area of operation of ENEA Operator, the company is currently under the obligation to build nearly 455 charging points located in publicly available charging stations in four urban areas: Poznań, Szczecin, Bydgoszcz and Gorzów Wielkopolski. This number is the difference between the minimum number of publicly available charging points, which according to the Act should be built in the territory of the said four townships by 31 March 2021, and the existing and planned number of such points to be built by private investors. For this reason, ENEA Operator is currently carrying out a project entitled “Implementation of ENEA Operator’s statutory obligations related to electromobility under the Electromobility and Alternative Fuels Act”.

In the context of the electromobility development, one must note the Regulation of the Minister of Climate and Environment of 13 November 2020 amending the Regulation on detailed rules of determination and calculation of tariffs and settlements in electricity trading, which came into force on 1 December 2020. It introduces solutions that enable creation of tariff groups for entities running publicly available electric car charging stations. Entities, settled in accordance with the introduced tariff, will pay less in respect of the fixed component of the grid rate. However, they will cover higher costs in respect of the variable component of the grid rate.

10.1.11. Impact of the electricity tariff for Tariff Group G

On 30 December 2019, the ERO President made a decision to approve ENEA S.A.’s “Electricity tariff for Tariff Group G” for the period from 14 January to 31 March 2020 (“Tariff”). The ERO President approved the ENEA S.A. electricity sales prices for Tariff Group G consumers at the level that did not cover the costs incurred by the Company. ENEA S.A. filed an application to approve a tariff for the next period, i.e. from 1 April to 31 December 2020, but after the evidence proceedings had been completed, on 8 July 2020 the ERO President decided to refuse to approve the electricity tariff. At present, there is a pending appeal procedure against the decision of the ERO President. The tariff approved on 30 December 2019 was applied in the settlements for the electricity sold to customers until the end of 2020.

Considering the above and acting in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Company recognized a provision for onerous contracts in the amount of PLN 68.6 million as at 31 December 2019. In 2020, the Company used the whole provision for onerous contracts, i.e. in the amount of PLN 68.6 million.

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

10.1.12. Operating Capacity Reserve (OCR)

- The OCR mechanism was conducted by Polskie Sieci Elektroenergetyczne – Transmission System Operator (TSO) within the system services catalog
- For producers of energy it was an economic incentive to offer generating capacities to the TSO in the peak hours of demand for power
- OCR included the available generating capacities, being the surplus of the power available to the TSO over the contracts concluded to satisfy the demand for electricity

- The unit price for OCR depended on the volume of generating capacities available to the TSO over the demand for electricity covered:
 - under power purchase agreements – on the Balancing Market as part of the free exchange

The unit price for OCR depended on the volume of generating capacities available to the TSO over the demand and could not be higher than the reference price, which was 41.20 PLN/MWh for 2016, 41.79 PLN/MWh for 2017, 42.58 PLN/MWh for 2018, 43.73 PLN/MWh for 2019 and 44.24 PLN/MWh for 2020.

Parameters of the OCR settlement model in 2019-2020:

Parameter		2019	2020
Hourly budget [PLN]	1 January 2019 – 5 April 2019	151,416.67	164,537.41
	6 April 2019 – 31 December 2019	159,630.24	
Reference price [PLN/MWh]		43.73	44.24
Hourly amount of required OCR [MWh]		3,650.36	3,719.20
Number of demand peak hours		3,765	3,825
OCR annual budget [PLN million]		601.01	629.36

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 TSO did not fully use the budget designated for that service. Beginning in 2016, new adjustment settlements were introduced (monthly and annual), which re-verified settlements and any unused funds for OCR were distributed among the units participating in the mechanism. In 2017, consumption units with the possibility of reducing the demand (DSR) were included in the Operating Capacity Reserve mechanism. In the following years, 2018–2020, the costs of PSE S.A. increased.

2020 was the last year in which OCR applied. Due to the introduction of the Capacity Market and the changes in the rules of operation of the Balancing Market in Poland, the Operating Capacity Reserve was removed from the System Services catalog on 1 January 2021.

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

As at the end of 2020, the number of business customers (tariff groups A, B, C) which changed their electricity seller was 216,498, having increased by 6,604 (or 3.1%) since the end of 2019. As regards customers in the household segment (Tariff Group G), the number was 690,309, having increased by 33,086, or 5%, since the end of 2019. The above data show that the dynamics of seller switches in 2020 were not high. The pandemic clearly reduced the interest of the consumers in switching the electricity seller. This is evident in the group of both individual and business consumers.

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

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

10.1.15. Significant trends in the Distribution area

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

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

Since innovations form a significant growth factor, which is why ENEA Operator has adopted a framework enabling external entities to suggest and jointly execute various pilot and innovative projects with the Company. The pursuit of such initiatives will provide the opportunity to jointly develop or test innovative solutions in real-life conditions.

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

10.1.16. Grid codes in ENEA Operator's activity

An increasingly more important role in the operation of ENEA Operator as a DSO is played also by grid codes prepared by ENTSO and adopted by the European Commission as its Regulations. These codes are specific tools for implementation of a single energy market in the EU. They contain common rules of operation and management of energy systems and aim to eliminate the technical barriers impeding further market integration. In 2020, the Company performed actions related to the implementation, in the area concerning DSOs, of the Guidelines for electricity transmission system operation (SO GL Code, System Operation Guideline); among others, ENEA Operator commenced an information campaign, which will make it considerably easier for producers of electricity from renewable sources to meet the requirements arising from this Code. Since 1 January 2021 RES producers from whole Poland have been bound by new laws concerning the sending of data about electricity produced and fed into the power grid. The process of sending of the metering data obtained from producers to Polskie Sieci Elektroenergetyczne is carried out via distribution system operators, with ENEA Operator being one of them. Experts decided to share their knowledge and experience to make it easier for undertakings producing electricity from renewable sources to adapt to the new obligations already at the very beginning of their application. A webinar was prepared for the producers, which specified the aim of the Guidelines and the manner of complying with this obligation. The Company published all necessary information concerning the manner of complying with the obligations arising from the new Regulations on its website: www.operator.enea.pl. The tab <https://www.operator.enea.pl/dlawytworcow> contains, among others, templates of forms for entering the data arising from SO GL. ENEA Operator's experts also respond to questions and doubts of RES producers under the dedicated email address: wytworcy@operator.enea.pl. In addition, already in Q1 2021 ENEA Operator will launch a user-friendly IT tool, "Producer Portal", which will considerably facilitate the entire data sending process, at the same time minimizing the possibility of entering wrong information. Before launching the Portal, the Company will offer the producers a series of free training sessions facilitating its use.

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

During the reporting period, the Company complied with the provisions of the *Compliance Program – ENEA Operator's Distribution System User Nondiscriminatory Treatment Assurance Program* (hereinafter referred to as "Compliance Program") to fulfill the obligation arising from Article 9d sec. 4 of the Energy Law. Projects undertaken and executed by ENEA Operator as part of the Compliance Program during the reporting period gave the system users and the potential system users an equal access to the distribution system and enabled them to use the electricity distribution services on equal rules. The Compliance Program was updated in 2020: the ERO President approved the document on 1 June 2020, which came into force on 3 December 2020.

10.1.18. Quality regulation model

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

On 7 October 2019, the ERO President set ENEA Operator settlement objectives for 2018–2025.

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

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

10.1.19. Rating

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

10.1.20. General Data Protection Regulation (GDPR)

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

10.1.21. Court and administrative proceedings

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

A detailed description of the proceedings is presented in Note 43.3 to the consolidated financial statements of the ENEA Group for the period from 1 January to 31 December 2020.

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

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

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

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

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

³⁾ concerns Resolutions No. 7, 8, 9 and 11 of the Ordinary General Meeting of ENEA S.A. of 30 July 2020 to grant discharge to individual former Members of the Company's Management Board on the performance of their duties in 2019.

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

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

10.1.24. Participation in the nuclear power plant construction program

On 15 April 2015, KGHM, PGE, TAURON and ENEA entered into a Share Purchase Agreement in PGE EJ 1. KGHM, TAURON and ENEA purchased from PGE a stake of 10% each (a combined stake of 30%) in PGE EJ 1. ENEA paid PLN 16 million for the purchased shares. In accordance with the corporate approvals obtained, the financial exposure of ENEA S.A. in the initial phase of the Project (Development Stage) will not exceed approx. PLN 107 million. ENEA S.A.'s total expenditure resulting from the purchase of the shares and the increase in the company's share capital have to date reached PLN 70.5 million. ENEA granted also loans to PGE EJ 1 to provide it with financial resources for its current activity, which have been repaid.

On 1 October 2020, ENEA signed a Letter of Intent with the State Treasury on the acquisition by the State Treasury of a 100% equity stake in PGE EJ 1. The Letter of Intent was signed by all shareholders of PGE EJ 1 (besides ENEA, these are KGHM Polska Miedź, PGE Polska Grupa Energetyczna and TAURON Polska Energia). The company is responsible for the preparation and execution of an investment project involving the construction and operation of Poland's first nuclear power plant. The signatories of the Letter of Intent have committed themselves to taking, in good faith, all steps necessary to prepare and make a transaction involving the acquisition by the State Treasury of an equity stake in PGE EJ 1 (Transaction). The Letter of Intent does not require the parties to execute the Transaction eventually. The decision as to whether or not to execute the Transaction is contingent on the outcome of the negotiations between the parties and the fulfillment of other conditions provided for in the applicable laws or corporate documents. Talks and negotiations related to the finalization of the Transaction documentation are in progress.

10.1.25. Research program concerning energy storage and distributed generation

In 2018, the Master Agreement For EPRI Participation (Master Agreement) as well as the Research Portfolio Agreement regarding the participation of ENEA S.A. and its subsidiaries in selected research projects (research project period being 3 years: 2018, 2019, 2020) were concluded with EPRI. The Master Agreement with EPRI was concluded for the term of 10 years.

As part of the Research Portfolio Agreement, ENEA S.A. (and individual subsidiaries indicated in this Agreement) were granted access to the Research Program no. 94 (and to the materials developed as part of the program) for the years 2018, 2019, 2020. Under the signed Master Agreement, the ENEA GROUP participated in research programs concerning energy storage and distributed energy generation. The cooperation between the two entities covered challenges related to energy storage, integration of storage facilities with distributed energy sources and micro networks as well as the creation of new services based on energy storage units. Moreover, the participation in the program provided, among others, access to numerous tools and research results enabling the evaluation of technologies and economic and technical modeling. Owing to its participation in the program, the ENEA Group had the opportunity to acquire professional knowledge from EPRI and exchange experience with other research participants. The Research Portfolio Agreement expired at the end of 2020.

10.1.26. Interest in ElectroMobility Poland S.A.

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

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

10.1.27. Research and development projects carried out in ENEA Operator

ENEA Operator executed numerous research & development projects in 2020, which are continued in 2021:

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

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

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

ENEA Operator completed two R&D projects in 2020:

1. The project entitled "Solar PV on the Distribution Grid: Smart Integrated Solutions of Distributed Generation based on solar PV, Energy storage devices and Active Demand Management" implemented as part of the Horizon 2020 program. It concerned the development of smart integrated solutions for distributed generation based on photovoltaic installations, energy storage devices and active demand management. The aim of the project was to develop affordable integrated solutions to increase the potential of distributed photovoltaic installations through effective integration of PV devices, energy storage, monitoring and control of strategies and procedures, active demand management, smart technologies and procedure integration in the energy distribution system according to market criteria.
2. "Pilot project for reducing power losses in used and newly installed MV/LV transformer through the application of an algorithm of optimizing the selection of a transformer to the conditions of the station's actual load by relocating units, taking into account the environmental impact" completed as part of the priority program Support for Innovations facilitating resource-efficient and low-carbon economy Part 1) Falcon – introduction of innovative environmental technologies – National Fund for Environmental Protection and Water Management. The project objective is to prepare an algorithm of conduct and calculations, supporting and optimizing the process of transformer selection in line with the loads of the MV/LV substations based on the measurements performed previously.

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

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

The photovoltaic farm project to be developed on the land owned by LW Bogdanka will enable proper development of the mine's land and may contribute to a significant reduction of the costs of electricity powering the LW Bogdanka's technical infrastructure, while showing respect for the environment and using renewable technologies. In 2020, detailed analyses were conducted, regarding, among others, the decisions and approvals required for the land in question.

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

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

10.1.30. Implementation of the potential investment in offshore wind farm projects

On 3 June 2020, the Company signed a letter of intent with Iberdrola Eólica Marina S.A. regarding the Company's potential investment in offshore wind farm projects to be developed in the Polish exclusive economic zone of the Baltic Sea. In connection with the signing of the Letter of Intent, the parties have entered into exclusive negotiations aimed at assessing the feasibility of

execution of a joint capital expenditure project by the Company and Iberdrola in the said wind farm projects with a total capacity of up to approx. 3.3 GW and their shared preparation, construction and operation. On 8 September 2020, the parties made a decision to terminate their exclusive talks on the potential investment in the projects in question without preparing the term sheet. Accordingly, on the same date, the parties to the Letter of Intent confirmed that it would no longer be binding on them. Still, the parties to the LOI remain open to the possibility of cooperating in the future. ENEA S.A. will actively continue to explore the opportunities for developing offshore wind farms.

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

Detailed information on the execution of the Ostrołęka C Power Plant construction project are described in Note 18 of the "Consolidated Financial Statements of the ENEA Group for the period from 1 January to 31 December 2020".

10.1.32. Rules for the preparation of financial statements

This Report of the Management Board on activities has been prepared in accordance with § 70–71 of Regulation of the Finance Minister of 29 March 2018 on current and periodic information (...). The consolidated financial statements of the ENEA Group and the standalone financial statements of ENEA S.A. included in the consolidated report of ENEA S.A. for the financial year 2020 have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) approved by the European Union. The consolidated financial statements of the ENEA Group and the standalone financial statements of ENEA S.A. have been prepared on the assumption that the Issuer and its Group will continue as a going concern in the foreseeable future. Unless indicated otherwise, the financial data presented in the statements were expressed in PLN thousand.

10.1.33. Collective disputes

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

10.1.34. Headcount

As at 31 December 2020, the headcount in ENEA Group companies included 17,452 employees with employment contracts. As at 31 December 2020, the headcount in ENEA S.A. was 410 employees with employment contracts.

10.1.35. Projected financial results

The Management Board of ENEA S.A. did not publish any financial results forecast for 2021.

10.1.36. Amendments resulting from COVID-19

In connection with the state of coronavirus pandemic existing in Poland, anti-crisis shield programs have been introduced, which also covered the energy sector. The main amendments that were introduced by the shield programs from 1.0 to 6.0 included:

1) amendments to the Energy Law Act:

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

2) amendments to the Act on Renewable Energy Sources:

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

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

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

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

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

- As at the date of preparation of these consolidated financial statements, a decline in demand for coal was recorded in the Mining segment (by approx. 18% compared to the corresponding period of 2019), driven down by a slowdown of the domestic economy and weaker demand for electricity.

- In 2020, the total sales volume of electricity in the Trading segment increased by 774 GWh, i.e. 3.8%, compared to the corresponding period of 2019. The sales volume of gaseous fuel also increased compared to the corresponding period of the previous year (by 270 GWh, i.e. 25.5%). In 2020, the revenue from sales of electricity and gas increased by PLN 618 million, i.e. 11.1%, compared to the corresponding period of 2019. This increase affected revenues both in both the business customer segment and in the household segment.
- In the Generation segment, the lower electricity generation from bituminous coal in 2020 (by approx. 15% compared to the corresponding period of 2019) was offset by a strong increase in sales of electricity in trading, the combined effect of which was an increase in revenues (by approx. 4% compared to the corresponding period of 2019).
- In the Distribution segment, in 2020, the Group observed a decrease in sales of distribution services to end users by approx. 2% as compared to the same period of the previous year. This however did not cause a decrease in EBITDA in this segment.
- Also, fluctuations on global markets translated into significant changes in the prices of electricity, CO₂ emission allowances and raw materials as well as significant variation on capital markets in 2020. The Group analyzed these trends in order to review the assumptions made in impairment tests and carried out impairment tests for non-financial non-current assets of ENEA Wytwarzanie Sp. z o.o., ENEA Nowa Energia Sp. z o.o., ENEA Ciepło Sp. z o.o. and ENEA Elektrownia Polaniec S.A. and LWB. The results of the tests are presented in the Note on impairment of non-financial assets.
- In 2020, including as at 31 December 2020, the Company made additional analyses of the possible impact related to the COVID-19 pandemic on the level of allowances for receivables. The effect of the analyses was a review of the allowance for the expected losses. However, the level of the additional allowance was insignificant from the reporting point of view. Nevertheless, the Group believes that if the restrictions related to the prevention of the COVID-19 epidemic effects are maintained and thus business activity is limited, the receivables turnover ratio will deteriorate as a result of the reduced payment capacity of electricity buyers.
- In connection with the reorganization of work, increased security measures caused by the state of epidemic and temporary unavailability of contractors, the Group has identified the risk of delaying the completion dates of scheduled overhauls and modernizations of the generating units, including those required to ensure compliance with BAT conclusions. The risk materialization consequences will be limited in time and conditioned, among others, on the current market situation.

As at the date of these consolidated financial statements, it is difficult to predict how the situation will develop in 2021 and what further negative effects it may exert on the operations and financial standing of the Parent Company and the Group. Further spread of the virus may cause additional restrictions and a decline in business activity (at present, numerous restrictions affect the business of hotels, restaurants, cafes, shopping centers), lower demand for electricity and consequently lower production, which may affect the Group's revenue from sales. Also, a significantly increased number of infectees in the Group would affect the risks related to business continuity of Group companies. Business interruptions, if any, may adversely affect the Group's revenue from sales.

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

In order to mitigate the negative impact of coronavirus on LW Bogdanka's financial results, a number of adjustment and optimization measures were taken. One of such measures included an application filed by the company with the Voivodship Labor Office for co-funding from the Guaranteed Employee Benefits Fund ("FGŚP") to help protect jobs (under the Anti-Crisis Shield 4.0). The application was accepted and on 6 October 2020 the company received information that it was awarded co-funding from FGŚP in the total amount of PLN 33.7 million. The funding was paid out in three tranches starting from October 2020. On 24 November 2020, LW Bogdanka filed a supplementary application for co-funding from FGŚP to be used for protecting jobs. The company was informed about the acceptance of its application on 25 November 2020. The amount awarded for co-funding remunerations for November and December 2020 and January 2021 was PLN 0.65 million. In the long term, it is assumed that when the epidemic ends, the national economy will regain its stable development rate and demand for electricity will increase, which will translate into greater demand for the steam coal mined by LW Bogdanka. It should also be noted that on 29 September LW Bogdanka updated its production targets for 2020, expecting total annual net production at approx. 7.4 million tons. Ultimately, the annual extraction was over 7.6 million tons, which is less than it would be expected under standard circumstances. The reduction was affected by a number of factors. In the first half of the year, there was a significant reduction in demand for steam coal from the commercial power and heating sectors, which resulted from a warm and windy winter and from the reduced business activity as an effect of the coronavirus pandemic. However in Q3 2020, geological and mining factors were compounded with the above factors, which limited the planned longwall progress and the achieved yield, including increased deformation pressures, which reduced the functionality of gate roads. Combined with the staff shortages resulting from the increasing incidence of COVID-19 and the need to isolate

employees who come into contact with the sick, these conditions have proved to be onerous enough to result in a significant reduction in coal production. However, we should stress that the company believes that all difficulties described above are temporary.

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

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

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

10.1.39. Winter Package and European Green Deal:

Winter Package

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

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

European Green Deal

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

- In December 2019, the European Council adopted the climate neutrality objective for the entire European Union (any greenhouse gas emissions must be totally compensated by their increased removal) by 2050.

- In March 2020, the European Commission published a draft regulation, the so-called European Climate Law, which is supposed to provide for both the climate neutrality objective and the increased greenhouse gas emission reduction target for 2030.

- In December 2020, the European Council adopted the greenhouse gas emission reduction target raised from 32% to 55% (compared to the 1990 levels) for the European Union as a whole.

The Council also declared support for:

- Climate projects with the European Investment Bank's funds in the amount of EUR 1 trillion by 2030;
- Implementation of the Just Transition Mechanism, which is dedicated to the regions and communities making a living on extraction and production of energy from fossil fuels;
- Introduction of the so-called Carbon Border Adjustment Mechanism (a form of an additional duty on emission import to the EU);

The implementation of the European Green Deal involves the necessity to review a large set of currently applicable EU regulations and introduce many new ones. The plans and developments underway include in particular:

- reform of the European Emissions Trading System and the Regulation on binding annual emission reductions by Member States sectors of the economy that fall outside the scope of the EU ETS (Effort Sharing Regulation);
- subsequent amendments to the Directives on the promotion of the use of energy from renewable sources and on energy efficiency;
- European Offshore Strategy;
- revision of the Directive on taxation of energy products and electricity;

- adaptation of the Regulation on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry (LULUCF).

10.1.40. Volatility and liquidity in the wholesale market

In 2020, the SPOT market was shaped primarily by the decreased demand in the PPS as a result of the SARS-COV-2 pandemic, the power interchange balance and quotations of CO₂ emission allowances. The average price on the DAM of TGE S.A. was 209.77 PLN/MWh in the BASE product and 224.51 PLN/MWh in the PEAK product, which means a drop by 8.97% and 9.13%, respectively, with respect to 2019 with the simultaneous insignificant decrease in turnover by 2.97% for the BASE product and 2.13% for the PEAK product.

A significant (60%) electricity import growth with respect to 2019 was observed in Q1, which – in combination with the increase in the wind source generation level by 12.40%, the decrease in the demand for electricity in the PPS by 1.87% on average and the stable situation in the CO₂ emission allowance market – translated into a drop in prices by 20.16% (175.11 PLN/MWh) for the BASE product and 19.81% (192.64 PLN/MWh) for the PEAK product.

Q2 was characterized by a considerable decrease in the demand for electricity at the level of 8.10% compared to 2019, which resulted from the introduction of a lockdown in Poland. At the same time, the continuing high level of electricity import (growth by 42% with respect to Q2 2019) resulted in the drop in electricity prices relative to 2019 by 25.41% (180.64 PLN/MWh) for the BASE product and 26.46% (189.62 PLN/MWh) for the PEAK product.

In Q3, the share of electricity import in balancing the PPS decreased, yet its level was still high (growth by 31.47% compared to 2019). At the same time, the demand for electricity grew although a slight (1.20%) drop with respect to 2019 was recorded. The quotations of CO₂ emission allowances, in turn, increased considerably. This translated into price increase on the SPOT market: to 233.28 PLN/MWh (decrease by 6.92% with respect to 2019) for the BASE product and 244.66 PLN/MWh (decrease by 6.99% with respect to 2019) for the PEAK product.

Q4 2020 was characterized by a significant drop in electricity import and growth in the demand for and quotations of CO₂ emission allowances, which consequently translated into price increase on the SPOT market: to 250.06 PLN/MWh (increase by 19.27% with respect to 2019) for the BASE product and 271.11 PLN/MWh (increase by 19.36% with respect to 2019) for the PEAK product.

Due to the fact that the legal regime regarding the exchange obligation applicable in 2020 was the same as in 2019, the 2020 level of liquidity for base products was similar to that of 2019. For the Y+1 base product, even an increase in turnover, by approx. 7%, was noticeable. The product prices on the exchange market were influenced mainly by the increasing prices of allowances. Due to the SARS-COV-2 pandemic, a decrease in prices of electricity quoted on the Polish Power Exchange was recorded in the period from March to June, which was connected with a decreased demand for and a drop in the prices of CO₂ emission allowances, which reached the minimum level of 211.65 PLN/MWh for the Y+1 product on 23 and 30 March 2020. In January 2020, the price was around 253 PLN/MWh.

10.1.41. Impact of the Act amending the Excise Duty Act and Certain Other Acts

On 28 December 2018, the Act amending the Excise Duty Act and Certain Other Acts (“Act”) was passed, effective from 1 January 2019.

The said regulation introduced among others:

- reduction of the excise duty for electricity sold to the final customer from 20 PLN/MWh to 5 PLN/MWh,
- principles of setting the 2019 electricity prices and rates for the final consumer to be applied by sellers of electricity,
- possibility for sellers of electricity to apply for financing to cover the difference in revenues from electricity trading for final consumers from the Settlements Authority defined in the Act (“Price difference amount” / “Financial compensation”).

Under the amended Act of 23 July 2019, the Regulation of the Minister of Energy on the calculation of the price difference amount and financial compensation and the method of setting reference prices (“Regulation”) was published.

Pursuant to the provisions of the Act the Regulation, in 2019 the Company received the price difference amount for H1 2019 and financial compensation for H2 2019 in the total amount of PLN 597.2 million.

Pursuant to Article 9 of the Act, having obtained a confirmation of the data on the volume of the electricity sold and consumed for the period from 1 January to 31 December 2019 from distribution system operators, the Company adjusted the received price difference amount and compensation on 29 September 2020, as a result of which it received reimbursement in the amount of PLN 3.2 million in December 2020. Including the amounts of PLN 597.2 million received from the Settlements Authority in 2019, the total price difference amount and financial compensation received by the Company was PLN 600.4 million.

10.1.42. 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 the mining sector in the medium term will undoubtedly translate into a change of prices of the supplied fine steam coal. The direction of the changes is not clear; however, as the main element of the domestic electricity generation cost, it leads to the emergence of new

risks connected with the term contracting process. The present mining level is forecast to be maintained in Poland in the medium term and reduced gradually during the energy transition period.

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

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

10.1.44. New LW Bogdanka strategy

The Strategy adopted on 2 December 2020 is consistent with the draft of Poland's Energy Policy until 2040 and is a link of the ENEA Group's Development Strategy until 2030 with an outlook until 2035 by taking into account, among others, the satisfaction of the anticipated demand for steam coal from the power plants and cogeneration plants included in the ENEA Group's Generation area.

The vision specified in the Strategy indicates that: "Bogdanka is the performance leader in the mining industry attaining the highest standards of work safety, flexibly adjusting its operations to evolving environmental requirements and market conditions and involved in endeavors aimed at reaching the "green deal" through diversification of its business.

According to the mission: "Bogdanka is a reliable and credible coal supplier for the commercial power industry, which maintains its competitive advantage in a manner ensuring a constant growth in the Company's value and develops as regards OHS standards, environmental protection and implementation of innovative solutions.

As part of the works on the Strategy, the following two fundamental Strategic Goals have been specified:

- Maintenance of the leader's position in the market of the steam coal supply to the commercial power industry in Poland, while effectively competing with import
- Maintenance of high production efficiency and profitability due to the application of innovative organizational as well as technical and technological solutions

Based on the prepared forecasts (draft of Poland's Energy Policy until 2040, National Plan for Energy and Climate for 2021–2030), LW Bogdanka will endeavor to remain the most cost efficient producer of steam coal in Poland, which effectively competes with other coal producers and suppliers at the same time maintaining the present production potential until 2040.

10.1.45. EU ETS – the European Emissions Trading System

The so-called phase 3 of the EU ETS ended in 2020. The changes introduced as part of the EU ETS (e.g. Directive 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814 as regards the establishment of the Modernisation Fund and Decision of the European Parliament and of the Council of 6 October 2015 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC) partly covered the last period of phase 3 of the EU ETS. They will, however, influence the framework within which the entities included in the EU ETS will operate in phase 4, i.e. in the period 2021–2030, to a large extent. The most important mechanisms within the EU ETS, which contribute to a decreased supply in the EU ETS market, is the linear reduction factor increased from the current 1.74% to 2.2% starting from 2021 and the market stability reserve functioning since the beginning of 2019. Both elements of the system influenced the high levels of CO₂ emission allowance prices observed in 2020. Moreover, substantial volatility in the CO₂ emission allowance market was recorded in 2020 as an effect of the SARS-CoV-2 virus pandemic and the resulting COVID-19 disease. March 2020 saw a rapid drop in prices: to approx. 16 EUR/t, followed by restoration of the value of allowances, which ended with the level of over 30 EUR/t in December 2020. What contributed to the high instability of the market was chiefly the high uncertainty on the supply side related to the reduction of the industrial production as a result from the pandemic.

10.1.46. Concessions

Energy groups operate in the Polish energy market on the basis of the concessions granted to them. The table below presents the concessions held by ENEA Group companies:

Company	License for:
ENEA S.A.	<ul style="list-style-type: none"> trade in electricity – valid until 31 December 2025 trade in gaseous fuels – valid until 31 December 2030
ENEA Operator	<ul style="list-style-type: none"> distribution of electricity – valid until 1 July 2030
ENEA Nowa Energia	<ul style="list-style-type: none"> generation of electricity – valid until 31 December 2030
ENEA Wytwarzanie	<ul style="list-style-type: none"> generation of electricity – valid until 31 December 2030 trade in electricity – valid until 31 December 2030 generation of heat – valid until 31 December 2025 transmission and distribution of heat – valid until 31 December 2025
ENEA Trading	<ul style="list-style-type: none"> trade in electricity – valid until 31 December 2030 trade in gaseous fuels – valid until 31 December 2030 cross-border trade in natural gas – valid until 31 December 2030
ENEA Ciepło	<ul style="list-style-type: none"> trade, generation, transmission and distribution of heat – valid until 30 September 2028 trade in electricity – valid until 1 September 2028 generation of electricity – valid until 30 November 2028 trade in gaseous fuels – valid until 10 January 2029
MEC Piła	<ul style="list-style-type: none"> generation of heat – valid until 31 December 2025 transmission and distribution of heat – valid until 31 December 2025 generation of electricity – valid until 31 December 2030
PEC Oborniki	<ul style="list-style-type: none"> generation of heat – valid until 31 December 2025 transmission and distribution of heat – valid until 31 December 2025
ENEA Połaniec Power Plant	<ul style="list-style-type: none"> generation of electricity – valid until 1 November 2025 trade in electricity – valid until 31 December 2030 generation of heat – valid until 1 November 2025 transmission and distribution of heat – valid until 1 November 2025
LW Bogdanka	<ul style="list-style-type: none"> extraction of bituminous coal from the Bogdanka deposit covered by the Puchaczów V mining area – valid until 31 December 2031 extraction of bituminous coal from the Lublin Coal Basin deposit – area K-3 covered by the Stręczyn mining area – valid until 17 July 2046 extraction of bituminous coal from the Ostrów deposit located in the following townships: Ludwin, Łęczna, Ostrów Lubelski, Puchaczów, Sosnowica, Uścimów in the Lubelskie Voivodeship – valid until 31 December 2065 extraction of bituminous coal from the Lublin Coal Basin deposit – area K-6 and K-7 located in the Cyców township – valid until 31 December 2046

10.2. Natural environment

10.2.1. Reduction of pollutant emissions

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

Koziencice Power Plant – units 1–10

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN k]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN k]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
2020	8,948.4	0.726	4,921.6	8,690.0	0.705	4,779.5	450.8	0.037	166.8	10,456,362	848	12,333,784.2
2019	7,256.9	0.597	3,918.8	8,385.7	0.690	4,528.3	285.5	0.023	102.8	10,463,178	861	12,152,678.0
% change	23.31	21.61	25.59	3.63	2.17	5.55	57.90	60.87	62.26	-0.07	-1.51	1.49

In 2020, the emission fee rates increased:

SO₂: 0.54 PLN/kg in 2019 => 0.55 PLN/kg in 2020
 NO_x: 0.54 PLN/kg in 2019 => 0.55 PLN/kg in 2020
 Dust: 0.36 PLN/kg in 2019 => 0.37 PLN/kg in 2020

Koziencice Power Plant – unit 11 vs. units 1–10

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN k]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN k]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
2020 Unit 11 ¹⁾	1,484.8	0.334	816.7	1,760.6	0.397	968.3	72.4	0.016	26.8	3,329,873	750	4,439,488.1
2019 Unit 11 ¹⁾	1,778.9	0.300	960.6	2,285.1	0.385	1,234.0	84.1	0.014	30.3	4,420,087	744	5,938,492.0
2020 Units 1–10	8,948.4	0.726	4,921.6	8,690.0	0.705	4,779.5	450.8	0.037	166.8	10,456,362	848	12,333,784.2
2019 Units 1–10	7,256.9	0.597	3,918.8	8,385.7	0.690	4,528.3	285.5	0.023	102.8	10,463,178	861	12,152,678.0

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

ENEA Połaniec Power Plant

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN k]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN k]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
2020	7,272.5	1.057	3,999.9	5,184.7	0.753	2,851.6	378.7	0.055	140.1	4,555,878.8	662.0	6,882,202.7
2019	5,895.8	0.629	3,183.7	6,452.8	0.688	3,484.5	484.2	0.052	174.3	6,751,790.7	720.1	9,376,542.7
% change	23.4	68.0	25.6	-19.7	9.4	-18.2	-21.8	5.8	-19.6	-32.5	-8.1	-26.6

Białystok CHP Plant

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN k]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN k]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
2020	101	0.072	55.5	443	0.317	243.6	41	0.029	15.0	174,755	123.3	440,061.128
2019	206	0.143	111.4	406	0.282	219.2	44	0.030	15.8	253,522	175.9	440,638.451
% change	-51.0	-49.4	-50.1	9.1	12.7	11.1	-7.2	-4.2	-4.7	-31.1	-28.8	-0.13

Białystok “Zachód” Heat Plant

Years	SO ₂			NO _x			Dust			CO ₂		Production of electricity gross [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN k]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN k]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
2020	13.6	-	7.5	12.8	-	7.0	1.0	-	0.4	14,588	-	-
2019	18.3	-	9.9	11.7	-	6.3	1.3	-	0.5	12,254	-	-
% change	-25.7	-	-24.2	9.4	-	11.1	-23.1	-	-20.0	19.0	-	-

10.2.2. Compliance with formal and legal requirements

ENEA Wytwarzanie

ENEA Wytwarzanie took advantage of a derogation resulting from the IED, namely the Transitional National Plan (TNP):

- in relation to SO₂ and dust emissions: Koźienice Power Plant (units 1–10) – together with Białystok CHP Plant,
- in relation to NO_x emissions: Białystok CHP Plant – on its own.

In the period of participation in the TNP (1 January 2016 – 30 June 2020), there was an obligation to comply with annual mass limits for pollutants submitted for derogation and emission standards as at 31 December 2015 were applicable.

In the ENEA Group, under the TNP, Koźienice Power Plant (units 1–10) accounted for SO₂ and dust limits together with ENEA Ciepło (Białystok CHP Plant).

Participation in the TNP enabled ENEA Wytwarzanie to optimize the costs related to emissions to the air.

Emissions of the pollutants covered by the TNP derogation and the utilization of the permitted pollutant emission cap for 2020 is presented in the table below:

2020		ENEA Wytwarzanie (Koźienice Power Plant)	ENEA Ciepło (Białystok CHP Plant)	ENEA Group (Total)
SO ₂	Emissions [Mg]	3,092.64	61.96	3,154.59
	Annual permitted cap [Mg]	3,756.75	355.07	4,111.82
	% of utilization	82.3%	17.5%	76.7%
dust	Emissions [Mg]	72.62	16.45	89.07
	Annual permitted cap [Mg]	375.65	35.52	411.17
	% of utilization	19.3%	46.3%	21.7%
NO _x	Emissions [Mg]		203.81	203.81
	Annual permitted cap [Mg]	N/A	293.12	293.12
	% of utilization		69.5%	69.5%

Note: the compilation includes also the Białystok CHP Plant, since it participates in the TNP together with the Koźienice Power Plant. The emissions determined for the purpose of the TNP does not constitute the basis for calculating fees for the economic use of the environment.

ENEA Ciepło

ENEA Ciepło takes advantage of a derogation resulting from the IED, namely the Transitional National Plan (TNP):

- in relation to SO₂ and dust emissions: Białystok CHP Plant – together with Koźienice Power Plant (units 1–10),
- in relation to NO_x emissions: Białystok CHP Plant – on its own.

In the period of validity of the TNP, i.e. from 1 January 2016 to 30 June 2020, annual mass emission caps, which decrease year by year, and emission standards as at 31 December 2015 are applicable.

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

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

The emission of pollutants under the TNP for 2020 and the utilization of the annual emission caps are presented in the table below.

Installation			SO ₂	% of utilization	Dust	% of utilization	NO _x	% of utilization
			[Mg]		[Mg]		[Mg]	
Kozienice Power Plant	Power	emission	3,092.64	82.3%	72.62	19.3%	-	-
		annual emission cap	3,756.75		375.65		-	-
Bialystok CHP Plant	CHP	emission	61.96	17.5%	16.45	46.3%	203.81	69.5%
		annual emission cap	355.07		35.52		293.12	
Total		emission	3,154.59	76.7%	89.07	21.7%	203.81	69.5%
		annual emission cap	4,111.82		411.17		293.12	

Pursuant to the Regulation of the Minister of Climate of 24 September 2020 on emission standards for certain installation types, fuel combustion sources and waste combustion or co-combustion installations (Journal of Laws of 2020, Item 1860), in relation to unit 11 for emissions of all pollutants and in relation to units 1–10 for emissions of NO_x (entire 2020), SO₂ and dust (since 1 July 2020), the following conditions for deeming the emissions standards complied with apply:

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

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

No exceedance of the emission standards and other formal and legal requirements was found in 2020.

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

ENEA Połaniec Power Plant

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

Until the end of 2020, 13,572 hours were used in total from the limit of 17,500 hours, including 4,265 hours in 2020 (339 hours in Q1, 1,017 hours in Q2, 1,277 hours in Q3 and 1,632 hours in Q4 2020).

10.2.3. Issues regarding Mining Area – LW Bogdanka:

Land reclamation

- maintenance of organized greenery, a waste disposal facility and post-industrial areas in the area of Pole Bogdanka, Nadrybie and Stefanów reclaimed in previous years, as well as railway facilities in Zawadowo was carried out on an ongoing basis.

Surface protection

- the impact of mining operation conducted in 2020 on the surface was manifested, just as in the previous years, mainly through the expansion of the surface area of the impact exerted so far
- the maximum subsidence in the Puchaczów V mining area remains in the area of Bogdanka and Nadrybie Wieś villages and amounts to ca. 5.0 m in the central part of the subsidence trough in this region
- just as in the previous years, the damage to buildings in 2020 was caused mainly in rural buildings, whereby the reported damage to buildings did not cause any hazard to users and was repaired on an ongoing basis
- works related to drainage of agricultural land in mining damage areas through ongoing maintenance of the surface field drainage system, pump house, pressure-equalizing tanks were performed in 2020.

Sanctions and fees which may be imposed on the Company for environmental protection purposes

- mining activity involves the payment of the mining fee, the fee for using the natural environment and water services and various other costs related to:
 - mining waste management,
 - maintenance of industrial waste land,
 - environmental monitoring,
 - preparing the land surveys and documentation necessary for the proper operation of the facility.

The mining fee is paid every 6 months to the bank accounts of the townships where the operation is carried out (60%) and to the National Fund for Environmental Protection and Water Management (NFOSiGW) (40%).

The Parent Company meets the standards in the field of environmental protection and was not required to pay any penalties for violating the conditions of using the environment set out in applicable legal regulations in 2020.

Air protection

- The Group does not have any arranged emitter emitting dust and gases to the air
- a non-arranged emitter is the extraction waste neutralization plant at Bogdanka which may be the source of dusting on dry and windy days
- fugitive air emissions come from combustion of fuels in combustion engines used in the Parent Company and from combustion processes.

Water and waste water management refers mainly to mine water, including:

- rock mass drainage in the area of mine workings
- re-use of water for fire protection and process purposes
- pumping water to the Surface
- surface re-use of mine water (Mechanical Coal Processing Plant, Łęczyńska Energetyka – as part of the Water Treatment Station)
- mine water retention in a surface reservoir and sedimentation tank for the purpose of suspended solids reduction
- water discharge from the reservoir through a system of drainage ditches and Rów Żelazny watercourse to Świnka river in the amount of approx. 16,722 m³/24 hours
- mine waters are characterized by the total contents of chlorides and sulphates in the amount of 1,038 mg/dm³.

Waste management:

- in 2020, the total increase in mining waste was 5,091.36 thousand tons
- approx. 45% of waste was subject to recycling and management. The amount of recycled waste, i.e., waste used for industrial waste land reclamation, road and yard hardening, cement production at "Ożarów" Cement Production Plant, and for other purposes, was 2,308.53 thousand tons
- 96% of the waste is used to perform reclamation of brownfield and mining damage areas. Reclamation consists in restoring the original relief of such land through filling sand pits with mining waste, covering them with a layer of soil and its agricultural or forest development.
- other extraction waste (2,782.83 thousand tons) is stored in the extraction waste neutralization facility in Bogdanka.
- The Parent Company manages other industrial waste: it releases to the licensed entities any waste which is capable of reuse (timber, used oils, scrap metal, scrap conveyor belts) or intended for neutralization (used light sources, glue and paint packaging, etc.).

10.3. Other information

10.3.1 Expected financial standing

In 2020, given the increasingly demanding situation in the energy market, the ENEA Group had to face the events that significantly affected the activity of companies in the energy sector and their financial performance. Despite the challenges such as e.g. the current COVID-19 epidemic, the growing costs of CO₂ emissions on the market and development of renewable energy sources, the Group has generated financial and operating results at the expected levels. As the Group forms a closed value chain from coal mining to the sales of electricity to end users, it is able to continuously react flexibly to the dynamic and volatile market and regulatory surroundings. At present, it is difficult to make a comprehensive prediction how the COVID-19 virus will affect the financial result of the ENEA Group and the economy as a whole in the coming years. We do know however that the ultimate impact of the epidemics on financial performance will depend on the scale and the length of this phenomenon.

The Mining Area posted lower EBITDA result than in the corresponding period of the previous year. The 2019 results were record-breaking in many respects, primarily due to the production level, which influences them to the greatest extent. In 2020, in connection with the pandemic and the economic crisis, the demand for electricity dropped, which forced reduced production and thus contributed to increased operating costs of the company. After a period of slower economic processes during the first half of the year, demand normalized and we were able to restore our sales levels to the levels from previous years. However, in connection with the earlier reduction in extraction, there were shifts in the longwall run schedules, their completion dates and dates of commencing subsequent longwalls, which contributed to the accumulation of geological difficulties in the following quarter. At the end of 2020, the Company received co-funding from the Voivodship Labor Office in Lublin (from the Guaranteed Employee Benefits Fund for the protection of jobs) towards remuneration for employees not covered by stoppage, downtime or reduced work hours due to the decline in economic activity as a result of COVID-19 (benefit resulting from the provisions of the so-called Anti-Crisis Shield 4.0). LW Bogdanka systematically performs works aimed to optimize the mining process (in terms of the applied technology and the planned deposit slicing and opening out works for new coal seams). The works as a whole (planning new workings, extraction i sales of commercial coal) take the current and future market risk into account. The opening out works (for new workings) are performed in a manner enabling continuous extraction. Coal prices on national and international markets are also monitored on an ongoing basis. LW Bogdanka intends to focus on greater coal production efficiency and profitability, respect for the natural environment, implementation of innovative solutions and maintenance of the position of the leader in the steam coal supply market in Poland.

The Generation area contributed nearly 46% of the ENEA Group's EBITDA. The EBITDA result achieved by this area was lower by PLN 64 million y/y. A significant decrease in EBITDA was recorded in the System Power Plants Segment, which resulted from: in 2019, the reversal of the provision for the Skoczylody wind farm, which was established in the amount of PLN 129 million in

2016, a decrease in the generation margin (lower unit CDS due to the increase in coal costs with transport and CO₂ costs, partly covered by higher energy prices), with a simultaneous increase in the turnover margin and the Balancing Market (higher unit margins, volume growth). In 2020, companies generated in total nearly 23 TWh of energy, where renewable energy sources contributed more than 2 TWh. In subsequent years, the Group intends to increase the share of RES in the mix of production sources in order to diversify the generation structure and reduce emissions through capital expenditure projects, for example the project of building photovoltaic farms on the land owned by LW Bogdanka and development of offshore wind farms. The goal is to reduce the unit CO₂ emission measure. It is also worth mentioning that the Capacity Market auctions closed in 2018 will significantly improve the area's cash flows from 2021 onwards and enable financing of the necessary investments. The most critical event for the Generation Area was that a 15-year contract was obtained for the supply of power from Unit 11.

The Distribution Area is a stable part of the Group's activity. In the reported period it achieved a better EBITDA result than in the previous year (y/y growth by PLN 221 million). The increase in the EBITDA result is driven mainly by a higher rate of the fixed and variable grid charge in the approved 2020 tariff, higher revenues from grid connection fees and a better result on other operating activities (driven mainly by changes in the provisions for grid assets and higher revenue from contractual penalties and indemnities). The ENEA Group consistently makes capital expenditures enhancing security and stability of energy supply. The Group plans expenditure objectives related to the development and modernization of the grid, including continuation of investments in "smart grids", implementation of modern IT tools and other business support infrastructure. In subsequent periods, due to the changing model of the energy market, a gradual decline in the volume of energy distributed through DSO's grids will be observable. On the other hand, the quantity of energy produced by end users for their own needs, especially by prosumers, will increase. Since 1 January 2021, electricity distributors have been additionally collecting the so-called capacity fee, which is a transferred fee in nature, from consumers.

The Trading Area improved EBITDA result in 2020 compared to the previous year (y/y growth by PLN 35 million). The segment's EBITDA result was favorably affected by the increase in the average sales price of energy and the updated valuation of CO₂ contracts. At the same time, the energy purchase prices increased (mainly due to the increase in the price of CO₂ emission allowances) and so did the costs of environmental obligations. In September 2020, the Company filed an application with the Price Settlements Authority to correct the received price difference amount and the compensation for the period from 1 January to 31 December 2019. The application was reviewed and accepted as an effect of which the Company received a reimbursement of PLN 3.2 million in December 2020. As at 31 December 2020, the Company established a provision for onerous contracts in respect of the loss arising from the settlement of the distribution fee rebate regarding the electricity fed into the grid by prosumers amounting to PLN 50.8 million by ENEA S.A. as the offtaker of last resort. The President of the Energy Regulatory Office approved the electricity tariff for households for the period from 1 January 2021 to 31 December 2021. The tariff was approved at the reasonable market level applied for by the Company (the average tariff increase by 3.5% relative to the tariff applied in 2020). For 2021, the Company forecasts improvement of the EBITDA result in the Trading Segment with respect to 2020.

Please note that a large portion of financing raised in the past by entities from the power industry mature in 2020–2023. The ENEA Group continues its efforts to obtain funding for its investment and operating activities, yet the trend of adapting credit policies to the requirements of the Paris Agreement and the European climate policy is increasingly more visible among lenders (banks / institutional investors), which means that there are fewer and fewer entities willing to finance an activity associated with bituminous coal mining or electricity production from conventional sources based on combustion of fossil fuels, including in particular lignite and bituminous coal, and even broadly defined corporate activity pursued by groups operating in the power industry. Conversely, there is an increasing interest among financial institutions in financing investments aiding energy transition towards renewable energy sources and providing funds through instruments containing the ESG (Environmental, Social and Governance) component, which require, among others, implementation of the environmental strategy and policy, observance of the rules of social responsibility and care for the natural environment.

It is encouraging that the Group's cash flows will be supported by the Capacity Market auctions won and the related power supply contracts.

10.3.2. Financial instruments used

ENEA S.A. pursues the interest rate risk hedging strategy, the main objective of which is to hedge cash flows resulting from concluded financing agreements. The adopted strategy assumes limiting the risk of impact on the financial result of changes in cash flows resulting from the risk of interest rate changes on the market within a specified time horizon. As at 31 December 2020, the total bond and credit exposure hedged with IRS transactions amounted to PLN 4,672,992 thousand. The hedging rate of variable interest rate flows is 67% for the ENEA Group and 68% for ENEA S.A. only.

For the purpose of hedging the risk arising from the currency exposure in the reporting period, ENEA S.A. concluded 8 FX Forward transactions. The value of the transactions was EUR 1,071 thousand.

10.3.3. Managing financial resources

The ENEA Group manages financial resources both in the short and in the long term. Measures are taken in the organizational area as well as on the decision-making and control planes. The primary objective of financial resource management is to ensure financial liquidity in a manner enabling maximization of economic benefits. The actions taken focus chiefly on:

- shaping the optimal level and structure of assets and selecting the sources of its financing appropriately (taking the cost of obtaining them into account),

- implementing such an investment strategy for the cash held as allows for the directions and forms of investing,
- planning cash flows and monitoring the concentration of cash on bank accounts,
- controlling the financial situation, analyzing the execution of material and financial plans and cash flow plans,
- selecting and implementing mitigation measures for the risks involved in the pursued business activity.

Financial resources are managed on an ongoing basis using the Cash Pooling mechanism. The used real Cash Pooling services enable physical consolidation and balancing of the participants' accounts. The resulting shortages of cash of ENEA Group companies are covered with the use of the permitted intraday limits. In the case of insufficient cash balance to cover the shortages in the consolidated approach, the ENEA Group can use the available sources of external financing in the form of credits in current accounts. From the central level, the ENEA Group manages also financial surpluses by allocating them. The pursued actions are supplemented with quantitative analyses oriented towards preparing scenario analyses and an emergency funding plan. In order to unify the process of liquidity and financial liquidity risk management, ENEA Group companies have been covered by the regulation entitled "Liquidity Management and Liquidity Risk Management Policy of the ENEA Group". The actions taken as part of managing financial resources in the long-term perspective focus mainly on the identification of the demand for cash in the long term, obtainment of financing for the emerging cash needs and its distribution in accordance with the demand arising within the Group. Financing is obtained in the ENEA Group by the central level, i.e. ENEA S.A., as part of the so-called central financing obtainment mechanism.

10.3.4. Entity authorized to audit financial statements

The Supervisory Board of the Company appointed PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt Sp. K. (hereinafter referred to as PwC) to carry out the financial audit activities for 2020 and 2019 referred to in the table below: The agreement with the above-mentioned entity was signed on 26 January 2018. The agreement was concluded for a period of 3 years.

Information on the net fee due to entities performing financial audit activities for ENEA S.A. in the period 2019–2020 is presented in the table below:

Data in thousand PLN, including:	2020	2019
Fee for the audit of the annual standalone and consolidated financial statements of ENEA S.A.	179	327
Fee for the audit of the annual financial statements of subsidiaries	1,159	956
Fee for the audit of the interim financial statements and interim consolidated financial statements of ENEA S.A. and for the audit of interim financial statements of subsidiaries	146	204
Fee for other services	158	78
TOTAL	1,641	1,565

The fee for other services in 2019 and 2020 included the fees for reviewing the regulatory report under Article 44 of the Energy Law, review of the excise tax ratio, review of the electricity consumption intensity ratio, review of RAB and RAB AMI, audit of material and financial statements on the performance of the investment tasks included in the National Investment Plan, review of satisfaction of conditions of loan agreements.

Detailed information on PwC and a description of the services provided was published in Current Report No. 42/2017 of 19 December 2017.

10.3.5. Sponsorship and charitable activity policy

The ENEA Group, as a socially-responsible company, engages in sponsorship projects in the area of sports, culture and corporate social responsibility locally, regionally and nationally.

The key documents regulating sponsorship activity in the ENEA Group include:

- Rules for conducting sponsorship activities in the ENEA Group,
- Best Practices for conducting sponsorship activities in State Treasury-owned companies.

The portfolio of sponsorship projects assumes engagement in the areas of particular importance for the country and its inhabitants and the long-term comprehensive development of the selected area. The sponsorship projects serve to distinguish ENEA's image among other energy groups. Through sponsorship, the ENEA Group achieves goals such as building a positive image,

strengthening of the relationship with the brand, building brand recognition and support for commercial activities. Sponsorship activities and the social responsibility activities should provide the tools allowing us to reach current and prospective Clients and provide an image support for our business activities. The main theme SPORT – HEALTH – ECOLOGY was particularly important in terms of sponsorship- and image-related activities in 2020. The ENEA Group used this key message to strengthen and build its image in the context of the challenges faced by the entire power industry.

The ENEA Group, as a socially responsible entity, executes a range of original projects in support of social campaigns and actions and, in the situation that is exceptional for the region, country and world, namely the coronavirus pandemic, the ENEA Group actively joins support activities. In 2020, from the beginning of the pandemic, the Group donated more than PLN 5.3 million through various channels, including the ENEA Foundation, to fight the SARS-CoV-2 coronavirus. Financial aid has been provided not only to medical centers and hospitals but also to sanitary and epidemiological stations and non-governmental organizations, which actively combat the pandemic. The funds donated through the ENEA Foundation are allocated, among others, to purchasing specialist medical equipment (apparatus supporting the treatment of respiratory inflammations, including medical ventilators) as well as the needed hygiene measures and protective equipment for the staff and patients of medical centers.

As part of its socially engaged activities, the ENEA Group pursues environmentally friendly actions, educational programs, including scholarship programs, social campaigns, educational, sports, recreational or cultural events, including in particular:

- “ENEA Talent Academy”, which is one of the main projects carried out by the ENEA Foundation. As part of this campaign, the most talented students in one of the following categories: sports, arts, science, receive scholarships in the amount of PLN 3,000. On the other hand, organizations with the most interesting educational projects receive grants for their execution in the amount of PLN 10,000.
- “ENEA for Generations. Together About Safety” program for seniors and multi-generational families, which focuses on increasing consumer awareness, anti-smog education and first aid training; A free hotline called TeleAdvice, where advice is offered during on-call time by a physician, lawyer, dietician, social worker, representative of the consumer ombudsman, was launched in 2020.
- ENEA EcoProjects is a range of environmental activities offering engagement in protection of the natural environment; education and promotion of how to use forest areas responsibly.
- The #DoZobaczenia [#SeeYou] - campaign to support local communities and entrepreneurs from the tourism industry and to promote the Polish travel industry. Information about environmentally friendly travelling and electromobility was published on the website dedicated to the campaign.
- Employee volunteerism, which, through support of ENEA Foundation’s special-purpose programs, such as The Power of Help (a grant program for employees) or Run – Raise – Help (a project focusing on development of children and youth through sports) engages the Group’s employees in charitable activities;
- Health promotion campaigns carried out by the ENEA Foundation for the benefit of the Group’s employees;

In 2020, the ENEA Foundation helped to implement 10 original social projects, support the implementation of dozens of charitable projects in the ENEA Group’s area of operation, which aided 28,245 beneficiaries.

11. Representation on the application of corporate governance

11.1. The set of principles followed

Creating shareholder value, also through the Company's transparency, is one of the ENEA Group's priorities. Having that in mind, the Management Board of ENEA S.A. represents that in 2020 the Company applied the corporate governance rules forming an attachment to Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015, titled "Best Practices of WSE Listed Companies 2016" (BPLC, corporate governance principles), published on the WSE website under <https://www.gpw.pl/dobre-praktyki>, in the section devoted to corporate governance of listed companies. Because the Prime Minister did not define best practices in the field of corporate governance referred to in Article 7(3) of the Act on the Rules for Managing State Property, in 2020 the Company did not, in respect of best practices, apply any practices other than those specified in the BPLC.

11.2. Waived rules and recommendations for corporate governance

The intention of the Management Board of ENEA S.A. is to apply all the principles of corporate governance. Due to the fact, however, that some principles may make it necessary to incur excessive burdens by the Company which could exceed potential benefits resulting from market needs, in 2020 the Company waived the application of some principles and recommendations of corporate governance indicated below.

I. Management Board and Supervisory Board

II.Z.5. A supervisory board member submits to the remaining members of the supervisory board and to the company's management board a statement that he/she meets the criteria of independence set out in rule II.Z.4.

Company's comment: The Company would like to explain that pursuant to the Company's Statute, an independent member of the Supervisory Board is obliged to make a written statement to the Company about meeting all the criteria of independence – together with an obligation to immediately inform the Company whenever he/she ceases to meet such criteria. However, the Statute of ENEA S.A. does not provide for a duty to make such statements to the remaining members of the Supervisory Board. However, the Management Board declares that it considers the circumstances mentioned in the content of this rule as good corporate practice. Therefore, the Management Board declares that it may request the Company's competent bodies to consider making appropriate changes to the Company's internal instruments with a pertinent recommendation.

II.Z.7. As regards the tasks and operation of the committees operating in the supervisory board, the provisions of Annex I to the European Commission Recommendation referred to in rule II.Z.4 shall apply. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

Company's comment: The Company wishes to clarify that with respect to the tasks and functioning of the committees operating in the Supervisory Board, it generally applies the provisions of Annex I to the European Commission Recommendation referred to in the rule in question, with the reservation that the Company's internal documents do not strictly require the majority of members of the Nominations and Remuneration Committee to meet the independence criteria. The Nominations and Remuneration Committee should be composed of at least one independent member within the meaning of the EC Recommendation, and if more than one person meeting the above independence criteria is appointed to the Supervisory Board, this committee should be composed of the largest possible number of independent members.

II.Z.8. Chair of the audit committee meets the independence criteria set out in rule II.Z.4.

Company's comment: The Company explains that in accordance with the Rules and Regulations of the Supervisory Board in effect in the Company, the majority of members of the Audit Committee, including its Chair, is independent of the Company within the meaning of Article 129 of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, while the Company's internal documents do not provide for the requirement that the Chair of the Audit Committee should meet the independence criteria indicated in principle II.Z.4. The Management Board declares that it considers the circumstances referred to in this rule as good corporate practice and does not exclude that it may in future request the Company's competent bodies to consider making appropriate changes to the Company's internal instruments.

IV. General Meeting and shareholder relations

IV.R.2. If this is justified due to the shareholding structure or due to the shareholders' expectations communicated to the company, as long as the company is able to ensure the technical infrastructure necessary for the efficient conducting of the general meeting with the use of electronic communication means, the company should enable its shareholders to participate in the general meeting with the use of such means, in particular through:

- 1) broadcast of the general meeting in real time,
- 2) bilateral communication in real time as part of which the shareholders may take the floor during the general meeting while staying in a place which is different from the location of holding the general meeting,

3) exercising, either personally or via a proxy, voting rights at the general meeting.

Company's comment: In accordance with the applicable laws, participation in a general meeting via means of electronic communication is not mandatory, and a decision in this respect is made by the person convening the meeting. In principle, the Company's Management Board is of a favorable opinion about the possibility of enabling the Company's shareholders in the future to participate in the General Meeting via means of electronic communication, provided that any potential legal risks related to this form of the General Meeting are minimized.

IV.Z.2. If this is justified due to the company's shareholding structure, the company ensures the real-time transmission of the general meeting sessions available to the public.

Company's comment: The Company wishes to clarify that it currently does not provide real-time transmission of its general meeting sessions. However, the image and sound recording of the general meeting sessions is each time made and it is subsequently rendered available by the Company via the corporate website.

V. Conflict of interest and transactions with related parties

V.Z.5. Before the conclusion by the company of a significant agreement with a shareholder holding at least 5% of the total number of votes in the company or a related entity, the management board shall request the supervisory board to grant a consent for such transaction. Before granting such consent, the supervisory board shall conduct the assessment of the impact of such transaction on the company's interest. The above obligation shall not refer to conventional transactions concluded on an arm's length basis as part of the operating activity carried on by the company with member entities of the company's capital group. In the case where a decision on the conclusion by the company of a significant agreement with a related entity is made by the general meeting, the company, before making such decision, shall ensure for all shareholders the access to such information as may be necessary to conduct the assessment of the impact of such transaction on the company's interest.

Company's comment: The current wording of the Company's Statute does not stipulate that prior to the conclusion by the Company of a significant agreement with a shareholder holding at least 5% of the total number of votes in the company or an related entity, the Supervisory Board shall give its consent to such a transaction. The possibility of a potential conflict of interest is secured by, among others, the provisions of the Company's Statute which require the consent of the Supervisory Board to conclude the agreements referred to in § 20(3) of the Company's Statute. Moreover, since June 2020, the Company has had in place the Procedure for periodic assessment of transactions with related parties by the Supervisory Board, according to which the execution of a material transaction within the meaning of Article 90h of the Act on Public Offerings and the Terms and Conditions for Introducing Financial Instruments to an Organized Trading System and on Public Companies requires the consent of the company's Supervisory Board.

VI. Remuneration

VI.R.1. The remuneration of members of the company's bodies and of the key managers should result from the remuneration policy adopted.

Company's comment: The Company wishes to clarify that until 30 July 2020 ENEA S.A. had no formal remuneration policy in place, but in connection with the provisions of the Act on Rules for Setting the Remuneration of Persons Managing Certain Companies, the Extraordinary General Meeting of ENEA S.A. held on 19 December 2019 amended the existing corporate documents regarding the rules for remunerating Members of the Management Board and Supervisory Board. In turn, on 30 July 2020, the Company's Ordinary General Meeting adopted a document entitled the "Remuneration policy for members of the supervisory body and management body at ENEA Spółka Akcyjna", which came into force on 30 July 2020, since which date has been applicable to the payment of remuneration to Management Board and Supervisory Board members.

VI.R.2. The remuneration policy should be closely related e to the company's strategy, its short- and long-term objectives, long-term interests, and results, and it should also take into account the solutions contributing to avoidance of discrimination on any grounds.

Company's comment: Subject to the comment on recommendation VI.R.1, the Company wishes to clarify that until 30 July 2020 ENEA S.A. had no formal remuneration policy in place. However, the document in force since 30 July 2020 entitled "Remuneration policy for members of the supervisory body and management body at ENEA Spółka Akcyjna" provides that the solutions adopted in the policy have been established in a manner intended to contribute to the pursuit of the business strategy as well as the long-term interests, stability and growth of ENEA S.A. The key principle underlying the policy is to ensure the competitive level and effectiveness of remuneration and its transparency depending on the achieved performance. The general remuneration policy framework serves the purpose of ensuring consistency of remuneration components while keeping them aligned with risk management and the long-term strategy.

VI.R.3. If the remuneration committee operates in the supervisory board, the scope of its operation shall be governed by rule II.Z.7.

Company's comment: The Company wishes to clarify that with respect to the tasks and functioning of the committees operating in the Supervisory Board, it generally applies the provisions of Annex I to the European Commission Recommendation referred to in the rule in question, with the reservation that the Company's internal documents do not strictly require the majority of members of the Nominations and Remuneration Committee to meet the independence criteria. The Nominations and Remuneration Committee should be composed of at least one independent member within the meaning of the EC Recommendation, and if more

than one person meeting the above independence criteria is appointed to the Supervisory Board, this committee should be composed of the largest possible number of independent members.

11.3. Description of the key features of the issuer's internal control and risk management systems in relations to the process of preparing consolidated financial statements

The principles and procedures for preparing financial statements are regulated, in particular, by the International Financial Reporting Standards, the Accounting Act and internal procedures in place at ENEA S.A.

The establishment of systems of internal control and risk management as regards the process of preparation of consolidated financial statements aims particularly at guaranteeing the completeness and correctness of financial information included in financial statements and periodic reports.

The ENEA S.A. Management Board is responsible for the ENEA Group's internal control system and its effectiveness in the process of preparing the financial statements and periodic reports. The purpose of an effective internal control system in the financial reporting process is to ensure completeness and correctness of financial information contained in financial statements and interim reports.

Financial statements and periodic reports and monthly management and operating reporting applied by ENEA S.A. ("Company") are based on data derived from the financial and bookkeeping system of the Company. After the performance of all the pre-determined ledger closing processes at the end of each month, detailed financial and operational managerial reports are prepared. These reports are drafted by the Group's Controlling Department with co-participation of middle and senior management of the individual organizational cells. In relations to the completed reporting periods, not only financial results of the Company are subject to a detailed analysis, but also particular business areas. The Company also carries out annual reviews of business and financial strategies and plans. Middle and senior management are particularly involved in the process of detailed planning and budgeting, which covers all areas of the ENEA Group's operations. The Company's Management Board adopts the material and financial plan prepared by the Group's Controlling Department, and the Supervisory Board approves the plan. During the year, the Company's Management Board oversees the pursuit of the objectives laid down in the adopted material and financial plan. The management cockpit developed by the Group's Controlling Department in cooperation with other Departments constitutes a valuable source of information for the Supervisory Board on the current financial situation, environment and the level of attainment of objectives in critical areas.

The Company applies coherent accounting principles and presents financial data in financial statements, periodic financial reports and other reports disclosed to the shareholders.

The ENEA Group regularly assesses the quality of its internal control and risk management systems with regard to the process of drawing up financial statements. On the basis of an assessment, the Management Board of ENEA S.A. confirms that as at 31 December 2020 there were no irregularities that could significantly affect the effectiveness of internal control as it relates to financial reporting.

As part of the risk management process related to the procedure of preparing financial statements, one of the basic elements of the external control is verification of the financial statements by an independent auditor. The tasks of the auditor include in particular: a review of the mid-year financial statements and an audit of the nonconsolidated and consolidated annual financial statements. The independent auditor is selected by the Supervisory Board. Once the auditor has completed auditing the financial statements, they are sent to the members of the Company's Supervisory Board, which assesses the non-consolidated and consolidated financial statements with regard to their compliance with the accounts book, documents and the factual status. Under the provisions of the Accountancy Act, the members of the Management Board and the Supervisory Board are obliged to ensure that the financial statements and the report on operations fulfil the requirements set out in that act.

The internal audit function, performed by the Audit Management Division is an important element of the internal control system. The internal audit in ENEA Group is independent, and accountable to the Audit Committee acting as part of the Supervisory Board. The basic tasks of the internal audit include e.g. supporting the effectiveness of internal control system, risk management and Compliance system, through: independent evaluation of the above mentioned systems, examination and evaluation of control mechanisms in the processes implemented by ENEA Group companies, recommending improvements, inter alia, in the area of corporate governance, and monitoring the effectiveness of implementation of the issued recommendations. The inspection activities and process monitoring undertaken by the Company result in a low likelihood of the risk of an untimely or incorrect preparation of information on the Company's financial performance.

11.4. Information on shares and shareholding

The detailed description of the structure of the share capital, shareholding structure, changes in its structure in 2020 and potential changes within its structure is presented in Section 8 "Shares and shareholding".

11.5. Securities with special control rights

Till the date of preparation of this report, ENEA S.A. has not issued any securities that could give special inspection rights with respect to the Issuer.

11.6. Restrictions on exercising vote rights

As at the date of preparation of this report there are no restrictions on exercising voting rights in the Company, other than those provided for in generally applicable provisions of law.

11.7. Restrictions on transferability of securities

As at the date of preparation of this report, the Company has no limitations concerning transfer of the title to securities of the Issuer other than those resulting from the generally applicable regulations, including the Act of 16 December 2016 on the Rules for Managing State Property, which stipulates that the shares of ENEA S.A. held by the State Treasury may not be sold.

11.8. Procedure and basic powers of the General Meeting, description of shareholders' rights and procedure for exercising them

The General Meetings of ENEA S.A. are held on the basis of the Commercial Company Code and ENEA S.A.'s Statute and the Rules and Regulations of the General Meeting, taking into account the principles adopted by the Company through the application of the "Best Practices for WSE Listed Companies 2016".

In accordance with ENEA S.A.'s Statute, the Management Board of the Company convenes the General Meeting in the cases specified in the law and the provisions of the Statute, as well as in the case of a written request submitted by the main shareholder, i.e. the State Treasury, which, as long as it remains a shareholder of the Company, regardless of its share in the Company's share capital, may request pursuant to Article 400 § 1 of the Commercial Company Code that an Extraordinary General Meeting be convened, as well as to place certain matters on the agenda of the next General Meeting.

The State Treasury shall submit such a request in writing to the Management Board no later than one month prior to the proposed date of the General Meeting. If the request is submitted after the General Meeting, is convened, it shall be treated as a request to convene another Extraordinary General Meeting.

As stated in § 29(3) of the Company's Statute, if the General Meeting is not convened within two weeks from the date of filing the request, the State Treasury shareholder may obtain the right to convene the General Meeting pursuant to Article 354 § 1 of the Commercial Company Code.

Apart from the matters specified in the mandatory provisions of law and other provisions of the Company's Statute, the powers of the General Meeting include in particular:

- appointing and dismissing members of the Supervisory Board, subject to the provisions of the Company's Statute entitling the State Treasury shareholder to appoint and dismiss one member of the Supervisory Board (pursuant to Article 354 § 1 of the Commercial Company Code), in a situation where the State Treasury ceases to be the Company's sole shareholder,
- adoption of the Rules of Procedure of the General Meeting setting forth detailed rules for conducting the meeting and for adopting resolutions,
- issue of convertible or exchangeable bonds and other instruments carrying the right purchase or subscribe for the Company's shares.

11.8.1. Right to participate in the General Meeting

Pursuant to Article 406¹ § 1 of the Commercial Company Code, the right to participate in the general meeting of the Company is vested in persons who are shareholders of the Company sixteen days prior to the date of the general meeting (registration date of participation in the general meeting). Moreover, the right to participate in the General Meeting of ENEA S.A. with the right to speak is vested in members of the Management and Supervisory Boards in the composition enabling them to provide substantial answers to questions asked during the General Meeting.

11.8.2. Right to participate in the General Meeting by proxy

A shareholder may participate in the General Meeting of ENEA S.A. and exercise voting rights in person or by proxy.

11.8.3. Shareholders' rights

The Company's shareholder(s) representing at least one-twentieth of the share capital may request the inclusion of specific business in the agenda of the General Meeting of ENEA S.A. Such request, containing the reasons or a draft resolution concerning the proposed item of the agenda, should be submitted to the ENEA S.A. Management Board not later than 21 days prior to the date of the General Meeting.

A shareholder or shareholders of the Company representing at least one twentieth of the share capital may, prior to the date of the General Meeting of ENEA S.A., submit draft resolutions concerning matters included in the agenda of the General Meeting or matters which are to be included in the agenda.

During the General Meeting, each shareholder may submit draft resolutions concerning matters included in the agenda. Such drafts should be presented in Polish.

11.8.4. Rules on amending the Company's Statute

Pursuant to the provisions of the Commercial Company Code, an amendment to the Company's Statute requires a resolution adopted by a specified majority of votes and an entry in the register. The Company's Statute does not contain any provisions different from the provisions of the Commercial Company Code governing amendments to the Statute.

11.8.5. Diversity policy

In 2020, no formalized diversity policy was implemented by ENEA S.A. with respect to the Company's governing bodies (members of the Management Board or Supervisory Board) and its key managers. The Company endeavors to ensure that the appointment of its governing bodies and key managers is each time conducted pursuant to the commonly binding legal regulations and preceded by a thorough analysis of the experience, competence, skills and substantive preparation of each candidates, regardless of other non-substantive criteria, including, without limitation, sex or age. In the Company's opinion, the assessment criteria applicable to candidates for the said positions enable the selection of candidates who warrant the ability to pursue the Company's strategy and grow its business.

11.9. Management Board of ENEA S.A.

11.9.1. Personal composition

Pursuant to the Company's Statute, the Management Board of the Company is composed of 3 to 8 persons, including the President of the Management Board. The number of members of the Management Board shall be determined by the Supervisory Board. Currently, the ENEA S.A. Management Board is composed of five members. The composition of the Company's Management Board as at the date of preparation of this report is presented in Section 9 "Governing bodies".

11.9.2. Rules for appointing and dismissing members of managing bodies

Pursuant to the Company's Statute, members of the Management Board or the entire Management Board shall be appointed and dismissed by the Supervisory Board, subject to the possibility of election of one person by the Company's employees in accordance with the provisions of § 14 of the Company's Statute. § 14 of the Company's Statute stipulates that if the average annual employment in the Company exceeds 500 employees (such situation does not currently occur in ENEA S.A.), the Supervisory Board shall appoint one person to the Management Board elected by the Company's employees for the term of the Management Board. When appointing Members of the Management Board, the Supervisory Board shall comply with the rules set forth in § 13(8) and (9) of the Company's Statute and the principles resulting from the provisions of generally binding laws. The rules and procedure for electing a member of the Management Board elected by the employees have been described in § 14(7) of the Company's Statute.

11.9.3. Competences and powers of the Management Board

The Management Board manages and represents the Company. The powers, organization and principles of operation of the Management Board are defined by the provisions of the Commercial Company Code, the Company's Statute and the Rules and Regulations of the Management Board. Resolutions of the Management Board are required for all matters exceeding the scope of the Company's ordinary activities, in particular:

- adoption of the organizational regulations of the Company's enterprise, subject to approval by the Supervisory Board
- establishment and winding-up of branches
- appointment of an authorized signatory or an authorized representative, except for an attorney ad litem, where appointment of an authorized signatory requires consent of all members of the Management Board
- taking out loans and credit facilities
- adoption of annual material and financial plans, including investment plans, as well as strategic long-term plans, subject to approval by the Supervisory Board
- incurring contingent liabilities, including granting by the Company guarantees, sureties and issuing bills of exchange
- acquiring, disposing of, or encumbering real property, perpetual usufruct or real property interest on the basis of one or more legal acts during twelve consecutive months with a value of the equivalent of PLN 200,000 or more
- leasing, renting, hiring, lending, using or any other use of the Company's real estate
- assuming the leasing, lease, rent, usufruct or other use of real property on the basis of one or more legal acts during twelve consecutive months, with the value of the rent equivalent to PLN 200,000 or more
- acquiring, selling or encumbering non-current assets, with the exception of real property, perpetual usufruct or real property interests, on the basis of one or more legal acts during twelve consecutive months, with a value equivalent to PLN 200,000 or more
- issues related to leasing, renting, hiring, lending, usufruct or any other use of non-current assets,
- matters which the Management Board requests the Supervisory Board or the General Meeting to consider
- determination of the manner of exercising the voting right by the Company at the general meeting or at the shareholders meeting of Subsidiaries
- adopting rules and procedures aimed at implementing the common economic interest of the group, including those based on the group's business segments (business areas) and shaping: organizational, information-related and decision-making structures within the group as well as procedures for managing business activities and joint ventures within the group in order to ensure the functional and economic efficiency of the group's business.

11.9.4. Management Board's principles of operation

The Management Board represents the Company in all court and out-of-court activities and conducts the Company's affairs.

The Management Board operates on the basis of the provisions of the Commercial Company Code, the Company's Statute and the Rules and Regulations of the ENEA S.A. Management Board. The Rules and Regulations of the Management Board are adopted by a resolution of the Management Board and approved by the Supervisory Board. The current version of the Rules and Regulations of the ENEA S.A. Management Board was approved by a resolution of the Supervisory Board on 25 November 2020.

Two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy shall be authorized to make declarations of will on behalf of the Company.

In accordance with the Rules and Regulations of the Management Board, meetings of the Management Board are held on Tuesdays at the Company's registered office unless the President of the Management Board or a Management Board Member appointed by the President decides otherwise.

Meetings of the Management Board of the Company shall be convened by the President of the Management Board or by a Management Board Member appointed by the President at his/her own initiative or at the request of two Management Board Members. Participation in the meetings of the Management Board is obligatory. A member of the Management Board shall give reasons for his/her absence at a meeting of the Management Board in writing or by means of remote communication. Absence from a Management Board meeting shall be excused by the Chairperson of the meeting. The Management Board may invite the Company's employees, experts and external advisors to its meetings. The agenda and necessary documents for the Management Board meeting shall be delivered by the Service Office for the Company's Bodies at least two business days prior to the Management Board meeting. For important reasons, the meeting may be convened immediately and without any materials being handed over. In order to hold an ad hoc meeting, all members of the Management Board must be effectively notified of the meeting.

Decisions of the Management Board related to the management of the Company's affairs, referred to in § 11(2) of the Company's Statute, shall require a resolution by the Management Board. The Management Board adopts resolutions if at least half of its members are present at the meeting and all members have been properly notified of the meeting. In the case of equal number of votes, the President of the Management Board has the casting vote at the adoption of a resolution by the Management Board.

The Management Board may adopt resolutions in writing or using means of direct remote communication. Adoption of a resolution in this manner requires justification and prior presentation of a draft resolution to all members of the Management Board. Resolutions adopted in writing or using means of direct remote communication shall be presented at the next meeting of the Management Board with the result of voting.

The full text of the Statute and the Rules and Regulations of the ENEA S.A. Management Board with a detailed description of the Management Board is available at www.enea.pl in the "Investor Relations" -> "Corporate Governance" tab.

11.10. Supervisory Board of ENEA S.A.

11.10.1. Personal composition

In accordance with the Company's Statute, the Supervisory Board is composed of 6 to 15 members appointed by: (i) the General Meeting, (ii) the Company's employees, and (iii) the State Treasury. The Supervisory Board should be composed of at least one person appointed by the General Meeting from among persons meeting the independence criteria specified in the corporate governance rules adopted by the WSE Supervisory Board. Currently, the Supervisory Board of ENEA S.A. is composed of nine members and is the Supervisory Board of the 10th term of office. The composition of the Company's Supervisory Board as at the date of release of this report, together with information on changes in 2020 and as at the date of preparation of this report, is presented in Section 9 "Governing bodies".

11.10.2. Principles of operation

The Supervisory Board acts on the basis of the provisions of the Commercial Company Code, the Company's Statute and the Rules and Regulations of the ENEA S.A. Supervisory Board adopted by resolution of the Supervisory Board on 15 December 2009, as amended. The Supervisory Board conducts constant oversight over the Company's operations in all areas of its activity. Special duties of the Supervisory Board include evaluation of the Management Board's report on the Company's activity and the financial statements for the previous financial year in terms of their compliance with the books, documents and facts.

Furthermore, the Supervisory Board is responsible for evaluating the Management Board's motions concerning profit distribution or loss coverage, as well as for submitting an annual written report on the results of such assessment to the General Meeting. The Supervisory Board shall hold its meetings at least once every two months. Meetings of the Supervisory Board shall be convened by Chairman or Vice-Chairman, who shall present a detailed agenda. A meeting of the Supervisory Board should be convened at the request of any member of the Supervisory Board or at the request of the Management Board. Participation in a meeting of the Supervisory Board shall be the duty of a member of the Supervisory Board. A member of the Supervisory Board shall state in writing the reasons for his/her absence. An excuse for the absence of a Supervisory Board member shall require a resolution of the Supervisory Board.

11.10.3. Operation of the ENEA S.A. Supervisory Board

A meeting of the Supervisory Board shall be convened within two weeks of the date of receipt of the request. In order to convene a meeting of the Supervisory Board it is required to invite in writing all members of the Supervisory Board at least 7 days prior to the meeting of the Supervisory Board. For important reasons, Chairman of the Supervisory Board may shorten this period to 2 days, specifying the manner of issuing the invitation. In the invitation to a Supervisory Board meeting, Chairman shall specify the date of the meeting, the place of the meeting and a detailed draft agenda. The invitation shall be accompanied by materials relating to the items on the agenda.

In cases indicated in the Rules and Regulations of the Supervisory Board, meetings of the Supervisory Board may also be held without being formally convened.

Meetings of the Supervisory Board shall be chaired by Chairman of the Supervisory Board, and in his absence by the Vice Chairman or another member of the Supervisory Board elected at the meeting.

Chairman of the Supervisory Board, and in his absence Vice-Chairman or another member of the Supervisory Board presiding over the meeting, shall ensure efficient and correct course of the meetings of the Supervisory Board, in accordance with the adopted agenda, the provisions of law, the Statute and the Rules and Regulations of the ENEA S.A Supervisory Board, and in particular shall have an exclusive right:

- to open, manage and closing the meetings of the Supervisory Board
- to grant and withdraw the right to speak to members of the Supervisory Board
- to issue procedural orders
- to order votes, ensure that they are taken properly and announce their results
- to settle procedural points
- to adjourn the meetings of the Supervisory Board
- to issue instructions to the person recording the course of the Supervisory Board meeting
- to distribute written resolutions of the Supervisory Board
- to take any other actions as may be necessary for the efficient operation of the Supervisory Board

While considering each submitted matter, Supervisory Board members have the right to evaluate draft resolutions and propose amendments to their content in the form of discussion, and the discussion should take place in accordance with the following rules:

- a member of the Supervisory Board may take the floor only in matters included in the agenda within the scope of the currently considered item of the agenda
- when considering each issue on the agenda, depending on its subject, Chairman may determine the amount of time per speaker
- Chairman may draw the attention of a speaker who departs from the subject under consideration, exceeds the speaking time allowed to him or speaks in an unauthorized manner
- Chairman shall have the right to take back the floor from speakers who do not follow Chairman's instructions or who take the floor in a manner inconsistent with the Rules and Regulations
- Chairman shall decide on the conclusion of the discussion after having heard the members of the Supervisory Board who have requested to speak.

The proposed agenda may be amended if all members of the Supervisory Board are present at the meeting and no one objects to the agenda. An item other than those appearing on the agenda shall be placed on the agenda of the next meeting.

The Supervisory Board adopts resolutions if at least half of its members are present at the meeting and all its members have been invited. The Supervisory Board adopts resolutions by an absolute majority of votes cast.

In the case of equal number of votes, Chairman has the casting vote at the adoption of a resolution by the Supervisory Board.

Notwithstanding the cases described in the Commercial Company Code, the Supervisory Board may adopt resolutions: (1) without holding a meeting by placing signatures on the same copy (copies) of the draft resolution or on separate documents of the same content, or (2) by telephone or other means of remote communication, in a manner enabling direct communication between all the Members participating in it.

Adoption of a resolution in the mode referred to in item (1) requires prior preparation of its justification and presentation of a draft resolution to all members of the Supervisory Board together with the justification. Resolutions adopted in writing or using means of direct remote communication shall be presented at the next meeting of the Supervisory Board with the result of voting. The Supervisory Board may adopt resolutions in writing or via means of direct remote communication also in matters for which the company's Statute provides for a secret vote unless an objection is made by any Supervisory Board member. Supervisory Board members may participate in adopting resolutions by casting votes in writing through another Supervisory Board member (subject to Article 388 § 2 of the Commercial Company Code).

The full text of the Statute and the Rules and Regulations of the ENEA S.A. Supervisory Board containing a detailed description of the activities of the Supervisory Board is available at www.enea.pl in the "Investor Relations" -> "Corporate Governance" tab.

11.10.4. Supervisory Board's committees

Pursuant to the provisions of the Rules and Regulations of the Supervisory Board, the following standing committees operate within the Supervisory Board:

- Audit Committee
- Nominations and Remuneration Committee
- Strategy and Investment Committee

The committee consists of at least three members appointed by the Supervisory Board from among its members for a period corresponding to the term of office of the Board. Members of the committee shall elect Chair of the committee from among themselves. Chair of the committee manages the work of the committee and supervises the work of the committee, in particular the organization and course of the committee's meetings.

11.10.4.1. Audit Committee

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

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

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

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

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

11.10.4.1.1. Operation of the Audit Committee

A detailed description of the powers of the Audit Committee is included in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089, as amended) and the Rules and Regulations of the ENEA S.A. Supervisory Board.

Chair of the Audit Committee and most of its members should meet the independence criteria within the meaning of Article 129(3) of the Act of 11 May 2017 on certified auditors, audit companies and public supervision; moreover, at least one member of the Audit Committee should have the knowledge and skills in the scope of accountancy or auditing financial statements. The Audit Committee members have the knowledge and skills in the field of the industry in which the Issuer operates. This condition is deemed met, if at least one member of the Audit Committee has the knowledge and skills in the field of this industry or if individual members in specific scopes have the knowledge and skills in the field of this industry.

The responsibilities of the Audit Committee include advising the Supervisory Board on the internal policy and budget procedures adopted by the Company and their control, and advising on the Company's contacts with a certified auditor, including:

- 1) monitoring of:
 - a) the Company's financial reporting process,
 - b) the effectiveness of internal audit systems and risk management systems and the internal audit, including in the scope of financial reporting,
 - c) performing the financial revision operations, including, without limitation, conducting the audit by an audit company, taking into consideration any conclusions and findings of the Audit Supervision Commission resulting from the control conducted in the audit company;
- 2) controlling and monitoring of independence of the certified auditor and the audit company, also in the case where any services other than audit are provided by the audit company for the Company;
- 3) informing the Supervisory Board of the audit results and explaining how the audit contributed to the reliability of financial reporting in the Company and what was the Audit Committee's role in the audit process;
- 4) performing the assessment of the certified auditor's independence and granting a consent for the provision by such auditor of permitted services other than audit services in the Company;
- 5) developing the policy of selecting the audit company to conduct the audit;

- 6) developing the policy of provision of permitted services other than auditing by the audit company conducting such audit, by the entities related to such audit company, and by a member of the audit company's network;
- 7) determining the procedures for selecting audit company by a public interest unit;
- 8) presenting to the Supervisory Board the recommendation on the appointment of certified auditors or audit companies, pursuant to the policies referred to in items 5 and 6;
- 9) making the recommendations aimed to ensure the reliability of the financial reporting process in the Company;
- 10) monitoring the reliability of financial information presented by the Company, including, without limitation, by way of the review of adequacy and consequences of applying the accountancy methods adopted by the Company and its group (including the criteria for consolidation of financial statements of companies in the group);
- 11) providing an opinion on and submitting to the Supervisory Board for approval the annual internal audit plan;
- 12) evaluating and submitting an annual budget of the Group's Audit and Internal Control Department to the Supervisory Board for approval;
- 13) evaluating and submitting any changes in the scope of activities of the Group's Audit and Internal Control Department to the Supervisory Board for approval;
- 14) discussing any problems or concerns that may result from an audit of financial statements;
- 15) discussing with the Company's certified auditors, before commencement of each audit of the annual financial statements, the character and scope of the audit and monitoring coordination of works among the Company's certified auditors;
- 16) review of the Company's periodic and annual financial statements (standalone and consolidated);
- 17) analysis of letters to the Management Board prepared by the Company's certified auditor, independence and objectivity of the audit conducted by the auditor and the Management Board's replies;
- 18) reviewing, at least once a year, the internal audit and risk management systems in terms of ensuring that key risks (including those related to compliance with applicable laws and regulations) are correctly identified, managed, and disclosed;
- 19) ensuring the effectiveness of the internal audit by expressing an opinion on the election, appointment or recall of the Director of the Group's Audit and Internal Control Department as well as monitoring the reaction of the Management Board of the Company to its findings and recommendations;
- 20) issuing an opinion on withdrawing from the payment conditions (reducing the remuneration) of the Director of the Group's Audit and Internal Control Department;
- 21) analyzing the reports of the Company's internal auditors, the key conclusions of other internal analysts, and the Management Board's response to those conclusions, as well as examining the degree of independence of internal auditors;
- 22) controlling the character and scope of extra-auditing services, including, without limitation, the control on the basis of disclosure by the external auditor of the sum total of all fees paid by the Company and its group to the audit company and its network, in terms of preventing any significant conflict of interest in this respect;
- 23) conducting the review of effectiveness of the external control process and monitoring the Company's Management Board reaction to the recommendations given by external auditors in the letter to the Management Board;
- 24) examination of the issues being the reasons for resignation from the external auditor's services and giving instructions on the required operations;
- 25) cooperating with the Group's Audit and Internal Control Department and periodically assessing their work;
- 26) review of the Company's managerial accounting system.
- 27) consideration of any and all other issues related to the Company's audit, pointed out by the Committee or the Supervisory Board,
- 28) notifying the Supervisory Board of any and all issues of significance regarding the activity of the Audit Committee.

11.10.4.1.2. Cooperation with the audit company

Main assumptions of the Policy for the selection of an audit firm to conduct an audit in ENEA S.A.

The audit firm selection policy applicable in ENEA S.A. mainly assumes the avoidance of any conflicts of interests in such a way that, prior to the acceptance or continuation of audit engagement, the audit firm declares whether the independence requirements are fulfilled (both with regard to the audit firm and statutory auditor), and in particular whether any threats to independence arise in relation to ENEA S.A. The audit firm confirms annually to the audit committee its independence and discusses any threat to its independence as well as the safeguards applied to mitigate those threats. In addition, when selecting an audit firm, the audit team's experience in auditing, its competence, financial criteria and human resources are taken into account. The selection of an audit firm shall respect the principle of impartiality and independence of the audit firm, in accordance with the legal provisions on mandatory rotation of audit firms and key statutory auditors, mandatory grace periods and results of audit firm inspections contained in the annual report published by the Audit Supervision Authority.

The audit firm selection policy shall also ensure the rotation of audit firms and statutory auditors in accordance with the provisions of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089, as amended) ("Act on Statutory Auditors").

Main assumptions of the Policy on the provision of acceptable services other than audits by an audit firm

ENEA S.A. and its subsidiaries may use acceptable services (defined in Article 136 of the Act on Statutory Auditors) provided by an audit firm conducting an audit of ENEA S.A.

The policy of providing acceptable services other than audits by an audit firm includes a closed catalogue of acceptable services, the provision of which shall be possible only in the scope not related to the tax policy of the companies belonging to ENEA Group. The acceptable service other than audit may be provided by an audit firm conducting an audit of ENEA S.A. provided that it has

been previously approved by the audit committee following an assessment of threats to and safeguards for the audit firm, the key statutory auditor and other audit team members. Additionally, should the audit firm conducting an audit of ENEA S.A. provide acceptable services other than audits for at least three consecutive financial years, then the remuneration for the provision of such services is limited to 70% of the average remuneration over the last three consecutive financial years paid for the statutory audit of ENEA S.A. and, where appropriate, its subsidiaries and consolidated financial statements of this group of companies. In case of prohibited services, i.e. services other than acceptable services, they cannot be provided directly or indirectly in ENEA S.A. and its subsidiaries by the audit firm conducting an audit of ENEA S.A. from the beginning of the audited period until the issuance of a report from the audit.

In 2020, the Group received acceptable services other than audits provided by the audit firm examining the financial statements, and the approval by the audit committee of the Supervisory Board of ENEA S.A. of acceptable services other than audits followed the assessment of threats to and safeguards for the independence. The recommendation of the audit committee of the Supervisory Board of ENEA S.A. on the selection of the audit firm to conduct an audit satisfied the applicable conditions and was drawn up following the Company's selection procedure meeting the applicable conditions.

11.10.4.1.3. Activity of the Audit Committee in 2020

Audit Committee

In 2020, the Audit Committee held 6 meetings and adopted 11 Resolutions, regarding, without limitation, the following:

- amendments to the document: "I. Policy for the selection of an audit firm to conduct an audit in ENEA S.A. II. Policy for the provision of acceptable services other than audits by an audit firm III. Procedure for the selection of an audit firm.",
- approval, by the Audit Committee of the ENEA S.A. Supervisory Board, of final report no. 1/2020 on the audit, entitled "General assessment of the internal control system at ENEA S.A.", for adoption and provision of management information on the assessment of the internal control system at ENEA S.A. to the ENEA S.A. Supervisory Board,
- approval of information for the Supervisory Board on the results of the audit of financial statements of ENEA S.A. and the ENEA Group for the financial year ended 31 December 2019,
- approval of the Report of the Audit Committee of the Supervisory Board of ENEA S.A. on its activities in 2019,
- consent to the provision of services by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audit sp.k. (formerly: PricewaterhouseCoopers) in Lubelski Węgiel "Bogdanka" S.A. as a permitted non-audit service,
- assessment of the methods of auditing the Condensed Interim Standalone Financial Statements of ENEA S.A. for the period from 1 January 2020 to 30 June 2020 and the Condensed Interim Consolidated Financial Statements of the ENEA Group for the period from 1 January 2020 to 30 June 2020,
- approval of the Report of the Audit Committee of the Supervisory Board of ENEA S.A. on its activities in H1 2020,
- issuing an opinion on the Annual Audit Plan for 2021 and the Budget of the Group's Audit and Control Department for 2021 and submitting these documents together with an opinion to the Supervisory Board of ENEA S.A. for approval,
- issuing an opinion on the amended Derivative Document entitled Internal Audit Policy of the ENEA Group by the Audit Committee of the ENEA S.A. Supervisory Board and provision of this document to the ENEA S.A. Supervisory Board for approval.

11.10.4.2. Nominations and Remuneration Committee

As at the date of publication of this report, the Nominations and Remuneration Committee operates in the following composition:

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

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

11.10.4.2.1. Activity of the Nominations and Remuneration Committee

The Nominations and Remuneration Committee should be composed of at least one independent member within the meaning of the EC Recommendation, and if more than one person meeting the above independence criteria is appointed to the Supervisory Board, this committee should be composed of the largest possible number of independent members.

The responsibilities of the Nominations and Remuneration Committee is to promote the achievement of the Company's strategic objectives by presenting opinions and motions to the Board regarding the structure of employment and the remuneration paid to the Company's personnel, particularly management personnel. The responsibilities of the Nominations and Remuneration Committee are described in the Rules and Regulations of the ENEA S.A. Supervisory Board.

In particular, the responsibilities of the Committee include:

- analyzing the Management Board's policy concerning the nomination, election and appointment of senior managerial personnel;
- presenting proposals to the Supervisory Board concerning the remuneration and forms of employment of members of the Management Board, taking into account their performance;
- presenting opinions to the Supervisory Board on the justification for awarding performance-based remuneration and on incentives based on realization of tasks and goals of the Company and proposals in that respect;
- evaluation of the human resources management system in the Company;
- periodical assessment of the skills, knowledge and experience of individual members of the Management Board and management personnel, and presenting the results of the assessment to the Supervisory Board.

11.10.4.2.2. Activity of the Nominations and Remuneration Committee in 2020

Nominations and Remuneration Committee

The Nominations and Remuneration Committee held 9 meetings and adopted 14 resolutions. The subject matter of the meetings of the Committee was, inter alia, development of recommendations for the Supervisory Board, regarding:

- proposals for Management Objectives for members of the ENEA S.A. Management Board for 2020,
- execution of management contracts with Members of the ENEA S.A. Management Board and annexes to management contracts with Members of the ENEA S.A. Management Board,
- achievement of Management Objectives in 2019 and setting the amount of the due Variable Remuneration to be paid out to the Management Board of ENEA S.A.,
- adoption of a resolution on defining remuneration of Management Board Members of ENEA S.A.,

11.10.4.3. Strategy and Investment Committee

The Strategy and Investment Committee is composed of:

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

11.10.4.3.1. Activity of the Strategy and Investment Committee

The Strategy and Investment Committee was established by the Supervisory Board on 9 July 2020.

The purpose of the Strategy and Investment Committee is to issue opinions and submit recommendations to the Supervisory Board on planned investments and divestments which exert a significant impact on the Company's assets.

In particular, the responsibilities of the Committee include:

- assessment of the impact of planned and undertaken investments and divestments on the Company's assets;
- assessment of activities, contracts, letters of intent and other documents related to activities aimed at the acquisition, disposition, encumbrance or other distribution of the Company's material assets,
- issuing opinions on any and all strategic documents submitted to the Supervisory Board by the Management Board,
- issuing opinions on the Company's development strategy, including long-term financial plans,
- monitoring the pursuit of the Company's development strategy and investment projects.

11.10.4.3.2. Activity of the Strategy and Investment Committee in 2020

Strategy and Investment Committee

The Strategy and Investment Committee held 1 meeting and adopted 1 resolution on the election of the Committee Chairman. The subject matter of the Committee's meeting was the provision of information by the Management Board on:

- monitoring the ENEA Group Development Strategy in the form of a report for 9 months of 2020 entitled "Monitoring of the pursuit of the ENEA Group Development Strategy until 2030 with an outlook until 2035".
- execution of material investment projects in the ENEA Group, the degree of their progress in relation to the plan.

In connection with the obligation of the Management Board under § 11(4)(2) of the Company's Statute to submit a report to the Supervisory Board on the application of best practices specified by the Prime Minister and given that ENEA S.A. observes the Code of Best Practice for WSE Listed Companies, in 2020 the Company did not apply best practices other than the "Code of Best Practice for WSE Listed Companies 2016".

12. Non-Financial Statement of ENEA Group for 2020

Table of contents

1. Non-financial reporting of the ENEA Group
2. Business model.
3. Non-financial key performance indicators of the ENEA Group
4. Non-financial risks relating to the business activity of ENEA Group.
5. Responsibility of the ENEA Group in the context of the COVID-19 epidemic
6. Environmental issues — description of due diligence policies and procedures and their results.
7. Labor issues – description of due diligence policies and procedures and their results.
8. Social issues – description of due diligence policies and procedures and their results.
9. Human rights issues – description of due diligence policies and procedures and their results.
10. Anti-corruption measures – description of due diligence policies and procedures and their results.

12.1 Non-financial reporting of the ENEA Group

The publication of this statement (hereinafter referred to as the “Statement”), which forms a separate part of the document entitled *Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2020* fulfills the obligation arising from Article 49b and Article 55 of the Accounting Act of 29 September 1994 (Journal of Laws 2019 item 351), implementing into the Polish legal system *Directive 2014/95/EU of the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups*. Moreover, it provides the company’s response to the expectations laid down in the Supplement on reporting climate-related information (2019/C 209/01) to that Directive and in the public view of the European Securities and Markets Authority (ESMA) on the supervisory priorities for periodic reports of issuers for 2020 in respect of non-financial reporting. It also constitutes the fulfillment, in the non-financial reporting area, of the “Guidelines for companies with a State Treasury shareholding that prepare financial statements for 2020”, developed in September 2020 by the Prime Minister’s Office. The Statement, concerning the period from 1 January to 31 December 2020, pertains to non-financial data of ENEA S.A. as the parent company and all subsidiaries covered by the *Consolidated Financial Statements of the ENEA Group for the financial year ended 31 December 2020*. It is devoted to the matters referred to in Article 49b(2) of the Accounting Act.

The document was prepared by the Department for Relations with the Socio-Economic Environment, which forms part of the PR and Communication Department of ENEA S.A., in collaboration with an external expert firm. It has not been subjected to any additional vetting by an independent party. The data presented herein have been developed based on the Core option of the (non-financial) Global Reporting Initiative (GRI) Standards. With regard to the statement for 2019, no corrections or adjustments to the published data have been made.

Information on the ENEA Group’s corporate governance and its impact on society and the natural environment, collected for the purpose of preparing the Statement, will be presented more comprehensively in the form of the *ENEA Group’s Sustainable Development Report for 2020*. Its publication in the form of an online platform, to be made available at raport2020.csr.enea.pl, is scheduled for mid-2021.

12.2 Business model

12.2.1 Line of business

The ENEA Group conducts its business in four core areas, tapping into the coordinated collaboration of specialized companies, which are autonomous undertakings in the civil law sense. These areas are as follows:

- **electricity and heat generation** (ENEA Wytwarzanie sp. z o.o., ENEA Ciepło sp. z o.o., ENEA Elektrownia Połaniec S.A., Przedsiębiorstwo Energetyki Ciepłej sp. z o.o., Miejska Energetyka Ciepła Piła sp. z o.o., ENEA Bioenergia sp. z o.o., ENEA Nowa Energia sp. z o.o.),
- **electricity and gaseous fuel trading** (ENEA S.A. – retail, ENEA Trading sp. z o.o. – wholesale),
- **electricity distribution** (ENEA Operator sp. z o.o., ENEA Pomiar sp. z o.o., ENEA Serwis sp. z o.o.), **distribution of heat** (Przedsiębiorstwo Energetyki Ciepłej sp. z o.o., Miejska Energetyka Ciepła Piła sp. z o.o., ENEA Ciepło sp. z o.o.).

The Group's leading members are ENEA S.A., ENEA Operator, ENEA Wytwarzanie, ENEA Elektrownia Połaniec, ENEA Trading and LW "Bogdanka", while other companies provide them with auxiliary services.

Lubelski Węgiel "Bogdanka", a company controlled by the ENEA Group (holding a total of 66% of votes at the company's General Meeting), is a leader on the domestic market of hard coal producers, standing out due to its financial performance, mining efficiency and plans to access new deposits. The buyers of the company's products are for the most part entities operating in the power sector, including electricity generation companies of the ENEA Group.

Electricity is generated in the power plants in Kozienice (11 high-efficiency upgraded power units) and Połaniec (7 coal-fired units and the world's largest biomass-fired unit), in the cogeneration plants in Białystok, Piła and Oborniki, in the wind farms in Bardy, Darżyno and Baczyna, and in 21 hydro power plants and biogas plants located in Gorzesław and Liszków.

ENEA Operator takes care of the distribution of electricity and the expansion and maintenance of related grid infrastructure.

Retail sales of electricity and gaseous fuel are carried out by ENEA S.A. through Account Managers and trade partners across Poland and through ENEA Centrum on behalf of ENEA S.A., consisting of 32 modern Customer Service Offices and the Electronic Customer Service Center (eBOK). In total, the ENEA Group provides commodity and energy-related products and services to approx. 2.6 million individual and institutional customers.

12.2.2 Creation of company value

The ENEA Group develops its market position based on a collection of tangible and intangible benefits offered to its customers. The acquisition of customers and the maintenance of their satisfaction level are pursued, among others, by combining the Group's products and services into attractive bundles and persistently striving to ensure failure-free supplies of energy. In 2020, the company upgraded its offering by expanding the range of products and services available to customers without the requirement to enter into an electricity purchase agreement.

Both the adopted model of increasing the Group's value and the manner in which the Group creates value for its customers are derived directly from the mission and vision adopted by the company.

MISSION:

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

VISION:

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

12.2.3 Market environment

The current Polish energy market was shaped in 1997 when the *Energy Law* was adopted and the Energy Regulatory Office was established. The duties of the President of the Energy Regulatory Office include the granting of approval for the prices of gaseous fuels, electricity and heat and the issuance of certificates of origin for energy generated from renewable sources, from which transferable property rights are derived. The ERO President also issues licenses for the conduct of business on the energy market, including for the generation, transmission, distribution of and trading in electricity. Following Poland's accession to the European Union in 2004, two directives were transposed into national law: one governing the operation of the European electricity market and the other one governing the operation of the European natural gas market. Important changes also took place in 2007 when retail customers were afforded the right to purchase electricity from a seller of their choice.

The electricity market in Poland is comprised predominantly of the following groups: ENEA, PGE, TAURON, Energia and Innogy.

12.2.4 Strategy of the ENEA Group

In accordance with the *Development Strategy of the ENEA Group until 2030 with an outlook to 2035*, updated on 12 December 2019, the Group focuses on transformation to a low-emission concern and on investments in new products and services featuring advanced IT and digital solutions. Accordingly, the pursuit of this strategy exerts a significant favorable impact on the natural environment and the country's socio-economic development.

The document contains the goals that the Group is to achieve in the short-, medium- and long-time horizon (up to 2025, 2030 and 2035, respectively).

Key directions for the Group's growth:

1. Transformation of generation assets towards zero- and low-emission sources;
2. Innovative services for customers;
3. Contemporary communication with customers and modern cooperation models;
4. Electromobility, hydrogen technologies;
5. Smart Grid – smart solutions for customers;
6. Automation, robotization and digitization of processes;
7. Internet of Things, artificial intelligence, blockchain;
8. Energy storage;
9. Sourcing of fuels in accordance with best practices and respect for the environment.

These development directions form a foundation, which is used to define strategic goals for the Group.

OVERRIDING STRATEGIC OBJECTIVE:

Continuous growth of the value of the ENEA Group, while ensuring sustainable development.

The ENEA Group has identified five key strategic goals supporting its transformation to becoming a low-emission utility group. These are:

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

The scenarios envisaged in the strategy are based on the assumption of the full utilization of the Group's existing market position and own assets to develop new lines of business, based in particular on bundles of comprehensive services. This kind of approach, consistent with current global trends, serves the purpose of fully satisfying the needs of customers in the field of grid and infrastructure utilities, while providing a broad range of innovative auxiliary services, including some from outside the power sector.

More information on the strategy is provided on page 21 of the *Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2020*.

The ENEA Group, striving to be ready for the challenges facing Polish power sector companies today, has embarked on updating its strategy so that it fully corresponds to the new external conditions and enables a reliable and effective transformation of the Group.

12.2.5 Business model and strategy of the ENEA Group vs. the climate

In 2020, ENEA S.A. entities responsible for strategic management, growth management, risk management and social responsibility continued internal consultations, launched in 2019, regarding the possibility of conducting analyses of the company's business model on the climate and vice versa as well as analyses of resilience of the business model and strategy, taking into account various climate-related scenarios. As at the date of publication of this Statement, no final executive decisions have been made in this respect.

12.3. Non-financial key performance indicators of the ENEA Group

Area	Ratio	2019	2020	Change 2020/2019
	Payments to the state budget by virtue of dividends	-	-	-
	Payroll-related expenses and benefits	PLN 1.9 billion	PLN 2.0 billion	+3%
	Confirmed incidents of corruption	2	0	-100%
environmental	Direct greenhouse gas emissions (Scope 1) ¹	22,039,576 Mg CO ₂	18,671,299 Mg CO ₂	-15%
	Intensity of greenhouse gas emissions ²	774 kg/MWh	757 kg/MWh	-2%
	Generation of energy from renewable sources	2,279 GWh	2,392 GWh	+5%
	Amount earmarked for investments in the environmental area	PLN 238 million	PLN 272.5 million	+14%
	Amount earmarked by ENEA Operator sp. z o.o. for investments in the area of energy efficiency and energy security	PLN 0.999 billion	PLN 1.165 billion ³	+17%
	Amount of significant penalties and quantity of non-financial sanctions imposed on for non-compliance with environmental protection laws or regulations	0	0	-
social	Total amount earmarked for social causes ⁴	PLN 3,262,127	PLN 7,634,243	+134%
	– including support provided to counteract the COVID-19 epidemic	-	PLN 5,101,497	
	– including other expenditures for socially beneficial purposes	PLN 3,262,127	PLN 2,532,746	
	Number of beneficiaries of competence volunteerism	None reported	3,412 ⁵	-
	Number of volunteers under voluntary work contracts as at 31 December 2020	None reported	359	-
	Total number of hours spent on voluntary work by employees	1,857	660 ⁶	-64%
	Number of discriminatory incidents and corrective actions taken	0	0	-
customer-related	Trading Segment: number of individual customers (electricity and gaseous fuel consumers) ⁷	2,535 thousand	2,565 thousand	+1%

¹Total emissions related to the generation of energy by the Koźnice Power Plant, the Połaniec Power Plant, the Białystok CHP Plant, the "Zachód" Heat Plant, MEC Piła and PEC.

²Ratio of total CO₂ emissions related to electricity generation and total gross electricity generation

³Total amount of investments made by the company.

⁴Total funds donated by companies to the ENEA Foundation, the "Solidarni Górniczy" [Solidary Miners] Foundation, directly to the beneficiaries and to community involvement projects.

⁵Measure implemented only in Q1 2020, that is until schools switched to distance learning.

⁶The decrease in the value of the indicator compared to 2019 resulted from the risks associated with the epidemic: because of the sanitary restrictions imposed, it was necessary to abandon a number of anticipated employee volunteerism initiatives.

⁷As at the end of the reporting period.

Distribution Segment: number of customers/energy consumers ⁷	2,626 thousand	2,661 thousand	+1%
Sales of electricity and gaseous fuel to retail customers	20.3 TWh	21.1 TWh	+4%
SAIDI – System Average Interruption Duration Index ⁸	98 min.	77 min.	-22%
SAIFI – System Average Interruption Frequency Index ⁸	2.79	2,06	-15%
Cases of non-compliance with regulations related to the health and safety impact of products and services	None reported	0	-
Cases of non-compliance with regulations related to the provision of information about products and services	None reported	0	-
Customer data breaches that qualified for reporting to the President of the Personal Data Protection Authority	0	0	-

⁸ Reflects scheduled and unscheduled interruptions in electricity supply for high and medium voltages.

12.4 Non-financial risks related to the ENEA Group's business activity

12.4.1. Risk management system in the ENEA Group

The key companies of the ENEA Group manage risks related to their activity in a systematic and coordinated manner to ensure the maximum possible protection against their effects, should they occur.

The risk management process in key ENEA Group companies is carried out in a systematic and coordinated manner. The unit overseeing this process is the Risk Management Department at ENEA S.A. consisting of two offices responsible for, respectively, managing financial risk and managing business risk, business continuity and insurance. The individual Group companies operate units responsible for risk management, which cooperate with the Risk Management Department at ENEA S.A. This model is supplemented by the business continuity management system in place in the Group, which identifies the critical processes in individual companies, assesses business continuity risks and implements mechanisms and procedures to the continuity of processes in the event of their interruption.

The process for managing enterprise risks (including non-financial risks) is governed by the applicable policies, procedures and methodologies. The overriding document governing the whole risk management area is the *ENEA Group Enterprise Risk Management Policy*.

The effectiveness of the enterprise risk management process is ensured by:

- ongoing identification of risks, including non-financial risks (e.g. risks related to climate change) at the level of individual Group companies;
- implementation of guidelines for policies, procedures and methodologies regarding the management of specific risk areas;
- three-stage approach to the process: identification and assessment of new risks, monitoring of existing risks and reporting;
- operational risk management by companies within the boundaries granted to them, on the terms approved by the ENEA Group's Risk Committee, composed of selected members of the ENEA S.A. Management Board, selected members of the management boards of key subsidiaries and directors of ENEA S.A. departments responsible for risk management, compliance and audit-related matters;
- business continuity management system.

The cyclical risk assessment is performed by the risk owners in consultation with the risk manager. It involves updating the assessment of the likelihood of risk materialization and the potential implications in the financial and reputational dimensions and in terms of health and safety impact.

The estimation of the likelihood of risk materialization and potential implications enables the classification of risks as key, significant and insignificant. The register of risks identified for a company is adopted by its Management Board along with the risk manager's report at least once per quarter.

More information on the risk management model in the ENEA Group is provided on pages 32-34 of the *Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2020*.

Non-financial risks

Non-financial risks have been identified for key ENEA Group companies that may exert an adverse impact on the labor, social, environmental, human rights and anti-corruption areas.

Labor area:

- generation gap risk,
- risk of social unrest if the social stakeholders fail to reach an agreement when the provisions of the internal collective bargaining agreement are revised or when new methods of human resources management are introduced,
- risk of accidents at work or occupational diseases,
- risk of disputes with employees, groups of employees, trade unions,
- risk of unavailability of employees as a result of an epidemic,
- risk of a loss of competence,
- risk of inflicting personal injury on employees or third parties.

Social area:

- risk of social unrest, additional trade union demands and deterioration of relations with social partners,
- risk of the absence of communication between internal and external customers and/or delays in the provision of necessary documents/information due to e-mail failure,
- risk of improper management of information in a crisis situation (failure to adapt the content of the message and communication channels to stakeholders, provision of false information),
- risk of a breach of stock exchange disclosure obligations,
- risk of an increase in the value of claims of property owners for payment of amounts due for transmission easement/tenancy of properties,
- risk of an increase in the value of local governments' tax claims related to land located under power lines,

- risk of non-implementation or delayed implementation of the *Guidelines to the Compliance Programs developed by distribution system operators and the storage system operator*, as published by the President of the Energy Regulatory Office,
- risk of delays in issuing or a failure to issue connection decisions that are of crucial importance to customers,
- risk of delays in the completion of key connection investments,
- risk of delayed execution of the project "Special radio communication system for the energy sector".

Human rights area:

- risk of infringement of personal data protection provisions (e.g. as a result of human error; unfamiliarity with or violation of the law and internal regulations by employees or associates; failure of an IT system; cyberattack),
- risk of violating the provisions on competition and consumer protection.

Environmental area:

- risk of failure to adapt the technology to the requirements of environmental legislation (BAT conclusions, IED),
- risk of unavailability of FGD, SCR and/or electrostatic precipitators due to a failure of these units, which may cause an increase in atmospheric emissions,
- risk of reducing or ceasing the activity due to a failure to obtain valid environmental decisions and permits,
- risk of failure to conform to the terms and conditions of the applicable permissions with respect to:
 - water and sewage management (including the instream flow requirements and the permitted temperature of spent cooling water),
 - waste management, including sludge from flue-gas desulfurization installations,
 - atmospheric emissions, including NO_x, SO₂ and particles,
- risk of causing damage to elements of natural environment in connection with the operation of or execution of investment projects,
- risk of exceeding the mass of stored waste specified in the environmental permit (this applies to waste other than combustion byproducts),
- risk of improper management of hazardous waste,
- risk of biomass fire,
- risk of coal dust ignition caused by a high temperature.
-

Anti-corruption area:

- risk of a potential or real contradiction between the interest of the ENEA Group and the personal interest of an employee,
- risk of employees taking actions that may constitute unfair competition,
- risk of employees engaging in corrupt activities.

Climate risks

Climate risks are identified and analyzed within the framework of the enterprise risk management process, meaning that they are periodically evaluated in accordance with the ENEA Group Enterprise Risk Management Policy.

Under the non-financial reporting process for 2020, the Group expanded its analysis of risks arising from climate change that may bring about major changes in the operations, revenues or costs of various business areas. The analysis covered the short term (until the end of 2022), the medium term (until the end of 2025) and the long term (until the end of 2035).

Business area of the ENEA Group	Risk resulting from climate change	Risk factor	Mitigating measures
DISTRIBUTION	<p>Risk of interruption in the continuity of supplies, loss of revenues and significant costs as a result of catastrophic damage to components of line and point infrastructure on the distribution network</p> <p>Perspective: long term.</p>	<p>Increased frequency of extreme weather phenomena (gusty storms, hurricane winds, icing)</p>	<p>Use of leading-edge technologies during the modernization of power lines, wiring of power lines, monitoring of the condition of the power grid and prompt conduct of maintenance operations.</p>
	<p>Risk of a decline in or loss of profitability of electricity generation operations resulting from the consolidation of a strong upward trend on the EUA market, with simultaneous disproportionate increases in electricity prices</p> <p>Perspective: short, medium and long term</p>	<p>High price of CO2 emission allowances potentially resulting in a low or negative value of the clean dark spread (CDS)</p>	<p>Greater share of biomass co-firing.</p> <p>Substitution of coal with low-emission fuels.</p>
GENERATION	<p>Risk of interruption in the continuity of operations, loss of revenues and significant costs as a result of extreme weather phenomena</p> <p>Perspective: short, medium and long term</p>	<p>Increased frequency of extreme weather phenomena (droughts, floods affecting the water level on the Vistula River, heavy snowfalls, frosts, icing, hurricanes)</p>	<p>Vistula River water level monitoring system.</p> <p>Annual assessment of the technical condition of power plant facilities.</p> <p>Continuous supervision of staff over the operation of the power plant.</p> <p>Flood protection system in the event of an increase in the water level on the Vistula River (stoplogs).</p> <p>Ongoing supervision of devices and optimal overhaul management.</p>
	<p>Risk of construction disasters in hydropower plants (damage to hydro-engineering equipment as a result of erosion and water pressure)</p> <p>Perspective: medium to long term</p>	<p>Partial or complete damage to hydro-engineering equipment affected by torrential rains increasing the adverse impact of water on hydrotechnical facilities</p>	<p>Continuous execution and preparation of new overhaul and investment projects on hydro-engineering equipment.</p>
	<p>Risk of construction disasters on wind farms (damage to generation facilities caused by strong winds)</p> <p>Perspective: medium to long term</p>	<p>Extreme weather conditions such as strong winds, hurricanes, tornados</p>	<p>Inability to take preventive actions against the forces (elements) of nature.</p>
	<p>Risk of lost revenues or extra costs resulting from the uncertainty of the legislative environment</p> <p>Perspective: medium to long term</p>	<p>Amendments to EU or national regulations, for example resulting from the non-recognition of biomass as a zero-emission energy source</p>	<p>Monitoring of and participation in legislative work.</p>

<p>Risk of a decrease in revenues from sales of heat</p> <p>Perspective: short, medium and long term</p>	<p>Temperature rising trends during the heating season causing demand for heat to decline</p>	<p>Diversification of revenue sources through the development of cogeneration.</p>
<p>Risk of an increase in environmental fees</p> <p>Perspective: short term</p>	<p>Absence of environmental decisions required by law or failure to fulfill the conditions specified therein</p>	<p>Ongoing monitoring of regulations.</p> <p>Ongoing monitoring of the validity of decisions held, thereby enabling an early preparation of requests for changes.</p> <p>Ongoing supervision over the manner of implementation and compliance with the conditions specified in the decisions held.</p>
<p>Risk of suspension of electricity/heat generation as a result of technological misalignment with the requirements of environmental protection regulations</p> <p>Perspective: short term</p>	<p>Need to adapt generation units to the requirements of the IED and future BAT conclusions, the Water Law, etc.</p>	<p>Regular upgrades of and investments in: units for generation of energy from renewable sources, heat accumulation systems, flue gas heat recovery units, flue gas desulphurization units, boilers.</p> <p>Upgrade of transmission infrastructure and heating nodes, gradual extension of the extent of application of telemetric systems.</p> <p>Use of proper cooling systems in electricity and heat generation.</p> <p>Taking care of the proper technical condition of equipment using fluorinated gases.</p>
<p>Risk of interruption or curtailment of business continuity and loss of revenues resulting from failure to maintain continuity of fuel supplies</p> <p>Perspective: short, medium and long term</p>	<p>Unavailability or limited availability of biomass resulting from natural disasters such as hurricanes, floods, droughts or freezes</p> <p>Unavailability or limited availability of coal resulting from natural disasters in the mining sector or in the supply process</p>	<p>Optimization of fuel supplies.</p> <p>Diversification of the fuel portfolio.</p> <p>Emergency fuel purchases.</p> <p>Gradual shift of all or part of the fuel shipment process to the supplier.</p> <p>Performance monitoring with deviation analysis and update of plans for the performance of contracts for the supply of generation fuels and logistics services.</p>
<p>Risk of an increase in the costs of procurement of plant-based substrates necessary for biogas production</p> <p>Perspective: medium term</p>	<p>Hydrological drought potentially affecting the availability and prices of corn silage, which is the key input substrate in biogas production</p>	<p>Adoption of and early preparation for a comprehensive substrate procurement action.</p>
<p>Risk of an increase in the cost of raising capital and/or property insurance</p> <p>Perspective: short, medium and long term</p>	<p>Global climate crisis making it increasingly difficult for fossil fuel-based businesses to access finance, insurance undertakings treating coal-based power generation as a higher-risk industry</p>	<p>Use of the Group's transformation strategy in consultations with the reinsurance market.</p> <p>Search for new methods of securing assets.</p>

	<p>Risk of reducing or ceasing the operation of power plants due to difficulties in obtaining or maintaining valid environmental decisions and permits.</p> <p>Perspective: short, medium and long term</p>	<p>Activities of environmental organizations conducting aggressive campaigns against power plants by: appealing against and demanding the cancelation of integrated permits or environmental decisions held by power plants, referring to the public interest and joining proceedings aimed at amending integrated permits, thereby delaying or preventing the issue of favorable decisions</p>	<p>Cooperation with leading law firms.</p> <p>Cooperation with environmental organizations.</p>
TRADING	<p>Risk of unplanned costs arising from erroneous assumptions for long-term financial projections</p> <p>Perspective: medium to long term</p>	<p>Progressing climate change affecting the climate policy of various countries and organizations, thereby potentially shaping the operating principles of the system and price of CO₂ emission allowances</p>	<p>Periodic updates of price paths.</p>
	<p>Risk of additional costs or losses resulting from commodity price volatility on the futures market</p> <p>Perspective: short, medium and long term</p>	<p>Potential deviations of electricity and gas prices on the Polish Power Exchange in relation to prices agreed upon in previous months, due to temperatures in the summer and winter seasons different from the originally assumed ones</p>	<p>Maintaining and developing risk management competences in the ENEA Group.</p> <p>Internal risk optimization procedures.</p> <p>Monitoring and analysis of factors affecting prices on the Polish Power Exchange.</p> <p>Adjustment of orders placed, both in terms of price and volumes, to the current market situation.</p>
MINING	<p>Risks related to the need to change the company's operations are run, which would entail additional capital expenditures</p> <p>Perspective: medium to long term</p>	<p>Climate change causing an increasingly restrictive EU climate policy, directly and indirectly translating into a number of more stringent environmental standards imposed on mines</p>	<p>Ongoing supervision over compliance with environmental standards.</p> <p>Continuous monitoring of changes in the EU's climate policy and the resulting amendments to national regulations.</p> <p>Active participation in consultations on new regulations.</p> <p>Continuous search for technical and organizational solutions minimizing the company's impact on the climate, e.g. by energy efficiency improvements.</p>
	<p>Risk of inability to perform coal purchase contracts due to a decline in demand for steam coal in Poland and globally</p> <p>Perspective: medium to long term</p>	<p>Probable gradual decrease in demand for the products offered to date, resulting from changes in the country's energy mix, including the ENEA Group's energy mix, and from a decrease in demand for electricity generated from coal (e.g. as a result of measures favoring energy efficiency, elimination of retail customers from the portfolio, more frequent switching to own sources of energy and heat generation, higher average atmospheric temperatures in winter)</p>	<p>Implementation of a new business strategy, including through diversification of revenues towards the extraction of coking coal, which is a strategic commodity in the EU.</p>
	<p>Risk of an increase in operating costs due to the need to pay greater compensations for losses in grasslands and agricultural land caused by the need to repair of mining damage to the environment</p>	<p>The conduct of mining activities is associated with the occurrence of mining damage and may lead to the formation of subsidence basins and disruption of local water relations, thus causing occasional local flooding</p>	<p>Effective mining damage management policy.</p> <p>Ongoing dialogue with local communities.</p>

<p>Perspective: short, medium and long term</p>		<p>Continuous monitoring of rock mass movements using of modern measurement methods.</p> <p>Monitoring of environmental aspects through the Integrated Quality, Environment and Safety Management System.</p> <p>Ongoing reclamation of areas adversely affected by mining activities.</p>
<p>Risk of an increase in the cost of raising capital and/or property insurance</p> <p>Perspective: short, medium and long term</p>	<p>Global climate crisis making it increasingly difficult for fossil fuel-based businesses to access finance, insurance undertakings treating the mining sector as a high-risk industry</p>	<p>Use of the Group's transformation strategy in consultations with the reinsurance market.</p> <p>Search for new methods of securing assets.</p>
<p>Risk of obstruction in the progress of various administrative procedures conducted with the participation of non-governmental environmental organizations</p> <p>Perspective: medium to long term</p>	<p>The activities of environmental organizations may affect the social acceptance of the company's activities, including by the occurrence of potential protests related to investment and development activities</p>	<p>Execution of project activities in partnership with environmental organizations.</p> <p>Ongoing communication of activities aimed at improving environmental safety.</p> <p>Enhanced environmental measures taken by the company and additional investments in this area (energy efficiency improvements, water treatment plant, construction of a photovoltaic farm).</p> <p>Respect for state-imposed forms of nature protection (e.g. no mining and no future mining plans under the Polesie National Park)</p>
<p>Reputation risk related to the conduct of business in the fossil fuel industry</p> <p>Perspective: medium to long term</p>	<p>Due to the climate crisis, the EU's policy and the activities of environmental organizations, the mining industry may be perceived as the perpetrator of climate change</p>	<p>Participation in business initiatives, involvement in local socially beneficial and pro-development activities, intense communication activities, focusing chiefly on demonstrating the role played by the company in the Lublin region along with its environmental efficiency and openness to change.</p>
<p>Risk of a decrease in revenue from sales of steam coal</p> <p>Perspective: medium to long term</p>	<p>Increase in average atmospheric temperatures, especially during the heating season</p> <p>An increase in atmospheric temperatures during the heating season may translate into a decrease in demand for heat generated from coal in favor of wind energy and other sources</p>	<p>Reduced impact of the company's business on global warming.</p> <p>Taking into account the forecasts of climate models in determining the scope of contracts with customers.</p>

As at the date of publication of the Statement, no analysis of opportunities related to climate change or of climate risks and opportunities in the whole supply chain has been performed.

12.5 Responsibility of the ENEA Group in the context of the COVID-19 epidemic

On 4 March 2020, the first case of infection with a coronavirus causing serious respiratory disease COVID-19 was detected in Poland. A state of epidemic emergency was announced in the country on 14 March, followed by a state of epidemic on 23 March. In this new situation, the key priorities of the ENEA Group became, and continue to be, the reliability of electricity and heat supplies to millions of homes (which in these circumstances have also become places of work for many people), companies and institutions,

including health care facilities, and the safety of employees. A manifestation of the company's responsibility in this area is also its active support for governmental and non-governmental measures aimed at counteracting the spread of the coronavirus and the pursuit of various projects involving local communities and employees in order to mitigate the adverse social and economic implications of the pandemic.

12.5.1 Activities for the benefit of employees

In H1 March 2020, the ENEA S.A. Management Board established a crisis and coordination center for coordinating all activities aimed at protecting employees against a SARS-CoV-2 infection. At the level of distinct companies, local crisis centers have been established to monitor the epidemic situation, provide employees with personal protective equipment and implement safe work rules. The safe work rules category of activities includes, in particular, deployment, where possible, of remote work, and in other cases, rotation (planned so that groups of employees do not meet each other) and the establishment of limits on the number of employees permitted to be present in the same room at the same time. Moreover, mandatory temperature measurements were taken before employees were permitted to enter the buildings, hand disinfectant dispensers were placed in passageways, common areas, toilets and at office workstations, and periodic disinfections of rooms or disinfections on an as-needed basis were performed. Direct contacts between employees and the quantity of face-to-face meetings were reduced to a minimum, with any unavoidable face-to-face meetings held using protective masks and maintaining a minimum distance between participants of 1.5 m. The vast majority of internal meetings and meetings with external counterparties were conducted in the form of teleconferences or videoconferences using the Group's own software tools. Internal training courses were also conducted using the Group's own e-learning platform. At the same time, during the pandemic, the accessibility of remote training, webinars and industry meetings for employees, held on communication platforms or training platforms, was increased, in line with the rules ensuring the stability and security of the Group's information systems. All rules of conduct were written in the form of procedures and instructions (defining, for instance, the steps to take in the event of the outbreak of an epidemic in the work establishment), and were continuously adjusted in accordance with the guidelines issued by the Ministry of Health and the Chief Sanitary Inspectorate. Moreover, occupational risk assessments were updated to incorporate all risks related to the spread of SARS-CoV-2 virus.

Employees were regularly provided with key information on infection prevention methods in and outside the workplace. Via text messages and internal communication channels, including e-mails, posters and a separate tab on the intranet website, employees were continuously provided with information by the PR and Communication Department about the epidemic situation within the Group, decisions made by crisis centers and new guidelines issued by the government and sanitary inspection services. Employees were encouraged to ask questions about COVID-19 using a dedicated e-mail address.

To minimize the impact of the epidemic on employees, the ENEA Group provided them with:

- a) **psychological support** – for several months they had the opportunity to take advantage of gratuitous telephone consultations with specialists who helped them deal with problems related to loneliness, etc.;
- b) **protective masks** – also for use outside the workplace;
- c) **education on disease prevention** – including through the ongoing prevention program of the ENEA Foundation called "Mission: Prevention", information cycles "Healthy Spine" (habits to reduce the adverse effects of prolonged sitting) and "Health begins in the head" (webinar and workshops on reducing stress, including through breathing exercises, and immune-boosting nutrition options).

12.5.2 Selected initiatives of the ENEA Foundation and companies

In the Group's companies, using all available communication channels (intranet, external screens, and, in ENEA Elektrownia Połaniec S.A., also an internal public announcement system), information campaigns were conducted to encourage employees to turn up for vaccinations against COVID-19 and to donate plasma by individuals who had been infected with the SARS-CoV-2 virus. An element of the campaign was a video and a series of publications prepared by the ENEA Foundation, which encouraged people who have recovered from COVID-19 to donate their plasma and contained information on how to prepare for such donation properly.

At ENEA S.A., e-learning training courses were developed entitled "Health and safety rules during remote work for ENEA S.A. employees" and "Rules for a safe return to work".

ENEA Operator sp. z o.o. reorganized and broke down its technical services with a view not only to ensuring the continuity of the power grid management and the supply of electricity, but also to ensuring a maximum safety for employees. Persons hired by the Contact Center may render their work remotely.

MEC Piła sp. z o.o. and PEC sp. z o.o. offered their employees free SARS-CoV-2 antibody tests. ENEA Połaniec Serwis sp. z o.o. funded tests for employees who had contact with a person diagnosed with the disease. In the latter company, a shortened procedure for preventive medical examinations (initial, periodic, check-up) was rolled out: employees receive a referral for medical examinations along with a health/treatment questionnaire to be filled out, and these documents are then securely transferred to the occupational medicine unit issuing appropriate medical certificates.

At ENEA Centrum sp. z o.o., new procedures for dealing with correspondence have been introduced: incoming mail is subjected to a one-day quarantine, and then disposable gloves must be used for opening any letters.

Lubelski Węgiel "Bogdanka" S.A. introduced an additional ad-hoc bonus for disciplined behaviors in the field of COVID-19 prevention.

12.5.3 Financial contribution of the ENEA Group to counteracting the epidemic

In 2020, the Group earmarked a total of over PLN 5.1 million for support to other organizations, chiefly public health care institutions, in their fight against COVID-19.

ENEA Group's support for the fight against the COVID-19 epidemic [PLN]	
Total	5,339,271
including funds transferred:	
– through the ENEA Foundation	4,391,100
– through the “Solidarni Górnicy” Foundation	700,000
– directly by the companies	248,171

12.5.4 Activities for the benefit of the healthcare system

The Group provided financial and material assistance (including over 40,000 protective masks) chiefly to healthcare centers operating in the area covered by the Group's business, and directed it in the first place to hospitals transformed into infectious units, as suggested by the Ministry of Health. These earmarked funds were allocated, among other causes, to purchases of specialized medical equipment, including ventilators, and hygiene and protection products. The whole process was coordinated by the Ministry of State Assets.

Moreover, the Group supported the involvement of its employees in activities aimed at supporting healthcare institutions. Under the “Mission: Prevention” program, they sewed almost 10,000 face masks for hospitals and hospices.

Selected initiatives pursued by Group companies

ENEA Centrum sp. z o.o. seconded 10 employees of the Contact Center to help the National Health Care Fund in handling the hotline set up to provide information on the coronavirus. In turn, since October, 15 employees of the company have been supporting the hotline of the Chief Sanitary Inspectorate.

ENEA Elektrownia Połaniec S.A. donated over 5,000 protective masks and disinfectants to hospitals in Kielce, Opatów and Staszów, Borowa township and the Sandomierz military unit. Also, owing to the company's financial support, a coronavirus testing laboratory was established in the Sanitary Inspectorate in Kielce.

ENEA Wytwarzanie sp. z o.o. funded a modern fumigation device for rescuers from Kozienice, enabling them to disinfect their ambulances effectively.

ENEA Operator sp. z o.o. lent 8 cars to medical institutions for the purpose of transporting personnel and medicines.

12.5.5 Activities for the benefit of local communities

In August 2020, the ENEA Group launched the #DoZobaczenia [#SeeYou] campaign aimed at minimizing the economic consequences of the COVID-19 epidemic by promoting regional tourism and popularizing electromobility. For the purposes of the campaign, online platform do-zobaczenia.pl was developed, on which a contest was held: participants sent photos of their favorite tourist attractions in Poland, encouraging other Web users to visit and vote for the most beautiful ones. Over 150 photos were submitted for the contest, and over 7,000 votes were cast. Based on the suggested attractions, the company developed a travel guide, which will be provided to the Group's employees and Internet users.

The ENEA Group became involved in the #CONTRA19 campaign organized by the Exempt from Theory Foundation, encouraging its staff to support the acquisition of knowledge and experience among young people facing the consequences of the epidemic in the form of quick challenges, including the provision of assistance to senior citizens and local entrepreneurs and counteracting fake news.

Selected initiatives pursued by Group companies

ENEA S.A. provided financial support to the “naGranie nad Rusałką” project, a series of outdoor concerts broadcast on the Internet by youth bands from Poznań in response to the needs of the local community during the lockdown period.

MEC Piła sp. z o.o. in collaboration with local activists donated face shields, aprons, masks and disinfectants to residents and employees of social welfare homes in Wieleń and Trzcianka.

ENEA Wytwarzanie sp. z o.o. donated personal protection equipment to educators and children from care and educational institutions in the Mazowsze region.

Group companies also supported the following initiatives pursued by their employees for the benefit of local communities:

- ENEA S.A. sent over 17,000 text messages to customers in Poznań county, informing them about the availability of assistance in grocery shopping provided to seniors by the Group's volunteers,
- ENEA Pomiary sp. z o.o. coordinated the organization of employee collections of cleaning products and gifts for orphanages in Bydgoszcz and Szamotuły and a hospice in Licheń.

12.5.6 Activities for the benefit of customers

In order to minimize the risk of COVID-19 infection, the ENEA Group actively promoted remote communication channels among the buyers of its products and services, in particular the eBOK (electronic Customer Service Center). The range of matters that may be arranged without leaving home was expanded. For instance, retail customers may enter into product contracts via electronic channels, the process of changing the electricity vendor was simplified by permitting the provision of scanned terminations, customers of ENEA Trading sp. z o.o. were permitted to send scans of documents instead of using a qualified electronic signature, and arrangements were made with Pekao S.A. and PKO BP to accept electronic authorizations of newly received consents to direct debits. For a significant part of 2020, the ENEA Group's Customer Service Offices were either closed or were operating in compliance with the full sanitary regime, only by appointment. Moreover, employees did not have to read the electricity meters, because customers were able to provide the meter reading by phone, via the eBOK and on the www.operator.enea.pl website. For with smart meters, the readings were carried out remotely. From March to the end of December 2020, the number of accounts in the electronic Customer Service Center increased by 42% and the number of cases related to electricity sales handled through this channel increased by 32%.

ENEA Pomiary sp. z o.o. reduced to a minimum the range of activities requiring direct contact with the customer, such as debt collection or meter readings. During any unavoidable fulfillments of orders in the homes of customers, electrical equipment installers kept a distance of at least 2 m, disinfected their hands and equipment and did not request a signature confirming the completion of the order.

ENEA Operator sp. z o.o. implemented electronic support for processes previously handled by traditional mail (determining connection conditions, reporting complaints, reporting the connection of micro-installations) and reorganized the work of its Customer Service Offices in terms of sanitary safety.

12.6 Environmental issues – description of due diligence policies and procedures and their results

12.6.1 Protection of the environment in the ENEA Group's strategy

The *Development Strategy of the ENEA Group until 2030 with an outlook to 2035* assumes transformation of the company to a low-emission utility group. According to the document, in 2020-2035, the Group's capital expenditures for new low-emission production capacities will amount to PLN 7.3 billion, while capital expenditure for renewable energy sources (photovoltaic installations, wind farms, biogas plants, biomass-fired installations) will be PLN 14.7 billion. ENEA assumes that, as a result of the pursuit of this strategy, its share of RES in electricity generation will reach 22% by 2025 and 33% by 2030. As a result, in 2030, the Group will generate 41% of electricity from renewable and gas sources, and in 2035 this share will reach 60%. According to the Strategy, the Group will also be interested in, among others, developing clean coal technologies, dispersed power generation and electromobility.

The implementation of the strategy, including in particular the phasing out of conventional generation units and the development of zero- and low-emission units, will result in measurable environmental benefits, including a reduction in CO₂ emissions from 781 kg/MWh in 2018 by 30% by 2030 (550 kg/MWh) and by as much as 56% by 2035 (434 kg/MWh). The strategy also calls for a reduction in the network losses in distribution to 5.4% by 2025 and to 5.3% by 2030.

The ENEA Group, striving to be ready for the challenges facing Polish power sector companies today, has embarked on updating its strategy so that it fully corresponds to the new external conditions and enables a reliable and effective transformation of the Group.

12.6.2 Environmental impact management

Generation and supply of electricity and heat in a way that is safe for the environment and compliant with the law is one of the main priorities for the ENEA Group. It also strives to rationally manage natural resources and to ensure biodiversity and sustainability of environmental processes in its surroundings.

The ENEA Group has a number of policies and procedures in place that refer to environmental matters. The *ENEA Group Code of Conduct*, as defined in the *ENEA Group Code of Ethics*, also covers this area. In line with it, the Group:

- cares for the natural environment and takes all actions necessary to protect it, regardless of the place and type of performed operations,
- uses natural resources and energy reasonably,
- strives for ensuring proper natural environment protection, observing the provisions of the generally applicable law, as well as internal regulations,
- joins actions and actively participates in educational campaigns for environmental protection and development of environmental awareness,
- takes actions to prevent any breakdowns that may be dangerous for the natural environment.

The commitment to sustainable development and natural environment is also embedded in the *ENEA Group Compliance Policy*, which among others requires the Group to:

- take actions to minimize pollution emissions and to ensure reasonable management of natural resources,
- undertake initiatives to retain the balance between the Group's operations and the natural environment,
- carry out capital expenditures using environmentally friendly technologies,
- support renewable energy sources,
- cooperate with environmental organizations.

In turn, the *ENEA Group's Communication Policy* contains provisions stating that the Group's communication is conducted in a manner that promotes environmentally friendly values and that the Group's sponsorship activities will focus, without limitation, on the domain of environmental protection.

The individual companies have their own policies, procedures, instructions and regulations, which are suitable to their unique character, obligating them to protect the environment and use it in a sustainable manner, which are updated on an ongoing basis (in 2020, e.g. in connection with the amendment to the Waste Act). Some of the principles, e.g. ones setting out the requirements for handling the waste produced, must also be observed by external entities performing work on the sites of and for Group companies. Additionally, the Group companies apply methodologies for monitoring and documenting specific environmental impacts and effects of their pro-environmental activities.

Selected due diligence policies, standards and procedures in the area of environmental management in ENEA Group companies

ENEA S.A.	– <i>Environmental Policy</i>
ENEA Wytwarzanie	<ul style="list-style-type: none"> – <i>Policy of the Integrated Quality, Environmental and OHS Management System</i> – <i>Book of the Integrated Quality, Environmental and OHS Management System</i> based on the requirements of the standards <i>PN-EN ISO 9001:2015, PN-EN ISO 14001:2015 and PN-N-18001:2004/OHSAS 18001:2007</i> – <i>Procedure “Supervision over legal and other requirements”</i> – <i>Procedure “Identification and evaluation of environmental aspects”</i> – <i>Procedure “Environmental monitoring”</i> – <i>Procedure “Identification of potential accidents and emergencies and responding to their occurrence at ENEA Wytwarzanie sp. z o.o. at the Świerże Górne site”</i> – <i>Rescue plan in case of a threat to life and human health and property or the environment at ENEA Wytwarzanie sp. z o.o. in Świerże Górne (Kozienice Power Plant)</i> – <i>Procedure “Emergency preparedness and response at the Koronowo site”</i> – <i>Procedure “Goal management”</i> – <i>Procedure “Management review, analysis and improvement”</i> – <i>Other detailed procedures and instructions governing conduct setting out the principles of performing operations that impact the environment, monitoring, performing measurements and exercising metrological oversight over devices used to monitor the effects of environmental activity</i>
ENEA Ciepło, ENEA Ciepło Serwis	<ul style="list-style-type: none"> – <i>Environmental Management System Policy</i> and the following procedures based on this policy: <ul style="list-style-type: none"> > <i>Supervision over documentation (SZŚ)</i> > <i>Supervision over records (SZŚ)</i> > <i>Process monitoring (SZŚ)</i> > <i>Goal management (SZŚ)</i> > <i>Internal audits (SZŚ)</i> > <i>Handling non-compliance – corrective actions (SZŚ)</i> > <i>Periodic evaluation of compliance with legal and other requirements (SZŚ)</i> > <i>Management review (SZŚ)</i> – <i>Procedure PŚ-4.3-01 “Identification of environmental aspects”</i> – <i>Procedure PŚ-4.4-01 “Responding to danger and failure”</i> – <i>Procedure PŚ-4.4-02 “Waste management”</i> – <i>Procedure PŚ-4.5-01 “System of monitoring and measuring parameters affecting the environment”</i> – <i>Quality instruction QI-7.5-11 “Program for prevention of severe industrial accidents relating to the storage and use of hazardous substances and materials at the Zachód Heat Plant”</i> – <i>Internal instructions on monitoring and reporting CO₂ emissions:</i> <ul style="list-style-type: none"> > <i>Instruction I-OŚ-01 “Management of records and documentation”</i> > <i>Instruction I-OŚ-02 “Determination of changes affecting the allocation of emission allowances for installations”</i> > <i>Instruction I-OŚ-03 “Calculation of CO₂ emissions”</i> > <i>Instruction I-OŚ-04 “Quality of the information system used for data flow activities”</i> > <i>Instruction I-OŚ-05 “Estimation of fuel consumption during a belt weigher breakdown”</i> > <i>Instruction I-OŚ-06 “Monitoring of outsourced processes”</i> > <i>Instruction I-OŚ-07 “Identification of installed devices used to determine data values”</i> > <i>Instruction I-OŚ-08 “Staff management for ETS purposes”</i> > <i>Instruction I-OŚ-09 “Evaluation of adequacy of the monitoring plan”</i> > <i>Instruction I-OŚ-10 “Management of data flow activities”</i> > <i>Instruction I-OŚ-11 “Implementing corrections and rectifying measures”</i> > <i>Instruction I-OŚ-12 “Supervision over metering equipment for monitoring CO₂ emissions”</i> > <i>Instruction I-OŚ-13 “Internal reviews and validation of data”</i> > <i>Instruction I-OŚ-14 “Uncertainty assessment”</i> > <i>Instruction I-OŚ-15 “Analysis of CO₂ emission monitoring risk”</i> > <i>Instruction I-OŚ-16 “Analysis of the risk of the PMM monitoring methodology plan”</i> > <i>Instruction I-OŚ-17 “Monitoring of basic data and audit activities related to the application for free allocation of CO₂ emission allowances”</i> – <i>Procedure “Monitoring CO₂ emissions in the Białystok CHP Plant”</i> – <i>Instruction on the organization of rescue operations at the site of ENEA Ciepło sp. z o.o. – Białystok CHP Plant Division</i> – <i>Procedure “Identification of threats and determining how to respond to environmental emergencies at ENEA Ciepło sp. z o.o. – Białystok CHP Plant Division”</i> – <i>Procedure “Prevention and reduction of the impact of emergencies on the environment at ENEA Ciepło sp. z o.o. – Białystok CHP Plant Division”</i> – <i>Procedure “Conduct in the event of environmental emergencies at the Białystok CHP Plant”</i> – <i>Instruction on managing dangerous and hazardous substances and mixtures</i> – <i>Instruction on handling waste at the Białystok CHP Plant</i>

ENEA Ciepło Białystok CHP Plant Division	<ul style="list-style-type: none"> – Policy of the Integrated Quality, Environmental and OHS Management System - Book of the Integrated Quality, Environmental and OHS Management System – Procedure “Goal management” – Procedure “Identification and evaluation of environmental aspects” – Procedure “Environmental monitoring” – Procedure “Identification of threats and responses to environmental emergencies at the Białystok CHP Plant” – Procedure “Prevention and mitigation of emergencies on the environment at the Białystok CHP Plant” – Procedure “Conduct in the event of environmental emergencies at the Białystok CHP Plant” – Procedure “Monitoring CO₂ emissions in the Białystok CHP Plant”
Miejska Energetyka Ciepła Piła	<ul style="list-style-type: none"> – Instruction “Waste management” – Procedures referred to in the CO₂ emissions monitoring plan
Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.	<ul style="list-style-type: none"> – Environmental Policy
ENEA Operator	<ul style="list-style-type: none"> – Company Environmental Pollution Bank Program SOZAT – Procedure for fulfilment of obligations towards entities financing the investments of ENEA Operator sp. z o.o. – Procedure for registering power devices containing at least 6 kg of SF₆ gas and operations performed on them
ENEA Oświetlenie	<ul style="list-style-type: none"> – Waste management at ENEA Oświetlenie sp. z o.o.
ENEA Elektrownia Połaniec, ENEA Bioenergia	<ul style="list-style-type: none"> – Procedure for identification and evaluation of environmental aspects – Environmental monitoring procedure – Environmental management program
Lubelski Węgiel “Bogdanka”	<ul style="list-style-type: none"> – Policy of the Integrated Quality, Environmental and OHS Management System with related environmental procedures

In 2020, the ENEA Group had no separate document describing the climate policy applicable to all companies or a policy of adaptation to climate changes. As at the date of publication of the Statement, no binding decisions have been made in this matter, however, at the beginning of 2021, a decision was made that Marcin Pawlicki, Vice-President of the Management Board for Operational Matters, will be responsible for managing issues related to the impact exerted by the ENEA Group on the climate.

In 2020, ENEA Group companies recorded no significant non-financial penalties or sanctions for non-compliance with environmental protection laws or regulations.

12.6.3 Selected environmental activities in the ENEA Group in 2020

In 2020, the ENEA Group conducted numerous activities aimed at reducing its negative impact on the environment. They included large capital expenditures and minor changes in daily operations in individual companies. The Group also made efforts to increase environmental awareness of its employees and their knowledge of rational use of the environment. It also executed environmental education projects in its communities and executed projects to actively protect the nature.

ENEA Wytwarzanie sp. z o.o. executed a number of investment projects that limited the environmental impact of the Kozienice Power Plant. The most important of them were: upgrade of the wastewater treatment plant from the flue-gas desulphurization installation of the third 500 MW unit no. 10, modernization of electrostatic precipitators for 200 MW unit nos. 1, 4 and 5, and draft cooling tower of 500 MW units (cells CB21 and CB22). Moreover, a system for continuous measurement of NH₃, HCl, HF and Hg emissions was installed on the emitters behind flue-gas desulphurization installations I-V, part of the power plant’s lighting system was upgraded and the rain and industrial wastewater treatment plant was equipped with an oil separator to reduce the release of petroleum substances in the event of a failure of installations using light oil. The company also made efforts to maximize sales of combustion byproducts and funded a campaign for active environmental protection under which more than 100 noble crayfish were introduced to the Krypianki River in Garbatka-Letnisko township. In turn, the campaign “Flower garden with ENEA Wytwarzanie and the Ornithological Society of Mazowieckie and Świętokrzyskie Voivodships” was aimed at strengthening the food base of pollinating insects and generating interest in these animals and the abundance of honey plants. Moreover, the company co-organized environmental workshops for children as well as contests, lectures and other events on recycling.

ENEA Elektrownia Połaniec S.A. installed an SCR installation on unit 5 and modernized: wastewater treatment plant in the flue-gas desulphurization installation (thus fulfilling the requirements of BAT conclusions for large combustion plants), FGD D, electrostatic precipitators for units 2 and 7, and cooling water pumps PCH2 and PCH9. In 2020, it also carried out an energy audit of the company, the results of which were subsequently forwarded to the Energy Regulatory Office. The company’s educational activities included communication support for the initiatives pursued by employees, focused on the significance of bees and threats to these insects (#EneaKwiatyDlaPszczół [#EneaFlowersForBees]), an awareness campaign conducted in partnership with “Tygodnik

Nadwiślański” the subject of which was the need to save water and electricity (as part of the campaign, a photo contest was held for children and youths) and another edition of an art contest on environmental issues for primary school children.

ENEA Ciepło sp. z o.o. was involved in a host of activities aimed at improving the efficiency of heat energy transmission and distribution. These activities included the replacement of approx. 9 km of conduit heat distribution networks with pre-insulated networks, an upgrade of several dozen heating nodes and the installation of a telemetric system, enabling remote reading of operating parameters, at approx. 100 nodes.

ENEA Ciepło sp. z o.o. continued its upgrade of coal boilers in the “Zachód” Heat Plant, aimed at aligning them with the requirements of BAT conclusions. In turn, the Białystok CHP Plant Division of ENEA Ciepło sp. z o.o. modernized the electrostatic precipitator of boiler K8 and expanded its system of continuous flue gas monitoring of Hg, NH₃ and HCl emissions.

ENEA Centrum sp. z o.o. pursued a number of initiatives that translated into a significant decrease in the volume of waste consisting of paper and used toner cartridges. These initiatives included a promotion of the e-BOK and e-invoices, an extension of the scope of matters available for online handling by customers and a pilot project of Customer Service Offices called “Optional sending of attachments to comprehensive contracts by e-mail”.

ENEA Logistyka sp. z o.o. and MR Bogdanka sp. z o.o. replaced traditional lighting sources with energy-saving solutions.

ENEA Pomiar sp. z o.o. also upgraded its lighting system, insulated the roof in its head office and set up a photovoltaic installation on it, and purchased three more electric vehicles cars for the purposes of assembly work in large urban agglomerations. Moreover, the company transformed a portion of its grounds into a flower meadow and placed boxes for beneficial insects.

ENEA Operator sp. z o.o. built and upgraded transformer bowls in a manner preventing the contamination of soil with spilled oil. In the area of active environmental protection, the company installed 121 stork nest platforms on the poles of its own lines and on additional poles, and continued cooperation with the Directorate General of State Forests in the protection of ospreys by installing 22 new breeding platforms for these birds on its 110 kV line poles. The company also took part in a program aimed at cleaning nests and marking chicks of white storks in the Warta River Mouth Landscape Park in collaboration with the Lubuskie Voivodeship Landscape Park Complex and in the campaign of ringing and returning to the natural environment of 6 barn owls (strictly protected species) with a nest located on a transformer station (joint initiative with the Wild Ostoja Foundation for Animals and the SOS Association for the Protection of Owls).

MEC Piła sp. z o.o. reduced its volume of emissions of harmful substances into the atmosphere owing to the construction of a cogeneration source. The company also increased its energy efficiency by installing energy-saving equipment and automatic control systems and by optimizing the operation of its heat sources and heating network.

ENEA Bioenergia sp. z o.o. obtained a National Technical Assessment under which it may now produce full-value construction aggregate using ash and slag mixture obtained from wet furnace waste disposal.

Lubelski Węgiel “Bogdanka” S.A. initiated a comprehensive environmental efficiency improvement program entitled “Cross-sectoral cooperation for LWB’s sustainable development” and a research and educational project called “Soil – agricultural space. Sustainable agriculture around LWB’s mining areas” in collaboration with the Institute of Soil Science and Plant Cultivation – State Research Institute in Puławy. In a joint effort with the Foundation for Nature, the company executed a project called “Rare and endangered animals species of the Lublin region”, focused on active protection of rare species of owls and environmental education. Another project was the creation, in collaboration with the “Landscapes” Foundation and Łęczna township, of the Esthetics Municipal Program Laboratory, a platform for dialogue between residents and the town in matters related to the development of green infrastructure.

Łęczyńska Energetyka sp. z o.o. launched the first photovoltaic installation established on a pro-consumer basis, upgraded the thermal insulation of buildings and replaced the insulation on various sections of heating networks.

The ENEA Foundation financed a number of projects carried out by companies and provided funding for the establishment of an educational path called “In search of green energy” in a park in Radojewo by the Łopuchówko Forest Authority. It also supported the Po-Dzielnia Sharing Economy Center, an Poznań-based educational and cultural initiative aiming to extend the useful life of objects, limit consumerism and promote upcycling. Within the framework of the project, a “Repair Cafe” was established where, under the slogan “Repair! Do not throw away”, the ideas of a circular economy are promoted, including the learning of skills to repair devices, instead of throwing them away and generating electronic waste.

12.6.4. Effects of the implemented environmental protection policies

CO ₂ emissions [Mg]	2018	2019	2020	Change 2020/2019
Kozienice Power Plant	14,076,969	14,883,264	13,786,235	-7%
Połaniec Power Plant	8,219,329	6,751,791	4,555,879	-33%
Białystok CHP Plant	280,147	253,522	174,755	-31%
“Zachód” Heat Plant (Białystok)	19,753	12,254	14,588	+19%

MEC Piła	84,107	80,450	81,089	+1%
PEC	14,576	13,597	13,490	-1%
Łęczyńska Energetyka	49,217	44,697	45,263	+1%

The ENEA Group reports the volumes of direct greenhouse gas emissions (Scope 1) related to the operations activities of its electricity and heat generating members. As at the date publication of the Statement, no management decisions have been made on the schedule of implementing full emission reporting in the Group and in its supply chain (Scope 1 + Scope 2 + Scope 3).

Generation of energy using renewables [GWh]	2018	2019	2020	Change 2020/2019
Total production from renewable energy sources, including:	2,025	2,279	2,392	5.0%
ENEA Wytwarzanie – RES Segment: hydro power plants	159	130	130	0.2%
ENEA Wytwarzanie – RES Segment: wind farms	130	185	183	-0.7%
ENEA Wytwarzanie – RES Segment: biogas plants	6	5	9	87.9%
ENEA Ciepło: biomass firing	172	204	255	25.0%
ENEA Połaniec Power Plant: biomass co-firing	180	314	371	18.3%
ENEA Połaniec Power Plant: biomass firing	1,378	1,441	1,442	0.1%

Intensity of greenhouse gas emissions [kg/MWh] ⁹	2018	2019	2020	Change 2020/2019
	781	774	757	-2%

Consumption of electricity [MWh] ¹⁰	2018	2019	2020
	3,288,484	2,660,204	2,415,110

Water uptake [m ³] ¹¹	2018	2019	2020
Total water consumption by ENEA Group companies:	2,912,857,179	2,851,674,557	2,521,563,139
including water uptake from water intake/municipal water supply system	241,504	231,654	204,558
including surface water uptake ¹²	2,896,571,028	2,834,572,229	2,504,441,015
including deep water uptake	841,364	867,398	833,748
including drainage water uptake	12,565,217	12,872,658	12,928,105
including water uptake from another source	2,638,066	3,130,618	3,155,395

Generated waste [Mg] ¹³	2018	2019	2020
Total mass of waste generated in the ENEA Group:	8,318,353	7,486,683	6,328,559
including hazardous waste	824	5,46414	833
of which: non-hazardous waste	8,317,529	7,481,219	6,327,726

⁹Ratio of total CO₂ emissions related to electricity generation and total gross electricity generation

¹⁰Real properties for which there are no detailed data on electricity consumption (e.g. because the respective companies settle their accounts with administrators on a lump sum basis) and the network needs of ENEA Operator sp. z o.o. have not been taken into account. Data reported by ENEA Nowa Energia sp. z o.o. are estimates.

¹¹Real properties for which there are no detailed data on water consumption (e.g. because the respective companies settle their accounts with administrators on a lump sum basis) have not been taken into account. Data reported by ENEA Nowa Energia sp. z o.o. are estimates.

¹²For generation purposes, the Koźnice Power Plant uses water from the Vistula river. The reversible uptake of water for cooling purposes constitutes over 99% of the power plant's total water uptake.

¹³Real properties for which there are no detailed data on generated waste (e.g. because the respective companies settle their accounts with administrators on a lump sum basis) have not been taken into account.

¹⁴This includes waste collected by ENEA Logistyka from other ENEA Group entities and those resulting from the provisions of the Act on worn-out electric and electronic equipment.

12.7 Labor issues – description of due diligence policies and procedures and their results

12.7.1 Regulations in the labor area

The ENEA Group's approach to employees is based on a strict adherence to the principle of observance of their rights, equal treatment and transparent criteria applicable to recruitment, compensation and promotion, support in professional and personal development and care for a friendly atmosphere that is conducive to cooperation.

Labor issues within the Group level are governed primarily by:

- internal collective bargaining agreements,
- *ENEA Group Code of Ethics* setting out the Group's values,
- *Rules and Regulations of the ENEA Group Ethics Committee*, a document describing the procedure for reporting, accepting and verifying breaches of the Code of Ethics and clarifying any ethical concerns,
- *ENEA Group Compliance Policy*, a document describing, among others, desired employee behaviors and attitudes,
- *Rules of adaptation in the ENEA Group*,
- *Procedure for implementing human capital development activities in the ENEA Group*, which describes and unifies the approach to improvement of professional qualifications of employees,
- *Estimate Budgets of Common Social Activity in the ENEA Group*, setting out the scope and the principles for awarding social benefits to employees for the year,
- *Procedure of the ENEA Group Management Committee on the personnel policy for appointing Management Boards and Supervisory Boards of Companies*.

Additionally, each company has adopted policies and procedures suitable to their characteristics. They define, among others, the recruitment process, rules for awarding bonuses, registration of work time, registration and settlement of business trips or the rules for parting with employees. The accepted internal regulations ensure compliance of the companies with provisions of the Labor Code and other laws relating to employee rights and obligations.

Additionally, every year managers of the organizational units, in consultation with employees, prepare lists defining the need for training improving the competence of the staff.

Material internal regulations in the labor area adopted in selected ENEA Group companies

ENEA S.A.	<ul style="list-style-type: none"> – <i>Multi-Company Collective Bargaining Agreement for Employees of the Utilities Sector</i> – <i>Internal Collective Bargaining Agreement for Employees of ENEA S.A. and its Subsidiaries listed in Appendix 10 to the Agreement</i> – <i>ENEA S.A.'s Work Rules and Regulations</i> – <i>Policy against mobbing and discrimination and other unacceptable conduct in ENEA S.A.</i> – <i>Rules and Regulations for Awarding Bonuses to ENEA S.A. Employees</i> – <i>Rules and Regulations for Awarding Bonuses to ENEA S.A. Employees based on the Management by Objectives System</i> – <i>ENEA S.A. Competence Model</i> – <i>ENEA S.A. Recruitment Procedure</i>
ENEA Operator	<ul style="list-style-type: none"> – <i>Multi-Company Collective Bargaining Agreement for Employees of the Utilities Sector</i> – <i>Internal Collective Bargaining Agreement for Employees of ENEA S.A. and its Subsidiaries listed in Appendix 10 to the Agreement</i> – <i>Work Rules and Regulations for Employees of ENEA Operator sp. z o.o.</i> – <i>Policy against mobbing, discrimination and other unacceptable behaviors at ENEA Operator sp. z o.o.</i> – <i>Recruitment Procedure</i> – <i>Rules and Regulations of the Management-by Objectives System in ENEA Operator sp. z o.o.</i> – <i>Rules and Regulations for Organizing Business Trips in ENEA Operator sp. z o.o.</i>
Lubelski Węgiel "Bogdanka"	<ul style="list-style-type: none"> – <i>Work Rules and Regulations</i> – <i>Internal Collective Bargaining Agreement</i> – <i>Rules and Regulations of the Company Social Benefit Fund</i> – <i>Policy of conduct in the process of employee recruitment and selection at Lubelski Węgiel "Bogdanka" S.A. for production jobs and for managerial and specialist positions</i>
ENEA Centrum	<ul style="list-style-type: none"> – <i>Multi-Company Collective Bargaining Agreement for Employees of the Utilities Sector</i> – <i>Internal Collective Bargaining Agreement for Employees of ENEA S.A. and its Subsidiaries listed in Appendix 10 to the Agreement¹⁵</i> – <i>Work Rules and Regulations in ENEA Centrum sp. z o.o.</i> – <i>Policy against mobbing, discrimination and other unacceptable behaviors at ENEA Centrum sp. z o.o.</i> – <i>Rules and Regulations for Granting Bonuses to Employees of ENEA Centrum sp. z o.o. based on the Management by Objectives System</i> – <i>Rules for parting with Employees in ENEA Centrum sp. z o.o.</i>
ENEA Połaniec Power Plant	<ul style="list-style-type: none"> – <i>Work Rules and Regulations for ENEA Elektrownia Połaniec S.A. Employees</i> – <i>Internal Collective Bargaining Agreement for ENEA Elektrownia Połaniec S.A. Employees</i>

¹⁵ Applicable based on the agreement on the application of the Internal Collective Bargaining Agreement for ENEA S.A. Employees, which means that the company may amend it by itself (though it is bound by its interpretation).

- Rules and Regulations for Compensating Management Staff
- Health Protection Program and agreement on its performance
- Policy against mobbing and discrimination and other unacceptable conduct in ENEA Elektrownia Połaniec
- Agreement with Trade Unions of 30 December 1999 on principles of cooperation
- Agreement on the participation in costs of trade union activities signed with Companies spun-off in the restructuring process
- Agreement on the participation in costs related to the conduct of PKZP signed with Companies spun off in the restructuring process
- Rules and Regulations of the Company Social Benefit Fund and the Agreement on Common Social Activity
- Instruction for employee evaluation
- Company agreement regarding the Employee Pension Plan
- Rules and Regulations for giving awards and distinctions in ENEA Elektrownia Połaniec S.A.

ENEA Wytwarzanie

- Multi-Company Collective Bargaining Agreement for Employees of the Utilities Sector
- Internal Collective Bargaining Agreement for Employees of ENEA Wytwarzanie sp. z o.o., Social Agreement for Employees of ENEA Wytwarzanie sp. z o.o.
- Work Rules and Regulations for ENEA Wytwarzanie sp. z o.o. Employees
- Rules and Regulations of the Company Social Benefit Fund
- Policy against mobbing and discrimination and other unacceptable conduct in ENEA Wytwarzanie sp. z o.o.
- ENEA Wytwarzanie sp. z o.o. Personnel Management Procedure
- Rules and Regulations for Granting Bonuses to Employees of ENEA Wytwarzanie sp. z o.o.
- Rules and Regulations for Granting Annual Bonuses to Employees of ENEA Wytwarzanie sp. z o.o.
- Recruitment Procedure

12.7.2 Employee motivation

ENEA Group companies apply financial and non-financial incentives to motivate employees. The following benefits are used most frequently:

- right to annual bonus,
- long-service bonus,
- an award and a day off on the Power Engineer's Day,
- jubilee award,
- subsidy to costs of electricity consumed in the household,
- medical care, which can be extended to family members on preferential terms,
- right to group insurance,
- attractive pension and similar benefits,
- right to participate in the Employee Pension Plan,
- loans, non-refundable or refundable benefits under the Intercompany Employee Benefit and Loan Fund,
- financing of sanatorium stays,
- financing of participation in training courses, certification courses and co-financing of university education,
- co-financing of holidays,
- co-financing of crèche/kindergarten stays and recreation for children and youth,
- co-financing of costs of sporting activities,
- tickets/passes to cinema, theater, museum, and sports events,
- low-interest loans for housing purposes.

The rights of individuals hired under a part-time employment contract or employed on a fixed-term basis are similar to those of persons hired under a full-time employment contract entered into for an indefinite term. However, the right to some of the benefits depends on the length of service or the value of income. Retired employees also receive selected benefits.

The following solutions also serve as incentives:

- Pomysłodajnia – a program under which the employer has the opportunity to implement proposals submitted by employees regarding improvements in their daily work,
- opportunity for employees to get involved together in projects they propose benefiting local communities, for example in the "Potęga poMocy" (The Power of Help) grant program,
- contests for employees and their children,
- opportunity for employees' children to participate in sports and theater classes,
- Group's participation in the "Two Hours for the Family" campaign to improve family relations,
- flexible working time.

Changes in the employee motivation area in 2020

In 2020, in light of the COVID-19 epidemic, most employee integration meetings and events for employees' children were canceled.

At Lubelski Węgiel "Bogdanka" S.A., amendments to the internal collective bargaining agreement were negotiated to improve the employee compensation structure and roll out a new bonus system. At ENEA S.A., the Rules and Regulations for Awarding Bonuses to ENEA S.A. Employees based on the Management by Objectives System were updated. At ENEA Elektrownia Połaniec S.A., amendments were made to the internal collective bargaining agreement, whereby an employee pension scheme was deployed along with the granting of additional one-off awards for employees (as part of endeavors aiming to unify the solutions applicable across the Group).

Measurement of satisfaction

ENEA Group companies conduct, with varying frequency, surveys of employee opinions on different topics. In 2018, the first satisfaction survey was conducted with an identical scope and at the exact same time, covering most of the Group's companies, covering elements of assessment of immediate superiors and other issues. The survey will be repeated in the future. The time between the surveys will be devoted to the implementation of improvement measures.

In 2020, a work engagement and satisfaction survey was conducted at the Białystok CHP Plant Division of ENEA Ciepło sp. z o.o. among the employees of the Laboratory Department. In turn, at ENEA Innowacje sp. z o.o., an opinion poll was conducted on the work of the Organization and Management Department.

Headcount

In 2020, the ENEA Group employed 17,480 staff under an employment contract.

Total number of persons employed under employment contracts	17,480 ¹⁶
full-time employees – women	3,077
full-time employees – men	14,354
part-time employees – women	27
part-time employees – men	22
persons employed under employment contracts for an indefinite term – women	2,816
persons employed under employment contracts for an indefinite term – men	12,368
including other contract types (probationary period, fixed term, traineeship and replacement contracts) – women	288
including other contract types (probationary period, fixed term, traineeship and replacement contracts) – men	2,008

Gender diversity of groups of positions	Number of employees
senior management – women ¹⁷	4
senior management – men ¹⁷	40
directors – women ¹⁷	41
directors – men ¹⁷	161
junior managers – women ¹⁸	229
junior managers – men ¹⁸	925
operational staff – women	2,562
operational staff – men	3,046
administrative staff – women	274
administrative staff – men	10,243

Men and women under an employment contract, broken down by age groups	Number of employees
Employees under 30 – women	562
Employees under 30 – men	2,772
Employees aged 30-50 – women	1,715
Employees aged 30-50 – men	7,441
Employees over 50 – women	827
Employees over 50 – men	4,163

¹⁶Total number of persons employed under an employment contract in the ENEA Group companies as at 31 December 2020, including persons with a temporary suspension of employment, i.e. on parental leaves, unpaid leaves above 30 days and those receiving rehabilitation benefits.

¹⁷This additionally includes individuals employed under contracts other than employment contracts, e.g. under management contracts.

¹⁸Including head foremen and dispatchers.

Managing the generation gap

One of the important areas of activity of the ENEA Group aimed at supporting the continuity of employment is to prevent the generation gap. The following initiatives are implemented in this area:

- monitoring of the schedule of departures of Employees as they reach the retirement age or the entitlements to take early retirement for working in special conditions or work of special nature,
- cooperation between Group companies and local vocational and technical schools, including schools preparing for work in power industry (endorsed schools program),
- occupational training for students in cooperation with universities (dual university education),
- paid traineeships and unpaid or paid apprenticeships for students under the "Get Installed at ENEA" program,
- organization of educational meetings and trips for students,
- promotion of the ENEA Group as a trustworthy employer at universities and job fairs,

Within the framework of cooperation with endorsed schools, the company funds scholarships for the most talented students, co-finances equipment for classrooms and organizes trips and contests. The students are obliged to have mandatory apprenticeships in Group companies.

Industry schools with which the ENEA Group cooperates:

- Power Engineering Technical School in Poznań
- Technical School Complex – Vocational and Adult Education Center in Leszno
- Electrical and Power Engineering Technical School in Bydgoszcz
- Electrical School Complex in Gorzów Wielkopolski
- Electrician Vocational and Adult Education Center in Nowa Sól
- School Complex in Chodzież
- Secondary and Vocational School Complex in Sulęcín
- Electrical and Electronic Engineering School Complex in Szczecin
- Vocational and Adult Education Center in Złotów
- Technical School in Połaniec
- 1st Degree Industry School in Połaniec
- School Complex No. 4 in Szczecin
- Technical School Complex in Gniezno
- Electrical Engineering School Complex No. 2 in Poznań
- School Complex No. 1 in Kozienice
- Mining School Complex in Łęczna
- School Complex in Ostrów Lubelski
- Power Engineering and Transportation School Complex in Chelm

Tertiary education institutions collaborating with the ENEA Group in the field of vocational training:

- University of Lodz,
- Maria Curie-Skłodowska University in Lublin,
- University of Warsaw,
- Warsaw University of Life Sciences,
- Wrocław University of Science and Technology,
- University of Technology and Humanities in Radom,
- War Studies University,
- Kielce University of Technology,
- Kazimierz Wielki University in Bydgoszcz,
- AGH University of Science and Technology,
- Military University of Technology,
- Warsaw University of Technology,
- Cardinal Stefan Wyszyński University in Warsaw,
- Adam Mickiewicz University in Poznań,
- West Pomeranian University of Technology in Szczecin,
- Białystok University of Technology.

Due to the COVID-19 epidemic, apprenticeships and traineeships were suspended in some Group companies.

12.7.3 Diversity

The ENEA Group has not developed a separate diversity policy (Lubelski Węgiel "Bogdanka" S.A. is the only company with such a policy), but for years it has made efforts to ensure that diversity among its employees, e.g. diversity of experience, knowledge or interests, is taken into account in its practices. The principle of equal treatment is observed with respect to gender, age, financial status and political opinions. Provisions governing diversity are included in the following documents: *ENEA Group Code of Ethics*, internal collective bargaining agreements, *Policy against mobbing and discrimination and other unacceptable conduct* and *ENEA Group Compliance Policy*. No diversity figures are reported to the management boards and supervisory boards of the companies.

A confirmation of the effectiveness of the ENEA Group's endeavors aimed at creating a friendly workplace is the "Friendly Workplace 2020" award granted by MarkaPracodawcy.pl.

12.7.4 Communication

The ENEA Group strives to offer all employees access to full and current information on the actions undertaken and key events happening in their companies, the Group as a whole and in its surroundings. Efficient flow of information to employees is ensured in particular by:

- corporate Intranet (Group news) and Intranet sites of individual companies,
- Employee Zone in the ENEA Group's Intranet (news, information and documents related to employee matters),
- company newspapers ("Echo Elektrowni" in the Połaniec Power Plant, "Bogdanka", "Information Package of MEC Piła Employees", "Info Express" in ENEA Operator sp. z o.o.),
- mailing (to selected groups or to all employees),
- noticeboards, leaflets and posters,
- radio station.

The tools promoting dialog in ENEA Group companies include, among others:

- meetings and videoconference calls,
- discussions between employees and their direct superiors,
- questionnaire surveys (e.g. evaluation of satisfaction with various areas: IT, HR, procurement, etc.; evaluation of individual activities undertaken by companies),
- satisfaction surveys,
- Pomysłodajnia mailbox, inicjatywy@enea.pl (used by employees to send in their work improvement ideas),
- "HR write to us" mailbox HRnapiszdonas@enea.pl (used by employees to send in questions about labor issues; responses are published in the Employee Zone),
- Mam Pomysł (I Have an Idea!) platform available on the ENEA Group intranet.

In 2020, for epidemic reasons, face-to-face meetings were replaced with remote communication to the maximum extent possible. Moreover, every Friday, the PR and Communication Department of ENEA S.A. sent out to the company's employees information about the current epidemic situation within the Group.

12.7.5 Freedom of association, social dialog and participation in decision-making

The ENEA Group respects the right of its employees to associate in trade unions and to be actively involved in their activities.

Trade unions operating in key companies and in companies with the largest headcounts in the ENEA Group	
ENE A S.A.	<ul style="list-style-type: none"> – Inter-Company Trade Union Organization of the Trade Union of Engineers and Technicians in ENE A S.A. – Inter-Company Power Engineering Trade Union of ENE A Wytwarzanie sp. z o.o. – Inter-Company Trade Union of ENE A Group Employees – "Synergia" Inter-Company Trade Union of ENE A Group Employees – NSZZ "Solidarność" Inter-Company Organization of ENE A
ENE A Operator	<ul style="list-style-type: none"> – Inter-Company Trade Union Organization of the Trade Union of Engineers and Technicians in ENE A S.A. – Inter-Company Power Engineering Trade Union, Company Trade Union Organization in ENE A Operator sp. z o.o. – Inter-Company Trade Union of ENE A Group Employees – Inter-Company Trade Union of Continuous Operation Employees of the ENE A S.A. Group – "Synergia" Inter-Company Trade Union of ENE A Group Employees – NSZZ "Solidarność" Inter-Company Organization of ENE A
ENE A Połaniec Power Plant	<ul style="list-style-type: none"> – "Energetyk" Inter-Company Trade Union Organization – NSZZ "Solidarność" Inter-Company Trade Union of Employees of the Połaniec Power Plant and of Companies – Inter-Company Trade Union of Supervision Employees of the Połaniec Power Plant – Inter-Company Trade Union of Continuous Operation Employees – Połaniec Power Plant Inter-Company Trade Union
ENE A Wytwarzanie	<ul style="list-style-type: none"> – NSZZ "Solidarność" Company Commission at ENE A Wytwarzanie – Inter-Company Power Engineering Trade Union of ENE A Wytwarzanie sp. z o.o. – Inter-Company Trade Union of Shift Workers of ENE A Wytwarzanie sp. z o.o.
ENE A Centrum	<ul style="list-style-type: none"> – NSZZ "Solidarność" Inter-Company Organization of ENE A – Inter-Company Trade Union Organization of ENE A Ciepło sp. z o.o. with its registered office in Białystok at the National Union of Heat Sector Employees – Inter-Company Trade Union Organization of the Trade Union of Engineers and Technicians in ENE A S.A. – Inter-Company Power Engineering Trade Union of ENE A Wytwarzanie sp. z o.o. – Inter-Company Trade Union of Supervision Employees of the Połaniec Power Plant – Inter-Company Trade Union of ENE A Group Employees – Inter-Company Trade Union of Supervision Employees of the Połaniec Power Plant in Zawada – "Synergia" Inter-Company Trade Union of ENE A Group Employees
Lubelski Węgiel "Bogdanka"	<ul style="list-style-type: none"> – NSZZ "Solidarność" – Trade Union of Miners in Poland – "Kadra" Trade Union – "Przeróbka" Trade Union of Employees of Mechanical Coal Processing Plants in Poland

The management boards of ENEA Group companies are engaged in continuous dialog with trade unions. In 2019, a social contract was signed, which among others set out the rules of stabilization of employment. Additionally, in response to postulates of trade unions in respect to salary growth, annual salary negotiations are conducted. Social stakeholders actively cooperate with employers in amendments to internal labor regulations.

Lubelski Węgiel "Bogdanka" S.A. has appointed a Committee on Amendments to the Internal Collective Bargaining Agreement, through which it conducts the process of the employer's continuous negotiations with trade unions. In other companies, task forces are appointed when the bargaining agreements need amending.

ENEA Group employees influence the operation of their companies and the Group also by electing their representatives to supervisory boards (of most of the Group companies¹⁹) and through the possibility of electing employee representatives to employee councils (currently in ENEA Elektrownia Polaniec S.A.).

12.7.6 Occupational health and safety

As regards occupational health and safety, the ENEA Group operates in accordance the applicable regulations while constantly adjusting its internal policies in this respect to the regulatory environment. Group companies strive to eliminate accidents at work and occupational diseases and to raise awareness of occupational hazards among Employees (among others through training and knowledge contests), as well as to increase their responsibility and involvement in improving safety at work. They also introduce further ergonomic improvements (e.g. equipping workstations with footrests or wrist pads, replacing office chairs with ones with adjustable armrests).

The Group monitors new technical solutions affecting the OHS level, among others through annual participation of a designated employee in seminars and lectures organized during the Work Safety Expo. The state of occupational health and safety is continuously monitored and improved, which is guaranteed by the accepted policies, procedures and instructions. They require, among others, regular inspections of tools and equipment, ongoing monitoring of working conditions and observance of regulations by employees. Some units have social labor inspectors appointed in accordance with the *Rules and Regulations for appointing Social Labor Inspectors in the ENEA S.A. Group*, who inspect the OHS conditions on behalf of employees and put forward improvement proposals. Employee representatives also sit on OHS committees operating in some of the companies.

OHS documents in leading ENEA Group companies which are important in this area

ENEA S.A.	<ul style="list-style-type: none"> – ENEA S.A.'s Work Rules and Regulations – OHS training programs for ENEA S.A. – Occupational risk assessment – Other instructions (instruction on occupational risk assessment and documentation; first aid instruction; fire safety instruction)
ENEA Operator	<ul style="list-style-type: none"> – Procedure for occupational risk assessment and documentation in ENEA Operator sp. z o.o. – Fire safety procedure in ENEA Operator sp. z o.o. – Procedure defining the principles of cooperation in OHS area between ENEA Operator sp. z o.o. and Contractors – Periodic OHS training procedure in ENEA Operator sp. z o.o. – Training procedure for live-line working in ENEA Operator sp. z o.o. – Fall protection procedure for working at height in ENEA Operator sp. z o.o. – Procedure for the organization of safe work with power generators in ENEA Operator sp. z o.o. – Procedure for record-keeping and inspection of electrical insulation protective equipment and voltage indicating devices in ENEA Operator sp. z o.o. – Document circulation procedure for specialist instructions on the fall protection and evacuation rules while working at height in ENEA Operator sp. z o.o. – First Aid Procedure in ENEA Operator sp. z o.o. – Premedical Rescue Organization Procedure in ENEA Operator Sp. z o.o. – Rules and Regulations for Professional Preparation of New Energy Post Employees – Instructions (Instruction on organization of safe work with power devices in ENEA Operator Sp. z o.o.; Instruction on organization of work installing and replacing balancing meters and communication modules in MV/LV transformer stations for the AMI project, operating instructions of power facilities and devices, job instructions) – Other instructions (Standard equipment for Energy Posts and vehicles of Energy Posts teams; Methods and rules of fall protection for works at height in ENEA Operator sp. z o.o.; Notification to the National Labor Inspectorate/District Prosecutor's Office of a fatal, serious, collective accident; Notification of an accident; Standardization – safety tables and signs and rules of their use in ENEA Operator sp. z o.o.)

¹⁹ In ENEA S.A. and ENEA Wytwarzanie Sp. z o.o., this right is derived directly from the Act on Commercialization and Certain Employee Rights.

<p>ENEA Połaniec Power Plant</p>	<ul style="list-style-type: none"> – Integrated Management System including the Occupational Health and Safety Management System – <i>Instruction on Safe Work Organization in ENEA Elektrownia Połaniec S.A.</i> – <i>Instruction on dealing with accidents and sudden illnesses and post-accident procedure</i> – <i>Instruction on conducting and documenting OHS training sessions</i> – <i>Instruction on the assignment of working clothes and footwear, personal protective equipment and cleaning products to employees</i> – <i>Fire safety instruction in ENEA Elektrownia Połaniec S.A.</i> – <i>Instruction on the tobacco smoking ban, including novel tobacco products and electronic cigarettes</i> – <i>Occupational health and safety monitoring procedure</i> – <i>Procedure to identify hazards, assess occupational risk and other risks for the OHS management system</i>
<p>ENEA Wytwarzanie</p>	<ul style="list-style-type: none"> – <i>Policy of the Integrated Quality, Environmental and OHS Management System</i> – <i>Procedure OHS monitoring</i> – <i>Procedure “Emergency preparedness and response at the Koronowo site”</i> – <i>Procedure Hazard identification and occupational risk assessment</i> – <i>Instructions (Instruction on the assessment of occupational risk at workplace; Instruction on the investigation of accidents at work, occupational diseases and potential occurrences; Instruction on the Safe Work Organization; job and OHS instructions, OHS instructions on the operation of devices)</i> – <i>Work Rules and Regulations for ENEA Wytwarzanie sp. z o.o. Employees</i> – <i>Policy against mobbing and discrimination and other unacceptable conduct in ENEA Wytwarzanie sp. z o.o.</i> – <i>Ordinance on the employer's responsibility for OHS</i> – <i>Initial, job and periodical training sessions for Employees,</i> – <i>Rules and Regulations of Organizational Units of ENEA Wytwarzanie sp. z o.o.</i>
<p>Lubelski Węgiel “Bogdanka”</p>	<ul style="list-style-type: none"> – <i>Strategy for the Work Safety Area</i> – <i>Mine Safety Document</i> – <i>Procedures, rules, guidelines and instructions of the Integrated Quality, Environmental and OHS Management System</i> – <i>Work Rules and Regulations</i> – <i>Ordinance of the Management Board and the Mining Operations Manager</i>
<p>ENEA Pomiar</p>	<ul style="list-style-type: none"> – <i>Procedure for reporting accidents at work</i> – <i>Warehouse OHS instructions (Instruction on the use of a forklift truck; Instruction on the use of a mobile platform; Instruction on manual transportation activities)</i> – <i>Instruction on the operation and maintenance of shelving racks</i> – <i>Instruction on the use of a pneumatic table sealer</i> – <i>Instruction on spraying electricity meters with a spray gun</i> – <i>Fire emergency instruction</i> – <i>Other instructions (Instruction on the use of a computer with a display screen and a printer; Instruction on the use of a shredder)</i>
<p>ENEA Serwis</p>	<ul style="list-style-type: none"> – <i>Procedure for reporting accidents at work and accidents while traveling to or from work in ENEA Serwis sp. z o.o.</i> – <i>Procedure for live-line working</i> – <i>Instructions (Office/administrative job instruction; Electrical equipment installer job instruction; other job instructions)</i>
<p>ENEA Oświetlenie</p>	<ul style="list-style-type: none"> – <i>Work Rules and Regulations for ENEA Oświetlenie sp. z o.o. Employees</i> – <i>Procedure for live-line working with power devices in ENEA Operator sp. z o.o.</i> – <i>OHS-related instructions (among others: Instruction on the organization of safe work with power devices in ENEA Oświetlenie sp. z o.o.; Electrical equipment installer job instruction; Non-electrician job instruction; Instruction on the use of lines and road lighting devices in ENEA Oświetlenie sp. z o.o.; Electrical equipment installer job instruction on measurement of power devices of a portable measuring laboratory; instructions on marking of road lane works; OHS instruction on transport, unloading/loading, storage and assembly of lighting poles; OHS instruction on warehousing and storage of materials; OHS instruction on transport works; OHS instruction on the ladder use; OHS instruction on the use of a computer and a printer)</i> – <i>OHS instruction on the use of office equipment (e.g. binder machines, photocopiers) and OHS instruction on the use of other equipment (e.g. drills, circular saws for wood cutting, grinders)</i> – <i>Rules of operation of power devices in ENEA Operator sp. z o.o.</i>

OHS issues are also taken into consideration in internal collective bargaining agreements.

12.7.7 Selected OHS activities taken by ENEA Group companies in 2020

At the Połaniec Power Plant, a recertification audit was conducted by TÜV NORD Polska Sp. z o.o. for compliance of the occupational health and safety management system with the PN-ISO 45001 standard. In connection with the amendment to the ordinance issued by the Minister of Health, as a result of which the list of carcinogenic agents or technological processes was extended, the company developed a program of organizational and technical steps aimed at reducing the exposure of its employees

to dusts containing crystalline silica. Additionally, the campaign “We only engage in safe work” was continued to improve the work safety of contractors, with 5,480 people trained in 2020 and the occupational health and safety page on the company’s intranet updated.

In ENEA Połaniec Serwis sp. z o.o., an update of the *Instruction on the Organization of Safe Work at ENEA Elektrownia Połaniec S.A.* was implemented, and safe modern equipment (including welding devices and electric tools) was purchased along with certified gear to protect employees against falling from a height.

The Białystok CHP Plant Division of ENEA Ciepło sp. z o.o. purchased radiotelephones for members of its emergency rescue group to improve the quality of communication during rescue operations.

ENEA Ciepło Serwis sp. z o.o. updated its *Instruction on fire safety for the “Zachód” Heat Plant in Białystok at ul. Starosielce 2/1, Document on explosion protection of buildings of the “Zachód” Heat Plant in Białystok at ul. Starosielce 2/1 and Occupational health and safety instruction for manual transport works.*

ENEA Logistyka sp. z o.o. invested in new cable rewinders, which improved not only the efficiency but also the comfort of work for employees of the company’s branches in Gorzów Wielkopolski and Zielona Góra. Moreover, the company made a decision to extend its mandatory periodic fire evacuation exercises in the Poznań head office with the participation of (state and voluntary) fire brigades and other services and companies specializing in fire prevention.

ENEA Oświetlenie sp. z o.o. improved its office working conditions, including by purchases of more ergonomic seats and upgrade of air conditioners. Moreover, the company replaced its fall protection equipment for working at heights and its shock protection equipment.

ENEA Operator sp. z o.o. conducted training sessions on the organizational rules of work with power equipment and installations based on amended occupational health and safety regulations in this area, supported with especially prepared self-study materials.

In ENEA Bioenergia sp. z o.o., a recertification took place from the PN-N 18001:2004 standard to the PN-ISO 45001:2018 standard, which involved, among others, the requirement to update the *Book of the Occupational Health and Safety Management System and the Occupational Health and Safety Policy* along with the training program for internal auditors. Moreover, purchases were made of equipment intended to minimize selected risks (e.g. a limestone crusher and a set of machines for the crimping of high-pressure hydraulic hoses), a training course was held to improve the knowledge of occupational health and safety principles applicable to work at heights, better lighting was installed at selected biomass storage yards and the ergonomics of work for operators of biomass processing equipment was improved (purchases of new furniture, replacement of monitors).

Lubelski Węgiel “Bogdanka” established collaboration with the Medical University of Lublin on specialized first aid training for employees.

Łęczyńska Energetyka sp. z o.o. made numerous purchases of equipment to improve its occupational health and safety standards, including devices for safe work in wells and at heights as well as an anti-fatigue mat for the turnery.

The steps taken to improve the epidemic safety of employees are described in the section entitled *Responsibility of the ENEA Group in the context of the COVID-19 epidemic.*

12.8 Social issues – description of due diligence policies and procedures and their results

12.8.1 Social involvement and volunteerism

The ENEA Group pursues various initiatives in response to the needs and expectations of its stakeholders, locally, regionally and nationally.

The key documents regulating the rules of the Group's social involvement include:

- *Rules for handling applications for support in the social involvement area in the ENEA Group,*
- *Rules for conducting public relations activities and social partnership activities in the ENEA Group,*
- *Rules and Regulations of Employee Volunteerism in the ENEA Group.*

Social involvement and all social responsibility activities in the ENEA Group are coordinated by the Corporate Social Responsibility Office, which is part of the PR and Communication Department at ENEA S.A. The ENEA Foundation is the competence center for the Group's social initiatives; it provides financial support for social objectives using donations received from Group companies. Its goals and principles of operation are defined by:

- *Charter of the ENEA Foundation,*
- *Organizational Rules and Regulations of the ENEA Foundation,*
- *Rules and Regulations on granting support by the ENEA Foundation.*

The ENEA Foundation becomes involved primarily in activities that have lasting social effects. For this purpose, it carries out well thought-out and innovative projects in areas such as safety, education for children and youth, protection of the environment, assistance for the needy and sports, culture and art. In emergency situations, such as epidemics or natural disasters, the Foundation provides direct aid to the victims.

Another entity conducting active social involvement activities is the "Solidarni Górnicy" [Solidary Miners] Foundation established by Lubelski Węgiel "Bogdanka" S.A. Its objective is to support financially company employees and their families, victims of accidents, people suffering from illnesses or those in a difficult financial situation. The organization also supports talents, cultural, environmental and health promotion initiatives. In 2020, the concept of and introduction to the Foundation's growth strategy were developed.

Group companies hold various charitable campaigns and educational projects in areas that include the promotion of a healthy lifestyle or the dissemination of knowledge about the nature. The Group's employees are also involved in the life of local communities. The Group supports their activities, including those pursued within the framework of charitable campaigns and employee volunteerism undertakings.

Social involvement and volunteerism in the ENEA Group	2020
Funds donated by companies ²⁰ for socially beneficial purposes other than counteracting COVID-19 ²¹	PLN 2,701,526
Number of beneficiaries of competence volunteerism ²²	3,412
Number of volunteers under voluntary work contracts as at 31 December 2020	359
Total number of hours spent on voluntary work by employees	660

Including aid provided to counteract the COVID-19 epidemic, the ENEA Group earmarked PLN 8,040,797 for socially beneficial purposes, up by 146% compared to 2019.

Examples of the ENEA Group's social involvement

ENEA for Generations. Together on safety – an educational program on safety and consumer awareness rolled out by the ENEA Foundation. A new initiative launched in 2020 was TeleAdvice (TeleRada) – a free-of-charge helpline with on-duty experts in various fields (physician, lawyer, dietician, social worker, representative of the consumer ombudsman).

The Power of Help (Potęga poMocy) – a grant contest addressed to employees of the ENEA Group involving submission of ideas for activities benefiting local communities. Volunteering employees make repairs, renew gardens, organize festivals or sports competitions, fulfill dreams of children from orphanages, support the elderly, sick and needy and also help animals. In 2020, 8 projects were selected for PLN 25,000 in financial support from the ENEA Foundation. The completed initiatives included hortitherapy workshops for children threatened with social exclusion and renovation of a school day-room.

²⁰Through the ENEA Foundation, the "Solidarni Górnicy" Foundation or directly (in the form of donations and own social programs).

²¹For more information on this subject, refer to the section entitled *Responsibility of the ENEA Group in the context of the COVID-19 epidemic* in the Statement.

²²Without the "Socially Involved Bogdanka" program.

Run – Collect – Help – a charitable campaign carried out by the ENEA Foundation and ENEA Group employees. The kilometers covered during running, cycling and Nordic walking competitions and during charitable competitions and sports events sponsored by the Group are converted into Polish zloty and the resulting amount is used to organize activities and events for local communities to support sports development among children and youths.

Competence volunteerism program – in 2020, within the framework of this project, coordinated by the ENEA Foundation, Group employees continued to explain to children how electricity is generated and how to save it (“Electricity is not so scary” campaign) and carried out social education on appropriate responses to accidents (“First aid – pre-medical rescue” campaign).

Action volunteerism program – under this program, the ENEA Foundation invites Group employees to participate in its various initiatives aiming to support local communities. In 2020, volunteers devoted their time to provide help to children and people in need, including by making purchases for senior citizens from Poznań county under the “ENEA for generations” campaign, through participation in charity fundraisers and sharing their knowledge under the #CONTRA19 project.

Buy for your loved ones, help everyone – during the pre-Christmas period, the ENEA Group organized a traditional charity fair, which in 2020 was held online. It enabled the Group’s employees to purchase Christmas gifts and decorations made by participants of occupational therapy workshops for people with intellectual disabilities in Poznań, Piła and Police, while encouraging responsible shopping habits. Proceeds from the fair were used to support medical treatment of individuals taken care of by these institutions.

Apart from conducting its own activities, the ENEA Foundation supports socially beneficial initiatives pursued by other parties. In 2020, due to the epidemic, most funds in this area were earmarked for projects related to the protection and promotion of health. The remaining funds were spent on supporting smaller projects, including charitable endeavors aimed at supporting professional and social integration and reintegration of people at risk of social exclusion, physical exercise, amateur sports and rescue and civil protection undertakings (including Volunteer Fire Brigades).

Actions taken with a view to counteracting the pandemic and its consequences are described in the section entitled *Responsibility of the ENEA Group in the context of the COVID-19 epidemic* in the Statement. In turn, selected environmental projects addressed to local communities are described in the section entitled *Selected environmental activities in the ENEA Group in 2020*.

12.8.2 Security of electricity supply

One of the strategic objectives of the ENEA Group is action for energy security of the country: to ensure continuity of electricity supply and reliable operation of the distribution network.

The regulations of activities to improve reliability of energy supply are in effect in ENEA Operator include the following:

1. *Procedure for planning and requesting work on the HV, MV and LV network for investing and operating purposes and for operational management of the network in ENEA Operator sp. z o.o.*
2. *Procedure for live-line working with power devices in ENEA Operator sp. z o.o.*
3. *Procedure for live-line working on 15 and 20 KV overhead grids in ENEA Operator sp. z o.o.*
4. *Procedure for recording work performed in the live-line working technology and calculating electricity supplied to users during live-line working in ENEA Operator sp. z o.o.*
5. *Procedure of exchanging information and reporting events in the electric power grid by the ENEA Operator sp. z o.o.’s maintenance services and cooperation with crisis management teams in case of extensive failures*
6. *Procedure for managing the removal of trees and bushes within the zones under ENEA Operator sp. z o.o.’s power lines*
7. *Catalog of standard operating activities for HV, MV and LV grids in ENEA Operator sp. z o.o.*
8. *Procedure for eliminating collisions*
9. detailed regulations on correct operation of power installations
10. *Standards for the application of measurement and diagnostic equipment for medium voltage cable lines as well as measurement and diagnostics of high and medium voltage cable lines*
11. standards for technical solutions used for building power lines and power installations
12. *Business continuity plan*, containing contingency procedures for critical processes.

As part of the measures applied to improve the reliability of grid operation, especially of the MV grid, which has the greatest influence on the indicators of duration and frequency of interruptions in electricity supply, the following program and supporting activities are carried out, among others:

- implementation of the *MV Grid Development Concept*, which takes into account development of automated solutions within the grid,
- cables of MV grids passing through forest areas,
- elimination of short-circuit hazards in the MV grid in order to increase the cross-section of the MV line where it leaves the main supply points, which will consequently increase reliability of power supply to consumers,
- implementation of the FDIR (Fault Detection, Isolation & Restoration) function in selected MV line sections,
- liquidation of the 6 kV grid in the Poznań urban area,
- ENEA Operator’s activities in respect to measurements and diagnostics of medium voltage cable lines,
- works aiming to take systemic measures related to the removal of trees and bushes within the zones under power lines.

ENEA Operator sp. z o.o. makes all efforts to limit the consequences of failures and restore power supply to customers as quickly as possible. In order to ensure continuity of electricity supply, the company may supply energy to a separate electric power grid using electricity generators, provided that it is technically feasible. In order to limit interruptions in power supply to users to the minimum, the company regularly increases the scope of work performed in the live-line working technology (MV and LV) and carries out preventive diagnostic measurements. The work on locating damage in the grid, making the necessary switching and repairs to restore power supply to the consumers is undertaken immediately after the failure occurs, by ENEA Operator employees or by external contractors. For each failure, a cause analysis is conducted as an element of the assessment of the technical condition and forms the basis for devising the scope of an upgrade/replacement of devices under the modernization and capital expenditure programs implemented by the company or its operating decisions.

The safety of electricity supply to customers is also improved by introducing standards for any materials used and works performed on the company's distribution network. The use of standardized network equipment enables a faster removal of failures. During the process aimed at developing such standards, each proposed solution is subjected to an in-depth analysis and technological tests. As a result of this work, practical documents are created that incorporate the requirements for the distribution grid across the company. All standards are then subjected to regular annual analyses enabling their detailed formulation and updating in a manner that makes the requirements and guidelines contained therein reflect the current changing needs of the power grid operation.

In 2020, ENEA Operator continued its efforts aimed at improving the operational reliability of the distribution grid by executing upgrading programs, reorganizing the work of teams involved in operational activities and the removal of failures, and providing them with new equipment and tools.

Grid reliability indicators

The pace of improvement of the electricity supply reliability indicators is a result of a consistent implementation of extensive efforts in the areas of capital expenditures, operation and work organization.

	2018	2019	2020	target for 2025 ²³	target for 2030 ²³
SAIDI – System Average Interruption Duration Index ²⁴	150 minutes	98 minutes	77 minutes	105 minutes	100 minutes
SAIFI – System Average Interruption Frequency Index ²⁴	3.03	2.43	2.06 minutes	2.14	2.03

12.9 Human rights issues – description of due diligence policies and procedures and their outcomes

In the area of human rights, the ENEA Group gives priority to:

- strict observance of the principle of equal treatment irrespective of gender, age, origin, social status, health, sexual identity or beliefs,
- implementation of the uniform mobbing prevention policy,
- providing all support to employees who feel they suffer from mobbing to clarify the case objectively and applying corrective measures if the allegations are confirmed,
- promoting the right attitudes in the organization and identifying prohibited conduct (via training, e-learning, webinars, etc.).

Group companies also make every effort to ensure respect for civil rights (such as the right to freedom of expression or the right to privacy) and social rights (basic employee rights, the right to social protection and health protection).

The model conduct for all Group employees is defined primarily by:

- *ENEA Group Code of Ethics*, which defines the ethical values which should be followed by all employees (honesty, competence, responsibility and safety); it also presents the expected rules of conduct, which are based on equal treatment and respect for human dignity. The document introduces standards for relations with customers, business partners, shareholders, local communities and associates;
- *ENEA Group Compliance Policy*, which emphasizes, among others, the need for building a friendly working environment and commitment to the protection of employee health and safety as well as respect for their personal life and time off;
- *Policy against mobbing and discrimination and other unacceptable conduct*, which identifies unacceptable conduct, the procedures for reporting it and handling the reports, as well as preventive measures in this area and the obligations of the employer and employees;
- *Policy for reporting breaches and protecting whistleblowers in the ENEA Group* (document adopted in 2020) – defines channels through which breaches may be reported, roles and persons responsible for their examination, and measures applied to protect persons reporting such breaches.

²³As adopted in the Group's strategy.

²⁴ Reflects scheduled and unscheduled interruptions in electricity supply for high and medium voltages.

The following units are responsible for the implementation of and supervision over the foregoing regulations:

- in the field of counteracting mobbing and compliance with the ethical principles included in the *ENEA Group Code of Ethics* – Human Resources Management Department at ENEA S.A.;
- in the field of compliance – Legal and Organizational Department at ENEA S.A., whose director is also the Compliance Officer of the ENEA Group (since December 2019).

All employees are also obligated to monitor their surroundings in the context of the applicable standards.

Additionally, the Group has appointed the Ethics Committee, which resolves any ethical concerns reported by employees and ensures objective investigation of suspected violations of the Code of Ethics. The Committee operates on the basis of its rules and regulations, which define, among others, the procedures for reporting concerns and violations, as well as the handling of investigations.

In 2020, no confirmed cases of discrimination occurred in the ENEA Group.

In most companies, special teams have been established to issue opinions in this area. Their task is to investigate all the allegations reported by employees and issue recommendations regarding alleged incidents of mobbing, discrimination or other behavior that is unacceptable in the workplace.

Due to the diversity among Group companies, additional documents or measures have been implemented at the level of each entity, consistent with the rules adopted for the whole organization.

Lubelski Węgiel “Bogdanka” has an internal *Code of Ethics* in place for GK LW Bogdanka S.A. The person in charge of monitoring its regulations is the Ethics Officer, who is also responsible for ethical education of employees, and the CSR Inspector. The Company also has a Compliance Policy Division.

ENEA S.A. in cooperation with ENEA Centrum sp. z o.o. prepared e-learning training for the employees and webinars (for managers) entitled “Building a friendly working environment – prevention of mobbing and discrimination and other unacceptable conduct”. Participation in this training was mandatory for employees of ENEA S.A., ENEA Operator sp. z o.o., ENEA Wytwarzanie sp. z o.o., ENEA Centrum sp. z o.o., ENEA Oświetlenie sp. z o.o., ENEA Trading sp. z o.o., ENEA Serwis sp. z o.o., ENEA Pomiar sp. z o.o. and ENEA Bioenergia sp. z o.o.

ENEA S.A. holds a “Company without mobbing” certificate issued by the Sanduro Anti-Mobbing Center. It confirms the high degree of protection provided to employees.

Selected human rights initiatives pursued by the ENEA Group in 2020

In 2020, the following documents were prepared and put into practice: *Procedure for Reporting Breaches in Lubelski Węgiel “Bogdanka” S.A.* and *Compliance Policy of Lubelski Węgiel “Bogdanka” S.A.*

In 2020, ENEA S.A. and ENEA Wytwarzanie sp. z o.o. updated their internal regulations on counteracting mobbing, discrimination and other unacceptable behaviors. Corresponding internal regulations will be subsequently updated in other Group companies, in line with the principle of a uniform policy in this area.

Members of the anti-mobbing team at ENEA Pomiar sp. z o.o. participated in a training course on “Counteracting Mobbing and Discrimination”.

Customer privacy protection

The ENEA Group respects the privacy of its customers and protects the security of stored data, guided by the applicable laws and internal procedures in this area.

ENEA Group companies comply with the requirements provided for by the *Act on the National Cybersecurity System*. The organization has deployed advanced IT solutions enabling quick and efficient responding to cybersecurity incidents and counteracting risks in this area, with particular emphasis on the newest threats resulting from the need to adapt the security of systems to operation in a pandemic period. Furthermore, pursuant to the GDPR requirements, Data Protection Officers have been appointed in Group companies. They monitor compliance with personal data protection regulations and are contact persons for any matters in that area, also for customers.

Implemented internal regulations:

- *Personal Data Protection Policy in the ENEA Group,*
- *ICT Security Principles in the ENEA Group,*
- *Personal Data Processing Principles in the ENEA Group,*
- *Personal Data Processing Risk Methodology in the ENEA Group.*

Moreover, the companies adopt their own regulations, an example of which is the *Information Security Policy for ICT Systems at Lubelski Węgiel “Bogdanka” S.A.*

In the reporting period, the ENEA Group did not identify any breaches related to the protection of customer data that qualified for reporting to the President of the Personal Data Protection Authority.

Personal data protection in the sales area

The ENEA Group has developed a Code of Best Practices for the processing of personal data in the sales area. It is a set of practical rules pertaining to direct marketing, personal data processing and the fulfillment of obligations under the GDPR, the Telecommunications Law and the Act on the Provision of Electronic Services. It was created in collaboration with the Inspector for Personal Data Protection and is applicable to all sellers.

In turn, the Sustainable Direct Marketing Policy at ENEA S.A. is a form of a public declaration by ENEA S.A. regarding its compliance with the laws governing the protection of personal data and the privacy of customers. It provides for the exercise of due diligence on the part of ENEA S.A. in its marketing activities targeted at customers.

Selected activities in 2020

In 2020, the *Personal Data Protection Policy in the ENEA Group* was reviewed and updated.

ENEA Trading sp. z o.o. carried out a review of processes related to the processing of data contained in identity documents. Under this review, an opinion was obtained from the President of the Office for Personal Data Protection confirming that the practices adopted by the company are in full compliance with the applicable regulations. Moreover, due to the increased level of risk of data security incidents caused by the adoption of distant work solutions, the company and ENEA S.A. increased the frequency of messages aimed at raising awareness of the obligations and threats related to data processing among employees. Duties in the area of information security have been included in agreements on the performance of remote work entered into with employees by most companies at the beginning of the COVID-19 epidemic.

At ENEA Serwis sp. z o.o., the *Safety rules for home office work* have been implemented.

12.10 Anti-corruption measures – description of due diligence policies and procedures and their outcomes

12.10.1 Preventing corruption

The key document governing issues related to preventing the acceptance of financial and personal gains is the *Rules for Offering and Receiving Gifts in the ENEA Group*, providing for an obligation to obtain consent to accept gifts with a value greater than PLN 200. Issues related to counteracting corruption have also been standardized in the *ENEA Group Compliance Policy* and the *ENEA Group Code of Ethics*.

Provisions that support the Group's efforts aimed at counteracting corruption are also included in the following documents:

- *Policy for reporting breaches and protecting whistleblowers in the ENEA Group* (adopted in 2020),
- *ENEA Group Procurement Policy*,
- *ENEA Group Code of Conduct for Contractors* (adopted in 2020), defining the fundamental requirements for contractors in terms of their compliance with the law and with ethical and market standards.

A particularly significant component of the anti-corruption system is the creation of a proper organizational culture within the ENEA Group. This objective is pursued, among other measures, by direct and e-learning training for employees, promoting ethical and lawful behaviors, and information available on the intranet. The Rules for Offering and Receiving Gifts and endeavors aimed at preventing conflicts of interest and corruption offenses are elements of the mandatory initial training in all Group companies. In addition, training courses on this topic are regularly updated and repeated, especially when a document that governs anti-corruption issues is amended or when a new one comes into life.

The duties of the Organization and Compliance Department include, without limitation, issuing opinions on internal regulations prepared by various organizational units and cells (rules and regulations, instructions, principles, procedures, etc.) in terms of their consistency with other internal regulations. Additionally, the Department:

- conducts periodic reviews of statutory and derivative acts,
- provides ethics and compliance-related information on the intranet, with particular emphasis on counteracting corruption,
- provides support in the interpretation of regulations in the compliance area.

The elimination of breaches in this area is also expedited by the application of pertinent provisions of the internal documents in all Group companies, such as the rules for awarding contracts (containing a requirement that members of management boards and tender committees must submit statements confirming the absence of any relations on their part with contractors participating in the tenders), rules and regulations for creating lists of qualified contractors, principles governing the conduct of emergency purchases and work regulations.

In 2020, activities were completed on the adaptation of the ENEA Group's anti-corruption system to the *Standards recommended for the compliance management system on counteracting corruption and the whistleblower protection system in companies listed*

on markets organized by the Warsaw Stock Exchange. The Organization and Compliance Department was responsible for the performance of this assignment.

Selected anti-corruption activities taken by ENEA Group companies in 2020

In 2020, the following documents were prepared and put into practice: *Procedure for Reporting Breaches in Lubelski Węgiel "Bogdanka" S.A.* and *Compliance Policy of Lubelski Węgiel "Bogdanka" S.A.*

Materials on the compliance system and the Code of Conduct for Contractors were uploaded to the enea.pl website. Moreover, the website was supplemented with a form for the reporting of breaches.

In 2020, ENEA Centrum sp. z o.o. adopted the *Rules for the development, adoption, amendment, withdrawal and publication of internal regulations at ENEA Centrum sp. z o.o.*, and a process for monitoring changes in the legal environment was developed.

Employees of ENEA Trading sp. z o.o. participated in various training courses on ensuring compliance with the EU Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) and on preventing manipulation in the financial instruments market.

ENEA Ciepło sp. z o.o. put in place instructions for counteracting the emergence of conflicts of interest and cases of fraud in connection with the execution of projects co-funded under the Infrastructure and Environment Operational Programme for 2014-2020.

The Extraordinary General Meeting of ENEA Pomiary sp. z o.o. amended the company's articles of association by introducing the obligation to prepare and submit to the Supervisory Board and the General Meeting an annual report on the application of best practices, as referred to in Article 7(3) of the *Act on the Rules for Managing State Property*.

Indicators of the effectiveness of anti-corruption policies	2019	2020
Number of confirmed cases of corruption in ENEA Group companies	2	0

In February 2020, an anonymous report was filed regarding alleged corruption cases in ENEA Bioenergia sp. z o.o. related to biomass supplies. To investigate the case, the company appointed a special team which, after several months of work, presented its final report on the assessment of the situation to the supervisory units. The report was presented to the Security Department of ENEA S.A., the Management Board of ENEA Elektrownia Połaniec S.A., the Supervisory Board of ENEA Bioenergia sp. z o.o. and the Management Board of ENEA Bioenergia sp. z o.o. In the report, proposals were described for improvements in the process of handling biomass supplies with a view to minimizing the risk of undesirable behaviors. At the same time, the team found no evidence to support the allegations of corruption.

13. Appendices

Appendix 1 - Statement of profit and loss of ENEA Operator – FY 2020

[PLN 000s]	2019	2020	Change	Change [%]
Revenue from sales of distribution services to end users	2,704,174	2,897,237	193,063	7.1%
Revenue from additional fees	5,522	3,277	-2,245	-40.7%
Revenue from non-invoiced sale of distribution services	-6,597	-6,040	557	8.4%
Settlement of the balancing market	27,967	39,707	11,740	42.0%
Grid connection fees	68,533	131,163	62,630	91.4%
Revenue from illegal consumption of electricity	5,503	5,835	332	6.0%
Revenue from services	28,637	27,144	-1,493	-5.2%
Revenue from sales of distribution services to other entities	18,412	26,631	8,219	44.6%
Revenue from sales of goods and materials and other revenue	2,877	1,619	-1,258	-43.7%
Revenue from sales	2,855,028	3,126,572	271,543	9.5%
Depreciation of fixed assets and amortization of intangible assets	594,577	624,892	30,315	5.1%
Employee benefit costs	470,375	506,378	36,003	7.7%
Consumption of materials and supplies and cost of goods sold	33,700	32,921	-779	-2.3%
Purchase of energy for own needs and grid losses	320,935	352,982	32,047	10.0%
Costs of transmission services	443,650	464,819	21,169	4.8%
Other third-party services	287,286	294,329	7,043	2.5%
Taxes and charges	198,127	229,681	31,554	15.9%
Tax-deductible expenses	2,348,650	2,506,002	157,352	6.7%
Other operating revenue	56,017	124,785	68,768	122.8%
Other operating costs	64,681	63,592	-1,089	-1.7%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(13,742)	(7,700)	6,042	44.0%
Operating profit / (loss)	483,972	674,063	190,090	39.3%
Finance income	2,754	4,057	1,303	47.3%
Finance costs	98,727	86,358	-12,369	-12.5%
Profit / (loss) before tax	387,999	591,762	203,762	52.5%
Income tax	77,895	116,451	38,556	49.5%
Net profit / (loss) for the reporting period	310,104	475,311	165,206	53.3%
EBITDA	1,078,549	1,298,955	220,405	20.4%

ENEA Operator – EBITDA key drivers in 2020 (up by PLN 220 million):

(+) revenue from sales of distribution services to end users up by PLN 194 million driven by a higher rate of the fixed and variable fee in the 2020 tariff and the delayed introduction of the 2019 tariff

(-) costs of purchasing transmission and distribution services (balance) up by PLN 13 million due to higher rates in the approved 2020 tariff

(+) revenues from grid connection fees up by PLN 63 million as a result of connection of a RES facility in Connection Group II for a significant non-recurring fee

(-) higher costs of purchasing electricity to cover the balance-sheet difference (balance) by PLN 20 million resulted mainly from the higher average price of electricity

(-) higher operating costs by PLN 74 million resulting mainly from higher employee benefit costs and higher costs of taxes and charges

(+) result on other operating activities up by PLN 76 million resulting mainly from remeasurement of provisions for grid assets, higher revenue from contractual penalties and indemnities, changes in impairment losses and higher revenue from fixing infrastructure collisions

Appendix 2 - Statement of profit and loss of ENEA Operator in Q4 2020

[PLN 000s]	Q4 2019	Q4 2020	Change	Change [%]
Revenue from sales of distribution services to end users	698,105	753,541	55,435	7.9%
Revenue from additional fees	1,587	1,325	-262	-16.5%
Revenue from non-invoiced sale of distribution services	-1,001	-7,475	-6,474	-646.7%
Settlement of the balancing market	13,169	13,378	209	1.6%
Grid connection fees	21,647	18,398	-3,249	-15.0%
Revenue from illegal consumption of electricity	1,403	1,863	460	32.8%
Revenue from services	7,630	6,784	-846	-11.1%
Revenue from sales of distribution services to other entities	4,877	7,023	2,145	44.0%
Revenue from sales of goods and materials and other revenue	686	666	-20	-2.9%
Revenue from sales	748,104	795,501	47,397	6.3%
Depreciation of fixed assets and amortization of intangible assets	157,137	162,555	5,418	3.4%
Employee benefit costs	146,908	135,594	-11,314	-7.7%
Consumption of materials and supplies and cost of goods sold	10,115	10,778	663	6.6%
Purchase of energy for own needs and grid losses	85,566	90,990	5,424	6.3%
Costs of transmission services	115,829	116,030	201	0.2%
Other third-party services	77,984	92,435	14,451	18.5%
Taxes and charges	32,493	56,087	23,594	72.6%
Tax-deductible expenses	626,032	664,469	38,437	6.1%
Other operating revenue	21,586	38,787	17,201	79.7%
Other operating costs	12,175	15,227	3,052	25.1%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(5,412)	(3,806)	1,606	29.7%
Operating profit / (loss)	126,071	150,786	24,715	19.6%
Finance income	952	519	-433	-45.5%
Finance costs	39,441	19,430	-20,011	-50.7%
Profit / (loss) before tax	87,582	131,875	44,293	50.6%
Income tax	17,214	25,640	8,426	48.9%
Net profit / (loss) for the reporting period	70,368	106,235	35,867	51.0%
EBITDA	283,208	313,341	30,133	10.6%

ENEA Operator – EBITDA key drivers in Q4 2020 (up by PLN 30 million):

- (+) revenue from sales of distribution services to end users up by PLN 49 million, driven mainly by higher fixed and variable fee rates in the 2020 tariff and a 109 GWh increase in volume
- (+) costs of purchasing transmission and distribution services (balance) down by PLN 2 million
- (-) revenue from grid connection fees down by PLN 3 million
- (-) costs of purchasing electricity to cover the balance-sheet difference (balance) up by PLN 5 million, mainly due to higher average price of electricity
- (-) operating costs up by PLN 27 million, mainly due to higher costs of taxes and charges, and third-party services, with a concurrent decrease in employee benefit costs
- (+) result on other operating activities up by PLN 16 million, resulting mainly from higher revenue from fixing infrastructure collisions, higher revenue from contractual penalties and indemnities and remeasurement of provisions for grid assets

Appendix 3 - Statement of profit and loss of ENEA Wytwarzanie in 2020

[PLN 000s]	2019	2020	Change	Change [%]
Revenue from sales of electricity	4,771,349	5,376,786	605,437	12.7%
generation license	4,415,847	4,566,749	150,902	3.4%
trading license	287,089	720,723	433,634	151.0%
Regulatory System Services	68,413	89,314	20,901	30.6%
Revenue from certificates of origin	37,792	35,300	-2,492	-6.6%
Revenue from sales of heat	948	984	36	3.8%
Revenue from sales of other products and services	9,807	6,280	-3,527	-36.0%
Revenue from sales of goods and materials	15,405	14,596	-809	-5.3%
Net revenue from sales	4,835,301	5,433,946	598,645	12.4%
Compensation	115	0	-115	-100.0%
Revenue from leases and operating subleases	238	358	120	50.4%
Net revenue from sales and other income	4,835,654	5,434,304	598,650	12.4%
Depreciation of fixed assets and amortization of intangible assets	434,435	437,612	3,177	0.7%
Employee benefit costs	272,341	284,542	12,201	4.5%
Consumption of materials and supplies and cost of goods sold	2,790,451	3,261,357	470,906	16.9%
Purchase of energy for subsequent sale	570,591	654,304	83,713	14.7%
Transmission services	389	479	90	23.1%
Other third-party services	134,321	129,317	-5,004	-3.7%
Taxes and charges	84,274	83,107	-1,167	-1.4%
Tax-deductible expenses	4,286,802	4,850,718	563,916	13.2%
Other operating revenue	162,794	36,703	-126,091	-77.5%
Other operating costs	4,783	12,272	7,489	156.6%
Profit / (loss) on the sale and liquidation of property, plant and equipment	837	825	-12	-1.4%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	(10,314)	3,403,993	3,414,307	33,103.6%
Operating profit / (loss)	718,014	(2,795,151)	-3,513,165	-489.3%
Finance income	11,741	585	-11,156	-95.0%
Finance costs	172,480	144,732	-27,748	-16.1%
Dividend income	465	152	-313	-67.3%
Profit / (loss) before tax	557,740	(2,939,146)	-3,496,886	-627.0%
Income tax	84,043	-554,073	-638,116	-759.3%
Net profit / (loss) for the reporting period	473,697	(2,385,073)	-2,858,770	-603.5%
EBITDA	1,142,135	1,046,454	-95,681	-8.4%

ENEA Wytwarzanie – EBITDA key drivers in 2020 (down by PLN 96 million):

Kozienice Power Plant – EBITDA down by PLN 55.1 million.

In 2019, the provision for the purchase of the Skoczylody wind farm in the amount of PLN 129.0 million was reversed. The EBITDA deviation, without the reversal of the Skoczylody provision is PLN +73.9 million

Other drivers:

- (+) trading and Balancing Market margin up by PLN 251.5 million
- (+) revenue from certificates of origin up by PLN 22.6 million
- (+) revenue from Regulatory System Services up by PLN 20.9 million
- (-) fixed costs up by PLN 7.5 million
- (-) decrease in other factors by PLN 8.9 million (revenue from services down by PLN 3.3 million; result on other operating activities down by PLN 2.0 million, revenue from sales of materials down by PLN 1.6 million)
- (-) generation margin down by PLN 204.7 million

RES Segment (EBITDA down by PLN 40.6 million):

On 1 December 2020, the RES Segment was spun off from ENEA Wytwarzanie sp. z o.o. The presented deviation in the table is the EBITDA achieved over the entire year 2019 and 11 months of 2020.

EBITDA drivers:

(-) Wind Area (PLN -26.0 million): revenue from certificates of origin down by PLN 16.7 million, revenue from sales of electricity down by PLN 7.7 million, result on other operating activities down by PLN 2.7 million, fixed costs down by PLN 0.9 million, result on liquidation of property, plant and equipment up by PLN 0.2 million

(-) Hydro Area (PLN -13.7 million): revenue from certificates of origin down by PLN 8.1 million, revenue from sales of electricity down by PLN 6.2 million, fixed costs down by PLN 0.5 million; other factors up by PLN 0.1 million

(-) Biogas Area (PLN -0.9 million): costs of consumption and transport of substrates up by PLN 1.6 million, revenue from certificates of origin down by PLN 0.4 million, revenue from sales of electricity up by PLN 0.8 million; fixed costs down by PLN 0.3 million

Appendix 4 - Statement of profit and loss of ENEA Wytwarzanie in Q4 2020

[PLN 000s]	Q4 2019	Q4 2020	Change	Change [%]
Revenue from sales of electricity	1,210,320	1,338,195	127,875	10.6%
generation license	1,072,573	1,173,431	100,858	9.4%
trading license	107,996	151,438	43,442	40.2%
Regulatory System Services	29,751	13,326	-16,425	-55.2%
Revenue from certificates of origin	11,582	5,567	-6,015	-51.9%
Revenue from sales of heat	298	342	44	14.8%
Revenue from sales of other products and services	2,614	1,296	-1,318	-50.4%
Revenue from sales of goods and materials	3,151	3,888	737	23.4%
Net revenue from sales	1,227,965	1,349,288	121,323	9.9%
Compensation	115	0	-115	-100.0%
Revenue from leases and operating subleases	64	96	32	50.0%
Net revenue from sales and other income	1,228,144	1,349,384	121,240	9.9%
Depreciation of fixed assets and amortization of intangible assets	110,424	105,577	-4,847	-4.4%
Employee benefit costs	84,939	77,848	-7,091	-8.3%
Consumption of materials and supplies and cost of goods sold	670,788	816,920	146,132	21.8%
Purchase of energy for subsequent sale	189,833	198,713	8,880	4.7%
Transmission services	53	70	17	32.1%
Other third-party services	37,115	29,782	-7,333	-19.8%
Taxes and charges	19,826	20,154	328	1.7%
Tax-deductible expenses	1,112,978	1,249,064	136,086	12.2%
Other operating revenue	136,424	-1,099	-137,523	-100.8%
Other operating costs	1,456	3,763	2,307	158.4%
Profit / (loss) on the sale and liquidation of property, plant and equipment	662	503	-159	-24.0%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	(10,314)	2,881,171	2,891,485	28,034.6%
Operating profit / (loss)	261,110	(2,785,210)	-3,046,320	-1,166.7%
Finance income	2,068	107	-1,961	-94.8%
Finance costs	57,484	37,807	-19,677	-34.2%
Profit / (loss) before tax	205,694	(2,822,910)	-3,028,604	-1,472.4%
Income tax	15,023	-532,125	-547,148	-3,642.1%
Net profit / (loss) for the reporting period	190,671	(2,290,785)	-2,481,456	-1,301.4%
EBITDA	361,220	201,538	-159,682	-44.2%

ENEA Wytwarzanie – EBITDA key drivers in Q4 2020 (down by PLN 156 million):

Koziencice Power Plant – EBITDA down by PLN 151.0 million:

In 2019, the provision for the purchase of the Skoczykłody wind farm in the amount of PLN 129.0 million was reversed. The EBITDA deviation, without the reversal of the Skoczykłody provision is PLN -+22.0 million

Other drivers:

- (-) revenue from Regulatory System Services down by PLN 16.4 million
- (-) contribution of other drivers down by PLN 14.5 million, including a PLN 11.2 million decrease in the result on other operating activities
- (-) generation margin down by PLN 13.2 million
- (+) trading and balancing market margin up by PLN 8.5 million
- (+) fixed costs down by PLN 13.6 million

RES Segment (EBITDA down by PLN 8.7 million).

On 1 December 2020, the RES Segment was spun off from ENEA Wytwarzanie sp. z o.o. The presented deviation in the table is the EBITDA achieved over the period from October to December 2019 and October-November 2020.

EBITDA drivers:

- (-) Wind Area (PLN -4.0 million):** revenue from certificates of origin down by PLN 3.1 million, revenue from sales of electricity down by PLN 2.6 million, result on other operating activities up by PLN 0.2 million, fixed costs down by PLN 1.4 million, result on liquidation of property, plant and equipment up by PLN 0.1 million
- (-) Hydro Area (PLN -4.7 million):** revenue from certificates of origin down by PLN 3.0 million, revenue from sales of electricity down by PLN 3.7 million, fixed costs down by PLN 1.6 million; other factors up by PLN 0.4 million

Appendix 5 - Statement of profit and loss of ENEA Elektrownia Połaniec in 2020

[PLN 000s]	2019	2020	Change	Change [%]
Revenue from sales of electricity	2,473,660	2,208,905	-264,755	-10.7%
generation license	2,045,970	1,723,479	-322,491	-15.8%
trading license	381,234	460,359	79,125	20.8%
Regulatory System Services	46,456	25,067	-21,389	-46.0%
Revenue from certificates of origin	227,119	237,166	10,047	4.4%
Revenue from sales of CO ₂ emission allowances	21,780	0	-21,780	-100.0%
Revenue from sales of heat	55,465	51,446	-4,019	-7.2%
Revenue from sales of other products and services	5,404	5,417	13	0.2%
Revenue from sales of goods and materials	1,929	3,451	1,522	78.9%
Excise duty	52	57	5	9.6%
Revenue from sales and other income	2,785,305	2,506,328	-278,977	-10.0%
Depreciation of fixed assets and amortization of intangible assets	59,651	67,512	7,861	13.2%
Employee benefit costs	80,750	77,446	-3,304	-4.1%
Consumption of materials and supplies and cost of goods sold	1,750,538	1,439,192	-311,346	-17.8%
Purchase of energy for subsequent sale	333,849	356,512	22,663	6.8%
Transmission services	338	328	-10	-3.0%
Other third-party services	233,871	229,680	-4,191	-1.8%
Taxes and charges	35,596	35,241	-355	-1.0%
Tax-deductible expenses	2,494,593	2,205,911	-288,682	-11.6%
Other operating revenue	8,925	18,353	9,428	105.6%
Other operating costs	2,038	20,077	18,039	885.1%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	0	56	56	-
Operating profit / (loss)	297,599	298,749	1,150	0.4%
Finance income	2,920	170	-2,750	-94.2%
Finance costs	7,529	6,441	-1,088	-14.5%
Dividend income	2,077	2,643	566	27.3%
Profit / (loss) before tax	295,067	295,121	54	0.0%
Income tax	56,527	55,533	-994	-1.8%
Net profit / (loss) for the reporting period	238,540	239,588	1,048	0.4%
EBITDA	357,250	366,261	9,011	2.5%

ENEA Elektrownia Połaniec – EBITDA key drivers in 2020 (up by PLN 9 million):

System Power Plants Segment (EBITDA down by PLN 42.1 million):

- (-) generation margin down by PLN 93.6 million
- (-) revenue from sales of Regulatory System Services down by PLN 21.4 million
- (+) trading and Balancing Market margin up by PLN 56.5 million
- (+) fixed costs down by PLN 16.5 million

RES Segment (EBITDA up by PLN 44.7 million):

- (+) RES energy production margin up by PLN 43.4 million
- (+) Green Block's margin on sale/remeasurement of green certificate inventories up by PLN 1.1 million
- (+) fixed costs down by PLN 0.1 million

Heat Segment (EBITDA up by PLN 6.5 million)

- (+) margin on heat up by PLN 4.9 million due to: a lower volume of heat generation by PLN 1.0 million, higher heat sales price by PLN 4.9 million, higher cost of fuel by PLN 3.2 million, lower cost of CO₂ by PLN 4.3 million
- (+) fixed costs down by PLN 1.6 million

Appendix 6 - Statement of profit and loss of ENEA Elektrownia Połaniec – Q4 2020

[PLN 000s]	Q4 2019	Q4 2020	Change	Change [%]
Revenue from sales of electricity	598,991	562,816	-36,175	-6.0%
generation license	468,367	435,704	-32,663	-7.0%
trading license	123,727	123,338	-389	-0.3%
Regulatory System Services	6,897	3,774	-3,123	-45.3%
Revenue from certificates of origin	68,481	61,131	-7,350	-10.7%
Revenue from sales of heat	13,737	16,665	2,928	21.3%
Revenue from sales of other products and services	1,365	1,383	18	1.3%
Revenue from sales of goods and materials	1,585	614	-971	-61.3%
Excise duty	14	17	3	21.4%
Revenue from sales and other income	684,145	642,592	-41,553	-6.1%
Depreciation of fixed assets and amortization of intangible assets	15,216	17,984	2,768	18.2%
Employee benefit costs	24,955	22,185	-2,770	-11.1%
Consumption of materials and supplies and cost of goods sold	415,624	363,955	-51,669	-12.4%
Purchase of energy for subsequent sale	110,633	109,490	-1,143	-1.0%
Transmission services	90	89	-1	-1.1%
Other third-party services	61,740	47,803	-13,937	-22.6%
Taxes and charges	8,435	9,333	898	10.6%
Tax-deductible expenses	636,693	570,839	-65,854	-10.3%
Other operating revenue	2,780	8,458	5,678	204.2%
Other operating costs	743	18,630	17,887	2,407.4%
Operating profit / (loss)	49,489	61,581	12,092	24.4%
Finance income	508	18	-490	-96.5%
Finance costs	6,335	1,704	-4,631	-73.1%
Dividend income	0	8	8	-
Profit / (loss) before tax	43,662	59,903	16,241	37.2%
Income tax	8,213	11,738	3,525	42.9%
Net profit / (loss) for the reporting period	35,449	48,165	12,716	35.9%
EBITDA	64,705	79,565	14,860	23.0%

ENEA Elektrownia Połaniec in Q4 2020 – EBITDA key drivers (up by PLN 15 million):

System Power Plants Segment (EBITDA down by PLN 10.4 million):

- (-) generation margin down by PLN 10.8 million
- (-) revenue from sales of Regulatory System Services down by PLN 3.9 million
- (+) fixed costs down by PLN 6.3 million
- (+) trading and Balancing Market margin up by PLN 2.0 million

RES Segment (EBITDA up by PLN 20.4 million):

- (+) RES energy production margin up by PLN 17.1 million
- (+) fixed costs down by PLN 3.2 million

Heat Segment (EBITDA up by PLN 4.9 million)

- (+) margin on heat up by PLN 3.6 million
- (+) fixed costs down by PLN 1.4 million

Appendix 7 - Statement of profit and loss of LW Bogdanka Group in 2020

(data from the LW Bogdanka consolidation package)

[PLN 000s]	2019	2020	Change	Change [%]
Net revenue from sales	2,155,556	1,812,825	-342,731	-15.9%
Revenue from leases and operating subleases	2,302	9,287	6,985	303.4%
Revenue from sales and other income	2,157,858	1,822,112	-335,746	-15.6%
Depreciation of fixed assets and amortization of intangible assets	352,984	336,549	-16,435	-4.7%
Employee benefit costs	647,766	621,634	-26,132	-4.0%
Consumption of materials and supplies and cost of goods sold	338,424	329,225	-9,199	-2.7%
Other third-party services	333,417	325,812	-7,605	-2.3%
Taxes and charges	46,261	47,819	1,558	3.4%
Tax-deductible expenses	1,718,852	1,661,039	-57,813	-3.4%
Other operating revenue	28,045	8,238	-19,807	-70.6%
Other operating costs	3,004	6,378	3,374	112.3%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(46,104)	(29,345)	16,759	-36.4%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	(250)	6,161	6,411	2,564.4%
Operating profit / (loss)	418,193	127,427	-290,766	-69.5%
Finance income	15,709	7,537	-8,172	-52.0%
Finance costs	12,355	9,588	-2,767	-22.4%
Profit / (loss) before tax	421,547	125,376	-296,171	-70.3%
Income tax	78,081	26,329	-51,752	-66.3%
Net profit / (loss)	343,466	99,047	-244,419	-71.2%
EBITDA	770,927	470,137	-300,790	-39.0%

LW Bogdanka Group – EBITDA key drivers in 2020 (down by PLN 301 million):

- (-) a decrease in revenue from sales of coal in connection with the lower volume of coal sales (-1.69 million tons)
- (+) the lower sales volume was partially offset by a nearly 2.0% increase in the price of coal sold
- (+) remuneration – in 2020: an increase in the number of employees taking advantage of the benefits introduced by the “anti-crisis shield” in connection with the current pandemic and the dofinansowanie z Wojewódzkiego Urzędu Pracy w Lublinie was included [reduction of costs for the Group]
- (+) consumption of materials - lower consumption because of lower production
- (+) third-party services - change in the scope of work commissioned to third party companies and a lower cost of waste management due to lower mining output
- (-) taxes and charges - a higher property tax amount in connection with the fact that the taxable base does now include underground workings equipment in the tax base, with a lower mining fee due to lower mining output
- (-) in 2019 reversal of the provision for claims under the dispute with ZUS (which increased the comparative level by approx. PLN 16 million)
- (-) in 2020, a decrease in coal inventories¹⁾ by PLN 6.3 million (increase in costs); in 2019 an increase in inventories¹⁾ by PLN 15.3 million (decrease in costs)

1) *impact on presented costs = technical coal production cost allocated according to the current structure * change of coal inventory volume in the analyzed period*

Appendix 8 - Statement of profit and loss of LW Bogdanka Group in Q4 2020

(data from the LW Bogdanka consolidation package)

[PLN 000s]	Q4 2019	Q4 2020	Change	Change [%]
Net revenue from sales	529,445	466,386	-63,059	-11.9%
Revenue from leases and operating subleases	2,302	2,192	-110	-4.8%
Revenue from sales and other income	531,747	468,578	-63,169	-11.9%
Depreciation of fixed assets and amortization of intangible assets	92,201	86,110	-6,091	-6.6%
Employee benefit costs	176,085	136,417	-39,668	-22.5%
Consumption of materials and supplies and cost of goods sold	89,182	78,017	-11,165	-12.5%
Other third-party services	88,325	94,397	6,072	6.9%
Taxes and charges	7,668	10,261	2,593	33.8%
Tax-deductible expenses	453,461	405,202	-48,259	-10.6%
Other operating revenue	5,737	3,742	-1,995	-34.8%
Other operating costs	944	3,664	2,720	288.1%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(16,481)	(4,356)	12,125	73.6%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	(250)	6,999	7,249	2,899.6%
Operating profit / (loss)	66,848	52,099	-14,749	-22.1%
Finance income	4,172	4,973	801	19.2%
Finance costs	3,656	1,869	-1,787	-48.9%
Profit / (loss) before tax	67,364	55,203	-12,161	-18.1%
Income tax	13,415	10,910	-2,505	-18.7%
Net profit / (loss)	53,949	44,293	-9,656	-17.9%
EBITDA	158,799	145,208	-13,591	-8.6%

LW Bogdanka Group – EBITDA key drivers in Q4 2020 (down by PLN 14 million):

- (-) a decrease in revenue from sales of coal in connection with the lower volume of coal sales (-0.33 million tons).
- (+) remuneration – in 2020: an increase in the number of employees taking advantage of the benefits introduced by the “anti-crisis shield” in connection with the current pandemic and the dofinansowanie z Wojewódzkiego Urzędu Pracy w Lublinie was included [reduction of costs for the Group]
- (-) third-party services - change in the scope of work commissioned to third party companies (different schedules of preparatory and mining work)
- (+) lower consumption of materials due to lower mining output
- (+) lower loss on liquidation of property, plant and equipment – smaller scope of the liquidated ends of workings, in which no mining can be performed.
- (-) taxes and charges - higher property tax amount (in connection with the fact that the taxable base does now include underground workings equipment in the tax base)
- (-) in Q4 2020, an increase in coal inventories¹⁾ by PLN 21.4 million (decrease in costs); in Q4 2019 an increase in inventories¹⁾ by PLN 4.9 million (decrease in costs)

¹⁾ impact on presented costs = technical coal production cost allocated according to the current structure + change of coal inventory volume in the analyzed period

14. Glossary of terms and abbreviations

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

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

Financial ratios	Item
Adjusted first contribution margin	Margin on retail trading of electricity and gaseous fuel earned by ENEA S.A., presented together with wholesale sales of ENEA Trading adjusted for presentation by other conditional factors, such as costs of provisions for claims of terminated PMOZE agreements, revenues and costs from sales and purchases of CO ₂ emission allowances, valuation of CO ₂ contracts, forward transactions for energy, gas and property rights presented in operating activities.
Change in working capital	An item from the statement of cash flows
CAPEX	Capital expenditures
Cost of goods and materials sold	Consumption of materials and supplies and cost of goods sold; Purchase of energy for resale; Transmission services; Other third-party services; Taxes and charges; Excise duty
Coverage of non-current assets with equity	Equity / Non-current assets
Current liquidity ratio	Current assets / Current liabilities
Current receivables turnover in days	Average balance of trade and other receivables x days / Revenue from sales and other income
EBIT	Operating profit (loss)
EBITDA	Operating profit (loss) + depreciation and amortization + impairment losses on non-financial non-current assets
EBITDA LTM	EBITDA for the last 12 months
EBITDA profitability	EBITDA / Revenue from sales and other income
External financing	Sum of the following Statement of cash flows items: Loans and borrowings received, Issue of bonds, Repayment of loans and borrowings, Redemption of bonds
Fixed costs	Costs that are independent of the electricity production volume. In a power plant, these costs include: payroll costs and charges, depreciation and amortization, costs of consumption of materials and supplies, costs of third-party services, costs of taxes and charges and other fixed costs
Green Block's margin on sale/remeasurement of green certificate inventories	Margin on the sale of green certificates from the Green Block calculated as a difference between revenue from sales and the cost of sales of the certificates, which takes into account the updated inventories of green certificates, i.e. the updated average weighted price of the inventory of certificates to market price in case their market price drops significantly
Inventory turnover in days	Average balance of inventories x days / Cost of goods and materials sold
Margin from licensed activities	Margin from licensed activities is a management indicator incorporating revenues and costs related to business activity involving distribution of electricity to customers located in a specified area. Those include primarily: <ul style="list-style-type: none"> - revenue from sales of distribution services to end users - costs of transmission and distribution services - costs of electricity purchased to cover the balancing difference and for own needs revenue from grid connection fees ENEA Operator holds a concession granted by the President of the Energy Regulatory Office until 1 July 2030.
Margin on generation	Difference between revenue from sales of electricity produced and revenue from certificates, and the variable costs related to production of that electricity
Margin on heat	Margin on the sales of heat calculated as the difference between revenue from sales of heat and its variable production costs

Margin on RES energy production	Margin on the sales of energy and production of green certificates from the Green Unit, calculated as the difference between revenue from sales of energy and from the valuation of certificates produced and the variable costs of producing them
Margin on the balancing market	Difference between revenue from sales of electricity purchased on the balancing market and the costs of purchasing that electricity incorporating the result on CO ₂ sales
Margin on trading	Difference between revenue from sales of electricity purchased in trading operations and the costs of purchasing electricity incorporating the result on sales of CO ₂
Net debt	loans, borrowings and non-current and current debt securities + non-current and current finance lease liabilities + non-current and current financial liabilities measured at fair value - cash and cash equivalents - non-current and current financial assets measured at fair value - non-current and current debt financial assets measured at amortized cost
Net debt / EBITDA	Interest-bearing liabilities - cash and cash equivalents / EBITDA LTM
Net profitability	Net profit / (loss) for the reporting period / Revenue from sales and other income
Operating expenses	Depreciation and amortization; Employee benefit costs Consumption of materials and supplies and cost of goods sold; Purchase of energy and gas for subsequent sale; Transmission services; Other third-party services; Taxes and charges
Operating profitability	Operating profit / (loss) / Revenue from sales and other income
Own costs	Direct and indirect selling costs of ENEA S.A. and ENEA Trading
Result on other operating activities	Change in the following items: other operating revenue, other operating costs, profit/loss on a change, sale and liquidation of property, plant and equipment
Return on assets (ROA)	Net profit / (loss) for the reporting period / Total assets
Return on equity (ROE)	Net profit / (loss) for the reporting period / Equity
Total debt ratio	Total liabilities / Total assets
Trade and other payables turnover in days	Average balance of trade and other payables x days / Cost of goods and materials sold

Abbreviation/term	Full name/definition
AA1000	International standard of corporate social responsibility, which incorporates social and ethical issues in strategic governance of the organization and its activities.
ACER	European Union Agency for the Cooperation of Energy Regulators
AMI, Advanced Metering Infrastructure	Smart meters.
AMI	Advanced Metering Infrastructure, advanced metering and billing systems with two-way metering and billing.
Balancing market	Technical market operated by TSOs. Its objective is to ensure real-time balancing of demand for electricity and its production in the National Power System (NPS)
Baseload price (BASE)	Contract price for delivery of the same volume of electricity in each hour of the day
BAT	Best Available Techniques – a document drawing conclusions on best available techniques for the installations concerned and indicating the emission levels associated with the best available techniques.
Blockchain	A decentralized platform with a dispersed network infrastructure used to account for transactions, payments or accounting entries. Advantages of this technology include, among others, safety, which is ensured by the application of cryptographic algorithms, resilience to failures and transparency of transactions, while maintaining anonymity of users. The list of possible applications includes, among others, cryptocurrencies, the Internet of Things, exchange transactions without intermediaries and institutions, land and mortgage registers without notaries and mortgage courts, electricity trading between prosumers and buyers without intermediaries, accounting ledgers.
“Blue” Property Rights	Common name of PMEF, PMEF_F, PMEF-XXXX instruments
Capacity auction	A mechanism introduced by the Capacity Market Act of 8 December 2017 (Journal of Laws 2020, Item 247). In capacity auctions, electricity producers offer the operator a capacity obligation for the duration of a delivery period, which means that they undertake to maintain readiness in the delivery period to deliver the specified electric power output to the system and to deliver the specified electric power output to the system in emergency periods.
CDS	Difference between revenue from sales of electricity produced and the variable costs related to production of that electricity (unit CO ₂ cost and unit cost of coal including transportation).
CER	Certified Emission Reduction – the unit of certified emission reduction
CO	Carbon monoxide
CO ₂	Carbon dioxide
Combined heat and power generation	A technological process of simultaneous generation of electricity and useful thermal energy in a CHP plant
Compliance	Assurance of compliance of the organization’s activities with the applicable law and internal regulations.
COR	The price for the operating reserve
CSR	Corporate Social Responsibility. Responsibility of an organization for the impact exerted by its decisions and actions on society and the environment; it is ensured by transparent and ethical conduct, which: <ul style="list-style-type: none"> – contributes to sustainable development, including wellbeing and health of the society, – takes stakeholder expectations into account, – complies with the applicable law and consistent with international standards of conduct, is integrated with the organization’s activities and is practiced in its relations.
DAM	Day-Ahead Market (DAM) has been operating since 30 June 2000. It is a spot electricity market in Poland. Since the beginning of quotation, DAM prices are a benchmark for energy prices in bilateral contracts in Poland. The DAM is intended for the companies that want to actively and safely close their electricity purchase/sales portfolios on an ongoing basis at particular hours of the day
DSO	Distribution System Operator
DSON	A Distribution System Operator, whose distribution network has no direct connection with the TSO’s transmission network
EFET	European Federation of Energy Traders
Employee Council	Employee representation body established by the Act of 7 April 2006 on Informing Employees and Consultations with Them (Journal of Laws 2006 No. 79 Item 550). Employee Council should be established in employers who conduct business activity and have at least 50 employees. This obligation does not apply among others to employers subject to the provisions of the Act who had signed, by 24 May 2006, an agreement with employee representatives ensuring the degree of information and consultation at least equal to the conditions required by the act.
Employer branding	Activities undertaken by a company to build its image as an attractive employer.
Energy Law	Act of 10 April 1997 - Energy Law (Journal of Laws 2019 Item 755).
Energy Law Act	The Energy Law Act of 10 April 1997
ENTSO-e	European Network of Transmission System Operators for Electricity, which is an association of 43 electricity transmission system operators (TSOs) from 36 countries in Europe. The organization was created in December 2008 and operates on the basis of the Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003

ERO	Energy Regulatory Office
EUA	EU Emission Allowance - emission allowance under the European Emissions Trading System
Euro-peak price (PEAK)	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)
EU DSO	The Proposal for a Regulation on the internal market for electricity assumes establishment of the European DSO organization, EU DSO, modeled on ENTSO, which is an existing organization of transmission system operators of great importance for the cross-border energy market.
EU ETS European Emissions Trading System	A European scheme to promote the reduction of greenhouse gas emissions
FDIR	Fault Detection, Isolation, Restoration, a system enabling automatic detection of faults, isolation of the damage site and restoration of power supply.
FGD	Flue gas desulfurization and heavy metal reduction installation.
FIP Tariff	The FIP System is intended for producers of electricity from renewable sources in RES plants with total installed electric capacity of no less than 0.5 MW up to 1 MW, who are or will be selling unused electricity to a selected entity other than the obliged offtaker.
Forward market	Electricity market where forward products are quoted
GPZ	Main Supply Point.
“Green” Property Rights	Same as PMOZE
GWh	Gigawatt hour.
HCL	Hydrogen chloride.
HF	Hydrogen fluoride.
Hg	Mercury
Hortitherapy	Therapeutic method based on the use of gardens in the treatment of patients
HR	Human resources.
HV	High voltage grid. An electric power transmission grid, in which the phase-to-phase voltage ranges from 60 to 200 kV (in Poland: 110 kV). This grid is used to transmit electricity over large distances.
ICE	Platform for trading EU CO ₂ Emission Allowances (EUAs) and Certified Emission Reduction units (CERs) on the futures market
IED	Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 concerning industrial emissions. It tightens the standards for emissions of sulfur dioxide, nitrogen oxides and dust from combustion plants.
ICT	Information and Communication Technologies.
Internal Collective Bargaining Agreement	An agreement between an employer and trade unions, which defines, among others, duties of the employer towards employees and guaranteed employee rights.
Internet of Things	A concept according to which various items, such as household appliances, lighting and heating products, may directly or indirectly collect, process or exchange data via a power installation or a computer network. The purpose of this concept is to create smart cities, transport, products, buildings, power supply systems, health systems or daily life systems.
IT	Information technology. Computer hardware and software as well as tools and other techniques related to the collection, processing, transmission, storage, protection and presentation of information.
LFC System	Automatic Load Frequency Control system
LV	Low voltage grid supplying individual users with 50 Hz alternating current at 230 V phase voltage.
Mg	Megagram, or a ton.
Mobbing	Bullying, persistent harassment and intimidation, psychological violence against a subordinate or co-worker in the workplace.
MWe	Megawatt of electrical power
MWh	Megawatthour (1 GWh = 1,000 MWh)
MW_t	Megawatt of thermal power
MV	Medium voltage grid, in which the phase-to-phase voltage ranges from 1 kV to 60 kV.
NH₃	Ammonia.
Nm³	Normalized cubic meter of gas, i.e. the number of cubic meters that the gas would occupy in normal conditions.
National Power System	A collection of devices used to generate, transmit, distribute, store and use electricity, connected together in a functional system supporting continuous and uninterrupted supply of electricity in Poland.
NO_x	Nitrogen oxides

OSH	Occupational health and safety
PKPZ	Employee Loan and Benefit Fund
PMOZE	Property rights under certificates of origin for energy from renewable sources
PMOZE - BIO	Property rights under certificates of origin of electricity from agricultural biogas plants
POR	generating capacity of JGWa constituting the operating reserve
PPE	Polish Power Exchange
Prosumer	person who generates electricity from renewable energy sources for own needs using a micro-installation, capable of storing energy and transferring surplus energy to the power grid
PSCMI 1	Reflects the price level of class 20-23/1 thermal coal powder in sales to commercial and industrial energy sector.
RAB	Regulatory Asset Base
RAB AMI	Regulatory Asset Base for AMI projects
RES	Renewable energy sources
RS	Switching substation.
SAIDI	System Average Interruption Duration Index – index of the system average duration of a long and very long interruptions (expressed in minutes per Customer)
SAIFI	System Average Interruption Frequency Index – indicator of the system average frequency of long interruptions in energy supply (expressed in the number of interruptions per Customer)
Scope 1	Direct CO ₂ emissions resulting from fuel combustion in stationary or mobile sources owned by an organization or under its control, emissions resulting from manufacturing or processing or fugitive emissions of coolants.
Scope 2	Electricity indirect CO ₂ emissions resulting from the generation of consumed electricity, heat, processing steam and cooling, purchased or supplied from outside.
Scope 3	Other indirect CO ₂ emissions created in the company's entire value chain, e.g. in the production of raw materials, semi-finished products, management of waste, transportation of raw materials and products, business trips of employees or the use of products by final users.
SCoTA	Standard Coal Trading Agreement – a standard agreement used on the international coal market
SCR (Selective Catalytic Reduction)	Catalytic flue gas denitrification installation – it operates based on the principle of reduction of nitrogen oxides to atmospheric nitrogen on the surface of a catalyst, using substances containing ammonia.
SCR installation	Catalytic flue gas denitrification installation
SE	Transformer station.
Smart Grid	Smart electrical grids, which feature communication between all the participants on the energy market, in order to supply energy services at lower costs, enhance efficiency and integrate dispersed energy sources, including renewable energy sources.
Social labor inspection	Social service provided by employees to ensure that the company ensures safe and healthy working conditions and to protect employee rights specified in labor law. Social labor inspectors cooperate with the National Labor Inspectorate and other authorities overseeing and inspecting working conditions. The principal scope of their activity is defined in the Social Labor Inspection Act of 24 June 1983 (Journal of Laws 2015, Item 567).
SO2	Sulfur dioxide
SPOT market	Cash (spot) market
Stakeholder	A person or group of persons interested in decisions or activities of an organization. A stakeholder is anyone who influences an organization and anyone influenced by it.
Supply chain	A sequence of actions or parties supplying products or services to an organization
Sustainable development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs and considers the expectations of the surrounding communities and societal, environmental and economic challenges. It enables permanent increase of the value of an organization and rational management of resources.
Transmission System Operator	Polskie Sieci Elektroenergetyczne S.A., a company wholly-owned by the State Treasury, which owns highest voltage grids and therefore is the operator of the power transmission system.
TSO	Transmission System Operator
TWh	Terawatt hour.
Upcycling	Form of processing of raw materials resulting in obtaining higher-value products
Wastewater hydrocyclones	Devices serving the purpose of reducing the volume of suspended gypsum particles reaching the FGD wastewater treatment plant and therefore reducing the volume of sediment/sludge discharged from the treatment plant.
“White” Property Rights	Common name of PMOZE-BIO instruments
WP Regulations	Winter Package

Signatures of the Management Board

Date of approval and publication of the "Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2020"

– 25 March 2021

Signed by:

President of the Management Board

Paweł Szczeszek

Vice-President of the Management Board for Commercial Matters

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