



Other information to the extended consolidated report of ENEA S.A. for Q1 2018

Poznań, date of approval: 22 May 2018
Date of publication: 24 May 2018



1. Operating summary

RESOURCES



6.2 GW

Electrical power installed

391 m tonnes

Potential of 3 licenced areas

122,400 km

of distribution lines including connections

16,100

Employees

2.5 m

Customers

Q1 2018 FINANCIALS



PLN 2,989 m

Net sales revenue

PLN 702 m

EBITDA

PLN 254 m

Net profit

PLN 437 m

CAPEX

TARGETS UNTIL 2025



10.9 m tonnes

Own demand for bituminous coal

5.8–6.3 GW

Conventional electrical power installed

20.1 TWh

Sale of electricity

38%

EBITDA growth on 2015

PLN 26.4 bn

Basic investment budget

1. Operating summary	2-8
Selected consolidated financial data	5
Key operating data and ratios	6
Key events in the first quarter of 2018	8
2. Organisation and operations of ENEA Group	9-39
Structure of the Group	10-11
Areas of activities	14-21
Development strategy	22-23
2018 perspectives in comparison to 2017	24
Implemented measures and investments	25-31
Agreements concluded	32-33
Market environment	34-39
3. Financial standing	40-52
4. Shares and shareholding	53-54
5. Governing bodies	55-58
6. Other information significant for the assessment of the Issuer's situation	59-71
Annexes	72-77
Glossary	78-80

Detailed overview of all issues covered in this report can be found on page 81

In Q1 2018, ENEA Group generated:

- net sales revenues of **PLN 2,989 million**
- EBITDA of **PLN 702 million**
- net profit of **PLN 254 million**

In the period under analysis, the Group improved its EBITDA result in three areas of activity. The highest EBITDA, amounting to PLN 297 million, was achieved in the Distribution Area, where also its highest growth was recorded. EBITDA in the Generation Area reached PLN 227 million, with a growth of 12.3% YoY. The main factor contributing to the dynamics in this Area was the increase of generation capacity as a result of the acquisition of Połaniec Power Plant and the commissioning of Unit 11 in Kozienice Power Plant. The result in the Trading Area, following an increase by PLN 2.5 million, reached the level of PLN 53 million. Mining Area recorded a weaker EBITDA result (PLN 123.3 million) than year before – influenced by temporary geological and hydro-technological difficulties.



- Increase in the volume of electricity sales
- Increase in revenues from sales of CO₂ emission allowances
- Increase in the volume of thermal energy sales
- Increase in revenues from sales of certificates of origin
- Increase of the result on other operating activities



- Decrease in revenues from sales of coal
- Decrease in revenues from sales of natural gas
- Increase in costs of consumption of materials and raw materials and the value of goods sold
- Increase in costs of purchase of electricity and gas
- Increase in costs of employee benefits

In Q1 2018, ENEA Group's expenditure for investments totalled PLN 437.4 million.

The net debt / EBITDA ratio in Q1 2018 stood at a safe level of 2.0.

In Q1 2018, the production and sales of commercial coal stood at the level of 2 million tonnes.

In Q1 2018, the Group generated 6.3 TWh of electricity – by 68.7% more than in the analogical period of the last year, of which 5.9 TWh came from conventional sources. There was also an increase in RES generation, by 165 GWh.

The sales of thermal energy in Q1 2018 significantly increased and totalled 2,737 TJ, which is by 30.8% more YoY.

Sales of distribution services to end users totalled 5.2 TWh, which means a growth by 4.2% when compared to the analogical period of the last year.

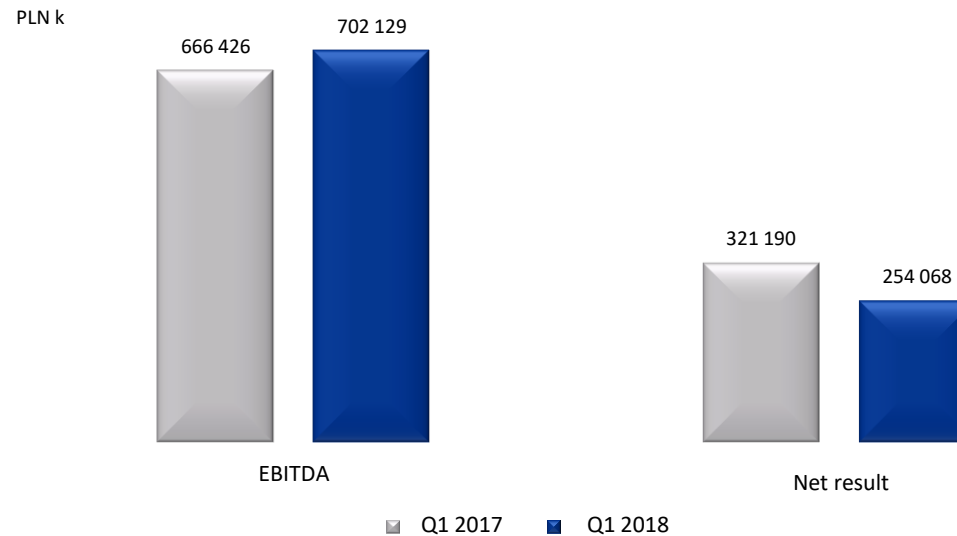
In Q1 2018, ENEA S.A. increased the electricity and gas fuel sales volume to retail customers by 574 GWh, or 11.4% YoY.

SELECTED CONSOLIDATED FINANCIAL DATA



[PLN k]	Q1 2017	Q1 2018	Change	% change
Net sales revenue	2,709,690	2,988,553	278,863	10.3%
Operating profit / (loss)	382,579	338,778	-43,801	-11.4%
Profit / (loss) before tax	402,805	306,908	-95,897	-23.8%
Net profit / (loss) for the reporting period	321,190	254,068	-67,122	-20.9%
EBITDA	666,426	702,129	35,703	5.4%
Net cash flows from:				
operating activities	572,270	733,332	161,062	28.1%
investing activities	-1,732,991	-730,302	1,002,689	57.9%
financial activities	55,166	-177,842	-233,008	-422.4%
Balance of cash	1,234,662	2,512,314	1,277,652	103.5%
Net profit attributable to shareholders of the Parent	295,230	240,756	-54,474	-18.5%
Weighted average number of shares [pcs.]	441,442,578	441,442,578	-	-
Net profit per share [PLN]	0.67	0.55	-0.12	-17.9%
Diluted profit per share [PLN]	0.67	0.55	-0.12	-17.9%

[PLN k]	31 Dec 2017	31 Mar 2018	Change	% change
Total assets	28,312,994	28,019,678	-293,316	-1.0%
Total liabilities	14,313,325	13,397,997	-915,328	-6.4%
Non-current liabilities	10,063,012	9,809,804	-253,208	-2.5%
Current liabilities	4,250,313	3,588,193	-662,120	-15.6%
Equity	13,999,669	14,621,681	622,012	4.4%
Share capital	588,018	588,018	-	-
Book value per share [PLN]	31.71	33.12	1.41	4.4%
Diluted book value per share [PLN]	31.71	33.12	1.41	4.4%



KEY OPERATING DATA AND RATIOS



	Unit	Q1 2017	Q1 2018	Change	% change
Net sales revenue	PLN k	2,709,690	2,988,553	278,863	10.3%
EBITDA	PLN k	666,426	702,129	35,703	5.4%
EBIT	PLN k	382,579	338,778	-43,801	-11.4%
Net profit	PLN k	321,190	254,068	-67,122	-20.9%
Net profit attributable to shareholders of the Parent	PLN k	295,230	240,756	-54,474	-18.5%
Net profit attributable to shareholders of the Parent	PLN k	572,270	733,332	161,062	28.1%
CAPEX	PLN k	1,841,407	437,413	-1,403,994	-76.2%
Net debt / EBITDA ¹⁾	-	2.4	2.0	-0.4	-16.7%
Return on assets (ROA) ¹⁾	%	5.1%	3.6%	-1.5 pp	-
Return on equity (ROE) ¹⁾	%	9.6%	7.0%	-2.6 pp	-
Trading					
Sales of electricity and gaseous fuel to retail customers	GWh	5,023	5,597	574	11.4%
Number of customers (Power Delivery Points)	thou.	2,406	2,441	35	1.5%
Distribution					
Sale of distribution services to end users	GWh	4,975	5,182	207	4.2%
Number of customers (closing balance)	thou.	2,527	2,560	33	1.3%
Generation					
Total generation of electricity, including:	GWh	3,756	6,335	2,579	68.7%
<i>from conventional sources</i>	GWh	3,549	5,963	2,414	68.0%
<i>from renewable sources of energy</i>	GWh	207	372	165	79.7%
Gross heat generation	TJ	2,282	3,019	737	32.3%
Sale of electricity, including:	GWh	4,371	8,286	3,915	89.6%
<i>from conventional sources</i>	GWh	3,996	7,239	3,243	81.2%
<i>from renewable sources of energy</i>	GWh	186	334	148	79.6%
<i>from purchase</i>	GWh	189	713	524	277.2%
Sales of heat	TJ	2,093	2,737	644	30.8%
Mining					
Net production	thou. t	2,422	2,095	-327	-13.5%
Coal sales	thou. t	2,389	1,967	-422	-17.7%
Closing stocks	thou. t	158	152	-6	-3.8%
Heading excavations	km	8.1	9.0	0.9	11.1%

Q1 2018 / Q1 2017

**Increase in EBITDA
by PLN 36 m**

**Increase in sales of electricity and gaseous
fuel to retail customers by 574 GWh**

**Increase in volume of electricity generated
by 2,579 GWh**

Q1 2018:

- increase in EBITDA of 5.4% (by PLN 36 million)
- decrease in CAPEX due to, among others, the big equity investment in Q1 2017 – acquisition of EEP
- increase in sales of electricity and gaseous fuel to retail customers of 11.4% (by 574 GWh)
- increase in total electricity generation by 2.6 TWh

¹ Ratio definitions to be found on page 78

Dear Madams and Sirs,

After 2017, which was a very good year and marked a breakthrough in many aspects for ENEA Group, in the 1st quarter of 2018 we continued to pursue tasks and objectives set in the Group's Development Strategy until 2030, strengthening our position as the number two producer of electricity and developing our trade offer. Our activities are focused on the sustainable development, and owing to the investments and innovation we increase our potential and build market strength of our Group. We conduct a responsible investment policy aimed at strengthening the domestic energy security. We are a strong Polish resource and energy company. The way we understand our role as a supplier of goods and services, and the awareness of the impact of our activities on the environment and economic development of the country make us a modern company which pursues its mission and objectives in a reliable manner.

We increase energy security of the country

The first months of the operation of the new power unit no. 11 of the capacity of 1,075 MW already demonstrate high reliability and flexibility of the unit, making it possible, among other things, to quickly react to changing demand in the grid. The commissioning of unit no. 11 has strengthened the energy security of the National Power System. The unit is the largest, most efficient and most advanced coal-fired energy facility in Poland. Thanks to the new unit, ENEA Group has increased its generation capacity, at the same time improving the efficiency and lowering emission ratios. In the 1st quarter of 2018, the electricity production went up by 68.7% YoY and amounted to 6.3 TWh. This result was influenced not only by the new generation asset in Koźienice, but also by the acquisition of the biggest plant in south-eastern Poland – Połaniec Power Plant. After a full year of operation in ENEA Group, Połaniec Power Plant is an important generation asset and its stable future is ensured. In Połaniec, modernisation works and investments are also implemented to increase the efficiency and extend the life cycle of units.

LW Bogdanka with the millionth output skip

Lubelski Węgiel Bogdanka, an enterprise belonging to the Group, maintains its high efficiency, ensuring stable fuel supplies to ENEA. Due to temporary geological and hydrological factors, in the 1st quarter of 2018 LW Bogdanka recorded lower yields than year before, and therefore – lower production and sales. The difficulties were resolved and already in March, the production was carried out as planned. The yearly extraction plans of LWB are not at risk. We can present two symbolic results of the plant to evidence the significance of Bogdanka in Lublin for the energy resource supply security. In the 1st quarter of 2018, the millionth output skip was transported up the shaft (skip is a container for vertical coal transport, containing 40 tonnes of output, or coal before purification, at a time). The mine has also produced the 150-millionth tonne of commercial coal.

We are close to our Customers and their needs - we improve the attractiveness of our offers

The focus on our Customers, and therefore we tailor our offers to their needs, also striving to create, and even anticipate market trends. The ENEA Smart product line, based on innovative Smart Home solutions, can serve as an example here. With the proposed Packages: Saving, Protection, Security, and Heating we offer, in addition to energy, access to state-of-the-art solutions improving the quality and comfort of life and bringing savings to the home budget. The solutions made available by us increase safety and protect your home against the consequences of fire, flooding, or burglary. They also enable managing energy consumption. By encouraging to use advanced technological solutions we fulfil our mission as an innovative energy group.

As a socially responsible company, when we design new products we also think of environment protection, especially in the context of clean air activities. Since 31 January, our Customer Service Centres offer a new product, ENEA Eco, which addresses the needs of Customers who want to use electric heating. This proposal encourages increased energy consumption in night-time hours, between 10:00 p.m. and 6:00 a.m. The solution also supports electromobility and constitutes an offer for Customers who wish to charge electrical vehicles at night. The Eco product line will be extended by additional elements of a combined offer, e.g. in the form of heat-storing stoves. Its introduction marks the first stage of long term activities of ENEA in the fight against smog, increasing the awareness of Customers in the field of environment protection. These aims are also pursued by the Heating ENEA Smart Package, owing to which Customers can manage temperature in selected rooms of their home, using a mobile app, from any place.

Electromobility is the future of energy industry and ENEA Group

Commitment to electromobility projects is an important topic included in the Development Strategy of ENEA Group. We build internal competence, implementing first projects in the area of charging stations for electric vehicles. We constantly monitor actions of local government units in the field of operation of ENEA Operator to be able to join their electromobility development plans. ENEA Serwis has started to cooperate with Railway Communication Works, becoming a certified distributor, installer, and repairer of charging stations for electric vehicles. The cooperation will ensure a significant increase in availability of charging points in north-western Poland – the area of distribution of ENEA Operator. By active participation in activities for development and construction of e-mobility infrastructure in Poland, we implement and support the assumptions of the national electromobility programme.

Responsible investment policy thanks to stable financial condition

The consistent development of ENEA Group is visible in our operating and financial results. In the 1st quarter of 2018, EBITDA of the Group amounted to PLN 702 million and increased by 5.4% when compared to the analogical period of the previous year. The Group improved its EBITDA result in three operation areas. The highest EBITDA, of PLN 297 million, was achieved in the distribution area (an increase by 13.4 %). The EBITDA of the generation area totalled PLN 227 million (an increase by 12.3 %), while of the trading area PLN 53 million (by 4.9 %). Only the extraction area, where temporary geological difficulties were encountered, recorded a lower EBITDA result than year before. The net profit attributable to shareholders of the parent company amounted to PLN 241 million, compared to PLN 295 million in the previous year.

The results for this quarter clearly show the effects of acquisitions and investments in generation assets, and prove the reasonableness of the decisions taken by us. We fulfil the objective of electricity sales increase to end customers in line with the plans. The volume of electricity and gas fuel sold to retail customers went up to 5.6 TWh from 5.0 TWh (an increase by 11.4 % YoY).

Our results demonstrate that we are going in the right direction, and the implementation of our strategic plans ensures growth of value of the Group for the Shareholders. We operate with flexibility and react to new trends and changes on the market, and we will channel our financial potential also to low-carbon energy, RES, and electromobility.

We act for local communities

We are present in local communities and actively participate in matters and actions of the communities where the companies of ENEA Group conduct their every-day activities. We support those in need, we promote physical activity, and we commit to cultural, scientific, education, and sport initiatives and projects. In the beginning of the year we selected the winners of the first edition of the ENEA Talent Academy whose aim is to support young talents. 22 pupils were granted scholarships amounting to PLN 3.000. 9 schools were awarded subsidies amounting to PLN 10.000. Young people use the financial support to develop their talents and passions, and the schools utilise their subsidies for the implementation of talent development projects for their pupils.

In March, we also started the first blood donation programme across the Group, “Energy is in our blood”, deriving inspiration from actions of local clubs existing at Koźienice Power Plant and Bogdanka mine. Already the first edition in Poznań has shown that the initiative is very popular and has many enthusiastic supporters who eagerly give part of themselves to rescue health and life of the others. This new social initiative expresses the very meaning of the values we follow in ENEA Group: responsibility, commitment and security.

Yours faithfully,

Mirosław Kowalik
President of the Management Board
of ENEA S.A.

Q1

Coal supplies secured

On 3 January 2018, ENEA Trading Sp. z o.o. entered into the agreement for purchase of coal in 2018–2021 from Polska Grupa Górnicza Sp. z o.o. for the needs of power units of ENEA Elektrownia Połaniec S.A. The total net value of the agreement is PLN 1,490,414,000.

More funds for electromobility and innovation

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

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

Completion of the extension of the strategic power station in Kostrzyn-upon-Oder

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

New offer supporting fight with smog

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

Changes in management boards of subsidiaries

On 1 February this year, the Extraordinary Shareholders Meeting of ENEA Wytwarzanie dismissed Mr. Dariusz Skiba, economic and financial vice-president, as well as Stefan Pacyński, development strategy vice-president, from the management board of the company. On 16 February, the Supervisory Board of ENEA Wytwarzanie adopted a decision on the appointment, as of 26 February, Mr. Andrzej Wicik to act as development strategy vice-president of ENEA Wytwarzanie, and Mr. Jarosław Ołowski to act as economic and financial vice-president. The decision was preceded by a competition procedure and interviews.

On 16 February, Mr. Krzysztof Szlaga ceased to act as President of the Management Board of Lubelski Węgiel Bogdanka S.A. Until the appointment of his successor, duties of President of the Management Board shall be performed by Sławomir Karlikowski, Production Vice-President of the Management Board. On 19 March, the Supervisory Board of LW Bogdanka adopted a resolution on appointing Mr. Artur Wasil to the position of President of the Management Board as of 21 March this year.

After the recruitment procedure, which ended on 27 March, the Supervisory Board of ENEA Centrum adopted a resolution on the appointment, as of 28 March, of Mr. Sławomir Jankiewicz to the position of president of the management board of ENEA Centrum and Mr. Krzysztof Kierzkowski to the position of IT and development management board member of ENEA Centrum.

Positive evaluation of the funding application related to Jastrowie wind farm

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

Changes in the supervisory board of ENEA S.A.

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

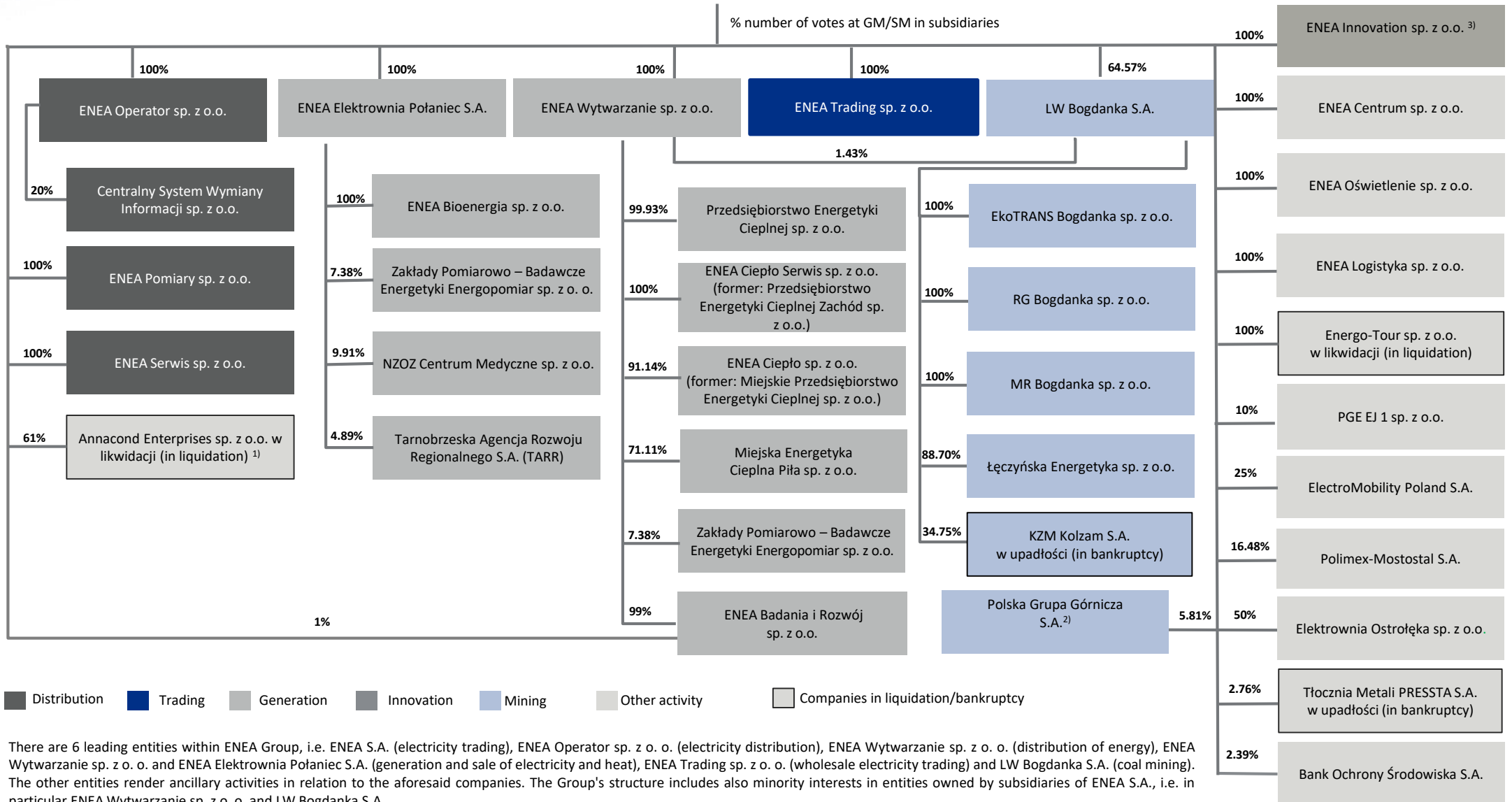
Construction of the power unit in Elektrownia Ostrołęka draws nearer

On 27 March, Elektrownia Ostrołęka sp. z o.o., controlled by ENEA S.A. and Energa, granted its consent for the settlement of the tender “Construction of Elektrownia Ostrołęka C with the capacity of approx. 1000 MW” by selecting as the best offer the one presented by the Consortium of GE Power Sp. z o.o. and Alstom Power System S.A.S, acting as General Contractor. The offer amounts to PLN 5,049,729,000 net, which is PLN 6,023,034,950 gross. The consent expressed by Elektrownia Ostrołęka sp. z o.o. is not tantamount to the decision of the management board of ENEA S.A. to select the General Contractor, and therefore it does not mean that the procedure has been completed. Also the consent of the Supervisory Board of ENEA S.A. is necessary, among other things.



2. Organisation and operations of ENEA Group

ENEA S.A.



Distribution
 Trading
 Generation
 Innovation
 Mining
 Other activity
 Companies in liquidation/bankruptcy

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

1) On 28 February 2018, Annacond Enterprises sp. z o.o. was put in liquidation.

2) An increase of the share capital of PGG S.A. was registered on 6 April 2018, increasing the share of ENEA S.A. in the share capital from 5.81% to 7.66%.

3) On 17 April 2018, the company name of ENEA Innovation sp. z o.o. was changed into ENEA Innowacje sp. z o.o.

CHANGES IN THE GROUP'S STRUCTURE



Asset restructuring

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

Capital divestments

In the period of January – March 2018, no significant capital divestments were effected.

Changes in the organisation of the Group

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

Equity investments

Area	Date	Company	Event
Q1 2018			
Other activities	23 March 2018	Elektrownia Ostrołęka sp. z o.o.	The acquisition, by ENEA S.A. from Energa S.A., of 1,201,036 shares of Elektrownia Ostrołęka sp. z o.o. - ENEA S.A. holds 50.00% of shares in the share capital of the Company in total.
Other activities	29 March 2018	Elektrownia Ostrołęka sp. z o.o.	On 27 February 2018, the National Court Register registered the transformation of Elektrownia Ostrołęka S.A. into a limited liability company. On 29 March 2018, the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka sp. z o.o. adopted a resolution on increasing the share capital of the Company from PLN 229,100,000.00 to PLN 264,100,000.00, i.e. by PLN 35,000,000.00 through creation of 700,000 new equal and indivisible shares, preferred in terms of voting in such a way so as one share entitles to two votes; the said preference shall expire upon disposing the shares to another person than the Main Shareholder, i.e. ENEA S.A. or Energa S.A., with the nominal value of each of the new shares is PLN 50.00 and the total nominal value amounts to PLN 35,000,000.00.
Other activities	29 March 2018	Elektrownia Ostrołęka sp. z o.o.	On 29 March 2018, ENEA S.A. signed a declaration on taking-up 350,000 shares and covering them with cash contribution of PLN 17,500,000.00. On 30.03.2018, ENEA S.A. made the cash contribution to the Company's account. The share capital increase is awaiting registration in the NCR.
Other activities	3 January 2018	ElectroMobility Poland S.A	The Extraordinary General Meeting of Shareholders of ElectroMobility Poland S.A. adopted a resolution on increasing the share capital of the company by PLN 20,000,000.00, i.e. from PLN 10,000,000 to PLN 30,000,000, by increasing the nominal value of the existing shares from PLN 1,000.00 to PLN 3,000.00. The share capital increase was registered on 23 April 2018.

Area	Date	Company	Event
Innovation	31 January 2018	ENEA Innovation sp. z o.o.	On 31 January 2018, the Extraordinary General Meeting of Shareholders of ENEA Innovation sp. z o.o. adopted a resolution on increasing the share capital by PLN 3,500,000.00, i.e. from the amount of PLN 305,000.00 – including the prior increase of the Company's share capital based on Resolution no. 1 of the Extraordinary General Meeting of Shareholders of 02.08.2018 – to PLN 3,805,000.00, by creating 35,000 new shares of nominal value of PLN 100.00 each. The increase of the share capital was registered on 23 April 2018.
Mining	31 January 2018	PGG S.A.	On 31 January 2018, the EGMS of PGG S.A. adopted a Resolution on increasing the share capital of PGG S.A. by PLN 300,000,000 through the issuance of 3,000,000 new series B shares within a private subscription, of nominal value of PLN 100 each and the total nominal value of PLN 300,000,000. On 31 January 2018, ENEA also entered into an agreement on taking up 900,000 registered B series shares paid-up in whole through a cash contribution of PLN 90,000,000, increasing thereby its share in the share capital of the Company from 5.81% to 7.66% (entry in the NCR of 06.04.2018). The above recapitalisation is the third and the last PGG S.A. recapitalisation tranche resulting from the implementation of the provisions of the Investment Agreement dated 31.03.2017, providing for a total recapitalisation of PGG by ENEA S.A. amounting to PLN 300,000,000.
Generation	1 February 2018	ENEA Badania i Rozwój sp. z o.o.	On 1 February 2018, in connection with the resolution on increasing the share capital of the Company from PLN 5,000 to PLN 2,005,000, adopted on 17.11.2017 by the Extraordinary General Meeting of Shareholders of ENEA Badania i Rozwój sp. z o.o., ENEA S.A. signed a declaration on taking up 400 shares and covering them with cash contribution amounting to PLN 20,000. The increase of the share capital was registered in the NCR on 16 April 2018.
Other activities	28 February 2018	Annacond Enterprises sp. z o.o.	The Extraordinary General Meeting of Shareholders of Annacond Enterprises sp. z o.o. passed a resolution on putting the company into liquidation.
Events after the reporting period			
Innovation	17 April 2018	ENEA Innowacje sp. z o.o.	On 2 February 2017, the Extraordinary General Meeting of Shareholders of ENEA Innovation sp. z o.o. with its registered office in Warsaw, with share capital of PLN 5,000, decided to increase the share capital by PLN 300,000, i.e. from PLN 5,000 to PLN 305,000. On 17 April 2018, the NCR registered the increase in consideration.

A detailed description of capital investments can be found in the condensed interim financial statements of ENEA Group for the period from 1 January to 31 March 2018.

Recapitalisation of Grupa Górnicza S.A.

In connection with the process of equity investor prospecting by Katowicki Holding Węglowy S.A., in July 2016 ENEA S.A. commenced talks with investors on the possibility of implementing the Investment and its potential parameters.

On 28 October 2016, ENEA S.A. signed a letter of intent with Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o. (Investors), expressing the parties' initial interest in the financial commitment in Katowicki Holding Węglowy S.A. or its selected assets.

In connection with the interest of Polska Grupa Górnicza S.A. (PGG) in acquiring selected assets of Katowicki Holding Węglowy S.A. and commencement of the PGG recapitalisation process, ENEA S.A. conducted, with the existing Shareholders of PGG, the necessary analyses of the Business Plan presented by PGG and expressed interest in capital commitment in Polska Grupa Górnicza S.A.

On 30 March 2017, the Supervisory Board of ENEA S.A. expressed its consent for the Company to join Polska Grupa Górnicza S.A. and take up new shares in the PGG's capital, of nominal value of PLN 300 million, in exchange of a cash contribution of PLN 300 million.

On 31 March 2017, the Company entered into:

- the investment agreement setting out the terms and conditions of financial investment in PGG (Investment Agreement),
- the investor agreement concerning the joint control of PGG (Annex no. 1 to the Agreement related to Polska Grupa Górnicza).

Investment Agreement

The Parties to the Investment Agreement are: ENEA S.A., ENERGA Kogeneracja Sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A., Węglokoks S.A., Towarzystwo Finansowe Silesia Sp. z o.o., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Investors), and PGG. Under the Investment Agreement, PGG was to acquire selected mining assets from Katowicki Holding Węglowy S.A. under the promised agreement which was entered into on 1 April 2017.

The Investment Agreement governs the procedure for conducting the investments and for the Company's joining PGG, the rules for operation of PGG and its bodies as well as the rules for the parties' exit from investments in PGG.

As part of recapitalisation of PGG, ENEA S.A. undertook to take up new shares of PGG of the total nominal value of PLN 300 million, for a cash contribution amounting to PLN 300 million, in three stages:

- as part of the first stage, the Company took up new shares of PGG of the nominal value of PLN 150 million in exchange for a cash contribution of PLN 150 million. After taking up these shares, the Company held a 4.39% share in the share capital of PGG. The first recapitalisation took place in April 2017.
- as part of the second stage, the Company took up new shares of PGG of the nominal value of PLN 60 million in exchange for a cash contribution of PLN 60 million. After taking up these shares, the Company held a 5.81% share in the share capital of PGG. The second recapitalisation took place in April 2017.
- as part of the third stage, the Company took up, by way of a private subscription, B series shares of PGG of the nominal value of PLN 90 million, paid up in full with a cash contribution of PLN 90 million. The share of ENEA S.A. in the share capital increased to 7.66%.

The Agreement defines the rules for the appointment of members of the Supervisory Board, based on which each Investor and the State Treasury shall be entitled to appoint one member to the Supervisory Board consisting of not more than 8 members.

The investments fits into the Development Strategy of ENEA Capital Group, since one of the elements of the Strategy is to secure resource base for conventional power operations.

Investor Agreement

On 31 March 2017, the following investors: ENERGA Kogeneracja Sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and ENEA S.A. entered into the Agreement regulating the manner of reaching a common position of the Parties in decisions relating to the Company, and the common control of the company. The Agreement for ENEA S.A. was executed on the condition of obtaining the consent of the President of the Office of Competition and Consumer Protection (UOKiK) for the acquisition of joint control of the company. The UOKiK's consent referred to in the preceding sentence was granted on 22 December 2017.

At the same time, on 31 March 2017, the Letter of Intent signed on 16 October 2016 by ENEA S.A., Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o., relating to the considered equity investment in Katowicki Holding Węglowy S.A. was terminated.

The joint control was assumed on 22 December 2017. Transaction costs related to the acquisition of shares totalled PLN 2 million.

On 31 January 2018, the Extraordinary General Meeting of Shareholders of Polska Grupa Górnicza resolved to increase the share capital of Polska Grupa Górnicza S.A. (PGG) pursuant to the Investment Agreement of 31 March 2017 concluded between Węglokoks S.A., Fundusz Inwestycyjny Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Towarzystwo Finansowe Silesia sp. z o.o., PGE Górnictwo Energetyka Konwencjonalna S.A., ENERGA Kogeneracja sp. z o.o., PGNiG Termika S.A., ENEA S.A. and PGG, in which the Investors undertook to capitalise PGG together with other Investors for the total amount of PLN 1,000,000,000 (one billion zlotys), with the participation of ENEA S.A. for the amount of PLN 300,000,000 (three hundred million zlotys) in cash, in three tranches. The first recapitalisation (first tranche) took place on 3 April 2017 and the second one on 14 June 2017. As a result of the above-mentioned resolution, on 31 January 2018, ENEA S.A. executed an agreement between ENEA and PGG for the acquisition of shares, accepting an offer for the acquisition of 900,000 (nine hundred thousand) new shares through private subscription with a par value of PLN 100 per share and a total par value of PLN 90,000,000 (ninety million zlotys) for a cash contribution of PLN 90,000,000 (ninety million zlotys). Series B shares are ordinary and registered shares and should be paid only in cash in their entirety before the share capital increase is registered.

Implementation of the Investment Agreement with Energa S.A. and Elektrownia Ostrołęka S.A. on the construction and operation of the power unit at Elektrownia Ostrołęka S.A.

On 19 September 2016, ENEA S.A. and Energa S.A. signed the Letter of Intent on commencing cooperation in the field of preparing, implementing, and operating a high-end coal fired 1,000 MW power unit at Elektrownia Ostrołęka (the Investment Project, Ostrołęka C).

The Parties' intention is to jointly develop an effective business model for Ostrołęka C, verify its design documentation, and optimise the technical and economic parameters of the new power unit. The cooperation will also involve conducting the tender procedure to choose the general contractor of the Investment Project.

In the unanimous opinion of the Parties, the Investment Project implementation will have a positive effect on the power safety of Poland, meet the highest environmental standards, and ensure another stable high efficiency and low-emission source of energy in the National Power System.

On 8 December 2016, the Company signed the Investment Agreement on implementation of Ostrołęka C project. The subject matter of the Agreement is the preparation, construction, and operation of the abovementioned power unit. Pursuant to the Agreement, the cooperation will be generally organised in three stages: the Development Stage – until the issue of the notice to proceed for the general contractor; the Construction Stage – until the commissioning of Ostrołęka C for commercial operation; and the Operation Stage – the commercial operation of Ostrołęka C. Following the Development Stage completion, ENEA S.A. is obliged to participate in the Construction Stage, on the assumption that the Project profitability condition is met and that the Project financing does not violate the Company's bank covenants.

The condition precedent for the coming into effect of the Investment Agreement was obtaining the consent from the UOKiK President for the concentration through the acquisition of shares in SPV for the Project implementation. The conditions was met on 11 January 2017.

As a result of the transformation, on 27 February 2018, the legal form of Elektrownia Ostrołęka was changed from joint-stock company to limited liability company.

On 26 March 2018, the Company executed the Annex to the Investment Agreement, under which the parties increased the estimated total investment expenditure resulting from the liabilities to be incurred at the Development Stage of the Ostrołęka C Investment Project, or by the time the notice to proceed is issued to the General Contractor.

Investment expenditure to be provided by ENEA S.A. can amount to approx. PLN 226 million. The increase in investment expenditure results from the need of ensuring funds for e.g. organisation works stemming from the contract with the General Contractor, for related investments, and operations of Elektrownia Ostrołęka Sp. z o.o.

Performing the Investment Agreement from 1 February 2017 to 23 March 2018, ENEA S.A. acquired from Energa S.A., in tranches, shares of Elektrownia Ostrołęka Sp. z o.o. constituting 50% of the share capital in total and amounting to PLN 101 million.

As a result of the above transactions, Energa S.A. and ENEA S.A. took joint control of Elektrownia Ostrołęka Sp. z o.o. with its registered office in Ostrołęka, with an aim of constructing and operating the new coal-fired power unit. Both parties hold 50% of shares of Elektrownia Ostrołęka Sp. z o.o. each and the equal number of votes at the General Meeting. The Management Board and the Supervisory Board shall include the equal number of representatives of both investors. Decisions concerning significant operations shall require unanimous consent of both shareholders entitled to net assets of Elektrownia Ostrołęka Sp. z o.o. Taking the above in consideration, the investment was classified as joint venture and is presented in books using the equity method.

On 19 December 2016, the SPV announced the tender procedure to choose the general contractor for the construction of Ostrołęka C supercritical power plant of the power capacity of approx. 1,000 MW and net efficiency of at least 45%. If relevant assumptions (including, without limitation, those related to the required participation of ENEA S.A., Energa S.A. and Financial Investors, if any) are met and if the power market or other support mechanism is introduced, Elektrownia Ostrołęka S.A. will be able to accept the order for the comprehensive implementation of this project.

On 4 April 2018, Elektrownia Ostrołęka Sp. z o.o. completed the public procurement procedure titled "Construction of Elektrownia Ostrołęka C with the capacity of approx. 1000 MW" by selecting the Consortium of GE Power Sp. z o.o. and Alstom Power System S.A.S as General Contractor who offered to deliver the subject of the Contract ensuring parameters specified in the offer for a net amount of PLN 5,049,729 thousand (PLN 6,023,035 thousand gross).

The settlement of the procedure is not tantamount to:

- granting consent to enter into a contract with the General Contractor – in order to grant such a consent, a prior consent of the Supervisory Board of the Issuer is necessary;
- notice to proceed – issuing of the NTP requires, among other things, a prior consent of the Supervisory Board of the Issuer and a prior in-principle consent given by the General Meeting of the Issuer to proceed to the Construction Stage.

It is estimated that capital expenditure related to the conclusion of the agreement between the Contracting Party and the General Contractor will not exceed the equivalent of 4% of the contract price until the date of NTP issuance.

In order to ensure adequate financial resources for the company, Energa S.A. and ENEA S.A., pursuant to the agreement of 23 November 2017, granted loans to Elektrownia Ostrołęka Sp. z o.o. in the amount of PLN 10 million each, ENEA S.A. and Energa S.A. The loan granted by ENEA S.A. was repaid.

As a result of increasing the share capital of Elektrownia Ostrołęka Sp. z o.o., on 29 March 2018 ENEA S.A. acquired 350,000 shares in the share capital of the value of PLN 17,500 thousand. On 30 March 2018, ENEA S.A. made a cash contribution to the account of the special purpose vehicle. Energa S.A. acquired 350,000 other shares. The capital increase is awaiting registration in the NCR. After the registration of the increase, the share of ENEA S.A. in the share capital of Elektrownia Ostrołęka Sp. z o.o. will not change and will still amount to 50% as the new shares in the increased share capital were taken up by ENEA S.A. and Energa S.A. proportionally to the shares held, i.e. in the ratio of 50:50.

GENERATION

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

MINING

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



BUSINESS AREAS OF ENEA GROUP

DISTRIBUTION

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

TRADING

Retail trading:


- Trading in electricity and fuel gas on the retail market
- Product and service offer
- Comprehensive Customer Service


Wholesale trading :

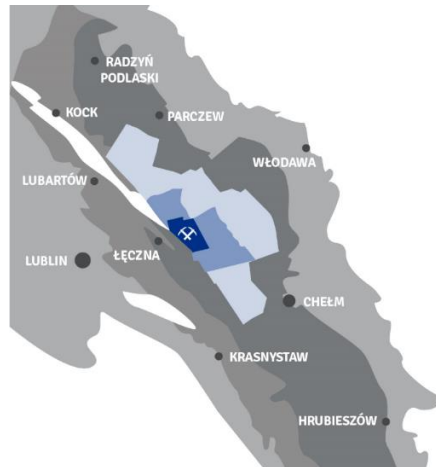
- Optimisation of wholesale contracts portfolio for electricity and fuel gas operations on product markets
- Ensuring access to wholesale markets

Mining



 Distribution network of ENEA Operator

 Lublin Coal Basin

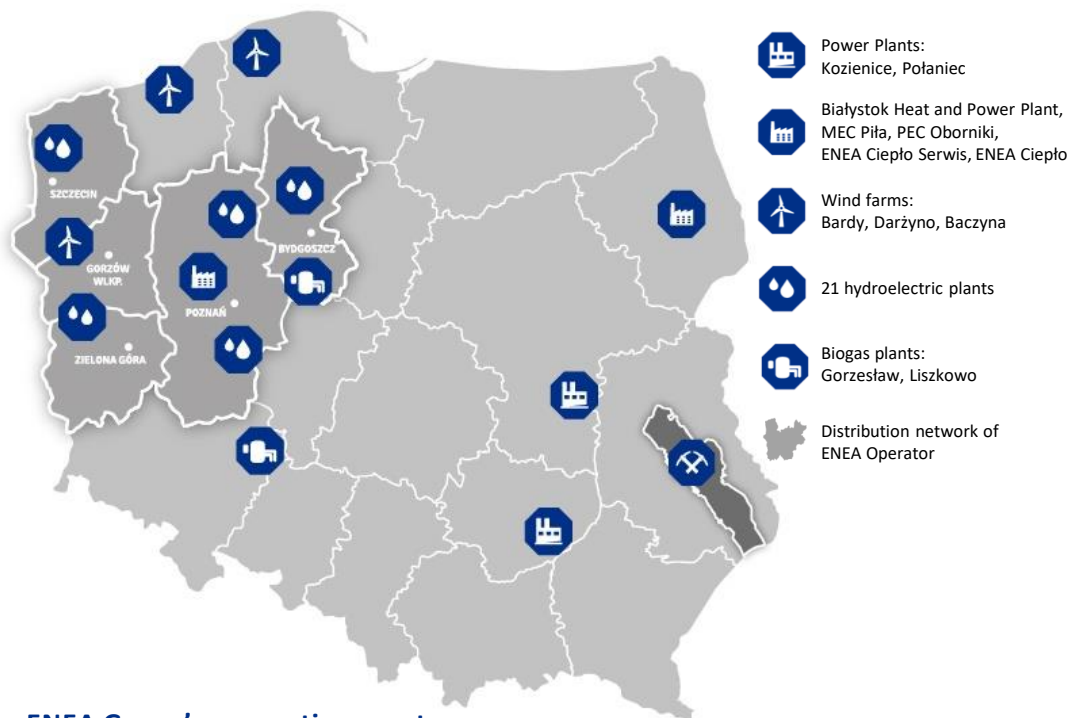


LW Bogdanka is one of the leaders on the market of producers of bituminous coal in Poland, distinguishable within the industry in terms of the generated financial results, coal extraction efficiency and investment plans providing for the access to new deposits. The bituminous coal sold by the Company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

Description	Q1 2017	Q1 2018	Change
Net production [tonnes k]	2,422	2,095	-13.5%
Sale of coal [tonnes k]	2,389	1,967	-17.7%
Closing stock [tonnes k]	158	152	-3.8%
Heading excavations [km]	8.1	9.0	11.1%



Generation



ENEA Group's generation assets

Description	Installed electrical capacity [MW _e]	Attainable electrical capacity [MW _e]	Installed heating capacity [MW _t]
Kozienice Power Plant	4,071.8	4,016.0	125.4
Połaniec Power Plant	1,837.0	1,882.0	130.0
Białystok Heat and Power Plant	203.5	156.6	383.7
Bardy, Darżyno Baczyna (Lubno I and Lubno II) wind farms	70.1	70.1	0.0
Liszkowo and Gorzelsław biogas plants	3.8	3.8	3.1
Hydroelectric Plants	60.4	57.6	0.0
MEC Piła	10.0	10.0	150.4
PEC Oborniki	0.0	0.0	30.4
ENEA Ciepło	0.0	0.0	185.0
TOTAL	6,256.6	6,196.1	1,008.0

Generation of electricity and heat – ENEA Wytwarzanie Data of ENEA Wytwarzanie in Kozienice Power Plant

Description	Q1 2017	Q1 2018	Change
Total generation of heat (net) [GWh], including:	3,462	4,131	19.3%
Net production from conventional sources [GWh], including:	3,342	4,007	19.9%
ENEA Wytwarzanie (excluding biomass co-combustion)	3,199	3,878	21.2%
ENEA Wytwarzanie – Heat Segment (Białystok Heat and Power Plant - excluding biomass combustion)	124	110	-11.3%
MEC Piła	19	19	0.0%
Production from renewable energy sources [GWh], including:	120	124	3.3%
Combustion of biomass	31	38	22.6%
ENEA Wytwarzanie – RES Segment (hydroelectric plants)	41	57	39.0%
ENEA Wytwarzanie – RES Segment (wind farms)	46	27	-41.3%
ENEA Wytwarzanie – RES Segment (biogas plants)	2	2	0.0%
Gross generation of heat [TJ]	2,175	2,362	8.6%

Generation of electricity and heat – ENEA Elektrownia Połaniec

Description	Q1 2017 (including ENEA Group)*	Q1 2018	
Total generation of electricity (net) [GWh], including:	2,049	(294)	2,204
ENEA Elektrownia Połaniec – net production from conventional sources	1,524	(207)	1,956
ENEA Elektrownia Połaniec – production from renewable energy sources (combustion of biomass – green unit)	314	(66)	210
ENEA Elektrownia Połaniec – production from renewable energy sources (co-combustion of biomass)	211	(21)	38
Gross generation of heat [TJ]	653	(107)	657

* 14 March – 31 March 2017 in ENEA Group

Generation

Purchase of electricity on the wholesale market by ENEA Wytwarzanie

In Q1 2018, the volume of electricity purchased in Koźienice Power Plant totalled 1,252.8 GWh. The purchase was conducted for the needs of trading in energy (637.9 GWh). Additionally, as part of the Balancing Market operation, 614.9 GWh of energy were purchased. In the Heat Segment, the purchased volume in Q1 2018 totalled 5.5 GWh – purchase on the Balancing Market accounts for 4.8 GWh, and purchase in trading – for 0.7 GWh.

As a rule, trading in energy (sales = purchase) is carried out as part of market possibilities guaranteeing the achievement of the assumed financial result as well as to limit the consequences of failures (in the case of lack of availability of generation units.). The purchase as part of trading already takes into account the increase of available power with unit 11. The purchase of electricity as part of trading in the period of the first quarter of 2018 concerned mainly Koźienice Power Plant and constituted 51% of the overall energy purchase. The purchase of electricity as part of the Balancing Market mechanisms accounted for 49%. The purchase results from the ongoing balancing of the NPS by the Operator.

As part of the Heat Segment, the purchase as part of trading resulted from the implementation of the agreements made with the customers and operations limiting the costs of failure of generation units and the lack of available power against the contracts made.

Purchase of electricity on the wholesale market by ENEA Elektrownia Połaniec

In Q1 2018, the volume of electricity purchased in ENEA Elektrownia Połaniec totalled 712.391 GWh. The purchase of 371.829 GWh was made as part of trading in energy. Additionally, as part of the Balancing Market operations, 340.561 GWh of energy were purchased.

Sales of electricity by ENEA Wytwarzanie

The electricity sales volume in ENEA Wytwarzanie in the period from January to March 2018 totalled 11,371 GWh. The sales was carried out by individual segments depending on statutory obligations and the agreements made.

Own sales of electricity in Koźienice Power Plant

Own sales of electricity in Koźienice Power Plant in the period from January to March 2018 totalled 5,018.0 GWh. In that period, ENEA Wytwarzanie was bound by the statutory obligation to sell the generated electricity on a commodity exchange (Article 49a of the Energy Law Act), which was fulfilled at a level of 16%. Other sales include sales as part of ENEA Group: 83%, and on the Balancing Market (PSE S.A.): 1%.

Sales of electricity as part of the Heat Segment

In the heat segment, the sales of electricity in the period from January to March 2018 amounted to 154 GWh, whereas sales as part of ENEA Group accounted for 95.6%, sales as part of the Balancing Market (PSE S.A.) 2.4%, and sales to end customers, for 2% of the total sales.

Sales of electricity as part of the RES Segment

W Segmencie OZE sprzedaż energii elektrycznej w okresie styczeń – marzec 2018 r. wyniosła 86 GWh (poza Grupą ENEA – 0 %, w ramach Grupy ENEA – 100 %).

Sales of electricity as part of the RES Segment

Sales of electricity in the Wind Segment in the period from January to March 2018 totalled 27,315.391 MWh. In March, it was 4,032.347 MWh.

Sales of electricity within the Subsidiaries

Sales of electricity within the Subsidiaries in the first quarter of 2018 amounted to 18.7 MWh.

Sales of electricity by ENEA Elektrownia Połaniec

In Q1 2018, the volume of electricity sold in ENEA Elektrownia Połaniec totalled 2,916.741 GWh, of which 274.662 GWh were sold from renewable sources.

Fuel supply – ENEA Wytwarzanie

Data concerning ENEA Wytwarzanie in Koźienice Power Plant

Fuel type	Q1 2017		Q1 2018	
	Volume ['000 of tonnes]	Cost ¹⁾ [PLN m]	Volume ['000 of tonnes]	Cost ¹⁾ [PLN m]
Bituminous coal	1,635	336	1,601	363
Biomass	84	11	85	13
Fuel oil (heavy) ²⁾	2	3	1	1
Fuel oil (light) ³⁾	0	0	3	8
Gas [thousands of m ³] ⁴⁾	5,037	6	4,983	6
TOTAL		356		391

ENEA Wytwarzanie – Koźienice Power Plant

The main fuel used to produce electricity is bituminous coal (fuel dust). The main supplier of coal for ENEA Wytwarzanie – Koźienice Power Plant generation source in the first quarter of 2018 was LW Bogdanka S.A. (approx. 80.6% of supplies). Moreover, coal was supplied by Polska Grupa Górnicza S.A. (approx. 12.4% of supplies), Węgłokoks S.A. (approx. 1.9% of supplies), and Jastrzębska Spółka Węglowa S.A. (approx. 5.2%).

In Koźienice Power Plant, in the first quarter of 2018, no biomass was co-combusted.

1) Including transport

2) Light-up fuel in Koźienice Power Plant

3) Light-up fuel of Unit No. 11

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

Generation

ENEA Wytwarzanie – Heat Segment

The basic fuels used in ENEA Wytwarzanie in the Heat Segment (Białystok Heat and Power Plant) are coal and biomass – mainly as wood chips, energetic willow chips and agricultural production left-overs and sunflower husk pellet. In the period of January – March 2018, the volume of supplied biomass was approx. 84.7 thousand tonnes, and the supplies were performed by 11 entities. They were slightly smaller than in the same periods of previous years, due to, inter alia, a prolonged failure of the equipment of one of the biomass units. More than 29 thousand tonnes of biomass were supplied to the premises of ENEA Wytwarzanie – Heat Segment by rail transport.

In the first quarter of 2018, coal supplies to ENEA Wytwarzanie – Heat Segment were ensured by LW Bogdanka and Polska Grupa Górnicza sp. z o.o.

Coal supplies – ENEA Elektrownia Połaniec

Fuel type	Q1 2017		Q1 2018	
	Volume ['000 of tonnes]	Cost ¹⁾ [PLN m]	Volume ['000 of tonnes]	Cost ¹⁾ [PLN m]
Bituminous coal	794.8	152.9	794.5	177.4
Biomass	409.3	68.3	227.8	43.3
Fuel oil	1.7	3.3	1.7	2.9
TOTAL	1,205.8	224.5	1,024	223.6

The main coal supplier for Połaniec Power Plant in the period from January to March 2018 was LW Bogdanka S.A.

¹⁾ Including transport



Coal transport – ENEA Wytwarzanie

ENEA Wytwarzanie – Kozienice Power Plant

The only means of transport used to deliver bituminous coal to Kozienice Power Plant in the period from January to March 2018 was rail transport. Approx. 82.2% of supplies were ensured by the carrier PKP Cargo S.A., while Koleje Czeskie sp. z o.o. was responsible for approx. 17.6% of deliveries. The remaining supplies were transported by other carriers.

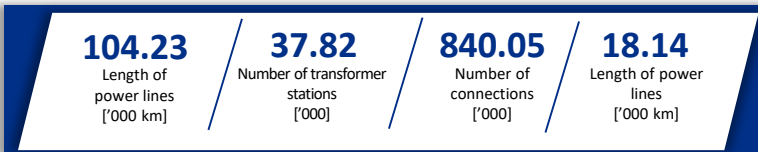
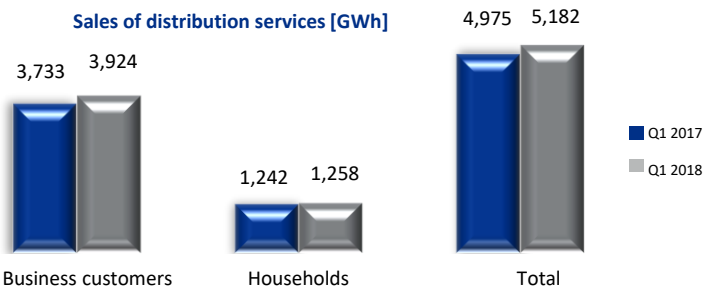
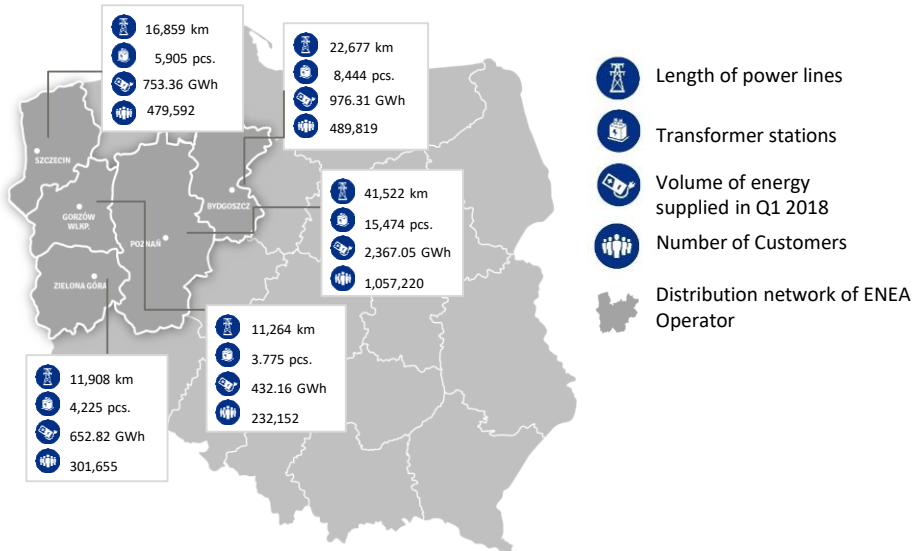
ENEA Wytwarzanie – Heat Segment

Coal supplies to ENEA Wytwarzanie – Heat Segment in the first quarter of 2018 were performed using rail transport by PKP Cargo S.A.

Coal transport – ENEA Elektrownia Połaniec

During the first three months of 2018, coal transport in ENEA Elektrownia Połaniec was carried out by PKP Cargo S.A.

Distribution



Technical indicators

Description:	Q1 2017	Q1 2018	Change
SAIDI planned interruptions and unplanned interruptions, including catastrophic ones (HV, MV) [min]	40.16	38.88	-3.19%
SAIFI planned interruptions and unplanned interruptions, including catastrophic ones (HV, MV)	0.73	0.7	-4.11%

The values of reliability indices are determined in accordance with qualitative regulation – they include planned and unplanned interruptions, including catastrophic interruptions on high and medium voltage. In analysis of the next years, we observe a gradual decrease in reliability indices, which results from the improving technical condition of the power grid. However, catastrophic weather conditions, as those occurring in 2017, result in the rapid increase of the indices.

After the 1st quarter of 2018, the indices reached a slightly lower level in relation to the analogical period of the preceding year, but they reflect critical weather conditions which took place in January this year.

Description:	Q1 2017	Q1 2018	Change
Contracts performed in the reference term of 18 months - group IV [%]	96.83	100	3.27%
Contracts performed in the reference term of 18 months - group V [%]	95.98	99.59	3.76%

Other technical indicators

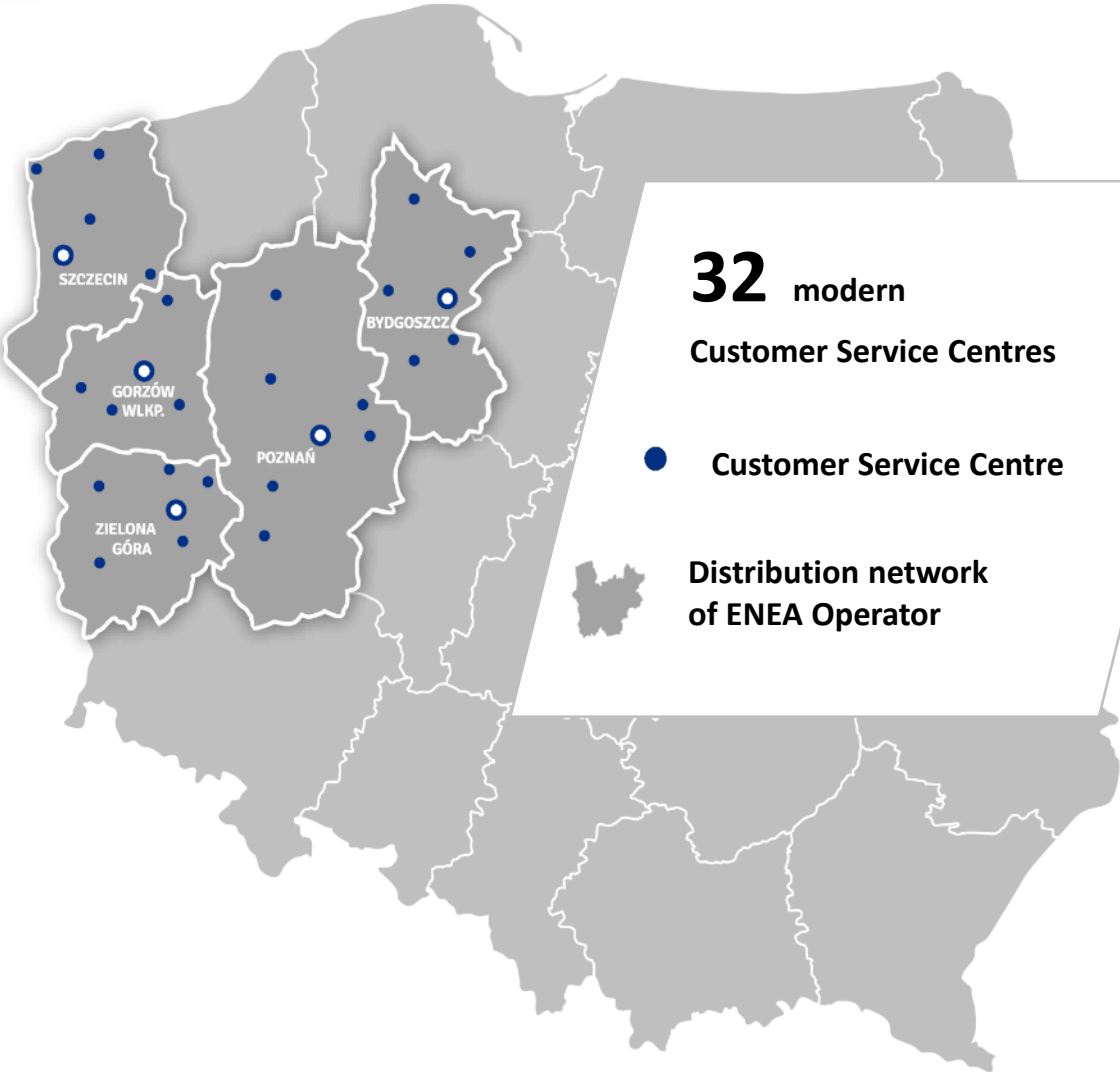
Description:	Q1 2017	Q1 2018	Change
Grid distribution losses index [%]	5.77	5.96	0.19 pp

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

Sales of distribution services

Description:	Q1 2017	Q1 2018	Change
Sales of distribution services [GWh]	4,975	5,182	4.16%
Number of recipients at the end of the period	2,527,320	2,560,438	1.31%

Trading

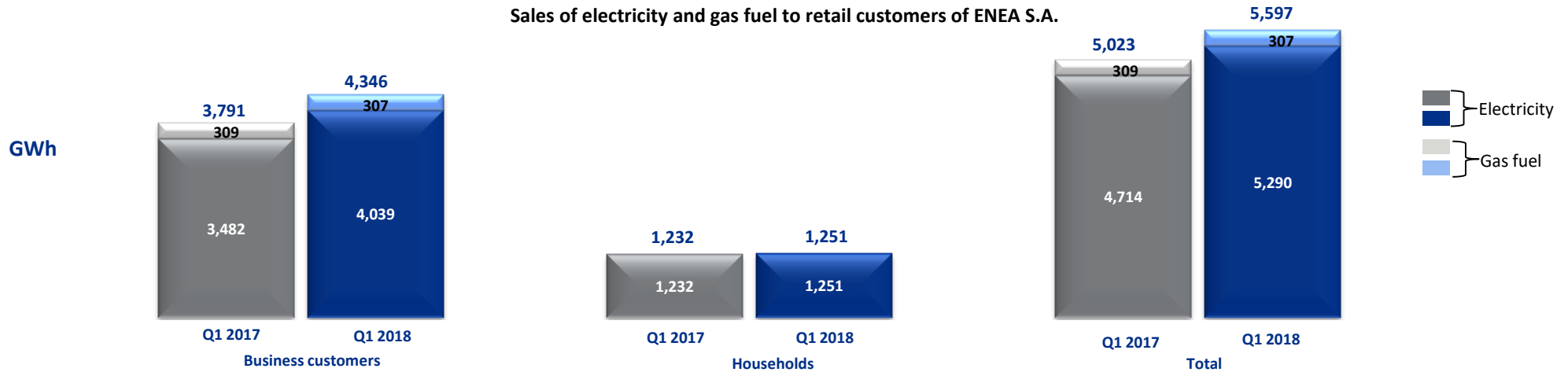


Trading

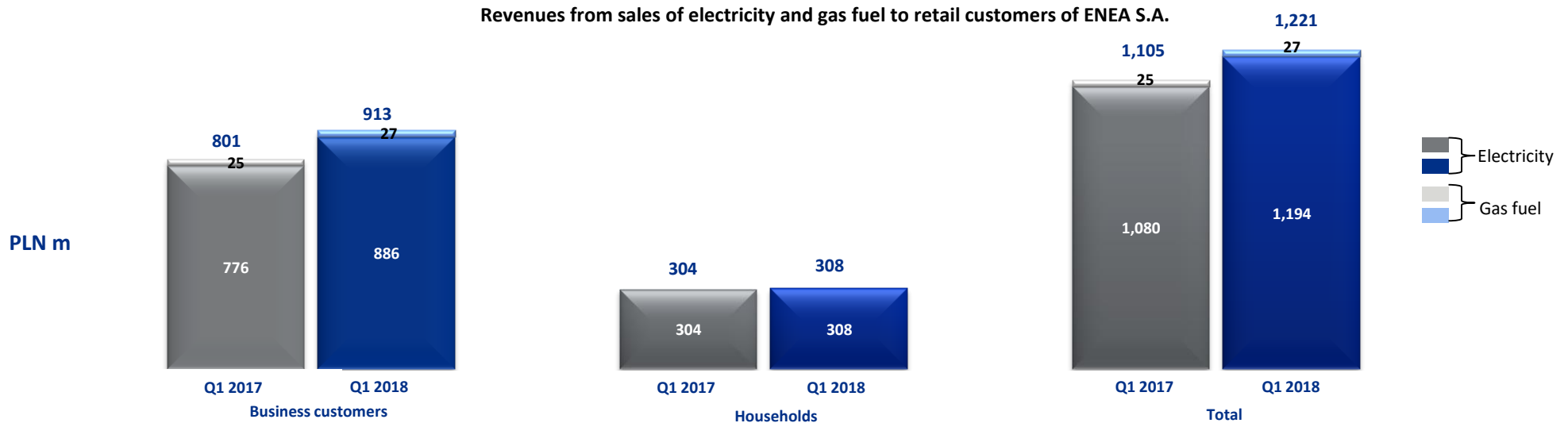
Sales of electricity and gas fuel to retail customers carried out by ENEA S.A.

In the first quarter of 2018, in comparison to the corresponding period of 2017, there was a significant growth in the total sales volume, by 574 GWh, i.e. by more than 11%. The sales volume growth was associated with sales of electricity (an increase of 576 GWh, i.e. by more than 12%). The total growth in volume of sales of electricity translated into higher revenues from sales of electricity by PLN 114 million when compared to the analogical period of 2017. Revenues from sales of gas fuel went up by PLN 2 million. As a result, the total revenues from sales in Q1 2018 increased by PLN 116 million, i.e. by more than 10% when compared to the corresponding period of 2017.

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



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



ENEA Group's Development Strategy until 2030 – baselines

Mission

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

Vision

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

Basic investment budget in the amount of PLN 26.4bn

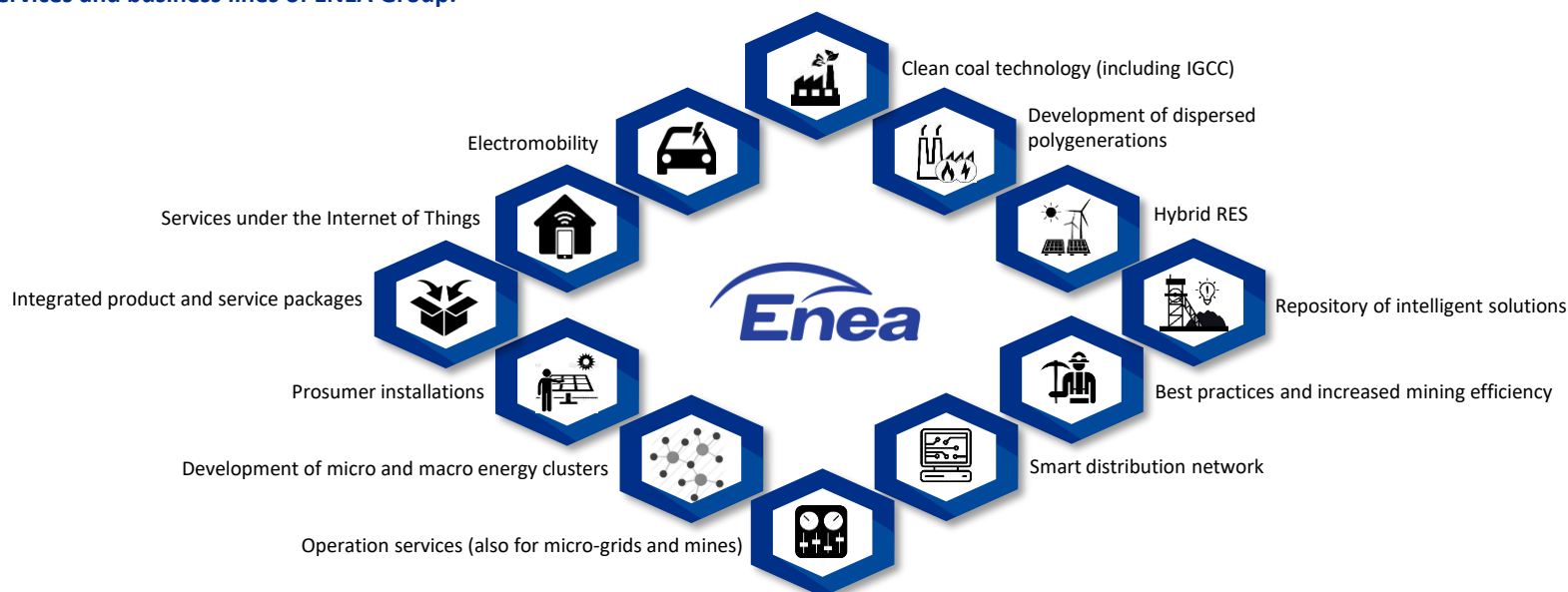
Estimated capital expenditures of ENEA Group in the years 2016-2030 [PLN m, current prices]

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

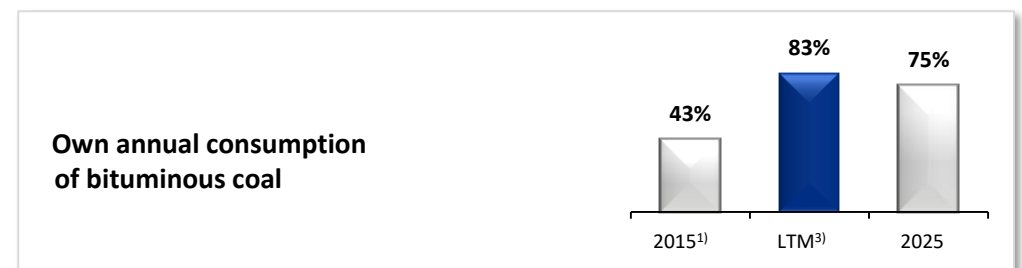
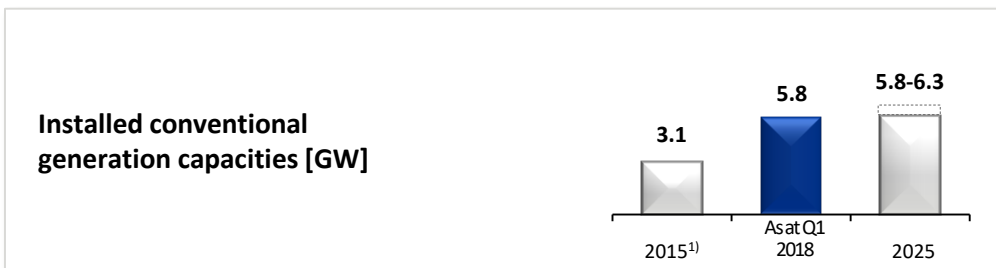
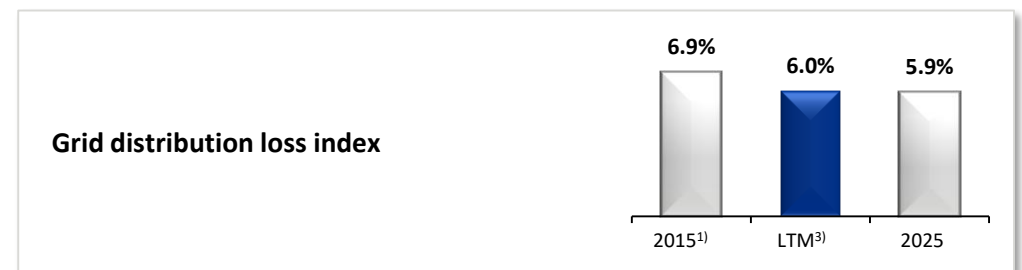
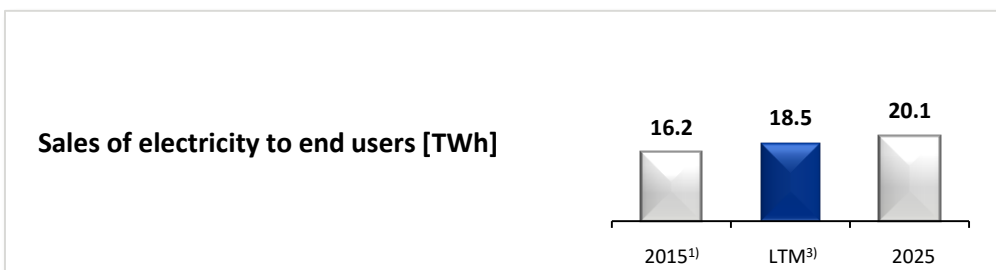
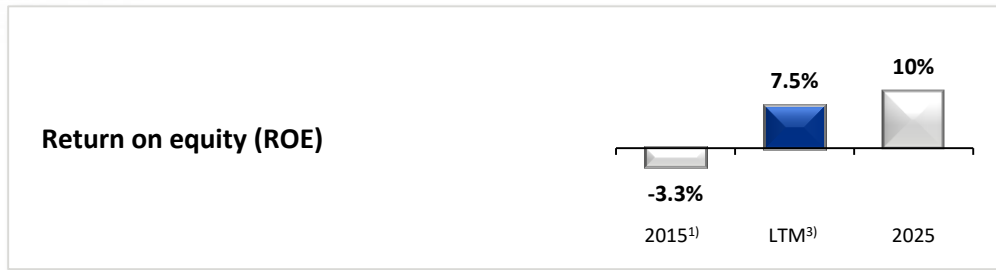
¹⁾ CAPEX potential maintaining the net debt / EBITDA ratio on a safe level

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

ENEA has defined 60 strategic initiatives, of which over 50% are of innovative nature. The implementation of potential-enhancing initiatives will support e.g. the development of innovative products, services and business lines of ENEA Group.



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



¹⁾ Reference year

²⁾ Higher ratios as a result of weather phenomena of an unprecedented strength

³⁾ LTM (Last Twelve Months) covering the period from Q2 2017 to Q1 2018

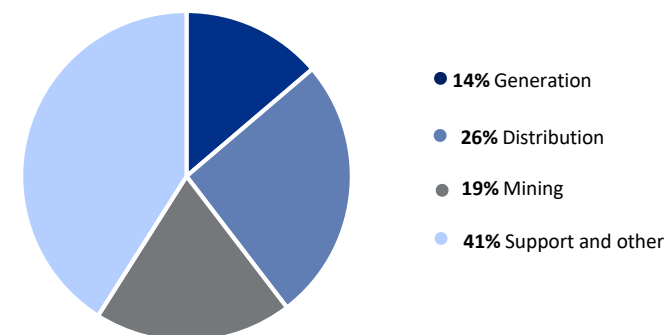
Area	2018 trend	Key drivers
Mining	Under pressure	<ul style="list-style-type: none"> (+) Coal price stabilisation (+) Drilling of new heading excavations (-) Higher fixed costs (wages and raw materials) (-) Modernization of railway routes (-) Geological difficulties in Q1 2018
Generation	Under pressure	<ul style="list-style-type: none"> (+) Higher generation of electricity (-) Potentially lower limit of free CO₂ (-) Higher price of CO₂ and coal, and higher transportation costs (-) Higher fixed costs (mainly due to the launch of Unit No. 11)
Distribution	Stable	<ul style="list-style-type: none"> (+) Increased sales volumes of distribution services (+) Asset management optimisation (+) Works on the improvement of service quality (reduction in SAIDI and SAIFI) (-) Model operating expenses compliant with „Operating expenses for Operators of Distribution Systems for 2016-2020” published by ERO
Trading	Under pressure	<ul style="list-style-type: none"> (+) Development of sale channels and product range (+) Greater sales volumes of electricity and gaseous fuel to retail users (-) Growing erosion of 1st contribution margin in the Trading area (-) Increased costs of environmental obligations, including increased obligation bases and significantly increased prices of „green” RES Property Rights

Capital expenditures in Q1 2018

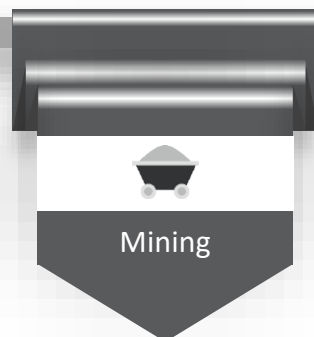
Capital expenditure [PLN million]	Q1 2017	Q1 2018	Status of Plan implementation	2018 Plan
Generation	244.6	60.2	10.1%	596.0
Distribution	150.0	113.0	11.7%	966.6
Mining	65.4	84.8	17.1%	496.0
Support and other	34.3	179.4	49.7%	360.8
TOTAL Plan implementation	494.3	437.4	18.1%	2,419.4
Equity investments ¹⁾	1,347.1	0	-	-
TOTAL ENEA Group's expenditures	1,841.4	437.4	-	-

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

Capital expenditures in Q1 2018



Investments implemented in Q1 2018



- Obtaining new licences:
 - Application for new mining licences in K-6 and K-7 areas
- Maintaining the machinery - purchase and assembly of machines and equipment and periodic repairs, modernisation of suspended monorails and renovation of a beam stage loader
- Other development and replacement investments :
 - execution of 9 km of new excavations
 - extension of the plant for mining waste neutralisation
 - replacement investments in Zakład Przeróbki Mechanicznej Węgla, i.a. upgrades of steel structures, bridge rectification and an electromagnetic separator development project
- power, telecommunication, and mechanical installations

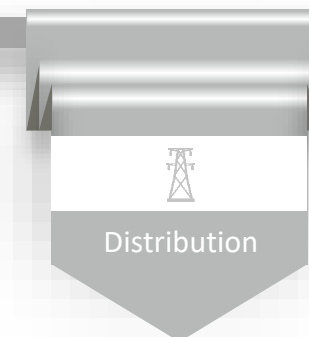


ENEA Wytwarzanie:

- On 30 March 2018, modernisation work within the project – Modernisation of the stator from unit. no 8 for reserve – was completed. The Institute of Power Engineering has drawn up an oversight report; the report has been received. The project has been completed successfully and timely.
- continued development of the SCR installation along with modernization of electrostatic dust precipitators for units No. 9 and 10 as part of the programme involving the modernization of 2 x 500 MW units

ENEA Elektrownia Połaniec:

- Execution of connection between the SCR installation and boiler for unit No. 4



- Completion of a series of investments related to the expansion, automation and modernization of stations and power grids
- Continuation of ongoing investments and launching new investments to be implemented in 2018 and in the following years
- Continuation of the improvement of processes for connecting Customers to the power grid
- Continuation of development of IT tools supporting network management

Investments planned by the end of 2018 as part of the existing assets

Mining

Development investments	<p>Obtaining new licences:</p> <ul style="list-style-type: none"> continuation of the application process related to mining licences in areas K-6 and K-7 <p>Maintenance of the machinery stock:</p> <ul style="list-style-type: none"> purchase and assembly of new machinery and equipment upgrade and renovation of machinery and equipment
Operating investments	<p>New excavations and upgrade of existing ones:</p> <ul style="list-style-type: none"> development of excavations, mainly longwall galleries, longwall cross-cuts and technological cross-cuts, and other technological and access excavations, enabling wall mining upgrade of mine excavations
Other investments	<p>Other development and replacement investments:</p> <ul style="list-style-type: none"> extension of the extractive waste disposal facility in Bogdanka continuation of work connected with "Generation Management Integrated System" and "Smart Solutions Mine" project facilities of winder switchyards and other power systems – in implementation, e.g. upgrade of main ventilators in shaft 1.4, drive system, shaft signalling system and other installation of a tower crane environment protection – it is planned to build a pumping station on the trench RE Żelazny along with water drainage, a pumping station on trench C in Nadrybie and a pumping station on the Dolna Piwonia river

Generation

ENEA Wytwarzanie	Continued	<ul style="list-style-type: none"> Adaptation of ENEA Innowacje sp. z o.o. Systemic Power Plants Segment for BAT conclusions Upgrade of Unit No. 6 Development of the SCR installation of catalytic flue gas denitrification for Units No. 9 and No. 10 (completion in 2019)
	Heat Segment	<ul style="list-style-type: none"> Reconstruction of the TZ3 turbine set – reconstruction of generation capacity of the TZ3 turbine set, ensuring fault-free operation and maintaining correct operating parameters of the turbine set and auxiliary systems and equipment.
	RES Segment	<ul style="list-style-type: none"> Searching for bargain investment and acquisition projects
ENEA Elektrownia Połaniec		<ul style="list-style-type: none"> Prefabrication of elements of turbine no. 5 as part of the Phoenix project for Unit No. 5

Distribution

Key investments implemented	<ul style="list-style-type: none"> Implementation of the smart grid development programme Continuation of the grid operation reliability improvement programme Continuation of the Grid Information System project Construction and upgrade of a number of grid infrastructure elements, such as HV, MV, and LV power lines and transformer stations, including i.e.: <ul style="list-style-type: none"> Development of the Main Transformer Station Poznań Główna Development of the Main Transformer Station Suchy Las Development of the Main Transformer Station Kisielin Development of the Main Transformer Station Skwierzyna II Redevelopment of the Main Transformer Station Fordon along with the development of a duplex power supply for the station Redevelopment of the Main Transformer Station Chodzież Redevelopment of the Main Transformer Station Oborniki Redevelopment of the Main Transformer Station Dąbie Redevelopment of the Main Transformer Station Zdroje Development of 110 kV power cable line Dąbie – Zdroje Development of 110 kV power cable line Bydgoszcz Śródmieście – Bydgoszcz Północ Redevelopment of 110 kV line Kościan – Śmigiel Redevelopment of 110 kV line Morzyczyn - Drawski Młyn Redevelopment of 110 kV line Gryfino – Żydowce Development of the Main Transformer Station Choszczno II and the Main Transformer Station Recz Development of the Main Transformer Station Garbary and development of 110 kV line Garbary-Cytadela, Garbary-EC Karolin Development of the grid switchyard Garaszewo and development of 110 kV line Kromolice - Nagradowice, Kromolice - Gądko, Kromolice – Swarzędz Development of 110 kV line Piła Krzewina - Miasteczko Krajeńskie and redevelopment of the Main Transformer Station Miasteczko Krajeńskie Redevelopment of the Main Transformer Station Wronki Redevelopment of the Main Transformer Station Piła Południe Redevelopment of the Main Transformer Station Żary
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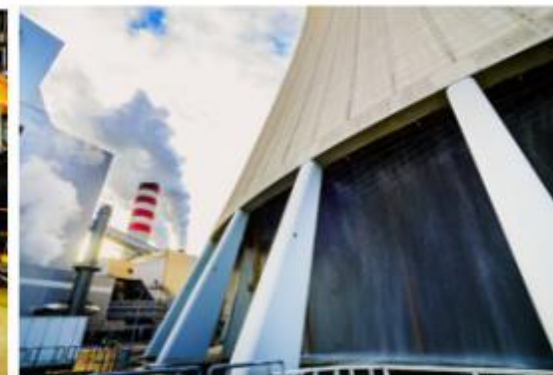
In 2017, ENEA Group commissioned the most modern power unit in Poland and Europe

The new 1,075 MWe unit in Kozenice Power Plant

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

Operation of Unit No. 11 in Q1 2018

Gross electricity generation [MWh]	1,473,096.5
Average monthly load [MW]	753



Status of works on key investment projects

Investment	Project status	CAPEX Q1 2018 [PLN m]	Total CAPEX [PLN m]	Work progress [%]	Anticipated completion date
ENEA Wytwarzanie	Upgrade of Unit No. 10 as part of the 2 x 500 MW units upgrade programme	3.58	89.165	97%	2018
	Upgrade of Unit No. 9 as part of the 2 x 500 MW units upgrade programme	14.25	16.76	9%	2019
	Upgrade of Unit No. 6	0.48	0.48	1%	2018
	Adaptation of ENEA Innowacje sp. z o.o. The Systemic Power Plants Segment for BAT conclusions – upgrade of the electrostatic dust precipitator, Unit No. 6	0.211	0.697	15%	2018
	Development of the SCR installation of catalytic flue gas denitrification with upgrade of electrostatic precipitators for boilers AP-1650 of Units No. 9 and No. 10 as part of the 2 x 500 MW units upgrade programme	15.35	116.917	37%	2019

Status of works on key investment projects

Investment	Project status	CAPEX Q1 2018 [PLN m]	Total CAPEX [PLN m]	Work progress [%]	Anticipated completion date
ENEA Wywarzanie Development of the FDG installation for flue gas desulphurisation for boilers K7 and K8	An agreement was concluded with the National Environmental Fund for investment subsidy in the form of a loan. On 29 September 2017, the installation was commissioned. In the first quarter of 2018, works connected with the completion of the investment were continued, i.e.: <ul style="list-style-type: none"> ✓ Regulation and optimisation of the FGD operation by the Contractor to ensure guaranteed parameters. ✓ Assembly of an additional element in the reactor, aimed at changing the flow distribution in the reactor and assessment of its influence on the operation of the installation. ✓ Installation test on a sorbent from another suppliers. ✓ On 20–23 February 2018, guaranteed parameters were again measured. ✓ The report on these measurement states that the installation achieves all technical and environmental parameters except for process water consumption and process temperature. On 12 March 2018, the Contractor submitted the installation for final acceptance; ✓ An Annex to the Agreement, changing the investment completion date to 15 March 2018, was entered into with the Contractor (this action was approved by the Management Board of ENEA Wywarzanie and of ENEA Group's Investment Committee). ✓ The content of the Memorandum with the Contractor was prepared and agreed upon, aimed at defining the conditions for the removal of the above mentioned installation defects. Signing of the Memorandum is a condition for signing the Final Acceptance report. ✓ Currently, the procedure connected with the execution of this Memorandum is being conducted. Then, the signing of the Final Acceptance report is planned. 	2.09	81.43	97%	2018
ENEA Elektrownia Potaniec Development of the SCR installation for unit No. 4	Launch of the SCR installation for unit 4	8.6	34.4	95%	2018
ENEA Elektrownia Potaniec Phoenix project for unit No. 5	NTP issued for turbine modernisation and NTP for generator modernisation and delivery of a new step-up transformer	0	127.4	2%	2020



Retail Trade Area

Measures implemented in Q1 2018

- Including the Heating package to the SMART HOME product offer
- Pilot implementation of the base product in the ENEA ECO product line
- Developing the product offer based on DSR service
- Pilot launching of a new sales channel for SOHO customers



Client Service Area

- Launching of IVR self-services available for customers
- Opening customised Customer Service Centres in Krośno Odrzańskie, Wolsztyn, Nakło on Noteć, Gryfice, Świnoujście and Kościan
- Implementing a billing system for gas fuel for generation
- Conducting design works and finalisation of the preparations for the functional project for eBOK 2.0
- Introduction of automated service processes, using, among other things, robotic process automation, which will translate into the timely implementation of key indicators as part of ongoing processes



Wholesale Trade Area

- Taking into account the increase in installed capacity in the generation potential of ENEA Wytwarzanie (B11)
- Active participation in impact analyses of the power market implementation as part of industry consultations
- Optimisation of fuel (coal, biomass, fuel oil) deliveries using the ENEA Capital Group's extraction resources, taking into account geographical location in the scope of transport services
- Commencing cooperation with PGG S.A. and JSW S.A. in the area of management of sludges and flotoconcentrates – execution of agreements on sludge supplies to Kozienice and Połaniec
- Development of analytical models of long-term price paths for products listed on wholesale markets, taking into account the fundamental model for hard coal
- Expansion of the product range with specialised services for the RES segment for installations with installed capacities of 500kW and above after the obliged seller ceases to be obliged to purchase electricity, i.e. from 1 January 2018
- Developing regulatory support for ENEA Group companies with regard to the wholesale market

Measures to be implemented by the end of 2018



- Developing the ENEA ECO product line in the scope of combined products,
- Communication and development of the ENEA SMART product line, *inter alia* in the scope of adding new modules to the product line
- Developing the ENEA+SPECIALIST product line
- Implementing a product related to consumption efficiency for the segment of business customers
- Implementing a new gas billing system and developing the DUAL FUEL offer
- Development of the PURCHASE ZONE loyalty programme
- Adjusting processes and procedures to GDPR requirements



- Completion of the visual upgrade project for all 32 Customer Service Centres
- By using the 2017 implementations and maximising profits in the area of customer service, the development of remote customer service channels is planned by introducing a range of facilities, such as: new contact channels, video chat and mass customer service through social media.
- Launching a new Digital Customer Service Centre and introducing changes on the service sub-pages of www.enea.pl website, to facilitate remote customer service
- Developing a concept and undertaking activities aimed at building lasting relationships with customers and adapting contact channels to the customer preferences (Omnichannel), for instance by launching the Business Hotline and implementing the CRM platform
- Further works in the process of automation of service processes using robotic process automation
- Implementation of the Central Customer Database in order to provide comprehensive, uniform information about clients and to implement the guidelines imposed by the new General Data Protection Regulation becoming effective in May 2018
- Implementing Customer satisfaction surveys in Customer Service Centres
- Providing new points of payment for FV and top-up points for prepaid meters in cooperation with the PayTel network



- Changing the approach to valuing portfolio management activities on the wholesale market
- Execution of an interdisciplinary power market implementation project aimed at maximising financial revenue and optimising the cost management approach with regard to repairs and investments for generating units for the ENEA Group
- Optimisation and search for further synergies in the energy product portfolio management using the potential of the ENEA Group and wholesale markets
- Development of tools supporting distributed generation as a result of changes in the support mechanism for renewable sources effective after 1 January 2018.
- Agreement on the conditions of 2019 coal supplies for the demand of ENEA Wytwarzanie and ENEA Elektrownia Połaniec provided for in forward contracts
- Optimisation of fuel logistics
- Performing analytical and conceptual work for the purpose of changing the coal purchase model in order to use low-caloric coals in the process of mixing sludges and flotoconcentrates
- Development of tools and analytical database enabling effective prop-trading activities in the area of short-term cross-border operations in order to get prepared for the Community energy market
- Continuation and completion of works connected with the project “Development of the concept and change of the model of fuel coal trading in the ENEA Group”

Financing sources of the investment programme

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



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

On 30 June 2014, ENE A S.A. concluded a programme agreement relating to the bond issue programme up to the amount of PLN 5bn with the following banks acting as dealers: ING Bank Śląski S.A., PKO BP S.A., Bank Pekao S.A. and mBank S.A. Under the Programme, ENE A may issue bonds with the maturity of up to 10 years, and Bank dealers have the duty of care when offering the sale of bonds to market investors. In the period of January-March 2018, ENE A S.A. did not issue bonds under that programme. As at 31 March 2018, the value of the bonds issued within the Programme totalled PLN 1,500m.



Programme Agreements on the bond issue programme guaranteed by BGK

Under the financing guaranteed by Bank Gospodarstwa Krajowego, ENE A S.A. concluded a bond issue programme agreement (signed on 3 December 2015) with the value of PLN 700 million. The financing is not hedged on ENE A Group's assets. The funds from that programme are allocated i.a. to the implementation of the investments by ENE A S.A. and its subsidiaries. The interest rate is based on floating WIBOR rate plus margin. So far, ENE A S.A. has issued bonds under the programme agreement of the value of PLN 150 million. As at 31 March 2018, the amount of PLN 550 million was available.

30%



Financing source utilisation rate

21%



Financing source utilisation rate

External financing sources utilised

Below is a summary of the loan agreements and bond issue programmes utilised, under which ENE A had liabilities as at 31 March 2018.

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

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

The companies of ENEA Group did not issue any securities in Q1 2018. The nominal debt in respect of bonds issued by ENEA S.A. totalled PLN 5,563 million as at 31 March 2018.

Suretyships and guarantees granted

During the first three months of 2018, the companies of the ENEA Group did not grant any new suretyships or guarantees of significant value.

As at 31 March 2018, the total value of corporate suretyships and guarantees granted by ENEA S.A. for hedging the liabilities of ENEA Group companies amounted to PLN 123,535.8 thousand, whereas the total value of bank guarantees issued on request of ENEA S.A. and being the security of the liabilities of ENEA Group companies amounted to PLN 289,996.0 thousand.

Interest rate hedging transactions

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

Agreements of significance to ENEA Group's operations

On 3 January 2018, an agreement was concluded for the purchase of coal from Polska Grupa Górnicza Sp. z o.o. in the period of 2018 - 2021 for the needs of ENEA Elektrownia Połaniec S.A.'s units. The total net value of the agreement amounts to PLN 1.49 billion.

Notwithstanding the aforementioned agreement, during the first three months of 2018, and until the publication date of this report, the companies of ENEA Group did not conclude any agreements of significance to the Group's operations.

Related-party transactions

In January-March 2018, ENEA and its subsidiaries did not conclude any related-party transactions on non-market conditions.

Information on related-party transactions concluded by ENEA or its subsidiary is included in note 25 to the condensed interim financial statements of ENEA Group for the period from 1 January to 31 March 2018.

Distribution of cash – bond issue programmes of subsidiaries

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

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

PLN 1,425 m – Bonds (ENEA Operator)

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

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

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

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

The Executive Bond Issue Programme Agreement for the amount of PLN 946m was concluded between ENEA as guarantor, ENEA Operator as issuer and PKO Bank Polski as agent. Within the agreement, on 28 March 2017 an annex was concluded to extend the availability of the Programme's funds until 29 December 2017. The bond redemption date – in instalments, however not later than within 15 years of the date of issue. The bonds may bear the fixed rate or floating rate interest based on WIBOR rate plus margin, with the interest rate revision after 4 or 5 years. The programme has been fully utilised.

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

As at 31 March 2018, ENEA Wytwarzanie issued within the Programme bonds of the value of PLN 350m. The bonds will be redeemed on one date in March 2020.

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

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

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

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

Other agreements

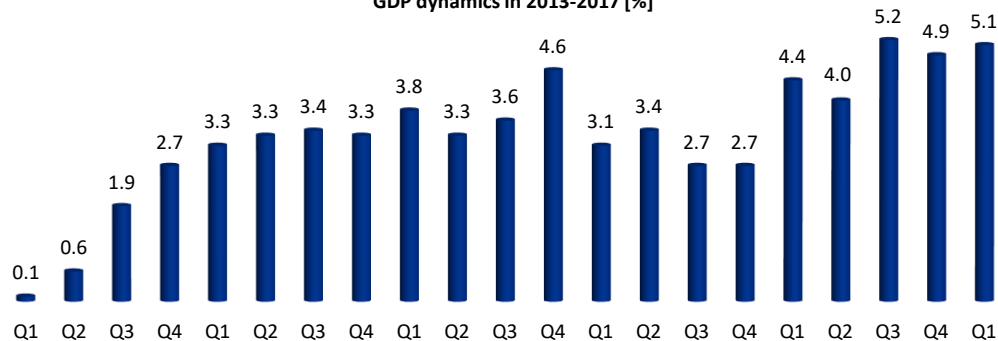
In the previous years, ENEA S.A. also concluded inter-group bond issue programme agreements with its subsidiaries, which are intended to finance investments in the RES and Heat segments. The programmes are fully utilised and redeemed in instalments. As at 31 March 2018, the value of the bonds to be redeemed under these programmes totalled PLN 70.1m.

Macroeconomic situation

ENEA Group's operations are focused on the territory of Poland. Therefore, core macroeconomic factor affecting both the results achieved and its financial situation is the development pace and the general condition of the Polish economy.

According to the preliminary estimate of the Central Statistical Office of Poland (GUS), the GDP in the 1st quarter of 2018 (seasonally unadjusted) increased by 5.1% on the same quarter in 2017.

GDP dynamics in 2013-2017 [%]



According to ZUS data, in the 1st quarter of 2018 growth tendencies were observed in the main areas of the economy.

According to the estimates by ZUS, in the 1st quarter of 2018 the industrial production sold was higher than year before by 5.6%. However, the growth dynamics of industrial production sold was slower on an annual basis than in the preceding quarter. Sales in most sections, except for mining and extraction, increased. A growth of sales in production was recorded for all main industrial groupings, with the highest one in the field of energy-related goods.

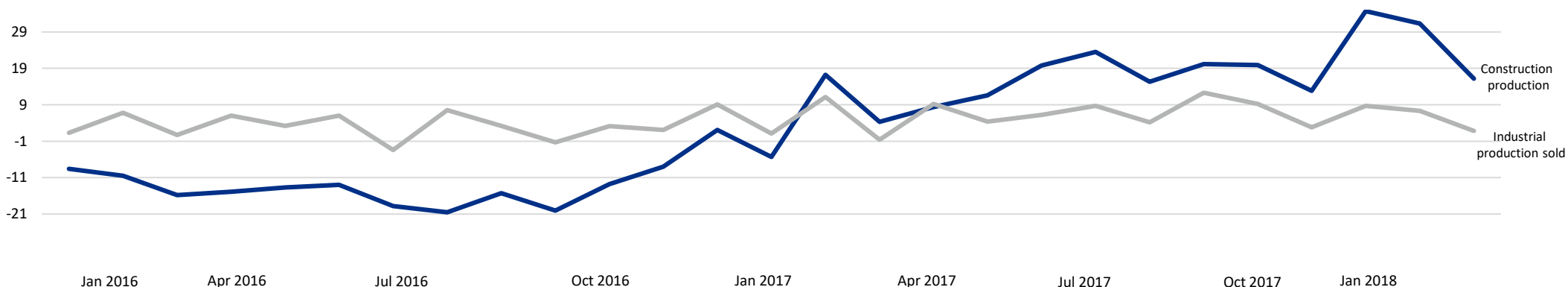
In the period of January–March 2018, the construction and assembly output in the country was by approx. 26.1% higher than in the preceding year. Growth was recorded in all sections of the construction sector, with the highest one in enterprises specialising in the construction of civil engineering facilities.

In the period of January–March 2018, the consumer price growth was weaker than in the last quarter of 2017. In March 2018, the prices of consumer goods and services went up year over year slightly less than in February 2018. In the 1st quarter of 2018, the consumer price index totalled 1.5% when compared to 2.0% in the 1st quarter of 2017.

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

Description	unit	2015	2016	2017	Q1 2018
GDP	% change	3.8	2.9	4.6	5.1
Industrial production sold	% change	6.0	3.6	6.6	5.6
Construction production	% change	3.7	-2.6	7.0	26.1
Inflation	%	-0.9	-0.6	2.0	1.5

Domestic production dynamics in 2016-2018 [%]



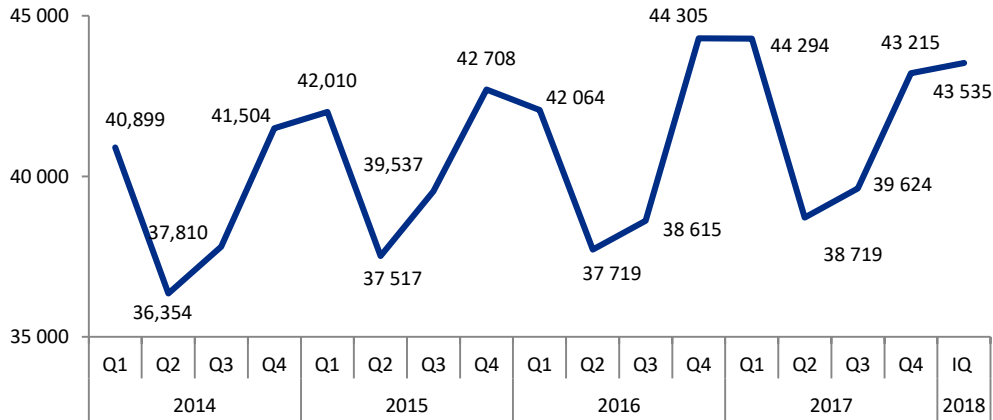
Source: <http://stat.gov.pl> and GUS study entitled Informacja o sytuacji społeczno-gospodarczej kraju w I kwartale 2018 roku [Information on the social and economic situation in the country in the 1st quarter of 2018] and Szybki szacunek produktu krajowego brutto za pierwszy kwartał 2018 roku [A quick estimate of the Gross Domestic Product for the first quarter of 2018]

Situation on the electricity market

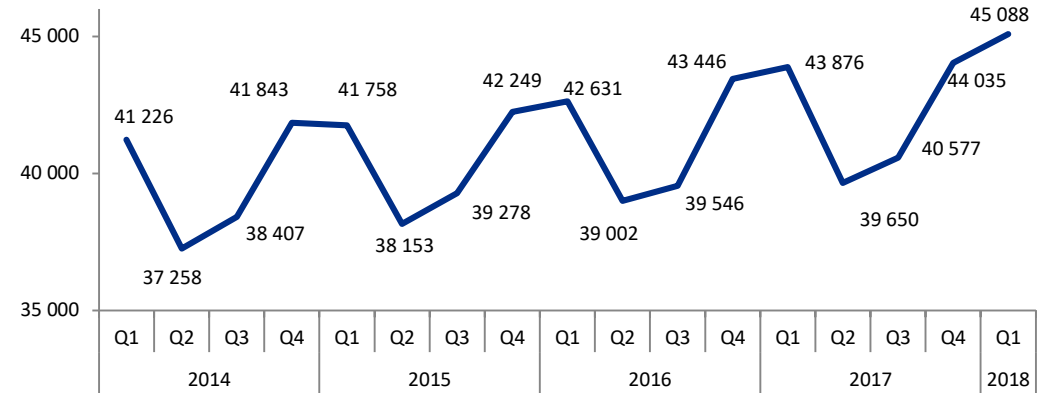
Production of electricity

According to the data published by Polskie Sieci Energetyczne, the domestic production of electricity in Q1 2018 was 43,535 thousand GWh.

Domestic production of electricity [GWh]

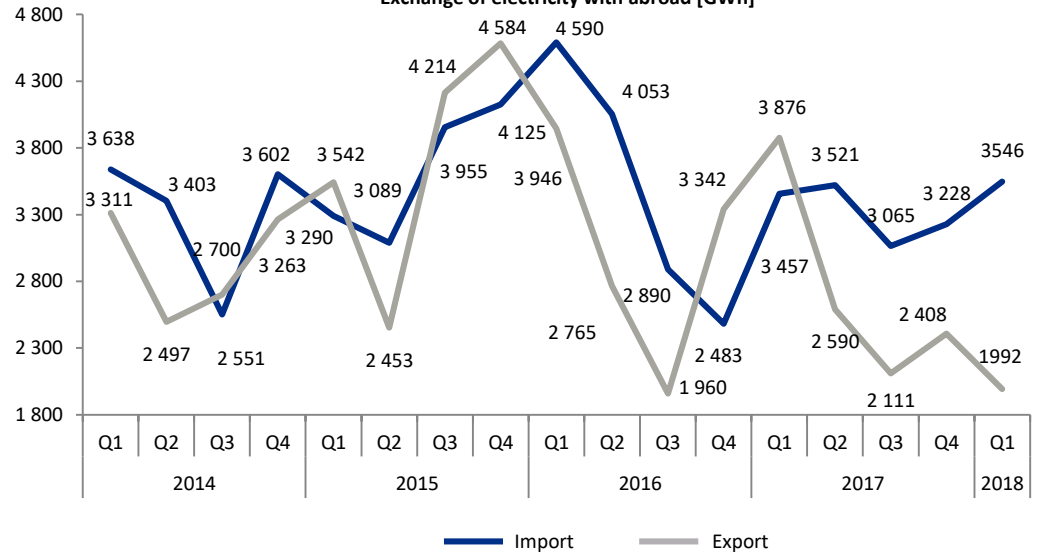


Domestic consumption of electricity [GWh]



Types of power plants	Q1 2017	Q1 2018
Commercial on bituminous coal	21,626	21,839
Commercial on lignite	14,024	12,277
Industrial	2,829	2,799
Gas	1,577	2,597
Commercial hydroelectric	692	781
Wind	3,506	3,168
Other renewable	40	74

Exchange of electricity with abroad [GWh]



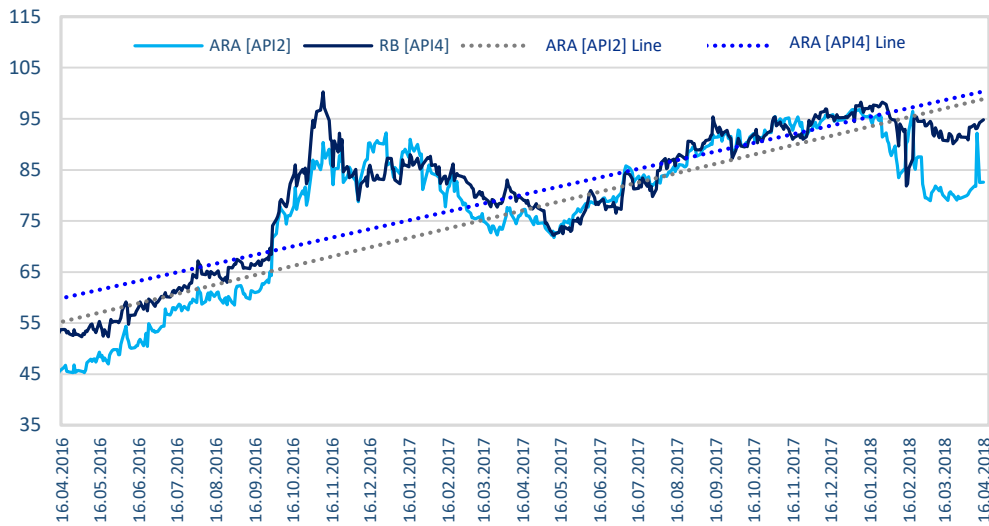
Source: <https://www.pse.pl/mapa-raportow>

Market prices of coal in Q1 2018

The situation on the global coal market in Q1 2018 was highly diversified. While the Asia-Pacific market witnessed a growing trend in the resource prices, situation in the Atlantic area was relatively stable, with a downward tendency. Weak European demand resulted from the increase in RES power generation (including wind power in Germany), growing availability of Russian coal in relation to low volumes imported to day mainly from the USE or Columbia. In addition, the coal prices were weakened by the seasonal drop in freight rates in Europe and relatively mild temperatures in the winter season, which translated into low trading activity given relatively high stock levels of the European coal producers. The fundamental factor underlying the growth of prices on the Asian market was a strong demand of Indian purchasers, benefiting the South African coal market.

In Q1 2018, the average spot price of 1 tonne of coal in ARA ports was USD 87.64 and was by 6.1% lower on quarterly basis and by 8.4% higher on annual basis. The quarterly prices fluctuated within the range of USD 97–79 per tonne, with an average change dynamics at a level of -0.2% in the period in consideration. The average spot price of 1 tonne of coal from South Africa in Q1 2018 amounted to approx. USD 93.85 per tonne and was slightly higher, by 0.9%, than in Q4 2017, however significantly higher on annual basis (12.9%). In the period under analysis, the prices remained within the range of USD 98–82 per tonne, with a neutral change dynamics.

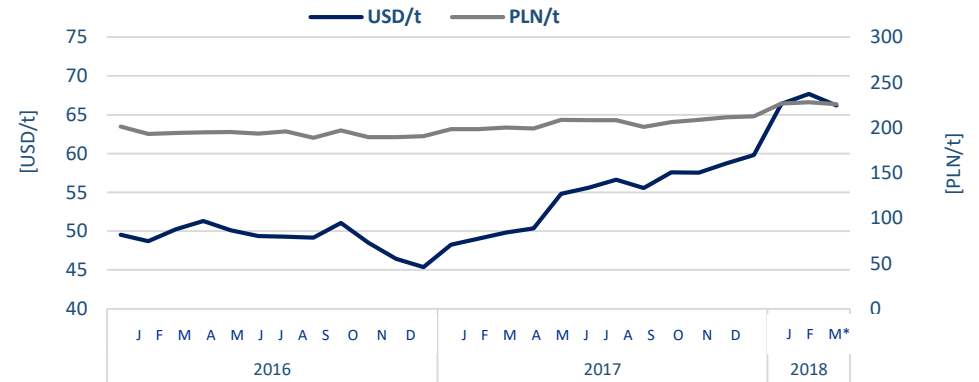
Global Coal Spot Prices [USD/t]



Source: Own summary for gC, ICE data.

Downward trends in the European ARA coal terminals in Q1 2018 did not affected the quotations of the Polish Steam Coal Market Index PSCMI1 which has been continuing its upward trend since August 2017. The fundamental factors supporting the quotes of coal prices in the period under analysis included the persisting supply gap on the domestic market and the related growth in imports given relatively low coal stock levels of domestic producers. Logistic issues with transport of the resource to end customers, low wind energy production and a prolonged heating season additionally supported the quotations in this period. The average value of PSCMI1 in Q1 2018 totalled PLN 10.42/GJ and was higher, respectively, by 9.11% q-o-q and 16.98% y-o-y. Taking into account the USD quotations and the quotation forecast amounting to PLN 10.38/GJ for March this year, the average value of the index in the period in consideration totalled USD 66.20 per tonne [+13% q-o-q and +35% y-o-y].

Polish Steam Coal Market Index - PSCMI1 [Q1/18]



Source: own summary on the basis of the National Bank of Poland and ARP data. Forecast



Wholesale electricity prices

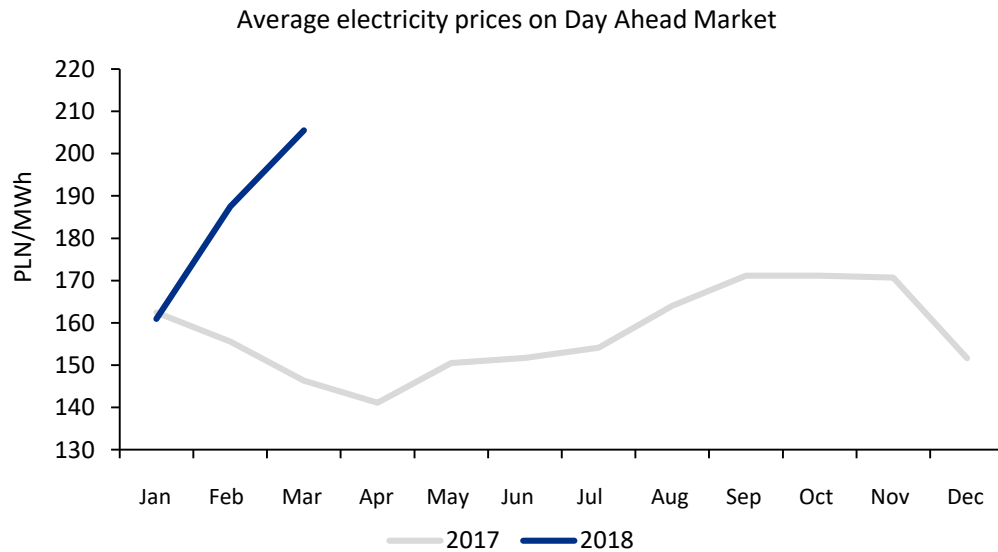
The average price on the SPOT market in the first quarter of 2018 was higher by 19.3% in comparison with the analogical period of 2017. In particular, the prices grew in the period between February to March. The prices were affected by the following factors:

- lower capacity available in PPE system
- low energy generation of wind plants
- significant influence of weather – temperature below multi-annual averages
- increase in demand

Table 1. Average prices on SPOT market (PPE Day Ahead Market)

Period	Average Price [PLN/MWh]	Change [%]
Q1 2017	154.87	-
Q1 2018	184.66	↑ 19.3%

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



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

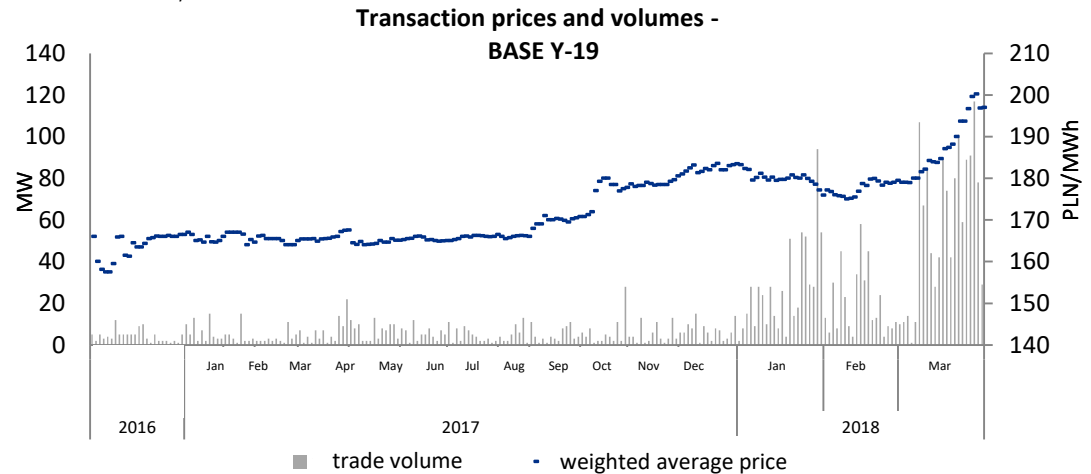
On the forward market, growth in prices could be observed. During the reporting period, the BASE Y-19 product price went up from the level of PLN 183.25/MWh in the beginning of January to PLN 197.00/MWh in the end of March.

Table 2. Prices on the forward market

Product	Price at the end of quotations	Change YoY [%]	Average price from quotations	Change YoY [%]
	[PLN/MWh]		[PLN/MWh]	
BASE Y-16	167.50		166.49	
BASE Y-17	162.00	↓ -3.3%	159.31	↓ -4.3%
BASE Y-18	177.65	↑ 9.7%	167.00	↑ 4.8%
BASE Y-19 ¹⁾	197.00	↑ 10.9%	180.81	↑ 1.9%

¹⁾ as at the end of March 2018

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



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

On the PPE forward market, an increased liquidity can be observed, when we compare turnover in the first quarter of 2017 and 2018 between BASE Y-18 and BASE Y-19 products (amounting to approx. 94.1%). The main reason for such a state of affairs could be introduction of the 30% exchange obligation.

As in the case of BASE Y-19, the prices of PEAK Y-19 also changed. At the beginning of January, the market valuation of this product was PLN 230.50/MWh, and at the end of September 2017 at PLN

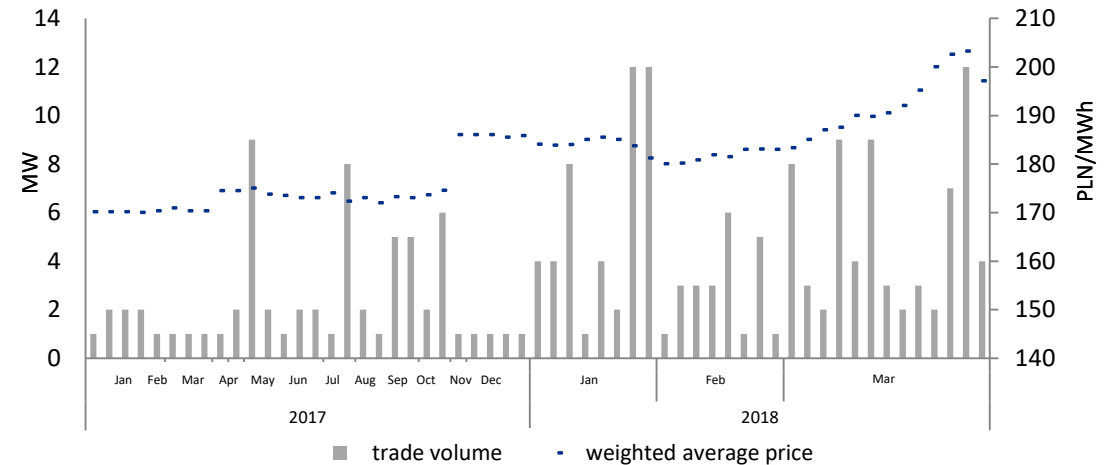
In the course of Q1 2018, we observed an increase in prices on the forward electricity market. It was linked, among other things, with the high volatility of CO₂ emission allowance prices (spread between max and min price – EUR 6.02 / t). The market situation was significantly influenced by the increased trading volume of BASE Y-19 on the PPE as compared to the volumes of BASE Y-18 in the corresponding period of the previous year.

The uncertainty factors still include :

- the question of the exit of the United Kingdom from the European Union, which may translate into possible long-term changes in the Community Emissions Trading System and the prices of CO₂ allowances (EUA)
- the direction of changes in the EU ETS system and the introduction of new solutions (e.g. the power market) in the scope of providing appropriate power levels in the National Power System

Therefore, possible increases in prices of moderate strength cannot be ruled out.

Transaction prices and volumes - BASE Y-20



Source: Own development based on PPE and TFS data.

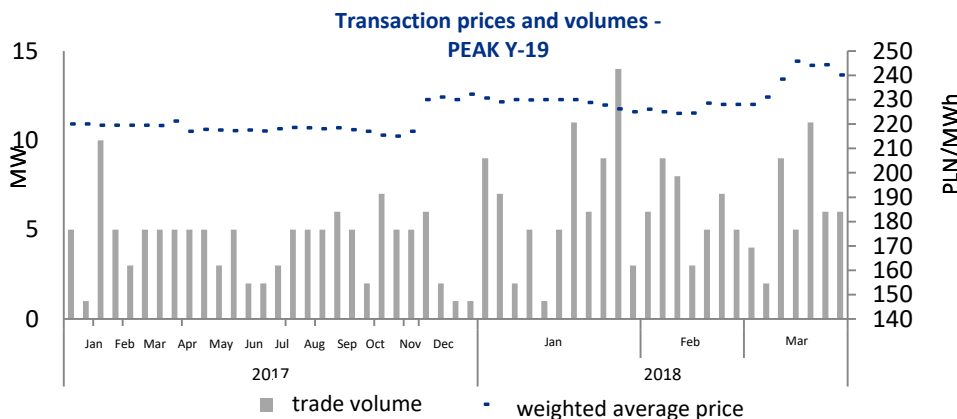
Obligations involved in obtaining energy certificates

Pursuant to the effective regulations, energy companies selling electricity to end users in 2017 are obliged to obtain and redeem the following types of certificates of origin:

- for energy generated in renewable sources, the so-called "green" certificates – the obligation at the level of 15.4% of sales to end users
- for energy generated from agricultural biogas, new certificates established by the amendment to the Act on Renewable Energy Sources dated 20 February 2015 – an obligation at the level of 0.60% of sales to end users
- for energy generated in methane cogeneration – "violet" certificates – at 1.8% of sales to end users
- for energy generated in gas cogeneration units or with a total installed capacity of up to 1 MW, the so-called "yellow" certificates – the obligation at the level of 7.0%
- for energy generated in other cogeneration sources, the so-called "red" certificates – the obligation at the level of 23.2%
- for energy efficiency certificates, the so-called "white" certificates – the obligation at the level of 1.5%

2017 obligation is being fulfilled until the end of June 2018.

The following slide presents the pricing structure of contracts on the PPE session market for individual property rights in the period January – March 2018. „Green” Property Rights (PMOZE) were omitted in the analysis due to the lack of trading and their complete replacement by PMOZE_A.



Source: Own development based on PPE and TFS data.

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

Table 3. Prices on the certificates of origin market (PPE's session market)

		Average price Q1 2018	Change in relations to Q4 2017		Maximum price PLN/MWh	Minimum price PLN/MWh	
			%	PLN/MWh			
OZEX_A („green” property rights)		63.04	↑	45%	19.57	82.10	45.01
OZEX_BIO („light blue” property rights ¹⁾)		319.07	↑	0.8%	2.50	322.00	316.5
KGMX („yellow” property rights)	2017	117.55	↑	0.6%	0.70	119.00	116.5
	2018	106.33	-	-	-	110.00	104.05
KECX („red” property rights)	2017	9.72	↓	-0.2%	-0.02	9.85	9.77
	2018	-	-	-	-	-	-
KMETX („violet” property rights)	2017	55.38	↑	0.3%	0.17	63.00	55.30
	2018	-	-	-	-	-	-
EFX („white” property rights) ¹⁾		711.61	↑	58%	261.50	900.00	450.00
EFFX („white” property rights)		1,459.07	↑	17%	212.80	1,500.00	1,400.00
EF17 („white” property rights)		613.77	↑	36%	164.00	900.00	400.00

¹⁾ Values in PLN/toe

Source: Own development based on PPE data.

Limits and market prices of carbon dioxide emissions allowances

The European Commission suggested the continuation of the obligation resulting from the greenhouse gas emissions by aviation until final decisions are made regarding the global market mechanism. On 15 February 2017, at the plenary session, the European Parliament approved the package of amendments to draft EU ETS Directive which were adopted by the Environmental Council in late February 2017. The EU Member States began distribution of free allowances for 2017.

As it follows from the most recent data on the number of allowances issued for 2017, as published by the European Commission, the countries with the highest number of unissued allowances are: Italy, Romania, and United Kingdom, whereas Malta is the only country which has already issued all allowances. Pursuant to April publication of the EC, the value of verified emissions for 2016 dropped by 2.7% when compared to 2015.

In addition, EC published the data on the number of allowances redeemed. Nearly all plants recorded in the EU ETS system kept the time limit for redemption of emissions for 2016. On 17 August 2017, the new stricter BAT conclusions were published in the Official Journal of the EU, setting the nitrogen oxides, sulphur dioxide, lead and suspended dust emissions standards applicable, among others, to large coal fired power plants (4 years for adjustment) at the level much higher than that effective hitherto.

With the beginning of 2018, the package of MiFID II regulations entered into force, aimed at the strengthening of the financial instruments markets and the protection of capital market participants in Europe. The European Commission has published information on the NER reserve allowances for 2013–2020; until now, 144.3 million EUAs have been issued out of the total amount of 480.2 million. The Member States of the EU have started distribution of free allowances for 2018 (until 23 March 2018, 631.14 million EUAs of 756.58 million allowances were issued).

Prices of CO₂ emission allowances are at the highest level since 2011.

Table 4. EUA and CER price change

Product	Price [EUR/t]		% change	
	Beginning of January 2018	End of March 2018		
EUA Spot	7.78	13.26	↑	70.4%
CER Spot	0.17	0.19	↑	11.8%
EUA Dec-18	7.81	13.28	↑	70.0%
CER Dec-18	0.17	0.19	↑	11.8%

Source: Own development based on ICE data.



Source: Own development based on BlueNext and ICE data.



3. Financial standing

Consolidated profit and loss account– Q1 2018

[PLN k]	Q1 2017	Q1 2018	Change	% change
Revenue from the sale of electricity	1 502,805	2,017,076	514,271	34.2%
Revenue from the sale of heat	118,771	136,510	17,739	14.9%
Revenue from the sale of gas	35,551	32,954	-2,597	-7.3%
Revenue from the sale of distribution services	828,528	692,829	-135,699	-16.4%
Revenue from certificates of origin	161	1,693	1,532	951.6%
Revenue from the sale of CO ₂ emission rights	5 705	22,532	16,827	295.0%
Revenue from the sale of goods and materials	14,882	18,291	3,409	22.9%
Revenue from the sale of other products and services	44,858	43,230	-1,628	-3.6%
Revenue from the sale of coal	158,429	23,438	-134,991	-85.2%
Net sales revenue	2,709,690	2,988,553	278,863	10.3%
Depreciation	283,847	363,351	79,504	28.0%
Costs of employee benefits	386,987	410,009	23,022	5.9%
Consumption of materials and raw materials and the value of goods sold	285,611	605,657	320,046	112.1%
Purchase of energy and gas for sale purposes	792,416	854,942	62,526	7.9%
Transmission services	261,823	103,201	-158,622	-60.6%
Other third party services	149,899	199,827	49,928	33.3%
Taxes and levies	106,327	122,996	16,669	15.7%
Tax deductible cost of sales	2,266,910	2,659,983	393,073	17.3%
Other operating revenue	16,238	58,468	42,230	260.1%
Other operating costs	72,652	44,970	-27,682	-38.1%
Loss on the sale and liquidation of property, plant and equipment	-3,787	- 3,290	497	13.1%
Operating profit	382,579	338,778	-43,801	-11.4%
Financial costs	45,957	62,384	16,427	35.7%
Financial revenue	66,183	17,905	-48,278	-72.9%
Share in the results of affiliates and jointly controlled entities	-	12,609	12,609	100.0%
Profit before tax	402,805	306,908	-95,897	-23.8%
Income tax	81,615	52,840	-28,775	-35.3%
Net profit of the reporting period	321,190	254,068	-67,122	-20.9%
EBITDA	666,426	702,129	35,703	5.4%

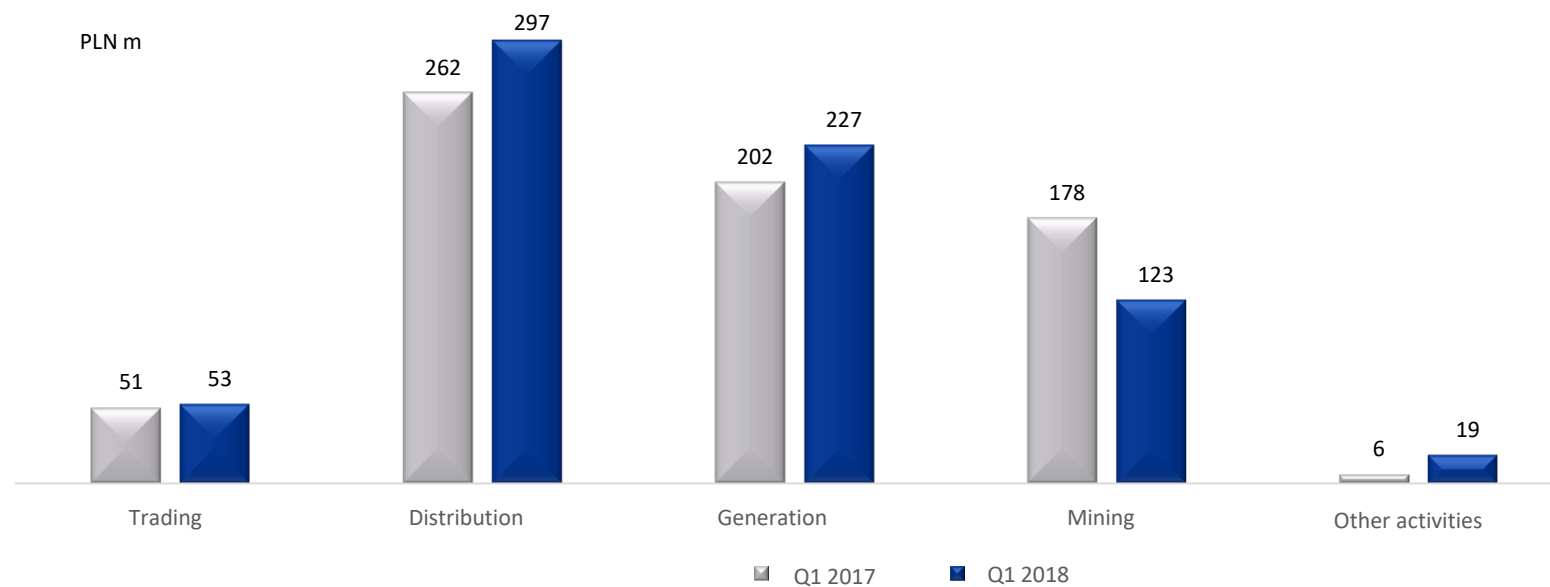
Q1 2018:

Factors behind the change of ENEA Group's EBITDA:

- (+) an increase in revenues from sales of electricity by PLN 514 million resulting mainly from a higher sales volume (by 2,631 GWh) and a concurrent decrease of the average sales price by 1%, and higher revenues from Regulatory System Services
- (+) an increase in revenues from sales of heating energy by PLN 18 million, resulting from a higher sales volume (by 578,793 GJ, mainly as a result of the EEP acquisition), with a concurrent decrease of the average sales price
- (-) a decrease in revenues from sales of natural gas by PLN 3 million, resulting mainly from a change in presentation of revenues from gas sales – distribution services (implementation of IFRS 15 as of 1 January 2018)
- (-) a decrease in revenues from sales of distribution services by PLN 136 million, resulting mainly from a change in presentation of revenues from transfer fees (implementation of IFRS 15 as of 1 January 2018)
- (+) an increase in revenues from sales of certificates of origin by PLN 1.5 million mainly due to the EEP acquisition and an increase of the average price of green certificates
- (+) higher revenues from sales of CO₂ emission allowances by PLN 17 million, resulting mainly from trading activities undertaken on the Balancing Market and changes in electricity production
- (-) a decrease in sales of coal by PLN 135 million, resulting from a higher volume of intra-group deliveries
- (-) an increase in employee benefit costs by PLN 23 million mainly due to the EEP acquisition, raises in LWB and lower remunerations charged to expenditures in connection with the completion of Unit 11 investment.
- (-) an increase in the costs of consumption of materials and raw materials and the value of goods sold by PLN 320 million, resulting from the EEP acquisition in the end of Q1 2017, commissioning of the SCR installation in Elektrownia Połaniec – consumption of ammonia water, starting the operation of Unit 11 with a simultaneous increase in costs of coal consumption, and CO₂ emission allowances for the whole generation segment
- (-) an increase in the cost of purchasing electricity and gas by PLN 63 million, resulting mainly from an increase in average purchase prices despite lower volumes:
 - (-) electricity: price: +5.4%; volume: - 186 GWh
 - (-) natural gas: price: + 8.0%; volume: - 3 GWh
 and
 - (-) a higher purchase cost of property rights as a result of an increase in the average price by 36.3% and a change in the liability base from 15.40% to 17.5%
- (+) a decrease in costs of industrial services by PLN 159 million mainly due to a change in presentation of transfer fees (implementation of IFRS 15 as of 01.01.2018), and a concurrent increase of the fixed transmission fee in the PSE tariff
- (-) an increase in costs of third party services by PLN 50 million resulting from the EEP acquisition
- (-) an increase in taxes and levies by PLN 17 million results, among other things, from the EEP acquisition and from an increase in value of the fixed assets in connection with the completed investments processes, including Unit 11
- (+) an increase of the result on other operating activities by PLN 70 million:
 - (+) higher revenues arising from claims, penalties and fines by PLN 29 million
 - (+) a decrease in impairment losses on overdue and bad debt by PLN 20 million
 - (+) provisions for potential claims lower by PLN 18 million (including PLN 17 million of provisions for a terminated contract of purchase of RES ownership rights)
 - (+) higher balance of refunds from the insurer by PLN 12 million
 - (-) higher increase in provisions for non-contractual use of transmission corridors PLN 6 million

Results in individual areas of the ENEA Group's operations

EBITDA [PLN k]	Q1 2017	Q1 2018	Change	% change
Trading	50,822	53,290	2,468	4.9%
Distribution	262,373	297,469	35,096	13.4%
Generation	202,247	227,209	24,962	12.3%
Mining	178,269	123,280	-54,989	-30.8%
Other activities	6,065	19,079	13,014	214.6%
Unassigned items and exclusions	-33,350	-18,198	15,152	45.4%
Total EBITDA	666,426	702,129	35,703	5.4%



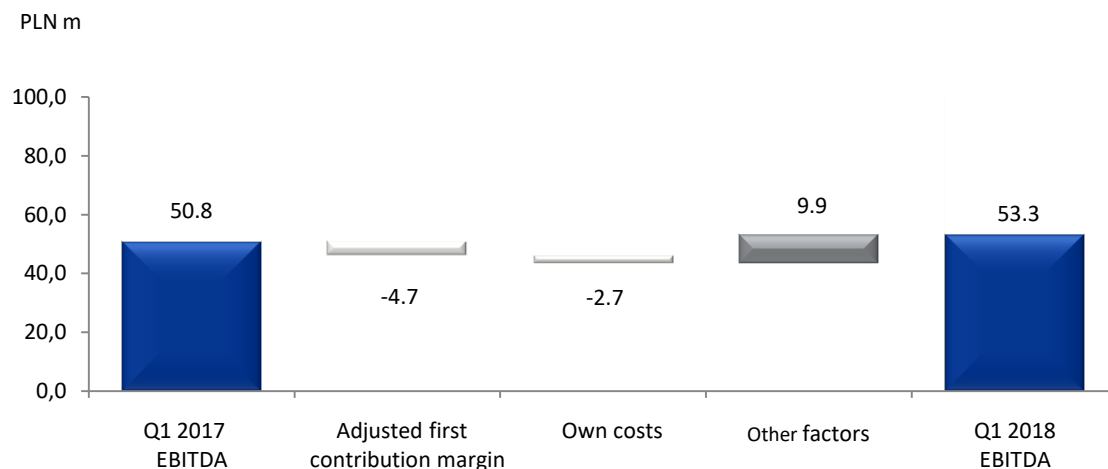
Trading Area

[PLN k]	Q1 2017	Q1 2018	Change	% change
Sales revenue	1,447,113	1 938,539	491,426	34.0%
EBIT	50,605	53,148	2,543	5.0%
Depreciation	217	142	-75	-34.6%
EBITDA	50,822	53,290	2,468	4.9%
CAPEX ¹⁾	188	-	-188	-100.0%
Share of sales revenue of the area in the Group's net sales revenue	38%	40%	2 pp	

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

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

¹⁾ Without equity investments of ENEA S.A.



Q1 2018 EBITDA change factors:

First contribution margin

- (-) a decrease in the average sale price of energy by 1.5%
- (-) higher costs of ecological obligations by 30.1%
- (-) an increase in the average purchase price of energy by 1.6%
- (-) a decrease in the result on gas fuel trading
- (+) an increase in the volume of energy sales by 12.2%
- (+) a decrease in the provision for potential claims under terminated contracts on RES ownership rights by PLN 16.8 million

Own costs

- (-) higher direct selling costs by PLN 1 million
- (-) higher general administration costs by PLN 2 million

Other factors

- (+) lower donation costs by PLN 4 million
- (+) lower impaired receivables by PLN 1 million
- (+) lower impairment losses on receivables by PLN 1 million
- (+) an increase in revenues from the provision of wholesale trading services by PLN 3 million

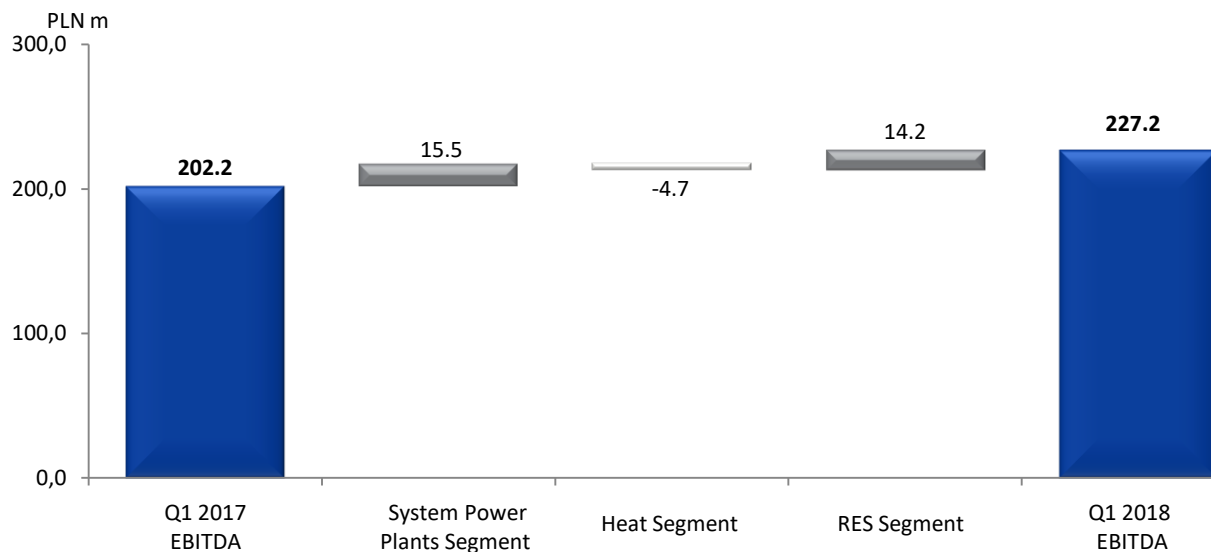
Generation Area

[PLN k]	Q1 2017	Q1 2018	Change	% change
Sales revenue	889,763	1,644,313	754,550	84.8%
<i>electricity</i>	755,149	1,450,037	694,888	92.0%
<i>certificates of origin</i>	6,409	30,122	23,713	370.0%
<i>sales of CO₂ emission allowances</i>	5,811	22,569	16,758	288.4%
<i>heat</i>	115,953	134,110	18,157	15.7%
<i>others</i>	6,441	7,475	1,034	16.1%
EBIT	134,543	84,118	-50,425	-37.5%
Depreciation	67,704	143,091	75,387	111.3%
EBITDA	202,247	227,209	24,962	12.3%
CAPEX	244,595	60,228	-184,367	-75.4%
Share of sales revenue of the area in the Group's net sales revenue	24%	34%	10 pp	

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

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

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



Q1 2018 EBITDA change factors:

System Power Plants

- (+) ENEA Elektrownia Połaniec PLN 10.6 million
- (+) an increase of generation margin by PLN 13.6 million
- (+) an increase of margin on trading and on Balancing Market by PLN 4.5 million
- (+) higher revenues from Regulatory System Services by PLN 2.4 million
- (-) an increase in overheads by PLN 16.0 million

Heat Segment

- (-) an increase in costs of consumption of materials and raw materials by PLN 18.2 million, including an increase in costs of CO₂ emissions by PLN 9.6 million, an increase in costs of coal consumption by PLN 4.2 million, and an increase in biomass consumption costs by PLN 3.7 million
- (+) an increase in revenues from heat sales by PLN 5.9 million
- (+) an increase in revenues from certificates of origin by PLN 2.4 million
- (+) an increase in revenues from electricity as part of generation licence by PLN 1.2 million
- (+) lower costs of energy purchase for sale purposes by PLN 0.8 million
- (+) ENEA Elektrownia Połaniec PLN 2.2 million

RES Segment

- (+) Water Area (PLN +4.9 million): an increase in revenues from electricity by PLN 4.5 million, an increase in revenues from certificates of origin by PLN 1.4 million, an increase in overheads by PLN 0.4 million
- (+) Wind Area (PLN -1.4 million): a decrease in revenues from electricity by PLN 3.8 million; a decrease in overheads by PLN 2.0 million
- (-) Biogas Area (PLN -0.2 million): a decrease in revenues from certificates of origin by PLN 0.2 million
- (+) ENEA Elektrownia Połaniec PLN 10.8 million (including PLN 1.2 million – ENEA Bioenergia Sp. z o.o.)

Distribution Area

[PLN k]	Q1 2017	Q1 2018	Change	% change
Sales revenue	839,784	705,691	-134,093	-16.0%
<i>distribution services to end users</i>	807,878	674,222	-133,656	-16.5%
<i>network connection fees</i>	13,487	9,951	-3,536	-26.2%
<i>others</i>	18,419	21,518	3,099	16.8%
EBIT	142,538	171,267	28,729	20.2%
Depreciation	119,835	126,202	6,367	5.3%
EBITDA	262,373	297,469	35,096	13.4%
CAPEX	149,976	113,032	-36,944	-24.6%
Share of sales revenue of the area in the Group's net sales revenue	22%	15%	-7 pp	

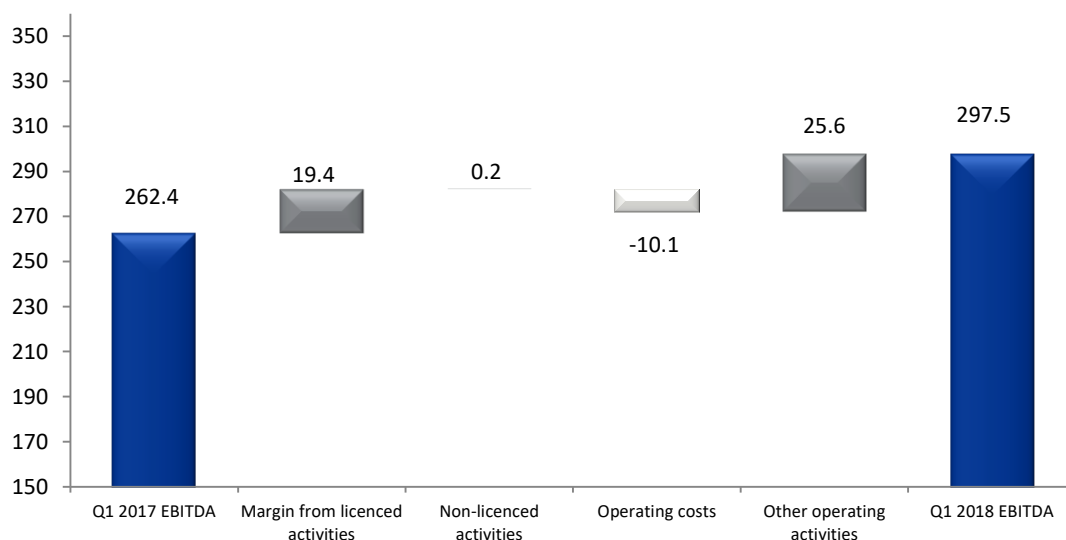
ENEA Operator sp. z o.o. is responsible for the distribution of electricity to 2.6 million customers - in western and north-western Poland in the area of 58.2 thousand km².

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

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

- ENEA Operator sp. z o.o.
- ENEA Serwis sp. z o.o.
- ENEA Pomiar sp. z o.o.
- Annacond Enterprises sp. z o. o.

PLN m



Q1 2018 EBITDA change factors:

Margin from licenced activities

- (-) lower revenues from sales of distribution services to end users by PLN 134 million (including a change in presentation of revenues – without transfer fees amounting to PLN 156 million)
- (+) lower purchase costs of transmission services by PLN 156 million (including a change in presentation of costs - without transfer fees amounting to PLN 162 million)
- (-) lower revenues from network connection fees by PLN 4 million, resulting mainly from quarterly IAS allowances in 2017 (as of 1 January 2018, a change of the applied standard – IFRS 15)
- (-) higher costs of purchase of electricity to cover the balance-sheet difference (balance) by PLN 1 million

Operating costs

- (-) higher costs of third-party services by PLN 6 million mainly in areas relating to IT services, customer service, and measurements
- (-) higher costs of taxes and levies by PLN 5 million, resulting from the investments implemented in grid assets

Other operating activities

- (+) higher other operating revenues by PLN 13 million resulting mainly from compensations from the insurer
- (+) lower other operating costs by PLN 13 million resulting from impairment losses on receivables for the previous year

FINANCIAL RESULTS OF ENEA GROUP IN Q1 2018



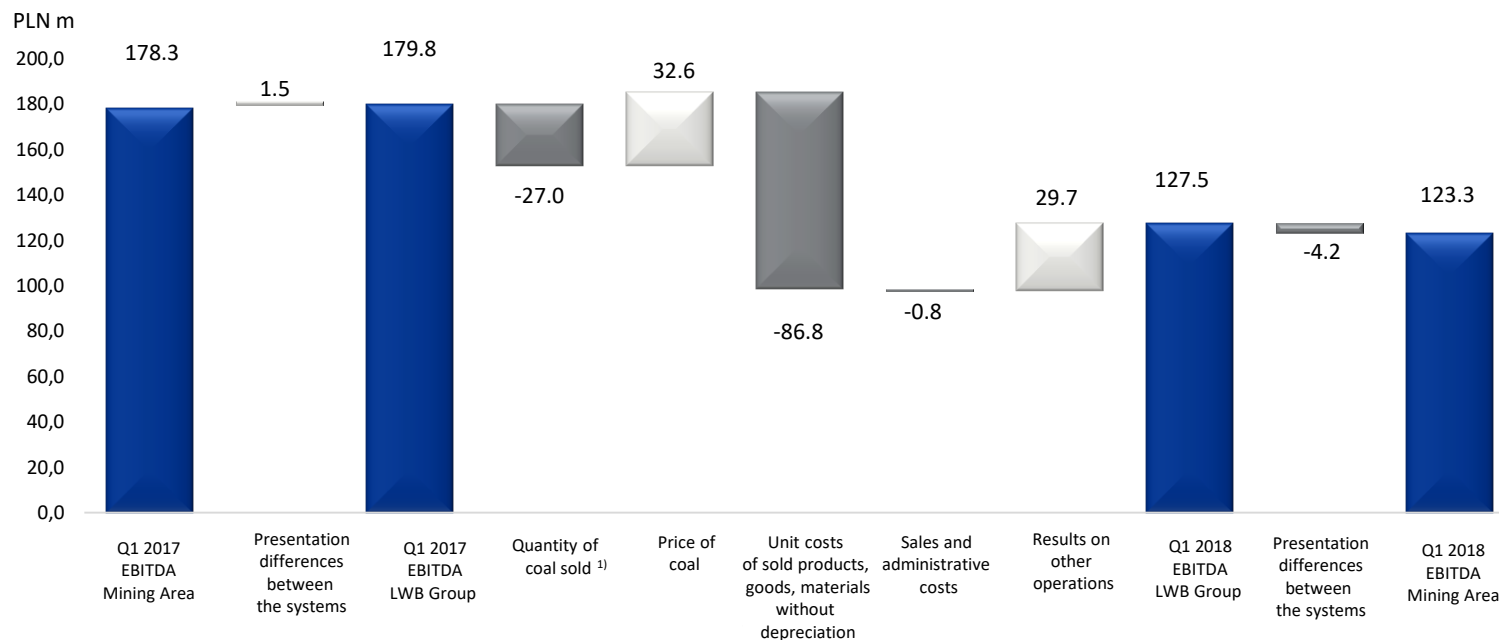
Mining Area

[PLN k]	Q1 2017	Q1 2018	Change	% change
Sales revenue	465,237	398,697	-66,540	-14.3%
<i>coal</i>	448,829	384,604	-64,225	-14.3%
<i>other products and services</i>	13,944	10,093	-3,851	-27.6%
<i>goods and materials</i>	2,464	4,000	1,536	62.3%
EBIT	89,593	39,203	-50,390	-56.2%
Depreciation	88,676	84,077	-4,599	-5.2%
EBITDA	178,269	123,280	-54,989	-30.8%
CAPEX	65,426	84,806	19,380	29.6%
Share of sales revenue of the area in the Group's net sales revenue	12%	8%	-4 pp	

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

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

The main recipients are professional and industrial power industry.



Q1 2018 EBITDA change factors:

- (-) a decrease in revenues from coal sales: lower sales volume (-422,000 t), at a higher price
- (-) a decrease in revenues from sales of other products and services: lower revenues from coal transport (transport fee)
- (+) an increase in revenues from sales of materials – in 2018, higher prices of steel were recorded, which translated into an increase in the value of sold steel scrap
- (-) an increase in the unit cost of sold products, goods, and materials without depreciation – an increase in nominal costs of:
 - *third party services – first of all the cost of work on Saturdays and Sundays,
 - *materials – higher gross extraction output, geological and hydro-technological issues – a need to secure walls and continuity of extraction
 - *salaries (salary raise paid, 3 instalments of additional incentive bonus and an increase of the average salary) with the simultaneous decrease in sales of commercial coal by 422,000 t.
- (+) a higher result on other operating activities: mainly settlement of the arrangement entered into by and between LW Bogdanka S.A. and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras - a positive impact on EBITDA in the amount of PLN 28.7 million

The presentation differences concern the financial reporting of ENEA Group and LW Bogdanka Group in the scope of depreciation.

¹⁾ Sum of impact on revenues and costs

Area of Other Activities

[PLN k]	Q1 2017	Q1 2018	Change	% change
Sales revenue	129,576	140,571	10,995	8.5%
EBIT	-4,065	6,248	10,313	253.7%
Depreciation	10,130	12,831	2,701	26.7%
EBITDA	6,065	19,079	13,014	214.6%
CAPEX	9,898	8,415	-1,483	-15.0%
Share of sales revenue of the area in the Group's net sales revenue	3%	3%	-	

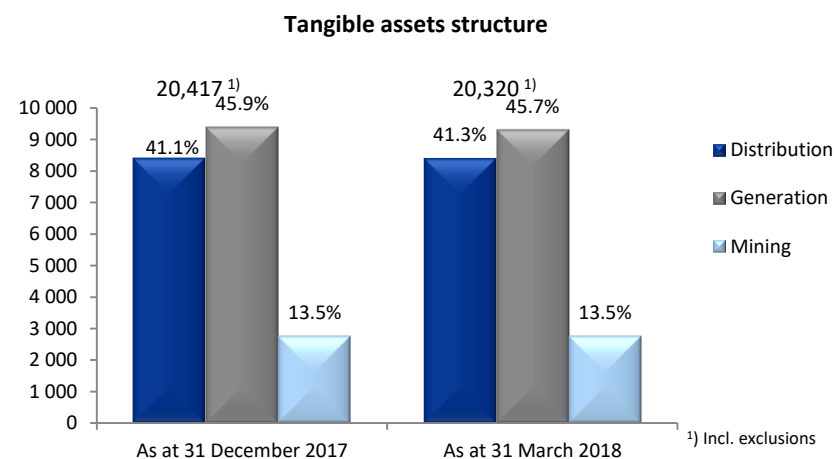


The Area of Other Activities includes companies from the following areas :

- **support for other companies in ENEA Group :**
 ENEA Centrum sp. z o.o. – the Shared Services Center in the Group in the field of accounting, human resources, ITC and customer service
 ENEA Logistyka sp. z o.o. – a company specializing in logistics, warehousing and procurement
- **accompanying activities:**
 ENEA Oświetlenie sp. z o.o. – a company specializing in indoor and outdoor lighting; it designs, builds road lighting, it illuminates urban spaces, illuminates historic and public buildings, and provides construction and comprehensive services for photovoltaic power plants

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

Assets [PLN k]	As at:		Change	% change
	31 Dec 2017	31 Mar 2018*		
Non-current assets	22,080,914	22,151,920	71,006	0.3%
Property, plant and equipment	20,416,867	20,320,144	-96,723	-0.5%
Perpetual usufruct of land	105,571	105,363	-208	-0.2%
Intangible assets	418,248	414,723	-3,525	-0.8%
Investment real estates	26,981	26,724	-257	-1.0%
Investments in subsidiaries, affiliates and jointly controlled entities	355,152	538,692	183,540	51.7%
Deferred income tax assets	501,945	475,059	-26,886	-5.4%
Financial assets at fair value	-	79,257	79,257	100.0%
Debt financial assets at amortized cost	-	7,741	7,741	100.0%
Financial assets available for sale – until 2017	40,698	-	-40,698	-100.0%
Financial assets at fair value through profit or loss– until 2017	33,364	-	-33,364	-100.0%
Derivatives – until 2017	29,553	-	-29,553	-100.0%
Trade and other receivables	30,729	47,087	16,358	53.2%
Costs incurred to obtain or fulfil a contract	-	15,297	15,297	100.0%
Funds accumulated in the Mine Liquidation Fund	121,806	121,833	27	0.02%
Current assets	6,232,080	5,867,758	-364,322	-5.8%
CO ₂ emission allowances	595,533	384,479	-211,054	-35.4%
Inventories	846,187	805,199	-40,988	-4.8%
Trade and other receivables	1,903,568	1,609,528	-294,040	-15.4%
Costs incurred to obtain or fulfil a contract	-	16,733	16,733	100.0%
Assets due to contracts with clients	-	283,563	283,563	100.0%
Current income tax assets	149,859	181,585	31,726	21.2%
Financial assets at fair value	-	73,634	73,634	100.0%
Debt financial assets at amortized cost	-	537	537	100.0%
Financial assets held to maturity – until 2017	478	-	-478	-100.0%
Financial assets at fair value through profit or loss – until 2017	49,329	-	-49,329	-100.0%
Cash and cash equivalents	2,687,126	2,512,314	-174,812	-6.5%
Non-current assets held for sale	-	186	186	100.0%
Total assets	28,312,994	28,019,678	-293,316	-1.0%



Change factors for non-current assets (increase by PLN 71 million):

- a decrease in tangible assets by PLN 97 million resulting mainly from an increase in the value of machinery, buildings and premises as a result of depreciation
- an increase in investments in subsidiaries by PLN 184 million resulting mainly from taking up new shares in the increased share capital of Polska Grupa Górnicza Sp. z o.o., Elektrownia Ostrołęka Sp. z o.o. and from an increase in the share capital of ElectroMobility Poland S.A.

Change factors for current assets (increase by PLN 364 million):

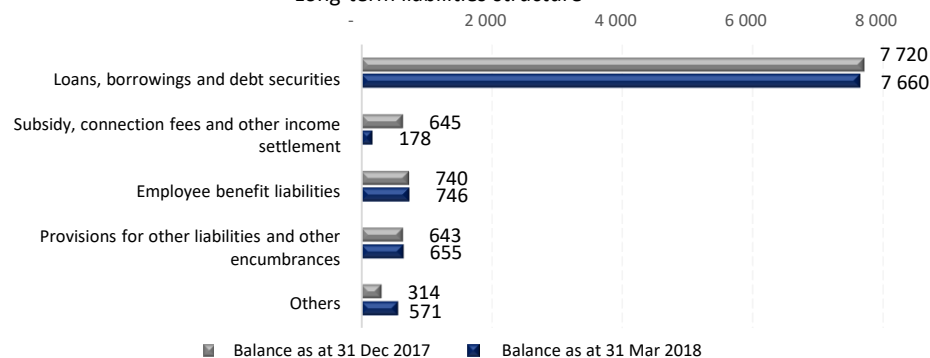
- a decrease in cash and cash equivalents by PLN 175 million resulting mainly from the investment activities conducted in ENEA Capital Group
- a decrease in the value of CO₂ emission allowances by PLN 211 million mainly due to the redemption of part of CO₂ emission allowances purchased in 2017

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

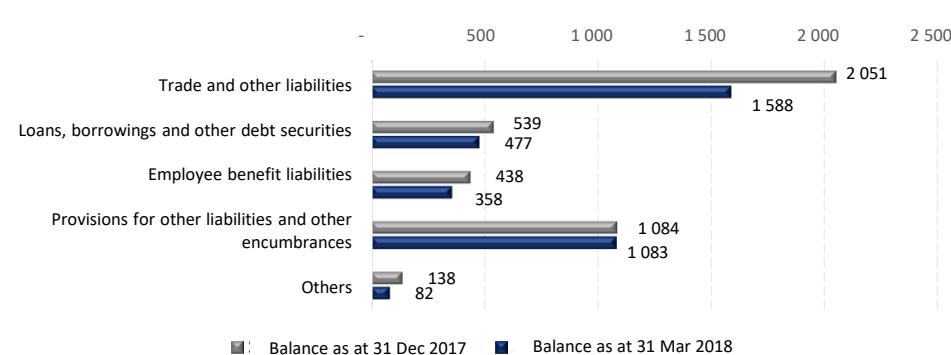
Asset position - the structure of assets and liabilities of ENEA Group

Equity and liabilities [PLN k]	As at:		Change	% change
	31 Dec 2017	31 Mar 2018		
Total equity	13,999,669	14,621,681	622,012	4.4%
Share capital	588,018	588,018	-	-
Capital from the surplus of the issue price over the nominal value	3,632,464	3,632,464	-	-
Capital from the revaluation of financial instruments	741	767	26	3.5%
Other equity	-27,101	-27,101	-	-
Reserve capital from the valuation of hedging instruments	25,967	2,980	-22,987	-88.5%
Profits retained	8,858,130	9,489,791	631,661	7.1%
Non-controlling shares	921,450	934,762	13,312	1.4%
Total liabilities	14,313,325	13,397,997	-915,328	-6.4%
Long-term liabilities	10,063,012	9,809,804	-253,208	-2.5%
Short-term liabilities	4,250,313	3,588,193	-662,120	-15.6%
Total equity and liabilities	28,312,994	28,019,678	-293,316	-1.0%

Long-term liabilities structure



Short-term liabilities structure



Change factors for long-term liabilities (decrease by PLN 253 million)

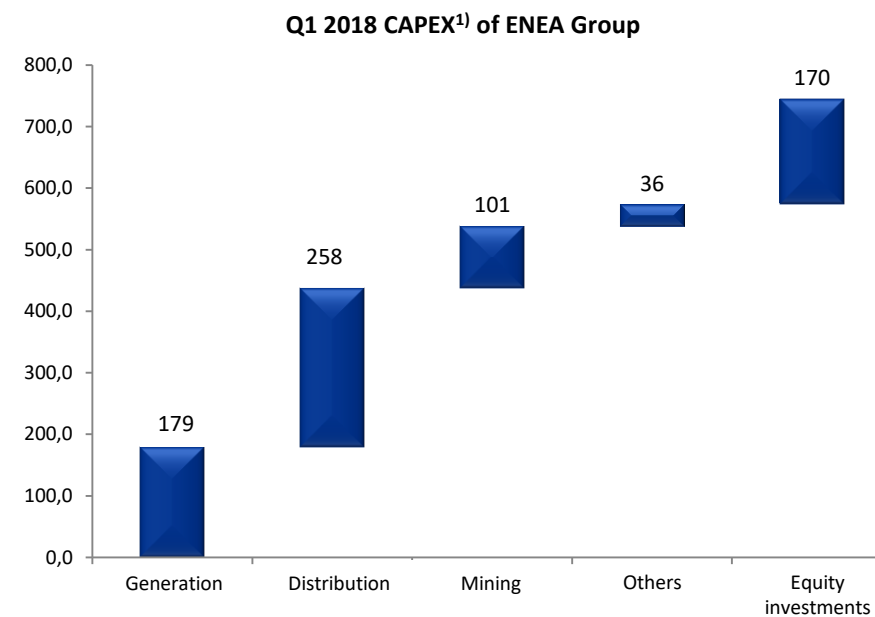
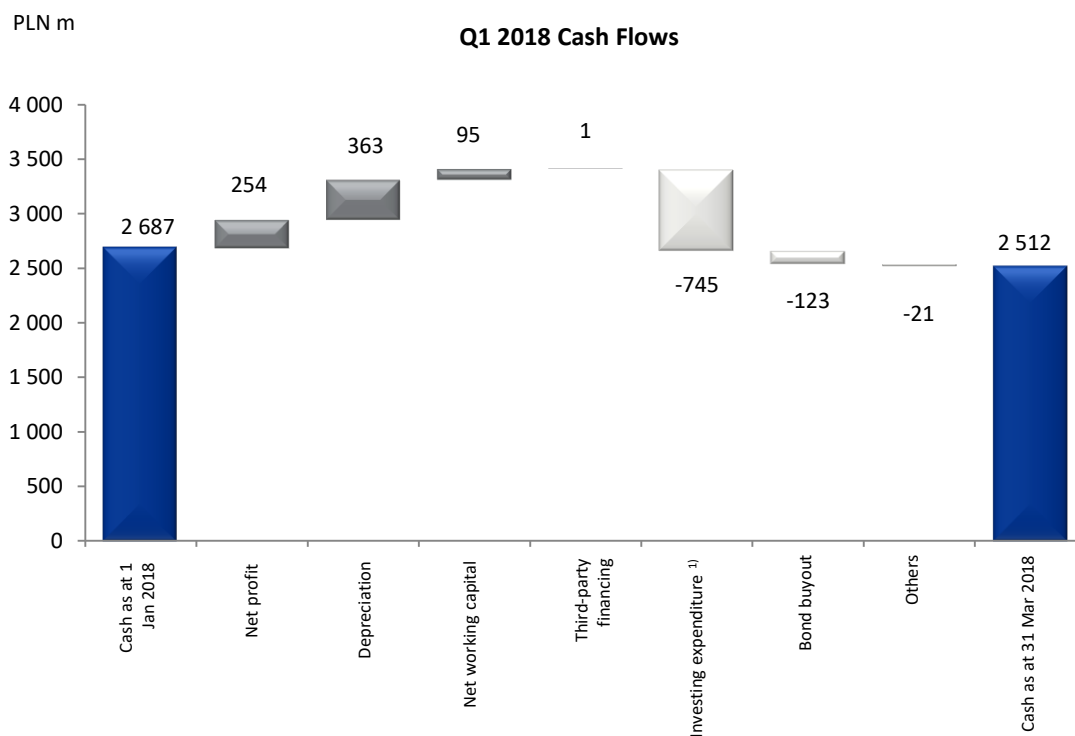
- a PLN 60 million decrease in loans, borrowings and debt securities – mainly due to the reclassification of long-term liabilities to short-term liabilities, including the launch (in Q1 2018) of subsequent loan tranches in the EIB for the financing of a multi-annual investment plan to modernise and expand ENEA Operator's energy networks, the redemption, in instalments, of bonds issued under "Programme Agreement up to PLN 700 million" and „Programme Agreement up to PLN 1,000 million" with BGK
- a PLN 467 million decrease in the item of settlement of income on subsidies, connection fees – resulting from the implementation of IFRS 15 which affects the manner of presenting the revenues from connection fees for tasks completed by 31 December 2009, recognised previously as deferred revenues
- a PLN 86 million increase of the deferred income tax provision
- PLN 166 million: an increase in trade and other liabilities by PLN 96 million, liabilities under agreements with customers PLN 70 million (a new balance-sheet item after the implementation of IFRS 15)

Change factors for short-term liabilities (decrease by PLN 662 million)

- a PLN 463 million decrease in trade and other liabilities resulting, among other things, from lower liabilities for non-current assets in construction, lower liabilities for the purchase of tangible and intangible fixed assets, and lower liabilities for the purchase of energy, and trade obligations
- a PLN 63 million change in the item of loans, borrowings, and debt securities resulting from the redemption of the 1st tranche of bonds of nominal value of PLN 75 million by LWB Bogdanka and from reclassification of long-term liabilities to short-term liabilities
- a PLN 81 million decrease in the item of settlement of income on subsidies, connection fees, resulting from the implementation of IFRS 15 which affects the manner of presenting the revenues from connection fees for tasks completed by 31 December 2009, recognised previously as deferred revenues

Cash position of ENEA Group

Cash flow statement [PLN k]	Q1 2017	Q1 2018	Change	% change
Net cash flow from operating activities	572,270	733,332	161,062	28.1%
Net cash flow from investment activities	(1,732,991)	(730,302)	1,002,689	57.9%
Net cash flow from financial activities	55,166	(177,842)	-233,008	-422.4%
Increase / (decrease) in net cash	(1,105,555)	(174,812)	930,743	84.2%
Cash balance at the beginning of the reporting period	2,340,217	2,687,126	346,909	14.8%
Cash balance at the end of the reporting period	1,234,662	2,512,314	1,277,652	103.5%



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

Ratio analysis ¹⁾

	1Q 2017	1Q 2018
Profitability ratios		
ROE - return on equity	9.6%	7.0%
ROA - return on assets	5.1%	3.6%
Net profitability	11.9%	8.5%
Operating profitability	14.1%	11.3%
EBITDA profitability	24.6%	23.5%
Liquidity and financial structure ratios		
Current liquidity ratio	1.5	1.6
Coverage of non-current assets with equity	64.3%	66.0%
Total debt ratio	46.7%	47.8%
Net debt / EBITDA	2.4	2.0
Economic activity ratios		
Current receivables turnover in days *	63	58
Trade and other liabilities turnover in days **	56	62
Inventory turnover in days	34	33



* receivables due for supplies and services - commercial, assets on account of contracts with customers and costs of concluding the contract

** liabilities due for deliveries and services - commercial, trade liabilities. contracts with customers

¹⁾ Definitions of the ratios are provided on page 78

Financial results forecasts

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

Rules for preparing condensed financial statements

The condensed financial statements of ENEA S.A. and ENEA Group, respectively, contained in the extended consolidated report of ENEA S.A. for the reporting period have been drawn up in accordance with the International Accounting Standards and the International Financial Reporting Standards (IAS/IFRS) approved by the European Union. The condensed financial statements have been drawn up on the basis of the going-concern principle.

As at the day of executing the condensed financial statements, the Management Board of the Company is not aware of any facts or circumstances indicating any threat to the possibility of continuing the Company's activities in the period of 12 months after the balance-sheet date as a result of voluntary or enforced discontinuation or a significant limitation of the present activities. Financial data presented in the statements, unless indicated otherwise, are expressed in thousands of PLN.

Expected financial situation

In Q1 2018, the operating and financial results of the Mining Area of ENEA Group were significantly influenced by geological and hydro-technical difficulties. However, though handled, the difficulties resulted in lower net production in the period in question. In 2018, fixed costs (such as wages, materials and costs of third-party services) are expected to grow irrespective of the geological conditions, which will make it unlikely to achieve the unit cost of production at the level of 2017. Measures undertaken in the Area are aimed at maintaining high mine efficiency and a stable level of extraction in accordance with the assumptions presented in the Strategy for LW Bogdanka S.A. This is to be achieved by: keeping fixed costs at a reasonable level and keeping investment outlays at a level allowing output in the following years to increase slightly. The predictability of the results of the Mining Area is influenced by: continuous search for process optimization and innovative solutions, stabilization of prices of energy culm, and ensuring the receipt of extracted coal by entities included in ENEA Group. Concern about the results of the current year does not mean that the activities aimed at mine development and extending the prospects of its operations have become irrelevant, hence the subsequent applications for obtaining a license for new mining areas or the increased employment. It allows us to plan mining works in the long run based on our own resources, which enables rational cost management, free from the influence of external factors related to the situation on the labour market or the general situation in the mining industry.

The Generation Area, which was responsible in Q1 2018 for 32% EBITDA of ENEA Group, remains invariably under the influence of the demanding situation on the energy market. The output focused on coal involves exposure to the risk related to carbon dioxide emission costs, which increased significantly in the period in question. The results of the Generation Area will also be influenced by the number of free CO₂ emission allowances obtained, which may turn out to be significantly lower than in previous years. As in every element of ENEA Group's value chain, though small, an increase was noticed in the fixed costs of the power plant, especially in the area of payroll, as well as variable costs, such as the cost of fuel transport associated with ongoing repairs of railway routes. The major repairs of generation blocks planned for 2018-2019, which will force relatively long periods of suspension of electricity production, are important for the revenues achieved by the Generation Area. Lower production of current generation assets will be compensated by Unit No. 11, which was put into operation in December 2017 and by means of the optimal use of production capacities of two sets of generating sources, which include Koziencice Power Plant and Połaniec Power Plant.

In the RES sub-segment, an increase in revenues from the sale of "green certificates" is observed and it is related to the increase in the market price in the period in question. The good results of the sub-segment will be affected by significant optimization of fixed costs and the stable volume of electricity produced.

The area that consistently stabilizes the predictability of financial flows is the Distribution Area, which is responsible for 42% of the EBITDA result of the ENEA Group. The results of this area are primarily affected by two elements: a decrease in the weighted average cost of capital adopted by the Energy Regulatory Office (Urząd Regulacji Energetyki, URE) for tariff calculations (WACC) - 7.197% in 2015, 5.675% in 2016, 5.633% in 2017 – and the introduction of the so-called quality tariff by the Energy Regulatory Office as of 2016. It should be noted that EBITDA for as late as 2019 may be subject to significant impact of weather events that took place in 3Q 2017. These events had a huge impact on the SAIDI and SAIFI rates generated in 2017, though ENEA Group is conducting activities aimed at the regulator taking into account their catastrophic nature. In order to ensure the implementation of rates determined by the President of the Energy Regulatory Office, ENEA Group is implementing investments in the Distribution Area, increasing the safety and stability of energy supplies. With a view to ensuring stable financial flows in the future, ENEA Group also intends to maintain investment expenditures related to the development of the network at the unchanged level in the following years.

In the Area of Trading, operational activities invariably concentrate on increasing revenues from the sale of electricity and gaseous fuel - thanks to constantly developing product offer new customers are acquired, and the volume of energy and gas sold is also growing. The financial results are adversely affected by the growing competition on the market, exerting pressure on achieved sales prices. In the current period, the result of the Trading area may decline to some extent due to the growing prices of environmental obligations, including, in particular, "green certificates" the price of which also reduces the provision related to possible claims arising from termination of long-term contracts for the purchase of green property rights.

The financial position of the Group remains safe, among other things due to the relatively high level of cash, which - together with short-term financial assets held to maturity and financial assets at fair value through profit and loss - amounted to approx. PLN 2.5 billion at the end of 1Q2018. Thanks to constant discipline, searching for cost optimization and care for the proper use of resources, the Group provides beneficial financing of investments from its own resources as well as from financing institutions.

Given the stable financial results, a safe cash position and the availability of financing, ENEA Group can consistently implement the CAPEX program (investment outlays) in particular Areas of activities.



4. Shares and shareholding

Share capital structure

As at publication date of the Q1 2018 report, the share capital of ENEA S.A. amounts to PLN 441,442,578 and is divided into 441,442,578 ordinary bearer shares of the nominal value of PLN 1 each.

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

Shareholding structure

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

The table below presents the shareholding structure of ENEA S.A. as at the date of release of the Q1 2018 report, that is as at 24 May 2018.

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

From the publication date of the previous quarterly report, that is 23 November 2017, there were no changes in the shareholding structure concerning significant shareholders of the Company.

Price quotations of ENEA shares on the Warsaw Stock Exchange

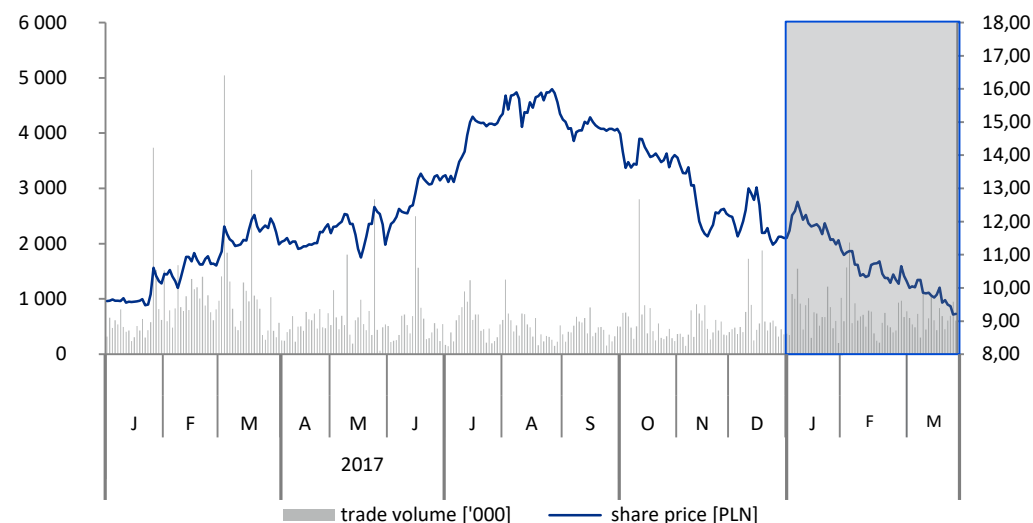
ENEA shares have been listed on the Warsaw Stock Exchange (WSE) since 17 November 2008. Weights of the Company's shares in stock indices as at 31 March 2017 were as follows:



The table below presents data related to the Company's shares in the period January to March 2018.

Data	Q1 2018
Number of shares [pcs.]	441,442,578
Minimum price [PLN]	9.2
Maximum price [PLN]	12.60
Closing price [PLN]	9.22
Starting price [PLN]	11.5
Average volume [pcs.]	714,952

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



In the first quarter of 2018, the price of ENEA shares dropped from PLN 11.50 to PLN 9.22, i.e. by PLN 2.28 (down by 19.8%). During January 2017-March 2018 period, the highest closing price for ENEA shares was achieved on 28 August 2017 and the lowest - on 28 March 2018.

Change in the price of ENEA S.A. shares in 2017 and in Q1 2018 vs. the changes in the WIG30 and WIG-Energy indices





5. Governing bodies

Composition of the Management Board of ENEA S.A.

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

Mirosław Kowalik
President of the Management Board



Piotr Adamczak
Vice-President of the Management Board for Commercial Affairs



Piotr Olejniczak
Vice-President of the Management Board for Financial Affairs



Zbigniew Piętka
Vice-President of the Management Board for Corporate Affairs



Mirosław Kowalik has been connected with the power energy for over 20 years, holding managerial positions on an operating and strategic level. In 2015, he managed SNC Lavalin sp. z o.o. Polska as Vice-President of the Board and Business Development Director. During 1999–2015, he worked on various managerial positions for ASLTOM Power Group, recently as Marketing and Sales Director. Connected with the ABB concern during 1995–1998.

Mirosław Kowalik is a graduate of the Faculty of Energy Engineering of the Gdynia Maritime University. He graduated from MBA (Rotterdam School of Management programme in cooperation with the University of Gdańsk and Gdańsk Foundation for Management Development), achieving the degree of Executive Master of Business Administration. He is also a graduate of postgraduate studies of Corporate Finance Management at the Warsaw School of Economics. He has also completed many specialist product and management training courses, including most recently four-year part-time doctoral studies and two-year postgraduate Executive Doctor of Business Administration studies at the Institute of Economics of the Polish Academy of Sciences.

Scope of competence: He chairs the work of the Management Board and directly coordinates the activities of the Company and ENEA Group in accordance with the adopted Strategy.

Piotr Adamczak has been connected with the power industry for over 20 years. He commenced his professional career in Zakład Energetyczny Poznań. He managed the Market Organisation Department in EnergoPartner Wielkopolska. During 2002–2011, he worked in Energetyka Poznańska, and after the consolidation in Grupa Energetyczna ENEA S.A., on the positions of the Office Manager, Division Manager and Department Director, he dealt with the centralisation and realisation of tasks within the wholesale trade in electricity, duties of a commercial and technical coordinator, commercial coordinator, and commercial cooperation with RES as well. From 2011, he worked on the position of Office Manager, and from 2013 of Trading Department Director in ENEA Trading, where he dealt with commercial activities on electricity markets, proprietary interests to certificates of origin, emission allowances and commercial cooperation with RES for the account of ENEA Group companies.

Piotr Adamczak is a graduate of the Poznań University of Technology, majoring in Electrical Engineering at the Faculty of Electrical Engineering. He also graduated from Postgraduate Studies in Economic Problems of Power Sector Transformation at the Warsaw School of Economics, and Postgraduate Studies in Electricity Trade Management at the Poznań Trade and Services College.

Scope of competence: Supervision and coordination of the overall tasks related to the trading activity and Customer service.

Piotr Olejniczak has been involved in corporate finance area since the very beginning of his business career. He has over 20 years of experience gained in consulting companies where he was employed on managerial positions. Since 2015, he has been carrying on his own business activity in the field of consulting, among others. Earlier, in the years 2008–2015, he had been Director of the Capital Market Department at IPOPEMA Securities. Also, he spent seven years working for KPMG Advisory as a manager and vice director in the Corporate Finance Team. In the period 1996–2001, Piotr Olejniczak was engaged by BRE Corporate Finance where he got promoted from Senior Consultant to Area Manager. He started his business career at Doradca Consultants Ltd. as a junior consultant in the Financial Consulting Department.

Piotr Olejniczak has graduated from the Faculty of Economy at the University of Gdańsk. He also studied finance and the German language during his scholarship at FHTW Berlin (at present: Hochschule für Wirtschaft und Recht Berlin) and at the Johann Wolfgang Goethe University in Frankfurt am Main. He completed postgraduate studies at the University of Warsaw in the field of corporate law and capital market law.

Scope of competence: Supervision and coordination of the entirety of economic, financial, and accounting issues related to risk management in the Company and in ENEA Group, ICT and controlling.

Zbigniew Piętka has been involved in the power sector for almost 40 years. From 2016, he was Deputy Director of the Maritime Office in Szczecin for technical affairs. From 2009 to 2014, he worked as an electro-technical officer in the Polish Shipping industry, with which he was also associated at the beginning of his career from 1981 to 1994. From 2007 to 2008, he was Vice-President of ENEA for Infrastructure. He also gained managerial experience in the Szczecin-Świnoujście Seaports Authority, where in 1994–2007 he was Head of the Energy Department - Main Energy Officer.

Zbigniew Piętka is a graduate of the Faculty of Electrical Engineering of the Szczecin University of Technology. He also completed Postgraduate Studies at the Warsaw University of Technology in the field of energy company management in the conditions of development of energy markets.

Scope of competence: Supervision and coordination of all issues related to Corporate Governance, ownership supervision, services in ENEA Group.

Composition of the Supervisory Board of ENEA S.A.

W On 13 March 2018, the Company received the notice of resignation of Mr. Paweł Skopiński from his function of ENEA S.A. Supervisory Board Member effective as of 13 March 2018.

On 22 March 2018, the Company received a statement of the Minister of Energy, effective as of 22 March 2018, on exercising the entitlement to appoint, pursuant to § 24 item 1 of the Company's statute, a Member of ENEA S.A. Supervisory Board. In accordance with the above entitlement as of 22 March 2018 Mr. Ireneusz Kulka was appointed to the Supervisory Board.

On 16 April 2018, the Management Board of ENEA S.A. became aware of the statement of the Minister of Education dated 13 April 2018 on the dismissal of a Company's Supervisory Board Member in accordance with the entitlements vested in the Minister of Energy pursuant to § 24 item 1 of the Company's statute. In accordance with these entitlements, as of 15 April 2018, Mr. Ireneusz Kulka was dismissed from the Supervisory Board of the Company.

Moreover, on 16 April 2018, the Extraordinary General Meeting of Shareholders of ENEA S.A. dismissed from the Supervisory Board of ENEA S.A. Mr. Rafał Bargiel and Mr. Piotr Kossak, and appointed to the Supervisory Board of the Company Mr. Ireneusz Kulka and Mr. Paweł Jabłoński, whereas the resolution on appointing Mr Paweł Jabłoński entered into force as of obtaining a binding positive opinion of the Board for Companies with State Treasury Shareholding and State Legal Persons in relation to this candidate, namely as of 20 April 2018.

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

Stanisław Kazimierz Hebda, Chairman of the Supervisory Board

Date of appointment: 28 December 2017

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

Paweł Jabłoński, Vice-Chairman of the Supervisory Board

Date of appointment: 20 April 2018

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

Rafał Szymański, Secretary of the Supervisory Board

Date of appointment: 2 July 2015

Rafał Szymański is an employee of the Ministry of Energy in the Supervisory Department. As part of his professional duties, he is responsible for i.a. ownership supervision over companies with Treasury shareholding. So far, he has been an employee of the Ministry of the Treasury, where i.a. he held the position of the Head of the Supervisory Department of power sector companies with Treasury shareholding.

Rafał Szymański graduated from the University of Warmia and Mazury in the field of ecological engineering and completed Postgraduate Studies on the Operation of the Energy Market at the Warsaw School of Economics. As of 24 April 2017, he was delegated to temporarily act as the Corporate Management Board Member of ENEA S.A. for a period not longer than three months until the moment of appointment of a new Corporate Management Board Member of ENEA S.A.

Wojciech Klimowicz, Member of the Supervisory Board

Date of appointment: 2 July 2015

Wojciech Klimowicz has been associated with ENEA S.A. since 2003 and currently works in the Sales Department. Wojciech Klimowicz graduated from the Adam Mickiewicz University in Poznań with a Master's degree, Faculty of Social Sciences, majoring in Political Science (specialization: local government administration). He also completed Postgraduate Studies: Statistical analysis of data in administration and business at the Faculty of Economics of the Poznań University of Economics.

Tadeusz Mikłosz, Member of the Supervisory Board

Date of appointment: 2 July 2015

Tadeusz Mikłosz has many years of professional experience in the area of power engineering and corporate governance. Since 1983 he has been associated with ENEA S.A. and its legal predecessor; currently he is an employee of the Operational Management Department. Since 1997, he has been a member of numerous supervisory boards of commercial law companies.

Tadeusz Mikłosz has a university degree in team management and political science. In addition, he completed Postgraduate Studies in Business Law at the Poznań University of Economics.

Sławomir Brzeziński, Member of the Supervisory Board

Date of appointment: 2 July 2015

Sławomir Brzeziński has been associated with ENEA S.A. since 2008. Currently, he holds the position of the Organisation and Security Department Director. Previously he was related to the International Fairs of Poznań.

Sławomir Brzeziński is a graduate of the Faculty of Mechanical Engineering and Management at Poznań University of Technology. He also graduated Post-graduate studies at Poznań University of Economics in logistics and supply chain management and Poznań University of Technology, majoring in quality management.

Roman Stryjski, Member of the Supervisory Board

Date of appointment: 15 January 2016

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

Roman Stryjski is a doctor habil. of technical sciences of Martin Luther University Halle-Wittenberg.

Piotr Mirkowski, Member of the Supervisory Board

Date of appointment: 15 January 2016

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

Piotr Mirowski is a graduate of the Radom School of Engineering, specialising in mechanical engineering. He also graduated from Postgraduate Studies at the Warsaw University of Technology in heating and energy auditing. He holds certificates of an ISO auditor and an ISO representative.

Ireneusz Kulka, Member of the Supervisory Board

Date of appointment: 22 March 2018

Ireneusz Kulka is an experienced manager with many years of experience in business management. His area of expertise covers the broadly understood customer area including product development, sales, and maintenance of services provided to customers in telecommunications and power industry. He holds a doctoral degree in economics, and he also graduated from the IESE Advanced Management Program at the University of Navarra.

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

Audit Committee

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

Nominations and Remuneration Committee

Name	Function
Rafał Szymański	Chairman
Stanisław Hebda	Member
Tadeusz Mikłosz	Member
Paweł Jabłoński	Member
Piotr Mirkowski	Member

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

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 23 Nov 2017	Number of ENEA S.A. shares as at 24 May 2018
Tadeusz Mikłosz	Member of the Supervisory Board	4,140	4,140

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

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





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

Limits on Property Rights

GREEN

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

LIGHT BLUE

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

COGENERATION

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

WHITE

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

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

On 20 July 2017, results of the last tender for investments in the field of energy efficiency, announced by the Energy Regulatory Office on 21 September 2016, were published. The projects selected in individual categories amounted in total to nearly 55% of the pool (806.743 toe in total). The growth in the number of PMEF on the market resulted in the fall of prices of the instrument in the second half of 2017. In the end, however, the index prices returned to the average level of PLN 712/toe.

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

Variability and liquidity on the wholesale market

The doubled obligation to trade applicable as of the beginning of 2018 significantly contributed to the improvement of liquidity on all floors of the Polish Power Exchange. Therefore, in the framework of the annual frontal contract in the first quarter of 2018, transactions were made in a volume of 165.5%, larger than in relation to the analogical product in the first quarter of 2017. High prices for the first quarter were also recorded on the RDN where the average price from Fixing 1 stood at a level of PLN 184.83/MWh, given a level of PLN 155.11/MWh year before. The increase of the spot price was largely influenced by changes in the generation structure of conventional plants, by higher prices of generation fuels, and higher environmental costs incurred. More expensive emission allowances resulted also in the change of moods in term contracting on the Polish Power Exchange, where transactions on the annual contract BASE Y-19 in the first quarter were made at an average price higher by PLN 25.75 than in the analogical period of the previous year in relation to BASE Y-18 product.

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

On 28 October 2016, ENEA made a statement of termination of or withdrawal from all long-term property right purchase agreements resulting from the certificates of origin of energy from renewable sources (the so-called green certificates). These agreements became dissolved.

The Company had to terminate/withdraw from the individual agreements as it has exhausted all possibilities of restoring contract balance and equivalence of the parties' performances due to the amendments to the law. The financial consequences of dissolving the abovementioned agreements will be the avoidance by the Company of the loss being the balance of the contractual prices and the market price of green certificates.

At present, three cases are pending before the Regional Court in Poznań for declaring ineffectiveness of termination (withdrawal) by ENEA S.A. of (from) property right sale agreements. In addition, some proceedings are pending against ENEA S.A. for payment of the fee for property rights resulting from the deduction of payment for the damage caused to ENEA S.A. through the contracting party's non-fulfilment of its contractual obligation to participate, in good faith, in renegotiating the long-term property right sale agreements pursuant to the adaptation clause binding on the parties.

The estimate total net value of ENEA's contractual liabilities was approx. PLN 1.187m.

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

On 3 September 2014, a Shareholder Agreement was concluded between PGE Polska Grupa Energetyczna and Tauron Polska Energia, ENEA and KGHM Polska Miedź (Business Partners). On April 15, 2015, pursuant to the Shareholder Agreement, an agreement was signed for the sale of shares in PGE EJ 1 sp. z o.o. Following the disposal by PGE Polska Grupa Energetyczna to its Business Partners of shares in PGE EJ 1, PGE Polska Grupa Energetyczna holds 70% of the share capital of PGE EJ 1, and the other Business Partners (Tauron Polska Energia, ENEA and KGHM Polska Miedź) hold 30%, i.e. 10% each.

According to the assumptions of PGE Polska Grupa Energetyczna, it plays a leading role in the project of construction and operation of the first Polish nuclear power plant, and PGE EJ 1 is to act as the operator of the power plant in the future.

Pursuant to the Shareholder Agreement, the Parties undertake to finance jointly, in proportion to their shares, the activities of the Project Preliminary Phase (Development Phase). The financial involvement of ENEA during the Development Phase will not exceed approximately PLN 107 million. In Q1 2018, PGE EJ 1 continued to work on the programme to prepare for the construction of a nuclear power plant in Poland.

The Parties to the Shareholder Agreement foresee that the decision regarding the declaration of further participation of the individual Parties in the next stage of the Project will be taken after the end of the Development Phase.

Operations of ElectroMobility Poland S.A.

On 19 October 2016, PGE Polska Grupa Energetyczna, Energa, ENEA and Tauron Polska Energia established ElectroMobility Poland S.A.. The new company's activity is to contribute to establishing the electromobility system in Poland and to implement a programme aimed at the construction of a Polish electric vehicle and selling it on a mass scale.

The company has the share capital of PLN 10m. Each of the companies establishing ElectroMobility Poland S.A. took up 25% of the share capital, thus achieving 25% of votes at the general meeting of shareholders. In January 2018, the share capital of the company was increased by the shareholders to the total amount of PLN 30 million.

Act on electromobility and alternative fuels

On 28 December 2017, the Council of Ministers passed draft Act on electromobility and alternative fuels which was submitted by the Minister of Energy. Draft Act proposes the regulations which aim to stimulate electromobility development in Poland and the use of alternative fuels, including electricity, in transport. The Act sets the legal framework for expansion of the vehicle charging infrastructure, supporting the growth of the market and infrastructure of alternative fuels as well as innovative forms of transport. The Act was signed the President of the Republic of Poland, Mr Andrzej Duda, on 5 February 2018 and will come into effect come into effect 14 days after the day of its publication in the Journal of Laws.

The Act introduces new terms, such as charging services. Electric vehicle charging is the new type of business activity; such charging services are not considered the sale of electricity within the meaning of the Power Law Act, which is why they do not require a licence. Charging services will ensure free-of-charge charging of vehicles in the publicly available charging stations.

The first stage of the electricity charging stations construction will take place in the years 2018 and 2019. The relevant infrastructure should be developed on an arm's length basis during this period, with co-financing from the public funds. If the target number of charging stations in the municipalities meeting the conditions set out in the Act is not reached by the end of 2019, such municipalities will have to prepare a plan for development of the missing vehicle charging infrastructure; the party responsible for the construction of the missing charging stations in such municipalities will be the electricity distribution system operator. Individual solutions will be implemented gradually until 2028.

New projections for energy price curves

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

Expansion of generation portfolio

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

Rating

On 30 June, Fitch Ratings agency maintained ENEA's long-term rating in domestic and foreign currency at the level of "BBB", which is of material significance for the implementation of the Group's investment plans. The agency confirmed but at the same time withdrew, for contractual reasons, its domestic long-term rating at the level of "A+(pol)" with a stable perspective. Fitch Ratings agency has been conducting the Company's credit risk assessment since 2011.

Gas portfolio

Pursuant to the provisions of the Energy Law Act, the gas market is subject to gradual liberalisation. As of 1 October 2017, the prices for other business customers have been released. The obligation to submit tariffs to the President of the Energy Regulatory Office for approval shall remain applicable only in the household segment.

Pursuant to the amendment to the Act on Stocks of Crude Oil, Petroleum Products and Natural Gas and the rules of conduct in the situations of a threat to the national security of fuel supply and disruptions on the petroleum market, an obligation was imposed on energy companies conducting business activity in the scope of foreign trading in natural gas to maintain mandatory stocks of gas supplies in the amount corresponding to at least 30-day average daily import of the gas.

Situation in the domestic bituminous coal mining sector

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

Regulatory environment

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

Directive 2015/2193 of the European Parliament and of the Council of 25 November 2015 on the limitation of emissions of certain pollutants into the air from medium-sized combustion plants

The key scope of regulation of the Directive on the limitation of emissions of certain pollutants into the air from medium combustion plants is to define: emission standards for three types of air pollutants: sulphur dioxide (SO₂), nitrogen oxides (NO_x), and particulate matter (dust) for medium combustion plants, as well as time frames for the fulfilment of the obligation to comply with relevant air pollution values in the existing and new medium combustion plants. Pursuant to art. 17 paragraph 1 sentence 1 of the Directive, Member States should bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 19 December 2017.

The new regulations are important from the point of view of the companies whose shares are held by ENEA Wytwarzanie sp. z o.o. and in which the so-called "medium combustion plants" expressly defined in the MCP Directive are located. These companies include: Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. in Oborniki (PEC Oborniki), Miejska Energetyka Ciepła Piła sp. z o.o. in Piła (MEC Piła) and Miejskie Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. in Białystok (MPEC Białystok).¹⁾

REMIT

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

Amendment to RES Act

On 14 August 2017, the President of the Republic of Poland signed the amendment to the RES Act of 20 February 2015. As mentioned in the rationale of draft Act, the purpose of the Act is to introduce a solution facilitating a sustainable growth in the area of renewable energy sources through changing the amount of unit fee which is the component enabling to make the green certificate market more flexible and – in a long term – to reduce the oversupply of such certificates on the market. The above purpose is to be achieved, in particular, through ensuring that the amount of the so-called replacement fee is determined on an arm's length basis.

The amended Act departs from the fixed-value replacement fee; instead, the fee value will be linked to the market prices of property rights under green certificates. In addition, (the calculation method of) the fee for making an entry in the register of green certificates (certificates of origin) was changed.

Act of 20 July 2017 - Water Law

On 2 August 2017, the President of the Republic of Poland signed the Water Law Act. The Act replaces the 2001 Act, which regulates water management, including water resources shaping and protection, water use and water resources management, issues of ownership of water and land covered with water, as well as the rules of management of these components with respect to State Treasury assets. The amendment is related to the implementation of the requirements of the Directive of the European Parliament and of the Council establishing a framework for Community action in the field of water policy. The Act removes exemptions from charges for economic use of water for energy purposes and introduces additional charges for this purpose as of 2018.

Capacity Market Act

On 28 December 2017, the President of the Republic of Poland signed the Capacity Market Act. The main purpose of the Act is to ensure the continuity and stability of power supply for industry and households. The capacity market is to ensure incentives for investments and upgrade operations in the power industry. The capacity market is the market of the so-called net available power capacity which can be offered by the power producers and controlled energy offtake. Pursuant to the Act, the purpose of the capacity market is to ensure power supply safety in a medium- and long-term perspective – the so-called sufficiency of generating power. The key component of the capacity market will be auctions, to which it will be possible to submit generation units for which general registration was carried out

Schedule of capacity market processes for 2018:

Start of general certification – 3 April 2018

End of general certification – 29 May 2018

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

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

Main auction for 2021 – 15 November 2018

Main auction for 2022 – 5 December 2018

Main auction for 2023 – 21 December 2018

The ENEA Group has established an interdisciplinary team consisting of employees from the Group's main companies, including those responsible for generation and trading. The team works on the strategy of participation in main auctions using fundamental methods and game theory. At the same time, it participates in industry bodies (Polish Electricity Association - PKEE, Economic Society Polish Power Plants - TGPE, Association of Energy Trading - TOE) in order to actively support the implementation of the capacity market in Poland. A general certification is currently underway under which all assets of ENEA Wytwarzanie and ENEA Elektrownia Połaniec have been notified. Preparations for registration in the main auction are also underway.

¹⁾ As of 16 November 2017, ENEA Serwis sp. z o.o.

Internal energy market

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

The concept of the internal energy market that has been put forward considers the consumer, including the prosumer, to be its central player. EU consumers are to be actively involved in the energy market, including being provided with more opportunities to generate and sell their own electricity, more choice of energy supplier, access to reliable benchmarking tools for electricity prices (transparency of the internal market).

The key targets of the Winter Package are:

1) decarbonisation:

- based on the WP regulations, in the long term, i.e. by 2050, the EU plans to transition to a zero-carbon economy – for this purpose, the so-called Energy Road Map for the EU by 2050 is being developed;
- introduction of a criterion for the qualification of units to the power market - the 550g CO₂/kWh Emission Performance Standard (EPS 550) for generating units participating in the power market (eliminating support for coal units).

The current transition period for the application of EPS 550 provided for in the draft Market Regulation is 5 years from the entry into force of the Regulation, while the negotiation objective of the Republic of Poland is at least 10 years, i.e. 2030 or 15 years, until 2035.

Below the threshold of 550g CO₂/kWh will be, for example, the use of coal in cogeneration power plants.

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

The originally proposed linear trajectory for increasing the share of RES in the EU energy mix (i.e. 30% to 35% of the EU energy market share by 2030) has been currently replaced by a project of 3 reference points, i.e.:

- 16% share of RES in energy mix at the EU level as of 2022.
- 40 % share of RES in energy mix at the EU level as of 2025.
- 60% share of RES in energy mix at the EU level as of 2027.

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

4) development of and support for electromobility in the EU, primarily in public transport (the Clean Mobility Package);

5) the draft of a Single Electricity Market design - new rules of energy legal framework for the European Union introduced by the draft:

- Regulation of the European Parliament concerning the internal power market (direct implementation);
- Directives concerning common rules for the internal power market,
- introduction of a mandatory obligation to develop Integrated National Energy and Climate Plans - the first stage by 2030, submitted to the European Commission, ensuring control of the implementation of the objectives set by the EU Commission.

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

7) cyclical review by the EC of the need for the Power Markets to function on the basis of the so-called European Assessment of Power Adequacy.

Support mechanisms in the process of energy market transformation, especially for the area of Eastern Europe, including Poland:

- The “Transition of Coal Dependent Regions” fund or “Just Transition Fund”, proposed by EU Commissioner Cañete to support advanced “clean” coal technologies, e.g. IGCC;

Under the EU ETS, connected with the achievement of climate targets:

- Modernisation Fund - for the modernisation of energy systems in low income Member States;

Poland advocates doubling the resources of the Modernisation Fund and extending the category of financing directions to include electro-mobility, network heating and cogeneration

- Innovation Fund - to provide financial support for the development of RES, carbon capture and storage, and innovative low carbon projects.

¹⁾ As of 16 November 2017, ENEA Serwis sp. z o.o.

Significant trends in the Distribution area

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

Key trends are related to:

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

Tariff for electricity distribution services

The new model of quality regulation came into effect on 1 January 2016, but it will affect the finances of ENEA Operator (and other DSO) as of 2018. The President of ERO made a part of the regulated revenue dependent on the quality of services provided by such entities. The service quality assessment will take place in the form of measurement of various indicators, including, without limitation, power supply reliability and the time of connection to the power grid.

From the perspective of the Tariff for electricity distribution services approved for the year 2018, the quality regulation impact on the revenue achievable by the Company is negligible for the year under analysis.

Moreover, in connection with the Regulation of the Minister of Energy of 29 December 2017 on the detailed rules for determining and calculating rate structures and settlements in electricity trading, a new power tariff group G12as was established within the Tariff for electricity distribution services. It is to promote energy consumption during the so-called night consumption fall by setting preferential rates of the grid rate variable component. At present, it is not possible to estimate the impact of establishing a new tariff group on the Company's revenues.

Similarly, the abovementioned Regulation introduces modifications to the clauses governing discounts for non-achievement of the recipient service quality standards or electricity quality parameters. As of 1 January 2019, DSO are obliged to automatically offer discounts to energy recipients within 30 days of the day when they failed to keep the recipient service quality standards or electricity quality parameters and to specify the length of blackout for which a discount is granted. At present, such discounts are granted to recipients upon their request. In addition, changes were made in the tariff, resulting from the Act on Electromobility. The changes are related, in particular, to fees for connection of charging infrastructure for public road transport and generally accessible charging stations.

Increasing number of energy sellers

The number of electricity sellers has been constantly growing. The occurrence of a seller pursuing an aggressive pricing policy may put a pressure on the margin on energy sales to retail clients.

Another important fact is that more and more clients decide to change their energy seller. As at the end of December 2017, the number of TPA (Third Party Access) recipients among enterprises (power tariff groups A, B, C) reached 188,231, which means a rise by 8.3%. As regards households, there were 546,867 TPA recipients among them (power tariff group G) as at 2017, which means an increase by 18.2% when compared to the status as at the end of December 2016.¹⁾

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

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

Demand for electricity

According to the forecasts included in the document entitled "Updated forecast of demand for fuels and energy until 2030", the demand for electricity in the forthcoming years will rise in all economy sectors. Pursuant to the abovementioned document, net electricity production will have risen to 193.3 TWh by 2030. Moreover, pursuant to the document entitled "Conclusions from forecasting analyses for purposes of the Polish energy policy until 2050", in the time horizon reaching 2050, electricity production will increase by approx. 40% – from 158 TWh in 2010 to 223 TWh in 2050.²⁾

Notwithstanding the above, the Ministry of Energy is currently working on the new Polish power policy (PPP) which will describe the government's long-term vision for the power sector.

Collective disputes

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

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

²⁾ bip.me.gov.pl/files/upload/21394/Wnioski%20i%20analizy%20prognozy%202014-08-11.pdf

2018 Tariff – distribution of electricity

The tariff for ENEA Operator for 2018 was approved by the President of the Energy Regulatory Office on 14 December 2017, and changed thereafter by decisions of 3 January 2018, 16 January 2018, and 27 February 2018. The Tariff was prepared in accordance with the assumptions published by the President of the Energy Regulatory Office in the document "ODS Tariffs for 2018" and in accordance with the Regulation of the Minister of Energy of 29 December 2017 on detailed rules of shaping and calculating tariffs and settlements in electricity trading. The tariffs for distribution services approved for 2018 shall result in the following changes in payments to customers for each set of tariff groups:

A – down by 2.23%

B – down by 1.58%

C2 – down by 0.61%

C1 – down by 0.70%

G – down by 0.73%

The above figures take into account the impact of transfer fees (transitional, qualitative and RES). If these are eliminated, the figures are as follows:

A – up by 1.61%

B – up by 1.45%

C2 – up by 1.28%

C1 – up by 1.40%

G – up by 1.19%

Regulation on the protection of personal data (RODO)

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

Court and administrative proceedings

As at the day of submitting this report, there are no pending proceedings regarding the liabilities or debt claims, to which ENEA S.A. or its subsidiary unit is a party.

A detailed description of the proceedings is included in note 27 to the condensed consolidated financial statements of ENEA Group for Q1 2018.

CO₂ emission allowances

An important element on the cost side which determines the profitability of electricity generation is the allocation of free emission allowances for carbon dioxide and other gases and substances in a given settlement period. Receiving a free allocation of CO₂ emission is a condition for the implementation of dedicated investments in ENEA Group submitted to the National Investment Plan (NIP). The value of actual expenses incurred is the basis for receiving allowances. In 2018, Poland carries out, in accordance with the plan, the sales of 78.03 million CO₂ emission allowances. Polish EUAs are sold on the auction platform of the EEX exchange with which Poland has executed once again an agreement on sales of emission allowances. The auctions take place every second Wednesday – at each of them, except for the auctions carried out in August, 3.547 million EUAs are put to sale. In the period of January–March 2018, Poland sold 21.28 million CO₂ emission allowances, generating in that manner EUR 219.70 million of revenues.

Auction date	Volume [t]	Auction price [EUR]	Revenue [EUR]	Volume, cummulative [t]	% of planned volume[%]
17 January 2018	3,547,000	€ 7.99	€ 28,340,530.00	3,547,000	5%
30 January 2018	3,547,000	€ 9.88	€ 35,044,360.00	7,094,000	9%
14 February 2018	3,547,000	€ 8.78	€ 31,142,660.00	10,641,000	14%
28 February 2018	3,547,000	€ 9.99	€ 35,434,530.00	14,188,000	18%
14 March 2018	3,547,000	€ 11.25	€ 39,903,750.00	17,735,000	23%
28 March 2018	3,547,000	€ 14.05	€ 49,835,350.00	21,282,000	27%
11 April 2018	3,547,000	€ 13.55	€ 48,061,850.00	24,829,000	32%
25 April 2018	3,547,000	€ 13.09	€ 46,430,230.00	28,376,000	36%
9 May 2018	3,547,000	€ 13.92	€ 49,374,240.00	31,923,000	41%
23 May 2018	3,547,000			35,470,000	45%
6 June 2018	3,547,000			39,017,000	50%
20 June 2018	3,547,000			42,564,000	55%
4 July 2018	3,547,000			46,111,000	59%
18 July 2018	3,547,000			49,658,000	64%
1 August 2018	1,773,500			51,431,500	66%
29 August 2018	1,773,500			53,205,000	68%
12 September 2018	3,547,000			56,752,000	73%
26 September 2018	3,547,000			60,299,000	77%
10 October 2018	3,547,000			63,846,000	82%
24 October 2018	3,547,000			67,393,000	86%
7 November 2018	3,547,000			70,940,000	91%
21 November 2018	3,547,000			74,487,000	95%
5 December 2018	3 543,000			78,030,000	100%

Reduction of pollutant emissions

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

On 17 August 2017, the so-called BAT conclusions (kBAT) for large combustion plants (Commission Implementing Decision (EU) 2017/1442 of 31 July 2017 laying down BAT conclusions for large combustion plants in accordance with Directive 2010/75/EU of the European Parliament and of the Council) were published in the Official Journal of the European Union. Published kBATs introduce, among other things, stricter requirements (than in the IED) for pollutants such as sulphur dioxide, nitrogen oxides and dust. The emission limit values (BATs) also cover the additional substances mercury, hydrogen chloride, hydrogen fluoride and ammonia. In accordance with the requirements of the CNS, a 4-year adjustment period started on 17 August 2017.

Kozienice Power Plant - Units 1-10

2018/2017	SO ₂			NO _x			Dust			*CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions ['000 PLN]	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions ['000 PLN]	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions ['000 PLN]	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	
Q1 2018	1,424.02	0.517	754.7	1,899.98	0.690	1,007.0	47.45	0.017	16.6	2,334,907.47	847	2,755,356.34
Q1 2017	2,813.27	0.814	1,491.0	3,441.57	0.996	1,824.0	63.97	0.019	22.4	2,979,727.06	862	3,456,517.38
% change	-49.38	-36.49	-49.38	-44.79	-30.72	-44.79	-25.82	-10.53	-25.89	-21.64	-1.74	-20.29

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

Q1 2018	SO ₂			NO _x			Dust			*CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions ['000 PLN]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions ['000 PLN]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions ['000 PLN]	CO ₂ emissions [Mg]	CO ₂ emissions ratio [kg/MWh]	
**Unit 11	282.66	0.192	149.8	458.71	0.311	243.1	23.77	0.016	8.3	1,104,838.57	750	1,473,096.50
Units 1-10	1,424.02	0.517	754.7	1,899.98	0.690	1,007.0	47.45	0.017	16.6	2,334,907.47	847	2,755,356.34
% change	-80.15	-62.86	-80.15	-75.86	-54.93	-75.86	-49.91	-5.88	-50.00	-52.68	-11.45	-46.54

*The Company settles a fee for allocation of free CO₂ allowances.

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

In Q1 2018, 500 MW units no. 9 and 10 were in outage.

ENEA Elektrownia Potaniec

2018/2017	SO ₂			NO _x			Dust			Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions ['000 PLN]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions ['000 PLN]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions ['000 PLN]	
Q1 2018	2,355.57	0.98	1,248.45	1,734.54	0.72	919.31	141.63	0.06	49.57	2,412,843.80
Q1 2017	1,695.65	0.76	898.69	2,832.36	1.26	1,501.15	103.98	0.05	36.39	2,242,196.20
% change	38.92	28.95	38.92	-38.76	-42.86	-38.76	36.21	20.00	36.22	7.61

ENEA Potaniec S.A. benefits from the derogation resulting from the IED Directive - a natural derogation of 17,500 hours, which covers boiler No. 1. Until the end of March 2018, altogether 5,888 hours were used out of the limit of 17,500 hours, including 1,152 hours in Q1 2018. In Q1 2018, the emission standards specified in the integrated permit were not exceeded.

Compliance with formal and legal requirements

ENEA Wytwarzanie

ENEA Wytwarzanie sp. z o.o. takes advantage of a derogation resulting from the IED, namely a transitional national plan (TNP):

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

In the period of validity of the TNP, i.e. from 1 January 2016 to 30 June 2020, annual emission caps are applicable (the caps decrease year over year). The emission cap in the last year of applicability of the TNP is defined at a level corresponding to the emission standard for a given pollutant, resulting from IED (in the case of Koziencice Power Plant 200 mg/m_{3USF} for SO₂ and 20 mg/m_{3USF} for dust).

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

Plant		SO ₂		Dust		NO _x	
		[Mg]	Utilisation %	[Mg]	Utilisation %	[Mg]	Utilisation %
Koziencice Power Plant	emissions	1,259.80		36.08		N/A	
	annual max. limit	10,018.00	12.58	1,127.00	3.20	N/A	N/A
Białystok Heat and Power Plant	emissions	101.28		4.15		120.55	12.47
	annual max. limit	1,688.34	6.00	143.37	2.89	966.99	
Total	Emissions	1,361.08		40.23		120.55	
	annual max. limit	11,706.34	11.63	1,270.37	3.17	966.99	12.47

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

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

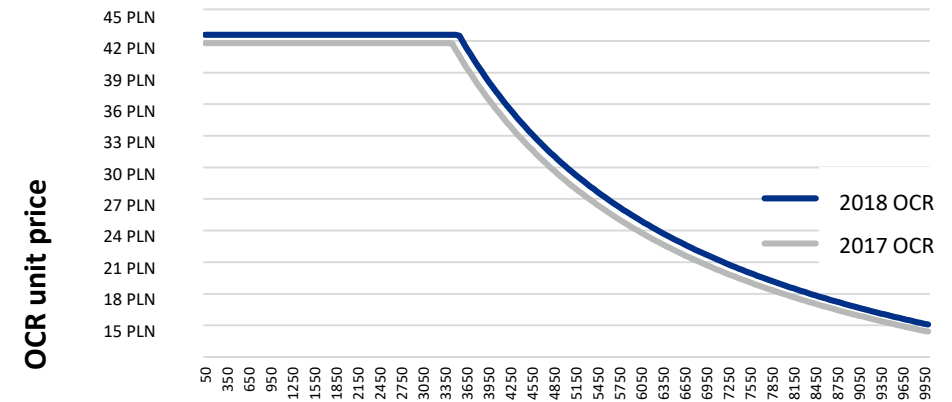
If at least one of the conditions specified in items a), b), and c) is not met, a penalty is assessed for each hourly exceedance counted from the beginning of the year.

In Q1 2018, no emission standards as defined in the integrated permit for units 1–10 were exceeded.

Operating Capacity Reserve (OCR)

- OCR mechanism is conducted by Polskie Sieci Elektroenergetyczne – Operator of the Transmission System (OTS) within the system services catalogue
- For producers of energy it is an economic incentive to offer generating capacities to OTSs in the peak hours of demand for power
- OCR includes the available generating capacity, being the surplus of the power available to OTSs over the contracts concluded to satisfy demand for electricity
- The unit price for OCR depends on the volume of generating capacity available to OTSs over the demand for electricity covered:
 - w within energy sale agreements
 - on the Balancing Market as part of the free exchange
- A unit price for OCR depends on the volume of generating capacity available to OTSs over the demand and may not be higher than the reference price which for 2015 was 37.28 PLN/MWh, for 2016 was 41.20 PLN/MWh, and for 2017 it was 41.79 PLN/MWh

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



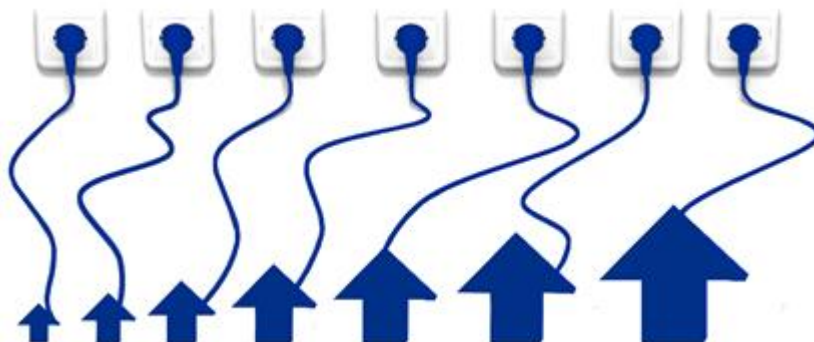
Volume of OCR

Parameters of the OCR settlement model in 2017-2018:

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

In 2016, the rules were changed for settling OCR, which in previous periods resulted in the fact that in the hours during which the OCR unit price reached the maximum level the OTS did not fully use the budget designated for that service. Since 2016, new adjustment settlements were introduced (monthly and annual), which re-verify settlements and any unused funds for OCR are distributed among the units participating in the reserve.

Since 2017, consumption units with the possibility of reducing the demand (DSR) are included within OCR. As of 2018, the OCR budget was increased.



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

Publication of Non-financial Statement of ENEA Group for 2017

Since 1 January 2017, the amended Accounting Act of 15 December 2016 (Polish Journal of Laws of 2017, item 61) has been applicable in Poland, implementing Directive 2014/95/EU as regards the enhanced disclosure of non-financial information by certain undertakings and groups fulfilling conditions specified in the Act.

The new statutory obligation applies to ENEA Group as well as to ENEA S.A., which was obliged, for the reporting period 2017, to:

- draw up a non-financial statement as part of the report on the operations or as a separate statement, and
- report information on the applied diversity policy (or lack thereof) in relation to the composition of its administration, managing, and supervisory bodies.

In March 2018, ENEA Group, fulfilling the new statutory obligation, published “Non-financial Statement of ENEA Group” as part of the “Report of the Management Board on the operations of ENEA S.A. and ENEA Group in 2017”. The statement was based on the international reporting standards – GRI Standards. This means, inter alia, that:

- at the stage of defining the scope of reported non-financial information and so-called “material reporting aspects”, the perspective of stakeholders was included (through a survey)
- in the Statement, indicators in the account recommended in the “GRI Standards” were used.
- pursuant to the guidelines contained in the “GRI Standards”, in the indicators concerning the number of employees, data as at the last day of the reporting period, namely 31 December 2017, were provided.

Apart from the Statement for 2017, ENEA Group plans to publish, at the turn of the second and third quarter of 2018, a separate paper titled “2017 Sustainable Development Report of ENEA Group”. Since 2011, the Group has also followed sustainable development and corporate social responsibility reporting practices.



Social programme - Energy is in our blood

In March 2018, a new social programme was launched across ENEA Group under the auspices of the ENEA’s CEO – “Energy is in our blood”. It is the first blood donation programme covering with its scope the whole ENEA Group, based on employee volunteering. Owing to the programme, it will be easier for the Employees willing to donate blood and help to share the gift of life with those in need. The social campaign of ENEA is planned for the whole 2018 in all major locations where the companies of the Group operate. In the first quarter of 2017, the blood donation bus visited ENEA S.A. in Poznań. In that way, we have collected 17 litres of blood, i.e. 38 units. The campaign is conducted in close cooperation with the Regional Blood Donation and Haemotherapy Centres in Poland. As part of the campaign, a meeting with a specialist from the Regional Blood Donation and Haemotherapy Centre in Poznań was organised. It provided an occasion for those who are still considering whether to participate in the programme, to discuss blood donation and ask questions.



Energię mamy we krwi!

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

Final of the Project of the ENEA Foundation – ENEA Talent Academy

In January 2018, the winners of the 1st edition of the “ENEA Talent Academy” scholarship programme were announced, which lasted from September 2017 to January 2018 and was targeted to talents in the field of science, arts, and sports from primary schools (from the 5th grade up) and lower-secondary schools, in the area of operation of ENEA Group’s companies, and a grant programme directed to public primary and lower-secondary schools in the area of operations of ENEA Group companies, implementing original projects to develop talents and skills of the pupils. Applications to the Talent Academy were accepted until 15 October, and the laureates will be announced on 10 January 2018. The winners were awarded scholarships of PLN 3,000, and the winning schools – grants amounting to PLN 10,000.

The winners included 22 young people from 11 primary schools and 11 lower-secondary schools. In both age categories, laureates in the field of science, arts, and sports were selected. In turn, the 9 winning schools were selected by Internet users.



Grant programme “Potęga poMocy” (The Power of Help)

In the first quarter of 2018, the grant programme “Potęga poMocy” (The Power of Help), carried out by the ENEA Foundation and dedicated to the Employees of ENEA Group, was continued. It enabled the Employees to submit a social initiative to be implemented with a social entity operating in the local community, and initiate projects offering real support to social stakeholders. In the first quarter of 2018, the first out of four editions planned for the present year was carried out. As part of each edition, the ENEA Foundation supports 3 social projects submitted by Employees of ENEAGroup. The maximum support amount for a project is PLN 4,000.



Campaign “We Run – We Raise – We Help”

In the first quarter of 2017, the campaign “We Run – We Raise – We Help”, initiated by Employees of ENEA Group, was continued. The campaign makes it possible for them to combine their passion for sport – running – with helping others, supports employee integration, and promotes of healthy life style in the Group. Owing to the commitment of the runners – volunteers from ENEA Group – it is possible to support local communities through development of amateur sport of children and youth. In 2018, Employees of ENEA Group, running in competitions organised all over Poland, collect points which are exchanged by the ENEA Foundation into funds earmarked for a social goal, i.e.: 50 runners from ENEA Group have already announced their participation in 143 running competitions. Runs over longer distances make it possible to win more points. Also the number of participants from ENEA Group influences the score. Higher scores could be achieved in competitions with at least 3 competitors.



Corporate Social Responsibility of LW Bogdanka in the first quarter of 2018 was focused on the implementation of the following activities:

Volunteering and charitable initiatives in LW Bogdanka

The employee volunteering in LW Bogdanka in the first quarter of 2018 was implemented through the following campaigns:

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

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



Efficiency in the field of security and biodiversity protection

Nature-friendly mine

As a founder and co-organiser (together with OTOP) of the Educational Path Nadrybie, LW Bogdanka continued to extend its infrastructure and intensified education activities in the area. In the first quarter of 2018, a cooperation plan for 2018 was drawn up and adopted, providing for promotional, educational, and investment activities within the path in Nadrybie. Also the promotion and distribution of the renewed “Nadrybie” Path Guide was started.

Firstly: security

As part of the implementation of “Plan of Occupational Security Improvement” in the Company, a number of initiatives directed to the Crew were undertaken, promoting education in the field of OHS. In the first quarter of 2018, “OHS Toolbox” was issued and distributed among employees; Also a “Let’s work safer” programme based on Lean Management principles was implemented – a box of employee initiatives.

Responsible management practices

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

- published “Non-financial Data Statement”, extending the data by indicators from the RES area
- organised a series of dialogue sessions with stakeholders in accordance with standard AA1000, ensuring space for discussion on the previous and future objectives of the Company in the field of corporate social responsibility
- conducted an evaluation of the Corporate Social Responsibility Strategy for the years 2014–2017, whose results were included in the document update process.





Annexes

Profit and loss account of ENEA S.A. – Q1 2018*

[PLN k]	Q1 2017	Q1 2018	Change	% change
Sales of electricity to retail customers	1,079,701	1,193,803	114,102	10.6%
Sales of gas fuel to retail customers	24,969	26,964	1,995	8.0%
Sales of distribution services to customers who have comprehensive agreements	420,470	0	-420,470	-100.0%
Sales of energy and gas fuel to other entities	32,441	18,113	-14,328	-44.2%
Sales of services	980	651	-329	-33.6%
Other revenue	20	671	651	3255.0%
Excise tax	68,480	66,813	-1,667	-2.4%
Net sales revenue	1,490,101	1,173,388	-316,713	-21.3%
Depreciation	754	556	-198	-26.3%
Costs of employee benefits	12,947	14,803	1,856	14.3%
Consumption of materials and raw materials and the value of goods sold	522	690	168	32.2%
Purchase of energy and gas for sale purposes	938,257	1,063,674	125,417	13.4%
Transmission and distribution services	420,499	534	-419,965	-99.9%
Other third party services	40,559	43,460	2,901	7.2%
Taxes and levies	1,592	1,525	-67	-4.2%
Sales tax deductible costs	1,415,130	1,125,242	-289,888	-20.5%
Other operating revenue	3,147	2,895	-252	-8.0%
Other operating costs	36,758	18,430	-18,328	-49.9%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	66	0	-66	-100.0%
Operating profit	41,426	32,611	-8,815	-21.3%
Financial costs	45,282	55,750	10,468	23.1%
Financial revenue	102,633	71,891	-30,742	-30.0%
Profit before tax	98,777	48,752	-50,025	-50.6%
Income tax	19,074	4,633	-14,441	-75.7%
Net profit of the reporting period	79,703	44,119	-35,584	-44.6%
EBITDA	42,180	33,167	-9,013	-21.4%

Q1 2018:

Factors behind the change of EBITDA of ENEA S.A. (a decrease by PLN 9 million):

- (-) a decrease of the first contribution margin by PLN 21 million:
 - (-) a decrease in the average sale price of energy by 1.5%
 - (-) higher costs of ecological obligations by 28.7%
 - (-) an increase in the average purchase price of energy by 1.6%
 - (+) an increase in the volume of energy sales by 12.2%
 - (-) a decrease in the result on gas fuel trading
- (-) higher employee benefit costs (by PLN 2 million):
 - (-) higher provisions for employee benefits by PLN 1 million
 - (-) higher costs of remunerations with derivatives by PLN 1 million
- (-) higher costs of third party services (by PLN 3 million):
 - (-) higher costs of sales by PLN 1 million
 - (-) higher costs of advertisement and representation by PLN 1 million
 - (-) higher costs of advisory services by PLN 1 million
- (+) an increase of the result on other operating activities (by PLN 18 million) due to:
 - (+) lower provisions for expected losses and potential claims PLN 16 million (including: provisions for terminated contracts of purchase of RES property rights lower by PLN 16.8 million)
 - (+) lower costs of donations by PLN 4 million
 - (-) higher costs of litigations by PLN 2 million

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

Profit and loss account of ENEA Operator sp. z o.o. – Q1 2018

[PLN k]	Q1 2017	Q1 2018	Change	% change
Revenue from the sale of distribution services to end users	794,573	664,493	-130,080	-16.4%
Revenue from additional fees	1,154	1,293	140	12.1%
Revenues from the non-invoiced sale of distribution services	13,305	9,729	-3,576	-26.9%
Clearing of the Balancing Market	332	969	636	191.4%
Fees for connection to the grid	13,487	9,951	-3,536	-26.2%
Revenue from illegal electricity consumption	1,711	1,718	7	0.4%
Revenue from services	6,978	7,598	620	8.9%
Sale of distribution services to other entities	3,966	4,676	710	17.9%
Sales of goods and materials and other revenues	670	273	-397	-59.3%
Sales revenue	836,176	700,700	-135,476	-16.2%
Depreciation of power, plant and equipment and intangible fixed assets	118,205	124,452	6,247	5.3%
Costs of employee benefits	101,885	102,782	897	0.9%
Consumption of materials and raw materials and the value of goods sold	8,424	7,743	-681	-8.1%
Purchase of energy for own needs and grid losses	60,657	61,763	1,106	1.8%
Costs of transmission services	258,491	102,276	-156,215	-60.4%
Other third party services	59,367	65,465	6,098	10.3%
Taxes and levies	58,405	63,529	5,124	8.8%
Sales tax deductible costs	665,434	528,010	-137,424	-20.7%
Other operating revenue	7,384	20,485	13,101	177.4%
Other operating costs	31,866	18,996	-12,870	-40.4%
Profit/ (loss) on the sale and liquidation of property, plant and equipment	(959)	(1,379)	-420	-43.8%
Operating profit / (loss)	145,301	172,800	27,499	18.9%
Financial revenue	706	659	-47	-6.7%
Financial costs	12,716	15,552	2,836	22.3%
Gross profit / (loss)	133,291	157,907	24,616	18.5%
Income tax	27,256	25,422	-1,834	-6.7%
Net profit / (loss)	106,035	132,485	26,450	24.9%
EBITDA	263,506	297,252	33,746	12.8%

1Q Q1 2018:

Factors behind the change of EBITDA of ENEA Operator sp. z o.o. (an increase by PLN 34 million):

- (-) lower revenues from sales of distribution services to end users by PLN 134 million, resulting mainly from a change in presentation of revenues from sales of distribution services (without transfer costs amounting to PLN 156 million)
- (-) lower revenues from network connection fees by PLN 4 million, resulting mainly from quarterly IAS allowances in 2017 (from 1 January 2018, change of standard – IFRS 15)
- (-) lower purchase costs of transmission services by PLN 156 million, resulting mainly from a change in presentation of costs of purchase of transmission services (without transfer costs amounting to PLN 162 million)
- (-) higher costs of purchase of energy to cover the balance-sheet difference (by PLN 1 million), resulting mainly from a higher average price of electricity
- (-) higher costs of other third-party services by PLN 6 million mainly in areas relating to IT services, customer service and measurement
- (-) higher costs of taxes and levies by PLN 5 million, resulting from the implemented investments in grid assets
- (+) higher other operating revenues by PLN 13 million, resulting mainly from compensations from the insurer
- (+) lower other operating costs by PLN 13 million, resulting mainly from a change of the status of overdue current receivables for court fees or bankruptcy expenses and changes in indicators relating to impairment losses made in Q1 2017

Profit and loss account of ENEA Wytwarzanie sp. z o.o. – Q1 2018

[PLN k]	Q1 2017	Q1 2018	Change	% change
Revenue from the sale of electricity	671,284	939,758	268,474	40.0%
<i>generation licence</i>	633,250	833,582	200,332	31.6%
<i>trading licence</i>	38,034	106,176	68,142	179.2%
Revenue from certificates of origin	6,220	9,916	3,696	59.4%
Revenue from the sale of CO ₂ emissions allowances	5,811	22,569	16,758	288.4%
Revenue from the sale of heat	60,853	60,033	-820	-1.3%
Revenue from services	2,960	2,931	-29	-1.0%
Sale of goods and materials and other revenue	2,197	2,283	86	3.9%
Excise tax	55	66	11	20.0%
Net sales revenue	749,270	1,037,423	288,153	38.5%
Depreciation of power, plant and equipment and intangible fixed assets	58,825	123,349	64,524	109.7%
Costs of employee benefits	61,225	68,053	6,828	11.2%
Consumption of materials and raw materials and the value of goods sold	407,137	545,618	138,481	34.0%
Purchase of energy for sale purposes	53,530	193,002	139,472	260.5%
Transmission services	626	82	-544	-86.9%
Other third party services	32,423	33,002	579	1.8%
Taxes and levies	23,304	26,135	2,831	12.1%
Sales tax deductible costs	637,070	989,241	352,171	55.3%
Other operating revenue	2,336	2,679	343	14.7%
Other operating costs	1,175	771	-404	-34.4%
Profit/ (loss) on the sale and liquidation of property, plant and equipment	394	401	7	1.8%
Operating profit / (loss)	113,755	50,491	-63,264	-55.6%
Financial revenue	66	727	661	1,001.5%
Financial costs	4,169	35,614	31,445	754.3%
Gross profit / (loss)	109,652	15,604	-94,048	-85.8%
Income tax	21,735	3,253	-18,482	-85.0%
Net profit / (loss)	87,917	12,351	-75,566	-86.0%
EBITDA	172,580	173,840	1,260	0.7%

Q1 2018:

Factors behind the change of EBITDA of ENEA Wytwarzanie sp. z o.o. (an increase by PLN 1.2 million):

Kozienice Power Plant – an increase in EBITDA by PLN 5.0 million

- (+) an increase of generation margin by PLN 13.6 million
- (+) an increase of margin on trading and on Balancing market by PLN 4.5 million
- (+) higher revenues from Regulatory System Services by PLN 2.4 million
- (-) an increase in overheads by PLN 16.0 million

Heat Segment – a decrease in EBITDA by PLN 7.1 million

- (-) higher costs of CO₂ emission allowances by PLN 7.9 million
- (-) higher costs of biomass consumption by PLN 3.7 million
- (-) higher costs of coal consumption by PLN 1.5 million
- (+) an increase in revenues from sales of electricity by PLN 1.4 million
- (+) lower overheads by PLN 1.9 million
- (+) an increase in revenues from certificates of origin by PLN 2.5 million

RES Segment – an increase in EBITDA by PLN 3.3 million

- (+) Water Area (PLN +4.9 million): an increase in revenues from electricity by PLN 4.5 million, an increase in revenues from certificates of origin by PLN 1.4 million, an increase in overheads by PLN 0.4 million
- (+) Wind Area (PLN -1.4 million): a decrease in revenues from electricity by PLN 3.8 million; a decrease in overheads by PLN 2.0 million
- (-) Biogas Area (PLN -0.2 million): a decrease in revenues from certificates of origin by PLN 0.2 million

Profit and loss account of ENEA Elektrownia Połaniec Group – Q1 2018

[PLN k]	14.03-31.03.2017*	Q1 2018
Sales revenue	81,400	541,102
Excise tax	14	65
Net sales revenue	81,386	541,037
Depreciation of power, plant and equipment and intangible fixed assets	2,757	13,513
Costs of employee benefits	2,841	14,520
Consumption of materials and raw materials and the value of goods sold	40,810	327,369
Purchase of energy for sale purposes	26,050	113,359
Transmission services	2	0
Other third party services	8,467	51,931
Taxes and levies	2,680	10,810
Sales tax deductible costs	83,608	531,502
Other operating revenue	325	172
Other operating costs	410	290
Operating profit / (loss)	(2,307)	9,417
Financial revenue	119	740
Financial costs	641	446
Gross profit / (loss)	(2,828)	9,711
Income tax	(866)	1,946
Net profit / (loss)	(1,962)	7,765
EBITDA	451	22,930

Q1 2018:

EBITDA of ENEA Elektrownia Połaniec:

- revenues from sales of electricity (together with Regulatory System Services) PLN 507 million (sales of 2,917 GWh of electricity)
- revenues from sales of thermal energy PLN 14 million, with sales volume of 621 TJ
- revenues from certificates of origin PLN 18 million – sales adjusted by revenue from recognition, own cost of sales, and revaluation of the green certificates stock as at the balance sheet-date
- other revenues PLN 2 million – revenues from rental and management of combustion by-products
- consumption of materials and raw materials and the value of sold goods PLN 327 million, including: fuel consumption PLN 266 million, provision for CO₂ consumption costs PLN 50 million, use of renovation materials PLN 6 million, other PLN 5 million (consumption of other materials and energy)
- purchase of energy for sale purposes PLN 113 million – purchase volume 713 GWh
- other third party services PLN 52 million – including: renovation services: PLN 23 million, transport services PLN 4 million, waste management PLN 5 million, biomass storage services PLN 6 million, insurance of assets PLN 2 million, SSC services PLN 2 million, other services PLN 10 million (including: legal services, audits, rental and lease, property protection, other third party services)
- taxes PLN 11 million – including: property tax PLN 6 million, environment protection fee PLN 3 million, license fee PLN 1 million

*Data for the period 14–31 March 2017 were related to ENEA Elektrownia Połaniec Group, while items presented from 1 January 2018 concern individual data of ENEA Elektrownia Połaniec (without ENEA Bioenergia Sp. z o.o.)

Profit and loss account of LW Bogdanka Group – Q1 2018

[PLN k]	Q1 2017	Q1 2018	Change	% change
Net sales revenue	465,237	398,697	-66,540	-14.3%
Depreciation of power, plant and equipment and intangible fixed assets	88,676	84,077	-4,599	-5.2%
Costs of employee benefits	132,760	138,496	5,736	4.3%
Consumption of materials and raw materials and the value of goods sold	68,699	76,076	7,377	10.7%
Other third party services	69,307	74,562	5,255	7.6%
Taxes and levies	13,682	12,863	-819	-6.0%
Sales tax deductible costs	373,124	386,074	12,950	3.5%
Other operating revenue	671	29,992	29,321	4,369.7%
Other operating costs	574	1,014	440	76.7%
Profit/ (loss) on the sale and liquidation of property, plant and equipment	(2,617)	(2,398)	219	8.4%
Operating profit / (loss)	89,593	39,203	-50,390	-56.2%
Financial revenue	2,782	5,045	2,263	81.3%
Financial costs	7,663	5,025	-2,638	-34.4%
Gross profit / (loss)	84,712	39,223	-45,489	-53.7%
Income tax	16,654	7,392	-9,262	-55.6%
Net profit / (loss)	68,058	31,831	-36,227	-53.2%
EBITDA	178,269	123,280	-54,989	-30.8%

Q1 2018:

Factors behind the change of LW Bogdanka Group:

- (-) a decrease in revenues from coal sales: lower sales volume (-422,000 t), at a higher price
- (-) an increase in the unit cost of sold products, goods, and materials without depreciation – an increase in nominal costs of:
 - *third party services – first of all the cost of work on Saturdays and Sundays,
 - *materials – higher gross extraction output, geological and hydro-technological issues – the need to secure walls and the continuity of extraction
 - *salaries (salary raise paid, 3 instalments of additional incentive bonus, an increase of the average salary and an increase in average employment)
 given a decrease in commercial coal sales by 422,000 t.

Significant one-off events:

- the decrease in net production, and in result – lower results year over year – was caused by factors of geological and hydrogeological nature in one of the walls (problems with ceiling supports and water outflows)
- settlement of the arrangement entered into by and between LW Bogdanka S.A. and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras – a positive impact on EBITDA PLN 28.7 million
- loss on liquidation of intangible assets – mainly the net value of decommissioned excavations

Financial ratios

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

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

Industry terms and abbreviations

Abbreviation/term	Full name/description	Abbreviation/term	Full name/description
"Green" Property Rights	Same as PMOZE	CER	Certified Emission Reduction – the unit of certified emission reduction
"Light blue" Property Rights	Property rights to certificates of origin confirming the production of electricity from agricultural biogas	CO₂	Carbon dioxide
"Purple" Property Rights	Property Rights to certificates of origin confirming the generation of electricity in a cogeneration unit fired with methane released and included in underground mining works or with gas obtained from biomass processing within the meaning of Article 2 (1) of the Act on biocomponents and liquid biofuels	Cogeneration	A technological process of simultaneous generation of electricity and usable thermal energy in a CHP plant
"Red" Property Rights	Property rights to certificates of origin confirming the generation of electricity in other cogeneration sources	DAP	Delivered at Place – a situation where the seller of the goods is responsible for delivering the goods to a particular place and the buyer is responsible for unloading the goods
"White" PM	Property rights to certificates of origin resulting from energy efficiency certificates, the so called "white" certificates	EFX	Index for session transactions, the subject of which are contracts for property rights resulting from Energy Efficiency Certificates, the so called "white" certificates
Yellow" PM	Property rights to certificates of origin confirming the generation of electricity in a gas cogeneration unit or with a total installed capacity of up to 1 MW	Energy Law	Act of 10 April 1997 - Energy Law (Journal of Laws of 1997 No. 54, item 348, as amended)
ACER	Agency for the Cooperation of Energy Regulators – EU agency established pursuant to the third energy package. The objective of the Agency is coordination and support of the national regulatory authorities. A full list of duties is specified in Regulation No. 713/2009	EUA	EU Emission Allowance - emission allowances under the European Emissions Trading System
AMI	Advanced systems measuring, collecting and analysing energy consumption and enabling two-way communication between the end user and central system. AMI includes both intelligent meters and smart power grids	European Emission Trading System EU ETS	A European scheme to promote the reduction of greenhouse gas emissions
Backloading	Suspension of some auctions of CO ₂ emission allowances by EU to increase the price of allowances	FGD installation	Flue gas desulphurisation installation
Balancing market	Technical market operated by OTSs. Its objective is to balance in real time the demand for electricity with its production in the National Power System (NPS)	Forward market	Electricity market where forward products are listed
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	GPZ	(Polish) Transformer/Switching Point – a transformer station, responsible for converting high or medium voltage into low voltage for end users in a specified area
CAPEX	Capital expenditures	ICE	Intercontinental Exchange – a trading platform for trading EU CO ₂ Emission Allowances (EUA) and units of Certified Emission Reduction (CERs) in the futures market
Carbon leakage	Leakage of CO ₂ from one country to another	IGCC	Integrated Gasification Combined Cycle – gas/steam block technology with integrated gasification of the fuel. Enables the construction of power plants with much higher efficiency compared to conventional coal-fired power plants
		KECX	Index for session transactions, the subject of which are contracts for property rights resulting from certificates of origin for electricity generated in other cogeneration sources

Industry terms and abbreviations

Abbreviation/term	Full name/description
KGMX	Index for session transactions, the subject of which are contracts for property rights resulting from certificates of origin for electricity generated in gas cogeneration units or with total installed capacity up to 1 MW.
KMETX	Index for session transactions concerning contracts for property rights resulting from certificates of origin for electricity generated in cogeneration units fired with methane released and accounted for during underground mining works or by gas obtained from biomass processing within the meaning of Article 1 (2) (a) of the Act on biocomponents and liquid biofuels
MW_e	Megawatthour (1 GWh = 1.000 MWh)
MWh	Megawatthour (1 GWh = 1.000 MWh)
MW_t	Megawatt of heating power
NFOŚiGW	(Polish) National Fund for Environmental Protection and Water Management
NO_x	Nitrogen oxides
ODS	Operator of the Distribution System
OPR	Operational Power Reserve
OTS	Operator of the Transmission System
OZEX_A	Index for session transactions concerning contracts for property rights resulting from certificates of origin for electricity generated from renewable energy sources, the production period of which (indicated in the certificate of origin) has started since 1 March 2009 (inclusive)
PMOZE	Property rights to certificates of origin for energy from renewable energy sources
PPE	Polish Power Exchange
Price of baseload ("BASE")	The contract price for delivery of the same volume of electricity in euro-peak (i.e. from 7:00 a.m. to 10:00 p.m. on business days)
Price of euro-peak ("PEAK")	The contract price for delivery of the same volume of electricity in each hour of the day
REMIT Regulation	Regulation on Wholesale Energy Market Integrity and Transparency which sets out a framework for monitoring wholesale energy markets in order to detect and prevent unfair practices at EU level.

Abbreviation/term	Full name/description
RES	Renewable Energy Sources
SAIDI	System Average Interruption Duration Index - indicator of the average system duration of a long and very long break (expressed in minutes per Customer)
SAIFI	System Average Interruption Frequency Index - indicator of the average system frequency of long interruptions in energy supply (expressed in the number of breaks per Customer)
SCR installation	Installation of catalytic flue gas denitrification
SO₂	Sulphur dioxide
SO₂	Sulphur dioxide
SPOT market	Cash market (spot)
Tariff group A	Energy sold and supplied to customers connected to the high voltage grid
Tariff group B	Energy sold and supplied to customers connected to the medium voltage grid
Tariff group C	Energy sold and supplied to customers connected to the low voltage grid, excluding customers using electricity for household purposes
Tariff group G	Energy sold and supplied to household customers connected to the grid irrespective of the voltage level
TFS	Tradition Financial Services - an electricity trading platform designed to conclude various types of transactions, purchase and sale of conventional energy, property rights, renewable energy and CO ₂ emission allowances
TPA	Third Party Access – the principle of third party access to the power grid, which enables the purchase of electricity and electricity distribution services on the basis of two separate agreements
WACC	Weighted average cost of capital
WIBOR	Warsaw Interbank Offered Rate - interest rate on loans on the Polish interbank market
WRA	Regulatory Value of Assets

1. Operating summary	2-8	Investments implemented in Q1 2018	25	Ratio analysis	51
ENEA Group in numbers	3	Investments planned by the end of 2018	26	Financial results – additional information	52
Operating summary	4	Status of works on key investment projects	27-29	4. Shares and shareholding	53-54
Selected consolidated financial data	5	Measures implemented in Q1 2018	30	Struktura akcjonariatu i kapitału zakładowego	54
Key operating data and ratios	6	Measures to be implemented by the end of 2018	31	Notowania akcji ENEA S.A. na GPW	54
Comment of the Management Board	7	Agreements concluded	32-33	5. Governing bodies	55-58
Key events in the first quarter of 2018	8	Financing sources of the investment programme	32	The Management Board of ENEA S.A.	56
2. Organisation and operations of ENEA Group	9-39	Issue of ENEA S.A.'s securities in 2018	33	The Supervisory Board of ENEA S.A.	57
Structure of the Group	10	Suretyships and guarantees granted	33	Wykaz akcji i uprawnień do akcji ENEA w posiadaniu osób zarządzających i nadzorujących	58
Changes in the Group's structure	11	Interest rate hedging transactions	33	6. Other information	59-71
Investments	12-13	Agreements of significance to ENEA Group's operations	33	Events which might affect future results	60-68
Areas of activities	14-21	Related-party transactions	33	CSR – Corporate Social Responsibility	69-71
Mining	15	Distribution of cash – bond issue programmes of subsidiaries	33	Annexes	72-77
Generation	16-18	Market environment	34-39	Financial results of ENEA S.A.	73
Distribution	19	3. Financial standing	40-52	Financial results of ENEA Operator	74
Trading	20-21	Financial results of ENEA Group in Q1 2017 and in Q1 2018	41-51	Financial results of ENEA Wytwarzanie	75
Development strategy	22-23	Consolidated profit and loss account	41	Financial results of ENEA Elektrownia Połaniec Group	76
Perspectives	24	Results in individual areas of the ENEA Group's operations	42-47	Financial results of LW Bogdanka Group	77
Implemented measures and investments	25-31	Asset position	48-49	Glossary	78-80
Capital expenditures in Q1 2018	25	Cash position	50		

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