

**Other information
to the extended consolidated report of ENEA S.A.
for Q1 2019**

**Poznań,
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ENEA Group in numbers

MINING



20.0% share in fuel coal market in Poland

384 million tonnes - extraction potential of 3 licenced areas

9.0 million tonnes of net coal production in FY 2018

GENERATION



6.3 GW of installed electrical capacity

414 MW of installed RES capacity

26.5 TWh of total net generation of electricity in FY 2018



**16.5 thousand
Employees**

DISTRIBUTION



2.6 million Users of distribution services

122.8 thousand km of distribution lines including connections

20% of Poland's area covered by distribution network of ENEA Operator

TRADING



2.5 million Customers

21.5 TWh - annual sale of electricity and gaseous fuel to retail Customers in FY 2018

13% increase in the volume of electricity and gaseous fuel sold to retail Customers in FY 2018

1. Key events in Q1 2019

- Execution of an agreement between ENEA and Electric Power Research Institute (EPRI) on cooperation in research projects on energy storage and dispersed generation
- LW Bogdanka honoured with the Mining Success of the Year award in the Innovation category for its roadway drivage technology
- Initiation of a research and development project “System of power and energy balancing and of monitoring the quality of electricity supply from dispersed sources and energy storage tanks” (MoBiSys) – implemented by ENEA Operator together with AGH University of Science and Technology in Cracow
- Construction of a photovoltaic (PV) power plant with power connections (with a total nominal capacity of 420 kW) in the area of the West Pomeranian Oncology Centre in Szczecin
- In January 2019, LW Bogdanka broke its record in monthly extraction – 903,500 tonnes of commercial coal (the previous record was set in 2014)
- Construction and launch by ENEA Serwis of six charging stations for electric cars located next to the offices of the Distribution Branches of ENEA Operator
- Announcement by ENEA Operator, Tauron Dystrybucja and PGE Dystrybucja of a joint tender for the purchase of more than 235,000 electricity meters, of which ENEA Operator accounts for 45,000 meters
- Execution of an agreement between PSE, ENEA Operator and Tauron Dystrybucja on the coordination of the development of the transmission and distribution networks, under which a new substation will be built in the vicinity of Żagań, and the network of power lines will be expanded in the region. The total value of the project will exceed PLN 100 million
- The non-financial reporting practices of ENEA S.A. recognised by the Ministry of Finance. Four actions were indicated as good practices worth recommending to other market participants
- Signing of a letter of intent by ENEA S.A. and ENEA Wytwarzanie with Bank Ochrony Środowiska on the development of renewable energy resources (RES). Main assumptions: diversification of the fuel mix, development of dispersed energy sources, and increasing the share of RES in electricity generation
- Elections of employee representatives to the Supervisory Board of ENEA S.A. were held. All ENEA Group employees were eligible to cast their votes. Mariusz Pliszka, Maciej Mazur and Michał Jaciubek were elected as employee representatives to the Supervisory Board of ENEA S.A.
- Adjustment of the Trading Area to new legal regulations in connection with the entry into force of the Act of 28 December 2018 on amending the Act on Excise Duty and certain other acts and the Act of 21 February 2019 amending the Act on amending the Act on Excise Duty and certain other acts, the Act - Environmental Protection Law, the Act on Greenhouse Gas and Other Substances Emission Management System, the Act on amending the Act on Biocomponents and Liquid Biofuels and certain other acts and the Act on Promotion of Electricity from High Efficiency Cogeneration

Events after the reporting period

On 30 April 2019, ENEA S.A. concluded a memorandum of understanding with Energa S.A. on financing the construction project of a new coal unit – the planned Ostrołęka C power plant in Ostrołęka with a gross capacity of 1,000 MW. By means of the Memorandum, ENEA S.A. and Energa S.A. decided to specify in more detail the financing terms of the Project – ENEA S.A. made a commitment to provide the funds for the implementation of the Project in the amount of PLN 819 million from January 2021.



1.1. Operating summary

In Q1 2019, ENEA Group generated an EBITDA of PLN 799 million (an increase by PLN 97 million y/y).

The highest EBTIDA – PLN 400 million – was posted in the Generation area (up by PLN 173 million). The area's result was positively affected by increased market prices of electricity and green certificates and by the uninterrupted operation of all generation assets.

The Mining area generated an EBITDA of PLN 219 million, i.e. an increase by PLN 96 million y/y. The higher result of the area resulted from the higher output compared to Q1 2018 and the higher price of coal sale, as well as from the continued work on improving the mine's operational efficiency, in particular with respect to fixed costs.

The EBITDA generated in the Distribution area was lower by PLN 49 million y/y (at PLN 249 million in Q1 2019). High average prices of electricity contributed to the increased costs of energy purchase for own use and for covering the energy balance difference. Moreover, also in this area a lower result on other operating activities was recorded, mainly due to the change in provisions concerning grid assets and the effect of higher revenues from the insurer in the corresponding period of the previous year.

The Trading area posted a loss in EBITDA of PLN -11 million. Higher costs of energy purchase and environmental obligations in the retail trade, along with the rising prices of CO₂ emission allowances in the wholesale trade contributed to the area's lower EBITDA (down by PLN 64 million y/y).

- **In Q1 2019, ENEA Group's CAPEX totalled PLN 563.2 million.**
- **Production and sales of commercial coal stood at approx. 2.4 million tonnes.**
- **ENEA Group generated 6.1 TWh of electricity.**
- **Sales of heat totalled 2,443 TJ.**
- **Sales of distribution services to end users totalled 5.1 TWh.**
- **The sales volume of electricity and gaseous fuel to retail customers totalled 5,417 GWh.**



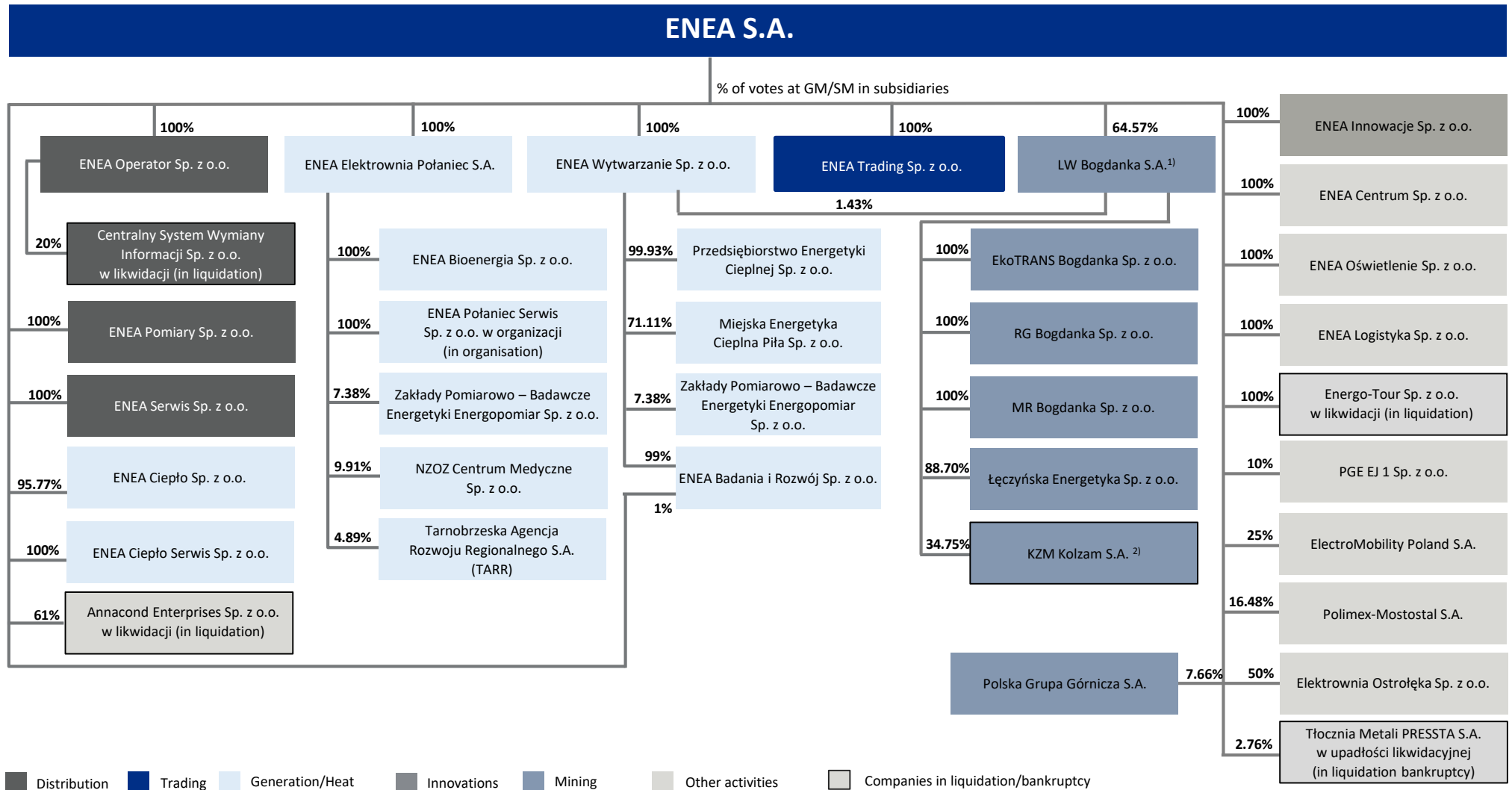
- **Growth in revenues from electricity sales**
- **Growth in revenues from coal sales**
- **Growth in revenues from gas sales**



- **Decrease in revenues from heat sales**
- **Higher costs of purchase of electricity and gas**
- **Higher costs of consumption of materials and raw materials**

2. Organisation and operations of ENEA Group

2.1. Structure of ENEA Group



¹⁾ Together with ENEA Wytwarzanie Sp. z o.o., ENEA S.A. holds 65.999% of the votes at the company's General Meeting.

²⁾ Decision on discontinuance of bankruptcy proceedings / the company does not conduct business activity.

Changes in the Group's structure

Asset restructuring

After performing key organisational changes in previous years, apart from the initiatives related to the planned changes, ENEA Group did not conduct any significant activities within asset restructuring in Q1 2019.

Capital divestments

In Q1 2019, no significant capital divestments were effected.

Changes in the organisation of the Group

In Q1 2019, ENEA Group continued activities aimed at the implementation of the Group's Corporate Strategy.

Equity investments

The description of methods of financing equity investments is included in the interim condensed consolidated financial statements for Q1 2019.

Area	Date	Company	Event
Generation	12 March 2019	ENEA Badania i Rozwój Sp. z o.o.	On 20 December 2018, the Extraordinary Shareholders Meeting of ENEA Badania i Rozwój Sp. z o.o. adopted a resolution to increase the Company's share capital by PLN 5,850,000 to PLN 7,855,000 through the creation of 117,000 new shares with a nominal value of PLN 50. ENEA Wytwarzanie Sp. z o.o. took up 115,830 shares in the increased capital with the total value of PLN 5,791,500, while ENEA S.A. took up 1,170 shares in the increased capital of the total value of PLN 58,500. The capital increase was covered in cash. The share capital increase was registered in the National Court Register on 12 March 2019.
Generation	6 March 2019	ENEA Elektrownia Połaniec S.A.	On 6 March 2019, ENEA Połaniec Serwis Sp. z o.o. was established pursuant to a Notarial Deed. The share capital of the company amounts to PLN 500,000.00 and is divided into 1,000 shares with a nominal value of PLN 500 each. All shares were taken up by ENEA Elektrownia Połaniec S.A. The objects of the company's activity are the repair and maintenance of machines.
Other activities	4 January 2019	Elektrownia Ostrołęka Sp. z o.o.	On 4 January 2019, the Extraordinary Shareholders Meeting of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on increasing the Company's share capital to PLN 912,482,100, i.e. by PLN 361,382,100 through the creation of 7,227,642 new equal, indivisible shares, privileged as to the right to vote in such a way that one share will carry two votes, and this privilege will expire in the event of disposal of shares to a person other than the Main Shareholder, i.e. ENEA S.A. or Energa S.A., with a nominal value of PLN 50.00 each and with a total nominal value of PLN 361,382,100. As a result of the increase in the share capital of Elektrownia Ostrołęka Sp. z o.o., on 4 January 2019 ENEA S.A. acquired 3,613,821 shares in the share capital with the value of PLN 180,691,050. On 4 January 2019, ENEA S.A. made a cash contribution to the Company's account. The share capital increase of Elektrownia Ostrołęka Sp. z o.o. was registered in the National Court Register on 1 March 2019.

2.2. Business areas of ENEA Group

Mining

- Bituminous coal production
- Bituminous coal sale
- Securing the resource base for the Group

Distribution

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



Generation

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

Trading

Retail trading:

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

Wholesale trading:

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

2.2.1. Mining

Within ENEA Group, mining activities are conducted by a subsidiary, Lubelski Węgiel Bogdanka S.A. (hereinafter referred to as LW Bogdanka). 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 energy coal sold by the Company is used primarily for the generation of electricity and heat and for the production of cement. The Company's customers are mainly industrial companies, mostly entities operating in the power industry located in eastern and north-eastern Poland.

	Q1 2018	Q1 2019	Change
Net production ['000 tonnes]	2,095	2,532	20.9%
Coal sale ['000 tonnes]	1,967	2,365	20.2%
Closing stock ['000 tonnes]	152	255	67.4%
Excavation works [km]	9.0	7.9	-12.2%

2.2.2 Generation

2.2.2.1. ENEA Group's generation assets

	Installed electrical capacity [MW _e]	Attainable electrical capacity [MW _e]	Installed heating capacity [MW _t]	Installed RES capacity [MW _e]
Kozienice Power Plant	4,071.8	4,016.0	125.4	-
Połaniec Power Plant	1,837.0	1,882.0	130.0	230.0
Bardy, Darżyno and Baczyzna (Lubno I and Lubno II) wind farms	71.6	70.1	0.0	70.1
Liszkowo and Gorzesław biogas plants	3.8	3.8	3.1	3.1
Hydroelectric plants	58.8	55.8	0.0	55.8
MEC Piła	10.0	10.0	135.3	-
PEC Oborniki	0.0	0.0	30.4	-
ENEA Ciepło	203.5	156.6	684.1	55.0
Total [gross]	6,256.5	6,194.3	1,108.3	414.0

Data concerning ENEA Wytwarzanie ¹⁾

	Q1 2018	Q1 2019	Change
Total (net) generation of electricity [GWh], including:	3,983	3,874	-2.7%
Net production from conventional sources [GWh], including:	3,897	3,771	-3.2%
ENEA Wytwarzanie	3,878	3,752	-3.2%
MEC Piła	19	19	0.0%
Net production from renewable energy sources [GWh], including:	86	103	19.8%
Biomass combustion	0	0	0.0%
ENEA Wytwarzanie – RES Segment (hydroelectric plants)	57	42	-26.3%
ENEA Wytwarzanie – RES Segment (wind farms)	27	60	122.2%
ENEA Wytwarzanie – RES Segment (biogas plants)	2	1	-50.0%
Gross generation of heat [TJ]	608	479	-21.2%

¹⁾ Presentation change for Q1 2019 data concerning ENEA Ciepło (Białystok Heat and Power Plant)

Data concerning ENEA Elektrownia Połaniec

	Q1 2018	Q1 2019	Change
Total (net) generation of electricity [GWh], including:	2,204	2,095	-4.9%
ENEA Elektrownia Połaniec – net production from conventional sources	1,956	1,707	-12.7%
ENEA Elektrownia Połaniec – production from renewable energy sources (combustion of biomass – Green Unit)	210	354	68.6%
ENEA Elektrownia Połaniec – production from renewable energy sources (biomass co-combustion)	38	34	-10.5%
Gross production of heat [TJ]	657	652	-0.8%

Unit No. 11 (Kozienice Power Plant)	Q1 2018	Q1 2019	Change
Net electricity generation [GWh]	1,339.1	1,555.3	16.1%
Net average monthly load [MW]	219.8	256.5	16.7%

2.2.2.2. CO₂ emissions

	Kozienice Power Plant	Free CO ₂ emission allowances	Costs of allowances [PLN]
Q1 2018	3,439,746	510,815	88,970,676.07
Q1 2019	3,285,579	273,091 ¹⁾	190,318,115.13 ¹⁾
	Białystok Heat and Power Plant	Free CO ₂ emission allowances	Costs of allowances [PLN]
Q1 2018	171,062	0	11,525,302.25
Q1 2019	174,502	0	16,757,997.10 ¹⁾
	West Białystok Heat Plant	Free CO ₂ emission allowances	Costs of allowances [PLN]
Q1 2018	15,217	696	-
Q1 2019	5,555	682	-
	Połaniec Power Plant	Free CO ₂ emission allowances	Costs of allowances [PLN]
Q1 2018	1,888,804	129,321	50,160,495.36
Q1 2019	1,690,575	126,099	99,355,092.75
TOTAL Q1 2018	3,626,025	511,511	100,495,978.3
TOTAL Q1 2019	3,465,636	273,773	207,076,112.2

¹⁾Accounting treatment

Data concerning ENEA Ciepło

	Q1 2018	Q1 2019	Change
Total (net) generation of electricity [GWh], including:	148	139	-6.1%
Net generation from conventional sources [GWh] – excluding biomass combustion	110	113	2.7%
Net production from renewable energy sources [GWh] – biomass combustion	38	26	-31.6%
Gross production of heat [TJ] (jointly with West Heat Plant)	1,753	1,566	-10.7%

2.2.2.3. Sales of electricity on the wholesale market

[GWh]	Q1 2018	Q1 2019
ENEA Wytwarzanie	5,216	4,594
including from RES	86.2	103.5
ENEA Elektrownia Połaniec	2,899.1	2,477.4
including from RES	210.3	353.7
ENEA Ciepło	145.0	139.0
including from RES	37.0	27.0
TOTAL	8,260.1	7,210.4

The largest generator in ENEA Wytwarzanie is Kozenice Power Plant, from which the largest sales volume in 2017 and 2018 was delivered to the ENEA Group company ENEA Trading Sp. z o.o., and sales were effected through Towarowa Giełda Energii S.A. (TGE, Polish Power Exchange) under the obligation to sell own-generated electricity in accordance with Article 49a of the Energy Law (the so-called "exchange obligation"). In 2017, the obligation amounted to 15% of the volume of electricity generated, and in 2018 it was increased to 30%. Additionally, sales via the Balancing Market, resulting from the operation of the Central Dispatching Units in the National Power System (NPS), were also carried out.

In Q1 2019, the sale of energy within ENEA Group concerned contracts with actual energy supply after 1 January 2019, agreed and concluded before 1 August 2018. In subsequent periods, all electricity with delivery after 1 January 2019 is sold through TGE. Within the RES Segment (hydroelectric, wind and biogas plants), sales were carried out under the concluded Agreements, from which all energy is directed to ENEA Group companies. Similarly, in ENEA Ciepło (Białystok Heat and Power Plant) energy sales were directed mainly to ENEA Trading and to the Balancing Market. At ENEA Elektrownia Połaniec, in the years 2017 - 2018 sales were conducted mainly to companies from ENGIE Group (2017) and ENEA Group (2018). Moreover, similarly to Kozenice Power Plant, sales on TGE were carried out under the exchange obligation.

2.2.2.4. Purchase of electricity on the wholesale market

The purchase of electricity is carried out within the framework of market possibilities, which guarantee the achievement of the assumed financial effect and in order to limit the effects of the lack of appropriate level of available capacity and failures. The purchase of electricity within the Balancing Market results from the ongoing balancing of the National Power System by the Operator. Within the Heat Segment, the purchase in trading resulted from the execution of agreements concluded with users and from actions taken to limit the costs of failure of generation units and lack of disposable capacity vs. the concluded contracts.

[GWh]	Q1 2018	Q1 2019
ENEA Wytwarzanie	1,242.7	734.1
ENEA Elektrownia Połaniec, including:	712.8	423.9
purchased on the wholesale market	371.8	210.7
purchased on the Balancing Market	340.9	213.0
purchased elsewhere	0.1	0.1
ENEA Ciepło	0.7	0.1
TOTAL	1,956.2	1,158.1

2.2.2.5. Fuel supply

The basic fuel used to generate electricity is hard coal in the coal fines sort. The main supplier of coal for ENEA Wytwarzanie - Kozenice Power Plant in Q1 2019 was LW Bogdanka S.A. (78.1% share to total coal supplies). In Q1 2019, no biomass was co-combusted in Kozenice Power Plant. The main supplier of coal to Połaniec Power Plant in Q1 2019 was LW Bogdanka S.A. (48% share in total coal supplies). The remaining coal portfolio was supplied by other domestic suppliers.

ENEA Wytwarzanie – Koźienice Power Plant

Fuel type	Q1 2018		Q1 2019	
	Volume ['000 tonnes]	Cost ¹⁾ [PLN m]	Volume ['000 tonnes]	Cost ¹⁾ [PLN m]
Bituminous coal	1,556	350	1,919	503
Biomass	-	-	-	-
Fuel oil (heavy) ²⁾	1	1	2	3
Fuel oil (light) ³⁾	3	8	1	4
Gas ['000 m ³] ⁴⁾	4,983	6	4,926	8
TOTAL		365		518

¹⁾ Coal and biomass including transport

²⁾ Light-up fuel for Units Nos. 1-10 at Koźienice Power Plant

³⁾ Light-up fuel for Unit No. 11

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

ENEA Ciepło – Białystok Heat and Power Plant

In Q1 2019, the basic fuels used in ENEA Ciepło Sp. z o.o. (Białystok Heat and Power Plant) were: coal and biomass - mainly in the form of woodchips, energy willow chips and agricultural production residues. Biomass deliveries were made by 10 entities in this period. Over 41% of biomass was delivered to the premises of ENEA Ciepło Sp. z o.o. generation assets Białystok Heat and Power Plant by rail. In Q1 2019, coal deliveries to ENEA Wytwarzanie – Heat Segment were mainly made by LW Bogdanka (over 97% of total deliveries) and other domestic suppliers.

Fuel type	Q1 2018		Q1 2019	
	Volume ['000 tonnes]	Cost ¹⁾ [PLN m]	Volume ['000 tonnes]	Cost ¹⁾ [PLN m]
Bituminous coal	45	14	75	24
Biomass	85	13	58	11
Fuel oil	0.1	0.3	0.2	0.4
TOTAL	130.1	27.3	133.2	35.4

¹⁾ Including transport

2.2.2.6. Coal transport

Koźienice Power Plant

The only means of transport used to deliver bituminous coal to Koźienice Power Plant in Q1 2019 was rail transport provided mainly by PKP Cargo S.A., which transported about 78% of the coal delivered to ENEA Wytwarzanie. On a much smaller scale, coal transport was carried out by CD Cargo Poland Sp. z o.o. and its subcontractors (approx. 13.4%), as well as other carriers acting on behalf of coal suppliers.

ENEA Elektrownia Połaniec

In Q1 2019, coal transport to ENEA Elektrownia Połaniec was executed by PKP Cargo S.A.

ENEA Ciepło

In Q1 2019, bituminous coal to Białystok Heat and Power Plant was delivered by rail transport, executed by PKP Cargo S.A.

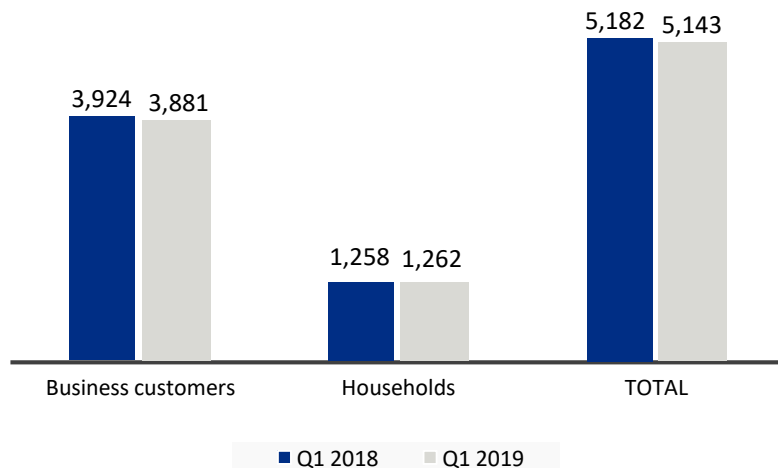
ENEA Elektrownia Połaniec

Fuel type	Q1 2018		Q1 2019	
	Volume ['000 tonnes]	Cost ¹⁾ [PLN m]	Volume ['000 tonnes]	Cost ¹⁾ [PLN m]
Bituminous coal	814	182	1,072	277
Biomass	228	43	406	112
Fuel oil	2	3	2	3
TOTAL	1,044	228	1,480	392

¹⁾ Including transport

2.2.3. Distribution

Sale of distribution services [GWh]



104.94 – Length of power lines [’000 km]

17.88 – Length of connections [’000 km]

38.01 – Number of transformer stations [’000]

847.90 – Number of connections [’000]

Number of Users

	Q1 2018	Q1 2019	Change
Number of Users at the end of the period	2,560,438	2,598,459	1.5%



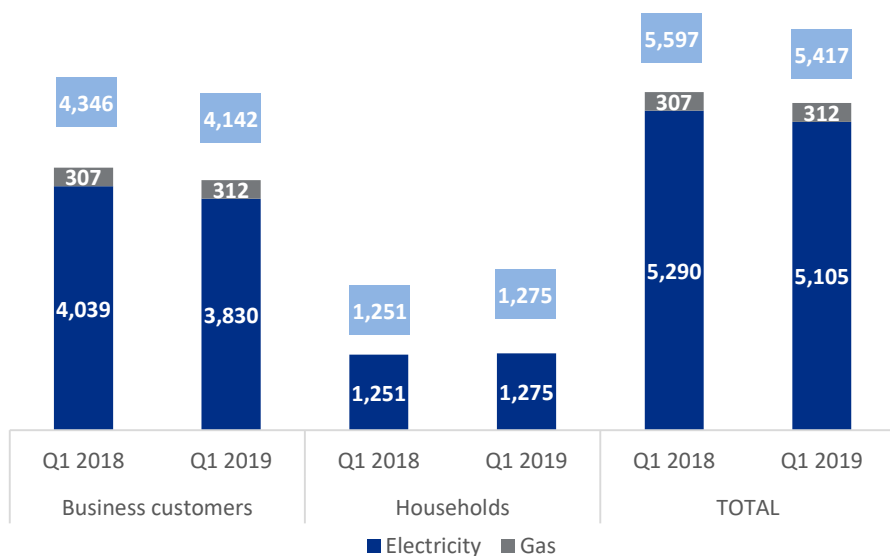
2.2.4. Trading

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

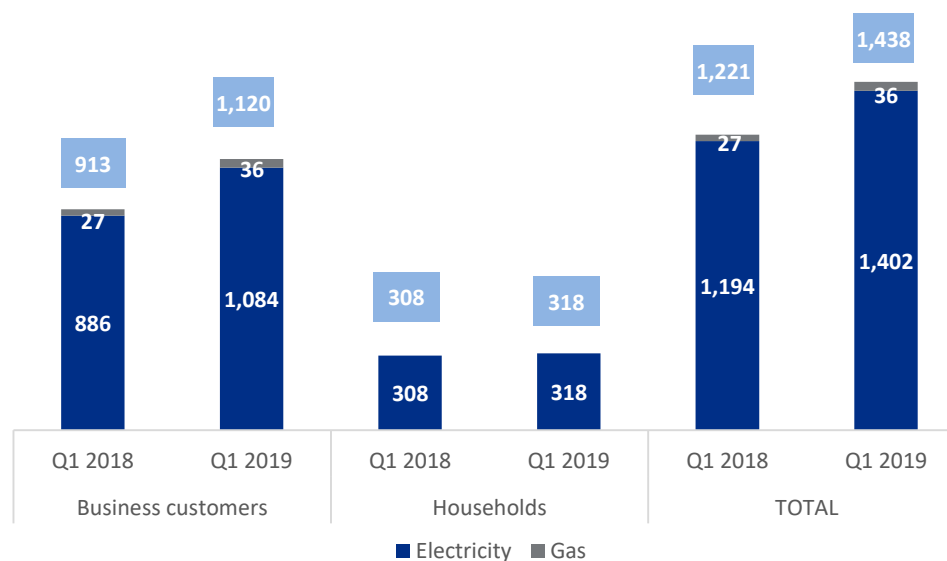
In Q1 2019, the total volume of sales decreased by 180 GWh, or by more than 3%, as compared to Q1 2018. A decrease in electricity sales was recorded in the business customers segment (by 209 GWh, i.e. by approx. 5%), while in the households segment the volume of electricity sales increased (by 24 GWh, i.e. by approx. 2%). The volume of gas fuel sales increased slightly compared to the corresponding quarter of the previous year (by 5 GWh, i.e. by approx. 2%).

Total sales revenues in Q1 2019 increased by PLN 217 million, i.e. by nearly 18% compared to the same period of 2018. The increase in revenues was recorded both in the business customers segment (by PLN 207 million, i.e. by nearly 23%) and in the households segment (by PLN 10 million, i.e. by 3%). Revenues from the sale of electricity in Q1 2019 take into account the Company's adjustment to the provisions of the Act of 28 December 2018 on amending the Act on Excise Duty and certain other acts, with respect to the application of appropriate prices and rates for the Electricity Tariff for G Tariff customers (households) approved by the President of the Energy Regulatory Office (i.e. at the level of prices as of 31 December 2018), as well as other price lists (i.e. Electricity Tariffs for A, B, C and R Tariff customers and product price lists for G Tariff customers at the level as of 30 June 2018). Moreover, the Company adjusted prices due to a change in the excise tax rate. In other respects, revenues do not include potential price adjustments resulting from the Act of 28 December 2018 on amending the Act on Excise Duty and certain other acts, due to the lack of an executive regulation to the Act.

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



Revenues from sales of electricity and gas fuel to retail customers of ENEA S.A. [PLN m]



2.3. Development strategy

MISSION:

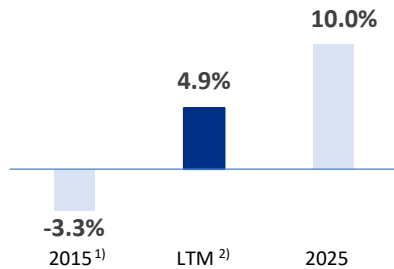
ENEA delivers constantly improved products and services, exceeding Customers' expectations due to motivated teams working in a friendly, safe and innovative organisation.

VISION:

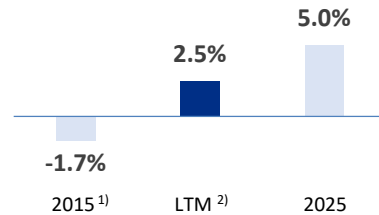
ENEA is a leading supplier of integrated raw materials and energy related products and services and other innovative services for the wide range of Customers, recognised for the quality, comprehensiveness and reliability.

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

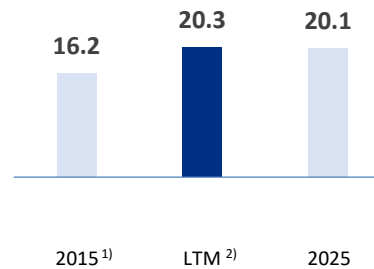
Return on equity (ROE)



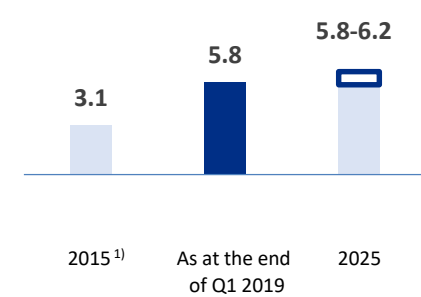
Return on assets (ROA)



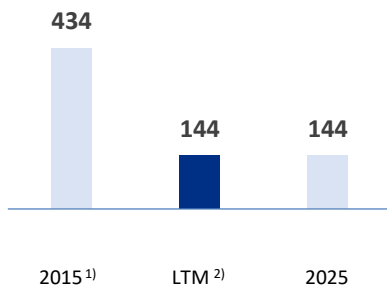
Sales of electricity to end users [TWh]



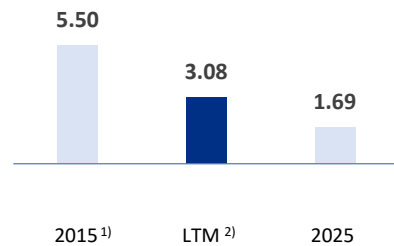
Installed conventional generation capacities [GW]



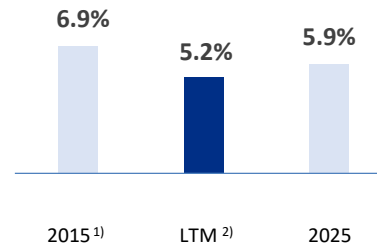
SAIDI [minutes]



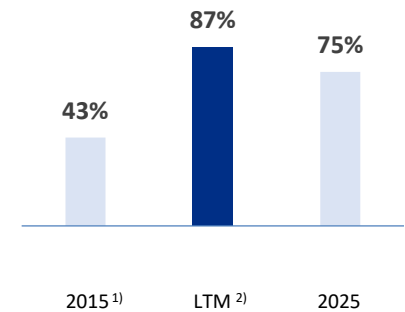
SAIFI



Grid distribution losses index



Own annual consumption of bituminous coal from own assets



¹⁾ Reference year

²⁾ LTM (Last Twelve Months) covering Q2 2018 – Q1 2019

2.4. Implemented measures and investments

2.4.1. CAPEX in Q1 2019

Capital expenditure [PLN m]	Q1 2018	Q1 2019	Progress on plan implementation	Plan for 2019
Generation	60.2	88.6	14.3%	619.1
Distribution	113.0	197.0	19.5%	1,011.5
Mining	84.8	80.0	13.8%	580.5
Support and other	8.4	16.4	10.4%	157.6
Equity investments	171.0	181.2	71.8%	252.4
TOTAL ENEA Group's expenditure	437.4	563.2	21.5%	2,621.1

2.4.2. Status of works on key investment projects in Q1 2019

Mining

Development investments:

- Pole Ostrów - design works
- Purchase of finished goods, machinery and equipment

Operational investments:

- New excavations and modernisation of existing ones - in Q1, 7.9 km of galleries were completed

Generation

ENEA Wytwarzanie

- Development of the SCR installation along with an upgrade of electrostatic dust precipitators for boilers AP-1650 in Units No. 9 and No. 10 as part of the 2 x 500 MW Units Upgrade Programme – continued since 2018
- Upgrade of Unit No. 9 as part of the 2 x 500 MW Units Upgrade Programme – continued since 2018
- Upgrade of Unit No. 7
- Upgrade of Unit No. 2
- Adaptation of the System Power Plants Segment at ENEA Wytwarzanie Sp. z o.o. Segment to the BAT conclusions

ENEA Elektrownia Połaniec

- Upgrade of Unit No. 5 – Phoenix project for Unit No. 5
- EEP's adaptation to the BAT conclusions

ENEA Ciepło

- Upgrade of K8 boiler electrostatic precipitator
- Reconstruction of TZ4 fan cooling tower
- PKS Experion system upgrade on units and off-unit systems and PHD base upgrade
- Reconstruction of the TZ3 turbine set
- Conversion of K-1 boiler to gas fuel

Distribution

- Completion of a number of investments related to the expansion and modernisation of power grids, including those related to the connection to the grid, as well as the redevelopment of the LN_110 kV line Morzyczyn-Drawski Młyn on the Żukowo – Choszczno II section and the redevelopment of the LN_110 kV line between Wałcz – Wałcz Północ – Mirostawiec
- Continuation of ongoing investments and launching new investments to be implemented in 2019 and in the following years
- Continuation of development of IT tools supporting grid management
- Construction and modernisation of a number of network infrastructure elements, such as high, medium and low voltage lines and transformer stations

Retail Trade Area

The key project implemented within the Retail Trade area was a project concerning the adaptation of ENEA Group to the new legal regulations contained in the Act of 28 December 2018 on amending the Act on Excise Duty and amending certain other acts. The project covers both business processes and IT tools and systems.

The work is to result in the organisation's readiness to implement the provisions of the Act and executive acts in practice.

Within the framework of the Project:

- An information campaign on changes in energy prices was prepared and carried out
- Databases were prepared for further action
- IT systems were adapted to price changes, including changes in the excise duty rate
- Product range and price lists have been adjusted
- Business processes have been adapted

Customer Service Area

- Continuation of the project of a new visualization of Customer Service Offices - works on modernisation of Customer Service Offices in Gniezno
- Continuation of work on the introduction of automation of maintenance processes using, among others, business process robotization (RPA), which will translate into timely implementation of key indicators in the processes
- Launch of a modernised more user-friendly and easier to use Electronic Customer Service Office (eBOK)

2.4.3. Agreements concluded

2.4.3.1. Agreements of significance to ENEA Group's operations

In Q1 2019, the companies of ENEA Group did not conclude any significant agreements; however, in the reporting period an Annex to the Multiannual Contract for the sale of sludge between ENEA Wytwarzanie and JSW S.A. was executed. Under the Annex, all the sludge deliveries contracted for ENEA Wytwarzanie for 2019 were transferred for execution to ENEA Elektrownia Połaniec.

2.4.3.2. Financing sources of the investment programme

ENEA S.A. finances the investment programme using financial surpluses from its business activities and external debt. ENEA Group pursues the investment financing model, in which ENEA S.A. acquires external sources of financing and distributes them to its subsidiaries. In further activities, ENEA S.A. will focus on ensuring appropriate diversification of external sources of financing for the investments planned in ENEA Group's Strategy in order to optimize the amount of costs and debt repayment dates. In Q1 2019, ENEA S.A. did not issue any securities and did not take out any loans. As at 31 March 2019, the nominal debt in respect of bonds issued and loans taken out by ENEA S.A. totalled PLN 8,181 million.

2.4.3.3. Suretyships and guarantees granted and received

In Q1 2019, the companies of 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 109.9 million, whereas the total value of bank guarantees issued on request of ENEA S.A. and being the security of the liabilities of ENEA Group companies amounted to PLN 300.5 million.

- Launching the possibility of electronic payments in eBOK by another Payment Operator – PayU
- Implementation of the Customer Satisfaction Survey in Customer Service Offices (Customer Satisfaction Survey)
- Implementation of a system supporting the management of information about clients, i.e. the Central Customer Database (CBK)
- Implementation of an electronic pen to sign contracts in the Customer Service Office in order to simplify the service process and minimize the number of printed documents - piloting in the Customer Service Office in Gorzów Wielkopolski

Wholesale Trade Area

- Project "Creation of a system of logistic service of biomass deliveries through sea ports to ENEA Elektrownia Połaniec Spółka Akcyjna"
- Project "Main capacity auction for 2024 and secondary market", whose main objective is to prepare ENEA Group's assets for general certification and to develop and implement a strategy for participation in the main capacity auction for the delivery year 2024, in the additional auctions for 2021 and operations on the secondary market

2.4.3.4. Interest rate hedging transactions

Under the Interest Rate Risk Management Policy, in Q1 2019 ENEA S.A. concluded an Interest Rate Swap transaction for exposures of PLN 489 million.

2.4.3.5. Bond issue programmes of subsidiaries

ENEA Group has adopted a model of financing investments implemented by subsidiaries of ENEA S.A. through intra-group financing. ENEA S.A. raises long-term financing on the financial market by taking out loans or issuing bonds, which it then distributes within the Group. At present, ENEA S.A. in the areas of Generation and Distribution has in place intra-group bond issue programmes with a total value of PLN 7,861 million. These programs are fully utilised and partially redeemed in instalments. As at 31 March 2019, the total nominal exposure due to bonds acquired by ENEA S.A. under the programmes referred to above amounted to PLN 6,944 million. 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 have been fully utilised and are being redeemed in instalments. As at 31 March 2019, the value of the bonds to be redeemed under these programmes totalled PLN 45 million.

2.4.3.6. Loans and borrowings taken out by ENEA Group companies from external sources

As at 31 March 2019, the nominal value of external debt on account of loans and borrowings taken out by ENEA Group companies amounted to PLN 88 million. In Q1 2019, ENEA Group companies did not terminate any loan and borrowing agreements.

2.4.3.7. Loans granted by ENEA S.A.

In Q1 2019, ENEA S.A. did not conclude any loan agreements with ENEA Group companies and other companies in which it holds an interest. The nominal value of debt as at 31 March 2019 was PLN 189 million.

2.4.3.8. Related-party transactions

In Q1 2019, ENEA S.A. and its subsidiaries did not conclude any related-party transactions on non-market conditions. Information on related-party transactions concluded by ENEA S.A. 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 2019.



2.5. Market and regulatory environment

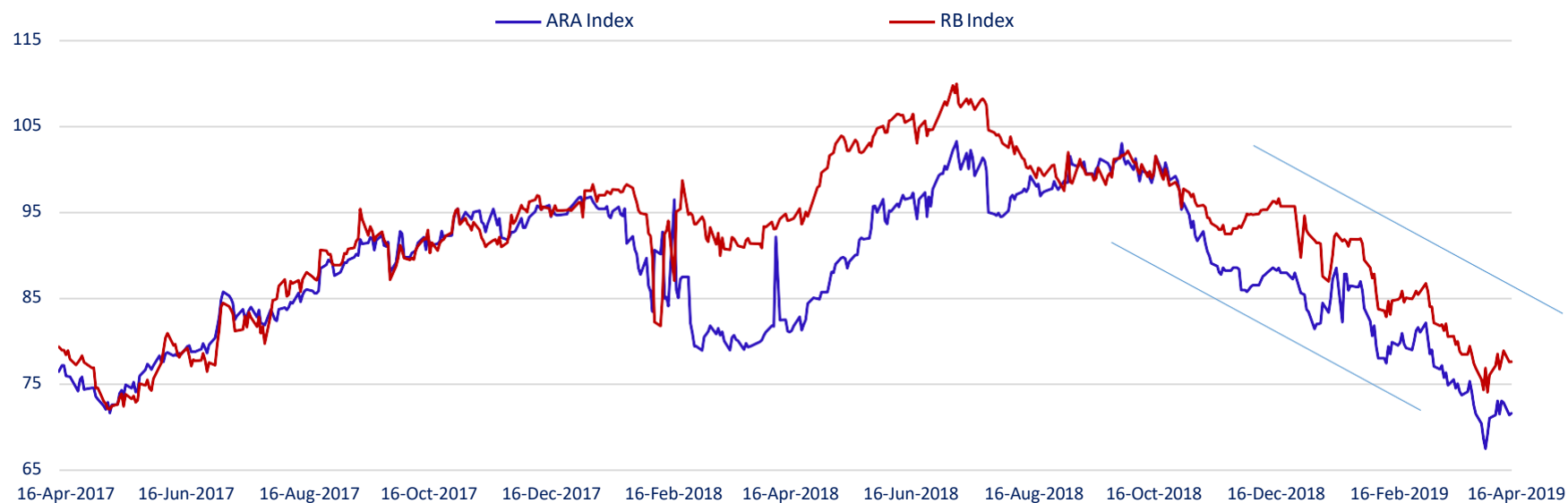
Market prices in Q1 2019 – international markets

Q1 2019 brought a continuation of downward trends and cooling of moods on the global coal market after a period of strong price increases observed in 2018. The downward trend in coal prices resulted from a reduction in demand for the raw material on Asian markets and a relatively warm winter in Europe.

In the Asia-Pacific region, price falls were a consequence of stricter customs procedures in Chinese ports against imports of Australian thermal coal, which exerted a temporary pressure on prices of coal indexed by the Newcastle hub. In Q1 2019, demand for coal on the European market was reduced by increased wind power generation and persistently high average stock levels above 4.5 million tonnes. The pressure on demand and prices at ARA ports was exerted by very large imports of coal from Russia, offered at competitive prices, which has resulted in a periodical saturation of the market in Europe.

Coal still remains the largest source of electricity in the world. In 2018, the growth process of the main demand for coal in Asia was continued, where coal power industry is the basis for the energy mix of China and India. According to the IEA forecast, the demand for coal in Europe is declining and is being replaced by an environmental policy promoting RES and less emission-intensive energy sources such as gas. In Q1 2019, an average of USD 80.6 [down by 8.1% y/y] and USD 86.1 (down by 8.3% y/y) was paid for 1 tonne of thermal coal in ARA coal terminals and on the Asian market, respectively. In 2019, the trend is expected to stabilise in the balance ranges of 75-65 USD/t for European coal terminals and 85-75 USD/t for the Asian market.

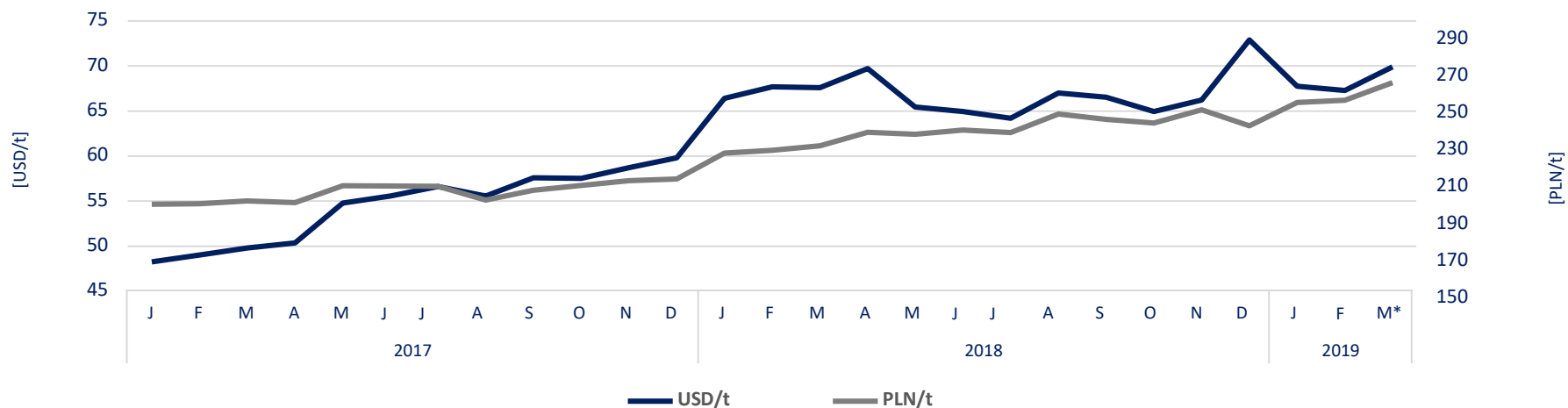
Global Coal Spot Prices [USD/t]



Market prices in Q1 2019 – Poland

In Q1 2019, the coal index for the electricity generation market was approx. 11.93 PLN/GJ, which is 264 PLN/t. Compared to the same period of 2018, the value of the index increased by 13.7% and by 6.1% quarter-on-quarter. Currently, we can observe the surplus of coal on the domestic market at the level of approx. 6 million tonnes and growing coal deposits on mine heaps caused by increased imports in 2018, which fundamentally create pressure on coal prices at least in the short-term. Quotation projections for PSCMI1 in 2019 indicate that prices of thermal coal will remain within the range of 11-12 PLN/GJ. In the analysed period, 1 tonne of thermal coal cost on average approx. 258.83 PLN/t (+5.5% q/q, +30% y/y), which translates into approx. 68 USD/t.

Polish Steam Coal Market Index – PSCMI1



* Estimated

Wholesale electricity prices

The average price on the SPOT market in Q1 2019 was higher by 18.5% as compared to the same period of 2018. In all analysed months (except for March), prices were significantly higher than in the corresponding period in 2018. The following factors had an impact on the price level:

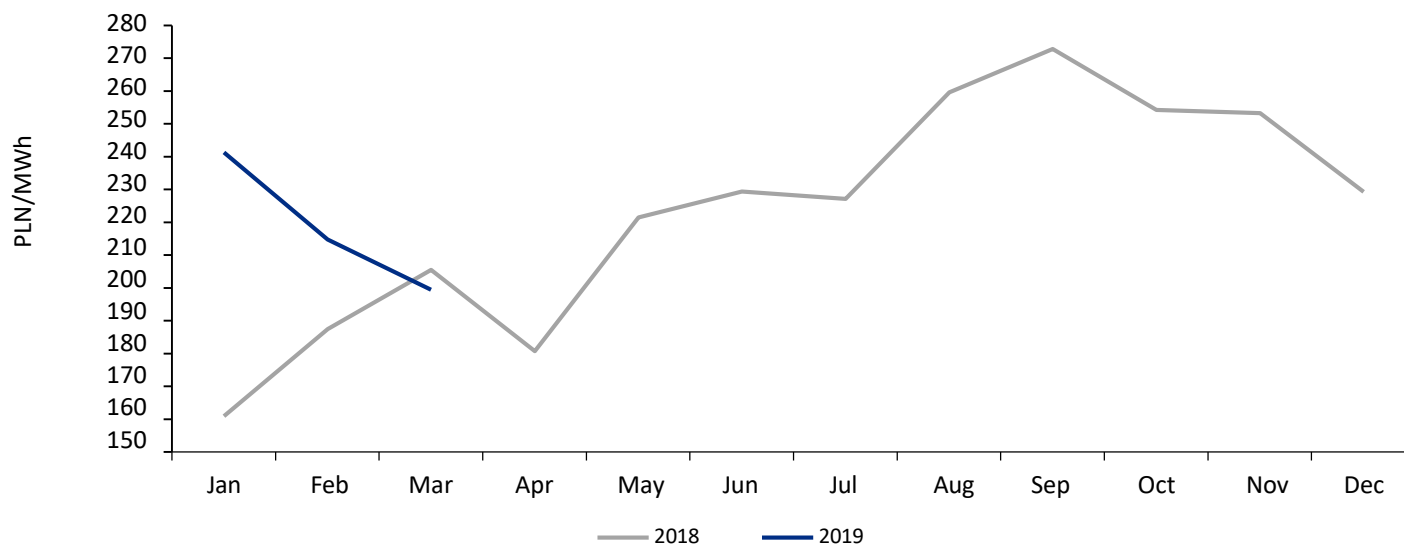
- high prices of CO₂ emission allowances for the whole analysed period (pro-growth factor),
- with the exception of January, the average air temperature is higher than in previous years (pro-decrease factor),
- lower level of power losses in the National Power System (NPS), high wind generation and only in January increased demand for power in the NPS (factors limiting price increases).

Average prices on the SPOT market (TGE Day Ahead Market)

Period	Average Price [PLN/MWh]	Change [%]
Q1 2018	184.56	
Q1 2019	218.68	↑18.5%

Source: own study on the basis of TGE data.

Average electricity prices on Day Ahead Market



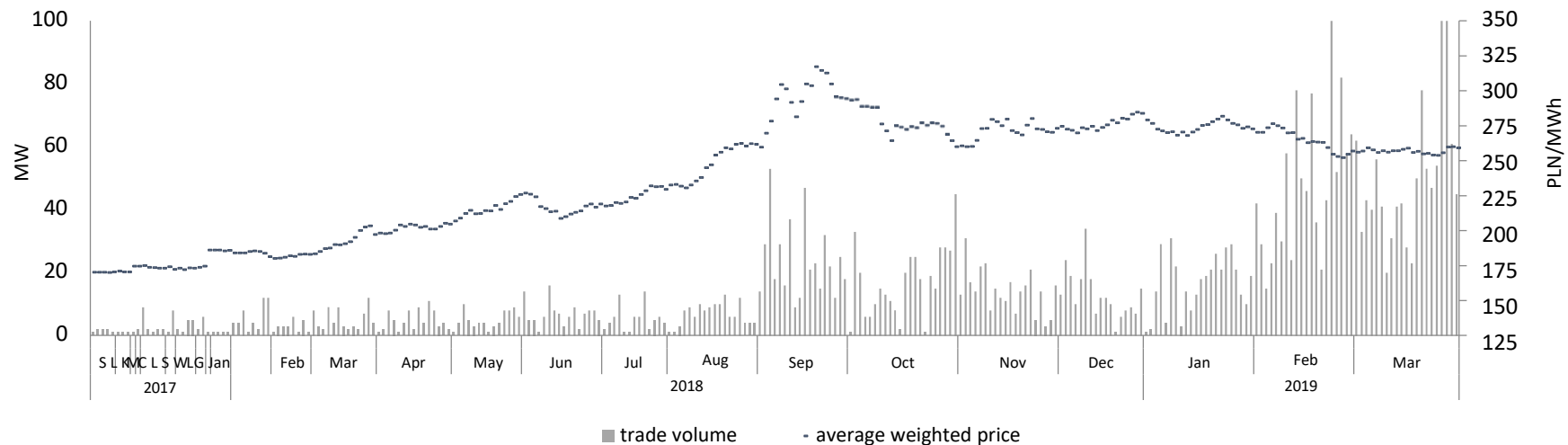
On the forward market, a decline in electricity prices could be observed. During the reporting period, the price of BASE Y-20 dropped from 279.00 PLN/MWh at the beginning of January to 259.50 PLN/MWh at the end of March 2019.

Prices on the forward market

Product	Price at the end of quotations	YoY change	Average price during quotations	YoY change
	[PLN/MWh]	[%]	[PLN/MWh]	[%]
BASE Y-17	162.0		159.3	
BASE Y-18	177.7	↑9.7%	167.0	↑4.8%
BASE Y-19	294.5	↑65.8%	237.1	↑42.0%
BASE Y-20	259.5	↓11.9%	260.1	↑9.7%

Source: Own study based on TGE and TFS data.

Transaction prices and volumes – BASE Y-20



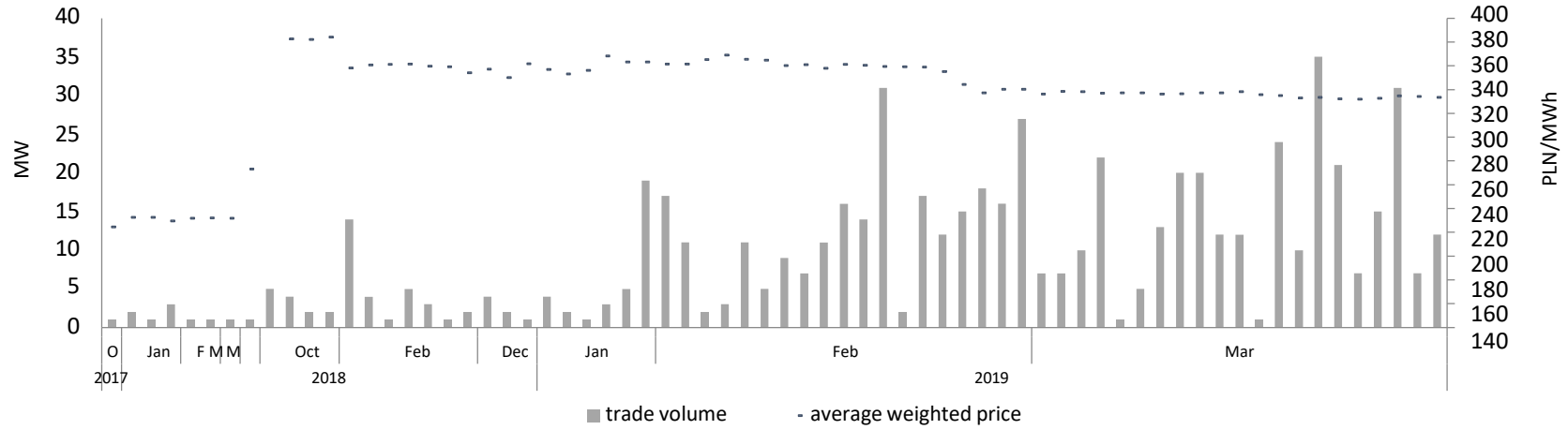
Price fluctuations were influenced by both changes in the price levels of CO₂ emission allowances and uncertainty regarding legislative work related to the “freezing” of electricity prices for end users.

Despite the introduction of 100% “exchange obligation” on TGE forward market, there was no significant increase in liquidity. The total trading volume on the BASE Y-20 product in Q1 2019 was 9.5% higher than on the BASE Y-19 product in the corresponding period. Legislative uncertainty may also have contributed to this situation.

Similar to BASE Y-20, prices of PEAK Y-20 also changed. The market valuation of this product was 357.25 PLN/MWh at the beginning of January and 334.00 PLN/MWh at the end of March 2019.

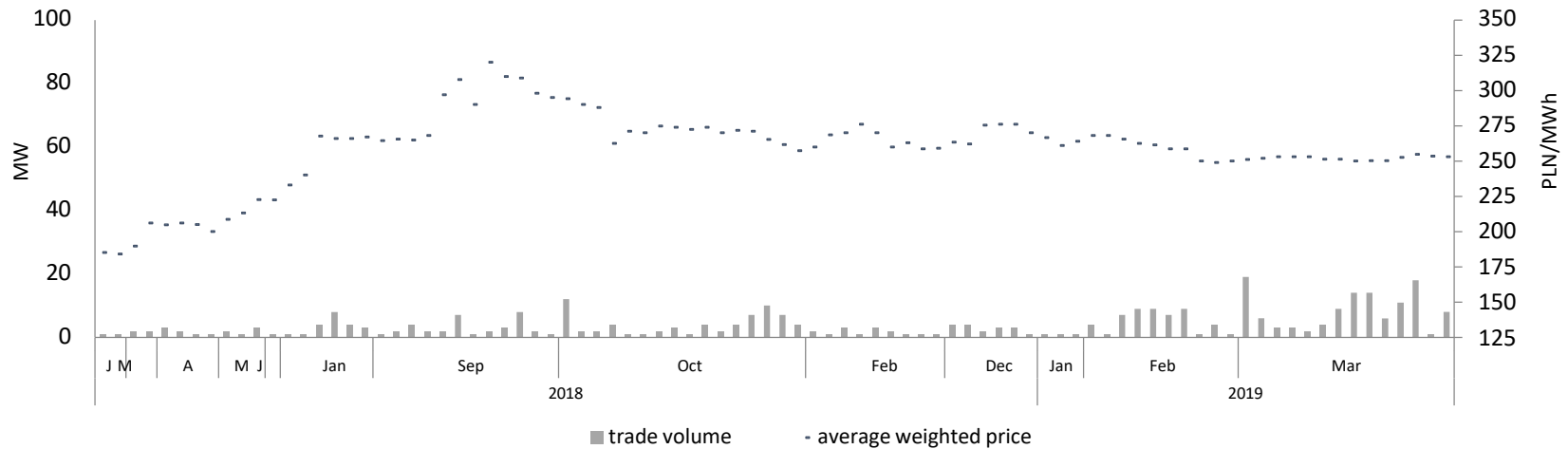


Transaction prices and volumes – PEAK Y-19



In Q1 2019, transactions were also concluded for BASE Y-21; however, due to the remote delivery horizon, the trade volume was much lower than in the case of BASE Y-20.

Transaction prices and volumes – BASE Y-21



Source: Own study based on TGE and TFS data.

Obligations involved in obtaining energy certificates

Pursuant to the effective regulations, energy companies selling electricity to end users in 2018 were obliged to obtain and redeem the following types of certificates of origin (fulfilment of the obligation until the end of June 2019):

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

As of 31 December 2018, the existing support system for high efficiency cogeneration based on the system of certificates of origin expired.

In the case of energy sales in 2019, these figures are as follows:

- for energy generated from renewable sources, the so-called “green” certificates – an obligation at the level of 18.5% of sales to end users,
- for energy generated from agricultural biogas – an obligation of 0.50% of sales to end users,
- for energy efficiency certificates, the so-called “white” – an obligation at the level of 1.5%.

The price structure of contracting on the TGE session market for individual property rights in Q1 2019 is presented below.

Prices on the market for certificates of origin (TGE session market)

	Average price in Q1 2019	Change in relation to Q4 2018	Maximum price	Minimum price	
	PLN/MWh	%	PLN/MWh	PLN/MWh	
OZEX_A (“green” property rights)	117.6	-21.1%	-31.5	155	77
TGEozebio (“light blue” property rights)	300.6	-1.7%	-5.1	310	295
TGEef (“white” property rights) ¹⁾	247.1	-44.1%	-197.9	499	107.5
TGEeff (“white” property rights) ¹⁾	1,654.0	1.2%	20.3	1,654.0	1,654.0
TGEef18 (“white” property rights) ¹⁾	216.0	-48.2%	-201.0	485	1,000.0

¹⁾Values in PLN/toe

Limits and market prices of CO₂ emission allowances

As of the beginning of 2018, the package of MiFID II regulations entered into force, aimed at the strengthening of the financial instrument markets and the protection of capital market participants in Europe. Under the distribution of free allowances for 2018, EU Member States issued 681.49 million out of 756.58 million EUAs (90% of all EUAs). Also, according to the data published, Poland has transferred 89% of the allowances granted to it. Information about CO₂ emission allowances in trading was published, along with information about the number of allowances that will be transferred to the MSR (Market Stability Reserve) over the first 8 months from 1 January 2019, i.e. 264.7 million EUAs out of 1,654.6 million identified as a surplus.

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

Prices of CO₂ emission allowances are at the highest level since 2011, and most long-term price forecasts anticipate further increases. The identified cause of this situation is the launch, in 2019, of the MSR (Market Stability Reserve), whose task is to limit oversupply of allowances on the market by transferring them to a reserve. The impact of speculative actions on the EUA prices in the market is also being discussed more and more often. In recent months, the prices of CO₂ emission allowances have also been affected by investors' uncertainty about the still unresolved issue of Brexit.

EUA and CER price change

Price [EUR/t]			
Product	Beginning of January 2019	End of March 2019	% change
EUA Spot	25.0	21.4	↓ 14.2%
CER Spot	0.3	0.2	↓ 8.0%
EUA Dec-19	25.3	21.5	↓ 14.9%
CER Dec-19	0.2	0.2	↓ 4.2%

Source: Own study based on ICE data.

EUA (left axis) and CER (right axis) quotations [EUR/t]



3. Financial standing

3.1. Key operating data and ratios

	Unit	Q1 2018	Q1 2019	Change	% change
Net sales revenue	PLN k	2,988,553	4,009,610	1,021,057	34.2%
EBITDA	PLN k	702,129	798,784	96,655	13.8%
EBIT	PLN k	338,778	441,340	102,562	30.3%
Net profit	PLN k	254,068	279,806	25,738	10.1%
Net profit attributable to shareholders of the Parent	PLN k	240,756	246,154	5,398	2.2%
Net cash flows from operating activities	PLN k	733,332	453,590	-279,742	-38.1%
CAPEX	PLN k	437,413	563,215	125,802	28.8%
Net debt / EBITDA ¹⁾	-	2.04	2.60	0.6	27.4%
Return on assets (ROA) ¹⁾	%	3.6%	3.7%	0.1 pp	-
Return on equity (ROE) ¹⁾	%	7.0%	7.3%	0.3 pp	-
Trading					
Sales of electricity and gaseous fuel to retail customers	GWh	5,597	5,417	-180	-3.2%
Number of customers (Power Delivery Points)	'000	2,441	2,506	65	2.7%
Distribution					
Sale of distribution services to end users	GWh	5,182	5,143	-39	-0.8%
Number of users (closing balance)	'000	2,560	2,598	38	1.5%
Generation					
Total generation of electricity, including:	GWh	6,335	6,108	-227	-3.6%
<i>from conventional sources</i>	GWh	5,963	5,590	-373	-6.3%
<i>from renewable energy sources</i>	GWh	372	518	146	39.2%
Gross heat generation	TJ	3,019	2,696	-323	-10.7%
Sale of electricity, including: ²⁾	GWh	8,286	7,256	-1,030	-12.4%
<i>from conventional sources</i>	GWh	6,001	5,625	-376	-6.3%
<i>from renewable energy sources</i>	GWh	334	483	149	44.6%
<i>from purchase</i>	GWh	1,951	1,148	-803	-41.2%
Sales of heat	TJ	2,737	2,443	-294	-10.7%
Mining					
Net production	'000 tonnes	2,095	2,532	437	20.9%
Coal sales	'000 tonnes	1,967	2,365	398	20.2%
Closing stocks	'000 tonnes	152	255	103	67.4%
Excavation works	km	9.0	7.9	-1.1	-12.2%

Q1 2019 / Q1 2018:

EBITDA growth by PLN 97 million

Increase in coal sales by 0.4 million tonnes

Increase in net coal production by 0.4 million tonnes

Decrease in sales of electricity and gaseous fuel to retail customers by 180 GWh

Decrease in generated electricity by 227 GWh

Decrease in sales of distribution services to end users by 39 GWh

CAPEX of PLN 563 million – increase mainly in the Distribution and Generation Areas

¹⁾ Ratio definitions are presented on Page 54

²⁾ Presentation change for Q1 2018 data

3.2. Financial results of ENEA Group in Q1 2019

3.2.1. Consolidated profit and loss account

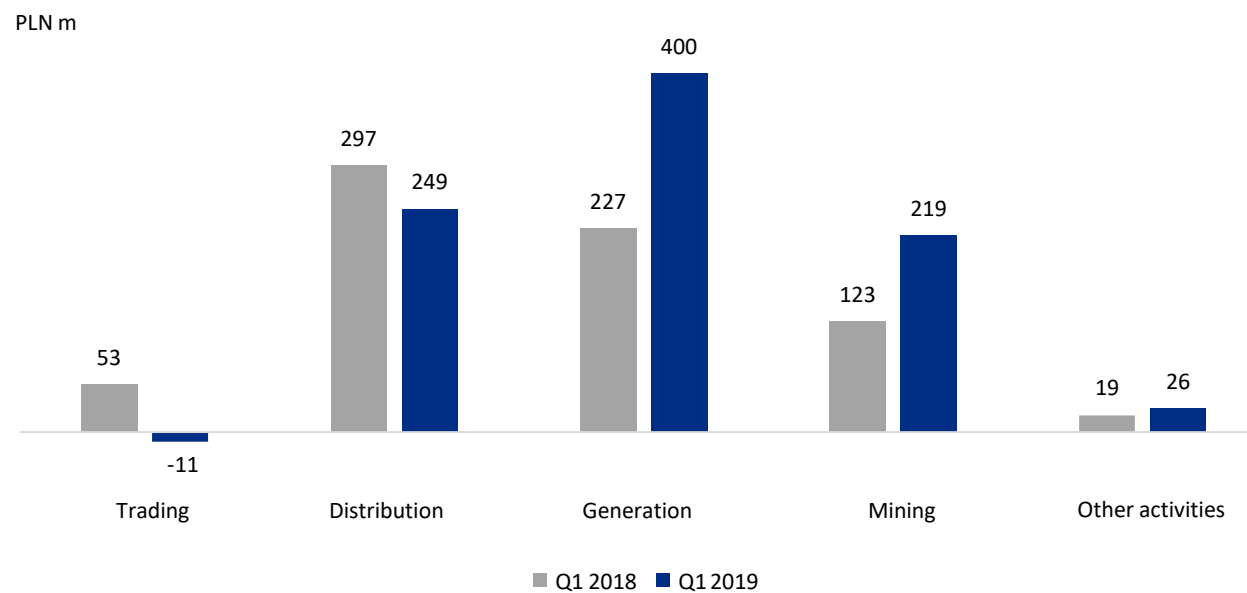
[PLN k]	Q1 2018	Q1 2019	Change	% change
Revenue from the sale of electricity	2,017,076	3,017,800	1,000,724	49.6%
Revenue from the sale of heat	136,510	124,544	-11,966	-8.8%
Revenue from the sale of gas	32,954	41,980	9,026	27.4%
Revenue from the sale of distribution services	692,829	693,115	286	0.0%
Revenue from certificates of origin	1,693	3,022	1,329	78.5%
Revenue from the sale of CO ₂ emission allowances	22,532	0	-22,532	-100.0%
Revenue from the sale of goods and materials	18,291	25,460	7,169	39.2%
Revenue from the sale of other products and services	43,230	41,833	-1,397	-3.2%
Revenue from the sale of coal	23,438	57,304	33,866	144.5%
Revenue from operating lease and sub-lease	0	4,552	4,552	100.0%
Net sales revenue	2,988,553	4,009,610	1,021,057	34.2%
Depreciation and amortisation	363,351	361,723	-1,628	-0.4%
Costs of employee benefits	410,009	431,200	21,191	5.2%
Consumption of materials and raw materials and the value of goods sold	605,657	807,452	201,795	33.3%
Purchase of energy and gas for sale purposes	854,942	1,548,787	693,845	81.2%
Transmission services	103,201	98,228	-4,973	-4.8%
Other third party services	199,827	208,365	8,538	4.3%
Taxes and levies	122,996	121,420	-1,576	-1.3%
Tax deductible cost of sales	2,659,983	3,577,175	917,192	34.5%
Other operating revenues	58,468	61,824	3,356	5.7%
Other operating costs	44,970	43,510	-1,460	-3.2%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	(3,290)	(13,688)	-10,398	-316.0%
Reversal of the impairment loss on non-financial non current-assets	0	4,279	4,279	100.0%
Operating profit	338,778	441,340	102,562	30.3%
Financial costs	62,384	79,477	17,093	27.4%
Financial revenues	17,905	17,947	42	0.2%
Share in the results of affiliates and jointly controlled entities	12,609	(7,025)	-19,634	-155.7%
Profit before tax	306,908	372,785	65,877	21.5%
Income tax	52,840	92,979	40,139	76.0%
Net profit of the reporting period	254,068	279,806	25,738	10.1%
EBITDA	702,129	798,784	96,655	13.8%

ENEA Group's EBITDA change drivers (an increase by PLN 97 million):

- (+) higher revenue from the sale of electricity by PLN 1,001 million results mainly from higher sales volume by 1,346 GWh and a higher average sales price by 30%, while revenues from the Regulatory System Services simultaneously decreased
- (-) lower revenue from the sale of heat by PLN 12 million results from lower sales volume by 299 TJ, while the average sales price increased by 2.1%
- (+) higher revenue from the sale of natural gas by PLN 9 million mainly as a result of higher sales volume by 16 GWh and a higher average sales price by 24.1%
- (-) lower revenue from the sale of CO₂ emission allowances by PLN 23 million results from the lack of sales on the SPOT market in Q1 2019
- (+) higher revenue from the sale of goods and materials by PLN 7 million due to higher demand for goods, electrotechnical and electrical power equipment and higher sales of scrap from liquidated galleries
- (+) higher revenue from the sale of coal by PLN 34 million as a result of higher volumes of external deliveries at a higher price
- (+) higher revenue from operating lease and sublease by PLN 5 million as a result of a change in the presentation of lease (implementation of IFRS 16 as of 1 January 2019)
- (-) higher costs of employee benefits by PLN 21 million caused mainly by the increase in average employment, pay rises paid and a change in actuarial provisions, with a simultaneous decrease in contributions to the Employee Social Benefit Fund (ZFŚS)
- (-) higher costs of materials and raw materials consumption and the value of sold goods by PLN 202 million result mainly from higher costs of coal, biomass and CO₂ emission allowances for the entire Generation Segment, as well as higher expenditures resulting from higher gross extraction and higher expenditures on consumable parts for mining machinery
- (-) higher costs of purchasing electricity and gas by PLN 694 million result from:
 - (-) electricity: price: +45%; volume +1,434 GWh
 - (-) natural gas: price: +27%; volume +17 GWh
- (+) lower cost of property rights purchase with simultaneous change of the RES obligation base from 17.5% to 18.5%
- (+) lower costs of transmission services by PLN 5 million mainly due to the positive balance of fees carried over resulting from the schedule of settlements with end users and PSE
- (-) higher costs of external services by PLN 9 million result from the increased scope of work outsourced to external companies, with a simultaneous increase in rates for services
- (-) lower result on other operating activities by PLN 6 million:
 - (+) lower provisions for potential claims by PLN 25 million (including: PLN 21.6 million a reduction of the provision recognised in costs at the end of 2018 and concerning financial consequences related to the entry into force of the Act of 28 December 2018 on amending the Act on Excise Duty and certain other acts)
 - (-) lower revenues from compensations, penalties and fines by PLN 24 million
 - (-) higher loss on liquidation of property, plant and equipment by PLN 10 million

3.2.2. Financial result of ENEA Group's individual areas of operations in Q1 2019

EBITDA [PLN k]	Q1 2018	Q1 2019	Change	% change
Trading	53,290	-10,819	-64,109	-120.3%
Distribution	297,469	248,834	-48,635	-16.3%
Generation	227,209	399,767	172,558	75.9%
Mining	123,280	219,416	96,136	78.0%
Other activities	19,079	26,430	7,351	38.5%
Unassigned items and exclusions	-18,198	-84,844	-66,646	-366.2%
Total EBITDA	702,129	798,784	96,655	13.8%



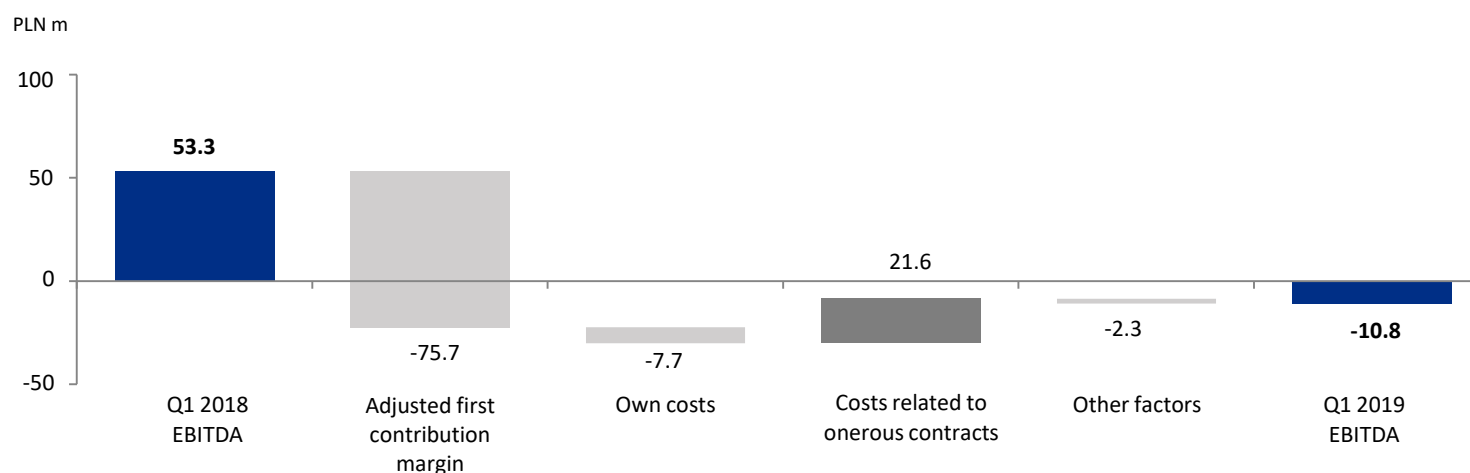
3.2.3. Trading Area

[PLN k]	Q1 2018	Q1 2019	Change	% change
Sales revenue	1,938,539	2,239,456	300,917	15.5%
EBIT	53,148	-11,054	-64,202	-120.8%
Depreciation and amortisation	142	235	93	65.5%
EBITDA	53,290	-10,819	-64,109	-120.3%
CAPEX ¹⁾	0	32	32	100.0%
Share of the area's sales revenue in the Group's sales revenue	40%	40%	-	-

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 2019 EBITDA change drivers:

First contribution margin

- (-) higher average purchase price of energy by 40.7%
- (-) higher costs of environmental obligations by 9.8%
- (+) higher average sale price of energy by 21.7%
- (-) lower energy sales volume by 3.5%
- (-) lower result on trading in gas fuel
- (-) higher provision for potential claims under terminated contracts on RES property rights by PLN 0.5 million

Own costs

- (-) higher direct costs of sale by PLN 6 million
- (-) higher costs of shared services by PLN 1 million
- (-) higher general administration costs by PLN 1 million

Other factors

- (-) higher provisions for anticipated losses and potential claims by PLN 3 million
- (+) lower costs of court proceedings by PLN 1 million

Costs related to onerous contracts

- (+) reduction of the provision recognised in 2018 and concerning financial consequences related to the entry into force of the Act of 28 December 2018 on amending the Act on Excise Duty and certain other acts by PLN 22 million (value of the provision recognised in costs as at the end of 2018 was PLN 79 million)

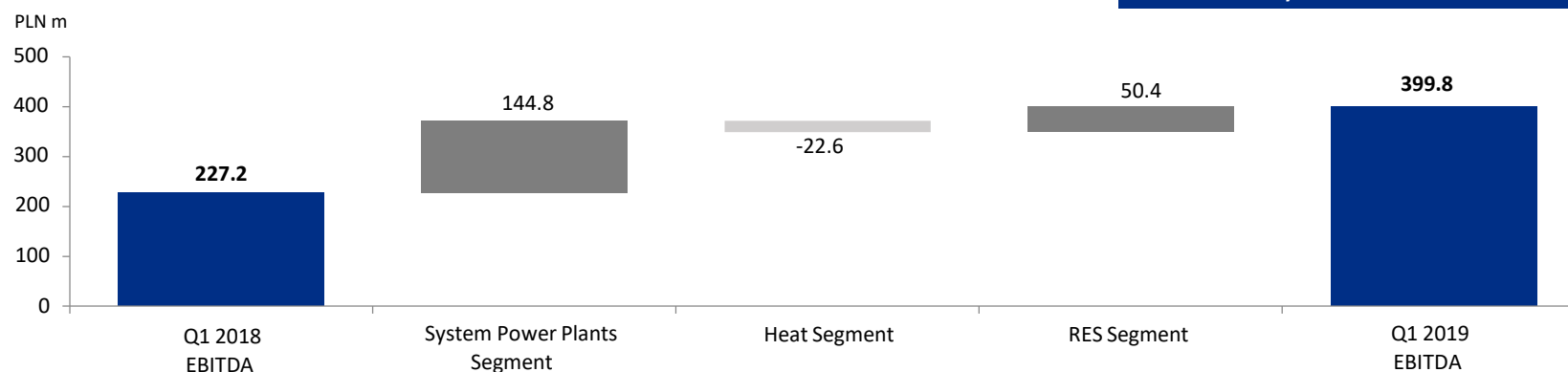
3.2.4. Generation Area

[PLN k]	Q1 2018	Q1 2019	Change	% change
Sales revenue	1,644,313	1,929,396	285,083	17.3%
<i>electricity</i>	1,450,037	1,727,261	277,224	19.1%
<i>certificates of origin</i>	30,122	69,763	39,641	131.6%
<i>sale of CO₂ emission allowances</i>	22,569	0	-22,569	-100.0%
<i>heat</i>	134,585	122,348	-12,237	-9.1%
<i>others</i>	7,000	10,024	3,024	43.2%
EBIT	84,118	262,569	178,451	212.1%
Depreciation and amortisation	143,091	137,198	-5,893	-4.1%
EBITDA	227,209	399,767	172,558	75.9%
CAPEX	60,228	88,650	28,422	47.2%
Share of the area's sales revenue in the Group's sales revenue	34%	35%	1 pp	-

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

As at the end of March 2019, ENEA Wytwarzanie owns e.g. 11 high efficiency and modernised power units in the Kozenice 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 approx. 40 TWh of electricity.



Q1 2019 EBITDA change drivers:

System Power Plants Segment – EBITDA increase by PLN 144.8 million

- (+) higher generation margin by PLN 117.6 million
- (+) higher margin on trading and on the Balancing Market by PLN 19.1 million
- (+) lower fixed costs by PLN 10.6 million
- (+) an increase in other factors by PLN 3.3 million: result on other operating activities by PLN +2.7 million
- (-) lower revenues from Regulatory System Services by PLN 5.8 million

Heat Segment – EBITDA increase by PLN 22.6 million

- (+) higher revenues from sales of electricity by PLN 8.9 million
- (-) lower revenues from sales of heat by PLN 9.5 million
- (-) lower revenues from certificates of origin by PLN 1.3 million
- (-) higher costs of consumption of materials and raw materials by PLN 10.1 million, including higher costs of CO₂ emission allowances by PLN 5.0 million and consumption of coal by PLN 3.8 million
- (-) higher costs of third party services by PLN 2.3 million
- (-) ENEA Elektrownia Połaniec PLN -2.8 million
- (-) MEC Piła PLN -4.6 million
- (+) ENEA Ciepło Serwis PLN 0.3 million
- (-) PEC Oborniki PLN -0.2 million

RES Segment – EBITDA increase by PLN 50.4 million

- (+) Biomass Area (Green Unit) PLN 35.0 million (including PLN 0.4 million ENEA Bioenergia Sp. z o.o.): higher margin on energy generation from RES by PLN 33.8 million, higher margin of the Green Unit on sales/update of the green certificates inventory by PLN 6.2 million, higher fixed costs by PLN 5.4 million
- (+) Wind Area (PLN +14.8 million): higher revenues from electricity by PLN 7.6 million, higher revenue from certificates of origin by PLN 5.9 million, higher result on other operating activities by PLN 1.4 million
- (+) Water Area (PLN +0.5 million): higher revenues from certificates of origin by PLN 0.6 million, lower payroll costs by PLN 0.5 million, lower revenues from electricity by PLN 0.6 million

3.2.5. Distribution Area

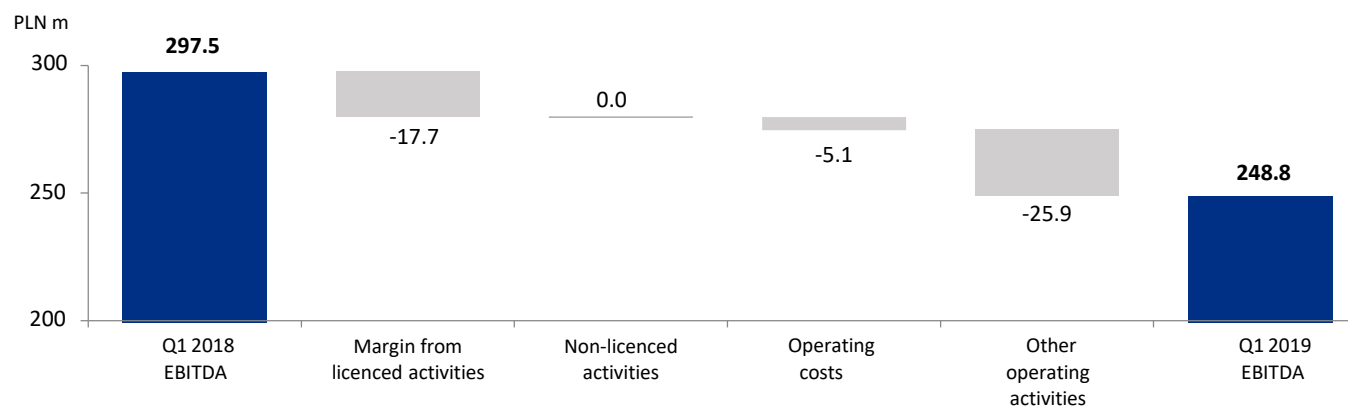
[PLN k]	Q1 2018	Q1 2019	Change	% change
Sales revenue	705,691	704,502	-1,189	-0.2%
<i>distribution services to end users</i>	674,222	670,082	-4,140	-0.6%
<i>network connection fees</i>	9,951	13,571	3,620	36.4%
<i>others</i>	21,518	20,849	-669	-3.1%
EBIT	171,267	111,726	-59,541	-34.8%
Depreciation and amortisation	126,202	141,387	15,185	12.0%
Reversal of the impairment loss on non-financial non current assets	0	4,279	4,279	100.0%
EBITDA	297,469	248,834	-48,635	-16.3%
CAPEX	113,032	196,944	83,912	74.2%
Share of the area's sales revenue in the Group's sales revenue	15%	13%	-2 pp	-

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

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

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

- ENEA Operator Sp. z o.o.
- ENEA Serwis Sp. z o.o.
- ENEA Pomiary Sp. z o.o.
- Annacond Enterprises Sp. z o.o.



Q1 2019 EBITDA change drivers:

Margin from licenced activities

- (-) lower revenues from the sale of distribution services to end users by PLN 4 million
- (+) higher revenues from network connection fees by PLN 4 million
- (+) lower purchase costs of transmission and distribution services (on balance) by PLN 4 million
- (-) higher costs of electricity purchase to cover the energy balance difference (on balance) by PLN 21 million

Operating costs

- (-) higher costs of employee benefits by PLN 4 million
- (-) higher costs of external services by PLN 1 million

Other operating activities

- (-) lower revenues from the insurer due to the removal of the effects of random damages by PLN 12 million
- (-) change in the balance of provisions for grid assets by PLN 11 million

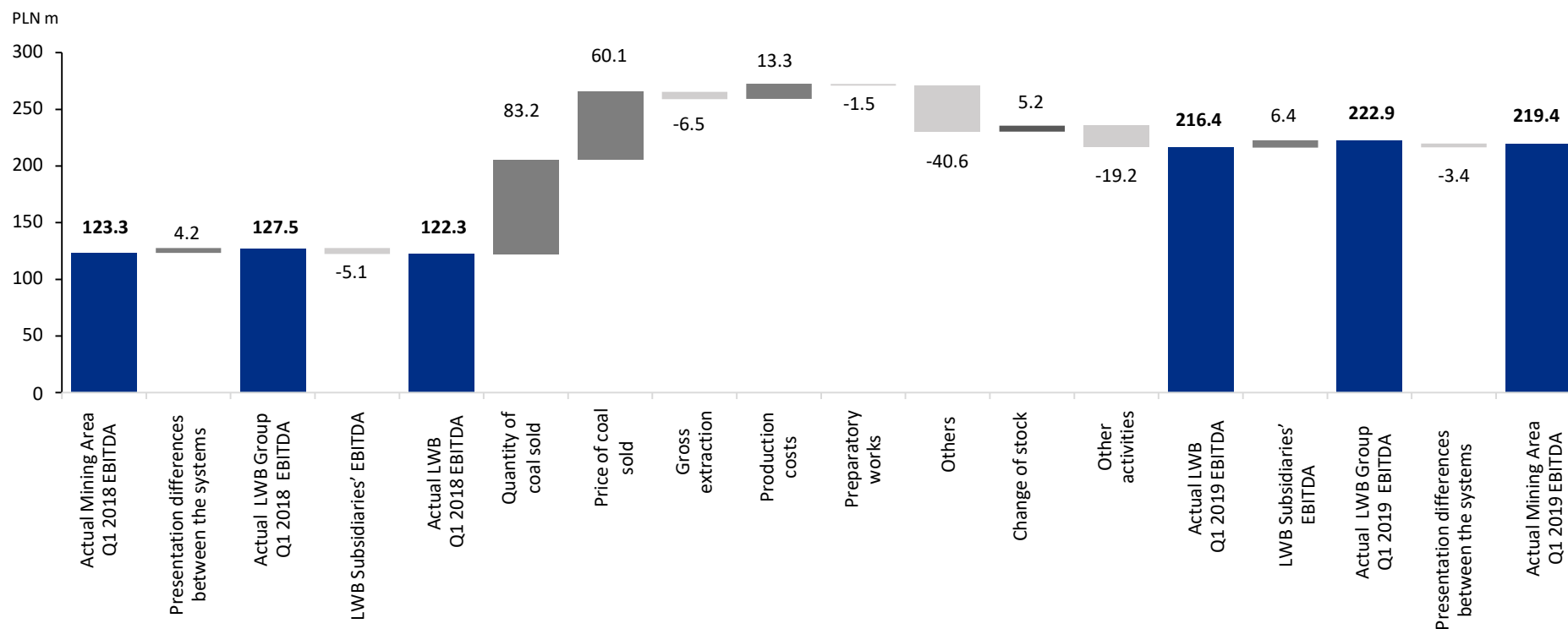
3.2.6. Mining Area

[PLN k]	Q1 2018	Q1 2019	Change	% change
Sales revenue	398,697	540,818	142,121	35.6%
<i>coal</i>	384,604	526,308	141,704	36.8%
<i>other products and services</i>	10,093	8,778	-1,315	-13.0%
<i>goods and materials</i>	4,000	5,732	1,732	43.3%
EBIT	39,203	138,834	99,631	254.1%
Depreciation and amortisation	84,077	80,582	-3,495	-4.2%
EBITDA	123,280	219,416	96,136	78.0%
CAPEX	84,806	80,004	-4,802	-5.7%
Share of the area's sales revenue in the Group's sales revenue	8%	10%	2 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% of sales, and pea and nut coal.

The main clients are professional and industrial power industry.



Q1 2019 EBITDA change drivers:

(+) EBITDA profitability: 40.6% in Q1 2019 vs. 30.9% in Q1 2018

(+) higher revenues from coal sales: higher sales volume (+398,000 tonnes, +20.2%), at a higher price

(+) higher revenues from sales of goods and materials – higher sales of scrap from liquidated galleries

(-) higher extraction output by 219,000 tonnes (+5.9%) – higher production costs

(+) lower cash operating expenses: employee benefits (in Q1 2018, an incentive bonus for employees was paid out and a higher contribution was made to the Employee Social Benefit Fund (ZFŚS), while the average employment in LWB S.A. increased by 217 persons y/y), materials (in Q1 2019, a smaller scope of preparatory work was carried out)

(-) accruals and prepayments: increase in the period costs by PLN 23.6 million y/y (in 2018, the balance of accruals and prepayments decreased the costs of the period by PLN 5.2 million, in 2019, it increased the costs by PLN 18.4 million); Provisions and other presentation adjustments: in 2019, the balance of changes PLN +21.0 million versus PLN +4.0 million in 2018 (the value of liquidated galleries and provisions for employee holidays increased)

(+) in Q1 2019 an increase in inventories of about PLN 26.0 million (decrease in costs), in Q1 2018 an increase in inventories of about PLN 20.8 million (decrease in costs)

(-) result on LWB's other operating activities: in Q1 2018 – settlement of the arrangement entered into by and between the Company and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras (a positive impact on EBITDA in the amount of PLN 28.7 million); in Q1 2019, release of the provision for Social Insurance Institution's (ZUS) claim on account of the accident insurance contribution (positive impact on EBITDA of PLN 16.4 million)

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

3.2.7. Area of Other Activities

[PLN k]	Q1 2018	Q1 2019	Change	% change
Sales revenue	140,571	157,700	17,129	12.2%
EBIT	6,248	12,915	6,667	106.7%
Depreciation and amortisation	12,831	13,515	684	5.3%
EBITDA	19,079	26,430	7,351	38.5%
CAPEX	8,415	16,400	7,985	94.9%
Share of the area's sales revenue in the Group's sales revenue	3%	3%	-	-

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

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

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

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

- **accompanying activities:**

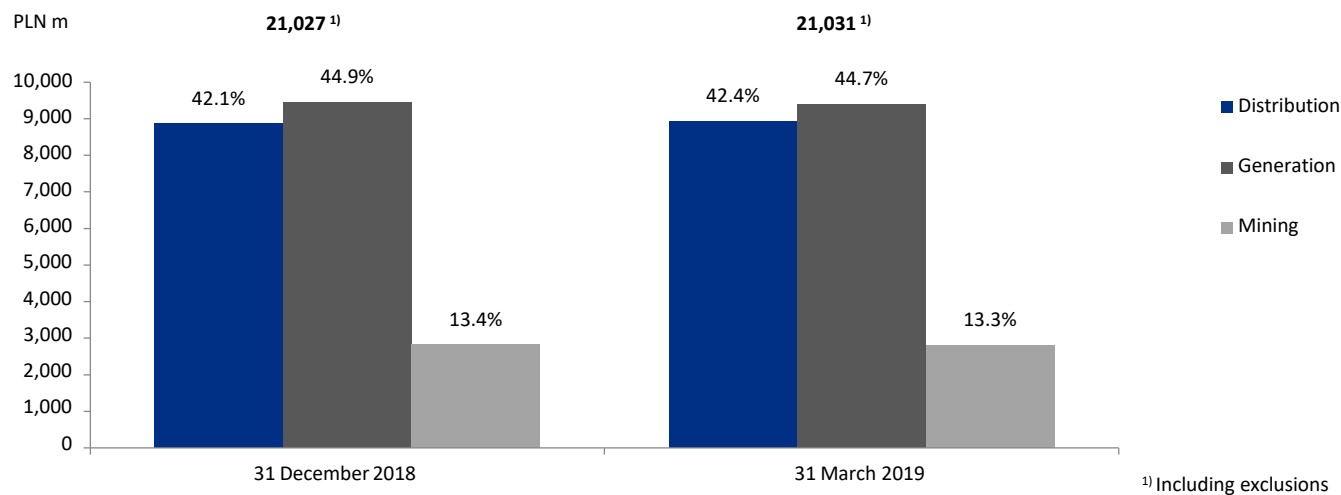
ENEA Oświetlenie Sp. z o.o. – a company specializing in indoor and outdoor lighting; it designs and builds road lighting and illuminations of urban spaces and historic and public buildings, and provides services of construction and comprehensive maintenance for photovoltaic power plants.

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

Assets [PLN k]	As at:			
	31 December 2018	31 March 2019	Change	% change
Fixed assets	23,037,274	23,505,231	467,957	2.0%
Property, plant and equipment	21,027,393	21,031,403	4,010	0.0%
Perpetual usufruct of land – until 2018	105,141	0	-105,141	-100.0%
Right-to-use assets ¹⁾	0	356,987	356,987	100.0%
Intangible assets	435,712	437,545	1,833	0.4%
Investment real estates	25,864	25,016	-848	-3.3%
Investments in affiliates and jointly controlled entities	734,268	907,934	173,666	23.7%
Deferred income tax assets	487,272	540,668	53,396	11.0%
Financial assets at fair value	49,442	50,739	1,297	2.6%
Debt financial assets at amortized cost	7,741	7,741	0	0.0%
Trade and other receivables	23,257	6,634	-16,623	-71.5%
Costs incurred to obtain a contract	12,905	11,715	-1,190	-9.2%
Receivables from finance lease and sublease ¹⁾	0	569	569	100.0%
Funds accumulated in the Mine Liquidation Fund	128,279	128,280	1	0.0%
Current assets	6,928,351	6,590,821	-337,530	-4.9%
CO ₂ emission allowances	586,236	594,105	7,869	1.3%
Inventories	1,264,870	1,369,238	104,368	8.3%
Trade and other receivables	1,874,505	1,906,758	32,253	1.7%
Costs incurred to obtain a contract	16,948	14,782	-2,166	-12.8%
Assets due to contracts with clients	327,980	365,351	37,371	11.4%
Current income tax assets	93,659	98,567	4,908	5.2%
Receivables from finance lease and sublease ¹⁾	0	819	819	100.0%
Financial assets at fair value	112,536	116,257	3,721	3.3%
Debt financial assets at amortized cost	234	308	74	31.6%
Other short-term investments	545	548	3	0.6%
Cash and cash equivalents	2,650,838	2,124,088	-526,750	-19.9%
Total Assets	29,965,625	30,096,052	130,427	0.4%

¹⁾ New balance sheet items resulting from the implementation of IFRS 16 as of 1 January 2019

Structure of tangible fixed assets



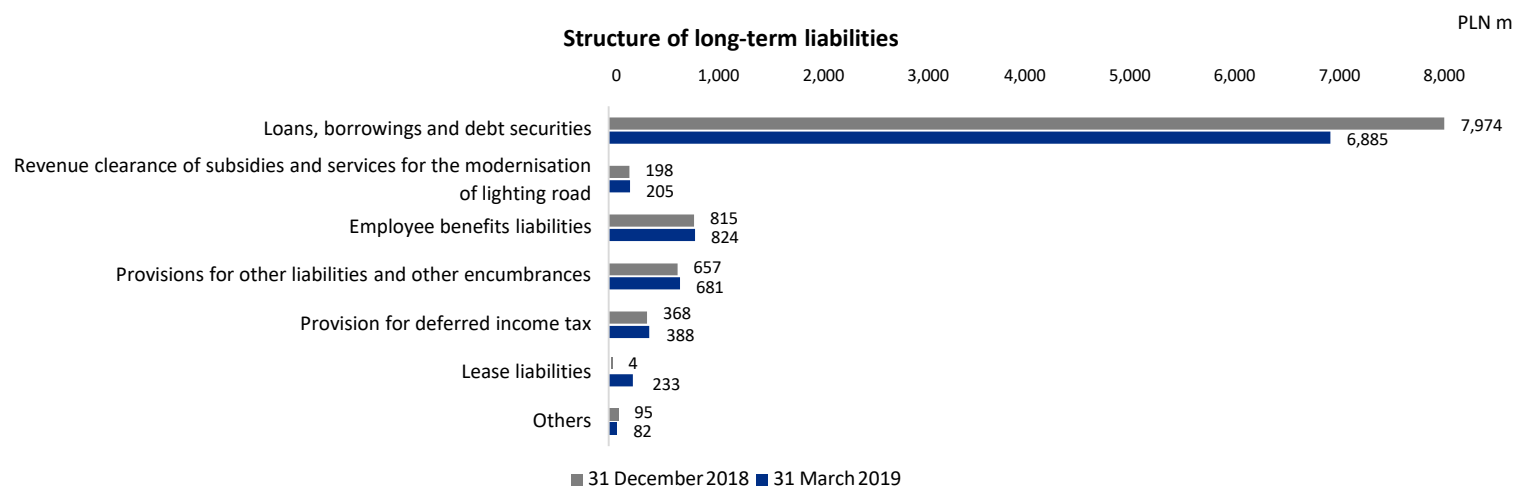
Change factors for fixed assets (an increase by PLN 468 million):

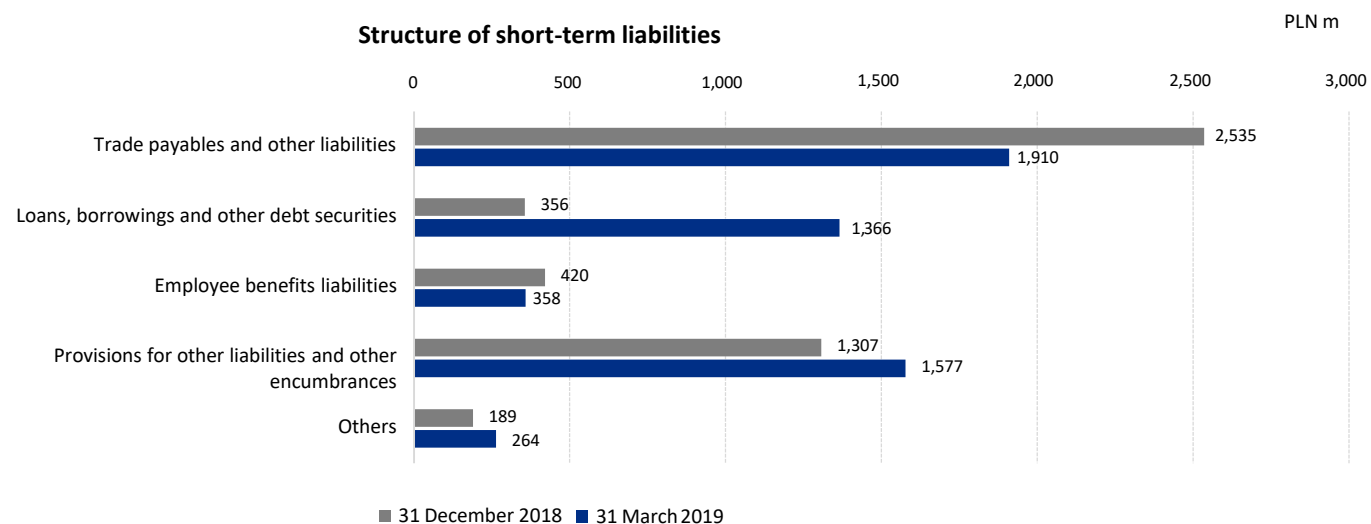
- increase in investments in affiliates and jointly controlled entities by PLN 173 million results mainly from taking up new shares worth PLN 181 million in Elektrownia Ostrołęka Sp. z o.o.
- PLN 252 million – the impact of new recognition of operating lease and perpetual usufruct of land (implementation of IFRS 16 from 1 January 2019), including: perpetual usufruct of land PLN -105 million, new balance sheet item PLN +357 million “right-to-use assets”

Change factors for current assets (a decrease by PLN 338 million):

- decrease in cash and cash equivalents by PLN 527 million caused by: increased investment expenditures in ENEA Group, change in the amount of security deposits on the CO₂ emission allowances market and higher expenditures on electricity purchase in the trading segment
- the increase in inventories by PLN 104 million relates mainly to higher inventories of coal and biomass, with a simultaneous decrease in the inventories of certificates of origin
- the increase in trade and other receivables and assets under customer contracts by PLN 70 million mainly relates to a higher level of trade receivables

Equity and liabilities [PLN k]	As at:			
	31 December 2018	31 March 2019	Change	% change
Total equity	15,049,162	15,323,700	274,538	1.8%
Share capital	588,018	588,018	0	0.0%
Capital from the surplus of the issue price over the nominal value	3,632,464	3,632,464	0	0.0%
Capital from the revaluation of financial instruments	-16,295	-16,295	0	0.0%
Reserve capital from valuation of hedging instruments	-16,024	-21,292	-5,268	-32.9%
Retained profits	9,908,842	10,154,996	246,154	2.5%
Non-controlling stakes	952,157	985,809	33,652	3.5%
Total liabilities	14,916,463	14,772,352	-144,111	-1.0%
Long-term liabilities	10,109,857	9,298,499	-811,358	-8.0%
Short-term liabilities	4,806,606	5,473,853	667,247	13.9%
Total equity and liabilities	29,965,625	30,096,052	130,427	0.4%





Change factors for long-term liabilities (a decrease by PLN 811 million)

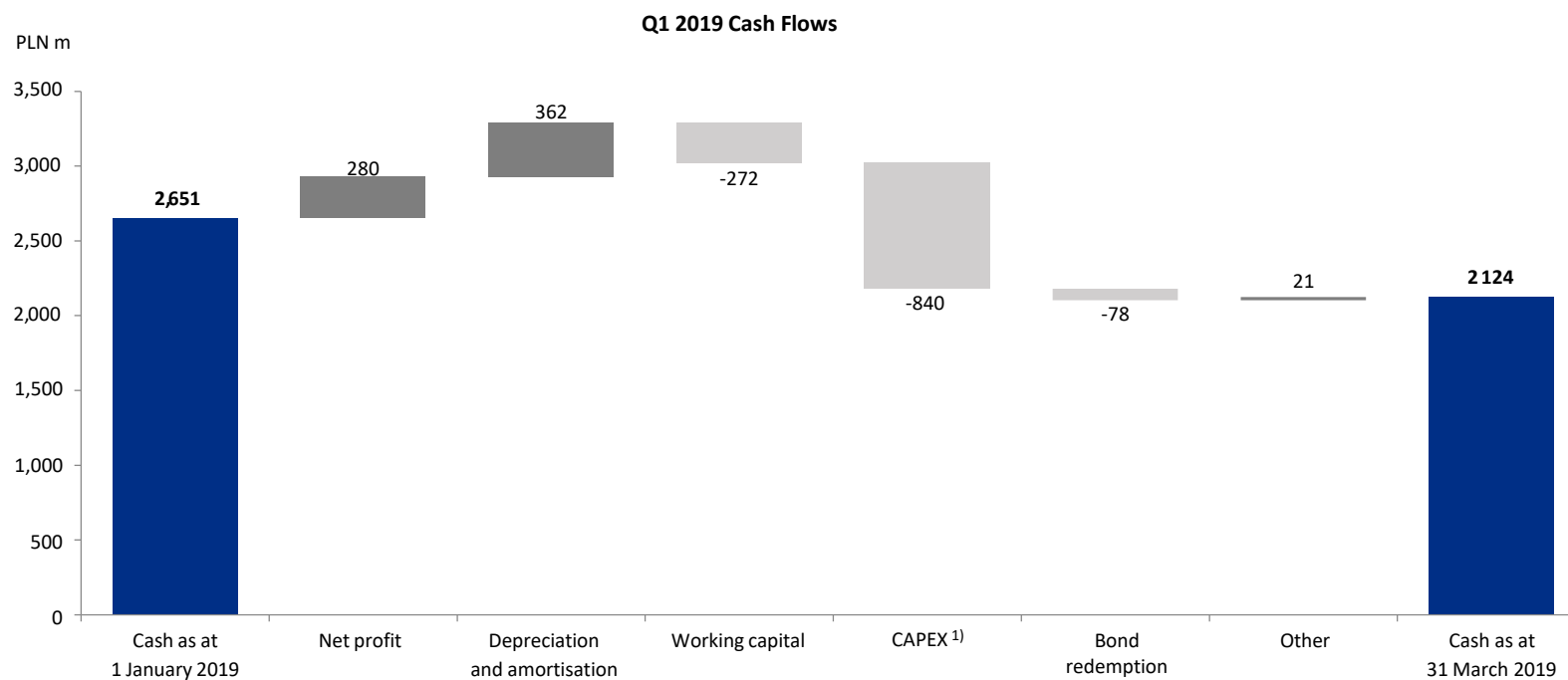
- decrease in the position of loans and borrowings by PLN 1,089 million results from the transfer of the short-term part of liabilities due to the redemption of bonds whose redemption date falls in February 2020 to short-term liabilities
- increase in lease liabilities by PLN 229 million - change in the presentation of operating lease and perpetual usufruct of land, in connection with the entry into force of IFRS 16 on 1 January 2019

Change factors for short-liabilities (an increase by PLN 667 million)

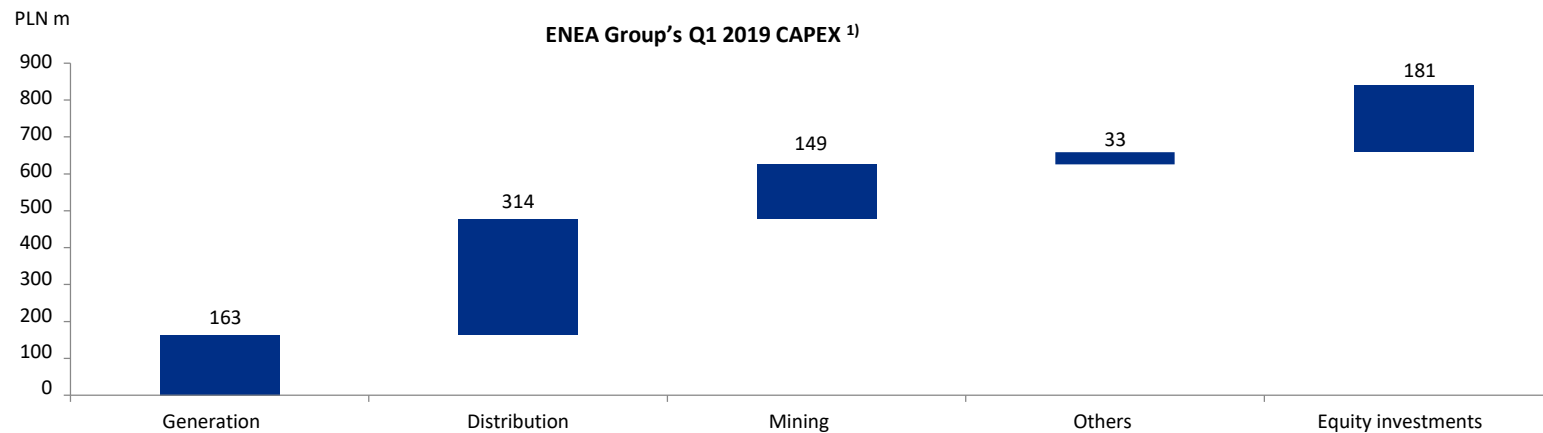
- increase in loans, borrowings and debt securities by PLN 1,010 million results from reclassification of part of the long-term liabilities to short-term liabilities due to bond redemption
- the increase in provisions for other liabilities and other encumbrances by PLN 270 million results from the increase in provisions for the purchase of CO₂ emission allowances by PLN 306 million, with a simultaneous decrease in provisions for agreements generating charges of PLN 22 million and provisions for accident insurance contributions to the Social Insurance Institution (ZUS) by PLN 23 million
- decrease in trade liabilities by PLN 625 million due to a decrease in: trade liabilities, investment liabilities and tax liabilities
- decrease in liabilities due to employee benefits by PLN 62 million – mainly payment of the annual bonus for employees

3.4. ENEA Group's cash position

Cash flow statement [PLN k]	Q1 2018	Q1 2019	Change	% change
Net cash flow from operating activities	733,332	453,590	-279,742	-38.1%
Net cash flow from investment activities	(730,302)	(832,492)	-102,190	-14.0%
Net cash flow from financial activities	(177,842)	(147,848)	29,994	16.9%
Increase / (decrease) in net cash	(174,812)	(526,750)	-351,938	-201.3%
Cash balance at the beginning of the reporting period	2,687,126	2,650,838	-36,288	-1.4%
Cash balance at the end of the reporting period	2,512,314	2,124,088	-388,226	-15.5%



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



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

3.5. Ratio analysis – consolidated data

	Q1 2018	Q1 2019
Profitability ratios		
ROE - return on equity	7.0%	7.3%
ROA - return on assets	3.6%	3.7%
Net profitability	8.5%	7.0%
Operating profitability	11.3%	11.0%
EBITDA profitability	23.5%	19.9%
Liquidity and financial structure ratios		
Current liquidity ratio	1.6	1.2
Coverage of fixed assets with equity	66.0%	65.2%
Total debt ratio	47.8%	49.1%
Net debt / EBITDA	2.04	2.60
Economic activity ratios		
Current receivables turnover in days ¹⁾	58	47
Trade and other liabilities turnover in days ²⁾	62	57
Inventory turnover in days	33	35

¹⁾ Receivables due for supplies and services - commercial, assets on account of contracts with customers and costs incurred to obtain a contract

²⁾ Liabilities due for deliveries and services - commercial, trade liabilities on account of contracts with customers

3.6. Rules for preparing 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 Q1 2019 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 PLN k.

3.7. Financial results forecasts

The Management Board of ENEA S.A. did not publish any financial results forecast for 2019.

3.8. Trends in 2019

Area	2019 trend	Key drivers
Mining	Growth	(+) Higher coal prices (+) Higher extraction (+) Fixed costs stabilisation (-) Renovation of railway routes
Generation	Growth	(+) Increase in electricity generation volume (+) Wholesale electricity prices (+) Stable operation of generation units (conventional and RES) (+) Stabilisation of CO ₂ prices (-) Lower volume of free CO ₂ emission allowances
Distribution	Stable	(+) Higher sales revenues from distribution services (+) Optimisation of asset management (+) Work on improving the quality of services (-) Introduction of a new Tariff from 6 April 2019 (-) High wholesale electricity prices (the energy balance difference and own needs)
Trading	Under pressure	(+) Higher volume of electricity sale (-) Impact of the Act on "electricity pricing change" (-) High costs of electricity purchase (-) Impact of prices and levels of environmental obligations

4. Shares and shareholding

4.1. Share capital and shareholding structure

As at the publication date of the Q1 2019 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.

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

From the publication date of the previous periodic report, there were no changes in the shareholding structure of the Issuer.

The table below presents the shareholding structure of ENEA S.A. as at the publication date of the Q1 2019 report, i.e. as at 29 May 2019.

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

4.2. Quotations of ENEA S.A.'s shares on Warsaw Stock Exchange

ENEA S.A.'s 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 29 March 2019 were as follows:

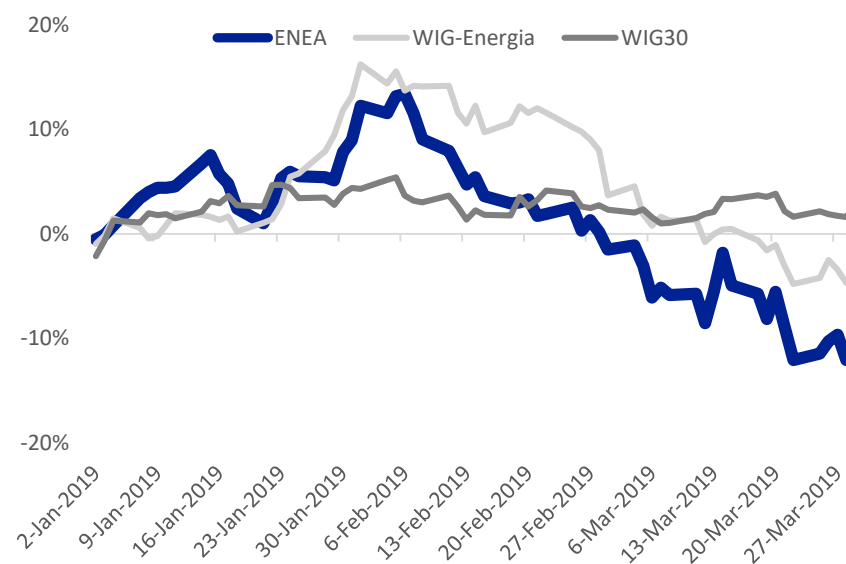
WIG 30	WIG 40	WIG energia	WIG Poland
0.8%	3.1%	12.6%	0.6%

In Q1 2019, the share price of ENEA S.A. dropped from PLN 9.95 to PLN 8.75, i.e. by PLN 1.20 or 12.1%. From January-March 2019, the highest closing price for ENEA S.A.'s shares was achieved on 7 February 2019 (PLN 11.28) and the lowest – on 25 and 29 March 2019 (PLN 8.75).

The table below presents data related to the Company's shares in Q1 2019.

Data	Q1 2019
Number of shares	441,442,578
Minimum price [PLN]	8.75
Maximum price [PLN]	11.28
Closing price [PLN]	8.75
Starting price [PLN]	9.95
Average volume	746,212

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



5. Governing bodies

Composition of the Management Board of ENEA S.A.

In Q1 2019, the Company's Management Board was composed of the following persons:

- Mirosław Kowalik – President of the Management Board and CEO,
- Piotr Adamczak – Vice-President for Commercial Affairs,
- Piotr Olejniczak – Vice-President for Financial Affairs,
- Zbigniew Piętko – Vice-President for Corporate Affairs.

On 16 May 2019, the Supervisory Board of ENEA S.A. appointed the following Members of the Management Board for a new joint term of office on the day of holding the Ordinary General Meeting of ENEA S.A. approving the financial statements for 2018, i.e. on 21 May 2019: Mirosław Kowalik to the position of President of the Management Board, Jarosław Ołowski to the position of Member of the Management Board for Financial Affairs, Piotr Adamczak to the position of Member of the Management Board for Commercial Affairs and Zbigniew Piętek to the position of Member of the Management Board for Corporate Affairs.

Composition of the Supervisory Board of ENEA S.A.

In Q1 2019, the Company's Supervisory Board was composed of the following persons:

- Stanisław Kazimierz Hebda – Chairman of the Supervisory Board,
- Paweł Jabłoński – Vice-Chairman of the Supervisory Board,
- Piotr Mirkowski – Secretary of the Supervisory Board,
- Wojciech Klimowicz – Member of the Supervisory Board,
- Tadeusz Mikłosz – Member of the Supervisory Board,
- Sławomir Brzeziński – Member of the Supervisory Board,
- Roman Stryjski – Member of the Supervisory Board,
- Ireneusz Kulka – Member of the Supervisory Board,
- Paweł Korobłowski – Member of the Supervisory Board.

In accordance with the provisions of the Regulations of the Supervisory Board, in Q1 2019 within the Supervisory Board operated the Audit Committee and the Nominations and Remuneration Committee.

Audit Committee	
Name	Position
Ireneusz Kulka ^{1) 4)}	Chair
Roman Stryjski ²⁾	Member
Piotr Mirkowski ^{2) 4)}	Member
Sławomir Brzeziński ⁴⁾	Member
Wojciech Klimowicz ^{3) 4)}	Member

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

²⁾ Independent Member within the meaning of Article 129 Item 1 point 3 of the Act of 11 May 2017 on certified auditors, audit companies and public supervision and within the meaning of corporate governance principles included in the Code of Best Practice for WSE Listed Companies 2016.

³⁾ Member with knowledge and skills in accounting or auditing financial statements.

⁴⁾ Member with knowledge and skills in the industry in which the issuer operates.

Nominations and Remuneration Committee

Name	Position
Paweł Jabłoński	Chair
Stanisław Hebda	Member
Tadeusz Mikłosz	Member
Piotr Mirkowski ¹⁾	Member
Paweł Korobłowski	Member

¹⁾ Independent Member within the meaning of Article 129 Item 1 point 3 of the Act of 11 May 2017 on certified auditors, audit companies and public supervision and within the meaning of corporate governance principles included in the Code of Best Practice for WSE Listed Companies 2016.

On 20 May 2019, the Ordinary General Meeting of ENEA S.A. appointed, with effect from 21 May 2019, Members of the Supervisory Board for a joint 10th term of office. In connection with the above, as at the date of submitting this periodic report, the composition of the Supervisory Board was as follows:

- Stanisław Kazimierz Hebda – Chairman of the Supervisory Board,
- Paweł Jabłoński – Member of the Supervisory Board,
- Michał Dominik Jaciubek – Member of the Supervisory Board,
- Maciej Mazur – Member of the Supervisory Board,
- Piotr Mirkowski – Member of the Supervisory Board,
- Paweł Korobłowski – Member of the Supervisory Board,
- Ireneusz Kulka – Member of the Supervisory Board,
- Mariusz Pliszka – Member of the Supervisory Board,
- Roman Stryjski – Member of the Supervisory Board.

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

Name	Position	Number of ENEA S.A. shares as at 21 March 2019	Number of ENEA S.A. shares as at 29 May 2019
Mariusz Pliszka ¹⁾	Member of the Supervisory Board	N/A	3,880
Michał Dominik Jaciubek ¹⁾	Member of the Supervisory Board	N/A	5,020

¹⁾ The indicated Members of the Supervisory Board were appointed as of 21 May 2019.

As at the publication date of this periodic report, no other persons from the Management or Supervisory Boards held any shares of ENEA S.A. As at the publication date of this periodic report, no other persons from the Management or Supervisory Boards held any allotment certificates to shares of ENEA S.A.

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

6.1. 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.

6.1.1. Impact of the Act amending the Excise Duty Act and certain other acts

The Act on amendment of the act on excise duty and certain other acts ("Act") was adopted on 28 December 2018 and enters into force on 1 January 2019.

This regulation introduced the following:

- a reduction in the excise duty rate for electricity sold to final customers from 20 PLN/MWh to 5 PLN/MWh,
- directions for 2019 prices and fee rates for electricity for final customers to be applied by sellers to remain at the level of 2018 prices,
- the opportunity for sellers to seek an amount to cover the difference in revenue for trade of electricity for final customers from the Settlement Manager specified in the Act ("Price difference amount").

The Act was updated effective 6 March 2019 ("Updated Act").

According to the Act and its justification, the lawmakers aim to balance the interests of electricity customers and energy companies, which should mean that, as a rule, revenue lost as a result of the price decrease should be returned to electricity sellers. The Act delegates in several key areas to the regulation, the content of which as of the date on which this report was prepared had not been published yet.

Determination of amount of provision for onerous contracts as at 31 March 2019

Due to the Act, the Company analysed whether it is required to create provisions for onerous contracts under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. According to reporting regulations, if a given contract or group of contracts generate a loss, then the company should recognise an appropriate provision in the period in which the loss became unavoidable unless it is unable to reliably determine the amount of this provision.

Given the fact that the implementing regulations necessary to determine the ultimate effects of the Act's entry into force and changes in prices for customers other than tariff customers in 2019 have not yet been published, the Company has estimated the Act's financial effects in as far as this is possible and credible. The following assumptions were used in estimating the size of the provision:

- 1) The existing legal situation as at 31 March 2019 and information after the balance sheet concerning the Act.
- 2) As regards determining the costs to perform an obligation in the meaning of IAS 37, one-off direct costs (costs to purchase energy, property rights, along with the current rate of excise duty) were used, while indirect costs (own costs and profit) were omitted. The issue of which costs should be included in estimating the provision for onerous contract was examined by International Financial Reporting Interpretations Committee (IFRIC) in 2017. IFRIC noted that the issue is not unequivocally addressed and selecting a solution is up to the preparer.
- 3) Market values were used to determine the cost to purchase energy, without taking into account the fact that the Group's energy production costs might be different than market costs. Electricity sales volumes were based on the values estimated for 2019 for the G segment, close to 2018 levels. In 2018, households (most of them using tariff G) constituted 22% of the Company's total sales volume, whereas business customers accounted for the remaining 78% of the total sales volume.

The following conclusions were made based on the above assumptions:

- (a) using the prices in effect in 2018 for tariff G clients, with a tariff regulated by the URE President, the Company estimated an excess of minimum unavoidable costs to perform the obligation over benefits from performing the contract at PLN 57,425 thousand. This loss results from using a cost model for electricity purchases in 2019 (costs of electricity and property rights and an excise duty rate resulting from the Act) and the application of sales prices from 2018. The sales volume results from the planned sales to Tariff G customers in the period from Q2 to Q4 2019. As at 31 March 2019, the Company updated the provision to PLN 57,425 thousand,
- (b) pursuant to the provisions of the Act, especially as regards Art. 6 section 2(2) and Art. 7 section 2(2), which determine how prices are set as at 30 June 2018 by way of a regulation of the Minister competent for energy, no potential loss on other contracts was designated. The delegated legislation concerning the above shows that the manner in which the key parameter for determining smaller revenue is set and thus a potential loss on contracts other than tariff G will be specified in a separate regulation by the Minister of Energy. Taking the above into account as well as the degree of uncertainty connected with the lack of specified prices for the specific cases listed in Art. 7 section 2(2) (including for seller replacements), the Company is unable to reliably determine the amount of potential loss on contracts other than contracts in tariff G,
- (c) pursuant to the provisions of the Act, especially as regards Art. 7 section 1(1) and Art. 7 section 2(1), which determine how the amount of differences in price is determined based on a regulation of the Minister competent for energy, no calculation of the potential difference in prices in settling with the Settlement Manager was made. The delegated legislation in the above scope states that the way to calculate the price difference and thus the amount to cover lower revenue will be specified in a separate regulation by the Minister of Energy. Due to uncertainty over how to determine the price difference, no assets concerning compensation were recognised as at 31 March 2019.

Impact on subsequent reporting periods

As a result of this Act entering into force, the Company uses from 1 January 2019 in settlements with final customers the electricity prices and fees from 2018, as specified in a tariff approved by the URE President for customers from tariff groups G. The provision estimated and recognised as at 31 March 2019 constitutes the best estimate of minimal losses but does not take into account the right to compensation, which might have a positive impact on sales results in this tariff group.

As regards other customers (mainly business customers), given the lack of an approved regulation from the Minister of Energy, the Company is not using the prices from 30 June 2018 in settlements in 2019. The Company expects to adapt to the Act and Updated Act within the deadlines specified in these laws. It should be noted that the Act might potentially be amended, which could significantly change the scope of customers and thus the effects for the Company.

On the basis of the Act and the Updated Act, the Company is authorised to receive compensation resulting from a limitation of prices, taking into account both direct and indirect costs and margins; this applies to both amounts recognised in the provision and potential losses that might arise in 2019. However, given the lack of implementing regulations, at the date on which this report was prepared the Company was unable to reliably specify the amount of such compensation or determine how this would offset any potential losses.

The Company is disclosing amounts that are known or possible to determine, which constitute a component of the result on energy sales in order to indicate the potential scale of difference between costs and revenue from sales. A difference calculated on the basis of these amounts may be significantly different from actual amounts that will be recognised once the implementing regulations are issued.

The Company is analysing these regulations on an on-going basis and once the implementing regulations are published along with assumptions allowing uncertainty to be removed and reliable estimates to be carried out, it will identify the analysis results in terms of inside information in the meaning of Market Abuse Regulation (MAR).

6.1.2. Internal energy market

In 2018, negotiations on the so-called trilogy on the final provisions of the Winter Package, which are of fundamental importance for the functioning of the energy sector, were completed. In particular, it should be noted that during the negotiations on the Regulation of the European Parliament on the internal energy market, the lack of support from national power markets for generating units not meeting the so-called standard of 550g CO₂/kWh emissions was established. However, as part of the compromise sought by the Polish delegation, it was agreed that units emitting more than 550g CO₂/kWh, which concluded power contracts as part of the main auctions finally resolved by 31 December 2019, may receive remuneration for the performance of the power obligation for the entire period for which support was obtained from the power market. This is a very important compromise in view of the fact that the power market is a state aid instrument which required the approval of the European Commission and must function in accordance with the regulations of the internal market of the European Union.

Moreover, in the course of trilogues, the EU RES Directive set the EU RES 2030 target of 32% in gross final energy consumption and the possibility of support for new biomass units with a capacity above 100 MW in the event of achieving electricity efficiency at the level of 36% and the Energy Efficiency Directive set the reduction of energy consumption in the EU by 32.5% by 2030. The Energy Union Management Regulation (Governance) introduced the obligation to draw up a National Energy and Climate Plan as part of the implementation of the Energy Union, covering five dimensions: energy security, internal energy market, energy efficiency, decarbonisation, research, innovation and competitiveness. The main objective of the Energy Union governance mechanism is to enable the achievement of the objectives of the Energy Union, in particular the objectives of the climate and energy policy framework by 2030 in terms of greenhouse gas emission reduction, renewable energy and energy efficiency.

In January 2019, the Ministry of Energy submitted for consultation the draft document "National Energy and Climate Plan 2021-2030" (NECP). In accordance with Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018, by 31 December 2019, and then by 1 January 2029 and every ten years thereafter, each Member State shall notify the Commission of an integrated national energy and climate plan.

6.1.3. 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 the energy sector" ¹⁾ constituting an attachment to the draft "Polish Energy Policy until 2040", the domestic electricity demand will reach nearly 200 TWh in 2030 and 230 TWh in 2040. At the same time the total increase in energy demand for electricity in 2020-2040 is 40.4%. The demand for peak power in this period will increase by 35.5%.

6.1.4. Capacity market

Detailed information on contracted capacities for ENEA Group is described in the "Report of the Management Board on the operations of ENEA S.A. and ENEA Group in 2018" in Chapter 6.

6.1.5. European Union Emissions Trading Scheme (EU ETS)

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

The Directive establishes, inter alia, two financial mechanisms:

- Modernisation Fund - for the modernisation of energy systems in low income Member States. It is intended to be financed by proceeds from the auction of allowances in the years 2021 to 2030. The Fund is to be used primarily to support the development of energy efficiency and investments in renewable energy sources.
- Innovation Fund - to provide financial support for RES development, carbon capture and storage and innovative low-emission projects. It is to be supplied with funds from allowances, which otherwise would be allocated free of charge or sold through auctions.

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

In addition, the framework for Phase IV of the EU ETS as well as new rules for the Market Stabilisation Mechanism (MSM) have been established. Pursuant to them, since the beginning of 2019, the reduction rate of allowances in circulation has increased from 12% to 24%. Allowances are gradually transferred from the auctioning system to the market stability reserve. Starting from 2024, the rate of 12% will be restored. In Phase IV of the EU ETS, which will start at the beginning of 2021 and last until 2030, the linear reduction factor will also be increased from 1.74% to 2.2%. Both of these elements have an impact on the reduction of supply on the EU ETS market, and thus on the increase in prices of CO₂ emission allowances observed in 2018. At the peak of the increases, prices of CO₂ emission allowances increased more than three times as compared to the beginning of the year. The increased volatility on the CO₂ emission allowances market also had a significant impact on the increased volatility on energy markets throughout Europe, also in Poland.

6.1.6. Participation in the nuclear power plant programme

On 15 April 2015, KGHM, PGE, TAURON and ENEA signed a Share Purchase Agreement in PGE EJ 1. KGHM, TAURON and ENEA acquired from PGE 10% of shares each (in total 30% of shares) in PGE EJ 1. ENEA paid for the acquired shares PLN 16 million. According to the Shareholders' Agreement, ENEA S.A.'s financial contribution in the Phasing-in Period shall not exceed the amount of approx. PLN 107 million. The total expenditure of ENEA S.A. resulting from the purchase of shares and the increase of the Company's share capital have so far amounted to PLN 32,544 thousand. On 28 November 2018, PGE S.A. expressed an initial interest in acquiring all shares in PGE EJ 1. Information presented by PGE S.A. indicated that the transaction would be possible upon a valuation by an independent advisor and obtaining corporate approvals by all involved entities. On 4 December 2018, ENEA expressed an initial interest in selling all shares held in PGE EJ 1. The other shareholders, i.e. TAURON and KGHM, also expressed an initial interest in selling shares held by them in PGE EJ 1. On 17 April 2019, PGE S.A. decided to withdraw from the process of acquisition of shares held by other Shareholders.

6.1.7. Amendment to RES Act

In Q1 2019, work began on the draft of another act amending the Act on Renewable Energy Sources and some other acts. According to the justifications presented, the objective of the changes is to implement the tasks set out in the Polish energy policy until 2020, by reducing the burden on end users due to support systems for renewable energy sources and rising electricity prices. At the same time, the amendment will make it possible to conduct auctions for the purchase of electricity from renewable energy sources in 2019 by specifying in the transitional provisions the maximum quantities and values to be sold and setting reference prices, constituting the maximum value of the offer which may be submitted by the generator in the auction offer.

6.1.8. 2019 Tariff for electricity distribution services

By virtue of the decision of the President of the Energy Regulatory Office published in the Energy Regulatory Office's sector bulletin "Electricity" No. 86(2721) of 22 March 2019, the tariff for electricity distribution services for the period until 31 December 2019 was approved. The tariff came into force on 6 April 2019, except for the transitional fee and RES fee rates approved by the decision of the President of ERO dated 14 January 2019, which come into force retroactively from 1 January 2019, and the cogeneration fee rates approved by the decision of the President of ERO, which came into force on 25 January 2019.

6.1.9. General Data Protection Regulation (GDPR)

GDPR is an EU legal act which entered into force on 25 May 2018 in all member states. It introduces new rules for the processing of personal data and imposes new obligations on data controllers. In its activities, ENEA Group takes into account the requirements of the new regulations, including ensuring an appropriate level of security for the processed personal data, primarily with a view to protecting the rights and freedoms of persons whose data are processed.

6.1.10. Court and administrative proceedings

As at the publication date of this report, no significant proceedings regarding the liabilities or debt claims are pending, to which ENEA S.A. or its subsidiary is a party. A detailed description of any proceedings is included in note 26 to the condensed interim consolidated financial statements of ENEA Group for the period from 1 January to 31 March 2019.

6.1.11. Court proceedings related to actions for annulment or, alternatively, revocation of resolutions of the General Meeting

The Company is party to three proceedings related to actions for annulment or, alternatively, revocation of resolutions of the General Meeting. Below, a summary of information concerning the individual proceedings is presented.

Petitioner	Subject matter of the petition (literal wording)	Status of the proceedings
Międzypokładowy Związek Zawodowy Synergia Pracowników Grupy Kapitałowej ENEA (Intergroup Trade Union of ENEA Group Employees "Synergy")	Petition for declaring a resolution of the Company's General Meeting invalid or for revoking a resolution of the Company's General Meeting together with a motion for securing the action ¹⁾	1) By decision of 20 June 2018, the District Court in Poznań dismissed the motion for securing the action. 2) By ruling of 26 March 2019, the District Court in Poznań dismissed the petition. 3) On 15 May 2019, the Petitioner, through the District Court in Poznań, appealed against the ruling of 26 March 2019.
Fundacja "CLIENTEARTH Prawnicy dla Ziemi" ("CLIENTEARTH Lawyers for the Earth" Foundation)	Petition for declaring a resolution of the Company's General Meeting invalid or for revoking a resolution of the General Meeting of the Public Listed Company ²⁾	The proceedings are pending (first instance)
Międzypokładowy Związek Zawodowy Synergia Pracowników Grupy Kapitałowej ENEA ²⁾ (Intergroup Trade Union of ENEA Group Employees "Synergy")	Petition for declaring a resolution of the Company's General Meeting invalid or for revoking a resolution of the Company's General Meeting ²⁾	The proceedings are pending (first instance)

¹⁾ concerning Resolution No. 5 of the Extraordinary General Meeting of ENEA S.A. of 28 May 2018 on amending § 23 of the Statute of ENEA S.A.

²⁾ concerning Resolution No. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 on expressing qualified consent to commence the Construction Stage in the Ostrołęka C project

6.1.12. Collective disputes

As at the publication date of this report, there is a pending collective dispute at ENEA S.A. and its seven subsidiaries concerning the increase of the monthly base salary for employees employed on the basis of an employment contract.

6.1.13. Key Service Operator

In Q1 2019, pursuant to the provisions of the National Cyber Security System Act of 5 April 2019, the following ENEA Group companies: ENEA S.A., ENEA Operator Sp. z o.o., ENEA Wytwarzanie Sp. z o.o., ENEA Elekrownia Połaniec Sp. z o.o., ENEA Ciepło Sp. z o.o. and MEC Piła Sp. z o.o. were recognised as Key Service Operators.

6.1.14. New social contract

In April 2019, employers and representatives of the Social Side of several ENEA Group companies concluded the so-called new social contract. This document regulates in particular the issue of stable employment in the Group companies which joined the contract and will enable all employees of the Group to enjoy additional benefits on equal terms. The contract covers such issues as employment security, employee tariffs, subscription-based healthcare services, contributions to the Employee Social Benefit Fund (ZFŚS) or official industry celebration days treated as public holidays. The provisions of the contract will be incorporated into, among others, corporate collective agreements and remuneration regulations so that the benefits resulting from the new social contract are extended to all employees of the ENEA Group companies which entered into the contract.

6.2. Natural environment

6.2.1. 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) (the Industrial Emissions Directive or IED), as of 1 January 2016 new, stricter environment protection standards are applicable. Therefore, all electricity producers in Poland who use first of all carbon-intensive technologies are obliged to adjust their power 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 for large combustion plants (Commission Implementing Decision (EU) 2017/1442 of 31 July 2017 laying down the conclusions on best available techniques (BAT) for large combustion plants in accordance with Directive 2010/75/EU of the European Parliament and of the Council) were published in the Official Journal of the European Union. The published BAT conclusions introduce, among other things, stricter requirements (than in the IED) for pollutants such as sulphur dioxide, nitrogen oxides and dust. The BAT-associated emission levels (BAT-AELs) were also determined for additional substances such as mercury, hydrogen chloride, hydrogen fluoride and ammonia. The BAT conclusions will apply from 18 August 2021 after the end of the 4-year adjustment period.

Kozienice Power Plant – Units Nos. 1-10

Years	SO ₂			NO _x			Dust			CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions [PLN k]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO ₂ emissions [Mg]	CO ₂ emissions ratio [kg/MWh]	
Q1 2019	1,400.6	0.588	813.7	1,600.5	0.672	864.3	34.3	0.014	12.3	2,028,969.75	852	2,381,235.8
Q1 2018	1,424.0	0.517	754.7	1,900.0	0.690	1,007.0	47.5	0.017	16.6	2,334,907.47	847	2,755,356.4
% change	-1.6	13.7	7.8	-15.76	-2.6	-14.2	-27.8	-17.7	-25.9	-13.10	0.6	-13.6

In 2019, there was an increase in emission fee rates:

- SO₂ : 0.53 PLN/kg in 2018 → 0.54 PLN/kg in 2019
- NO_x : 0.53 PLN/kg in 2018 → 0.54 PLN/kg in 2019
- Dust : 0.35 PLN/kg in 2018 → 0.36 PLN/kg in 2019

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

Years	SO ₂			NO _x			Dust			CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions [PLN k]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO ₂ emissions [Mg]	CO ₂ emissions ratio [kg/MWh]	
Q1 2019 Unit No. 11 ¹⁾	475.0	0.279	256.5	617.8	0.363	333.6	25.6	0.015	9.2	1,256,608.9	738	1,703,351.0
Q1 2018 Unit No. 11 ¹⁾	282.7	0.192	149.8	499.2	0.339	264.4	23.8	0.016	8.3	1,104,838.6	750	1,473,096.5
Q1 2019 Units Nos. 1-10	1,400.6	0.588	813.7	1,600.5	0.672	864.3	34.6	0.014	12.3	2,028,969.8	852	2,381,235.8
Q1 2018 Units Nos. 1-10	1,424.0	0.517	754.7	1,900.0	0.690	1,007.0	47.5	0.017	16.6	2,334,907.5	847	2,755,356.3

¹⁾Data for Unit No. 11 take into account emissions of pollutants from the start-up boiler house.

ENEA Elektrownia Połaniec

Years	SO ₂			NO _x			Dust			CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions [PLN k]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO ₂ emissions [Mg]	CO ₂ emissions ratio [kg/MWh]	
Q1 2019	1,455.6	0.63	786.0	1,519.7	0.66	116.1	120.2	0.05	43.3	1,690,574.7	736.5	2,295,358.1
Q1 2018	2,355.6	0.98	1,248.5	1,734.5	0.72	919.3	141.6	0.06	49.5	1,888,804.0	782.8	2,412,843.8
% change	-38.2	-35.3	-37.0	-12.4	-8.0	-87.4	-15.2	-12.8	-12.7	-10.5	-5.9	-4.9

Białystok Heat and Power Plant

Years	SO ₂			NO _x			Dust			CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions [PLN k]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO ₂ emissions [Mg]	CO ₂ emissions ratio [kg/MWh]	
Q1 2019	148.6	0.253	80.3	101.0	0.172	54.5	26.2	0.045	9.4	174,502.2	297.3	166,782
Q1 2018	105.5	0.170	55.9	122.3	0.197	64.8	4.3	0.007	1.5	168,697.9	272.2	178,700
% change	40.9	48.7	43.6	-17.5	-12.9	-15.9	509.3	543.2	526.6	3.4	9.2	-6.7

West Białystok Heat Plant

Years	SO ₂			NO _x			Dust			CO ₂		Gross production of electricity [MWh]
	SO ₂ emissions [Mg]	SO ₂ emissions ratio [kg/MWh]	Fee for SO ₂ emissions [PLN k]	NO _x emissions [Mg]	NO _x emissions ratio [kg/MWh]	Fee for NO _x emissions [PLN k]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Fee for dust emissions [PLN k]	CO ₂ emissions [Mg]	CO ₂ emissions ratio [kg/MWh]	
Q1 2019	12.4	-	6,7	2.9	-	1.6	0.6	-	0.2	5,554.6	-	-
Q1 2018	14.0	-	7.4	18.6	-	9.8	2.6	-	0.9	15,216.8	-	-
% change	-11.4	-	-9.5	-84.4	-	-83.7	-76.9	-	-77.8	-63.5	-	-

7. Corporate Social Responsibility (CSR)

Finale of the 2nd edition of the “ENEA Talent Academy” educational project

In January 2019, the jury and Internet users selected the winners of 2nd edition of ENEA Talent Academy. Altogether, eighteen students received scholarships to develop their scientific, artistic and sporting passions. Using the awarded grants, nine schools will implement additional, extra-curricular educational projects. All the winners have already achieved some successes. Many of them have been awarded in international competitions and tournaments. The competitors are up-and-coming, sensitive and talented artists and capable and hard-working future scientists. Projects submitted in the Schools category were also very interesting and diverse. Thanks to ENEA Talent Academy’s grants in the “Sports” category, sports class students will be provided with professional and comprehensive extra football training. Dance classes will be organised in Białystok and chess classes will be organised in Międzyrzecze. Schools awarded a grant in the “Arts” category will offer their students theatrical and dance classes, as well as verbal and musical performances on historical themes. In the “Science” category, Internet users highly recognized projects in the fields of robotics, physics and astronomy. Also awarded was the project of supporting the aviation club, whose participants learn the basics of aviation by learning how to fly drones.

The winners are inhabitants of, among others, Poznań and the Province of Poznań (Greater Poland), Szczecin and the Province of Szczecin (Western Pomerania), Bydgoszcz and the Province of Bydgoszcz (Cuiavia and Pomerania), and Gorzów Wielkopolski and Zielona Góra and Lubusz Province. Among the winners were also residents of the Provinces of Kielce (Świętokrzyskie), Białystok (Podlaskie), Lublin and Warsaw (Mazovia).

Finale of the “We Run - We Raise - We Help” sports and charity project

On 30 March 2019, over 120 children from care and educational institutions from all over Poland took part in ENEA Active Camp – sports and psychological workshops organised by the Kamila Skolimowska Foundation. The children were accompanied by Piotr Lisek, Pole Vault World Vice-Champion. The event was held thanks to the involvement of ENEA Group's employees, who ran out of funds for its organisation in the "We Run - We Raise - We Help" project.



"We Run – We Raise – We Help" is one of the most important CSR projects initiated by ENEA Foundation during its five years of operation, encouraging sports enthusiasts to raise money and help charitable causes. ENEA Group employees earn points when competing in various running competitions. The Foundation converts them into zlotys and allocates the collected funds to activities promoting physical activity among children and young people. Since the beginning of the "We Run - We Collect - We Help" project, during 311 competitions a total of PLN 44,000 has been collected for the sporting development of children and youth. Last year alone, runners started almost 400 times, finishing 177 cross-country competitions. This year, ENEA Foundation is extending the formula of the programme and doubling the rate.

Responsible management practices – Non-Financial Statement of ENEA Group for 2018

In March 2019, in compliance with its obligation under the Accounting Act of 15 December 2016 implementing Directive 2014/95/EU, ENEA Group published “The Non-Financial Statement of ENEA Group for 2018” as part of the “Report of the Management Board on the operations of ENEA S.A. and ENEA Group for 2018”. The statement, for the second year now, follows GRI Standards. This means, among others, that:

- stakeholders’ perspective (through a survey) was included in the stage of determining the scope of reported non-financial information and the so-called “material aspects of reporting”
- the Statement uses indicators recommended by GRI Standards
- in accordance with the guidelines of GRI Standards, the indicators concerning the number of Employees include data as at the last day of the reporting period, i.e. 31 December 2018.

In addition to the Statement for 2018, ENEA Group is planning to publish separately “The 2018 Sustainability Report of ENEA Group” on a dedicated website at the turn of Q2/Q3 2019. Since 2011, the Group has been following the practice of reporting on sustainable development and responsible business.

8. Annexes

Annex No. 1 – Profit and loss account of ENEA Operator Sp. z o.o. – Q1 2019

[PLN k]	Q1 2018	Q1 2019	Change	% change
Revenue from the sale of distribution services to end users	664,493	662,305	-2,188	-0.3%
Revenue from additional fees	1,293	1,214	-79	-6.1%
Revenues from the non-invoiced sale of distribution services	9,729	7,777	-1,952	-20.1%
Clearing of the Balancing Market	969	2,145	1,176	121.4%
Fees for connection to the grid	9,951	13,571	3,620	36.4%
Revenue from illegal electricity consumption	1,718	1,717	-1	-0.1%
Revenue from services	7,598	7,286	-312	-4.1%
Sale of distribution services to other entities	4,676	4,386	-290	-6.2%
Sales of goods and materials and other revenues	273	620	347	127.1%
Sales revenue	700,700	701,021	321	0.0%
Depreciation and amortisation of power, plant and equipment and intangible fixed assets	124,452	139,534	15,082	12.1%
Costs of employee benefits	102,782	106,888	4,106	4.0%
Consumption of materials and raw materials and the value of goods sold	7,743	8,136	393	5.1%
Purchase of energy for own needs and grid losses	61,763	84,194	22,431	36.3%
Costs of transmission services	102,276	97,812	-4,464	-4.4%
Other third party services	65,465	66,526	1,061	1.6%
Taxes and levies	63,529	64,215	686	1.1%
Tax deductible costs of sale	528,010	567,305	39,295	7.4%
Other operating revenues	20,485	8,531	-11,954	-58.4%
Other operating costs	18,996	31,683	12,687	66.8%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	(1,379)	(2,624)	-1,245	-90.3%
Operating profit / (loss)	172,800	107,940	-64,860	-37.5%
Financial revenues	659	521	-138	-20.9%
Financial costs	15,552	18,356	2,804	18.0%
Gross profit / (loss)	157,907	90,105	-67,802	-42.9%
Income tax	25,422	21,960	-3,462	-13.6%
Net profit / (loss)	132,485	68,145	-64,340	-48.6%
EBITDA	297,252	247,474	-49,778	-16.7%

Q1 2019:

EBITDA of ENEA Operator Sp. z o.o.

- change drivers (a decrease by PLN 50 million):

(-) lower revenue from the sale of distribution services to end users by PLN 4 million result mainly from the lower volume of electricity delivered

(+) higher revenue from network connection fees by PLN 4 million result mainly from connection of a facility in the Connection Group Two

(+) lower purchase costs of transmission and distribution services (on balance) by PLN 4 million result from transferred fees arising from the settlement schedule with end users and PSE

(-) higher purchase costs of electricity to cover the energy balance difference (on balance) by PLN 21 million result mainly from higher average price of electricity

(+) higher result on other operating activities by PLN 26 million results mainly from lower revenues from the insurer related to the removal of random losses and the change in provision balance concerning grid assets

Annex No. 2 – Profit and loss account of ENEA Wytwarzanie Sp. z o.o. – Q1 2019

[PLN k]	Q1 2018 ¹⁾	Q1 2019	Change	% change
Revenue from the sale of electricity	912,187	1,074,036	161,849	17.7%
<i>generation licence</i>	806,180	999,069	192,889	23.9%
<i>trading licence</i>	106,007	74,967	-31,040	-29.3%
Revenue from certificates of origin	4,523	10,875	6,352	140.4%
Revenue from the sale of CO ₂ emission allowances	22,569	0	-22,569	-100.0%
Revenue from the sale of heat	1,301	357	-944	-72.6%
Revenue from services	2,253	2,538	285	12.6%
Sale of goods and materials and other revenue	2,276	4,152	1,876	82.4%
Excise duty	1	0	-1	-100.0%
Net sale revenue	945,108	1,091,958	146,850	15.5%
Depreciation and amortisation of power, plant and equipment and intangible fixed assets	116,810	108,166	-8,644	-7.4%
Costs of employee benefits	62,606	60,377	-2,229	-3.6%
Consumption of materials and raw materials and the value of goods sold	499,776	618,274	118,498	23.7%
Purchase of energy for sale purposes	192,002	123,386	-68,616	-35.7%
Transmission services	82	158	76	92.7%
Other third party services	27,595	29,707	2,112	7.7%
Taxes and levies	23,309	21,557	-1,752	-7.5%
Tax deductible costs of sale	922,180	961,625	39,445	4.3%
Other operating revenues	2,362	6,851	4,489	190.1%
Other operating costs	720	819	99	13.8%
Profit / (Loss) on the sale and liquidation of property, plant and equipment	409	(111)	-520	-127.1%
Operating profit / (loss)	24,979	136,254	111,275	445.5%
Financial revenues	724	1,086	362	50.0%
Financial costs	35,171	35,477	306	0.9%
Gross profit / (loss)	-9,468	101,863	111,331	-1,175.9%
Income tax	3,253	19,824	16,571	509.4%
Net profit / (loss)	-12,721	82,039	94,760	-744.9%
EBITDA	141,789	244,420	102,631	72.4%

Q1 2019:

EBITDA of ENEA Wytwarzanie Sp. z o.o.

- change drivers (an increase of PLN 103 million):

Kozienice Power Plant

(EBITDA increase by PLN 87.3 million):

(+) higher margin on generation by PLN 83.9 million

(+) higher margin on trading and on the Balancing Market by PLN 10.5 million

(+) other factors up by PLN 3.2 million (result on other operating activities PLN +2.7 million)

(+) lower fixed costs by PLN 0.8 million

(-) lower revenues from Regulatory System Services by PLN 11.1 million

RES Segment (EBITDA increase by PLN 15.3 million):

(+) Wind Area (PLN +14.8 million): higher revenues from electricity by PLN 7.6 million, higher revenues from certificates of origin by PLN 5.9 million, higher result on other operating activities by PLN 1.4 million

(+) Water Area (PLN +0.5 million): higher revenues from certificates of origin by PLN 0.6 million, lower payroll costs by PLN 0.5 million, lower revenues from electricity by PLN 0.6 million

¹⁾ Due to the separation of Białystok Heat and Power Plant from ENEA Wytwarzanie on 30 November 2018, the presentation of data for 2018 was changed. The 2018 data for Białystok Heat and Power Plant were excluded

Annex No. 3 – Profit and loss account of ENEA Elektrownia Połaniec – Q1 2019

[PLN k]	Q1 2018	Q1 2019	Change	% change
Sales revenue	541,102	683,355	142,253	26.3%
Excise tax	65	16	-49	-75.4%
Net sales revenue	541,037	683,339	142,302	26.3%
Depreciation and amortisation of property, plant and equipment and intangible fixed assets	13,513	14,540	1,027	7.6%
Costs of employee benefits	14,520	15,388	868	6.0%
Consumption of materials and raw materials and the value of goods sold	327,369	416,039	88,670	27.1%
Purchase of energy for sale purposes	113,359	81,731	-31,628	-27.9%
Transmission services	0	87	87	-
Other third party services	51,931	53,874	1,943	3.7%
Taxes and levies	10,810	8,518	-2,292	-21.2%
Tax deductible costs of sale	531,502	590,177	58,675	11.0%
Other operating revenues	172	4,638	4,466	2,596.5%
Other operating costs	290	130	-160	-55.2%
Operating profit / (loss)	9,417	97,670	88,253	937.2%
Financial revenues	740	678	-62	-8.4%
Financial costs	446	337	-109	-24.4%
Gross profit / (loss)	9,711	98,011	88,300	909.3%
Income tax	1,946	27,894	25,948	1,333.4%
Net profit / (loss)	7,765	70,117	62,352	803.0%
EBITDA	22,930	112,210	89,280	389.4%

Q1 2019:

EBITDA of ENEA Elektrownia Połaniec S.A.

- change drivers (an increase by PLN 89 million):

System Power Plant Segment

(EBITDA increase by PLN 57.5 million):

(+) higher margin on generation by PLN 33.7 million

(+) higher margin on trading and on the Balancing Market by PLN 8.6 million

(+) higher revenues from sales of Regulatory System Services by PLN 5.3 million

(+) lower fixed costs by PLN 9.8 million

RES Segment (EBITDA increase by PLN 34.6 million):

(+) higher margin on electricity generation from RES by PLN 33.8 million

(+) higher margin of the Green Unit on sale/inventory update of green certificates by PLN 6.2 million

(-) higher fixed costs by PLN 5.4 million

Heat Segment (EBITDA decrease by PLN 2.8 million):

(-) lower margin on heat by PLN 2.4 million due to: higher costs of CO₂ by PLN -2.2 million and higher costs of coal by PLN -0.3 million

(-) higher fixed costs by PLN 0.4 million – higher costs of overhauls

9. Glossary

Below are the formulas for financial ratios and the list of industry terms and abbreviations used in this document.

Financial ratios

Ratio		Formula
EBITDA	=	Operating profit/ (loss) + depreciation and amortisation + impairment losses on non-financial fixed assets
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	=	$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{LTM EBITDA}}$
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/definition
ACER	Agency for the Cooperation of Energy Regulators – EU agency established pursuant to the third energy package. The objective of the Agency is coordination and support of the national regulatory authorities. A full list of duties is specified in Regulation No. 713/2009
Balancing market	Technical market operated by the TSO. Its objective is to balance in real time the demand for electricity with its production in the National Power System (NPS)
Baseload price ("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)
BAT	Best Available Techniques – a document drawing conclusions on best available techniques for the installations concerned and indicating the emission levels associated with the best available techniques
CAPEX	Capital expenditures
CER	Certified Emission Reduction – the unit of certified emission reduction
Cogeneration	A technological process of simultaneous generation of electricity and usable thermal energy in a CHP plant
DSO	Distribution System Operator
Energy Law	Act of 10 April 1997 - Energy Law
ERO	Energy Regulatory Office
EUA	EU Emission Allowance - emission allowances under the European Emissions Trading System
Euro-peak price ("PEAK")	The contract price for delivery of the same volume of electricity in each hour of the day
European Union Emissions Trading System (EU ETS)	A European scheme to promote the reduction of greenhouse gas emissions
Forward market	Electricity market where forward products are listed
"Green" Property Rights	Same as PMOZE
GRI Standards	The Global Reporting Initiative is an international independent standards organisation that has developed globally available guidelines for public reporting of non-financial data, helping companies, governments and other organisations understand and communicate their impact on labour, environmental, social, human rights and corruption issues. The new version of the standard, compared to the previous G4 Guidelines, which expired on 1 July 2018, is intended to be more understandable, better structured and easier to use.
ICE	Intercontinental Exchange – a trading platform for trading CO ₂ emission allowances (EUA) and units of Certified Emission Reduction (CERs) in the futures market
"Light blue" Property Rights	Property rights to certificates of origin confirming the production of electricity from agricultural biogas
MW_e	Megawatthour of electrical power
MWh	Megawatthour (1 GWh = 1.000 MWh)
MW_t	Megawatt of heating power

Industry terms and abbreviations

Abbreviation/term	Full name/definition
NFOŚiGW	(Polish) National Fund for Environmental Protection and Water Management
NO_x	Nitrogen oxides
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
“Purple” Property Rights	Property Rights to certificates of origin being a confirmation of electricity generation in a cogeneration unit fired with methane released and captured during underground mining works or with gas obtained from biomass processing within the meaning of Article 2 paragraph 1 point 2 of the Act on Biocomponents and Liquid Biofuels
“Red” Property Rights	Property Rights to certificates of origin being confirmation of electricity generation in other cogeneration sources
REMIT	The Regulation on Wholesale Energy Market Integrity and Transparency sets out a framework for monitoring wholesale energy markets to detect and prevent unfair practices at EU level.
RES	Renewable Energy Sources
SAIDI	System Average Interruption Duration Index - indicator of the average system duration of a long and very long break (expressed in minutes per Customer)
SAIFI	System Average Interruption Frequency Index - indicator of the average system frequency of long interruptions in energy supply (expressed in the number of breaks per Customer)
SCR installation	Installation of selective catalytic reduction (SCR) flue gas denitrification
SO₂	Sulphur dioxide
SPOT market	Cash market
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
TGE	Towarowa Giełda Energii S.A. (Polish Power Exchange)
TGEozebio	Index for session transactions concerning Property Rights resulting from Certificates of Origin for energy generated from agricultural biogas, the production period of which commenced on 1 July 2016 (inclusive)
TSO	Transmission System Operator
WACC	Weighted average cost of capital
“White” Property Rights	Property rights to certificates of origin resulting from energy efficiency certificates, the so called “white” certificates
WIBOR	Warsaw Interbank Offered Rate - interest rate on loans on the Polish interbank market
“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