



**ENEA Group  
Condensed consolidated interim  
financial statements  
for the period from 1 January to 30 June 2019**

**Poznań, 27 September 2019**

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**ENE A Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 June 2019

*(unless stated otherwise, all amounts expressed in PLN 000s)*

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These condensed consolidated interim financial statements are prepared in accordance with the requirements of IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and have been approved by the Management Board of ENEA S.A.

**Members of the Management Board**

**President of the Management Board**      **Mirosław Kowalik**      .....

**Member of the Management Board**      **Piotr Adamczak**      .....

**Member of the Management Board**      **Jarosław Ołowski**      .....

**Member of the Management Board**      **Zbigniew Piętka**      .....

Prepared by: Robert Kiereta  
Head of Consolidated Reporting      .....

**Poznań, 27 September 2019**

**Consolidated statement of financial position**

		As at	
	Note	30.06.2019	31.12.2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	21 121 291	21 027 393
Perpetual usufruct of land		-	105 141
Right to use assets		355 625	-
Intangible assets	8	448 247	435 712
Investment properties		23 475	25 864
Investments in associates and jointly controlled entities	9	910 516	734 268
Deferred income tax assets	21	498 777	487 272
Financial assets measured at fair value	17	47 998	49 442
Debt financial assets at amortised cost	13	7 741	7 741
Trade and other receivables		149 367	23 257
Costs related to the conclusion of agreements		11 188	12 905
Financial lease and sub-lease receivables		912	-
Funds in the Mine Decommissioning Fund		129 258	128 279
		<b>23 704 395</b>	<b>23 037 274</b>
<b>Current assets</b>			
CO <sub>2</sub> emission rights		52 846	586 236
Inventories	14	1 345 705	1 264 870
Trade and other receivables		2 302 013	1 874 505
Costs related to the conclusion of agreements		13 136	16 948
Assets arising from contracts with customers	11	318 936	327 980
Current income tax receivables		130 824	93 659
Financial lease and sub-lease receivables		917	-
Financial assets measured at fair value	17	84 775	112 536
Debt financial assets at amortised cost	13	503	234
Other short-term investments		549	545
Cash and cash equivalents	16	4 106 510	2 650 838
		<b>8 356 714</b>	<b>6 928 351</b>
<b>Total assets</b>		<b>32 061 109</b>	<b>29 965 625</b>
	<b>Note</b>	<b>30.06.2019</b>	<b>31.12.2018</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Equity attributable to shareholders of the parent</b>			
Share capital		588 018	588 018
Share premium		3 632 464	3 632 464
Revaluation reserve - measurement of financial instruments		(16 295)	(16 295)
Revaluation reserve - measurement of hedging instruments		(21 923)	(16 024)
Retained earnings		10 423 815	9 908 842
		<b>14 606 079</b>	<b>14 097 005</b>
<b>Non-controlling interests</b>		1 005 361	952 157
<b>Equity</b>		<b>15 611 440</b>	<b>15 049 162</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Credit facilities, loans and debt securities	18	7 667 223	7 973 713
Trade and other payables		144 303	67 485
Liabilities arising from contracts with customers	11	3 928	3 312
Lease liabilities		235 402	3 646
Accounting for grants and road lighting modernisation services	20	208 465	198 141
Deferred income tax provision	21	394 389	367 607
Employee benefit liabilities		829 835	814 769
Financial liabilities measured at fair value		40 990	24 072
Provisions for other liabilities and other charges	22	699 350	657 112
		<b>10 223 885</b>	<b>10 109 857</b>
<b>Current liabilities</b>			
Credit facilities, loans and debt securities	18	1 520 288	355 840
Trade and other payables		2 407 195	2 534 733
Liabilities arising from contracts with customers	11	450 187	65 266
Lease liabilities		11 532	2 994
Accounting for grants and road lighting modernisation services	20	12 378	11 925
Current income tax liabilities		23 715	134
Employee benefit liabilities		410 610	420 018
Liabilities concerning the equivalent for rights to free purchase of shares		281	281
Financial liabilities measured at fair value		108 939	108 818
Provisions for other liabilities and other charges	22	1 280 659	1 306 597
		<b>6 225 784</b>	<b>4 806 606</b>
<b>Total liabilities</b>		<b>16 449 669</b>	<b>14 916 463</b>
<b>Total equity and liabilities</b>		<b>32 061 109</b>	<b>29 965 625</b>

**Consolidated statement of profit and loss and other comprehensive income**

		<b>6 months</b>	<b>3 months</b>	<b>6 months</b>	<b>3 months</b>
		<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>ended</b>
<b>Note</b>		<b>30.06.2019</b>	<b>30.06.2019</b>	<b>30.06.2018</b>	<b>30.06.2018</b>
Revenue from sales		7 625 217	3 594 699	6 166 111	3 110 578
Excise duty		(36 042)	(15 134)	(126 556)	(59 576)
<b>Net revenue from sales</b>	23	<b>7 589 175</b>	<b>3 579 565</b>	<b>6 039 555</b>	<b>3 051 002</b>
Compensation	26.1	430 401	430 401	-	-
<b>Revenue from sales and other income</b>		<b>8 019 576</b>	<b>4 009 966</b>	<b>6 039 555</b>	<b>3 051 002</b>
Other operating revenue		116 147	54 323	89 857	31 389
Changes in provision for onerous contracts	26.1	41 004	19 448	-	-
Amortisation		(744 203)	(382 480)	(722 546)	(359 195)
Employee benefit costs		(873 150)	(441 950)	(825 657)	(415 648)
Use of materials and raw materials and value of goods sold		(1 647 381)	(839 929)	(1 148 199)	(542 542)
Purchase of electricity and gas for sales purposes		(3 006 424)	(1 457 637)	(1 886 320)	(1 031 378)
Transmission services		(212 648)	(114 420)	(204 390)	(101 189)
Other third-party services		(435 417)	(227 052)	(410 287)	(210 460)
Taxes and fees		(226 696)	(105 276)	(216 026)	(93 030)
Loss on sale and liquidation of property, plant and equipment		(22 643)	(8 955)	(13 855)	(10 565)
Reversal of impairment losses on non-financial non-current assets		4 279	-	51 365	51 365
Other operating costs		(86 551)	(21 485)	(120 614)	(75 644)
<b>Operating profit</b>		<b>925 893</b>	<b>484 553</b>	<b>632 883</b>	<b>294 105</b>
Finance costs		(205 948)	(126 471)	(186 128)	(123 744)
Finance income		27 170	9 223	87 536	69 631
Dividend income		100	100	215	215
Share of results of associates and jointly controlled entities		(4 443)	2 582	23 750	11 141
<b>Profit before tax</b>		<b>742 772</b>	<b>369 987</b>	<b>558 256</b>	<b>251 348</b>
Income tax	21	(163 327)	(70 348)	(96 226)	(43 386)
<b>Net profit for the reporting period</b>		<b>579 445</b>	<b>299 639</b>	<b>462 030</b>	<b>207 962</b>
<b>Other comprehensive income</b>					
Subject to reclassification to profit or loss:					
- measurement of hedging instruments		(7 283)	(781)	(27 496)	857
- other		-	-	192	192
- income tax	21	1 384	150	5 224	(168)
Not subject to reclassification to profit or loss:					
- restatement of defined benefit programme		(3 202)	(3 202)	(38 406)	(38 406)
- income tax	21	608	608	7 297	7 297
<b>Net other comprehensive income</b>		<b>(8 493)</b>	<b>(3 225)</b>	<b>(53 189)</b>	<b>(30 228)</b>
<b>Comprehensive income for the reporting period</b>		<b>570 952</b>	<b>296 414</b>	<b>408 841</b>	<b>177 734</b>
<b>Including net profit:</b>					
attributable to shareholders of the Parent		505 788	259 634	431 190	190 434
attributable to non-controlling interests		73 657	40 005	30 840	17 528
<b>Including comprehensive income:</b>					
attributable to shareholders of the Parent		497 510	256 624	379 613	161 818
attributable to non-controlling interests		73 442	39 790	29 228	15 916
Net profit attributable to shareholders of the parent		505 788	259 634	431 190	190 434
Weighted average number of ordinary shares		441 442 578	441 442 578	441 442 578	441 442 578
<b>Net profit per share (in PLN per share)</b>		<b>1.15</b>	<b>0.59</b>	<b>0.98</b>	<b>0.43</b>
<b>Diluted profit per share (in PLN per share)</b>		<b>1.15</b>	<b>0.59</b>	<b>0.98</b>	<b>0.43</b>



**ENE A Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 June 2019

(unless stated otherwise, all amounts expressed in PLN 000s)

**Consolidated statement of changes in equity**

**(a) H1 2019**

	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Revaluation reserve - measurement of hedging instruments	Retained earnings	Equity attributable to non-controlling interests	Total equity
<b>As at 01.01.2019</b>	441 443	146 575	588 018	3 632 464	(16 295)	(16 024)	9 908 842	952 157	15 049 162
Net profit for the reporting period									
Net other comprehensive income						(5 899)	505 788	73 657	579 445
<b>Net comprehensive income recognised in the period</b>						<b>(5 899)</b>	<b>503 409</b>	<b>73 442</b>	<b>570 952</b>
Dividends								(8 674)	(8 674)
Other							11 564	(11 564)	-
<b>As at 30.06.2019</b>	441 443	146 575	588 018	3 632 464	(16 295)	(21 923)	10 423 815	1 005 361	15 611 440

**(b) H1 2018**

	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Other equity	Revaluation reserve - measurement of hedging instruments	Retained earnings	Equity attributable to non-controlling interests	Total equity
<b>As at 01.01.2018</b>	441 443	146 575	588 018	3 632 464	741	(27 101)	25 967	8 858 130	921 450	13 999 669
Adjustment due to implementation of IFRS 9 and 15								391 641		391 641
<b>As at 01.01.2018, adjusted</b>	441 443	146 575	588 018	3 632 464	741	(27 101)	25 967	9 249 771	921 450	14 391 310
Net profit for the reporting period								431 190	30 840	462 030
Net other comprehensive income					192		(22 272)	(29 497)	(1 612)	(53 189)
<b>Net comprehensive income recognised in the period</b>					<b>192</b>		<b>(22 272)</b>	<b>401 693</b>	<b>29 228</b>	<b>408 841</b>
<b>As at 30.06.2018</b>	441 443	146 575	588 018	3 632 464	933	(27 101)	3 695	9 651 464	950 678	14 800 151

The consolidated statement of changes in equity should be analysed in conjunction with explanatory notes, which constitute an integral part of the condensed consolidated interim financial statements.


**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 June 2019

*(unless stated otherwise, all amounts expressed in PLN 000s)*
**Consolidated statement of cash flows**

	<b>6 months ended 30.06.2019</b>	<b>6 months ended 30.06.2018</b>
<b>Cash flows from operating activities</b>		
Net profit for the reporting period	579 445	462 030
Adjustments:		
Income tax in profit or loss	163 327	96 226
Amortisation	744 203	722 546
Loss on sale and liquidation of property, plant and equipment	22 643	13 855
Reversal of impairment losses on non-financial non-current assets	(4 279)	(51 365)
Loss on sale of financial assets	8 934	20 263
Interest income	(5 685)	(23 120)
Dividend income	(100)	(215)
Interest costs	121 743	112 817
Loss on measurement of financial instruments	39 316	12 422
Share of profit of associates and jointly controlled entities	4 443	(23 750)
Other adjustments	(3 160)	(2 400)
	<b>1 091 385</b>	<b>877 279</b>
Paid income tax	(171 419)	70 963
Changes in working capital:		
CO <sub>2</sub> emission rights	533 390	301 358
Inventories	(79 094)	19 592
Trade and other receivables	(570 919)	(57 295)
Trade and other payables	581 320	348 175
Employee benefit liabilities	2 456	(40 525)
Accounting for grants and road lighting modernisation services	10 776	(59 845)
Provisions for other liabilities and other charges	4 422	(27 904)
	<b>482 351</b>	<b>483 556</b>
<b>Net cash flows from operating activities</b>	<b>1 981 762</b>	<b>1 893 828</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible and intangible assets	(1 070 020)	(942 813)
Proceeds from sale of tangible and intangible assets	7 972	980
Purchase of financial assets	(428)	(164 800)
Proceeds from sale of financial assets	67	10 000
Purchase of associates and jointly controlled entities	(181 269)	(171 153)
(Outflows)/inflows concerning funds held at Mine Decommissioning Fund bank account	(979)	1 680
Received interest	2 107	4 078
Other (outflows)/inflows from investing activities	(159)	867
	<b>(1 242 709)</b>	<b>(1 261 161)</b>
<b>Cash flows from financing activities</b>		
Credit and loans received	-	1 480
Bond issuance	1 000 000	-
Repayment of credit and loans	(76 189)	(52 502)
Bond buy-back	(78 055)	(122 500)
Repayment of lease liabilities	(15 671)	(612)
Interest paid	(113 825)	(105 399)
Expenditures concerning future bond issues	(195)	(449)
Other inflows/(outflows) from financing activities	554	(294)
	<b>716 619</b>	<b>(280 276)</b>
<b>Net cash flows from financing activities</b>	<b>716 619</b>	<b>(280 276)</b>
<b>Total net cash flows</b>	<b>1 455 672</b>	<b>352 391</b>
Cash at the beginning of reporting period	2 650 838	2 687 126
<b>Cash at the end of reporting period</b>	<b>4 106 510</b>	<b>3 039 517</b>

The consolidated statement of cash flows should be analysed in conjunction with explanatory notes, which constitute an integral part of the condensed consolidated interim financial statements.



## ENEA Group

Condensed consolidated interim financial statements for the period from 1 January to 30 June 2019

(unless stated otherwise, all amounts expressed in PLN 000s)

### Notes to the condensed consolidated interim financial statements

#### 1. General information on ENEA S.A. and ENEA Group

<b>Name:</b>	ENEA Spółka Akcyjna
<b>Legal form:</b>	Spółka akcyjna (joint-stock company)
<b>Country of registered office:</b>	Poland
<b>Registered office:</b>	Poznań
<b>Address:</b>	ul. Górecka 1, 60-201 Poznań
<b>National Court Register - District Court in Poznań</b>	KRS 0000012483
<b>Telephone number:</b>	(+48 61) 884 55 44
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<b>E-mail:</b>	<a href="mailto:enea@enea.pl">enea@enea.pl</a>
<b>Website:</b>	<a href="http://www.enea.pl">www.enea.pl</a>
<b>REGON number:</b>	630139960
<b>NIP number:</b>	777-00-20-640

ENEA Group's principal business activities are as follows:

- production of electric and thermal energy (ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Obornikach, Miejska Energetyka Ciepła Piła Sp. z o.o., ENEA Ciepło Sp. z o.o.);
- trade of electricity (ENEA S.A., ENEA Trading Sp. z o.o.);
- distribution of electricity (ENEA Operator Sp. z o.o.);
- distribution of heat (Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Obornikach, Miejska Energetyka Ciepła Piła Sp. z o.o., ENEA Ciepło Sp. z o.o.);
- mining and enriching of hard coal (LW Bogdanka S.A.)

As at 30 June 2019, the Parent's shareholding structure was as follows: the State Treasury of the Republic of Poland held a 51.50% stake and the other shareholders held 48.50%. As at 30 June 2019, the Parent's highest-level controlling entity was the State Treasury.

As at 30 June 2019, ENEA S.A.'s statutory share capital amounted to PLN 441 443 thousand (PLN 588 018 thousand after restatement to EU IFRS, taking into account hyperinflation and other adjustments) and was divided into 441 442 578 shares.

As at 30 June 2019, the Group consisted of the parent - ENEA S.A. ("Company," "Parent"), 15 subsidiaries, 9 indirect subsidiaries, 2 associates and 3 jointly controlled entities.

These condensed consolidated interim financial statements should be read in conjunction with ENEA Group's consolidated financial statements for the financial year ended 31 December 2018.

These condensed consolidated interim financial statements are prepared on a going concern basis for the foreseeable future. There are no circumstances such as would indicate a threat to the Group's going concern.

#### 2. Statement on compliance

These condensed consolidated interim financial statements are prepared in accordance with the requirements of IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and have been approved by the Management Board of ENEA S.A.

The Parent's Management Board used its best knowledge as to the application of standards and interpretations as well as methods and rules for the measurement of items in ENEA Group's condensed consolidated interim financial statements in accordance with EU IFRS as at 30 June 2019. The presented tables and explanations are prepared with due diligence. These condensed consolidated interim financial statements have been reviewed by a statutory auditor. The accounting rules below are applied consistently across all of the presented periods unless stated otherwise.

#### 3. Applied accounting rules

These condensed consolidated interim financial statements are prepared in accordance with accounting rules that are consistent with those applied in preparing the most recent annual consolidated financial statements, for the financial year ended 31 December 2018, except for accounting rules arising under IFRS 16 *Leases*, which entered into force



on 1 January 2019.

### 3.1. Functional currency and presentation currency

Items in the financial statements of individual Group entities are measured in the main currency of the economic setting in which the entity operates ("functional currency").

The Polish zloty is the reporting currency for these condensed consolidated interim financial statements. Data in these condensed consolidated interim financial statements is presented in PLN 000s unless stated otherwise.

### 3.2. Leases

A contract contains a lease if:

- a) it concerns an identified asset that is explicitly specified in the contract (e.g. using an inventory number or indication of a specific floor of a building) or indirectly specified when it is made available to the customer; and
- b) the lessee receives essential all of the economic benefits from such assets during the period of use, i.e. both basic benefits and the benefits derived from it; and
- c) the lessee has the right to specify the method in which it uses the identified asset.

As lessee, the Group recognises lease contracts in its financial statements as:

- a) right-of-use assets at purchase price;
  - covering the value of the lease liability plus payments made on or before the contract date, initial direct costs, an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories,
  - less any lease incentives received.
- b) lease liability constituting the sum of the present value of lease payments and the present value of payments expected at the end of the lease term.

Subsequent to initial recognition, the Group measures the right-of-use assets at purchase price less depreciation and impairment. The depreciation period is set as:

- a) If the lease transfers ownership of the underlying asset to the lessee or if the lessee is certain that it will exercise a purchase option, the depreciation period is from the commencement date to the end of the useful life of the underlying asset, or
- b) the depreciation period starts from the commencement date to the earlier of:
  - the end of the useful life of the right-of-use asset, or
  - the end of the lease term.

Lease payments, constituting the basis for measuring the lease liability, consist of the following payments:

- a) fixed lease payments for the contract term, i.e. the basic contract term and the term for which the lease contract is expected to be extended (including lease payments that despite being variable are in substance fixed because they are unavoidable), less lease receivables resulting from special promotional fees,
- b) variable lease payments that depend on an index or a rate, including payments linked to CPI, payments dependent on a reference interest rate (i.e. LIBOR) or payments that are variable in order to reflect changes in market rates for rent,
- c) amounts expected to be payable by the lessee under residual value guarantees,
- d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option,
- e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The present value of future lease payments is calculated using a discount rate. ENEA S.A., ENEA Operator Sp. z o.o., ENEA Wytwarzanie Sp. z o.o., Enea Elektrownia Połaniec S.A. and Lubelski Węgiel „Bogdanka” S.A. apply a residual interest rate, i.e. a rate that ENEA S.A. would be required to pay based on a similar lease contract or, if not possible to determine, an interest rate at the commencement date that ENEA S.A. would have to use to make a loan necessary to purchase the given asset for a similar period and with similar collateral. ENEA S.A. uses an interest rate equal to 6-month WIBOR from the last day of the year preceding the financial year, plus margin. The other companies use an interest rate equal to 1-month WIBOR from the last day of the year preceding the financial year, plus margin. The discount rate will be updated once a year, at the end of the year, and will be in force in the next period. In the case of sub-leases, lessees at ENEA Group use the lessor's discount rate.

The Group sets the lease term, i.e. irrevocable lease term, together with:

- a) the term for an option to extend the lease contract if it is sufficiently certain that the Group will exercise this right; and
- b) the term for an option to terminate the lease contract if it is sufficiently certain that the Company will not exercise that right.

In most of its lease contracts, the Group uses a lease period in accordance with the contractual period. For contracts executed for an undefined period, the Group determines the minimum contractual period for both of the parties.

**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 June 2019

*(unless stated otherwise, all amounts expressed in PLN 000s)*

If the Group is unable to determine how long it intends to use the asset and such an estimate could be treated as a lease term in the case of contracts with an undefined period, the Group assumes that the irrevocable contractual period will be the termination period for that contract.

In the case of the right to perpetual usufruct of land, the lease term is the same as the term for the right to perpetual usufruct.

In subsequent periods, the lease liability is measured taking into account:

- a) interest charged (unwind of discount),
- b) lease payments made,
- c) reflection of the re-evaluation of contract, changes in the contract or changes in the nature of variable payments that are fixed in substance.

The liability in a given period will constitute the difference between the present value of lease payments and the sum of lease payments for the given period. The interest part of a lease payment is directly recognised in the statement of profit and loss.

For multi-element contracts, the Group recognises lease components separately from non-lease components. The Group allocates contractual remuneration to all components, using individual sales prices in the case of lease components and aggregated individual sales prices in the case of non-lease components.

The Group has the option to apply a practical expedient and not to apply the lease model in reference to:

- a) short-term leases (contracts with a term of up to 12 months and without the right to purchase the asset),
- b) the leasing of low-value assets, the initial value of which does not exceed PLN 10 thousand (even if the value of such assets is significant after aggregation) and assets that are not largely depended on or tied to other assets specified in the contract.

This exemption does not apply to situations where the Group transfers the asset under a sub-lease or expects to transfer it. If the Group decides to use this expedient, it recognises lease payments as cost on a straight-line basis throughout the lease term.

As lessor, the Group classifies leases as finance leases or operating leases. A lease is classified as a finance lease if the lease contract meets one of the following criteria:

- a) the lease transfers ownership of the underlying asset to the lessee by the end of the lease term,
- b) the lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised
- c) the lease term is for the major part of the economic life of the underlying asset even if title is not transferred
- d) at the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset; and
- e) the underlying asset is of such a specialised nature that only the lessee can use it without major modifications,
- f) if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee,
- g) gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease),
- h) the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

The Group recognises operating lease revenue on a straight-line basis throughout the lease term.

The Group (as lessor) in a finance lease ceases to recognise the leased asset as property, plant and equipment and recognises finance lease receivables in an amount equal to the net lease investment. The recognition of finance income reflects a fixed periodic rate of return in the net lease investment by the lessor as part of a finance lease. Lease payments for a given reporting period decrease the gross lease investment, reducing both the principal receivable and the amount of unrealised finance income.

As an indirect lessor, the Group recognises the main lease contract and the sub-lease contract as two separate contracts. The measurement of the head lease, i.e. measurement of the right-of-use assets and the lease liability, is in accordance with the measurement methodology for standard lease contracts. The Group (indirect lessor) classifies a sublease contract as finance lease or operating lease in reference to the right-of-use resulting from the main lease contract.

Sublease contracts the term of which constitutes a major part of the head lease term are classified as finance leases. Otherwise, the sublease is an operating lease.

In the case of finance leases, the Group as indirect lessor:

- a) ceases to recognise the right-of-use assets from the head lease in full or in part such as become the object of the sublease, and recognises a sublease receivable (net sublease investment),
- b) retains on the balance sheet a head lease liability, which constitutes lease payments to the head lessor.

The Group (indirect lessor) throughout the term of the sublease recognises both interest income from the sublease and interest costs on the head lease, which are presented separately.

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The Group (indirect lessor) recognises sublease receivables in an amount equal to the sum of minimum lease payments due to the sublessor resulting from a finance sublease, discounting using the sublease interest rate. Based on the adopted interest rate, the fixed lease payment resulting from the contract is split into principal and interest. The principal portion reduces the amount of sublease receivable, while the interest portion is recognised in profit or loss.

When the Group executes a sublease contract that is an operating lease, the Group (indirect lessor) continues to recognise in the statement of financial position a lease liability and right-of-use assets.

During the operating sublease term, the Group:

- a) recognises depreciation of the right-of-use assets and interest on the lease liability,
- b) recognises sublease revenue.

As lessor, the Group does not have the option to use a practical expedient in the form of separating lease and non-lease components. The Group must allocate the total contractual consideration to lease and non-lease components based on the unit sale prices for specific components. Unit sale prices may be derived from price lists based on which the Group prepares its offerings. IFRS 15 Revenue from Contracts with Customers applies to non-lease components.

In June 2019, the IFRS Interpretations Committee ("Interpretations Committee") issued a summary of decisions taken at public meetings concerning interpretations regarding IFRS 16, including regarding the right to underground parts of land. Prior to issuing these decisions by the Interpretations Committee, the Group had not recognised contracts giving it the right to underground parts of land as lease contracts in accordance with the definition of lease introduced by IFRS 16. The Group also did not consider as lease contracts transmission easements, concerning both a situation in which energy poles were situated on the land covered by an easement and where infrastructure is not situated and the easement concerns only a power line above land. As at the date of these condensed consolidated interim financial statements, the Group preliminarily assessed that the issued decision has no application to its transactions and thus it did not recognise lease liabilities or right-of-use assets concerning these contracts. Taken into account the lack of market practices in this regard so far, the Group plans to carry out a detailed analysis of the potential impact of this decision by the Committee on the Group's accounting rules. Depending on the results of this analysis, the Group is taking into account the possibility of revising its judgment on whether or not these contracts constitute a lease contract in preparing its annual consolidated financial statements for the financial year ending 31 December 2019. This might result in an increase in right-of-use assets and lease liabilities presented in the statement of financial position.

It was not possible to reliably determine the potential impact of the Committee's decision on the Group's financial statements as at 30 June 2019.

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**3.3. Methods for implementing new standards**

IFRS 16 - the Group adopted a modified retrospective approach as the approach for implementing IFRS 16, without restating the comparative data for previous periods, i.e. 1 January 2018 and 31 December 2018.

	31.12.2018	Impact of IFRS 16	01.01.2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	21 027 393	(7 047)	21 020 346
Perpetual usufruct of land	105 141	(105 141)	-
Right to use assets	-	360 877	360 877
Intangible assets	435 712		435 712
Investment properties	25 864		25 864
Investments in associates and jointly controlled entities	734 268		734 268
Deferred income tax assets	487 272		487 272
Financial assets measured at fair value	49 442		49 442
Debt financial assets at amortised cost	7 741		7 741
Trade and other receivables	23 257	(1 103)	22 154
Costs related to the conclusion of agreements	12 905		12 905
Financial lease and sub-lease receivables	-	1 103	1 103
Funds in the Mine Decommissioning Fund	128 279		128 279
	<b>23 037 274</b>	<b>248 689</b>	<b>23 285 963</b>
<b>Current assets</b>			
CO <sub>2</sub> emission allowances	586 236		586 236
Inventories	1 264 870		1 264 870
Trade and other receivables	1 874 505	(759)	1 873 746
Costs related to the conclusion of agreements	16 948		16 948
Assets arising from contracts with customers	327 980		327 980
Financial lease and sub-lease receivables	-	759	759
Current income tax receivables	93 659		93 659
Financial assets measured at fair value	112 536		112 536
Debt financial assets at amortised cost	234		234
Other short-term investments	545		545
Cash and cash equivalents	2 650 838		2 650 838
	<b>6 928 351</b>	<b>-</b>	<b>6 928 351</b>
<b>Total assets</b>	<b>29 965 625</b>	<b>248 689</b>	<b>30 214 314</b>

Impairment of right-of-use assets as at 1 January 2019 and 30 June 2019 was PLN 11 905 thousand and concerned rights to perpetual usufruct of land.

	31.12.2018	Impact of IFRS 16	01.01.2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Equity attributable to shareholders of the parent</b>			
Share capital	588 018		588 018
Share premium	3 632 464		3 632 464
Revaluation reserve - measurement of financial instruments	(16 295)		(16 295)
Revaluation reserve - measurement of hedging instruments	(16 024)		(16 024)
Retained earnings	9 908 842		9 908 842
	<b>14 097 005</b>	<b>-</b>	<b>14 097 005</b>
<b>Non-controlling interests</b>	<b>952 157</b>		<b>952 157</b>
<b>Equity</b>	<b>15 049 162</b>	<b>-</b>	<b>15 049 162</b>


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	31.12.2018	Impact of IFRS 16	01.01.2019
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Credit facilities, loans and debt securities	7 973 713		7 973 713
Trade and other payables	67 485		67 485
Liabilities arising from contracts with customers	3 312		3 312
Lease liabilities	3 646	235 107	238 753
Accounting for grants and road lighting modernisation services	198 141		198 141
Deferred income tax provision	367 607		367 607
Employee benefit liabilities	814 769		814 769
Financial liabilities measured at fair value	24 072		24 072
Provisions for other liabilities and other charges	657 112		657 112
	<b>10 109 857</b>	<b>235 107</b>	<b>10 344 964</b>
<b>Current liabilities</b>			
Credit facilities, loans and debt securities	355 840		355 840
Trade and other payables	2 534 733		2 534 733
Liabilities arising from contracts with customers	65 266		65 266
Lease liabilities	2 994	13 582	16 576
Accounting for grants and road lighting modernisation services	11 925		11 925
Current income tax liabilities	134		134
Employee benefit liabilities	420 018		420 018
Liabilities concerning the equivalent for rights to free purchase of shares	281		281
Financial liabilities measured at fair value	108 818		108 818
Provisions for other liabilities and other charges	1 306 597		1 306 597
	<b>4 806 606</b>	<b>13 582</b>	<b>4 820 188</b>
<b>Total liabilities</b>	<b>14 916 463</b>	<b>248 689</b>	<b>15 165 152</b>
<b>Total equity and liabilities</b>	<b>29 965 625</b>	<b>248 689</b>	<b>30 214 314</b>

The implementation of IFRS 16 had an impact on the level of EBITDA and its comparability with the previous period due to the impact of the new standard on an increase in amortisation and finance costs.

	30.06.2019	30.06.2018*
<b>Net profit</b>	<b>579 445</b>	<b>462 030</b>
Amortisation	744 203	722 546
Reversal of impairment losses on non-financial non-current assets	(4 279)	(51 365)
Finance costs	205 948	186 128
Finance income	(27 170)	(87 536)
Dividend income	(100)	(215)
Share of profit of associates and jointly controlled entities	4 443	(23 750)
Income tax	163 327	96 226
<b>EBITDA</b>	<b>1 665 817</b>	<b>1 304 064</b>

\*Data without taking into account the impact of IFRS 16.

#### 4. Significant estimates and assumptions

Drafting condensed consolidated interim financial statements in accordance with IAS 34 requires the Management Board to adopt certain assumptions and make estimates that have an impact on the application of accounting rules and on amounts being presented in the condensed consolidated interim financial statements and notes to these statements. Such assumptions and estimates are based on the Management Board's best knowledge regarding current and future events and activities. Actual results may significantly differ from forecasts. Estimates used in preparing these condensed consolidated interim financial statements are consistent with the estimates used in preparing the consolidated financial statements for the most recent financial year. The estimated values presented in previous financial years do not have a material impact on the present interim period.

**5. Group structure - list of subsidiaries and the Group's stakes in associates and jointly controlled entities**

	Company name and address		ENEA S.A.'s stake in total number of voting rights in % 30.06.2019	ENEA S.A.'s stake in total number of voting rights in % 31.12.2018
1.	<b>ENEA Operator Sp. z o.o.</b> Poznań, ul. Strzeszyńska 58	subsidiary	100	100
2.	<b>ENEA Wytwarzanie Sp. z o.o.</b> Świerże Górne, al. Józefa Zielińskiego 1	subsidiary	100	100
3.	<b>ENEA Elektrownia Połaniec S.A.</b> Połaniec, ul. Zawada 26	subsidiary	100	100
4.	<b>ENEA Oświetlenie Sp. z o.o.</b> Szczecin, ul. Ku Stołcu 34	subsidiary	100	100
5.	<b>ENEA Trading Sp. z o.o.</b> Świerże Górne, Kozienice municipality, Kozienice 1	subsidiary	100	100
6.	<b>ENEA Logistyka Sp. z o.o.</b> Poznań, ul. Strzeszyńska 58	subsidiary	100	100
7.	<b>ENEA Ciepło Serwis Sp. z o.o.</b> Białystok, ul. Starosielce 2/1	subsidiary	100	100
8.	<b>ENEA Serwis Sp. z o.o.</b> Lipno, Gronówko 30	subsidiary	100	100
9.	<b>ENEA Centrum Sp. z o.o.</b> Poznań, ul. Górecka 1	subsidiary	100	100
10.	<b>ENEA Pomiary Sp. z o.o.</b> Poznań, ul. Strzeszyńska 58	subsidiary	100	100
11.	<b>ENERGO-TOUR Sp. z o.o. w likwidacji</b> Poznań, ul. Strzeszyńska 58	subsidiary	100 <sup>5</sup>	100 <sup>5</sup>
12.	<b>ENEA Innowacje Sp. z o.o.</b> Warsaw, ul. Wiśniowa 40	subsidiary	100 <sup>7</sup>	100
13.	<b>ENEA Ciepło Sp. z o.o.</b> Białystok, ul. Warszawska 27	subsidiary	95,77	95,77
14.	<b>Lubelski Węgiel BOGDANKA S.A.</b> Bogdanka, Puchaczów	subsidiary	65,99	65,99
15.	<b>Annacond Enterprises Sp. z o.o. w likwidacji</b> Warsaw, ul. Jana Pawła II 12	subsidiary	61	61
16.	<b>Elektrownia Ostrołęka Sp. z o.o.</b> Ostrołęka, ul. Elektryczna 3	jointly controlled entity	50 <sup>6</sup>	50
17.	<b>ElectroMobility Poland S.A.</b> Warsaw, ul. Mysia 2	associate	25	25
18.	<b>Polimex – Mostostal S.A.</b> Warsaw, al. Jana Pawła II 12	associate	16,48	16,48
19.	<b>Polska Grupa Górnicza S.A.</b> Katowice, ul. Powstańców 30	jointly controlled entity	7,66	7,66
20.	<b>ENEA Bioenergia Sp. z o.o.</b> Połaniec, ul. Zawada 26	indirect subsidiary	100 <sup>4</sup>	100 <sup>4</sup>
21.	<b>ENEA Połaniec Serwis Sp. z o.o. w organizacji</b> Połaniec, ul. Zawada 26	indirect subsidiary	100 <sup>4</sup>	-
22.	<b>ENEA Badania i Rozwój Sp. z o.o.</b> Świerże Górne, al. Józefa Zielińskiego 1	indirect subsidiary	100 <sup>1</sup>	100 <sup>1</sup>
23.	<b>Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.</b> Oborniki, ul. Wybudowanie 56	indirect subsidiary	99,93 <sup>1</sup>	99,93 <sup>1</sup>
24.	<b>Miejska Energetyka Ciepła Piła Sp. z o.o.</b> Piła, ul. Kaczorska 20	indirect subsidiary	71,11 <sup>1</sup>	71,11 <sup>1</sup>
25.	<b>EkoTRANS Bogdanka Sp. z o.o.</b> Bogdanka, Puchaczów	indirect subsidiary	65,99 <sup>2</sup>	65,99 <sup>2</sup>
26.	<b>RG Bogdanka Sp. z o.o.</b> Bogdanka, Puchaczów	indirect subsidiary	65,99 <sup>2</sup>	65,99 <sup>2</sup>
27.	<b>MR Bogdanka Sp. z o.o.</b> Bogdanka, Puchaczów	indirect subsidiary	65,99 <sup>2</sup>	65,99 <sup>2</sup>
28.	<b>Łęczyńska Energetyka Sp. z o.o.</b> Bogdanka, Puchaczów	indirect subsidiary	58,53 <sup>2</sup>	58,53 <sup>2</sup>
29.	<b>Centralny System Wymiany Informacji Sp. z o.o. w likwidacji</b> Poznań, ul. Strzeszyńska 58	jointly controlled entity	20 <sup>3</sup>	20 <sup>3</sup>

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*(unless stated otherwise, all amounts expressed in PLN 000s)*<sup>1</sup> – indirect subsidiary through stake in ENEA Wytwarzanie Sp. z o.o.<sup>2</sup> – indirect subsidiary through stake in Lubelski Węgiel BOGDANKA S.A.<sup>3</sup> – jointly controlled entity through stake in ENEA Operator Sp. z o.o.<sup>4</sup> – indirect subsidiary through stake in ENEA Elektrownia Połaniec S.A.<sup>5</sup> – on 30 March 2015 the company's extraordinary general meeting adopted a resolution on the dissolution of the company following a liquidation proceeding; the resolution entered into force on 1 April 2015. An application for the company to be removed from the National Court Register was filed on 5 November 2015. At the date on which these condensed consolidated interim financial statements were prepared, procedural activities connected with removing the entity from the National Court Register were in progress.<sup>6</sup> – on 4 January 2019 an Extraordinary General Meeting of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on a PLN 361 382 thousand share capital increase, from PLN 551 100 thousand to PLN 912 482 thousand, through the issue of 7 227 642 new shares with voting preference, i.e. with two votes for one share, with nominal value of PLN 50.00 each and total nominal value of PLN 361 382 thousand. On 4 January 2019, ENEA S.A. signed a commitment to acquire 3 613 821 shares in exchange for a cash contribution of PLN 180 691 thousand. On 4 January 2019, ENEA S.A. provided its cash contribution. The share capital increase was registered at the National Court Register on 1 March 2019.<sup>7</sup> – on 12 June 2019, an Extraordinary General Meeting of ENEA Innovation Sp. z o.o. adopted Resolution no. 1 regarding a cash increase of the company's share capital by PLN 5 400 thousand, i.e. from PLN 3 805 thousand to PLN 9 205 thousand, by issuing 54 000 new shares with a nominal value of PLN 100.00 each. The share capital increase was registered at the National Court Register on 19 July 2019.

## 6. Segment reporting

The Group presents segment information in accordance with IFRS 8 Operating Segments. Operating segments correspond to the reporting segments and are not aggregated. The Group's activities are managed in operating segments that are distinct in terms of products and services. ENEA Group reports four operating segments:

- trade - the purchase and sale of electricity,
- distribution - electricity distribution and transmission services,
- generation - the generation of electricity from conventional and renewable sources, generation of industrial heat,
- mining - the production and sale of coal, companies providing support services to mines,

and other activities - maintenance and modernisation of road lighting equipment, transport services, repair and construction services.

Segment revenue is revenue generated from sales to external customers and transactions with other segments that can be directly attributed to the given segment.

Segment costs include the cost of sales to external customers and costs of transactions with other segments within the Group that result from the operating activities of a given segment and can be directly attributed to the given segment.

Market prices are applied to inter-segment transactions, which makes it possible for units to generate margins sufficient to independently operate on the market. In analysing segment results, the Group especially focuses on EBITDA. EBITDA is defined as operating profit (calculated as result before tax adjusted by the share of results of associates and jointly controlled entities, finance income, dividend income and finance costs) plus amortisation and impairment of non-financial non-current assets.

Rules for determining segment results and segment assets and liabilities are in compliance with the accounting rules used in preparing consolidated financial statements.



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**Segment results:**

(a) Segment results for the period from 1 January to 30 June 2019 are as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Net revenue from sales	3 498 431	1 386 729	2 447 047	163 580	93 388	-	7 589 175
Inter-segment sales	455 068	14 971	1 477 405	934 756	222 784	(3 104 984)	-
<b>Total net revenue from sales</b>	<b>3 953 499</b>	<b>1 401 700</b>	<b>3 924 452</b>	<b>1 098 336</b>	<b>316 172</b>	<b>(3 104 984)</b>	<b>7 589 175</b>
Compensation	430 401	-	-	-	-	-	430 401
<b>Revenue from sales and other income</b>	<b>4 383 900</b>	<b>1 401 700</b>	<b>3 924 452</b>	<b>1 098 336</b>	<b>316 172</b>	<b>(3 104 984)</b>	<b>8 019 576</b>
Total costs	(4 349 803)	(1 172 038)	(3 469 151)	(835 561)	(285 834)	3 051 922	(7 060 465)
<b>Segment result</b>	<b>34 097</b>	<b>229 662</b>	<b>455 301</b>	<b>262 775</b>	<b>30 338</b>	<b>(53 062)</b>	<b>959 111</b>
Amortisation	(820)	(289 471)	(274 373)	(171 706)	(30 045)		
Reversal of impairment losses on non-financial non-current assets	-	4 279	-	-	-		
<b>Segment result - EBITDA</b>	<b>34 917</b>	<b>514 854</b>	<b>729 674</b>	<b>434 481</b>	<b>60 383</b>		
<b>% of net revenue from sales</b>	<b>0.8%</b>	<b>36.7%</b>	<b>18.6%</b>	<b>39,6%</b>	<b>19.1%</b>		
Unallocated costs at Group level (administration expenses)							(33 218)
<b>Operating profit</b>							<b>925 893</b>
Finance costs							(205 948)
Finance income							27 170
Dividend income							100
Share of profit of associates and jointly controlled entities							(4 443)
Income tax							(163 327)
<b>Net profit</b>							<b>579 445</b>
Share of profit attributable to non-controlling interests							73 657

The notes presented on pages 8 - 40 constitute an integral part of these condensed consolidated interim financial statements.





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(b) Segment results for the period from 1 April to 30 June 2019 are as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Net revenue from sales	1 483 329	689 573	1 267 799	91 766	47 098	-	3 579 565
Inter-segment sales	230 714	7 625	727 257	465 752	111 374	(1 542 722)	-
<b>Total net revenue from sales</b>	<b>1 714 043</b>	<b>697 198</b>	<b>1 995 056</b>	<b>557 518</b>	<b>158 472</b>	<b>(1 542 722)</b>	<b>3 579 565</b>
Compensation	430 401	-	-	-	-	-	430 401
<b>Revenue from sales and other income</b>	<b>2 144 444</b>	<b>697 198</b>	<b>1 995 056</b>	<b>557 518</b>	<b>158 472</b>	<b>(1 542 722)</b>	<b>4 009 966</b>
Total costs	(2 099 293)	(579 262)	(1 802 324)	(433 577)	(141 049)	1 547 013	(3 508 492)
<b>Segment result</b>	<b>45 151</b>	<b>117 936</b>	<b>192 732</b>	<b>123 941</b>	<b>17 423</b>	<b>4 291</b>	<b>501 474</b>
Amortisation	(585)	(148 084)	(137 175)	(91 124)	(16 530)		
<b>Segment result - EBITDA</b>	<b>45 736</b>	<b>266 020</b>	<b>329 907</b>	<b>215 065</b>	<b>33 953</b>		
<b>% of net revenue from sales</b>	<b>2.1%</b>	<b>38.2%</b>	<b>16.5%</b>	<b>38,6%</b>	<b>21.4%</b>		
Unallocated costs at Group level (administration expenses)							(16 921)
<b>Operating profit</b>							<b>484 553</b>
Finance costs							(126 471)
Finance income							9 223
Dividend income							100
Share of profit of associates and jointly controlled entities							2 582
Income tax							(70 348)
<b>Net profit</b>							<b>299 639</b>
Share of profit attributable to non-controlling interests							40 005

The notes presented on pages 8 - 40 constitute an integral part of these condensed consolidated interim financial statements.



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(unless stated otherwise, all amounts expressed in PLN 000s)

(c) Segment results for the period from 1 January to 30 June 2018 are as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Net revenue from sales	3 385 155	1 356 285	1 120 910	106 909	70 296	-	6 039 555
Inter-segment sales	614 784	14 692	2 270 971	749 043	215 386	(3 864 876)	-
<b>Total net revenue from sales</b>	<b>3 999 939</b>	<b>1 370 977</b>	<b>3 391 881</b>	<b>855 952</b>	<b>285 682</b>	<b>(3 864 876)</b>	<b>6 039 555</b>
Total costs	(3 971 134)	(1 045 933)	(3 178 430)	(755 963)	(276 070)	3 851 681	(5 375 849)
<b>Segment result</b>	<b>28 805</b>	<b>325 044</b>	<b>213 451</b>	<b>99 989</b>	<b>9 612</b>	<b>(13 195)</b>	<b>663 706</b>
Amortisation	(293)	(254 766)	(274 530)	(173 560)	(25 474)		
Reversal of impairment losses on non-financial non-current assets	-	-	51 365	-	-		
<b>Segment result - EBITDA</b>	<b>29 098</b>	<b>579 810</b>	<b>436 616</b>	<b>273 549</b>	<b>35 086</b>		
<b>% of net revenue from sales</b>	<b>0.7%</b>	<b>42.3%</b>	<b>12.9%</b>	<b>32.0%</b>	<b>12.3%</b>		
Unallocated costs at Group level (administration expenses)							(30 823)
<b>Operating profit</b>							<b>632 883</b>
Finance costs							(186 128)
Finance income							87 536
Dividend income							215
Share of profit of associates and jointly controlled entities							23 750
Income tax							(96 226)
<b>Net profit</b>							<b>462 030</b>
Share of profit attributable to non-controlling interests							30 840

The notes presented on pages 8 - 40 constitute an integral part of these condensed consolidated interim financial statements.



**ENEA Group**

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(unless stated otherwise, all amounts expressed in PLN 000s)

(d) Segment results for the period from 1 April to 30 June 2018 are as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Net revenue from sales	1 701 562	656 583	589 606	70 572	32 679	-	3 051 002
Inter-segment sales	359 838	8 703	1 157 962	386 683	112 432	(2 025 618)	-
<b>Total net revenue from sales</b>	<b>2 061 400</b>	<b>665 286</b>	<b>1 747 568</b>	<b>457 255</b>	<b>145 111</b>	<b>(2 025 618)</b>	<b>3 051 002</b>
Total costs	(2 085 743)	(511 509)	(1 618 235)	(396 469)	(141 747)	2 013 330	(2 740 373)
<b>Segment result</b>	<b>(24 343)</b>	<b>153 777</b>	<b>129 333</b>	<b>60 786</b>	<b>3 364</b>	<b>(12 288)</b>	<b>310 629</b>
Amortisation	(151)	(128 564)	(131 439)	(89 483)	(12 643)		
Reversal of impairment losses on non-financial non-current assets	-	-	51 365	-	-		
<b>Segment result - EBITDA</b>	<b>(24 192)</b>	<b>282 341</b>	<b>209 407</b>	<b>150 269</b>	<b>16 007</b>		
<b>% of net revenue from sales</b>	<b>(1.2%)</b>	<b>42.4%</b>	<b>12.0%</b>	<b>32.9%</b>	<b>11.0%</b>		
Unallocated costs at Group level (administration expenses)							(16 524)
<b>Operating profit</b>							<b>294 105</b>
Finance costs							(123 744)
Finance income							69 631
Dividend income							215
Share of profit of associates and jointly controlled entities							11 141
Income tax							(43 386)
<b>Net profit</b>							<b>207 962</b>
Share of profit attributable to non-controlling interests							17 528



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(unless stated otherwise, all amounts expressed in PLN 000s)

**Segment reporting (continued)**

(a) Other information concerning segments as at 30 June 2019 is as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Property, plant and equipment	14 944	9 011 409	9 379 894	2 811 925	364 438	(470 341)	21 112 269
Trade and other receivables	1 799 778	309 638	708 353	290 184	536 074	(1 193 345)	2 450 682
Costs related to the conclusion of agreements	24 324	-	-	-	-	-	24 324
Assets arising from contracts with customers	128 577	194 032	299	-	11 262	(15 234)	318 936
Total	1 967 623	9 515 079	10 088 546	3 102 109	911 774	(1 678 920)	23 906 211
ASSETS excluded from segments							8 154 898
- including property, plant and equipment							9 022
- including trade and other receivables							698
<b>TOTAL: ASSETS</b>							<b>32 061 109</b>
Trade and other payables	330 029	374 137	1 166 484	269 602	243 129	(886 506)	1 496 875
Liabilities arising from contracts with customers	696 688	79 302	-	198	-	(322 073)	454 115
Total	1 026 717	453 439	1 166 484	269 800	243 129	(1 208 579)	1 950 990
Equity and liabilities excluded from segments							30 110 119
- including trade and other payables							1 054 623
<b>TOTAL: EQUITY AND LIABILITIES</b>							<b>32 061 109</b>

**for the 6-month period ending 30 June 2019**

Investment expenditures on property, plant and equipment and intangible assets	6	456 490	261 423	167 049	17 273	(13 178)	889 063
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							-
Amortisation	820	289 471	274 373	171 706	30 045	(23 260)	743 155
Amortisation excluded from segments							1 048
Recognition/(reversal/usage) of impairment losses on receivables	328	1 210	128	214	(439)	-	1 441
Recognition/(reversal) of impairment losses on non-financial non-current assets	-	(4 279)	-	-	-	-	(4 279)

The notes presented on pages 8 - 40 constitute an integral part of these condensed consolidated interim financial statements.



**ENEA Group**

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(unless stated otherwise, all amounts expressed in PLN 000s)

(b) Other information concerning segments as at 31 December 2018 is as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Property, plant and equipment	15 306	8 854 779	9 439 189	2 821 637	367 219	(481 699)	21 016 431
Trade and other receivables	1 295 030	269 419	707 484	204 260	128 519	(707 658)	1 897 054
Costs related to the conclusion of agreements	29 853	-	-	-	-	-	29 853
Assets arising from contracts with customers	126 462	210 907	228	-	1 700	(11 317)	327 980
Total	1 466 651	9 335 105	10 146 901	3 025 897	497 438	(1 200 674)	23 271 318
ASSETS excluded from segments							6 694 307
- including property, plant and equipment							10 962
- including trade and other receivables							708
<b>TOTAL: ASSETS</b>							<b>29 965 625</b>
Trade and other payables	286 220	459 218	950 997	294 088	279 347	(547 302)	1 722 568
Liabilities arising from contracts with customers	171 673	66 707	-	517	1 354	(171 673)	68 578
Total	457 893	525 925	950 997	294 605	280 701	(718 975)	1 791 146
Equity and liabilities excluded from segments							28 174 479
- including trade and other payables							879 650
<b>TOTAL: EQUITY AND LIABILITIES</b>							<b>29 965 625</b>

**for the 6-month period ending 30 June 2018**

Investment expenditures on property, plant and equipment and intangible assets	498	300 889	127 312	199 506	15 197	(5 334)	638 068
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							283
Amortisation	293	254 766	274 530	173 560	25 474	(6 614)	722 009
Amortisation excluded from segments							537
Recognition/(reversal/usage) of impairment losses on receivables	1 769	4 523	1 005	(2 335)	88	(1 389)	3 661
Recognition/(reversal) of impairment losses on non-financial non-current assets	-	-	(51 365)	-	-	-	(51 365)



## ENE A Group

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### 7. Property, plant and equipment

In the 6-month period ending 30 June 2019 the Group purchased property, plant and equipment items for a total of PLN 869 098 thousand (in the 6-month period ending 30 June 2018: PLN 634 636 thousand). These amounts mainly concern the generation segment (PLN 260 660 thousand), mining (PLN 166 808 thousand) and distribution (PLN 416 182 thousand).

In the 6-month period ending 30 June 2019 the Group sold and liquidated property, plant and equipment items with total net book value of PLN 30 644 thousand (in the 6 months ended 30 June 2018: PLN 18 640 thousand).

In the 6-month period ended 30 June 2019, impairment losses on property, plant and equipment decreased by PLN 4 620 thousand on a net basis (in the 6-month period ended 30 June 2018 impairment of property, plant and equipment decreased by PLN 51 977 thousand on a net basis).

As at 30 June 2019, total impairment of property, plant and equipment amounted to PLN 1 451 799 thousand (as at 31 December 2018: PLN 1 456 419 thousand).

On 29 February 2018, an Extraordinary General Meeting of Annacond Enterprises Sp. z o.o. (Annacond Enterprises) adopted a resolution on the liquidation of Annacond Enterprises. Annacond Enterprises' sole significant asset is a section of the cross-border 110kV line Wólka Dobrzyńska - state border (Line). In the course of the liquidation process, the Line was sold by Annacond Enterprises' liquidator. On 4 April 2019, Annacond Enterprises' Extraordinary General Meeting adopted a resolution approving the aforementioned transaction, i.e. granting consent for Annacond Enterprises to execute an agreement to sell the 110 kV power line Wólka Dobrzyńska - Brest 2. The sale price was PLN 5 370 thousand net.

### 8. Intangible assets

In the 6-month period ending 30 June 2019 the Group purchased intangible assets worth PLN 19 965 thousand (in the 6-month period ended 30 June 2018 the Group purchased intangible assets worth PLN 3 715 thousand).

In the 6-month period ending 30 June 2019, the Group received intangible assets from intangible assets under construction worth PLN 16 026 thousand (in the 6-month period ended 30 June 2018: PLN 15 848 thousand).

In the 6-month period ending 30 June 2019 the Group did not conduct significant sales or liquidations of intangible assets (in the 6-month period ended 30 June 2018, the Group also did not conduct significant sales or liquidations of intangible assets).

### 9. Investments in associates and jointly controlled entities

	30.06.2019	31.12.2018
As at the beginning of period	734 268	355 152
Change in the change in net assets	(4 443)	55 422
Purchase of investments	180 691	323 694
<b>As at the reporting date</b>	<b>910 516</b>	<b>734 268</b>

	30.06.2019	31.12.2018
Polska Grupa Górnicza S.A.	348 892	351 461
Elektrownia Ostrołęka Sp. z o.o.	447 848	268 832
Polimex - Mostostal S.A.	98 755	98 981
ElectroMobility Poland S.A.	15 021	14 994
	<b>910 516</b>	<b>734 268</b>

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	Polimex Mostostal S.A.	Polska Grupa Górnicza S.A.	Elektrownia Ostrołęka Sp. z o.o.	ElectroMobility Poland S.A.
<b>As at 30.06.2019</b>				
Non-current assets	699 525	9 772 991	882 480	14 220
Current assets	917 364	2 620 353	37 581	46 612
Non-current liabilities	418 563	4 893 562	20 630	3
Current liabilities	647 292	3 648 202	17 893	746
<b>Net assets</b>	<b>551 034</b>	<b>3 851 580</b>	<b>881 538</b>	<b>60 083</b>
Share in votes	16.48%	7.66%	50.00%	25%
<b>Share in net assets</b>	<b>90 810</b>	<b>295 031</b>	<b>440 769</b>	<b>15 021</b>
Goodwill	15 954	52 697	7 079	-
Elimination of unrealised gains/losses	(8 009)	1 164	-	-
<b>Equity-accounted investments</b>	<b>98 755</b>	<b>348 892</b>	<b>447 848</b>	<b>15 021</b>

	Polimex Mostostal S.A.	Polska Grupa Górnicza S.A.	Elektrownia Ostrołęka Sp. z o.o.	ElectroMobility Poland S.A.
<b>As at 31.12.2018</b>				
Non-current assets	712 957	9 026 951	473 083	9 223
Current assets	1 222 581	3 030 488	95 005	52 464
Non-current liabilities	538 027	4 511 080	20 573	-
Current liabilities	840 158	3 801 041	24 011	1 711
<b>Net assets</b>	<b>557 353</b>	<b>3 745 318</b>	<b>523 504</b>	<b>59 976</b>
Share in votes	16.48%	7.66%	50.00%	25%
<b>Share in net assets</b>	<b>91 852</b>	<b>286 891</b>	<b>261 752</b>	<b>14 994</b>
Goodwill	15 954	52 697	7 080	-
Elimination of unrealised gains/losses	(8 825)	11 873	-	-
<b>Equity-accounted investments</b>	<b>98 981</b>	<b>351 461</b>	<b>268 832</b>	<b>14 994</b>

### 9.1. Implementation of project to build Elektrownia Ostrołęka C

Through resolution 94/IX/2018 of 28 December 2018, the Supervisory Board of ENEA S.A. approved the following:

- execution by the Management Board of ENEA S.A. of a memorandum (Memorandum) with ENERGA S.A. and Elektrownia Ostrołęka Sp. z o.o. setting out rules for cooperation in the project to build power plant Ostrołęka C, including termination of the Investment Agreement of 8 December 2016, together with Annex 1/2018 of 26 March 2018, and limitation of ENEA S.A.'s financial commitment at the Construction Stage to PLN 1 billion,
- vote by an ENEA S.A. representative at the Extraordinary General Meeting of Elektrownia Ostrołęka Sp. z o.o. for a resolution on consent to issue an NTP, provided that this is preceded by all parties reaching an agreement.

The aforementioned memorandum between ENEA S.A., ENERGA S.A. and Elektrownia Ostrołęka Sp. z o.o. was executed on 28 December 2018. Pursuant to the memorandum, the Investment Agreement of 8 December 2016 together with the Annex of 26 March 2018 were terminated.

The memorandum specifies new rules for cooperation, including the Project's financing structure, where ENEA S.A. pledges financial involvement at the Construction Stage of PLN 1 billion, ENERGA S.A. pledges at least PLN 1 billion, on top of the funds already invested. Moreover, the memorandum sees other investors becoming involved as necessary to cover the Project's financial expenditures.

The parties to the memorandum intend to:

- agree on the form, schedule and conditions for a financial investment by a financial investor and/or other investors;
- execute a new investment agreement;
- agree on rules for the Company to secure credit facilities from borrowers necessary to complete the Construction Stage so that ENEA S.A. and ENERGA S.A. would not breach financial covenants.

The memorandum constituted a condition for ENEA S.A. to approve issue of the NTP for the general contractor.



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On 28 December 2018 an Extraordinary General Meeting of Elektrownia Ostrołęka Sp. z o.o. agreed to issue a notice to proceed to the general contractor - consortium of GE Power Sp. z o.o. (consortium leader) and ALSTOM Power Systems S.A.S.

The Management Board of Elektrownia Ostrołęka Sp. z o.o. on 28 December 2018 issued an NTP related to the construction of Elektrownia Ostrołęka C for the general contractor - consortium of GE Power Sp. z o.o. (consortium leader) and ALSTOM Power Systems S.A.S.

Given the issue of the NTP for the general contractor and taking into account the fact that in accordance with the memorandum the second advance tranche will be covered in equal parts by ENEA S.A. and Energa S.A. - in order to pay the second advance tranche to the contractor, an Extraordinary General Meeting of Elektrownia Ostrołęka Sp. z o.o. on 4 January 2019 adopted a resolution to increase the company's share capital by PLN 361 382 thousand.

ENE A S.A. purchased 3 613 821 shares in capital, with a nominal value of PLN 180 691 thousand, transferring a cash contribution to the SPV's bank account on 4 January 2019. The share capital increase was registered at the National Court Register on 1 March 2019.

On 7 January 2019 ENE A S.A., Energa S.A. and PGE Polska Grupa Energetyczna S.A. (PGE) began talks that might lead to PGE's involvement in the Elektrownia Ostrołęka C project, which is currently being implemented by ENE A S.A. and Energa S.A.

From 29 January 2019, based on point 1.7 of the aforementioned Memorandum, the Parties commenced efforts to adapt the terms of agreement with the General Contractor to the Project's current status.

On 30 April 2019, ENE A S.A. executed a memorandum ("Memorandum") with Energa S.A. regarding financing for a project to build a new coal unit - the planned Ostrołęka C power plant in Ostrołęka with 1000 MW gross capacity ("Project"). In the Memorandum, ENE A S.A. and Energa S.A. determined detailed rules for financing the Project, which had been preliminarily agreed in a memorandum of 28 December 2018 between ENE A S.A., Elektrownia Ostrołęka Sp. z o.o. ("company") and Energa S.A.

In the Memorandum, ENE A S.A. undertook to provide the company with PLN 819 million in financing for the project from January 2021 under a PLN 1 billion financial commitment from the 28 December 2018 memorandum, including approx. PLN 181 million already provided to the company to be used as an advance payment for the unit's general contractor. If ENE A S.A. does not execute a new Founding Agreement / Investment Agreement with Energa S.A. by 31 December 2020, ENE A S.A. will be required, within the deadlines specified in the Memorandum and within the PLN 819 million limit, to reimburse Energa S.A. for half of the funding that Energa S.A. provides to the company during that period.

If within a deadline resulting from the agreed schedule ENE A S.A. or Energa S.A. do not provide the funding - at their own fault - to the company in a manner other than through a loan or share purchase in particular, then ENE A S.A. or Energa S.A. will be required to pay the amount resulting from the schedule to the company's bank account.

The Memorandum also includes provisions protecting ENE A S.A. against claims from the company for return of Project financing amounts that were directly returned to Energa S.A. in connection with financing provided by it during the period prior to execution of the new Founding Agreement / Investment Agreement.

The parties to the Memorandum undertook to specify, in separate agreements, rules for their participation in Project risks, rules for participating in profits and losses and corporate governance rules that will protect their rights and obligations proportionately to their involvement in the Project.

## 10. Impairment of trade and other receivables

	30.06.2019	31.12.2018
Impairment at the beginning of period	162 104	153 115
Adjustment due to implementation of IFRS 9	-	4 619
<b>As at the beginning of period, adjusted</b>	<b>162 104</b>	<b>157 734</b>
Created	7 256	26 492
Reversed	(1 066)	(2 068)
Used	(4 749)	(20 054)
<b>Impairment at the end of period</b>	<b>163 545</b>	<b>162 104</b>

In the 6-month period ended 30 June 2019, impairment of trade and other receivables increased by PLN 1 441 thousand (in the 6-month period ended 30 June 2018 impairment grew by PLN 3 661 thousand).

Impairment losses are mainly created on trade receivables. Impairment of other receivables is negligible.



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**11. Assets and liabilities arising from contracts with customers**

<b>30.06.2019</b>	<b>Assets arising from contracts with customers</b>	<b>Liabilities arising from contracts with customers</b>
<b>As at the beginning of period</b>	<b>327 980</b>	<b>68 578</b>
Increase due to prepayments	-	10 922
Transfer from contract assets to receivables	(9 053)	-
Uninvoiced corrections of sales	-	374 615
Impairment	9	-
<b>As at the end of period</b>	<b>318 936</b>	<b>454 115</b>

<b>31.12.2018</b>	<b>Assets arising from contracts with customers</b>	<b>Liabilities arising from contracts with customers</b>
<b>As at the beginning of period</b>	<b>245 026</b>	<b>128 011</b>
Revenue recognised in a period that was taken into account in the opening balance for liabilities arising from contracts with customers	-	(59 433)
Non-invoiced receivables	83 254	-
Impairment	(300)	-
<b>As at the end of period</b>	<b>327 980</b>	<b>68 578</b>

The balance of assets arising from contracts with customers mainly covers uninvoiced electricity sales, while the balance of liabilities arising from contracts with customers includes uninvoiced corrections of sales for the first half of 2019 resulting from the Act on amendment of the act on excise duty and certain other acts (note 26.1) as well as advances received from connection fees.

**12. Analysis of the age structure of assets arising from contracts with customers and trade and other receivables constituting financial instruments**

	<b>Nominal value</b>	<b>Impairment</b>	<b>Book value</b>
<b>30.06.2019</b>			
<b>Trade and other receivables</b>			
Current	1 126 742	(9 621)	1 117 121
Overdue	344 438	(153 924)	190 514
0-30 days	137 965	(161)	137 804
31-90 days	18 427	(1 453)	16 974
91-180 days	9 090	(3 218)	5 872
over 180 days	178 956	(149 092)	29 864
<b>Total</b>	<b>1 471 180</b>	<b>(163 545)</b>	<b>1 307 635</b>
<b>Assets arising from contracts with customers</b>	<b>319 227</b>	<b>(291)</b>	<b>318 936</b>

	<b>Nominal value</b>	<b>Impairment</b>	<b>Book value</b>
<b>31.12.2018</b>			
<b>Trade and other receivables</b>			
Current	1 070 741	(15 266)	1 055 475
Overdue	293 290	(146 838)	146 452
0-30 days	96 941	(392)	96 549
31-90 days	15 714	(1 511)	14 203
91-180 days	17 380	(12 316)	5 064
over 180 days	163 255	(132 619)	30 636
<b>Total</b>	<b>1 364 031</b>	<b>(162 104)</b>	<b>1 201 927</b>
<b>Assets arising from contracts with customers</b>	<b>328 280</b>	<b>(300)</b>	<b>327 980</b>

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**13. Debt financial assets at amortised cost**

	<b>30.06.2019</b>	<b>31.12.2018</b>
<b>Current debt financial assets at amortised cost</b>		
Loans granted	503	234
<b>Current debt financial assets at amortised cost</b>	<b>503</b>	<b>234</b>
<b>Non-current debt financial assets at amortised cost</b>		
Loans granted	7 741	7 741
<b>Non-current debt financial assets at amortised cost</b>	<b>7 741</b>	<b>7 741</b>
<b>TOTAL</b>	<b>8 244</b>	<b>7 975</b>

No impairment allowances for expected credit losses are presented in these condensed consolidated financial statements aside from impairment presented in note 12 concerning assets arising from contracts with customers and trade and other receivables constituting financial instruments.

**14. Inventories**

	<b>30.06.2019</b>	<b>31.12.2018</b>
Materials	841 729	769 319
Semi-finished products and production in progress	732	609
Finished products	25 721	18 612
Energy origin certificates	514 613	516 180
Goods	14 882	13 760
<b>Gross value of inventory</b>	<b>1 397 677</b>	<b>1 318 480</b>
Impairment of inventory	(51 972)	(53 610)
<b>Net value of inventory</b>	<b>1 345 705</b>	<b>1 264 870</b>

In the 6-month period ended 30 June 2019, impairment losses on inventory decreased by PLN 1 638 thousand on a net basis (in the 6-month period ended 30 June 2018 impairment of inventory decreased by PLN 1 023 thousand on a net basis).

**15. Energy origin certificates**

	<b>01.01.2019 - 30.06.2019</b>	<b>01.01.2018 - 31.12.2018</b>
<b>Net value at the beginning of period</b>	<b>516 133</b>	<b>257 046</b>
In-house manufacture	105 021	188 597
Purchase	74 045	461 543
Depreciation	(158 505)	(376 813)
Sale	(22 125)	(14 489)
Change in impairment	(215)	373
Other changes	-	(124)
<b>Net value at the end of period</b>	<b>514 354</b>	<b>516 133</b>

**16. Restricted cash**

As at 30 June 2019, the Group's restricted cash amounted to PLN 265 982 thousand (as at 31 December 2018: PLN 588 632 thousand). This mainly included cash in deposits for electricity and CO2 emission allowance transactions (mainly cash constituting collateral for settlements with clearing-house IRGiT), collateral paid to suppliers and cash withholding as collateral for due performance of work.

**17. Financial assets at fair value**

As at 30 June 2019, financial assets at fair value included call options for Polimex-Mostostal S.A. shares, among other things. Pursuant to a call option agreement for Polimex-Mostostal S.A. shares of 18 January 2017, ENEA S.A. purchased call options from Towarzystwo Finansowe Silesia Sp. z o.o. This agreement sees the purchase, in three tranches, of 9 125 thousand shares at nominal value of PLN 2 per share within specified deadlines, i.e. 30 July 2020, 30 July 2021 and 30 July 2022. Fair value measurement of the call options was conducted using the Black-Scholes model. The book value of the options as at 30 June 2019 amounted to PLN 10 240 thousand (at 31 December 2018: PLN 12 116 thousand).

Moreover, the Group's financial assets at fair value include the measurement of derivative contracts for the purchase of electricity and gas and concerning property rights not used for the Group's own purposes worth PLN 86 132 thousand (as at 31 December 2018: PLN 114 536 thousand). The nominal value of contracts for the purchase and sale of electricity, gas and property rights maturing in 2019-2021, presented as financial assets and liabilities at fair value,



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amounts to PLN 3 675 776 thousand (PLN 1 720 699 thousand concerns purchase contracts and PLN 1 955 077 thousand concerns sale contracts).

### 18. Credit facilities, loans and debt securities

	<b>30.06.2019</b>	<b>31.12.2018</b>
Bank credit	1 972 717	2 054 465
Loans	63 081	69 127
Outstanding	<b>5 631 425</b>	<b>5 850 121</b>
<b>Long-term</b>	<b>7 667 223</b>	<b>7 973 713</b>
Bank credit	169 951	160 138
Loans	14 506	12 546
Outstanding	<b>1 335 831</b>	<b>183 156</b>
<b>Short-term</b>	<b>1 520 288</b>	<b>355 840</b>
<b>Total</b>	<b>9 187 511</b>	<b>8 329 553</b>

In the 6-month period ended 30 June 2019, the book value of credit facilities, loans and debt securities increased by PLN 857 958 thousand on a net basis (in the 6-month period ended 30 June 2018, the book value of credit facilities and loans decreased by PLN 162 853 thousand).

In accordance with ENEA S.A.'s financing model, in order to secure funding for ENEA Group companies' on-going operations and investment needs, ENEA executes agreements with external financial institutions concerning bond issue programmes and/or credit agreements.

#### Credit facilities and loans

Presented below is a list of the Group's credit facilities and loans.

No.	Company	Lender	Contract date	Total contract amount	Debt at 30 June 2019	Debt at 31 December 2018	Contract period
1.	ENEA S.A.	EIB	18 October 2012 and 19 June 2013 (A and B)	1 425 000	1 201 663	1 264 369	31 December 2030
2.	ENEA S.A.	EIB	29 May 2015 (C)	946 000	933 500	941 833	30 September 2032
3.	ENEA S.A.	PKO BP	28 January 2014, Annex 1 of 25 January 2017	300 000	-	-	31 December 2019
4.	ENEA S.A.	Pekao S.A.	28 January 2014, Annex 1 of 25 January 2017	150 000	-	-	31 December 2019
5.	ENEA Ciepło Sp. z o.o.	National Fund for Environmental Protection and Water Management (NFOŚiGW)	22 December 2015	60 075	53 597	55 192	20 December 2026
6.	LWB	mBank	16 December 2016, Annex 1 of 30 November 2018	100 000	-	-	29 November 2019
7.	Other	-	-	-	29 990	33 391	-
<b>TOTAL</b>				<b>2 981 075</b>	<b>2 218 750</b>	<b>2 294 785</b>	
Transaction costs and effect of measurement using effective interest rate					1 505	1 491	
<b>TOTAL</b>				<b>2 981 075</b>	<b>2 220 255</b>	<b>2 296 276</b>	

Presented below is a short description of ENEA Group's significant credit and loan agreements:

#### ENEA S.A.

ENEA S.A. currently has credit agreements with the EIB for a total amount of PLN 2 371 000 thousand (Agreement A PLN 950 000 thousand, Agreement B PLN 475 000 thousand and Agreement C PLN 946 000 thousand). Funds from the EIB were used to finance a multi-year investment plan aimed at modernising and expanding ENEA Operator Sp. z o.o.'s power network. Funds from Agreements A, B and C were fully used. Agreement C's availability ended in December 2017. Interest on credit facilities may be fixed or variable.



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### ENE A Ciepło Sp. z o.o.

Loan from NFOŚiGW - agreement executed on 22 December 2015 for the period from 1 April 2016 to 20 December 2026, with a PLN 60 075 thousand limit. The loan has annual interest based on WIBOR 3M of no less than 2%. The loan was transferred (together with an organised part of enterprise) from ENE A Wytwarzanie Sp. z o.o. to ENE A Ciepło Sp. z o.o. on 30 November 2018.

The total loan-related debt of ENE A Ciepło Sp. z o.o. as at 30 June 2019 amounted to PLN 53 597 thousand (at 31 December 2018: PLN 55 192 thousand).

### Lubelski Węgiel Bogdanka S.A.

On 16 December 2016, the company executed a current account credit facility agreement with mBank for up to PLN 100 000 thousand. The credit facility has a variable interest rate. The credit facility was to be fully repaid by 30 November 2018, but Annex 1, executed on 30 November, extended the repayment deadline to 29 November 2019. The credit facility remained unused as of the reporting date.

### Bond issue programmes

Presented below is a list of bonds issued by ENE A S.A.

No.	Bond issue programme name	Programme start date	Programme amount	Value of outstanding bonds at 30 June 2019	Value of outstanding bonds at 31 December 2018	Buy-back deadline
1.	Bond issue programme agreement executed with PKO BP S.A., Bank PEKAO S.A., BZ WBK S.A., Bank Handlowy w Warszawie S.A.	21 June 2012	3 000 000	3 000 000	3 000 000	One-time buy-back between June 2020 and June 2022
2.	Bond issue programme agreement with BGK	15 May 2014	1 000 000	840 000	880 000	Buy-back in tranches, last tranche due in December 2026
3.	Bond issue programme agreement with ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A. and mBank S.A.	30 June 2014	5 000 000	2 500 000	1 500 000	One-time buy-back of each series, in February 2020 and September 2021
4.	Bond issue programme agreement with BGK	3 December 2015	700 000	646 945	685 000	Buy-back in tranches, last tranche due in September 2027
<b>TOTAL</b>			<b>9 700 000</b>	<b>6 986 945</b>	<b>6 065 000</b>	
Transaction costs and effect of measurement using effective interest rate				(19 689)	(31 723)	
<b>TOTAL</b>			<b>9 700 000</b>	<b>6 967 256</b>	<b>6 033 277</b>	

On 12 June 2019 ENE A S.A., ING Bank Śląski S.A., PKO Bank Polski S.A., Bank Pekao S.A. and mBank S.A. signed an agreement pursuant to which ING Bank Śląski S.A. as of the agreement date no longer performed the functions it performed under the "Programme Agreement regarding a bond issue program up to PLN 5 000 000 thousand of 30 June 2014" in reference to new bond issues.

On 12 June 2019, ENE A S.A., PKO Bank Polski S.A., Bank Pekao S.A. and mBank S.A. executed an "Agreement amending and consolidating the Programme Agreement of 30 June 2014." This agreement was intended to adapt the rights and obligations arising under it to the existing MiFID regulations.

On 26 June 2019 ENE A S.A. as part of the "Programme Agreement regarding a bond issue program up to PLN 5 000 000 thousand of 30 June 2014" carried out a PLN 1 000 000 thousand bond issue. Interest

The notes presented on pages 8 - 40 constitute an integral part of these condensed consolidated interim financial statements.



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on the bonds will be calculated based on WIBOR for 6-month deposits, plus 1.20% margin. Interest will be paid on a semi-annual basis. The bond buy-back date is 26 June 2024. The issue is intended to refinance ENEA S.A.'s debt arising from the ENEA0220 series bonds. The bonds will be introduced to the alternative trading system Catalyst within 90 days from the issue date.

### Interest rate swaps

In the 6-month period ending 30 June 2019 ENEA S.A. executed an Interest Rate Swap for an exposure amounting to PLN 488 890 thousand. The total bond and credit exposure hedged with IRS transactions as at 30 June 2019 amounted to PLN 5 228 496 thousand. Moreover, ENEA has fixed-rate credit agreements totalling PLN 232 532 thousand. These transactions have material impact on the predictability of expense flows and finance costs. The Group presents the measurement of these instruments in the item: "Financial liabilities at fair value." Derivative instruments are treated as cash flow hedges, which is why they are recognised and accounted for using hedge accounting rules.

As at 30 June 2019, financial liabilities at fair value concerning IRSs amounted to PLN 28 348 thousand (31 December 2018: PLN 22 176 thousand).

### Financing terms - covenants

Financing agreements require the Company and ENEA Group to maintain certain financial ratios. As at 30 June 2019 and the date on which these condensed consolidated interim financial statements were prepared and in the course of 2019 the Group did not breach any credit agreement provisions such as would require early re-payment of long-term debt.

## 19. Financial instruments

The following table contains a comparison of fair values and book values:

	30.06.2019		31.12.2018	
	Book value	Fair value	Book value	Fair value
Non-current financial assets at fair value	47 998	47 998	49 442	49 442
Non-current debt financial assets at amortised cost	7 741	(*)	7 741	(*)
Current financial assets at fair value	84 775	84 775	112 536	112 536
Current debt financial assets at amortised cost	503	(*)	234	(*)
Other short-term investments	549	(*)	545	(*)
Trade receivables	1 307 635	(*)	1 201 927	(*)
Assets arising from contracts with customers	318 936	(*)	327 980	(*)
Finance lease and sub-lease receivables	1 829	(*)	(**)	(**)
Cash and cash equivalents	4 106 510	(*)	2 650 838	(*)
Funds in the Mine Decommissioning Fund	129 258	(*)	128 279	(*)
Credit facilities, loans and debt securities	9 187 511	9 248 733	8 329 553	8 400 938
Lease liabilities	246 934	(*)	6 640	(*)
Trade and other payables	2 316 230	(*)	2 467 124	(*)
Liabilities arising from contracts with customers	374 615	(*)	-	-
Financial liabilities measured at fair value	149 929	149 929	132 890	132 890

(\*) - Book value is close to fair value measured in accordance with level 2 in the following hierarchy.

(\*\*) – As at 31 December 2018, financial lease receivables were recognised in the item: "Trade and other receivables", whereas data restatement was presented in note 3.3

Financial assets at fair value include:

- interests in unrelated entities, the stake in which is below 20%. This item includes shares in PGE EJ1 Sp. z o.o. amounting to PLN 15 866 thousand, for which no price quoted on an active market is available and whose fair value was determined on the basis of ENEA S.A.'s stake in the net assets of PGE EJ1 Sp. z o.o. as at 31 December 2018. Having analysed IFRS 9, the Group decided to qualify these interests as financial assets through other comprehensive income. No transactions recognised in profit or loss were executed in 2019. If interests in unrelated entities are listed on the Warsaw Stock Exchange, then their fair value is based on quoted prices,
- Polimex-Mostostal S.A. call options,

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- derivative instruments that include the measurement of interest rate swaps. The fair value of derivative instruments is established by calculating the net present value based on two yield curves, i.e. a curve to determine discount factors and a curve used to estimate future variable reference rates,
- forward contracts for the purchase of electricity and gas and property rights

Non-current debt financial assets at amortised cost cover loans maturing in over one year. Current debt financial assets at amortised cost cover loans maturing in under one year. The item other short-term investments includes deposits with maturity over 3 months.

The fair value of bank credit, loans and debt securities is calculated for financial instruments that are based on a fixed rate of interest, based on current WIBOR.

The following table contains an analysis of financial instruments at fair value, grouped into a three-level hierarchy, where:

Level 1 - fair value is based on (unadjusted) market prices quoted for identical assets or liabilities on active markets,

Level 2 - fair value is determined on the basis of values observed on the market, which are not a direct market quote (e.g. they are established by direct or indirect reference to similar instruments on a market),

Level 3 - fair value is determined using various measurement techniques that are not, however, based on observable market data. The Group recognises its stake in PGE EJ1 at level 3 (note 28).

No transfers between the levels were made in the six-month period ended 30 June 2019.

	<b>30.06.2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets measured at fair value</b>				
Equity instruments at fair value through other comprehensive income	-	-	15 866	15 866
Call options (at fair value through profit or loss)	-	10 240	-	10 240
Other derivative instruments at fair value through profit or loss	-	86 132	-	86 132
Interests at fair value through profit or loss	19 450	-	1 085	20 535
<b>Total</b>	<b>19 450</b>	<b>96 372</b>	<b>16 951</b>	<b>132 773</b>
<b>Financial liabilities measured at fair value</b>				
Derivative instruments at fair value through profit or loss	-	121 581	-	121 581
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	28 348	-	28 348
<b>Credit facilities, loans and debt securities</b>	-	9 248 733	-	9 248 733
<b>Total</b>	-	<b>9 398 662</b>	-	<b>9 398 662</b>
	<b>31.12.2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets measured at fair value</b>				
Equity instruments at fair value through other comprehensive income	-	-	15 866	15 866
Call options (at fair value through profit or loss)	-	12 116	-	12 116
Other derivative instruments at fair value through profit or loss	-	114 536	-	114 536
Interests at fair value through profit or loss	18 375	-	1 085	19 460
<b>Total</b>	<b>18 375</b>	<b>126 652</b>	<b>16 951</b>	<b>161 978</b>
<b>Financial liabilities measured at fair value</b>				
Derivative instruments at fair value through profit or loss	-	110 667	-	110 667
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	22 223	-	22 223
<b>Credit facilities, loans and debt securities</b>	-	8 400 938	-	8 400 938
<b>Total</b>	-	<b>8 533 828</b>	-	<b>8 533 828</b>

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**20. Accounting for income from grants and road lighting modernisation services**

	<b>30.06.2019</b>	<b>31.12.2018</b>
<b>Long-term</b>		
Accounting for deferred revenue - grants	138 699	133 689
Accounting for deferred revenue - road lighting modernisation services	69 766	64 452
	<b>208 465</b>	<b>198 141</b>
<b>Short-term</b>		
Accounting for deferred revenue - grants	9 691	9 713
Accounting for deferred revenue - road lighting modernisation services	2 687	2 212
	<b>12 378</b>	<b>11 925</b>

**Schedule for accounting for deferred revenue**

	<b>30.06.2019</b>	<b>31.12.2018</b>
Up to one year	12 378	11 925
Between one and five years	50 381	50 468
Over five years	158 084	147 673
	<b>220 843</b>	<b>210 066</b>

In the 6-month period ended 30 June 2019, the book value of accounting for grants and road lighting modernisation services increased by PLN 10 777 thousand on a net basis.

In the 6-month period ended 30 June 2018, the book value of accounting for grants and road lighting modernisation services decreased by PLN 549 158 thousand on a net basis. This was mainly caused by changes in accounting rules due to the adoption of IFRS 15.

The item 'deferred revenue concerning grants' includes mainly EU grants and grants from the NFOŚiGW for the development of electricity and heating infrastructure.

Road lighting modernisation services, i.e. improving the quality and efficiency of road lighting, are services provided in a continuous manner. Revenue from improving the quality and efficiency of road lighting is recognised proportionally over the period of economic use of the tangible assets created.

**21. Deferred income tax**

Changes in deferred income tax assets and provision (after offsetting assets and provision) are as follows:

	<b>30.06.2019</b>	<b>31.12.2018</b>
<b>Deferred income tax assets at the beginning of period</b>	<b>487 272</b>	<b>501 945</b>
<b>Deferred income tax provision at the beginning of period</b>	<b>367 607</b>	<b>245 240</b>
Net deferred income tax assets at the beginning of period	119 665	256 705
Adjustment due to implementation of IFRS 9 and 15	-	(91 866)
Net deferred income tax assets at the beginning of period, adjusted	119 665	164 839
Charge/(addition) to profit or loss	(17 269)	(61 936)
Charge/(addition) to other comprehensive income	1 992	16 762
<b>Net deferred income tax assets at the end of period, including:</b>	<b>104 388</b>	<b>119 665</b>
<b>Deferred income tax assets at the end of period</b>	<b>498 777</b>	<b>487 272</b>
<b>Deferred income tax provision at the end of period</b>	<b>394 389</b>	<b>367 607</b>

In the 6-month period ended 30 June 2019, the Group's profit before tax was charged as a result of a decrease in net deferred income tax assets by PLN 17 269 thousand (in the 6-month period ended 30 June 2018 the charge to the Group's profit before tax as a result of a decrease in net deferred income tax assets amounted to PLN 69 086 thousand).

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**22. Provisions for other liabilities and other charges**
**Total provision for liabilities and other charges, categories as short- or long-term**

	<b>30.06.2019</b>	<b>31.12.2018</b>
Long-term	699 350	657 112
Short-term	1 280 659	1 306 597
<b>Total</b>	<b>1 980 009</b>	<b>1 963 709</b>

In the 6-month period ended 30 June 2019, provisions for other liabilities and other charges increased by a net amount of PLN 16 300 thousand (in the 6-month period ended 30 June 2018, provisions for other liabilities and other charges decreased by PLN 210 741 thousand).

**Change in provisions for liabilities and other charges**
**for the period ended 30 June 2019**

	Provision for non- contractual use of land	Provision for other claims	Provision for landfill site reclamation	Provision for energy origin certificates	Provision for CO2 emission allowance purchases	Mine liquidation	Other	Total
<b>As at the beginning of period</b>	<b>182 738</b>	<b>166 663</b>	<b>66 119</b>	<b>306 918</b>	<b>557 713</b>	<b>112 566</b>	<b>570 992</b>	<b>1 963 709</b>
Reversal of discount and change of discount rate	1 456	-	-	-	-	1 812	-	3 268
Increase in existing provisions	14 995	30 909	1 828	216 231	651 065	12 393	22 377	949 798
Use of provisions	-	(794)	-	(289 373)	(563 241)	-	(60 449)	(913 857)
Reversal of unused provision	(195)	(19)	-	-	-	-	(22 695)	(22 909)
<b>As at the end of period</b>	<b>198 994</b>	<b>196 759</b>	<b>67 947</b>	<b>233 776</b>	<b>645 537</b>	<b>126 771</b>	<b>510 225</b>	<b>1 980 009</b>

In the first six months of 2019, ENEA S.A. created a PLN 11 445 thousand provision for potential claims related to the termination by ENEA S.A. of agreements to purchase energy origin certificates for renewables, and the value of this provision as at 30 June 2019 was PLN 115 790 thousand (provision recognised in the table above in the column "Provision for other claims")

Other provisions mainly concern:

- wind farm Skoczylody: PLN 129 000 thousand (as at 31 December 2018: PLN 129 000 thousand),
- potential liabilities related to grid assets resulting from differences in the interpretation of regulations PLN 165 578 thousand (as at 31 December 2018: PLN 160 171 thousand),
- costs to use forest land managed by State Forests PLN 110 449 thousand (as at 31 December 2018: PLN 115 008 thousand),
- onerous contracts PLN 37 977 thousand (as at 31 December 2018: PLN 78 981 thousand, note 26.1),
- property tax at Lubelski Węgiel Bogdanka S.A. PLN 46 047 thousand (as at 31 December 2018: PLN 41 431 thousand),
- rectification of mining damages PLN 2 956 thousand (as at 31 December 2018: PLN 3 184 thousand),



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A description of significant claims and the associated conditional liabilities is presented in note 26.

**23. Net revenue from sales**

	<b>01.01.2019 30.06.2019</b>	<b>01.01.2018 30.06.2018</b>
Revenue from the sale of electricity	5 648 775	4 219 299
Revenue from the sale of distribution services	1 376 327	1 342 551
Revenue from the sale of goods and materials	52 378	37 653
Revenue from the sale of other products and services	84 197	74 789
Revenue from origin certificates	11 406	2 094
Revenue from the sale of CO2 emission allowances	-	25 977
Revenue from the sale of industrial heat	191 352	197 473
Revenue from the sale of coal	137 219	85 504
Revenue from the sale of gas	78 397	54 215
Revenue from operating leases and sub-leases	9 124	-
<b>Total net revenue from sales</b>	<b>7 589 175</b>	<b>6 039 555</b>

The Group mainly classifies revenue by type of product/service. The key revenue groups are revenue from the sale of electricity (ENEA S.A., ENEA Wytwarzanie, ENEA Trading and ENEA Elektrownia Połaniec) and revenue from the sale of distribution services (ENEA Operator).

**Sale of electricity:** The Group recognises revenue when an obligation to provide a consideration by providing a promised good or service to the customer is performed (or is being performed). Revenue is recognised on the basis of prices specified in sale agreements, less estimated rebates and other deductions. The key groups of contracts include electricity sale contracts (including framework contracts) for retail, business, key and strategic customers. Under these contracts, service is provided in a continuous manner and the level of revenue depends on usage. Sales to the clearing-house Izba Rozliczeniowa Giełd Towarowych S.A. and the TGE power exchange also take place.

The standard payment deadline for invoices for the sale of electricity at ENEA S.A. is 14 days from VAT invoice date. In the case of business, key and strategic customers, payment deadlines may be negotiated.

Payment deadlines for invoices concerning electricity sales to IRGiT are 1-3 days from delivery and invoice issue. For sales to TGE, payment deadlines are governed by TGE's regulations.

**Sale of distribution services:** In the case of distribution services sales, ENEA Operator charges a fee that contains separate components: grid fee (variable component), quality fee, grid fee (fixed component), instalment fee, transition fee and renewables fee.

In the case of the quality fee, transition fee and renewables fee, ENEA Operator serves, as a rule, as entity collecting fees and providing this consideration to other market participants, e.g. to Polskie Sieci Elektroenergetyczne S.A. (PSE). These fees (quality fee, transition fee, renewables fee) constitute quasi-taxes collected on behalf of other entities. ENEA Operator acts as agent collecting fees for other energy market participants, including PSE. In consequence, revenue from the sale of distribution services is decreased by the amount of renewables fee, quality fee and transition fee collected. Costs related to the procurement of transmission services and costs related to invoices for renewables support and support for producers are subject to adjustment.

Presented below is revenue from sales, divided into categories that reflect how economic factors influence the amount, payment deadline and the uncertainty of revenue and cash flows.

	<b>01.01.2019-30.06.2019</b>	<b>01.01.2018-30.06.2018</b>
Revenue from continuous services	7 103 499	5 616 065
Revenue from services provided at specified time	485 676	423 490
<b>Total</b>	<b>7 589 175</b>	<b>6 039 555</b>

**24. Related-party transactions**

Group companies execute transactions with the following related parties:

- Group companies - these transactions are eliminated at the consolidation stage;
- Transactions between the Group and members of the Group's corporate authorities, which should be divided into two categories:
  - resulting from being appointed as Supervisory Board members,
  - resulting from other civil-law contracts;
- Transactions with the State Treasury's subsidiaries.

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Transactions with members of the Group's corporate authorities:

Item	Company's Management Board		Company's Supervisory Board	
	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
Remuneration under management contracts and consulting contracts	1 608**	1 405*	-	-
Remuneration under appointment to management or supervisory bodies	-	-	418	413
<b>TOTAL</b>	<b>1 608</b>	<b>1 405</b>	<b>418</b>	<b>413</b>

\* this remuneration includes a non-compete clause for former Management Board members, amounting to PLN 55 thousand

\*\* this remuneration includes a non-compete clause for former Management Board members, amounting to PLN 193 thousand

In the 6-month period ended 30 June 2019, no loans were made to Supervisory Board members from the Company Social Benefit Fund (PLN 0 thousand for the 6-month period ended 30 June 2018). During this period, PLN 3 thousand in loans was repaid (PLN 3 thousand in the 6-month period ended 30 June 2018).

Other transactions resulting from civil-law contracts executed between the Parent and members of the Parent's corporate authorities mainly concern the use of company cars by members of ENEA S.A.'s Management Board for private purposes.

The Group also executes commercial transactions with state and local administration units and entities owned by Poland's State Treasury.

The subject of these transactions mainly is as follows:

- purchases of coal, electricity, property rights resulting from energy origin certificates as regards renewable energy and energy produced in cogeneration with heat, transmission and distribution services that the Group provides to the State Treasury's subsidiaries,
- sale of electricity, distribution services, connection to the grid and other associated fees, as well as coal, that the Group provides for both state and local administration authorities (sale to end customers) and to the State Treasury's subsidiaries (wholesale and retail sale - to end customers).

These transactions are executed on market terms, and these terms do not differ from the terms applied in transactions with other entities. The Group does not keep records that would make it possible to aggregate the amounts of all transactions executed with all state institutions and the State Treasury's subsidiaries.

In addition, the Group identified financial transactions with State Treasury's related parties, i.e. with banks serving as guarantors for bond issue programmes. These entities include: PKO BP S.A., Pekao S.A. and Bank Gospodarstwa Krajowego. Detailed information on bond issue programmes is presented in note 18.

## 25. Future liabilities resulted from executed contracts as at the reporting date

Contractual liabilities related to the purchase of tangible and intangible assets incurred as at the reporting date but not yet recognised in the statement of financial position are as follows:

	30.06.2019	31.12.2018
Purchase of property, plant and equipment	1 252 389	1 118 027
Purchase of intangible assets	35 835	33 098
	<b>1 288 224</b>	<b>1 151 125</b>

## 26. Conditional liabilities and on-going proceedings in courts, arbitration bodies or public administration bodies

### 26.1. Impact of the Act on amendment of the act on excise duty 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.

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,
- specified directions for 2019 prices and fee rates for electricity for final customers to be applied by sellers, at the level of 2018 prices,

- the opportunity for sellers to seek an amount to cover the lower revenue from electricity sold in 2019 to final customers from the Price Settlement Manager specified in the Act (Price difference amount/Financial compensation).

The act was updated in a later part of the year, with the key change (published on 28 June 2019) introducing a narrower group of final customers for the second half of 2019, including customers from the G tariff group set and micro-enterprises, small enterprises, hospitals, public finance sector units, state organisational units without legal personality, as defined in detail in the Act.

Pursuant to the updated Act, on 23 July 2019 an ordinance by the Minister of Energy was published regarding the way in which the Price difference amount and Financial compensation are calculated and the way in which reference prices are set ("Ordinance"). This document specifies:

- the way in which prices and fee rates for electricity for final customers are set in effect for 30 June 2018, which the Company is required to apply as prices in 2019,
- the way in which the Price difference amount and Financial compensation, as referred to in the Act, are calculated.

#### **Determination of amount of provision for onerous contracts**

Due to the Act entering into force and the Ordinance being published, the Group analysed whether it needs to update provisions and recognise potential returns in the context of IAS *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, and assets related to returns are recognised when they are nearly certain in an amount not higher than the recognised provisions.

Initially, in settlements in 2018, the Group had measured provisions only as regards completed sales, based on a tariff regulated by the President of the Energy Regulatory Office for customers in the G tariff group set. The measurement took into account the legal conditions in effect as of that time, i.e.:

- retention of prices for 2019 in regulated tariffs at the 2018 level,
- lack of clarity with regard to the provisions of the Act in the meaning as of 31 December 2018, resulting in contracts executed at a loss in groups other than the G tariff not being recognised,
- lack of basis for recognizing any assets concerning settlements with the Price Settlement Manager pursuant to the Act due to the lack of the relevant Ordinance and additional information containing data essential for calculations.

Due to the fact that implementing regulations and essential information necessary to reliably determine the Price difference amount, the Group verified this issue and additionally estimated the Act's financial effects in as far as this was possible and reliable for customers other than customers in regulated tariff G.

In estimating the provision as at 30 June 2019, the Group applied the following assumptions:

- a) the existing legal situation as at 30 June 2019 and information after the balance sheet concerning the Act.
- b) retention of the existing methodology for estimating provisions for contracts executed at a loss for the tariff G group set in regulated tariff
- c) use of the existing methodology for estimating provisions for contracts executed at a loss for other groups of customers indicated in the updated Act for the second half of 2019.

#### **Recognition of the Act's effects in H1 2019**

As at 30 June 2019, the following conclusions were formulated 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 Group estimated a loss on contract. This loss results from using a cost model for electricity purchases in 2019 (costs of electricity and property rights and an excise duty rate specified as justified by the URE President in the tariff process for 2019) and the simultaneous application of 2018 sales prices. The sales volume results from the planned sales to Tariff G customers in Q3-Q4 2019. Taking the above into account, as at 30 June 2019, the Group:
  - used PLN 41 004 thousand from the provision in the first half of 2019,
  - retained the provision at PLN 37 977 thousand for the second half of 2019.
- (b) Pursuant to the amended Act, the Group changed contractual terms, taking into account the provisions of the Act and the way to determine reference prices in effect on 30 June 2018, as contained in the Ordinance. Due to this, the Group estimate its loss of revenue for H1 2019 from customers other the customers in the regulated segment G.  
In effect, in line with IFRS 15, the Group recognised revenue from sales concerning reductions in prices for customers (other than customers in regulated tariff G) in the amount of PLN 374 615 thousand, which was recognised as at 30 June 2019 in the statement of financial position as Liabilities arising from contracts with customers.
- (c) Guided by the provisions of the Act and the Ordinance, the Group estimated the Price Difference Amount. Based on detailed analysis, the Group recognised a certain asset concerning the Price Difference amount for the first half of 2019 in the amount of PLN 430 401 thousand, which was recognised as Compensation

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in the statement of profit and loss and other comprehensive income and as Trade and other receivables in the statement of financial position.

(d) At the same time, the Group estimated:

- Amounts of losses on contracts in the second half of 2019 for other authorised customers (customers who have submitted the relevant declarations),
- Assets as nearly certain in the form of an amount of financial compensation for the months July – August 2019 for which the relevant reference indicators were set as of the date on which these condensed consolidated financial statements were prepared.

Taking into account their level, impact on the financial result was regarded by the Group as negligible and no additional provision or additional asset was recognised as a result.

The excess of estimated price difference amount over estimated amount of revenue lost in the first half of 2019 is the effect of recognising in the price difference amount a refund for applying the 2018 prices from the beginning of the year for regulated tariff G (which is thus not reflected in loss of revenue and was partially offset by a provision for contracts at a loss, recognised as at 31 December 2018).

Aside from using PLN 21 556 thousand from a provision for onerous contracts in the first quarter of 2019, the entire effects of applying the Act were related to data concerning the second quarter.

## 26.2. Sureties and guarantees

The following table presents significant bank guarantees valid as of 30 June 2019 under an agreement between ENEA S.A. and PKO BP S.A. up to a limit specified in the agreement.

Guarantee issue date	Guarantee validity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
12.08.2018	16.05.2021	Górecka Projekt Sp. z o.o.	PKO BP S.A.	2 109
13.11.2018	30.01.2020	Olsztyn municipality	PKO BP S.A.	4 462
24.05.2019	30.07.2020	City of Bydgoszcz	PKO BP S.A.	1 207
<b>Total bank guarantees</b>				<b>7 778</b>

## 26.3. On-going proceedings in courts of general competence

### Proceedings initiated by the Group

Proceedings in courts of general competence initiated by ENEA S.A. and ENEA Operator Sp. z o.o. concern receivables related to electricity supplies (electricity cases) and receivables related to other matters - illegal uptake of electricity, grid connections and other specialised services (non-electricity cases).

Proceedings in courts of general competences initiated by ENEA Wytwarzanie Sp. z o.o. mainly concern compensation for damages and contractual penalties from the company's counterparties.

At 30 June 2019, a total of 6 201 cases initiated by the Group were in progress before courts of general competence, worth in aggregate PLN 142 767 thousand (31 December 2018: 9 735 cases worth PLN 160 617 thousand).

The outcome of individual cases is not significant from the viewpoint of the Group's financial result.

### Proceedings against the Group

Proceedings against the Group are initiated by both natural persons and legal entities. They concern issues such as: compensation for electricity supply disruptions, illegal uptake of electricity and compensation for the Group's use of properties on which power equipment is located. The Group considers cases related to non-contractual use of properties that are not owned by the Group as especially significant.

There are also claims concerning terminated agreements for the purchase of property rights (note 26.6).

Court proceedings against ENEA Wytwarzanie Sp. z o.o. concern compensation for damages and contractual penalties.

At 30 June 2019, a total of 2 268 cases against the Group were in progress before courts of general competence, worth in aggregate PLN 880 994 thousand (31 December 2018: 2 249 cases worth PLN 796 154 thousand). The outcome of individual cases is not significant from the viewpoint of the Group's financial result.

Provisions related to these court cases are presented in note 22.

#### 26.4. Other court proceedings

A proceeding involving LWB was in progress at the District Court in Lublin with regard to claims by the Polish Social Insurance Institution (ZUS) concerning accident contributions, namely the appropriateness of re-classifying workplace accidents and rescinding a penalty imposed on the company as a result of an inspection by ZUS's Lublin office. An appeals hearing was held on 21 November 2017, where the Court of Appeals in Lublin examined the appeal raised by ZUS with regard to the ruling of 7 February 2017. The Court of Appeals ruled to reject ZUS's appeal. On 15 January 2018 the Court of Appeals drafted a justification for its ruling. On 12 March 2018 a cassation appeal from ZUS was received by the Court of Appeals in Lublin. On 19 April 2019, LWB received a final ruling from the Supreme Court, pursuant to which the complaint was rejected. The ruling is final and the case is closed. A provision that had been previously recognised was released.

On 18 January 2018 ENEA Wytwarzanie Sp. z o.o. received a lawsuit dated 28 December 2017, which had been filed with the District Court in Białystok by the Municipality of Białystok against ENEA Wytwarzanie Sp. z o.o., for the payment of PLN 29 445 thousand together with statutory interest for the sale of 126 083 shares of Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o., based in Białystok (currently ENEA Ciepło Sp. z o.o.), constituting a residual stake, as part of an obligation arising under an agreement to sell ENEA Ciepło Sp. z o.o. shares executed on 26 May 2014. On 23 February 2018 ENEA Wytwarzanie Sp. z o.o. responded to the lawsuit, disagreeing with the position presented in it and requesting that the lawsuit be rejected in its entirety. The dispute concerns interpretation of a provision in the share sale agreement of 2014 regarding whether or not ENEA Wytwarzanie Sp. z o.o. is obligated to purchase the remaining shares, i.e. residual stake. According to ENEA Wytwarzanie Sp. z o.o., the company fulfilled all of its obligations specified in the share sale agreement of 2014 as regards the purchase of ENEA Ciepło Sp. z o.o. shares and is not required to additionally purchase the 121 863 shares.

On 14 August 2018 the District Court in Białystok (first instance) ruled in favour of the lawsuit brought by the Municipality of Białystok in its entirety. On 8 January 2019 the Appeals Court in Białystok referred the motion to exclude judges from the Appeals Court in Białystok to the Supreme Court. On 9 March 2019, the Supreme Court decided to reject and in part cancel ENEA Wytwarzanie Sp. z o.o.'s request to exclude judges from the Appeals Court in Białystok (file no. SN IV Co 9/19). The hearing at the Appeals Court in Białystok was held on 19 June 2019. Following the hearing, the Appeals Court in Białystok ruled to reject the company's appeal. ENEA Wytwarzanie Sp. z o.o. requested to receive the ruling together with justification. This ruling is final.

On 15 July 2019, ENEA Wytwarzanie Sp. z o.o. paid PLN 34 539 thousand to the Municipality of Białystok (principal plus statutory late interest from 25 January 2017 to the payment date) for the purchase of 126 083 shares in Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Białystok, along with PLN 144 thousand as reimbursement of first- and second-instance litigation costs. A PLN 5 003 thousand provision for interest as of 30 June 2019 was recognised in these condensed consolidated financial statements.

Irrespective of the above, on 12 July 2019 ENEA Wytwarzanie Sp. z o.o. and ENEA S.A. signed an agreement specifying rules for the sale of the aforementioned shares by ENEA Wytwarzanie Sp. z o.o. to ENEA S.A.

The Management Board of ENEA S.A. filed in December 2018 a response to a lawsuit brought by the Company's shareholder, Fundacja "CLIENTEARTH Prawnicy dla ziemi," based in Warsaw, to cancel, determine the non-existence or repeal resolution no. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 regarding directional approval to join the Construction Stage of the Ostrołęka C project, and demanded that the lawsuit be rejected in its entirety as unjustified, along with reimbursement of court representation costs. The first hearing in the case was held on 10 April 2019, with no witnesses called to the hearing. The Court requested that the Company provide the Investment Agreement within 14 days, at least as regards points 1 to 8 (especially point 8.6), subject to the trial consequences indicated in art. 233 § 2 of the Civil Procedure Code. ENEA's attorney filed a reservation to the protocol pursuant to art. 162 of the Civil Procedure Code. On 24 April 2019, the Company provided the Investment Agreement. The Court decided to postpone the hearing to 17 July 2019. On 31 July 2019, the District Court in Poznań allowed the main claim and declared the Resolution invalid. On 17 September 2019, an attorney for ENEA S.A. appealed the ruling of 31 July 2019.

The Management Board of ENEA S.A. filed in December 2018 a response to a lawsuit brought by Międzyzakładowy Związek Zawodowy Synergia Pracowników Grupy Kapitałowej ENEA, based in Poznań, to cancel, determine the non-existence or repeal resolution no. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 regarding directional approval to join the Construction Stage of the Ostrołęka C project, and demanded that the lawsuit be rejected in its entirety as unjustified, along with reimbursement of court representation costs. The hearing was scheduled for 8 May 2019. The hearing did not take place and was re-scheduled to 30 July 2019. This hearing also did not take place and the next hearing was set for 1 October 2019.

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**26.5. Cases concerning 2012 non-balancing**

On 30 and 31 December 2014, ENEA S.A. submitted demands for settlement to:

	<b>Demanded amount in PLN 000s</b>
PGE Polska Grupa Energetyczna S.A.	7 410
PKP Energetyka S.A.	1 272
TAURON Polska Energia S.A.	17 086
TAURON Sprzedaż GZE Sp. z o.o.	1 826
<b>Total</b>	<b>27 594</b>

The subject of these demands is claims for the payment for electricity that was incorrectly settled on the balancing market in 2012. The companies receiving these demands obtained unjustified proceeds by not allowing ENEA S.A. to issue invoices for 2012.

Given a lack of an amicable resolution in this case, ENEA S.A. brought lawsuits against:

- TAURON Polska Energia S.A. – lawsuit of 10 December 2015,
- TAURON Sprzedaż GZE Sp. z o.o. – lawsuit of 10 December 2015,
- PKP Energetyka S.A. – lawsuit of 28 December 2015,
- PGE Polska Grupa Energetyczna S.A. – lawsuit of 29 December 2015.

The aforementioned disputes have not been resolved.

**26.6. Dispute concerning prices for origin certificates for energy from renewable sources and terminated agreements for the purchase of property rights arising under origin certificates for energy from renewable sources**

ENEA S.A. is a party to 10 court proceedings concerning agreements for the purchase of property rights arising under certificates of origin for energy from renewable sources, which includes:

- 7 proceedings for payment against ENEA S.A. concerning remuneration, contractual penalties or compensation
- 3 proceedings for the voidance of ENEA S.A.'s termination or withdrawal from agreements to sell property rights, which took place on 28 October 2016, including 2 proceedings in which claims for payment are being sought at the same time.

ENEA S.A. offset a part of receivables due for these counterparties from ENEA S.A. for sold property rights with damages-related receivables due for ENEA S.A. from renewables producers. The damage caused to ENEA S.A. arose as a result of the counterparties' failure to fulfil a contractual obligation to participate, in good faith, in re-negotiating long-term agreements for the sale of property rights in accordance with an adaptation clause that is binding for the parties.

On 28 October 2016, ENEA S.A. submitted statements depending on the agreement: on termination or withdrawal from long-term agreements for the purchase by the Company of property rights resulting from certificates of origin for energy from renewable sources (green certificates) (Agreements).

The Agreements were executed in 2006-2014 with the following counterparties, which own renewable generation assets ("Counterparties"):

- Farma Wiatrowa Krzęcin Sp. z o.o., based in Warsaw;
- Megawind Polska Sp. z o.o., based in Szczecin;
- PGE Górnictwo i Energetyka Konwencjonalna S.A., based in Bełchatów;
- PGE Energia Odnawialna S.A., based in Warsaw;
- PGE Energia Natury PEW Sp. z o.o., based in Warsaw (currently PGE Energia Odnawialna S.A., based in Warsaw);
- "PSW" Sp. z o.o., based in Warsaw;
- in.ventus Sp. z o.o. EW Śniatowo sp.k., based in Poznań;
- Golice Wind Farm Sp. z o.o., based in Warsaw.

The Agreements were generally terminated by the end of November 2016. The dates on which the respective Agreements were terminated depended on contractual provisions.

The reason for terminating/withdrawing from the Agreements by the Company was the fact that it was no longer possible to restore contractual balance and the equivalence of the parties' considerations, caused by changes in laws.

Legal changes that occurred after the aforementioned Agreements were executed include in particular:

- ordinance of the Minister of Economy of 18 October 2012 on a detailed scope of obligations to obtain and present for redemption origin certificates, pay substitute fees, purchase electricity and industrial heat generated from renewable sources and the obligation to validate data concerning the quantity of electricity generated from renewable sources (Polish Journal of Laws of 2012, item 1229);

- the Act on renewable energy sources of 20 February 2015 (Polish Journal of Laws of 2015, item 478) and associated further legal changes and announced drafts of legal changes, including especially:
  - the Act on amendment of the act on renewable energy sources and certain other acts dated 22 June 2016 (Polish Journal of Laws of 2016, item 925); and
  - a draft of the Ordinance of the Minister of Energy concerning changes in the share of electricity resulting from redeemed origin certificates confirming production of electricity from renewable sources, which is to be issued based on an authorisation under art. 12 sec. 5 of the Act on amendment of the act on renewable energy sources and certain other acts dated 22 June 2016 and certain other acts,

caused an objective lack of possibilities to develop reliable models to forecast the prices of green certificates.

The Agreements were terminated with the intention for the Company to avoid losses constituting the difference between contractual and market prices of green certificates. Due to the changing legal conditions after termination of the Agreements in 2017, especially arising from the Act of 20 July 2017 on amendment of the act on renewable energy sources, the estimated value of future contract liabilities would have changed. In the current legal framework, this would be significantly lower in comparison to the amount estimated when the Agreements were being terminated, i.e. approx. PLN 1 187 million. This decline reflects a change in the way in which the substitute fee is calculated, which in accordance with the content of some of the Agreements constitutes the basis for calculating the contract price and indexing it to the market price. The Company created a PLN 115 790 thousand provision for potential claims resulting from the terminated Agreements in relation to submissions made by 30 June 2019 concerning transactions to sell property rights by the counterparties; the provision is presented in note 22.

## 27. Profit allocation

On 20 May 2019, an Ordinary General Meeting of ENEA S.A. adopted resolution no. 6 concerning the allocation of net profit for the financial year covering the period from 1 January 2018 to 31 December 2018, pursuant to which 100% of the 2018 net profit was transferred to reserve capital, intended to finance investments.

On 25 June 2018 an Ordinary General Meeting of ENEA S.A. adopted resolution no. 6 concerning the allocation of net profit for the financial year covering the period from 1 January 2017 to 31 December 2017, pursuant to which 100% of the 2017 net profit was transferred to reserve capital, intended to finance investments.

## 28. Participation in nuclear power plant build programme

On 15 April 2015 KGHM, PGE, TAURON and ENEA S.A. executed an agreement to purchase shares in PGE EJ 1. KGHM, TAURON and ENEA S.A. purchased 10% stakes in PGE EJ 1 each from PGE (30% in total). ENEA paid PLN 16 million for its stake.

In accordance with the Founding Agreement, ENEA S.A.'s financial investment in the Preliminary Stage will not exceed approx. PLN 107 million. ENEA S.A.'s overall expenditures on purchasing shares and increasing the company's share capital amounted to PLN 32 544 thousand.

On 28 November 2018 PGE S.A. expressed preliminary interest in purchasing all of the shares of PGE EJ 1. According to information from PGE S.A., this transaction would be possible after an independent adviser prepares a valuation and corporate approvals are secured by all of the entities involved. On 4 December 2018 ENEA S.A. expressed preliminary interest in selling its entire stake in PGE EJ 1. Preliminary interest in selling their stakes in PGE EJ 1 was also expressed by the other shareholders, i.e. TAURON and KGHM. On 17 April 2019, PGE S.A. decided to withdraw from the process to purchase shares held by the remaining shareholders.

## 29. Tax group

Through a decision of 14 May 2019, the Director of the 1st Wielkopolskie Tax Authority in Poznań confirmed the expiry of a decision issued on 25 October 2016 regarding the registration of ENEA Tax Group agreement due to ENEA Tax Group's failure in tax year 2018 to comply with the condition to maintain a ratio of profit to revenue of at least 2%.

ENEA Tax Group lost its tax group status as of 31 December 2018.

1 January 2019 is the first day of a new tax year for companies within the tax group, and from this date they are required to individually settle corporate income tax.

## 30. Management Board and Supervisory Board changes

### Management Board changes

On 16 May 2019, the Supervisory Board of ENEA S.A. appointed the following Management Board Members for a new joint term beginning on the date of ENEA S.A.'s Ordinary General Meeting approving the 2018 financial statements, i.e. from 21 May 2019: Mr. Mirosław Kowalik as President of the Management Board, Mr. Jarosław Ołowski as Member of the Management Board for Finance, Mr. Piotr Adamczak as Member of the Management Board for Trade and Mr. Zbigniew Piętka as Member of the Management Board for Corporate Affairs.



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### Supervisory Board changes

On 20 May 2019, ENEA S.A.'s Ordinary General Meeting appointed the following Supervisory Board Members for the 10th joint term, effective from 21 May 2019: Mr. Stanisław Hebda (who was also appointed Chairperson of the Supervisory Board), Mr. Paweł Jabłoński, Mr. Michał Jaciubek, Mr. Paweł Korobłowski, Mr. Ireneusz Kulka, Mr. Maciej Mazur, Mr. Piotr Mirkowski, Mr. Mariusz Pliszka and Mr. Roman Stryjski.

### **31. Events after the balance sheet date**

On 29 August 2019, the Supervisory Board of ENEA S.A. authorised the Management Board of ENEA S.A. to purchase 126 083 shares in ENEA Ciepło Sp. z o.o., with a nominal value of PLN 50 each and total nominal value of PLN 6 304 thousand, for a total price of PLN 34 539 thousand. On 4 September 2019, ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. executed an agreement to sell 126 083 shares in ENEA Ciepło Sp. z o.o., with a nominal value of PLN 50 each and total nominal value of PLN 6 304 thousand, for a total price of PLN 34 539 thousand, pursuant to which share ownership was to be transferred from ENEA Wytwarzanie Sp. z o.o. to ENEA S.A. on the date on which ENEA S.A. pays the price for the shares to ENEA Wytwarzanie Sp. z o.o. ENEA S.A.'s payment to ENEA Wytwarzanie Sp. z o.o. was made on 11 September 2019. Given the above, from 11 September 2019, ENEA S.A. holds 3 019 288 shares in ENEA Ciepło Sp. z o.o.'s capital, which constitutes a nearly 99.94% stake in this company's share capital. The remaining stake is held by the company's employees.

On 10 September 2019, an Extraordinary General Meeting of ENEA Centrum Sp. z o.o. adopted a resolution to increase the company's share capital and amend the company's founding agreement. ENEA Centrum Sp. z o.o.'s share capital was increased from PLN 3 929 thousand to PLN 103 929 thousand through the issue of 1 000 000 shares with a nominal value of PLN 100 each and total nominal value of PLN 100 000 thousand. On 10 September 2019, the newly-issued shares were acquired by the sole shareholder – ENEA S.A. – and paid for with a non-cash contribution in the form of receivables totalling PLN 162 000 thousand due for ENEA S.A. from ENEA Centrum Sp. z o.o. concerning loans granted under two loan agreements executed in 2014 and 2015. The amount of PLN 62 000 thousand constitutes an excess of the non-cash contribution over the nominal value of shares acquired and was transferred to ENEA Centrum Sp. z o.o.'s supplementary capital.

On 24 September 2019, an Extraordinary General Meeting of ENEA Innowacje Sp. z o.o. adopted a resolution regarding an increase in the company's share capital and amendment of the company's founding agreement. The company's share capital was increased from PLN 9 205 thousand to PLN 17 060 thousand through the issue of 78 550 new shares with a nominal value of PLN 100 each and total value of PLN 7 855 thousand.