ENEA S.A. SEPARATE FINANCIAL STATEMENTS

for the financial year ended
31 December 2020
in compliance with
EU IFRS

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Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

These separate financial statements are prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union, and are approved by the Management Board of ENEA S.A.

Members of the Management Board

President of the Management Board	**Paweł Szczeszek**
Member of the Management Board	**Tomasz Siwak**
Member of the Management Board	**Tomasz Szczegielniak**
Member of the Management Board	**Marcin Pawlicki**
Member of the Management Board	**Rafał Mucha**

ENEA Centrum Sp. z o.o.

Entity responsible for maintaining accounting

books and preparing financial statements Ewa Nowaczyk

ENEA Centrum Sp. z o.o. ul. Górecka 1, 60-201 Poznań

KRS 0000477231, NIP 777-000-28-43, REGON 630770227

Poznań, 25 March 2021

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020	31 December 2019
Revenue from sales		6 252 751	5 171 385
Excise duty		(65 391)	(71 170)
Net revenue from sales	**8**	**6 187 360**	**5 100 215**
Compensations	8	3 284	597 163
Lease income		312	70
Revenue from sales and other income		**6 190 956**	**5 697 448**
Other operating revenue	10	11 390	16 591
Change in provision for onerous contracts		17 745	10 415
Depreciation/amortisation	9	(5 136)	(5 242)
Employee benefit costs	9	(75 332)	(74 078)
Use of materials and raw materials and value of goods sold	9	(2 794)	(2 437)
Purchase of electricity and gas for sales purposes	9	(6 021 789)	(5 462 752)
Transmission and distribution services	9	(14 597)	(6 331)
Other third-party services	9	(222 568)	(217 439)
Taxes and fees	9	(4 127)	(4 139)
Gain/(loss) on sale and liquidation of property, plant and equipment and right-of-use assets		124	431
Other operating costs	10	(64 981)	(66 298)
Operating loss		**(191 109)**	**(113 831)**
Finance costs	11	(275 906)	(285 835)
Finance income	11	232 918	264 845
Dividend income		593 694	781 507
Change in impairment of interests in subsidiaries, associates and jointly controlled entities	18	(3 613 242)	(293 621)
Change in impairment of financial assets at amortised cost	32	(144 014)	(65 771)
(Loss)/profit before tax		**(3 397 659)**	**287 294**
Income tax	12	40 909	(3 963)
Net (loss)/profit for the reporting period		**(3 356 750)**	**283 331**
Other comprehensive income			
Subject to reclassification to profit or loss:			
- measurement of hedging instruments		(108 862)	(1 692)
- income tax		20 684	322
Not subject to reclassification to profit or loss:			
- restatement of defined benefit plan		(2 196)	(4 479)
- measurement of financial instruments		-	-
- income tax		417	851
Net other comprehensive income		**(89 957)**	**(4 998)**
Comprehensive income for the reporting period		**(3 446 707)**	**278 333**
Net loss/profit attributable to the Company's shareholders		(3 356 750)	283 331
Weighted average number of ordinary shares		441 442 578	441 442 578
Net (loss)/profit per share (in PLN per share)	**13**	**(7.60)**	**0.64**
Diluted (loss)/profit per share (in PLN per share)		**(7.60)**	**0.64**

The separate statement of comprehensive income should by analysed in conjunction with the additional information and explanations, which constitute an integral part of these separate financial statements.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2020	As at 31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	14	23 910	24 070
Right-of-use assets	16	29 978	33 249
Intangible assets	15	4 180	4 376
Investment properties	17	13 206	13 755
Investments in subsidiaries, associates and jointly controlled entities	18	9 512 925	12 892 612
Deferred income tax assets	12	101 483	95 395
Financial assets measured at fair value	31	84 848	38 848
Debt financial assets at amortised cost	32	6 082 074	4 567 870
Finance lease and sublease receivables		513	2 610
Costs related to the conclusion of agreements		11 256	12 749
Total non-current assets		**15 864 373**	**17 685 534**
Current assets			
Inventories	19	65 700	217 460
Trade and other receivables	20	1 381 371	962 730
Costs related to the conclusion of agreements		13 428	12 646
Assets arising from contracts with customers	22	228 905	215 223
Finance lease and sublease receivables		3 274	3 083
Current income tax receivables		-	30 680
Debt financial assets at amortised cost	32	1 406 802	2 801 067
Cash and cash equivalents	23	530 668	2 768 210
Total current assets		**3 630 148**	**7 011 099**
TOTAL ASSETS		**19 494 521**	**24 696 633**

The separate statement of financial position should by analysed in conjunction with the additional information and explanations, which constitute an integral part of these separate financial statements.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2020	As at 31 December 2019
EQUITY AND LIABILITIES			
Equity			
Share capital		588 018	588 018
Share premium		4 627 673	4 627 673
Revaluation reserve - measurement of financial instruments		(17 036)	(17 036)
Revaluation reserve - measurement of hedging instruments		(105 534)	(17 356)
Reserve capital		5 974 031	5 690 700
Accumulated loss/retailed earnings		(939 680)	2 702 180
Total equity	**24**	**10 127 472**	**13 574 179**
LIABILITIES			
Non-current liabilities			
Credit facilities, loans and debt securities	27	6 559 586	7 742 980
Other liabilities	28	-	80 123
Lease liabilities	27	25 884	30 970
Employee benefit liabilities	29	60 146	58 693
Financial liabilities measured at fair value	31, 33	75 131	23 802
Total non-current liabilities		**6 720 747**	**7 936 568**
Current liabilities			
Credit facilities, loans and debt securities	27	1 210 519	2 088 642
Trade and other payables	28	438 241	567 409
Liabilities arising from contracts with customers	22	32 289	12 631
Lease liabilities	27	5 431	5 470
Current income tax liabilities		71 385	-
Employee benefit liabilities	29	27 637	28 872
Financial liabilities measured at fair value	31	64 542	-
Liabilities concerning the equivalent for rights to free purchase of shares		281	281
Other financial liabilities	31	152 574	52 599
Provisions for other liabilities and other charges	30	643 403	429 982
Total current liabilities		**2 646 302**	**3 185 886**
Total liabilities		**9 367 049**	**11 122 454**
TOTAL EQUITY AND LIABILITIES		**19 494 521**	**24 696 633**

The separate statement of financial position should by analysed in conjunction with the additional information and explanations, which constitute an integral part of these separate financial statements.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

SEPARATE STATEMENT OF CHANGES IN EQUITY

	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	Reserve capital	Retained earnings/ accumulated losses	Total equity
As at 1 January 2019	**441 443**	**146 575**	**588 018**	**4 627 673**	**(17 036)**	**(15 986)**	**4 963 564**	**3 149 613**	**13 295 846**
Net profit for the reporting period	-	-	-	-	-	-	-	283 331	**283 331**
Net other comprehensive income	-	-	-	-	-	(1 370)	-	(3 628)	**(4 998)**
Net comprehensive income recognised in the period	**-**	**-**	**-**	**-**	**-**	**(1 370)**	**-**	**279 703**	**278 333**
Allocation of net profit - transfer	-	-	**-**	-	-	-	727 136	(727 136)	**-**
As at 31 December 2019	**441 443**	**146 575**	**588 018**	**4 627 673**	**(17 036)**	**(17 356)**	**5 690 700**	**2 702 180**	**13 574 179**
Net loss for the reporting period	-	-	-	-	-	-	-	(3 356 750)	**(3 356 750)**
Net other comprehensive income	-	-	-	-	-	(88 178)	-	(1 779)	**(89 957)**
Net comprehensive income recognised in the period	**-**	**-**	**-**	**-**	**-**	**(88 178)**	**-**	**(3 358 529)**	**(3 446 707)**
Allocation of net profit - transfer	-	-	**-**	-	-	-	283 331	(283 331)	**-**
As at 31 December 2020	**441 443**	**146 575**	**588 018**	**4 627 673**	**(17 036)**	**(105 534)**	**5 974 031**	**(939 680)**	**10 127 472**

The separate statement of changes in equity should by analysed in conjunction with the additional information and explanations, which constitute an integral part of these separate financial statements.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

SEPARATE STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities			
Net (loss)/profit for the reporting period		(3 356 750)	283 331
Adjustments:			
Income tax in profit or loss	12	(40 909)	3 963
Depreciation/amortisation	9	5 136	5 242
Gain on sale and liquidation of property, plant and equipment		(124)	(431)
Loss on sale of financial assets		1 959	10 816
Interest income		(183 768)	(203 300)
Dividend income		(593 694)	(781 507)
Interest costs		239 696	248 608
Impairment of interests		3 613 242	294 008
Impairment of financial assets at amortised cost		144 014	65 771
Other adjustments		1 558	(3 554)
Total adjustments		**3 187 110**	**(360 384)**
Income tax (paid)/refund		(172 024)	23 949
Flows resulting from settlements within tax group		215 016	(30 668)
Changes in working capital:			
Inventories		151 760	116 118
Trade and other receivables	37	(315 718)	26 442
Trade and other payables	37	(109 988)	(13 138)
Employee benefit liabilities	37	(1 978)	6 358
Provisions for other liabilities and other charges	37	(8 779)	(82 941)
Total changes in working capital		**(284 703)**	**52 839**
Net cash flows from operating activities		**(411 351)**	**(30 933)**
Cash flows from investing activities			
Purchase of non-current property, plant and equipment, intangible assets and right-of-use assets		(711)	(727)
Proceeds from sale of non-current property, plant and equipment, intangible assets and right-of-use assets		124	438
Purchase of financial assets	37	(3 149 415)	(879 360)
Proceeds from sale of financial assets	37	2 776 286	550 859
Purchase of subsidiaries		(9 300)	(48 144)
Purchase of associates and jointly controlled entities		(1 700)	(181 698)
Sale of subsidiary		-	79
Received dividends		593 694	781 507
Received interest		191 046	202 797
Other inflows from financing activities		-	3 446
Net cash flows from investing activities		**400 024**	**429 197**
Cash flows from financing activities			
Bond issuance	37	-	2 000 000
Repayment of credit and loans	37	(162 080)	(152 080)
Bond buy-back	37	(1 894 310)	(277 910)
Expenditures concerning lease payments		(5 549)	(5 163)
Expenditures concerning future bond issues		-	(195)
Interest paid		(264 251)	(246 498)
Net cash flows from financing activities		**(2 326 190)**	**1 318 154**
Total net cash flows		**(2 337 517)**	**1 716 418**
Cash at the beginning of reporting period	23	2 715 611	999 193
Cash at the end of reporting period	**23**	**378 094**	**2 715 611**

The separate statement of cash flows should by analysed in conjunction with the additional information and explanations, which constitute an integral part of the separate financial statements

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

ADDITIONAL INFORMATION AND EXPLANATIONS

General information

1. General information on ENEA S.A.

Name:	ENEA Spółka Akcyjna
Legal form:	Spółka Akcyjna (joint-stock company)
Country of registered office:	Poland
Registered office:	Poznań
Address:	ul. Górecka 1, 60-201 Poznań
KRS:	0000012483
Telephone number:	(+48 61) 884 55 44
Fax number:	(+48 61) 884 59 59
E-mail:	enea@enea.pl
Website:	www.enea.pl
REGON number:	630139960
NIP number:	777-00-20-640

ENEA S.A., back then operating as Energetyka Poznańska S.A., was entered into the National Court Register at the District Court in Poznań on 21 May 2001, under KRS number 0000012483.

As at 31 December 2020, ENEA S.A.'s shareholding structure was as follows:

	Poland's State Treasury	Other shareholders	Total
As at 31 December 2020	51.50%	48.50%	**100.00%**

As at 31 December 2020, the Parent's highest-level controlling entity was the State Treasury.

As at 31 December 2020, 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.

The Company's duration is indefinite. Its activities are conducted on the basis of relevant concessions issued to the Company.

The Company's separate financial statements cover the year ended on 31 December 2020 and contain comparative data for the year ended on 31 December 2019.

2. Group composition

As at 31 December 2020, ENEA Group consisted of the parent - ENEA S.A., 14 subsidiaries, 10 indirect subsidiaries, 2 associates and 2 jointly controlled entities.

The main business activity of ENEA S.A. is trade of electricity.

Accounting rules

Subsidiaries

A subsidiary is a company under the control of another company. The definition of control results directly from IFRS 10. An investor controls a company in which it has invested if and only if the investor has all of the following elements:

1) power over the investee,
2) exposure, or rights, to variable returns from its involvement with the investee,
3) the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date on which control over them is obtained by ENEA S.A. They are deconsolidated on the date control ceases.

Associates and jointly controlled entities

Associates are all entities in respect of which the Company exerts a significant influence but does not have control, which typically means holding 20-50% of voting rights.

Jointly controlled entities are all entities in respect of which the Company exercises, through contractual arrangements, control jointly with other entities.

Investments in subsidiaries and associates are measured at purchase price less impairment. Impairment of investments is recognised in finance costs and is not treated as tax deductible. If reasons for which an impairment loss had been recognised cease, all or part of the previously recognised impairment loss increase the investment's value and is classified into finance income (not taxable).

Mergers and acquisitions

Mergers and acquisitions of entities that are not under joint control are accounted for using the equity method.

Purchase of associates and jointly controlled entities

Based on agreements concerning the given investment, the Company judges whether there is joint control or significant influence.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

	Company name	Activity	Registered office	ENEA S.A.'s stake in total number of voting rights as at 31 December 2020	ENEA S.A.'s stake in total number of voting rights as at 31 December 2019
SUBSIDIARIES					
1.	**ENEA Operator Sp. z o.o.**	distribution	Poznań	100%[8]	100%
2.	**ENEA Wytwarzanie Sp. z o.o.**	generation	Świerże Górne	100%[10]	100%
3.	**ENEA Elektrownia Połaniec S.A.**	generation	Połaniec	100%	100%
4.	**ENEA Oświetlenie Sp. z o.o.**	other activity	Szczecin	100%	100%
5.	**ENEA Trading Sp. z o.o.**	trade	Świerże Górne	100%	100%
6.	**ENEA Serwis Sp. z o.o.**	distribution	Lipno	100%	100%
7.	**ENEA Centrum Sp. z o.o.**	other activity	Poznań	100%	100%
8.	**ENEA Pomiary Sp. z o.o.**	distribution	Poznań	100%	100%
9.	**ENERGO-TOUR Sp. z o.o. w likwidacji**	other activity	Poznań	100%[6]	100%[6]
10.	**ENEA Innowacje Sp. z o.o.**	other activity	Warsaw	100%[9]	100%
11.	**Lubelski Węgiel BOGDANKA S.A.**	mining	Bogdanka	65.99%	65.99%
12.	**Annacond Enterprises Sp. z o.o. w likwidacji**	distribution	Warsaw	-[7]	61%
13.	**ENEA Ciepło Sp. z o.o.**	generation	Białystok	99.94%	99,94%
14.	**ENEA Ciepło Serwis Sp. z o.o.**	generation	Białystok	100%	100%
15.	**ENEA Nowa Energia Sp. z o.o.**	generation	Poznań	100%[10]	100%
INDIRECT SUBSIDIARIES					
16.	**ENEA Logistyka Sp. z o.o.**	distribution	Poznań	100%[5,8]	100%[8]
17.	**ENEA Bioenergia Sp. z o.o.**	generation	Połaniec	100%[1]	100%[1]
18.	**ENEA Połaniec Serwis Sp. z o.o.**	generation	Połaniec	100%[1]	100%[1]
19.	**Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.**	generation	Oborniki	99.93%[2]	99.93%[2]
20.	**Miejska Energetyka Cieplna Piła Sp. z o.o.**	generation	Piła	71.11%[2]	71.11%[2]
21.	**EkoTRANS Bogdanka Sp. z o.o.**	mining	Bogdanka	65.99%[3]	65.99%[3]
22.	**RG Bogdanka Sp. z o.o.**	mining	Bogdanka	65.99%[3]	65.99%[3]
23.	**MR Bogdanka Sp. z o.o.**	mining	Bogdanka	65.99%[3]	65.99%[3]
24.	**Łęczyńska Energetyka Sp. z o.o.**	mining	Bogdanka	58.53%[3]	58.53%[3]
25.	**ENEA Badania i Rozwój Sp. z o.o.**	other activity	Warsaw	100%[4]	100%[4]
JOINTLY CONTROLLED ENTITIES					
26.	**Polska Grupa Górnicza S.A.**	-	Katowice	7.66%	7.66%
27.	**Elektrownia Ostrołęka Sp. z o.o.**	-	Ostrołęka	50%	50%
ASSOCIATES					
28.	**Polimex – Mostostal S.A.**	-	Warsaw	16.48%	16.48%
29.	**ElectroMobility Poland S.A.**	-	Warsaw	25%	25%

[1] – indirect subsidiary through stake in ENEA Elektrownia Połaniec S.A.

[2] – indirect subsidiary through stake in ENEA Wytwarzanie Sp. z o.o.

[3] – indirect subsidiary through stake in Lubelski Węgiel BOGDANKA S.A.

[4] – indirect subsidiary through stake in ENEA Innowacje Sp. z o.o.

[5] – indirect subsidiary through stake in ENEA Operator Sp. z o.o.

[6] – 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 separate financial statements were prepared, procedural activities connected with removing the entity from the National Court Register were in progress.

[7] – on 24 February 2020 Annacond Enterprises Sp. z o.o. w likwidacji was removed from the National Court Register.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

[8] – on 27 August 2020, an Extraordinary General Meeting of ENEA Operator Sp. z o.o. adopted a resolution on a capital increase by PLN 13 864 thousand, i.e. from PLN 4 683 074 to PLN 4 696 938, by issuing 138 638 new shares with a nominal value of PLN 100 each and total nominal value of PLN 13 864 thousand. On 8 September 2020, ENEA S.A. signed a commitment to acquire 138 638 new, equal and undivided shares in exchange for a non-cash contribution in the form of 165 407 shares in ENEA Logistyka Sp. z o.o., with a nominal value of PLN 100 each. The share capital increase was registered at the National Court Register on 27 October 2020. At 31 December 2019, ENEA Logistyka Sp. z o.o. was a subsidiary of ENEA S.A.

[9] – on 1 September 2020 an Extraordinary General Meeting of ENEA Innowacje Sp. z o.o. adopted a resolution to increase the company's share capital by PLN 9 300 thousand, i.e. from PLN 17 060 thousand to PLN 26 360 thousand, by issuing 93 000 new shares with a nominal value of PLN 100 each. On 2 September 2020 ENEA S.A. acquired all of the newly-issued ENEA Innowacje Sp. z o.o. shares in exchange for a cash contribution. The share capital increase was registered at the National Court Register on 15 October 2020.

[10] – on 10 November 2020 an Extraordinary General Meeting of ENEA Wytwarzanie Sp. z o.o., based in Świerże Górne, (Divided Company), adopted a resolution on the division of ENEA Wytwarzanie Sp. z o.o. through a spin-off as part of the reorganisation of ENEA Group's renewables segment. The division was carried out pursuant to art. 529 § 1 point 4 of the Polish Commercial Companies Code, through the transfer of an organisationally, financially and functionally separate set of tangible and intangible assets, including liabilities, constituting an organised part of enterprise in the meaning of art. 4a point 4 of the Act of 15 February 1992 on corporate income tax and art. 2 point 27e of the Act of 11 March 2004 on tax on goods and services, from the Dividend Company to ENEA Nowa Energia Sp. z o.o., based in Radom (Acquiring Company), on the terms and conditions specified in the Division Plan dated 25 August 2020. The division was carried out without reducing the Divided Company's share capital, by way of reducing the Divided Company's other equity, i.e. retained earnings, amounting to PLN 526 431 thousand.
On 10 November 2020 an Extraordinary General Meeting of the Acquiring Company adopted a resolution on the division of the Divided Company through a spin-off - transfer of an organised part of the Divided Company's enterprise, in the form of the renewables segment, to the Acquiring Company. As part of this resolution, in connection with the transfer of the renewables segment, the Acquiring Company's share capital was increased from PLN 5 thousand to PLN 52 648 thousand, i.e. by PLN 52 643 thousand, through the issue of 1 052 862 new shares, which were allotted to the sole shareholder of the Acquiring Company, i.e. ENEA S.A., in accordance with art. 530 § 2 of the Polish Commercial Companies Code. The division was performed on the Division Date, i.e. on the date on which the increase in the Acquiring Company's share capital was registered at the National Court Register, i.e. on 1 December 2020. Following registration of the capital increase by the National Court Register, ENEA S.A. holds 1 052 962 shares of ENEA Nowa Energia Sp. z o.o., which constitutes 100% of its share capital.

3. Management Board and Supervisory Board composition

Management Board

	As at 31 December 2020	Appointment	As at 31 December 2019	Dismissal / resignation
President of the Management Board	Paweł Szczeszek	30 June 2020	Mirosław Kowalik	5 June 2020
Member of the Management Board, responsible for finance	Rafał Mucha	21 December 2020	Jarosław Ołowski	17 November 2020
Member of the Management Board, responsible for trade	Tomasz Siwak	17 August 2020	Piotr Adamczak	10 August 2020
Member of the Management Board, responsible for corporate affairs	Tomasz Szczegielniak	7 August 2020	Zbigniew Piętka	24 July 2020
Member of the Management Board, responsible for operations	Marcin Pawlicki	29 October 2020		

Supervisory Board

	As at 31 December 2020	Appointment	As at 31 December 2019	End of term / resignation
Chairperson of the Supervisory Board	Izabela Felczak-Poturnicka	19 March 2020	Stanisław Hebda	6 February 2020
Deputy Chairperson of the Supervisory Board	Roman Stryjski		Mariusz Pliszka	
Secretary of the Supervisory Board	Michał Jaciubek		Michał Jaciubek	
Member of the Supervisory Board	Maciej Mazur		Maciej Mazur	
Member of the Supervisory Board	Piotr Mirkowski		Piotr Mirkowski	
Member of the Supervisory Board	Paweł Koroblowski		Paweł Koroblowski	
Member of the Supervisory Board	Ireneusz Kulka		Ireneusz Kulka	

Member of the Supervisory Board	Mariusz Pliszka		Roman Stryjski
Member of the Supervisory Board	Mariusz Fistek	19 March 2020	
Member of the Supervisory Board	Rafał Włodarski	16 September 2020	

On 3 February 2020, the Company received a statement from the Minster of State Assets of the same date on the use by the Minister of State Assets of an authorisation to appoint, pursuant to § 24 sec. 1 of the Company's Articles of Association, a member of the Supervisory Board of ENEA S.A. Under the aforementioned authorisation, Mr. Bartosz Nieścior was appointed to the Company's Supervisory Board as of 3 February 2020.

On 6 February 2020, the Company received a letter of resignation from the Chairperson of the Supervisory Board, Mr. Stanisław Hebda, resigning as member of ENEA S.A.'s Supervisory Board.

On 6 February 2020, Mr. Mariusz Pliszka resigned from the Supervisory Board of ENEA S.A., effective from the same date.

On 6 February 2020, the Supervisory Board appointed Mr. Bartosz Nieścior as Deputy Chairperson of ENEA S.A.'s Supervisory Board.

The following persons were appointed to the Company's Supervisory Board on 19 March 2020: Mrs. Izabela Felczak-Poturnicka, as Chairperson of the Supervisory Board, and Mr. Mariusz Fistek.

On 27 May 2020, the Company received statements from the Minister of State Assets of the same date on exercise of his authorisation to appoint and dismiss a member of ENEA S.A.'s Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. According to these statements, the Minister of State Assets dismissed Mr. Bartosz Nieścior from the Company's Supervisory Board, effective from 27 May 2020, and appointed Mr. Paweł Szczeszek to the Company's Supervisory Board, effective from the same date.

On 4 June 2020 the Supervisory Board appointed Mr. Roman Stryjski as Deputy Chairperson of ENEA S.A.'s Supervisory Board.

On 4 June 2020 Mr. Mirosław Kowalik tendered his resignation as President and Member of ENEA S.A.'s Management Board, effective from 5 June 2020. On the same date, the Company's Supervisory Board adopted a resolution delegating Supervisory Board Member Paweł Szczeszek to temporarily serve as President of ENEA S.A.'s Management Board, effective from 6 June 2020, until a new Management Board President is appointed, however not later than three months counting from the delegation date.

In connection with Mr. Paweł Szczeszek being appointed as President of ENEA S.A.'s Management Board on 30 June 2020, Mr. Paweł Szczeszek's mandate as Member of the Company's Supervisory Board expired.

On 22 July 2020 Mr. Zbigniew Piętka tendered his resignation as Member of ENEA S.A.'s Management Board for Corporate Affairs, effective from 24 July 2020.

On 23 July 2020 Mr. Piotr Adamczak tendered his resignation as Member of ENEA S.A.'s Management Board for Trade, effective from 10 August 2020.

On 7 August 2020 the Company's Supervisory Board adopted a resolution appointing Mr. Tomasz Szczegielniak as Member of ENEA S.A.'s Management Board for Corporate Affairs.

On 7 August 2020 the Company's Supervisory Board adopted a resolution appointing Mr. Tomasz Siwak as Member of ENEA S.A.'s Management Board for Trade, effective from 17 August 2020.

On 17 September 2020, the Company received a statement from the Minster of State Assets of the same date regarding use by the Minister of State Assets of an authorisation to appoint, pursuant to § 24 sec. 1 of the Company's Articles of Association, of a member of the Supervisory Board of ENEA S.A. Under the aforementioned authorisation, Mr. Rafał Włodarski was appointed to the Company's Supervisory Board as of 16 September 2020.

On 23 October 2020, the Company's Supervisory Board adopted a resolution appointing Mr. Marcin Pawlicki as Member of ENEA S.A.'s Management Board for operations, effective from 29 October 2020.

On 17 November 2020 the Supervisory Board of ENEA S.A. adopted a resolution to dismiss Mr. Jarosław Ołowski as Member of ENEA S.A.'s Management Board in charge of finance.

On 9 December 2020 the Company's Supervisory Board adopted a resolution to appoint Mr. Rafał Marek Mucha as Member of ENEA S.A.'s Management Board in charge of finance, effective from 21 December 2020.

On 4 January 2021, the Company received a letter of resignation from Mrs. Izabela Felczak-Poturnicka as Chairperson of the Supervisory Board and as Supervisory Board member, effective from 5 January 2021.

On 7 January 2021, an Extraordinary General Meeting of ENEA S.A. appointed Mr. Rafał Włodarski as Chairperson of ENEA S.A.'s Supervisory Board.

On 7 January 2021, the Company's Extraordinary General Meeting adopted a resolution appointing Mrs. Dorota Szymanek as member of ENEA S.A.'s Supervisory Board, 10th term, effective from the same date.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Supervisory Board composition as at the date on which these separate financial statements were prepared:

	As at 25 March 2021
Chairperson of the Supervisory Board	Rafał Włodarski
Deputy Chairperson of the Supervisory Board	Roman Stryjski
Secretary of the Supervisory Board	Michał Jaciubek
Member of the Supervisory Board	Mariusz Fistek
Member of the Supervisory Board	Paweł Koroblowski
Member of the Supervisory Board	Ireneusz Kulka
Member of the Supervisory Board	Maciej Mazur
Member of the Supervisory Board	Piotr Mirkowski
Member of the Supervisory Board	Mariusz Pliszka
Member of the Supervisory Board	Dorota Szymanek

4. Basis for preparing financial statements

These separate financial statements are prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union ("EU IFRS"), and are approved by the Management Board of ENEA S.A.

EU IFRS cover standards and interpretations approved by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee.

The Company'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 S.A.'s separate financial statements in accordance with EU IFRS as at 31 December 2020. The presented tables and explanations are prepared with due diligence. These separate financial statements have been audited by a statutory auditor. The accounting rules are applied consistently across all of the presented periods unless stated otherwise.

These separate 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 Company's going concern.

These separate financial statements are prepared on an historic cost basis, except for financial instruments measured at fair value.

The Company prepares ENEA Group's consolidated financial statements in compliance with EU IFRS. In the consolidated financial statements, entities in which the Company directly or indirectly holds a stake and at least half of voting rights or exerts control in another manner are subject to full consolidation. ENEA Group's consolidated financial statements were approved by the Management Board of ENEA S.A. on the same date as the separate financial statements.

ENEA S.A.'s separate financial statements should be read in conjunction with ENEA Group's consolidated financial statements for the period from 1 January to 31 December 2020 in order to obtain full information on the Group's financial situation and results.

These separate financial statements contain the financial information referred to in art. 44 sec. 2 of the Act of 10 April 1997 - Energy Law, presented in note 35 ("regulatory financial information").

5. Accounting rules (policy) and significant estimates and assumptions

The key accounting rules applied in preparing these separate financial statements are presented as an element of individual explanatory notes to these separate financial statements. These rules were applied in all of the presented periods continuously, except for the application of the changes to Standards and Interpretations described in note 6.

Preparing separate financial statements in accordance with EU IFRS requires the Management Board to adopt certain assumptions and make estimates that have an impact on the adopted accounting rules and the amounts shown in separate financial statements and notes to financial statements. Assumptions and estimates are based on the Management Board's best knowledge regarding current and future events and activities. However, actual results may differ from forecasts. The key areas where the Management Board's estimates have considerable impact on separate financial statements are presented in the following explanatory notes:

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Notes describing significant estimates and assumptions

Notes describing significant estimates and assumptions	Note
Impairment of interests in subsidiaries, jointly controlled entities and associates	18
Tax	12
Property, plant and equipment	14
Intangible assets	15
Right-of-use assets	16
Investment properties	17
Inventories	19
Energy origin certificates	19
Trade and other receivables	20
Assets and liabilities arising from contracts with customers	22
Cash and cash equivalents	23
Employee benefit liabilities	29
Provisions	30
Financial instruments and fair value	31

6. Impact of new standards and interpretations, changes in accounting rules and data presentation

New Standards, amendments to Standards and Interpretations awaiting approval by the European Union:

Standard	Entry into force
IFRS 17 Insurance Contracts	1 January 2023
IAS 1 Presentation of Financial Statements	1 January 2023
IAS 16 Property, plant and equipment	1 January 2022
IAS 37 Provisions, contingent liabilities and contingent assets	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards - these improvements contain explanations and clarify guidelines on recognition and measurement for the standards	1 January 2022
IFRS 3 Business Combinations - updating a reference to the Conceptual Framework	1 January 2022
IFRS 9 Financial Instruments - these improvements contain explanations and clarify guidelines on recognition and measurement for the standards	1 January 2022
IAS 41 Agriculture - these improvements contain explanations and clarify guidelines on recognition and measurement for the standards	1 January 2022
IFRS 16 Leases - improvements in illustrative examples	1 January 2022
IFRS 4 Insurance contracts - deferred application of IFRS 9 Financial Instruments	1 January 2021
IFRS 4 Insurance contracts - amendments concerning IBOR reform	1 January 2021
IFRS 7 Financial Instruments: disclosure of information - changes related to IBOR reform	1 January 2021
IFRS 9 Financial Instruments - amendments concerning IBOR reform	1 January 2021
IFRS 6 Leases - amendments concerning IBOR reform	1 January 2021
IAS 39 Financial Instruments: disclosure and measurement - amendments concerning IBOR reform	1 January 2021
IFRS 10 Consolidated Financial Statements - amendments concerning the sale or contribution of assets between an investor and its associates or joint ventures	-
IAS 28 Investments in Associates and Joint Ventures - amendments concerning the sale or contribution of assets between an investor and its associates or joint ventures	-

Changes in applied accounting rules

The accounting rules (policy) applied in preparing these separate financial statements are consistent with those applied in preparing the Company's annual separate financial statements for the year ended 31 December 2019, except for the application of new standards, amendments to standards and interpretations, as described below:

- IFRS 3 Business combinations - the amendments introduce a modified definition of a business, narrow the existing definition of outputs and will likely result in more acquisitions being classified as asset acquisition;
- IFRS 9 Financial instruments, IAS 39 Financial instruments: recognition and measurement and IFRS 7 Financial instruments - disclosure of information concerning IBOR reform, the amendments published in 2019 modify certain specific requirements concerning hedge accounting, mainly to ensure that the expected reference rate reform (IBOR reform) does not substantially lead to the end of hedge accounting;
- IFRS 16 Leases - simplification concerning changes resulting from lease agreements in connection with COVID-19, e.g.: lease payment deferral or exemption. This simplification concerns an assessment of whether or not these changes constitute a modification of the lease. Lessees can apply this simplification so that they do not apply IFRS 16 guidelines concerning lease modifications. This will result in relief and exemptions applicable to leases being recognised as variable lease payments during the period in which the event occurs or as a condition

that causes the payments to be reduced;

- IAS 1 Presentation of financial statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - the amendments clarify the definition of materiality and increase consistency between standards;
- Amendments to IFRS Conceptual Framework - amendments to the IFRS Conceptual Framework published in 2019, effective from 1 January 2020. A verified Conceptual Framework is applied by the IASB and the Interpretations Committee in work on new standards. Nonetheless, entities preparing financial statements can apply the Conceptual Framework in order to develop accounting policies for transactions that are not yet regulated by the existing IFRSs.

ENEA S.A. concludes that these amendments to Standards and Interpretations no impact on its financial statements.

7. Functional currency and transactions in foreign currencies

Accounting rules

Functional currency and presentation currency

Items in the Company's financial statements are measured in the currency of the main economic environment in which the Company operates (functional currency). Financial statements are presented in Polish zloty (PLN), which is the functional currency and presentation currency. Items in financial statements are rounded to full thousands of zlotys (PLN 000s), unless otherwise stated.

Transactions and balances

Transactions expressed in foreign currencies are translated at initial recognition into the functional currency at the exchange rate valid on the transaction date.

At the balance sheet date, foreign currency cash items are translated using the closing exchange rate (closing rate is the average exchange rate published by the National Bank of Poland for the measurement day).

Gains and losses on exchange differences arising from settlement of transactions in foreign currencies and balance sheet measurement of foreign currency cash assets and liabilities are recognised in the gain or loss for the period, while gains and losses on exchange differences concerning tangible assets under construction are recognised as expenditures on tangible assets under construction.

Explanatory notes to the separate statement of comprehensive income

8. Revenue from sales

Accounting rules

Revenue recognition

The Company recognises revenue when an obligation to provide a consideration by providing a promised good or service (i.e. asset) to the customer is performed (or is being performed), thus obtaining the right to remuneration and legal title to the asset. The asset is transferred when the customer obtains control over it.

The transfer of control may be gradual if the obligation to provide a consideration is satisfied or over time, i.e. when:

- the customer simultaneously receives and consumes all of the benefits provided by the Company as the Company performs,
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced (production in progress, for example), or control over that asset - as it is created or enhanced - is exercised by the client; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The performance-based method and overlay approach are used to determine the level of completion, taking into account the nature of the good or service being transferred.

In the item revenue from core activities, the Company recognises revenue from the sale of the following product and service groups:

- services provided in a continuous manner - the level of revenue depends on consumption (including supply of electricity, natural gas). Revenue is recognised when the Company transfers control over a part of the service being provided. The Company recognises revenue in the amount of remuneration from a customer to which it has a right and which corresponds directly to the value to the customer of the obligation performed so far - this value constitutes the amount that the Company has the right to invoice for;
- provision of goods/services at a point in time (including the sale of property rights). Revenue is recognised when control over the product/service is transferred. Control is transferred when the customer receives the goods or when service is rendered,

Revenue from sales is recognised in the net amount of remuneration when the Company acts as agent, i.e. its performance obligation is subject to the delivery of goods or services by another entity. Such revenue is recognised in the form of fee or commission to which - according to the Company's expectations - the Company will be entitled in exchange for the provision of goods or services by another entity. The fee or commission due for the Company may be a net amount that the Company retains after payment to another entity of consideration in exchange for goods or services provided by this entity.

The Company recognises as revenue the Price difference amount and the Financial compensations from Zarządca Rozliczeń S.A.; this revenue does not constitute public aid.

Costs related to the conclusion of agreements

Costs related to the conclusion of agreements are costs incurred by the Company in order to conclude an agreement with a customer that would not have been incurred by the Company had the agreement not been concluded (including the costs of commissions for partners for concluding electricity sale agreements). Costs that would have been incurred regardless of agreement conclusion are recognised in results for the period in which they are incurred.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Net revenue from sales

	Year ended	
	31 December 2020	31 December 2019
Revenue from the sale of electricity	6 051 294	4 970 321
Revenue from the sale of gas	131 188	124 922
Revenue from the sale of other services	4 853	4 972
Revenue from the sale of goods and materials	25	-
Total net revenue from sales	**6 187 360**	**5 100 215**

The Company recognises revenue when an obligation to provide a consideration by the provision of 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.

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

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.

	Year ended	
	31 December 2020	31 December 2019
Revenue from continuous services	6 182 482	5 095 243
Revenue from services provided at specified time	4 878	4 972
Total	**6 187 360**	**5 100 215**

Compensations

In accordance with art. 9 of the Act of 28 December 2018 on amendment of the act on excise duty and certain other acts, ENEA S.A., having confirmed data with distribution system operators regarding the volume of electricity sold and used during the period 1 January 2019 - 31 December 2019, adjusted on 29 September 2020 the Price difference amount and Compensation, in effect receiving in December 2020 a refund of PLN 3 208 thousand.

In accordance with the aforementioned act and the Ordinance of the Minister of Energy on the method for calculating the Price difference amount and Financial compensation and on determining reference prices, the Company submitted a request to Zarządca Rozliczeń S.A. for payment of the Price difference amount for H1 2019 and requests for payment of the Financial compensation for July-December 2019, worth in total PLN 597 163 thousand. The Price difference amount and the Financial compensations constitute the Company's revenue and are recognised under the line Compensations. As at 31 December 2019, the Company received PLN 545 026 thousand in payments of the Price difference amount and the Financial compensation. The remaining part of the PLN 597 163 thousand, i.e. PLN 52 137 thousand, is recognised in the line Trade and other receivables in the statement of financial position.

9. Operating costs

Accounting rules

The Company presents costs using the comparative approach (costs by nature).

Costs have an impact on financial result to the extent that they apply to a given reporting period, thus ensuring that they are commensurate to revenue or other economic benefits.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Costs by nature

	Year ended 31 December 2020	31 December 2019
Depreciation/amortisation	**(5 136)**	**(5 242)**
Employee benefit costs	**(75 332)**	**(74 078)**
- remuneration	(65 262)	(58 017)
- social insurance and other benefits	(10 070)	(16 061)
Use of materials and raw materials and value of goods and materials sold	**(2 794)**	**(2 437)**
Third-party services	**(237 165)**	**(223 770)**
- transmission and distribution services	(14 597)	(6 331)
- other third-party services	(222 568)	(217 439)
Taxes and fees	**(4 127)**	**(4 139)**
Value of purchased electricity and gas	**(6 021 789)**	**(5 462 752)**
Total	**(6 346 343)**	**(5 772 418)**

Other third-party services mainly include the cost of services provided to ENEA S.A. by shared service centres.

Employee benefit costs

	Year ended 31 December 2020	31 December 2019
Wage costs	**(65 262)**	**(58 017)**
- present wages	(64 095)	(55 954)
- longevity bonuses	(890)	(1 843)
- retirement and disability severance payments	(277)	(220)
Cost of social insurance and other benefits	**(10 070)**	**(16 061)**
- social security contributions (ZUS)	(4 908)	(8 518)
- contributions to Company Social Benefit Fund (ZFŚS)	(1 651)	(1 573)
- other social benefits	(3 511)	(5 970)
Total	**(75 332)**	**(74 078)**

The costs of longevity awards and retirement/disability severance payments as presented in the above note are actual costs.

10. Other operating revenue and costs

Other operating revenue

	Year ended 31 December 2020	31 December 2019
Compensation, penalties, fines	2 508	3 738
Reversal of unused impairment losses	-	5 691
Other operating revenue	8 882	7 162
Total	**11 390**	**16 591**

Other operating costs

	Year ended 31 December 2020	31 December 2019
Recognition of other provisions	(33 143)	(39 560)
Impairment of receivables	(4 620)	-
Write-off of impaired receivables	(8 017)	(8 886)
Costs of court proceedings	(7 911)	(6 698)
Trade union costs	(83)	(24)
Other operating costs	(11 207)	(11 130)
Total	**(64 981)**	**(66 298)**

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

11. Finance income and finance costs

Accounting rules

Interest income is recognised on an accrual basis using the effective interest rate approach, provided that this income is not in doubt.

Finance income

	Year ended 31 December 2020	31 December 2019
Interest income	**204 730**	**245 465**
- bank accounts and deposits	9 201	32 390
- bonds	127 627	193 577
- other loans and receivables	67 257	19 030
- financial leases and sub-leases	645	468
Changes in fair value of financial instruments	**27 989**	**15 732**
Other finance income	**199**	**3 648**
Total	**232 918**	**264 845**

Finance costs

	Year ended 31 December 2020	31 December 2019
Interest costs	**(241 378)**	**(257 562)**
- on bank credit	(39 216)	(49 891)
- on bonds	(150 301)	(186 458)
- on leases	(963)	(1 116)
- on IRS swaps	(38 760)	(11 259)
- other interest	(12 138)	(8 838)
Cost of discount concerning employee benefit	**(1 262)**	**(1 725)**
Changes in fair value of financial instruments	**(29 949)**	**(26 548)**
Other finance costs	**(3 317)**	**-**
Total	**(275 906)**	**(285 835)**

12. Tax

Accounting rules

Income tax (including deferred income tax)

Income tax recognised in profit or loss for the period covers actual the actual tax burden for the given reporting period, calculated in accordance with the applicable provisions of the act on corporate income tax and potential adjustments of tax returns for previous years.

Deferred tax is the tax effect of events in a given period recognised using the accrual principle in accounting books for the period but is performed in the future. It arises when the tax effect of revenue and costs is the same as the balance sheet effect but takes place in different periods.

Deferred income tax arises in respect of all temporary differences, except for cases where deferred income tax results from:

a) initial recognition of goodwill; or
b) initial recognition of an asset or liability from a transaction that:
   - is not a merger of economic entities; and
   - has no impact at the transaction date on gross financial result or taxable income (tax loss);
c) investment in subsidiaries, branches, associates and interests in joint ventures.

In reference to all negative temporary differences, a deferred income tax asset is recognised up to an amount of likely taxable income to be generated that will offset the negative temporary differences.

The amount of deferred tax is set using income tax rates in effect for the year in which the tax obligation arises.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Significant judgements and estimates

Recoverability of deferred income tax assets

Deferred income tax assets are measured using tax rates in effect when the asset is performed. The Company recognises a deferred income tax asset with the assumption that it will generate a tax profit in the future to use it.

The likelihood of using deferred income tax assets against future tax profits is based on the Company's budget.

Income tax

	Year ended 31 December 2020	Year ended 31 December 2019
Current tax	55 922	247
Deferred tax	(15 013)	(4 210)
Total	**40 909**	**(3 963)**

Income tax on the Company's gross profit before tax differs from the theoretical amount that would be received by using the applicable nominal tax rate as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
(Loss)/profit before tax	(3 397 659)	287 294
Tax calculated using the 19% rate	645 555	(54 586)
Non-deductible costs (permanent differences) at 19%	(717 448)	(97 863)
Dividends received at 19%	112 802	148 486
Increase/(decrease) of financial result due to income tax	**40 909**	**(3 963)**

The key item in non-deductible costs is impairment of interests in subsidiaries, associates and jointly-controlled entities.

Deferred income tax

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

	As at 31 December 2020	As at 31 December 2019
Deferred income tax assets	144 049	125 269
Offset of deferred income tax assets and provision	(42 566)	(29 874)
Deferred income tax assets after offset	**101 483**	**95 395**
Deferred income tax provision	42 566	29 874
Offset of deferred income tax assets and provision	(42 566)	(29 874)
Deferred income tax provision after offset	**-**	**-**

Deferred income tax assets as at 31 December 2020 to be realised within 12 months amounted to PLN 136 188 thousand, while those over 12 months PLN 7 861 thousand.

Deferred income tax provision as at 31 December 2020 to be realised within 12 months amounted to PLN 37 742 thousand, while those over 12 months PLN 4 824 thousand.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Change in deferred income tax assets and liabilities during the year (before offset):

Deferred income tax assets:

	Impairment of receivables	Employee benefit liabilities	Provision for the cost of energy origin certificates	Taxable costs after end of settlement period	Leases	Measurement of interests	Provision for disputed claims	Provision for onerous contracts	Other	Total
As at 31 December 2018 using the 19% rate	**2 463**	**10 786**	**57 812**	**103 138**	**-**	**6 309**	**19 856**	**15 007**	**23 431**	**238 802**
Presentation adjustment	-	-	-	(103 138)	-	-	-	-	-	(103 138)
Adjustment due to implementation of IFRS 16	-	-	-	-	8 537	-	-	-	-	8 537
As at 1 January 2019, adjusted	**2 463**	**10 786**	**57 812**	**-**	**8 537**	**6 309**	**19 856**	**15 007**	**23 431**	**144 201**
(Increase)/decrease of financial result due to change in temporary differences	(1 079)	1 075	(21 296)	-	(1 613)	(6 309)	7 516	(1 980)	3 581	(20 105)
Change recognised in other comprehensive income	-	851	-	-	-	-	-	-	322	1 173
As at 31 December 2019 using the 19% rate	**1 384**	**12 712**	**36 516**	**-**	**6 924**	**-**	**27 372**	**13 027**	**27 334**	**125 269**
(Increase)/decrease of financial result due to change in temporary differences	896	(1 662)	(4 594)	-	(974)	-	11 078	(3 371)	(3 694)	(2 321)
Change recognised in other comprehensive income	-	417	-	-	-	-	-	-	20 684	21 101
As at 31 December 2020 using the 19% rate	**2 280**	**11 467**	**31 922**	**-**	**5 950**	**-**	**38 450**	**9 656**	**44 324**	**144 049**

As at 31 December 2020, tax losses to be settled in future periods amounted to PLN 34 608 thousand.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Deferred income tax provision:

	Taxable income after end of settlement period	Recorded, uninvoiced sales	Difference between balance sheet value and tax value of tangible assets	Leases	Other	Total
As at 31 December 2018 using the 19% rate	**120 806**	**25 193**	**(551)**	**-**	**(5 078)**	**140 370**
Presentation adjustment	(103 138)	-	-	-	-	(103 138)
Adjustment due to implementation of IFRS 16	-	-	-	1 115	-	1 115
As at 1 January 2019, adjusted	**17 668**	**25 193**	**(551)**	**1 115**	**(5 078)**	**38 347**
(Increase)/decrease of financial result due to change in temporary differences	(2 278)	(858)	6 070	70	(11 477)	(8 473)
As at 31 December 2019 using the 19% rate	**15 390**	**24 335**	**5 519**	**1 185**	**(16 555)**	**29 874**
(Increase)/decrease of financial result due to change in temporary differences	(4 311)	2 698	(601)	(368)	15 274	12 692
As at 31 December 2020 using the 19% rate	**11 079**	**27 033**	**4 918**	**817**	**(1 281)**	**42 566**

The Company does not have unrecognised deferred tax assets and provisions.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

13. Loss/profit per share

Accounting rules

Net profit (loss) per share for each period is calculated by dividing the net profit (loss) attributable to the Company's shareholders for the period by the weighted average number of shares in that reporting period.

Diluted profit per share is calculated by dividing the period's net profit attributable to common shareholders (after deduction of interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of outstanding ordinary shares during the period (adjusted by the impact of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

Loss/profit per share

	Year ended	
	31 December 2020	31 December 2019
Net (loss)/profit attributable to the Company's shareholders	(3 356 750)	283 331
Weighted average number of ordinary shares	441 442 578	441 442 578
Net (loss)/profit per share (in PLN per share)	**(7.60)**	**0.64**
Diluted (loss)/profit per share (in PLN per share)	**(7.60)**	**0.64**

Explanatory notes to the separate statement of financial position

14. Property, plant and equipment

Accounting rules

Property, plant and equipment items are measured at purchase price or cost to manufacture, less accumulated depreciation and impairment.

Subsequent expenditures are included in the book value of a given tangible asset or are recognised as a separate asset (wherever appropriate) only if it is likely that this item will bring economic benefits to the Company and the item's cost can be reliably measured. All other expenses on repairs and maintenance are recognised as profit or loss in the reporting period in which they are incurred.

Land is not subject to depreciation. For other tangible assets, depreciation is calculated on a straight-line basis throughout the estimated period of use. The base for calculating depreciation constitutes the initial value less final value, if significant. Each significant part of a property, plant and equipment item with a different period of use is depreciated separately. Use periods for property, plant and equipment are as follows:

– buildings and structures	20 – 70 years
– technical equipment and machinery	2 – 40 years
– means of transport	3 – 20 years
– other property, plant and equipment	5 – 15 years

Depreciation begins when an asset is available for use. Depreciation ends when an asset is designated as available for sale in accordance with IFRS 5 or when it is removed from the statement of financial position, depending on which occurs earlier.

External financing costs

Costs of external financing that can be directly attributed to an asset purchase, build or manufacture are capitalised as part of the purchase price or cost to manufacture such an asset. Other external financing costs are recognised as a cost in the period in which they are incurred.

The capitalisation of external financing costs begins at the later of the two dates: commencement of investment or commencement of financing. The Company ceases capitalising external financing costs when the asset is handed over for use. The Company suspends capitalising external financing costs over a longer time period in which it suspended works focused on adapting the asset.

Significant judgements and estimates

Economic life and residual value

The amount of depreciation/amortisation changes is determined on the basis of expected period of use for tangible assets. The verification conducted this year resulted in changes to depreciation/amortisation periods. Their impact on the amount of depreciation/amortisation is negligible.

The residual values and economic life of property, plant and equipment are verified at least once a year. Each change of depreciation period requires agreement and necessitates an adjustment to the depreciation charges in subsequent financial years.

At each balance sheet date ending a financial year, impairment assessments are carried out in compliance with IAS 36. If indications of impairment are identified, an impairment test is carried out in accordance with IAS 36 (section in these financial statements concerning impairment of non-financial assets).

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Property, plant and equipment

For the financial year ended 31 December 2020:

	Land	Buildings and structures	Technical equipment and machinery	Means of transport	Other tangible assets	Tangible assets under construction	Total
Gross value							
As at 1 January 2020	**843**	**37 536**	**19 846**	**2 938**	**4 377**	**727**	**66 267**
Transfers	-	210	429	693	72	(1 404)	-
Purchase	-	-	-	-	-	677	677
Liquidation	-	-	-	(779)	-	-	(779)
Other	-	-	-	-	201	-	201
As at 31 December 2020	**843**	**37 746**	**20 275**	**2 852**	**4 650**	**-**	**66 366**
Accumulated amortisation/depreciation							
As at 1 January 2020	**-**	**(15 648)**	**(19 807)**	**(2 717)**	**(4 025)**	**-**	**(42 197)**
Depreciation/amortisation	-	(643)	(49)	(76)	(270)	-	(1 038)
Liquidation	-	-	-	779	-	-	779
As at 31 December 2020	**-**	**(16 291)**	**(19 856)**	**(2 014)**	**(4 295)**	**-**	**(42 456)**
Net value at 1 January 2020	**843**	**21 888**	**39**	**221**	**352**	**727**	**24 070**
Net value at 31 December 2020	**843**	**21 455**	**419**	**838**	**355**	**-**	**23 910**

No collateral was established on property, plant and equipment.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

For the financial year ended 31 December 2019:

	Land	Buildings and structures	Technical equipment and machinery	Means of transport	Other tangible assets	Tangible assets under construction	Total
Gross value							
As at 1 January 2019	**735**	**37 586**	**19 880**	**6 258**	**4 247**	**3**	**68 709**
Adjustment due to implementation of IFRS 16	-	-	-	(2 143)	-	-	(2 143)
As at 1 January 2019, adjusted	**735**	**37 586**	**19 880**	**4 115**	**4 247**	**3**	**66 566**
Purchase	-	-	-	-	-	727	727
Liquidation	-	(50)	(34)	(1 177)	-	-	(1 261)
Other	108	-	-	-	130	(3)	235
As at 31 December 2019	**843**	**37 536**	**19 846**	**2 938**	**4 377**	**727**	**66 267**
Accumulated amortisation/depreciation							
As at 1 January 2019	**-**	**(15 064)**	**(19 741)**	**(4 291)**	**(3 822)**	**-**	**(42 918)**
Adjustment due to implementation of IFRS 16	-	-	-	646	-	-	646
As at 1 January 2019, adjusted	**-**	**(15 064)**	**(19 741)**	**(3 645)**	**(3 822)**	**-**	**(42 272)**
Depreciation/amortisation	-	(634)	(100)	(242)	(203)	-	(1 179)
Liquidation	-	50	34	1 170	-	-	1 254
As at 31 December 2019	**-**	**(15 648)**	**(19 807)**	**(2 717)**	**(4 025)**	**-**	**(42 197)**
Net value at 1 January 2019	**735**	**22 522**	**139**	**1 967**	**425**	**3**	**25 791**
Adjustment due to implementation of IFRS 16	-	-	-	(1 497)	-	-	(1 497)
Net value at 1 January 2019, adjusted	**735**	**22 522**	**139**	**470**	**425**	**3**	**24 294**
Net value at 31 December 2019	**843**	**21 888**	**39**	**221**	**352**	**727**	**24 070**

No collateral was established on property, plant and equipment assets.

Future contract liabilities related to the purchase of property, plant and equipment incurred as at the reporting date but not yet recognised in the statement of financial position reached PLN 210 thousand as at 31 December 2020 (PLN 1 425 thousand as at 31 December 2019).

15. Intangible assets

Accounting rules

Intangible assets

Intangible assets include: computer software, licences and other intangible assets. Intangible assets are measured at purchase price or cost to manufacture, less accumulated amortisation and accumulated impairment.

Amortisation is calculated on a straight-line basis, using the following estimated period of use:

- for licences and computer software 2 – 10 years,
- for work station licences and software and anti-virus software 2 – 10 years,
- for other intangible assets 2 – 10 years.

Costs of R&D work

The costs of research works are recognised in profit or loss in the period in which they are incurred.

The costs of development work that meet the capitalisation criteria described below, like intangible assets, are measured at purchase price or cost to manufacture, less accumulated amortisation and accumulated impairment. Amortisation is calculated on a straight-line basis, using estimated period of use between 2 and 7 years.

Capitalisation criteria:

- the technical capability to complete the intangible asset so that it is fit for use or sale,
- intention to complete the intangible asset and use or sell it,
- ability to use or sell the intangible asset,
- the way in which this intangible asset will produce future economic benefits. The economic entity should provide the existence of a market for products that are created using the intangible asset or for the intangible asset itself or - if the asset is to be used by the entity - the usefulness of this intangible asset,
- the availability of appropriate technical, financial and other means intended to complete the development works and use or sell the intangible asset,
- the ability to reliably determine expenditures on development works that can be attributed to the intangible asset.

Significant judgements and estimates

Economic life and residual value

The amount of amortisation charges is determined on the basis of expected period of use for intangible assets. Periods of economic life are verified at least once every financial year. The verification conducted this year resulted in changes to amortisation periods.

Each year, the Company verifies the correctness of periods of use for intangible assets. Each change of depreciation period requires agreement and necessitates an adjustment to the amortisation charges in subsequent financial years.

At each balance sheet date ending a financial year, impairment assessments are carried out for intangible assets in accordance with IAS 36. If grounds for impairment are identified, impairment tests are carried out in compliance with IAS 36.

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Intangible assets

For the financial year ended 31 December 2020:

	Computer software, licences, concessions, patents
Gross value	
As at 1 January 2020	**11 689**
Purchase	34
As at 31 December 2020	**11 723**
Accumulated amortisation	
As at 1 January 2020	**(7 313)**
Amortisation	(230)
As at 31 December 2020	**(7 543)**
Net value at 1 January 2020	**4 376**
Net value at 31 December 2020	**4 180**

No collateral is established on intangible assets. No intangible assets were produced internally in 2020.

For the financial year ended 31 December 2019:

	Computer software, licences, concessions, patents
Gross value	
As at 1 January 2019	**11 689**
As at 31 December 2019	**11 689**
Accumulated amortisation	
As at 1 January 2019	**(7 188)**
Amortisation	(125)
As at 31 December 2019	**(7 313)**
Net value at 1 January 2019	**4 501**
Net value at 31 December 2019	**4 376**

No collateral has been established on intangible assets.

16. Right-of-use assets

Accounting rules

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 Company recognises leases 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 liabilities 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 Company 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.

The present value of future lease payments is calculated using a discount rate. The Company applies 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 discount rate will be updated once a year, at the end of the year, and will be in force in the next period.

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

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

In most of its leases, the Company uses a lease period in accordance with the contractual period. For leases executed for an indefinite period, the Company determines the minimum contractual period for both of the parties. If the Company 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 Company assumes that the irrevocable contractual period will be the termination period for that contract.

In the case of rights 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 Company recognises lease components separately from non-lease components. The Company 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 Company applies a practical expedient and does not 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 in situations where the Company transfers the asset under a sub-lease or expects to transfers it. If the Company decides to use this expedient, it recognises lease payments as cost on a straight-line basis throughout the lease term.

From 1 January 2019, rights to the perpetual usufruct of land are recognised as right-of-use assets and are subject to amortisation.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Right-of-use assets

For the financial year ended 31 December 2020:

	Right to perpetual usufruct of land	Buildings	Means of transport	Total
Gross value				
As at 1 January 2020	**27 271**	**8 418**	**2 143**	**37 832**
Purchase	146	275	-	421
As at 31 December 2020	**27 417**	**8 693**	**2 143**	**38 253**
Accumulated amortisation				
As at 1 January 2020	**(557)**	**(2 642)**	**(1 384)**	**(4 583)**
Amortisation	(386)	(2 823)	(483)	(3 692)
As at 31 December 2020	**(943)**	**(5 465)**	**(1 867)**	**(8 275)**
Net value at 1 January 2020	**26 714**	**5 776**	**759**	**33 249**
Net value at 31 December 2020	**26 474**	**3 228**	**276**	**29 978**

For the financial year ended 31 December 2019:

	Right to perpetual usufruct of land	Buildings	Means of transport	Total
Gross value				
As at 1 January 2019	**-**	**-**	**-**	**-**
Adjustment due to implementation of IFRS 16	32 589	8 157	2 143	**42 889**
As at 1 January 2019, adjusted	**32 589**	**8 157**	**2 143**	**42 889**
Purchase	-	765	-	**765**
Transferred under a finance sub-lease	-	(199)	-	**(199)**
Other	(5 318)	(305)	-	**(5 623)**
As at 31 December 2019	**27 271**	**8 418**	**2 143**	**37 832**
Accumulated amortisation				
As at 1 January 2019	**-**	**-**	**-**	**-**
Adjustment due to implementation of IFRS 16	(180)	-	(646)	**(826)**
As at 1 January 2019, adjusted	**(180)**	**-**	**(646)**	**(826)**
Amortisation	(377)	(2 642)	(738)	**(3 757)**
As at 31 December 2019	**(557)**	**(2 642)**	**(1 384)**	**(4 583)**
Net value at 1 January 2019	**-**	**-**	**-**	**-**
Adjustment due to implementation of IFRS 16	32 409	8 157	1 497	**42 063**
Net value at 1 January 2019, adjusted	**32 409**	**8 157**	**1 497**	**42 063**
Net value at 31 December 2019	**26 714**	**5 776**	**759**	**33 249**

The Company uses finance sub-leases to transfer assets - office space. These contracts are executed with Group companies, and ENEA S.A. recognises interest income in the present period's result.

17. Investment properties

Accounting rules

Investment properties are maintained in order to generate income from rent, growth in value or both. The Company selected the purchase price model at initial recognition.

Investments in properties are amortised on a straight-line basis. Amortisation begins in the month following the month in which the investment in property is accepted for use.

Income from renting investment properties is recognised in profit or loss on a straight-line basis throughout the contract term.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Significant judgements and estimates

Key assumptions regarding verifying the economic life of investment properties are described in an explanatory note concerning property, plant and equipment 14, and key assumptions concerning impairment are described in a note in the section of these financial statements relating to the impairment of non-financial assets.

Investment properties

	As at 31 December 2020	As at 31 December 2019
Gross value		
As at 1 January	**19 322**	**19 322**
As at 31 December	**19 322**	**19 322**
Accumulated depreciation		
As at 1 January	**(5 567)**	**(5 017)**
Depreciation	(549)	(550)
As at 31 December	**(6 116)**	**(5 567)**
Net value		
As at 1 January	**13 755**	**14 305**
As at 31 December	**13 206**	**13 755**

No collateral was established on investment properties.

Presented below are revenue and costs related to investment properties:

	Year ended 31 December 2020	Year ended 31 December 2019
Income from investment properties	1 252	1 202
Operating costs related to income-generating investment properties	(794)	(771)

The Company classified an office building and other premises as investment properties. The office building constitutes a major investment property. The Company currently manages the building on its own.

The ENEA S.A. headquarters was the most valuable investment property recognised in the Company's books at PLN 7 816 thousand. The Company estimates that the fair value is close to the value recognised in the books.

18. Investments in subsidiaries, associates and jointly controlled entities

Accounting rules

Accounting rules concerning investments in subsidiaries, associates and jointly controlled entities are presented in note entitled Group composition (note 2).

Impairment of non-financial assets

The Company's assets are analysed in terms of impairment whenever indications of possible impairment are identified.

An impairment loss is recognised in the amount by which the asset's balance sheet value exceeds its recoverable value. The recoverable value is determined as the higher of the following two amounts: fair value less cost to sell or usable value (i.e. estimated present value of future cash flows that are expected to be obtained from further use of the asset or cash generating unit). For impairment analysis purposes, assets are grouped at the lowest level where it is possible to identify separate cash flows (cash generating units).

All impairment losses are recognised in profit or loss. Impairment losses may be reversed in subsequent periods if events occur that justify a lack of or change in impairment.

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Significant judgements and estimates

Impairment tests are conducted based on a number of assumptions, some of which are beyond ENEA S.A.'s control. The key assumptions mainly concern price trajectories for electricity, energy origin certificates, the capacity market and discount rates. Significant changes in these assumptions have an impact on impairment test results and, in consequence, on the Company's financial position and financial results.

Change in investments in subsidiaries, associates and jointly controlled entities

	Year ended	
	31 December 2020	31 December 2019
As at 1 January	**12 892 612**	**12 794 956**
Purchase of investments	245 922	391 743
Sale of investments	(12 367)	(79)
Change in impairment	(3 596 215)	(293 621)
Other changes	(17 027)	(387)
As at 31 December	**9 512 925**	**12 892 612**

The item ‘Purchase of investments’ mainly includes the investment in Elektrownia Ostrołęka Sp. z o.o., along with the purchase of shares in ENEA Operator Sp. z o.o. and ENEA Innowacje Sp. z o.o. The item ‘Sale of investments’ concerns ENEA Logistyka Sp. z o.o. shares.

ENEA Operator Sp. z o.o.

27 August 2020	Resolution increasing share capital by PLN 13 864 thousand to PLN 4 696 938 thousand, through issue of 138 638 new shares with a nominal value of PLN 100.00 each.	Extraordinary General Meeting

ENEA Innowacje Sp. z o.o.

1 September 2020	Resolution increasing share capital by PLN 9 300 thousand, from PLN 17 060 thousand to PLN 26 360 thousand, through issue of 93 000 new shares with a nominal value of PLN 100.00 each.	Extraordinary General Meeting

ENEA Logistyka Sp. z o.o.

8 September 2020	Commitment to acquire 138 638 shares of ENEA Operator Sp. z o.o., with a nominal value of PLN 100.00 each, in exchange for a non-cash contribution in the form of 165 407 shares in ENEA Logistyka Sp. z o.o., with a nominal value of PLN 100 each.	-

ENEA Wytwarzanie Sp. z o.o.

10 November 2020	Resolution on the division of ENEA Wytwarzanie Sp. z o.o. through spin-off as part of reorganisation of ENEA Group's renewables segment. The division was carried out without reducing the share capital of ENEA Wytwarzanie Sp. z o.o., by way of reducing its other equity, i.e. retained earnings, amounting to PLN 526 431 thousand.	Extraordinary General Meeting

ENEA Nowa Energia Sp. z o.o.

10 November 2020	Resolution on the division of ENEA Wytwarzanie Sp. z o.o. (Divided Company) through spin-off - transfer of an organised part of enterprise in the form of the renewables segment from the Divided Company to ENEA Nowa Energia Sp. z o.o. (Acquiring Company). In connection with the transfer of the renewables segment, the company's share capital was increased from PLN 5 thousand to PLN 52 648 thousand, i.e. by PLN 52 643 thousand, through the issue of 1 052 862 new shares, which were allotted to the sole shareholder of the company, i.e. ENEA S.A.	Extraordinary General Meeting

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Impairment of investments

	As at	
	31 December 2020	31 December 2019
As at 1 January	**1 373 264**	**1 079 643**
Created	3 613 242	532 384
Used	(17 027)	-
Reversed	-	(238 763)
As at 31 December	**4 969 479**	**1 373 264**

Impairment tests for stakes in ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o., ENEA Elektrownia Połaniec S.A. and Polska Grupa Górnicza S.A.

As at 31 December 2020, in connection with information and analyses concerning changes in the market prices of CO_2 emission allowances, electricity, energy origin certificates and forecasts for macroeconomic indicators, the Company carried out impairment tests for its stakes in ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o., ENEA Nowa Energia Sp. z o.o., ENEA Elektrownia Połaniec S.A. and PGG S.A.

The recoverable amounts result from the sum of the useful values of each CGU within ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o., ENEA Nowa Energia Sp. z o.o. and ENEA Elektrownia Połaniec S.A., less financial liabilities. CGUs' useful values were specified using the discounted cash flows method for periods longer than five years. The projection's time frame results from a combination of economic lifetime of each CGU and the long-term impact of new and announced legal regulations. For generating units with expected economic lifetime exceeding the projection period, a residual value was specified.

The recoverable value of equity, calculated as above, is as follows:

- ENEA Wytwarzanie Sp. z o.o. PLN 939 442 thousand (book value: PLN 3 756 100 thousand),
- ENEA Ciepło Sp. z o.o. PLN 743 073 thousand (book value: PLN 627 953 thousand),
- ENEA Elektrownia Połaniec S.A. PLN 1 917 995 thousand (book value: PLN 1 268 087 thousand),
- ENEA Nowa Energia Sp. z o.o. PLN 848 593 thousand (book value PLN 526 436 thousand).

Taking into account the decline in recoverable amount for ENEA Wytwarzanie Sp. z o.o. in relation to its book value covered by impairment from previous years, a PLN 2 816 658 thousand impairment loss was recognised (at 30 June 2020, an impairment loss was recognised on the stake in ENEA Wytwarzanie Sp. z o.o., amounting to PLN 317 908 thousand). ENEA S.A. decided to not reverse the impairment losses on non-financial non-current assets that had been recognised in previous years.

The key assumptions used in the tests are the result of the best knowledge and experience of the Company and its subsidiaries as regards the generation of electricity from various sources, taking into account the specific nature of each CGU's products and events that had taken place or are expected to take place in the future at ENEA Group.

Presented below are the key assumptions used in impairment tests:

- assets were tested in seven CGUs (CGU Elektrownie Systemowe Kozienice, CGU Białystok, CGU Wind, CGU Hydro, CGU Biogas, CGU Elektrownie Systemowe Połaniec, CGU Zielony Blok),
- the main price paths, based on forecasts prepared by ENEA Trading (a company operating as ENEA Group's competence centre for wholesale trade of electricity, emission allowances and fuels), taking into account the specific nature of products and knowledge about existing contracts:
  - wholesale "base" prices for electricity: for 2021-2043: prices are expected to see the largest growth, from 230.10 PLN/MWh in 2021 to PLN 286.30 in 2033, followed by conservative annual growth by an average of 0.4% in the period 2034-2043 [fixed prices 2020],
  - prices of energy origin certificates (renewables): the support system for renewables until 2031 was taken into account, and specific renewable-source plants will use support within a 15-year period; until 2023, prices are expected to grow by approx. 7% in reference to 2021. After 2023, prices are forecast to remain in a downtrend at the average rate of 3% annually until 2028, while in the final years they are expected to dynamically decline until the support system ends [fixed prices 2020],
  - prices of CO_2 emission allowances: the forecast sees gradual growth in the price of CO_2 emission allowances by an average of 5.5%, from 21.42 EUR/t in 2021 until 2028. From 2028 to 2037, further growth in price is expected, at approx. 3%. From 2038, growth is expected to reach approx. 1% [fixed prices 2020],
  - coal prices: coal prices are expected to remain stable at approx. 11 PLN/GJ [fixed prices 2020],

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- biomass prices: biomass prices are expected to grow until 2027, from the average level of 20 PLN/GJ in 2021, at approx. 2%. After 2027, prices are expected to decline at approx. 4% until 2031. In 2032, prices are expected to grow by 3%, followed by slow growth until 2043 at approx. 1% [fixed prices 2020],
- heating prices: an average annual growth of approx. 1% is expected until 2043, from the average price level of 71.90 PLN/GJ in 2021 [fixed prices 2020],
- natural gas: prices are expected to grow until 2030, at an average annual rate of approx. 3%, from 80.50 PLN/MWh in 2021, follows by stabilisation until 2043 [fixed prices 2020].

– quantity of CO_2 emission allowances received for free for years 2020-2025 in accordance with derogation application (pursuant to art. 10c sec. 5 of Directive 2003/87/EC of the European Parliament and of the Council),

– revenue related to maintaining generation capacities from 2021 pursuant to the Act on the Capacity Market, adopted in December 2017, based on auctions won in 2018, 2019 and 2020,

– inflation, taking into account the inflation target, at a maximum level of 2.5%,

– nominal discount rate – 4.41% [discount rate before tax is 5.12%]. The Company used a premium for specific risk for the analysed CGUs.

1. CGUs Wind, Water and Green Block: 2%. Discount rate reflecting specific risk premium was 4.92% [discount rate reflecting specific risk premium before tax is 5.63%]
2. CGU Elektrownie Systemowe Kozienice and Elektrownie Systemowe Połaniec: 4%. Discount rate reflecting specific risk premium was 5.44% [discount rate reflecting specific risk premium before tax is 6.15%]
3. CGU Białystok: 2.5%. Discount rate reflecting specific risk premium was 5.05% [discount rate reflecting specific risk premium before tax is 5.76%]

– growth rate in residual period - 0%.

The sensitivity analysis shows that significant factors having impact on the estimated recoverable values of CGUs include: discount rates, inflation, electricity prices and CO_2 emission allowance prices. Future financial results and thus the recoverable amounts of CGUs will also be driven by the prices of energy origin certificates, coal, heat and biomass prices. The following table shows the impact of selected factors on the total recoverable value (output value) of interests in ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o., ENEA Nowa Energia Sp. z o.o. and ENEA Elektrownia Połaniec S.A.:

Impact of change in discount rate (starting point depends on CGU)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	**655 042**	**4 449 103**	**(550 018)**
- ENEA Wytwarzanie Sp. z o.o.	296 343	939 442	(251 907)
- ENEA Nowa Energia Sp. z o.o.	70 715	848 593	(60 412)
- ENEA Ciepło Sp. z o.o.	214 971	743 073	(167 915)
- ENEA Elektrownia Połaniec S.A.	73 013	917 995	(69 784)

Impact of changes in inflation from 2022 (starting point 2.45% for 2022; 2.4% in 2023 and 2.5% in subsequent years)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	**(610 956)**	**4 449 103**	**665 972**
- ENEA Wytwarzanie Sp. z o.o.	(314 519)	939 442	344 045
- ENEA Nowa Energia Sp. z o.o.	(55 176)	848 593	59 583
- ENEA Ciepło Sp. z o.o.	(173 611)	743 073	193 050
- ENEA Elektrownia Połaniec S.A.	(67 659)	1 917 995	69 294

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Impact of changes in electricity prices (impact of changes from 2022 on)

Change in assumptions	-1,0%	Output value	+1,0%
Change in recoverable value	**(1 255 958)**	**4 449 103**	**1 228 269**
- ENEA Wytwarzanie Sp. z o.o.	(969 758)	939 442	953 523
- ENEA Nowa Energia Sp. z o.o.	(15 325)	848 593	15 325
- ENEA Ciepło Sp. z o.o.	(32 937)	743 073	32 938
- ENEA Elektrownia Połaniec S.A.	(237 938)	1 917 995	226 483

Impact of change in price of CO_2 (impact of changes from 2022 on)

Change in assumptions	-1,0%	Output value	+1,0%
Change in recoverable value	**347 268**	**4 449 103**	**(349 335)**
- ENEA Wytwarzanie Sp. z o.o.	294 493	939 442	(295 372)
- ENEA Nowa Energia Sp. z o.o.	-	848 593	-
- ENEA Ciepło Sp. z o.o.	6 721	743 073	(6 722)
- ENEA Elektrownia Połaniec S.A.	46 054	1 917 995	(47 241)

In connection with identified indications of potential impairment of non-financial non-current assets at LWB S.A., resulting from the fact that the company's current market capitalisation has long remained at a low level, ENEA S.A. carried out an impairment test. The test was based on a comparison of the book value of LWB S.A.'s shares to the shares' recoverable value, estimated on the basis of usable value using the discounted cash flows approach and financial projects for 2020-2051 prepared by LWB Group.

The recoverable value of the stake in Lubelski Węgiel Bogdanka S.A. determined this way is PLN 2 241 387 thousand (book value PLN 1 485 716 thousand).

Presented below are the key assumptions used to estimate the usable value of the tested assets:

- given the links between specific divisions and the way the mine is organised, all of the company's assets were considered as a single CGU,
- forecast period from 2021 to 2051 – was estimated on the basis of the company's extractable coal reserves (available using the current – as of the balance sheet date – infrastructure, mainly shafts) as of the balance sheet date. From 2035, the average annual level of extraction declines as fields in the "Bogdanka" deposit deplete and given the assumption that only the existing infrastructure will be used);
- the average volume of coal production and sales in 2021-2030 was set at 9.2 million tonnes. Given a conservative approach to the assumptions (also taking into account the provisions of "Poland's energy policy 2040), for test purposes it was assumed that in subsequent years coal sales will decline as the economy moves away from coal used for energy-generation purposes. However, due to the low unit cost of production of coal, market share is expected to remain at the level specified in the Strategy;
- coal prices in 2021-2043 were estimated on the basis of studies prepared for the purposes of LWB S.A. and ENEA Group: the average coal sales price in this period was estimated at 11.35 PLN/GJ, assuming a side-trend in the range +/-5%; from 2044, a constant price was used at the 2043 level,
- the entire model is inflation-free,
- the assumed real wage growth throughout the entire forecast period reflects the Management Board's best possible estimate as at the date on which the test was prepared;
- the pre-tax discount rate was the weighted average cost of capital (WACC) of 6.00% throughout the entire forecast period, estimated on the basis of the latest economic data (at a risk-free rate of 1.71% and beta of 1.07);
- the average annual level of investment expenditures throughout the entire forecast period is PLN 291 014 thousand, including PLN 421 729 thousand on average in 2021-2035.

The sensitivity analysis shows that significant factors having impact on the estimated recoverable values of CGUs include: discount rate and prices of coal for energy-generation purposes. Results of the analysis of the model's sensitivity (change in recoverable value) on changes in key assumptions are presented below.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Impact of change in discount rate (starting point 6.00%)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	122 185	2 241 387	(112 932)

Impact of changes in coal prices

Change in assumptions	-0.5%	Output value	+0.5%
Change in recoverable value	(68 597)	2 241 387	68 597

As a result of the test, it was noted that the recoverable value of LWB S.A. shares is higher than the book value recognised in ENEA S.A.'s statement of financial position. Due to the above, there was no need to recognise the test results in ENEA S.A.'s financial statements.

Taking into account the difficult financial situation at Polska Grupa Górnicza S.A. (PGG), negative changes in this company's market and economic environment as well as plans to extinguish hard coal mining in Poland, the Company identified indications of impairment of its investment in PGG shares. Due to this, having performed an impairment test, ENEA S.A. in 2020 decided to recognise a PLN 254 421 thousand impairment loss on the value of its investment in PGG. As at 31 December 2020, the value of the investment in PGG in the separate financial statements is zero.

Implementation of project to build Elektrownia Ostrołęka C

At 31 December 2020, ENEA S.A. held 9 124 821 shares of Elektrownia Ostrołęka Sp. z o.o., with a nominal value of PLN 50 each and total nominal value of PLN 456 241 thousand.

On 23 December 2019 ENEA S.A. and ENERGA S.A. executed a loan agreement with Elektrownia Ostrołęka Sp. z o.o., pursuant to which ENERGA S.A. issued a loan of up to PLN 340 million to Elektrownia Ostrołęka Sp. z o.o. until 26 February 2021. Under the agreement, if the circumstances indicated in point 1.8 of the Agreement materialise, ENERGA S.A. was to sell to ENEA S.A. half of the debt that it owned based on a loan agreement with Elektrownia Ostrołęka Sp. z o.o., payable by 31 January 2021, for a price equal to the nominal value of the debt, covering especially principal and interest as of 31 January 2021. In accordance with the loan agreement, ENEA S.A. was required to pay the price for the debt by 31 January 2021. ENERGA S.A. paid Elektrownia Ostrołęka Sp. z o.o. the first tranche of the loan on 23 December 2019, amounting to PLN 160 million, the second tranche on 13 January 2020, amounting to PLN 17 million, and the third tranche (PLN 163 million) on 22 April 2020. The aforementioned condition for the second and third tranche of the loan, totalling PLN 180 million, was met as of 30 June 2020 (and in December 2019 for the first tranche). In connection with this, on 30 June 2020 ENEA S.A. recognised a future receivable concerning the aforementioned two tranches of PLN 90 million plus PLN 1 299 thousand in interest, and a liability towards ENERGA S.A. of the same amount.

On 30 April 2020, PKN Orlen S.A. completed the process of accounting for all transactions to purchase ENERGA S.A. shares following a tender offer to subscribe for the sale of all shares issued by ENERGA S.A., announced by PKN Orlen S.A. on 5 December 2019. As a result of the tender offer, PKN Orlen S.A. purchase 331 313 082 shares of ENERGA S.A., which constitutes approx. 80% of ENERGA S.A.'s share capital and approx. 85% of voting rights at ENERGA S.A.'s general meeting. On 30 November 2020 PKN Orlen S.A., following the settlement of a purchase of shares under a subsequent tender offer for ENERGA S.A. shares, announced by PKN Orlen S.A. on 21 September 2021, increased its stake in ENERGA S.A.'s share capital and voting rights to 90.92% and 93.28%, respectively.

On 13 February 2020, ENEA S.A. executed an agreement with ENERGA S.A. suspending financing by ENERGA S.A. and ENEA S.A. for the project to build Elektrownia Ostrołęka C. In the agreement, ENEA S.A. and ENERGA S.A. undertook to carry out analyses, especially concerning the project's technical, technological, economic and organisational parameters and further financing.

ENERGA S.A. and ENEA S.A. assumed that suspending financing for the project would result in the company having to suspend its contract executed on 12 July 2018 to build Elektrownia Ostrołęka C with capacity of approx. 1000 MW, along with a contract to convert rail infrastructure for Elektrownia Ostrołęka C of 4 October 2019.

On 14 February 2020, Elektrownia Ostrołęka Sp. z o.o. issued to the General Contractor for the contract to build Elektrownia Ostrołęka C with capacity of approx. 1000 MW of 12 July 2018 a notice to suspend all works related to that contract, effective 14 February 2020.

On 18 April 2020, an agreement was signed between PKN Orlen and the State Treasury regarding PKN Orlen's planned acquisition of ENERGA S.A. The parties to the agreement envisaged that once PKN Orlen obtains control over ENERGA S.A., ENERGA S.A.'s flagship investments will be continued. PKN Orlen declared that immediately after assuming control over ENERGA S.A. it would review the terms for continuing these investments, especially the construction of Elektrownia Ostrołęka C.

On 7 May 2020, ENERGA S.A. announced that it had extended the analysis period for project Ostrołęka C. In accordance with the current report, it was assumed that analytical work would continue for about a month.

As part of the analytical work performed under the agreement, ENEA S.A. and ENERGA S.A. worked on updating business and technical assumptions as well as assumptions concerning the financing structure within the financial model. On ENERGA S.A.'s part, the results of this work were provided to Elektrownia Ostrołęka Sp. z o.o. on 14 May 2020, when the company received calculations concerning the Project's profitability in the coal fuel variant. These results were used by the company to perform a CGU test. The CGU test carried out at Elektrownia Ostrołęka Sp. z o.o. shows that completing the Project would generate a negative value, meaning that continuing the Project would be unjustified.

On 19 May 2020, PKN Orlen S.A. published current report 31/2020, announcing that it had issued a statement to ENERGA S.A. in response to a question submitted by ENERGA S.A. to PKN Orlen S.A. regarding its intent to directly invest in the construction of a coal-based energy-generation unit, being implemented by Elektrownia Ostrołęka Sp. z o.o., based in Ostrołęka (Investment). PKN Orlen S.A. declared preliminary readiness to directly invest in the Investment only if the Investment's technological assumptions were to be changed to gas-based technology. PKN Orlen S.A. also declared readiness to hold discussions with the company's shareholders, i.e. ENERGA S.A. and ENEA S.A., regarding the form, extent and way of investing in the Investment.

Furthermore, on 19 May 2020 ENERGA S.A. published current report 41/2020, announcing that on 19 May 2020 it had received from PKN Orlen S.A., majority shareholder in ENERGA S.A., a declaration of preliminary readiness to directly invest in the construction of a power-generation unit by Elektrownia Ostrołęka Sp. z o.o. The declaration constituted a response to ENERGA S.A.'s question addressed to PKN Orlen S.A. and was made only on the condition that the Investment's technological assumptions would be changed to gas fuel, which was one of the scenarios being analysed, as announced by ENERGA S.A. in current reports 8/2020 of 13 February 2020, 11/2020 of 23 February 2020 and 38/2020 of 7 May 2020.

On 19 May 2020, ENEA S.A. received an electronic copy of Resolution no. 39/2020 of the Management Board of Elektrownia Ostrołęka Sp. z o.o. of 19 May 2020 regarding recognition of impairment losses on the book value of the Company's assets. As a result of an impairment test on non-current assets performed at Elektrownia Ostrołęka Sp. z o.o., which followed an update of business assumptions by Elektrownia Ostrołęka Sp. z o.o. regarding the construction of power plant Ostrołęka C based on coal technology, the consolidated financial statements for 2019 include ENEA S.A.'s share of the net loss generated by Elektrownia Ostrołęka Sp. z o.o. Given the fact that it was higher than the value of the stake in this company, it was reduced to zero. At 31 December 2020, ENEA S.A.'s stake in Elektrownia Ostrołęka Sp. z o.o. was worth PLN 0.

On 2 June 2020 the Management Board of ENEA S.A. accepted a final report on analyses conducted in collaboration with ENERGA S.A. regarding the project's technical, technological, economic, organisational and legal aspects and further financing. Conclusions from these analyses do not justify continuing the project in its existing form, i.e. the construction of a power plant generating electricity in a process of hard coal combustion. This evaluation is driven by the following:

1) regulatory changes at the EU level and the credit policy of certain financial institutions, which show that there is far greater access to financing for energy projects based on gas than coal;
   and
2) the acquisition of control over Energa by PKN Orlen S.A., the strategy of which does not include investments in electricity generation based on coal combustion.

At the same time, technical analysis confirmed the viability of a variant in which the power plant would use gas ("Gas Project") at the current location of the coal-unit being built. As a result of the above, ENEA S.A.'s Management Board decided to continue building a generating asset in Ostrołęka and change the fuel source from coal to gas.

On 2 June 2020, a three-party agreement was executed between ENEA S.A., ENERGA S.A. and PKN Orlen S.A., spelling out the following key cooperation rules for the Gas Project:

- subject to the reservations expressed below, continue cooperation between ENEA S.A. and ENERGA S.A. via the existing special-purpose vehicle, i.e. Elektrownia Ostrołęka Sp. z o.o., and settle costs related to the Project between ENEA S.A. and ENERGA S.A., along with settlements with Project contractors, in accordance with the existing rules,
- take into account PKN Orlen S.A.'s potential role in the Gas Project as a new shareholder,
- ENEA S.A.'s participation in the Gas Project as a minority shareholder with an investment cap, as a result of which the Company will not be an entity co-controlling Elektrownia Ostrołęka Sp. z o.o.,
- subject to the essential corporate approvals, execute a new shareholders agreement regarding the Gas Project that incorporates the aforementioned cooperation rules,
- undertake activities intended to secure financing for the Gas Project by ENERGA S.A. together with PKN Orlen S.A.

From 2 June 2020, the parties to this agreement had been holding talks regarding a new investment agreement specifying rules for the further implementation of the Gas Project, including investment by each of the parties. At the same time, ENEA S.A. on its own evaluated the prospect of participating in the project.

On 22 December 2020 the Supervisory Board of ENEA S.A. decided as follows:

- withdraw ENEA S.A. from investing in the construction of a gas-based unit as part of project Ostrołęka C, and
- make arrangements with ENERGA regarding the settlement of costs pertaining to the project to build a coal-based unit as part of project Ostrołęka C.

Decisions in the above areas taken by the Supervisory Board of ENEA S.A. and the parties involved in Project Ostrołęka C will result in the spin-off of an organised part of enterprise related to the gas project from Project Ostrołęka C (including in accounting and organisational terms). From the spin-off date, investment costs related to settling the gas project will not be incurred by ENEA S.A.

Further, the following documents were signed on 22 December 2020:

- agreement between the Company, ENERGA S.A. and Elektrownia Ostrołęka Sp. z o.o. regarding cooperation on the division of Elektrownia Ostrołęka Sp. z o.o. (Division Agreement),
- agreement between the Company and ENERGA S.A. regarding cooperation on settling the coal-based project as part of Project Ostrołęka C (Settlement Agreement).

These agreements were signed in connection with a decision to change the source of power for the Elektrownia Ostrołęka C power plant being constructed with capacity of approx. 1000 MW, from coal to gas, and ENEA S.A.'s decision to not participate in the Gas Project.

Both of the agreements include a statement by ENEA S.A. on withdrawal from further participation in the Gas Project. The reasons for withdrawing from further investment in the construction of the gas unit are especially related to ENEA Group's intention to intensify investing activity in the area of renewable energy sources as well as to invest in the conversion of coal-based sources to gas-based across ENEA S.A.'s existing wholly-owned generating assets.

Reaching these agreements also serves to confirm that in light of ENEA S.A.'s withdrawal from the Gas Project the remaining parties will not be seeking any claims from ENEA S.A. based on this decision.

In accordance with the Division Agreement, Elektrownia Ostrołęka Sp. z o.o. will be divided through the spin-off (in the meaning of the Polish Commercial Companies Code) of assets and liabilities (rights and obligations) and other elements that make up the Gas Project. The process of dividing this company is expected to be completed in the second quarter of 2021.

The Settlement Agreement is essential to the performance of the Division Agreement, which requires cooperation by the shareholders of Elektrownia Ostrołęka Sp. z o.o., including the settlement of costs related to the Coal Project. In accordance with the Settlement Agreement, costs related to the Coal Project will be settled based on the existing arrangements between the company and ENERGA S.A. and ENEA S.A.

On 31 December 2020, in accordance with the Settlement Agreement (which amended the loan agreement of 23 December 2019 in this regard), ENEA S.A. bought from ENERGA S.A. half of ENERGA S.A.'s receivables due from Elektrownia Ostrołęka Sp. z o.o. for a price equal to the nominal value of the receivables being sold, i.e. PLN 170 000 thousand, plus interest accrued from 31 December 2020, amounting to PLN 11 617 thousand.

Impairment of loans issued to Elektrownia Ostrołęka Sp. z o.o. as at 31 December 2020 amounted to PLN 209 785 thousand, together with interest (the value of these loans was written off to zero). The total impairment loss on loans issued to Elektrownia Ostrołęka Sp. z o.o. recognised in the nine-month period ended 31 December 2020 was PLN 144 014 thousand, and this amount was recognised in the consolidated statement of comprehensive income under "Impairment of financial assets at amortised cost."

Furthermore, in reference to a settlement proposal presented by the General Contractor on 23 June 2020, with regard to an investment consisting of the construction of coal-fired power plant Ostrołęka C, grounds were identified for recognising a PLN 222 200 thousand provision (this amount was recognised in the separate statement of comprehensive income under "Impairment of interests in subsidiaries, associates and jointly-controlled entities") for future investment liabilities toward Elektrownia Ostrołęka Sp. z o.o. Due to considerable uncertainty as to the final amounts of claims, the amount of this provision is the best possible estimate, based on the General Contractor's proposals, among other things. The amounts required to settle the Coal Project are currently being analysed in detail by Elektrownia Ostrołęka Sp. z o.o. and agreed with the General Contractor.

On 26 February 2021, ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex no. 1 to the PLN 340 million Loan Agreement of 23 December 2019 and Annex no. 6 to the PLN 58 million Loan Agreement of 17 July 2019. Pursuant to these annexes, Elektrownia Ostrołęka Sp. z o.o. has made a commitment to repay the loans to ENEA S.A. on a one-off basis – PLN 170 million and PLN 29 million, respectively, along with due interest, by 30 June 2021.

ENEA S.A.'s commitment to provide funding for Elektrownia Ostrołęka Sp. z o.o. resulting from the existing agreements (especially the agreements dated 28 December 2018 and 30 April 2019 and the Settlement Agreement) that is still outstanding amounts to PLN 620 million. ENEA S.A. does not have sufficient information on any potential additional contributions or their potential deadlines, aside from those above.

19. Inventories

Accounting rules

Components of inventory are measured at the purchase price, which includes the purchase price plus costs, especially the cost to transport it to storage or the cost to manufacture, not exceeding the net sales price less impairment of inventory.

Inventory distribution is determined using the specific identification method.

The Company's inventory includes energy origin certificates purchased for redemption, for further sale.

Energy origin certificates - these are confirmations that energy is produced from renewable energy sources (energy from wind, water, sun, biomass, etc. - green certificates, energy from agriculture biogas - blue certificates). They are issued by the URE President at the request of an energy enterprise that produces energy from renewable sources and in cogeneration.

Energy efficiency certificates, i.e. white certificates, serve as confirmation for declared energy savings resulting from activities intended to improve energy efficiency in three areas: increase energy savings by end customers, increase energy savings for own purposes and reduce losses of electricity, heat or natural gas in transmission and distribution. The URE Presidents conducts tenders for white certificates in these categories. They are issued by the URE President at the request of the tender winner.

Property rights arising from energy origin certificates and energy efficiency certificates arise when energy origin certificates and energy efficiency certificates are entered into registers maintained by Towarowa Giełda Energii S.A. (TGA S.A.). These rights are disposable and constitute an exchange-traded commodity. These rights are transferred when an appropriate entry is made in the energy origin certificate register or energy efficiency certificate register. Property rights expire when they are redeemed.

Purchased origin certificates are measured at the purchase price, less any impairment.
In accordance with the Energy Law and the Act on Energy Efficiency, an energy enterprise involved in trade of energy and sales of energy to end customers is required to:

a) obtain energy origin certificates and energy efficiency certificates and submit them to the URE President for redemption or
b) pay substitute fees.

The Company is required to obtain and present for redemption the following:

a) energy origin certificates corresponding to the quantities specified in the Energy Law, as a percent of total energy sales to end customers,
b) energy efficiency certificates in quantities expressed in tonnes of oil equivalent (toe), no larger than 3% of division of the amount of revenue from electricity sales to end customers in a given year in which this obligation is performed by the unit substitute fee. The amount of revenue from electricity sales to end customers in a given settlement year is decreased by the amounts and costs referred to in art. 12 sec. 4 of the Act on Energy Efficiency. The size of the obligation in specific settlement years is specified in regulations to the Act on Energy Efficiency.

The deadline for performing the obligation to redeem energy origin certificates and energy efficiency certificates or paying substitute fees for each year results from relevant legislation.

The Company submits to the URE President energy origin certificates and energy efficiency certificates for redemption in monthly cycles in order to perform its obligation for the given year. In accounting books, redemptions of energy origin certificates and energy efficiency certificates are recognised based on a decision from the URE President concerning redemption, using the specific identification method.

If at the balance sheet date there is an insufficient quantity of certificates required to perform the obligations imposed by the Energy Law and the Act on Energy Efficiency, the Company creates provisions for redemption of energy origin certificates and energy efficiency certificates or payment of substitute fees.

Significant judgements and estimates

Determining impairment of inventory requires net realisable values to be estimated based on the most up-to-date sales prices at the time when these estimates are made.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Inventories

	As at	
	31 December 2020	31 December 2019
Energy origin certificates	65 489	216 449
Goods	211	1 011
Total	**65 700**	**217 460**

No collateral is established on inventory.

Energy origin certificates

	Year ended	
	31 December 2020	31 December 2019
Net value at the beginning of period	**216 449**	**332 360**
Purchase	339 953	310 378
Depreciation	(490 913)	(426 289)
Net value at the end of period	**65 489**	**216 449**

Costs connected with redeeming energy origin certificates are presented in profit or loss in the following item: Purchase of electricity and gas for sales purposes

20. Trade and other receivables

Accounting rules

Trade and other receivables

Trade receivables are initially recognised at the transaction price and subsequently measured at amortised cost using effective interest rates, less impairment. If there is no difference between the initial value and the amount (amounts) at maturity (maturities) (payment), interest charged using the effective rate does not apply.

Impairment of receivables is determined on the basis of expected credit losses. Expected credit losses take into account the counterparty's previous default events as well as potential estimated credit losses. An impairment loss is recognised as cost in the statement of comprehensive income at the end of each reporting period.

Significant judgements and estimates

Impairment of trade and other receivables

Impairment of receivables is determined on the basis of expected credit losses. Expected credit losses take into account the counterparty's previous default events as well as potential estimated credit losses. Potential credit losses are estimated taking into account the type, age, and stage of recovery, with the following stages used: current receivable, overdue receivable prior to court, receivable in court or enforcement proceeding, receivable in bankruptcy or court arrangement. Receivables are written off as costs based on existing internal regulations, taking into account provisions of the Act on corporate income tax.

Trade and other receivables

	As at	
	31 December 2020	31 December 2019
Current trade and other receivables		
Trade receivables	1 189 940	932 723
Other receivables	172 887	84 029
Advances	77 994	798
Gross current trade and other receivables	**1 440 821**	**1 017 550**
Minus: impairment of receivables	(59 450)	(54 820)
Net current trade and other receivables	**1 381 371**	**962 730**

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Receivables resulting from settlements within the Tax Group constitute the highest-value element in ‘Other receivables.’

21. Company as finance or operating lessor / sublessor

Accounting rules

As lessor, the Company classifies leases as finance leases or operating leases.

ENEA S.A. recognises operating lease revenue on a straight-line basis throughout the lease term.

In a finance lease, the Company (as lessor) 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 Company recognises the main lease contract and the sub-lease contract as two separate contracts. 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 leases. The Company (indirect lessor) classifies a sublease as a finance lease or an operating lease in reference to the right-of-use resulting from the head lease.

Subleases 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.

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

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

As lessor, the Company does not have the option to use a practical expedient in the form of separating lease and non-lease components. The Company 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 Company prepares its offerings. IFRS 15 *Revenue from Contracts with Customers* applies to non-lease components.

General information on ENEA S.A. as lessor

ENEA S.A. mainly acts as sublessor in office space leases with Group companies. These leases are classified as finance subleases and the Company recognises interest income on these.

21.1. Company as finance lessor / sublessor

Reconciling undiscounted contract lease payments with net lease investment

	As at 31 December 2020	As at 31 December 2019
Undiscounted contract lease payments	**4 501**	**6 401**
Unrealised finance income (discount effect)	(714)	(708)
Discounted contract lease payments (net lease investment)	**3 787**	**5 693**

Undiscounted contract payments on finance leases (this division applies to the period left until contract expiry)

	As at 31 December 2020	As at 31 December 2019
Under one year	3 818	3 424
From one to five years	683	2 977
Value of undiscounted contract payments on finance leases	**4 501**	**6 401**

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Income from finance leases

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income from finance leases	**645**	**468**

21.2. Company as operating lessor / sublessor

Undiscounted contract payments on operating leases (this division applies to the period left until contract expiry)

	As at 31 December 2020	As at 31 December 2019
Under one year	240	230
From one to five years	306	480
Value of undiscounted contract payments on operating leases	**546**	**710**

Income from operating leases

	Year ended 31 December 2020	Year ended 31 December 2019
Income from operating leases	**312**	**70**

22. Assets and liabilities arising from contracts with customers

Accounting rules

In its statement of financial position, the Company recognises a contract asset that is the Company's right to remuneration in exchange for goods or services that the Company transfers to the customer. An asset is recognised if the Company satisfies its obligation by transferring goods or services to the customer before the customer pays or before the payment deadline.

The Company recognised in its statement of financial position a contract liability consisting of an obligation for the Company to provide goods or services to the customer in exchange for which the Company received remuneration (or is due to receive remuneration) from the customer.

If the customer paid remuneration or the Company has the right to an unconditional amount of remuneration (i.e. a receivable), then prior to the transfer of goods or services to the customer the Company treats the contract as a contract liability when payment is made or becomes due (depending on which is sooner).

Significant judgements and estimates

Uninvoiced revenue from sales at the end of financial period

Unsettled energy sales values are estimated on the basis of estimated electricity consumption in the period from the most recent meter reading to the end of financial year (note 8).

Assets and liabilities arising from contracts with customers

	Assets arising from contracts with customers	Liabilities arising from contracts with customers
As at 1 January 2019	**227 480**	**-**
Change in non-invoices receivables	(12 259)	-
Change in impairment	2	-
Other changes	-	12 631
As at 31 December 2019	**215 223**	**12 631**
Change in non-invoices receivables	13 731	-
Change in impairment	(49)	-
Adjustments, prepayments	-	19 658
As at 31 December 2020	**228 905**	**32 289**

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

The balance of assets arising from contracts with customers mainly covers uninvoiced electricity sales, while the balance of liabilities arising from contracts with customers covers liabilities concerning sales adjustments related to the Act on amendment of the act on excise duty and certain other acts, as well as prepayments.

23. Cash and cash equivalents

Accounting rules

Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts, on-demand bank deposits, other highly liquid short-term investments with initial maturity of up to three months.

Cash on hand is measured at nominal value on every balance sheet date. Cash in bank accounts, on-demand bank deposits, other highly liquid short-term investments with initial maturity of up to three months are measured at amortised cost on each balance sheet date (at nominal/initial value plus interest accrued until the balance sheet date, adjusted by expected credit losses).

Restricted cash, including cash serving as collateral for settlements with the clearing-house IRGiT, is included in cash and cash equivalents.

Significant judgements and estimates

In accordance with ENEA S.A.'s credit risk assessment rules and the provisions of IFRS 9 as regards impairment tests for cash and cash equivalents as at 31 December 2020; the Company sees potential impact as negligible.

Presentation of deposits at clearinghouse IRGiT

These are funds constituting collateral for settlements with the clearing-house IRGiT, and they are analysed in terms of the possibility to free them up without incurring a substantial loss.

Cash and cash equivalents

	As at	
	31 December 2020	31 December 2019
Cash at bank account	**70 580**	**166 604**
including split payment	30 035	12 499
Other cash	**460 088**	**2 601 606**
- Deposits	450 013	2 577 963
- Cash pooling	-	20 446
- Other	10 075	3 197
Total cash and cash equivalents	**530 668**	**2 768 210**
Cash pooling	(152 574)	(52 599)
Cash recognised in the statement of cash flows	**378 094**	**2 715 611**

Restricted cash related to split payment - VAT as at 31 December 2020 was PLN 30 035 thousand (PLN 12 499 thousand as at 31 December 2019), and deposit at IRGiT as at 31 December 2020 was PLN 6 500 thousand (PLN 1 010 thousand as at 31 December 2019). No collateral is established on cash.

24. Equity

Accounting rules

Share capital

The Company's share capital is presented in the amount specified and entered in the National Court Register, adjusted appropriately to include the effects of hyperinflation and accounting for divisions, mergers and acquisitions. A share capital increase that is paid up as of the end of the reporting period but is awaiting registration at the National Court Register is also presented as share capital.

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Equity

As at 31 December 2020

Share series	Number of shares	Nominal value per share (in PLN)	Book value
Series A	295 987 473	1	295 988
Series B	41 638 955	1	41 639
Series C	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Total share capital			**441 443**
Share capital (nominal amount)*			441 443
Capital from settlement of merger			38 810
Share capital from restatement of hyperinflation			107 765
Total share capital			**588 018**

As at 31 December 2019

Share series	Number of shares	Nominal value per share (in PLN)	Book value
Series A	295 987 473	1	295 988
Series B	41 638 955	1	41 639
Series C	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Total share capital			**441 443**
Share capital (nominal amount)*			441 443
Capital from settlement of merger			38 810
Share capital from restatement of hyperinflation			107 765
Total share capital			**588 018**

**Share capital fully paid-up.*

25. Dividends

Accounting rules

Dividend payments to shareholders are recognise as a liability in the Company's financial statements in the period in which they were approved.

Dividend income is recognised when the right to receive payment is obtained. Dividend income is presented in the statement of comprehensive income below operating profit.

A decision on the coverage of loss for 2020 will be made by shareholders at the 2021 Ordinary General Meeting. The Management Board will present a recommendation regarding the means of covering this loss in the second quarter of 2021.

On 30 July 2020 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 2019 to 31 December 2019, pursuant to which 100% of the 2019 net profit was transferred to reserve capital, intended to finance investments.

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.

26. Capital management policy

The Company's main objective as regards managing its financing sources is to develop an optimal equity and liabilities structure in order to reduce the cost to finance its operations, secure an investment grade credit rating and financing sources for the operating and investing activities of the Company and its subsidiaries. Activities undertaken in this area intend to ensure the Company's financial security and satisfactory value for its shareholders. In optimising the equity and liabilities structure by using financial leverage, it is important to maintain a capital base at a level sufficient to develop the trust of investors, lenders and the market. ENEA S.A. monitors the effectiveness and stability of its capital using the debt ratio and return on capital ratios. The Company aims to increase capital effectiveness while retaining it at a safe level.

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27. Debt-related liabilities

Accounting rules

Financial liabilities, including credit facilities, loans and debt securities

At initial recognition, **all credit facilities, loans and debt instruments are** recognised at fair value less capital-raising costs.

Subsequent to initial recognition, credit, loan and debt instrument liabilities are measured at amortised cost using the effective interest rate approach. In determining the amortised cost, costs related to obtaining credit or loan and discount or bonuses related to the liability are taken into account.

Financial liabilities that include credit facilities, loans and debt securities are classified at initial recognition as:

- financial liabilities at fair value through profit or loss,
- financial assets at amortised cost.

Accounting rules for **financial liabilities** are described in greater detail in the section concerning financial instruments in the note devoted to financial instruments and fair value 31), whereas lease liabilities are described in the note concerning right-of-use assets 16).

Credit facilities, loans and debt securities

	As at 31 December 2020	As at 31 December 2019
Bank credit	1 685 532	1 888 094
Bonds	4 874 054	5 854 886
Long-term	**6 559 586**	**7 742 980**
Bank credit	206 520	168 137
Bonds	1 003 999	1 920 505
Short-term	**1 210 519**	**2 088 642**
Total	**7 770 105**	**9 831 622**

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 Company's credit facilities and loans:

No.	Company	Lender	Contract date	Total contract amount	Debt at 31 December 2020 (principal)	Debt at 31 December 2019 (principal)	Interest	Final repayment deadline
1.	ENEA S.A.	EIB	18 October 2012 (A) and 19 June 2013 (B)	1 425 000	1 013 543	1 138 956	Fixed interest rate or WIBOR 6M + margin	17 June 2030
2.	ENEA S.A.	EIB	29 May 2015 (C)	946 000	878 500	915 167	Fixed interest rate or WIBOR 6M + margin	15 September 2032
3.	ENEA S.A.	PKO BP S.A.	28 January 2014, Annex 2 of 4 December 2019	300 000	-	-	WIBOR 1M + margin	31 December 2022
4.	ENEA S.A.	Bank Pekao S.A.	28 January 2014, Annex 2 of 4 December 2019	150 000	-	-	WIBOR 1M + margin	31 December 2022
5.	ENEA S.A.	BGK	7 September 2020	250 000	-	-	WIBOR 1M +margin	7 September 2022

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Total	**3 071 000**	**1 892 043**	**2 054 123**
Transaction costs and effect of measurement using effective interest rate		9	2 108
Total	**3 071 000**	**1 892 052**	**2 056 231**

ENEA S.A. currently has credit agreements with the European Investment Bank (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. Interest on credit facilities may be fixed or variable. In the 12-month period ended 31 December 2020, ENEA S.A. executed an overdraft agreement with Bank Gospodarstwa Krajowego (BGK). The credit limit amounted to PLN 250 000 thousand. The funds obtained from BGK will be used to finance the borrower's on-going operations.

Bond issue programs

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

No.	Bond issue program name	Program start date	Program amount	Value of outstanding bonds as at 31 December 2020	Value of outstanding bonds as at 31 December 2019	Interest	Buy-back deadline
1.	Bond issue program agreement with PKO BP S.A., Bank Pekao S.A., Santander BP S.A., Citi BH S.A.	21 June 2012	3 000 000	2 140 000	3 000 000	WIBOR 6M + margin	One-off buy-back for each series from June 2020 to June 2022
2.	Bond issue program agreement with BGK	15 May 2014	1 000 000	720 000	800 000	WIBOR 6M + margin	Buy-back in tranches, last tranche due in December 2026
3.	Bond issue program agreement with PKO BP S.A., Bank Pekao S.A. and mBank S.A.	30 June 2014	5 000 000	2 500 000	3 378 200	WIBOR 6M + margin	One-time buy-back of each series; PLN 878 million bought back in February 2020, next series in September 2021 and June 2024.
4.	Bond issue program agreement with BGK	3 December 2015	700 000	532 779	608 890	WIBOR 6M + margin	Buy-back in tranches, last tranche due in September 2027
	Total		**9 700 000**	**5 892 779**	**7 787 090**		
	Transaction costs and effect of measurement using effective interest rate			(14 726)	(11 699)		
	Total		**9 700 000**	**5 878 053**	**7 775 391**		

In the 12-month period ended on 31 December 2020, ENEA S.A. did not execute new bond issue program agreements.

Interest rate hedges and currency hedges

These transactions are described in notes 34.4 and 34.5.

Financing terms - covenants

Financing agreements require ENEA S.A. and ENEA Group to maintain certain financial ratios. And the date on which these separate financial statements were prepared and in the course of 2020 the Company did not breach any credit agreement provisions such as would require early re-payment of long-term debt.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Lease liabilities

	As at 31 December 2020			As at 31 December 2019		
	Lease liabilities	Interest	Total	Finance lease liabilities	Interest	Total
Under one year	5 431	774	6 205	5 470	1 044	6 514
From one to five years	1 205	3 357	4 562	8 520	3 463	11 983
Over five years	24 679	26 326	51 005	22 450	26 738	49 188
Total	**31 315**	**30 457**	**61 772**	**36 440**	**31 245**	**67 685**

Agreements that are subject to IFRS 16 are leases (passenger vehicles), rights to perpetual usufruct of land, tenancy agreements that meet the definition of a lease (office space in buildings). The Company sets the lease term, i.e. irrevocable lease term, together with:

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

In most of its leases, the Company uses a lease period in line with the contractual period. For leases executed for an indefinite period, the Company determines the minimum contractual period for both of the parties. If the Company 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 indefinite period, the Company assumes that the irrevocable contractual period will be the termination period for that contract. In the case of rights to the perpetual usufruct of land, the Company sets the lease term in line with the period for which such rights are granted. In 2020, leased items also included parking spots.

Finance lease costs

	Year ended 31 December 2020	Year ended 31 December 2019
Interest cost on lease liabilities	(963)	(1 116)

The present value of future lease payments is calculated using the interest rate implicit in the lease. If the interest rate implicit in the lease is unknown, the Company applies a residual interest rate, i.e. a rate that it would be required to pay based on a similar lease 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.

The Company 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).

If the Company decides to use this expedient, it recognises lease payments as cost on a straight-line basis throughout the lease term or using another approach that more closely reflects the Company's benefit. This exemption does not apply in situations where the Company transfers the asset under a sub-lease or expects to transfers it.

General information on the Company as lessee

The Company does not have significant future cash outflows that are not included in measurement of a finance liability and covenants imposed by lessors. ENEA S.A. was not a party to any leasebacks in 2020.

Future liabilities concerning rent and tenancy contracts other than leases (this division applies to the period left until contract expiry)

	As at 31 December 2020	As at 31 December 2019
Under one year	80	90
Value of future liabilities concerning rent and tenancy agreements other than a lease	**80**	**90**

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28. Trade and other payables

Accounting rules

Trade and other payables classified as financial liabilities are initially recognised at fair value that corresponds to nominal value, less transaction costs, and are subsequently measured at amortised cost using an effective interest rate approach.

Other liabilities not constituting financial liabilities are initially recognised at nominal value and are measured at the end of the reporting period in the amount of payment due.

	As at 31 December 2020	 31 December 2019
Other non-current liabilities, including:	**-**	**80 123**
Liability arising from assignment of loan agreement	-	80 123
Current trade and other payables, including:	**438 241**	**567 409**
Trade payables	348 549	504 230
Current tax liabilities (excluding income tax)	84 857	60 293
Liabilities concerning purchase of tangible and intangible assets	455	57
Other	4 380	2 829
Total	**438 241**	**647 532**

29. Employee benefit liabilities

Accounting rules

Short-term employee benefits

ENEA S.A. classifies the following as short-term employee benefits: monthly salary, annual bonus, right to discounts on electricity, short-term paid absences (remuneration for unused vacation time) together with social security contributions, Energy Professionals' Day awards.

The liability concerning (accumulated) short-term paid absences (pay for leave) is recognised even if the paid absences do not entitle to a cash equivalent. The Company determines the expected cost of accumulated paid absences as an additional amount that it expects to pay as a result of not exercising this entitlement as at the balance sheet date.

Other liabilities are measured in the amount due to be paid.

Long-term employee benefits

Pursuant to an agreement between employee representatives and the Company's representatives, the employees of ENEA S.A. are entitled to certain benefits other than remuneration for work. These benefits are financed entirely by the Company. Actuarial methods are used to estimate these liabilities.

Defined benefit plans

The Company classifies the following as defined benefit plans:

1) Retirement and disability severance payments

Employees going into retirement (disability) are entitled to cash severance payments. The amount of these payments depends on seniority and the employee's remuneration.

2) Post-mortem payments

If an employee dies in the course of work or while on disability pension following employment, the family is entitled to a post-mortem payment from the employer. The amount of this payment depends on seniority and the employee's remuneration.

3) Right to rebates in purchasing energy after retirement

Retiring employees who have been employed at the Company for at least one year have the right to discounts in purchasing energy. Retirees have the right to a cash equivalent of 3 000 kWh x 80% of the electricity price and the variable component of the transmission fee and 100% of the fixed grid fee and instalment fee according to a one-zone tariff generally applicable to households. The cash equivalent is paid out twice a year in an amount constituting half the annual equivalent. The value of this equivalent is indexed by electricity price growth using a tariff generally applicable to households in the year preceding payment. If an employee dies, this right is transferred to the spouse if the spouse collects a family pension.

4) Contribution by the Company to the Company Social Benefit Fund for retirees covered by social services

A contribution by the Company to the Company Social Benefit Fund for retirees covered by social services is made in an amount that is calculated on the basis of binding provisions of law.

Employee benefits are recognised in the statement of financial position under employee benefit liabilities, while changes in provisions are presented in the statement of comprehensive income.

Actuarial gains and losses are fully recognised in other comprehensive income.

Longevity bonus

Other long-term employee benefits at ENEA S.A. include longevity bonuses. The amount of these bonuses depends on seniority and the employee's remuneration. Actuarial gains and losses are fully recognised in present-period profit or loss.

Defined contribution plans

1) Social insurance contributions

The social insurance system is based on a state programme under which the Company is obligated to pay contributions for employees' social insurance when they are due. The Company is not required, legally or customarily, to make future social insurance contributions. The Company recognises the cost of present-period contributions in present-period profit or loss as employee benefit cost.

2) Employee Pension Program

In accordance with an appendix to the Collective Labour Agreement, the Company runs an Employee Pension Program in the form of group insurance for employees with a capital fund in accordance with rules specified in the Act and negotiated with the trade unions.

The Employee Pension Program is available to the Company's employees after a year's employment regardless of the type of work contract.

Employees join the Employee Pension Program on the following terms:

- insurance is in the form of group life insurance with insurance protection,
- the level of base contribution is 7% of the employee's remuneration,
- 90% of the base contribution goes to an investment contribution and 10% to insurance protection.

The Company covers the cost of contributions to the Employee Pension Program from present-period profit or loss as employee benefit cost.

Significant judgements and estimates

A valuation was adopted for employee benefit provisions based on the balance of liabilities at the end of the reporting period concerning expected future payments of benefits, which was calculated by an independent actuary using actuarial methods.

The following liabilities are estimated by the actuary using the Projected Unit Credit Method (the same method as that used in analysing the sensitivity of defined benefit plans):

- retirement and disability severance payments,
- post-mortem payments,
- right to discounts in purchasing energy after retirement,
- contribution by the Company to the Company Social Benefit Fund for retirees covered by social services

This estimate is affected by the discount rate and long-term growth in wages. For calculation purposes, basic data was used for each Group employee individually, as at the end of the reporting period, (taking the employee's gender into account), from the following areas:

- age ,
- employment at the Company,
- overall employment,
- remuneration, constituting the basis for the size of longevity bonus and retirement severance payment.

Actuarial assumptions used in calculating these estimates are presented below.

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Employee benefit liabilities

	As at 31 December 2020	31 December 2019
Remuneration and other liabilities	22 847	24 263
Retirement severance payments	2 686	2 338
Right to rebates in purchasing energy after retirement	44 964	44 556
Contribution to Company Social Benefits Fund for retired employees	7 333	7 555
Post-mortem payments	495	448
Longevity bonus	9 458	8 405
Total employee benefit liabilities	**87 783**	**87 565**
Long-term	*60 146*	*58 693*
Short-term	*27 637*	*28 872*

Changes in the 12 months to 31 December 2020

	Retirement severance payments	Right to rebates in purchasing energy after retirement	Contribution to Company Social Benefits Fund for retired employees	Post-mortem payments	Longevity bonus	Total
As at 1 January 2020	**2 338**	**44 556**	**7 555**	**448**	**8 405**	**63 302**
Costs recognised in profit or loss, including:	**343**	**1 164**	**267**	**66**	**1 667**	**3 507**
cost of present employment	299	272	114	57	1 140	1 882
cost of interest	44	892	153	9	164	1 262
net actuarial gains/losses arising from ex-post adjustment of assumptions	-	-	-	-	256	256
net actuarial gains/losses arising from adjustment of demographic assumptions	-	-	-	-	(241)	(241)
net actuarial gains/losses arising from change in financial assumptions	-	-	-	-	348	348
Costs recognised in other comprehensive income, including:	**27**	**2 234**	**(45)**	**(20)**	**-**	**2 196**
net actuarial gains/losses arising from ex-post adjustment of assumptions	(54)	(2 754)	(360)	(13)	-	(3 181)
net actuarial gains/losses arising from adjustment of demographic assumptions	(81)	(319)	(70)	(30)	-	(500)
net actuarial gains/losses arising from change in financial assumptions	162	5 307	385	23	-	5 877
Reduced liabilities concerning payout of benefits (negative value)	**(22)**	**(2 990)**	**(444)**	**1**	**(614)**	**(4 069)**
Total changes	**348**	**408**	**(222)**	**47**	**1 053**	**1 634**
As at 31 December 2020	**2 686**	**44 964**	**7 333**	**495**	**9 458**	**64 936**
Long-term	*2 421*	*41 658*	*6 914*	*469*	*8 684*	*60 146*
Short-term	*265*	*3 306*	*419*	*26*	*774*	*4 790*

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Changes in the 12 months to 31 December 2019

	Retirement severance payments	Right to rebates in purchasing energy after retirement	Contribution to Company Social Benefits Fund for retired employees	Post-mortem payments	Longevity bonus	Total
As at 1 January 2019	**1 608**	**43 802**	**6 283**	**328**	**6 382**	**58 403**
Costs recognised in profit or loss, including:	**265**	**1 504**	**264**	**55**	**2 623**	**4 711**
cost of present employment	220	205	73	45	975	1 518
cost of interest	45	1 299	191	10	180	1 725
net actuarial gains/losses arising from ex-post adjustment of assumptions	-	-	-	-	706	706
net actuarial gains/losses arising from adjustment of demographic assumptions	-	-	-	-	(156)	(156)
net actuarial gains/losses arising from change in financial assumptions	-	-	-	-	918	918
Costs recognised in other comprehensive income, including:	**465**	**2 566**	**1 383**	**65**	**-**	**4 479**
net actuarial gains/losses arising from ex-post adjustment of assumptions	376	5 594	1 372	61	-	7 403
net actuarial gains/losses arising from adjustment of demographic assumptions	(56)	(227)	(187)	(8)	-	(478)
net actuarial gains/losses arising from change in financial assumptions	145	(2 801)	198	12	-	(2 446)
Reduced liabilities concerning payout of benefits (negative value)	**-**	**(3 316)**	**(375)**	**-**	**(600)**	**(4 291)**
Total changes	**730**	**754**	**1 272**	**120**	**2 023**	**4 899**
As at 31 December 2019	**2 338**	**44 556**	**7 555**	**448**	**8 405**	**63 302**
Long-term	*2 036*	*41 495*	*7 108*	*422*	*7 632*	*58 693*
Short-term	*302*	*3 061*	*447*	*26*	*773*	*4 609*

Actuarial assumptions

Assumptions	31 December 2020	31 December 2019
Estimated long-term annual wage growth	1.8% in 2021, 2.45% in 2022, 2.40% in 2023, 2.5% in subsequent years	2.7%
Estimated growth in value of contribution to Company Social Benefits Fund	14.8% in 2022, 4.4% in 2023, 4.6% in 2024, 5.2% in 2025, 5.4% in 2026, 5.5% in 2027-2030, 5.2% in the forecast's remaining years.	13.95% in 2021, 5.7% in 2022-2026, 5.6% in 2027-2029, 5.2% in the forecast's remaining years.
Discount rate	1,5%	2.15%
Value of cash equivalent for subsidised energy purchases	PLN 1 515.73	PLN 1 330.25
Growth in value of cash equivalent for subsidised electricity purchases	1.5% in 2021, 8.1% in 2022, 4.0% in 2023, 4.1% in 2024-2027, 2.5% in subsequent years	in 2020: 23.18%, 2021: -4.0%, 2022-2026: 5.0%, in subsequent years: 2.5%
Average monthly remuneration used to calculate Company Social Benefit Fund liability	PLN 4 134.02	PLN 4 134.02

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Sensitivity analysis for defined benefit plans

Defined benefit plans:	Impact of changes in actuarial assumptions on level of defined benefit plan liabilities	
	+1pp	-1pp
Discount rate	(5 512)	6 777
Expected remuneration growth rate	1 435	(1 177)
Average growth in the value of cash equivalent for subsidised electricity purchases	4 747	(3 979)

Maturity of defined benefit plan liabilities

Weighted average period of defined benefit programme liabilities (in years)	As at	
	31 December 2020	31 December 2019
Retirement and disability severance payments	20,0	20,2
Post-mortem payments	13,2	13,0
Right to rebates in purchasing energy after retirement	10,6	10,2
Contribution to Company Social Benefits Fund for retired employees	12,9	12,2

30. Provisions

Accounting rules

Provisions are created when the Company has a present obligation (legal or customarily expected) resulting from past events, and there is a likelihood that performing this obligation will result in an outflow of economic benefits and if the amount of this obligation can be reliably estimated.

Provisions for liabilities are measured at justified, reliably estimated values. Specific provisions are established for losses related to court cases against the Company. The amount of the provision constitutes the most accurate estimate of funds necessary to satisfy the claim as at the balance sheet date. The cost to create provisions is recognised in other operating costs.

Using a previously created provision for certain or highly likely future obligations is recognised when these obligations arise as a decrease of the provision.

In the event of a decrease or cessation of risk justifying the creation of a provision, an unused provision increases finance income or other operating revenue.

The Company creates provisions for non-contractual use of land only in relation to claims being pursued in court.

The Company also creates provisions for onerous contracts if the costs to comply with an obligation arising from a contract exceed the benefits (that are expected to be) received from that contract.

Provision for energy origin certificates and energy efficiency certificates

The Company creates provisions for redemption of energy origin certificates and energy efficiency certificates or payment of substitute fees.

The basis for determining provisions for redemption of energy origin certificates for each instrument is the quantity of energy origin certificates constituting the difference between the quantity of certificates required for redemption in accordance with the Energy Law and the quantity of certificates redeemed as at the reporting date.

The basis for determining provisions for redemption of energy efficiency certificates is the quantity of certificates expressed in tonnes of oil equivalent constituting the difference between the quantity of certificates required for redemption under the Energy Law and the quantity of certificates redeemed as at the reporting date.

Provisions are measured as follows:

1) first, based on the purchase price for energy efficiency certificates held but not redeemed at the balance sheet date,
2) second, based on the purchase price resulting from the Company's sale agreements as regards the part of the certificates that the Company intends to receive first,
3) third, based on the weighted average price in session transactions executed on the property rights market managed by Towarowa Giełda Energii S.A. in the course of the month with the reporting date that is used to determine the amount of provision,
4) in the case of a lack of such transactions or a market shortage preventing the Company from purchasing a sufficient quantity of rights required to perform its obligation, the missing quantity of the provision is valued

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based on the unit substitute fee for the given financial year.

The provision for origin certificates will be performed in Q1-Q2 2021.

Significant judgements and estimates

Provision for non-contractual use of property

Provisions for non-contractual use of land concern claims by owners of properties for which the Company had no legal title. These claims in most cases involve a demand for payment of compensation for non-contractual use of land, establishing rent or in individual cases demands associated with a change of a facility's location (return of land to original condition).

Provision for other claims

This item includes provisions for claims that are unrelated to non-contractual use of land. It is not possible to estimate the deadline for outflow of economic benefits on account of the rest of the provisions.

Provision for claims concerning terminated agreements for the purchase of property rights

Recognising this provision requires the most accurate estimate of potential compensation for terminating contracts for the purchase of property rights (40.7).

Change in provisions for liabilities and other charges

For the financial year ended 31 December 2020:

	Provision for non-contractual use of land	Provision for other claims	Provision for energy origin certificates	Provision for onerous contracts	Provision for settlement of investment	Total
As at 1 January 2020	**3 064**	**166 164**	**192 189**	**68 565**	**-**	**429 982**
Increase in existing provisions	-	39 323	133 794	50 821	222 200*	446 138
Use of provisions	(39)	(3 134)	(157 971)	(68 565)	-	(229 709)
Reversal of unused provision	(750)	(2 258)	-	-	-	(3 008)
As at 31 December 2020	**2 275**	**200 095**	**168 012**	**50 821**	**222 200**	**643 403**
Short-term	*2 275*	*200 095*	*168 012*	*50 821*	*222 200*	*643 403*

** Details concerning the recognition of this provision are available in note 18.*

For the financial year ended 31 December 2019:

	Provision for non-contractual use of land	Provision for other claims	Provision for energy origin certificates	Provision for onerous contracts	Total
As at 1 January 2019	**2 794**	**126 874**	**304 274**	**78 981**	**512 923**
Increase in existing provisions	501	43 547	176 648	68 565	289 261
Use of provisions	-	(816)	(288 733)	(78 981)	(368 530)
Reversal of unused provision	(231)	(3 441)	-	-	(3 672)
As at 31 December 2019	**3 064**	**166 164**	**192 189**	**68 565**	**429 982**
Short-term	*3 064*	*166 164*	*192 189*	*68 565*	*429 982*

A description of material claims and conditional liabilities is presented in 40.

Provision for other claims

In 2020, ENEA S.A. created a PLN 16 432 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 31 December 2020 was PLN 139 464 thousand (this provision is shown in the table above in the column "Provision for other submitted claims" and detailed information on this provision are presented in note 40.740.7

Provision for onerous contracts

Rules for settlements with prosumers are laid down in the Act of 20 February 2015 on renewable energy sources (Polish Journal of Laws of 2015, item 478, as amended, consolidated text from 2020). In the current net metering system, as part of settlement for the energy introduced by the prosumer to the grid, the Company covers the prosumer's variable distribution fees (the prosumer is exempted from these), which in effect generates negative financial results for the Company. At 31 December 2020, the Company had 47 000 contracts with prosumers. Taking the above into account and acting in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Company recognised a provision for onerous contracts as at 31 December 2020, amounting to PLN 50 821 thousand.

Information on the use of the onerous contracts provision concerning customers in tariff G groups is presented in note 40.1.

Financial instruments and financial risk management

31. Financial instruments and fair value

Accounting rules

Financial assets

The Company classifies its financial instruments in the following categories:

- financial assets at fair value through profit or loss,
- equity instruments through other comprehensive income,
- financial assets at amortised cost,
- financial assets at fair value through other comprehensive income.

a) Financial assets at fair value through profit or loss include:
   - financial assets held for trading (including derivative instruments for which no hedging policy is designated),
   - financial assets voluntarily assigned to this category,
   - financial assets that do not meet the definition of basic lending arrangement, including equity instruments such as shares, except instruments designated as equity instruments measured through other comprehensive income,
   - financial assets that meet the definition of basic lending arrangement and are not held in accordance with a business model for the purpose of obtaining cash flows or in order to obtain cash flows and for sale.

   Assets in this category are classified as current assets if they are held for trading or expected to be performed within 12 months from the balance sheet date.

b) Financial assets at amortised cost

   Financial assets measured at amortised cost are financial assets that are held in accordance with a business model that aims to hold financial assets to generate contractual cash flows and whose contractual terms meet the criteria of basic lending arrangement.

c) Financial assets at fair value through other comprehensive income

   Financial assets measured at fair value through other comprehensive income are financial assets that are held in accordance with a business model that aims to both receive contractual cash flows and sell financial assets as well as whose contractual terms meet the criteria of basic lending arrangement.

d) Equity instruments through other comprehensive income

   Equity instruments through other comprehensive income include investments in equity instruments that are voluntarily and irreversibly classified as such at initial recognition. Equity instruments that meet the definition of held for trading and meet the criteria for mandatory payment recognised by the acquiring company in a business combination may not be subject to this classification.

At initial recognition, the Company measures a financial asset that is subject to classification for the purposes of fair value measurement. Trade receivables without a financial component that are measured at transaction prices are an exception to this rule.

The fair value of financial assets not classified as at fair value through profit or loss is increased by transaction costs that may be directly assigned to the purchase/acquisition of these assets.

Financial assets at fair value through profit or loss are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to perform the given item. Restatement to fair value for assets in this category is recognised in profit or loss. If a given item is removed from accounts, the Company determines the profit or loss on the disposal and recognises it in the period's result.

Financial assets at amortised cost are measured at amortised cost on every balance sheet date. The amortised cost of a financial asset is the amount at which the given financial asset is measured at initial recognition, decreased by repayment of principal and increased or decreased by accumulated depreciation, determined using the effective interest rate method, of any differences between the initial amount and the amount at maturity, and adjusted by any allowances for expected credit losses.

Financial assets at fair value through other comprehensive income are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to perform the given item. Interest charged on such items and allowances for expected credit losses are recognised in the period's result, while other restatements to fair value are recognised as other comprehensive income.

Equity instruments through other comprehensive income are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to perform the given item. Restatements to fair value are recognised as other comprehensive income.

Financial liabilities, including credit facilities, loans and debt securities

Financial liabilities that include trade and other payables are initially recognised at fair value less transaction costs.

Financial liabilities that include credit facilities, loans and debt securities are classified at initial recognition as:

- financial liabilities at fair value through profit or loss,
- financial assets at amortised cost.

Financial liabilities at fair value through profit or loss include:

- financial liabilities that meet the definition of held for trading, including derivative instruments that are not used for hedge accounting,
- financial liabilities that are voluntarily designated by the Company as measured at fair value through profit or loss.

Financial liabilities at amortised cost include all financial liabilities that are subject to classification for the purposes of measurement that are not classified as financial liabilities at fair value through profit or loss.

At initial recognition, the Company measures a financial liability that is subject to classification for the purposes of fair value measurement.

The fair value of financial liabilities not classified as at fair value through profit or loss is decreased by transaction costs that may be directly assigned to the origination of the liability.

The balance sheet measurement of a financial liability and the recognition of restatements depend on the classification of the given item to the relevant category for measurement purposes:

- financial liabilities classified as financial liabilities at fair value through profit or loss are measured at each balance sheet at fair value; fair value determined at the balance sheet date is not adjusted for transaction costs that would have to be incurred to settle a given item; restatements to fair value are recognised in the period's financial result;
- financial liabilities at amortised cost are measured at amortised cost on every balance sheet date.

Significant judgements and estimates

Financial assets are analysed at the end of each reporting period in terms of expected credit losses and indications of impairment.

Individual financial instruments of significant value are assessed for impairment individually. Other financial assets are split into groups with similar credit risk.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

Financial instruments

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

	As at 31 December 2020		As at 31 December 2019	
	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS				
Long-term	**6 167 435**	**6 241 259**	**4 609 328**	**4 638 079**
Financial assets measured at fair value	84 848	84 848	38 848	38 848
Debt financial assets at amortised cost	6 082 074	6 156 411	4 567 870	4 599 231
Finance lease and sublease receivables	513	*	2 610	*
Short-term	**3 302 456**	**1 406 802**	**6 667 275**	**2 801 067**
Debt financial assets at amortised cost	1 406 802	1 406 802	2 801 067	2 801 067
Assets arising from contracts with customers	228 905	*	215 223	*
Trade receivables	1 132 807	*	879 692	*
Finance lease and sublease receivables	3 274	*	3 083	*
Cash and cash equivalents	530 668	*	2 768 210	*
TOTAL FINANCIAL ASSETS	**9 469 891**	**7 648 061**	**11 276 603**	**7 439 146**
FINANCIAL LIABILITIES				
Long-term	**6 660 601**	**6 701 368**	**7 877 875**	**7 809 877**
Credit facilities, loans and debt securities	6 559 586	6 626 237	7 742 980	7 786 075
Lease liabilities	25 884	*	30 970	*
Other liabilities	-	-	80 123	*
Financial liabilities measured at fair value	75 131	75 131	23 802	23 802
Short-term	**1 814 359**	**1 275 061**	**2 663 629**	**2 088 642**
Credit facilities, loans and debt securities	1 210 519	1 210 519	2 088 642	2 088 642
Lease liabilities	5 431	*	5 470	*
Trade and other payables	349 004	*	504 287	*
Liabilities arising from contracts with customers	32 289	*	12 631	*
Financial liabilities measured at fair value	64 542	64 542	-	-
Other financial liabilities	152 574	*	52 599	*
TOTAL FINANCIAL LIABILITIES	**8 474 960**	**7 976 429**	**10 541 504**	**9 898 519**

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

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	As at 31 December 2019	Gain/loss recognised in financial result due to balance sheet measurement or modification	Interest income / cost	Impairment - expected credit losses	Gain on disposal or derecognition	Other comprehensive income	Change	As at 31 December 2020
Financial assets at fair value through profit or loss:	**22 982**	**9 559**	**-**	**-**	**-**	**-**	**(1 559)**	**30 982**
- financial assets mandatorily measured at fair value through profit or loss	5 182	12 359	-	-	-	-	(1 559)	15 982
- financial assets voluntarily measured at fair value through profit or loss	17 800	(2 800)	-	-	-	-	-	15 000
Equity instruments at fair value through other comprehensive income	**15 866**	**-**	**-**	**-**	**-**	**-**	**38 000**	**53 866**
Derivative instruments used in hedge accounting	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at amortised cost:	**11 232 062**	**(6 363)**	**(12 010)**	**(144 135)**	**21 062**	**-**	**(1 709 360)**	**9 381 256**
- debt financial assets at amortised cost	7 368 937	(6 363)	(7 287)	(144 086)	21 062	-	256 613	7 488 876
- trade receivables	879 692	-	-	-	-	-	253 115	1 132 807
- assets arising from contracts with customers	215 223	-	-	(49)	-	-	13 731	228 905
- cash and cash equivalents	2 768 210	-	(4 723)	-	-	-	(2 232 819)	530 668
Finance lease and sublease receivables	**5 693**	**-**	**-**	**-**	**-**	**-**	**(1 906)**	**3 787**
Financial liabilities at fair value through profit or loss:	**(37)**	**-**	**-**	**-**	**-**	**-**	**37**	**-**
- financial liabilities measured at fair value through profit or loss	(37)	-	-	-	-	-	37	-
Derivative instruments used in hedge accounting	**(23 765)**	**(7 046)**	**-**	**-**	**-**	**(108 862)**	**-**	**(139 673)**
Financial liabilities at amortised cost:	**(10 428 663)**	**1 568**	**24 555**	**-**	**(20 996)**	**-**	**2 272 138**	**(8 151 398)**
- credit facilities, loans and debt securities	(9 831 622)	1 568	24 555	-	(20 996)	-	2 056 390	(7 770 105)
- liabilities arising from contracts with customers	(12 631)	-	-	-	-	-	(19 658)	(32 289)
- trade and other payables	(584 410)	-	-	-	-	-	235 406	(349 004)
Other financial liabilities	**(52 599)**	**-**	**-**	**-**	**-**	**-**	**(99 975)**	**(152 574)**
Lease liabilities	**(36 440)**	**-**	**-**	**-**	**-**	**-**	**5 125**	**(31 315)**
Total	**735 099**	**(2 282)**	**12 545**	**(144 135)**	**66**	**(108 862)**	**502 500**	**994 931**

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	As at 31 December 2018	Adjustment due to implementation of IFRS 16	As at 1 January 2019	Gain/loss recognised in financial result due to balance sheet measurement or modification	Interest income / cost	Impairment - expected credit losses	Gain on disposal or derecognition	Other comprehensive income	Change	As at 31 December 2019
Financial assets at fair value through profit or loss:	**30 491**	**-**	**30 491**	**(7 509)**	**-**	**-**	**-**	**-**	**-**	**22 982**
- financial assets mandatorily measured at fair value through profit or loss	12 116	-	12 116	(6 934)	-	-	-	-	-	5 182
- financial assets voluntarily measured at fair value through profit or loss	18 375	-	18 375	(575)	-	-	-	-	-	17 800
Equity instruments at fair value through other comprehensive income	**15 866**	**-**	**15 866**	**-**	**-**	**-**	**-**	**-**	**-**	**15 866**
Financial assets at amortised cost:	**9 480 138**	**(1 862)**	**9 478 276**	**14 494**	**5 402**	**(65 568)**	**521**	**-**	**1 798 937**	**11 232 062**
- debt financial assets at amortised cost	7 172 201	-	7 172 201	14 494	666	(65 570)	521	-	246 625	7 368 937
- trade receivables	934 479	(1 862)	932 617	-	-	-	-	-	(52 925)	879 692
- assets arising from contracts with customers	227 480	-	227 480	-	-	2	-	-	(12 259)	215 223
- cash and cash equivalents	1 145 978	-	1 145 978	-	4 736	-	-	-	1 617 496	2 768 210
Finance lease and sublease receivables	**-**	**7 732**	**7 732**	**-**	**-**	**-**	**-**	**-**	**(2 039)**	**5 693**
Financial liabilities at fair value through profit or loss:	**(1 997)**	**-**	**(1 997)**	**-**	**-**	**-**	**-**	**-**	**1 960**	**(37)**
- financial liabilities measured at fair value through profit or loss	(1 997)	-	(1 997)	-	-	-	-	-	1 960	(37)
Derivative instruments used in hedge accounting	**(20 179)**	**-**	**(20 179)**	**(1 894)**	**-**	**-**	**-**	**(1 692)**	**-**	**(23 765)**
Financial liabilities at amortised cost:	**(8 765 946)**	**-**	**(8 765 946)**	**102 041**	**(2 120)**	**-**	**1 236**	**-**	**(1 763 874)**	**(10 428 663)**
- credit facilities, loans and debt securities	(8 240 970)	-	(8 240 970)	102 041	(2 120)	-	1 236	-	(1 691 809)	(9 831 622)
- liabilities arising from contracts with customers	-	-	-	-	-	-	-	-	(12 631)	(12 631)
- trade and other payables	(524 976)	-	(524 976)	-	-	-	-	-	(59 434)	(584 410)
Other financial liabilities	**(146 785)**	**-**	**(146 785)**	**-**	**-**	**-**	**-**	**-**	**94 186**	**(52 599)**
Lease liabilities	**(1 424)**	**(44 932)**	**(46 356)**	**-**	**-**	**-**	**-**	**-**	**9 916**	**(36 440)**
Total	**590 164**	**(39 062)**	**551 102**	**107 132**	**3 282**	**(65 568)**	**1 757**	**(1 692)**	**139 086**	**735 099**

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	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	**15 000**	**15 982**	**53 866**	**84 848**
Equity instruments at fair value through other comprehensive income	-	-	53 866	53 866
Call options (at fair value through profit or loss)	-	15 982	-	15 982
Interests at fair value through profit or loss	15 000	-	-	15 000
Debt financial assets at amortised cost	**-**	**7 563 213**	**-**	**7 563 213**
Total	**15 000**	**7 579 195**	**53 866**	**7 648 061**
Financial liabilities measured at fair value	**-**	**(139 673)**	**-**	**(139 673)**
Derivative instruments at fair value through profit or loss	-	-	-	-
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(139 673)	-	(139 673)
Credit facilities, loans and debt securities	**-**	**(7 836 756)**	**-**	**(7 836 756)**
Total	**-**	**(7 976 429)**	**-**	**(7 976 429)**

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	**17 800**	**5 182**	**15 866**	**38 848**
Equity instruments at fair value through other comprehensive income	-	-	15 866	15 866
Call options (at fair value through profit or loss)	-	5 182	-	5 182
Interests at fair value through profit or loss	17 800	-	-	17 800
Debt financial assets at amortised cost	**-**	**7 400 298**	**-**	**7 400 298**
Total	**17 800**	**7 405 480**	**15 866**	**7 439 146**
Financial liabilities measured at fair value	**-**	**(23 802)**	**-**	**(23 802)**
Derivative instruments at fair value through profit or loss	-	(37)	-	(37)
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(23 765)	-	(23 765)
Credit facilities, loans and debt securities	**-**	**(9 874 717)**	**-**	**(9 874 717)**
Total	**-**	**(9 898 519)**	**-**	**(9 898 519)**

Financial assets and financial liabilities at fair value include:

- shares in unrelated entities, the stake in which is below 20%; this line includes a stake in PGE EJ1 Sp. z o.o. worth PLN 53 866 thousand, for which there is no market price quoted on an active market and the fair value of which was determined based on ENEA S.A.'s share of the net assets of PGE EJ1 Sp. z o.o. as at 31 December 2020; having analysed the standard IFRS 9, the Company decided to qualify these interests as financial instruments through other comprehensive income; in the course of 2020, no transactions were executed that would be recognised through profit or loss; in the event that interests in unrelated entities are quoted on the Warsaw Stock Exchange, their fair value is determined on the basis of stock market quotes;
- Polimex-Mostostal S.A. call options;
- derivative instruments, which 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;

Non-current debt financial assets at amortised cost cover purchased debt securities - bonds and loans maturing in over one year. Fair value is calculated for financial instruments that are based on a fixed rate of interest, based on current WIBOR.

Current debt financial assets at amortised cost cover purchased debt securities - bonds and loans maturing in under one year.

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 table above 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 Company recognises its stake in PGE EJ1 in level 3 (note 41)

No transfers between the levels were made in 2020.

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As at 31 December 2020, 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, as amended, ENEA S.A. holds 22 call options from Towarzystwo Finansowe Silesia Sp. z o.o. to purchase 6 937 500 shares, with a nominal value of PLN 2 each. The contractual share allocation date is at the end of each calendar quarter from September 2021 to December 2026. Fair value measurement of the call options was conducted using the Black-Scholes model. The book value of these options as at 31 December 2020 was PLN 15 982 thousand (at 31 December 2019: PLN 5 182 thousand).

32. Debt financial assets at amortised cost

Debt financial assets at amortised cost

	As at 31 December 2020	31 December 2019
Current debt financial assets at amortised cost		
Intra-group bonds	554 896	2 794 586
Loans granted	851 906	6 481
Total current debt financial assets at amortised cost	**1 406 802**	**2 801 067**
Non-current debt financial assets at amortised cost		
Intra-group bonds	3 132 273	3 669 222
Loans granted	2 949 801	898 648
Total non-current debt financial assets at amortised cost	**6 082 074**	**4 567 870**
Total	**7 488 876**	**7 368 937**

Intra-group financing

ENEA Group has adopted a model for financing investments being implemented by ENEA S.A. through intra-group financing. ENEA S.A. raises long-term capital in financial markets through credit facilities or bond issues and subsequently distributes these within the Group based on intra-group bond issue program agreements or loan agreements. Moreover, ENEA S.A. provides financing to subsidiaries from internal funding.

Intra-group bonds

The following table presents on-going intra-group bond issue programs as at 31 December 2020 and 31 December 2019:

No.	Bond issuer	Contract date	Amount granted	Amount used	Outstanding bonds as at 31 December 2020 (principal)	Outstanding bonds as at 31 December 2019 (principal)	Interest	Final buy-back deadline
1.	ENEA Nowa Energia Sp. z o.o.*	10 March 2011	26 000	26 000	18 000	18 000	WIBOR 6M + margin	31 March 2023
2.	ENEA Wytwarzanie Sp. z o.o.	8 September 2012 agreement for PLN 4 000 000 thousand decreased through Annex 2 of 21 January 2015 to PLN 3 000 000 thousand	3 000 000	2 650 000	1 790 000	2 650 000	Depending on the series: fixed interest rate or WIBOR 6M + margin	Depending on bond series' issue dates, however no later than by 15 June 2022
3.	ENEA Operator Sp. z o.o.	20 June 2013 amended through Annex 1 of 9 October 2014 and Annex 2 of 7 July 2015	1 425 000	1 425 000	1 013 543	1 138 956	Depending on the series: fixed interest rate or WIBOR 6M + margin	Depending on bond series' issue dates, however no later than by 17 June 2030
4.	ENEA Wytwarzanie Sp. z o.o.	17 November 2014	740 000	350 000	-	350 000	WIBOR 6M + margin	Buy-back in March 2020

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5.	ENEA Wytwarzanie Sp. z o.o.	17 February 2015 for PLN 760 000 thousand, increased through Annex 1 of 3 June 2015 to PLN 1 000 000 thousand.	1 000 000	1 000 000	-	1 000 000	WIBOR 6M + margin	buy-back completed in February 2020
6.	ENEA Operator Sp. z o.o.	7 July 2015 amended through Annex 1 of 28 March 2017	946 000	946 000	878 500	915 167	Depending on the series: fixed interest rate or WIBOR 6M + margin	Depending on bond series' issue dates, however no later than by 15 December 2032
7.	ENEA Ciepło Sp. z o.o.	30 October 2015	18 000	18 000	-	1 000	WIBOR 6M + margin	Buy-back in March 2020
8.	ENEA Operator Sp. z o.o.	20 July 2018	400 000	400 000	-	400 000	WIBOR 3M + margin	15 December 2020
	Total				**3 700 043**	**6 473 123**		
Transaction costs and effect of measurement using effective interest rate					(12 874)	(9 315)		
	Total				**3 687 169**	**6 463 808**		

* These bonds were transferred from ENEA Wytwarzanie Sp. z o.o. to ENEA Nowa Energia Sp. z o.o. on 1 December 2020 as a result of a process reorganising the renewables segment.

In the 12-month period ending 31 December 2020 ENEA S.A. did not execute new intra-group bond issue programme agreements concerning financing for ENEA Group companies.

Loans

The following table presents loans issued by ENEA S.A. as at 31 December 2020 and 31 December 2019:

No.	Borrower	Contract date	Total contract amount	Debt at 31 December 2020	Debt at 31 December 2019	Interest	Final repayment deadline
1.	ENEA Oświetlenie Sp. z o.o.	19 January 2015	10 000	-	206	WIBOR 1M + margin	repaid in January 2020
2.	PGE EJ 1 Sp. z o.o.	8 November 2017	2 940	-	2 940	Fixed	repaid on 25 November 2020
3.	PGE EJ 1 Sp. z o.o.	2 March 2018	4 800	-	4 800	Fixed	repaid on 25 November 2020
4.	PEC Oborniki Sp. z o.o.	9 October 2018	2 000	-	2 000	WIBOR 1M + margin	31 December 2019 [repaid on 2 January 2020]
5.	KS „ENERGETYK”	19 May 2019	360	360	360	Fixed	31 January 2020, [the parties intend to execute an annex to this agreement]
6.	ENEA Operator Sp. z o.o.	11 July 2019	425 000	425 000	425 000	WIBOR 6M + margin	20 December 2021
7.	Elektrownia Ostrołęka Sp. z o.o.	30 September 2019	29 000	29 000	29 000	Fixed	26 February 2021
8.	ENEA Operator Sp. z o.o.	13 December 2019	425 000	425 000	425 000	WIBOR 6M + margin	20 December 2021
9.	Elektrownia Ostrołęka Sp. z o.o.	23 December 2019	170 000	170 000	80 000	Fixed	26 February 2021
10.	ENEA Wytwarzanie Sp. z o.o.	30 January 2020	2 200 000	1 800 000	-	WIBOR 6M + margin	30 September 2024

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11.	ENEA Elektrownia Połaniec S.A.	28 February 2020	500 000	500 000	-	WIBOR 6M + margin	20 December 2024
12.	ENEA Operator Sp. z o.o.	12 March 2020	950 000	650 000	-	WIBOR 6M + margin	20 December 2024
13.	PGE EJ 1 Sp. z o.o.	25 June 2020	4 000	-	-	Fixed	repaid on 25 November 2020
14.	PGE EJ 1 Sp. z o.o.	3 September 2020	6 500	-	-	Fixed	repaid on 25 November 2020
				3 999 360	**969 306**		
Transaction costs and effect of measurement using effective interest rate, along with impairment of loans				(197 653)	(64 177)		
Total				**3 801 707**	**905 129**		

In the 12-month period ending 31 December 2020 ENEA S.A. executed five new loan agreements: with ENEA Wytwarzanie Sp. z o.o. for PLN 2 200 000 thousand, with ENEA Elektrownia Połaniec S.A. for PLN 500 000 thousand and ENEA Operator Sp. z o.o. for PLN 950 000 thousand, along with two loan agreements with PGE EJ 1 Sp. z o.o. (PLN 4 000 thousand and PLN 6 500 thousand).

In 2020, the following tranches of the aforementioned loans were accessed:
- ENEA Wytwarzanie Sp. z o.o. three tranches totalling PLN 1 800 000 thousand,
- ENEA Elektrownia Połaniec S.A. two tranches totalling PLN 500 000 thousand,
- ENEA Operator Sp. z o.o. two tranches totalling PLN 650 000 thousand,

PGE EJ 1 Sp. z o.o. accessed the entire PLN 4 000 thousand loan at once, along with three tranches from the PLN 6 500 thousand loan, totalling PLN 6 500 thousand.

On 23 December 2019 ENEA S.A. and ENERGA S.A. executed a loan agreement with Elektrownia Ostrołęka Sp. z o.o., pursuant to which ENERGA S.A. issued a loan of up to PLN 340 million to Elektrownia Ostrołęka Sp. z o.o. until 26 February 2021. Under the agreement, ENERGA S.A. would conditionally sell to ENEA S.A. half of the debt due from Elektrownia Ostrołęka Sp. z o.o., payable by 31 January 2021, for a price equal to the nominal value of the debt, covering especially principal and interest as of 31 January 2021. ENERGA S.A. paid out the loan to Elektrownia Ostrołęka Sp. z o.o., i.e. PLN 340 000 thousand, in three tranches. At the same time, ENEA S.A. carried out an early purchase, on 31 December 2020, of half of the debt arising from this loan, i.e. PLN 170 000 thousand, from ENERGA S.A. The loan repayment deadline for Elektrownia Ostrołęka Sp. z o.o. is 26 February 2021.

In the 12-month period ending 31 December 2020 ENEA S.A. executed with ENERGA S.A. and Elektrownia Ostrołęka Sp. z o.o. four annexes to a loan agreement in the amount of PLN 29 000 thousand, extending the loan repayment deadline. The last annex, executed on 30 September 2020, extended the one-off loan repayment to 26 February 2021.

On 26 February 2021, ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex no. 1 to the PLN 340 million Loan Agreement of 23 December 2019 and Annex no. 6 to the PLN 58 million Loan Agreement of 17 July 2019. Pursuant to these annexes, Elektrownia Ostrołęka Sp. z o.o. has made a commitment to repay the loans to ENEA S.A. on a one-off basis – PLN 170 million and PLN 29 million, respectively, along with due interest, by 30 June 2021.

Impairment of financial assets at amortised cost (concerns loans granted) as at 31 December 2020 amounted to PLN 210 084 thousand. The total impairment loss on loans issued to Elektrownia Ostrołęka Sp. z o.o. recognised in the 12-month period ended 31 December 2020 was PLN 144 014 thousand, and this amount was recognised in the separate statement of comprehensive income under "Impairment of financial assets at amortised cost."

33. Hedge accounting

Accounting rules

Hedge accounting and derivative instruments

Derivative instruments that are used by the Company in order to hedge against specific risk, related to changes in interest rates and exchange rates, are measured at fair value. Derivative instruments are recognised as assets if their value is positive and as liabilities if their value is negative.

The fair value of currency contracts is determined by reference to current forward rates for contracts with the same maturity or based on valuation by independent entities. The fair value of interest rate swaps may be determined based on valuation by independent entities. The fair value of other derivative instruments is determined based on market data or valuation by independent institutions specialised in this type of valuation.

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For some or all of its exposure to a particular risk, the Company may apply hedge accounting if the hedging instrument and the hedged item that create a hedging relationship are in line with risk management objectives and the hedging strategy.

The Company defines hedging relationships concerning various types of risk as fair value hedges or cash flow hedges. Hedging a risk that concerns likely future obligations is treated as a cash flow hedge.

When a hedging relationship is established, the Company documents the relation between the hedging instrument and the hedged item as well as risk management objectives and the strategy for implementing various hedging transactions.

Derivatives that are hedging instruments are recognised by the Company in accordance with rules concerning fair value or cash flow hedges.

If the Company identifies an ineffectiveness of a hedge that goes beyond the risk management objective and the hedging relationship continues to implement the risk management strategy and risk management objectives, the Company re-balances the hedging relationship.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and which might affect profit or loss. A forecast transaction is a transaction that is not based on a concluded binding agreement (expected future transaction).

For cash flow hedges, the Company:

- recognises the effective part of changes in the fair value of derivative instruments designated as cash flow hedges in the revaluation reserve,
- recognises the gain or loss related to the ineffective part in the current period's financial result.

If a hedge of a forecast transaction results in the recognition of a financial asset or financial liability, the related gains or losses that were recognised in the revaluation reserve are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. However, if the Company expects that all or a portion of an impairment loss recognised directly in equity will not be recovered in one or more future periods, it reclassifies into profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the Company reclassifies the associated gains and losses that were recognised directly in the revaluation reserve into the initial purchase cost or another book value in assets or liabilities.

If the Company discontinues a cash flow hedge, the cumulative gain or loss on a hedging instrument recognised in the revaluation reserve remains in it until the hedging transaction is exercised. If the hedging transaction will not be exercised (or is not expected to be exercised), cumulative net profit recognised in the revaluation reserve is immediately reclassified into profit or loss.

Cash flow hedging

The following table presents the impact of cash flow hedges' measurement on other comprehensive income:

	Year ended	
	31 December 2020	31 December 2019
Accumulated other comprehensive income related to the effective part of cash flow hedges as at 1 January, recognised in hedging reserve	**(17 356)**	**(15 986)**
- related to interest rate hedges	(17 356)	(15 986)
Measurement of hedging instruments as at balance sheet date, in part considered as effective hedge	**(88 178)**	**(1 370)**
- related to interest rate hedges	(88 178)	(1 370)
Accumulated other comprehensive income related to the effective part of cash flow hedges as at 31 December, recognised in hedging reserve	**(105 534)**	**(17 356)**
- related to interest rate hedges	(105 534)	(17 356)

ENEA S.A. executed IRS transactions to hedge cash flows against interest rate risk. Their value in accordance with the hedge accounting policy at the end of 2020 was PLN 4 672 992 thousand, down by PLN 1 406 324 from 2019. This change resulted from settlements related to the expiry of derivative instruments and regular payments for hedged exposure as well as new IRS transactions. Maturities are different depending on the derivative, from 15 March 2021 to 16 September 2024. Their balance sheet value as of 31 December 2020 was PLN 139 674 thousand, with PLN 105 534 thousand recognised in other comprehensive income and the ineffective part of the hedge recognised in the 2020 financial result being PLN 7 046 thousand. Bonds issued by ENEA S.A. and credit facilities from EIB are hedged with IRSs.

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34. Financial risk management

Financial risk management rules

The Company's activities are subject to the following categories of risk associated with financial instruments:

- credit risk,
- financial liquidity risk,
- commodity risk,
- currency risk,
- interest rate risk.

This note contains information on the Company's exposure to each of the aforementioned types of risk and describes the objectives and policy with regard to managing risk and capital.

The Management Board of ENEA S.A. is responsible for setting out the risk management framework and rules.

Financial risk management is based on a formalised and integrated risk management process, described in dedicated risk management policies, procedures and methodologies.

Risk management is designed as a continuous process. ENEA S.A. continuously analyses risk in terms of external environmental impact and changes in its structures and activities. Based on this, it takes actions that are intended to limit risk or transfer it outside of the Company.

34.1. Credit risk

Exposure to credit risk

Credit risk is risk associated with the Company incurring financial losses as a result of a client or counterparty that is a party to a financial instrument failing to meet its contractual obligations.

Credit risk is associated with a potential inability to collect receivables from counterparties.

Key factors having impact on the Company's credit risk:

- a large number of clients, which has an impact on the operational complexity of the risk mitigation process (assessment of counterparties' credit-worthiness) and the high cost of controlling the in-flow and recovery of receivables,
- legal conditions for doing business, which specify rules for shutting down electricity supplies as a result of non-payment or the obligation to connect entities to ENEA Operator's relevant distribution area, as well as the reserve seller or ex-officio seller functions.

Risk management

The Management Board implements a credit risk management policy at ENEA Group, pursuant to which exposure to credit risk is monitored on an on-going basis and activities intended to minimise it are undertaken. The key tool for managing credit risk is analysis of the credit-worthiness of ENEA S.A.'s most important counterparties, pursuant to which contractual terms with the counterparties are appropriately structured (payment terms, potential collateral, etc.).

The following table shows a structure of balance-sheet items depicting ENEA S.A.'s exposure to credit risk:

	Maximum exposure to credit risk* as at	
	31 December 2020	31 December 2019
Financial assets measured at fair value (without shares and equity instruments through other comprehensive income)	30 982	22 982
Debt financial assets at amortised cost	7 488 876	7 368 937
Assets arising from contracts with customers	228 905	215 223
Trade receivables	1 132 807	879 692
Finance lease and sublease receivables	3 787	5 693
Cash and cash equivalents	530 668	2 768 210
Credit risk	**9 401 025**	**11 260 737**

** These values correspond to book values.*

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Credit risk associated with trade receivables

In line with internal regulations - the issue of receivables being concentrated in relation to the Company's end customers is also subject to monitoring. The size of ENEA S.A.'s sales portfolio means that despite the fact that there are entities within the portfolio with relatively large consumption, the share of a single entity does not exceed 5% of the entire portfolio's volume, therefore the level of concentration is not seen as significant. In light of the above, the Company does not use additional collateral relating solely to concentration. The use of collateral is dependent each time on the counterparty's financial standing.

Failure to perform an obligation is understood as the occurrence of at least one of the following events or circumstances:

- debtor is more than 90 days late on a significant payment;
- the Company considers is as unlikely that the debtor will pay off its debt entirely (without taking into account amounts received from collateral or similar actions);

Events that indicate a low likelihood of the obligation being performed include: submission of bankruptcy application by the debtor, instigation of arrangement proceedings for the debtor - as well as other events not directly resulting from legal actions, such as lack of cash or negative forecasts regarding the debtor's payment situation. Meeting one of the aforementioned criteria provides grounds for identifying impairment on a given financial asset due to credit risk.

Despite the COVID-19 crisis in 2020, ENEA S.A. did not record any major divergences in overdue receivables, which is why its situation in terms of credit risk is stable.

Impairment of trade and other receivables:

	Year ended 31 December 2020	31 December 2019
Impairment as of 1 January	**54 820**	**60 710**
Created	12 647	2 996
Used	(8 017)	(8 886)
Impairment as of 31 December	**59 450**	**54 820**

In the 12-month period ended 31 December 2020, impairment of trade and other receivables increased by PLN 4 630 thousand (in the 6-month period ended 30 June 2019 impairment grew by PLN 5 890 thousand). Impairment losses are mainly recognised on trade receivables. Impairment of other receivables is negligible.

As at 31 December 2020, the Company carried out an additional analysis of the COVID-19 pandemic's potential impact on receivables impairment. An individual approach was applied to a list of ENEA S.A.'s largest debtors, using assumptions for a model described in the Company's existing *Methodology for determining expected credit losses for non-current debt assets and similar items*. As regards the model's quantitative module - available reporting data from the debtors was used, while the qualitative module incorporated the existing (and predicted) situation in the national economy as well as the counterparty's market and financial position. Based on this overall evaluation, a rating was assigned and subsequently transposed onto the Probability of Default parameter (in accordance with the aforementioned Methodology). As regards the Loss Given Default parameter, a value equal to 10% was conservatively adopted (in reality far exceeding the actual levels of receivables losses recorded by the Company). The above analysis generated an additional expected credit loss at a negligible level from the viewpoint of reporting.

For current trade receivables, expected credit losses are calculated based on historic data in a way that is described in *Rules for creating and recording impairment losses on trade receivables and other financial items at ENEA Group companies*. In the year-closing procedure, receivables impairment is determined on the basis of date from the present year, i.e. 2020. Based on this data, impairment indicators are determined and used to estimate the amount of receivables impairment at the end of 2020. Therefore, the specified expected credit losses take into account objective indications of impairment resulting from the pandemic situation and regulations (Financial Shield 4.0).

Age structure of assets arising from contracts with customers and trade and other receivables constituting financial instruments:

	As at 31 December 2020		
	Nominal value	Impairment	Book value
Trade and other receivables			
Not overdue	1 029 742	(638)	1 029 104
Overdue	160 198	(56 495)	103 703
0-30 days	63 118	(75)	63 043
31-90 days	11 645	(936)	10 709
91-180 days	6 583	(1 761)	4 822
over 180 days	78 852	(53 723)	25 129
Total	**1 189 940**	**(57 133)**	**1 132 807**
Assets arising from contracts with customers	**228 995**	**(90)**	**228 905**

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	As at 31 December 2019		
	Nominal value	Impairment	Book value
Trade and other receivables			
Not overdue	786 936	(281)	786 655
Overdue	145 787	(52 750)	93 037
0-30 days	56 891	(75)	56 816
31-90 days	8 504	(569)	7 935
91-180 days	3 849	(900)	2 949
over 180 days	76 543	(51 206)	25 337
Total	**932 723**	**(53 031)**	**879 692**
Assets arising from contracts with customers	**215 267**	**(44)**	**215 223**

Credit risk associated with trade receivables by market segment

Sale of electricity to retail clients	There is a substantial volume of overdue receivables in this segment. Although these do not constitute a significant threat to the Company's finances, activities aimed at reducing this are undertaken. Activities intended to streamline the debt recovery process are successively being undertaken and consist of new and updated instructions and rules for debt recovery as well as cooperation with specialised entities. Introducing harmonised debt collection rules, including soft debt recovery, makes it possible to shorten the cash recovery time and avoid long-term and often ineffective hard debt recovery, i.e. court enforcement. Cases that exceed a debt recovery limit are referred for court and enforcement proceedings;
Sale of electricity to business, key and strategic clients	The amounts of overdue receivables in this segment are much lower than in the case of individual customers. Given the above and due to a much smaller number of clients in these segments, debt collection rules are largely based on soft collection. Soft recovery activities are undertaken immediately after the payment deadline passes.
Other	The amounts of overdue receivables are negligible.

In the debt collection and recovery process, the Company works with specialised external entities that support it in hard debt collection activities. The Company monitors on an on-going basis the level of over-due receivables, recognises impairment losses and in justified cases raises legal claims.

Credit risk associated with cash and derivative instruments

As regards receivables from financial institutions, including cash deposited in bank accounts and deposits, as well as currency risk and interest risk hedging transactions, the safety of such transactions is governed by *ENEA Group's liquidity and liquidity risk management policy* and *ENEA Group's currency risk and interest risk management policy.* ENEA S.A. only cooperates with partners meeting strict credit-worthiness criteria and having an established position on the banking market.

In accordance with the aforementioned policies and *ENEA Group's credit risk management policy*, if a transaction partner has a rating issued by a reputable agency, the Company does not estimate an internal rating for this entity. In selecting banking counterparties, the Company analyses external credit ratings, which override all other criteria for evaluating the security of investments and settlements, and these values must be at investment grade.

List of selected long-term ratings assigned to banks that currently work with ENEA S.A.:

Bank	Agency	Rating
PKO BP	Moody's	A2
Pekao	Fitch	BBB+
mBank	S&P	BBB+
Santander Polska	Fitch	BBB+
BGK	Fitch	A-

As regards financial investments, in order to limit concentration risk, diversification rules for invested cash are applied. In accordance with the aforementioned *ENEA Group's liquidity and liquidity risk management policy*, a maximum permissible level of fund allocation to one transaction partner is set. Moreover, allocating excess cash of companies within the cash pooling structure is generally carried out by ENEA S.A., which serves as Pool Leader in the cash pooling mechanism. Companies require ENEA S.A.'s approval to investment free cash on their own.

Cash management at ENEA Group is carried out at ENEA S.A. level, making it possible to effectively manage cash surpluses and to limit external financing costs. The Group's cash pooling service includes selected companies from ENEA's tax group.

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In this service, the balances of participants' bank accounts are zeroed at the end of each day and subsequently any cash surpluses are transferred to the managing entity's (ENEA S.A.) bank account. The next day, cash balances are reversed and returned to the companies' bank accounts.

At 31 December 2020, the balance of liabilities within cash pooling was PLN 152 574 thousand (PLN 52 599 thousand at 31 December 2019) and is presented in line: Other financial liabilities.

As regards managing current excess cash and as regards currency risk and interest risk hedging instruments, the Company works with six financial institutions on a day-to-day basis.

ENEA S.A. diversifies credit risk concerning cash. As at 31 December 2020, cash was allocated as follows at the three banks with the largest balances: bank A 86.5%, bank B 8.5%, bank C 5%.

Credit risk associated with other financial assets

ENEA S.A.'s Risk Management Department carries out evaluations of significant long-term receivables and debt securities (including intra-group bonds and loans) as well as financial guarantees and liabilities concerning loans, and monitors significant credit risk and determines impairment for expected credit losses in accordance with the Company's *Methodology for determining expected credit losses for non-current debt assets and similar items.* In pursuing this objective, the Department's personnel perform individual assessments of each counterparties or specific instruments, using external credit ratings and, in the absence thereof, using a system of internal credit ratings based on Altman's model for emerging markets and elements of qualitative-forecasting assessment.

The Company identifies a deterioration in credit risk if:

- counterparty is more than 30 days late on a significant payment;
- a downgrade by at least two notches is observed as of the balance sheet date - for non-investment-grade ratings, identified in accordance with the aforementioned *Methodology* in the range from BB+ to B- (in comparison with the initial rating for this instrument), or
- a downgrade by at least one notch is observed as of the balance sheet date - for speculative-grade ratings, identified in accordance with the aforementioned *Methodology* in the range from CCC to D (in comparison with the initial rating for this instrument), or
- downgrade from non-investment grade to speculative grade.

Items assigned to investment grade for which no arrears on significant payments occurred for longer than 30 days are treated as items with low credit risk (the counterparty has high short-term ability to meet its obligations as regards contractual cash flows, and adverse changes in economic and business conditions in the long term might - but do not have to - impair its ability to satisfy these obligations).

The following table shows asset categories for which expected credit losses are calculated, by rating:

	As at	
	31 December 2020 12-month ECL	31 December 2019 12-month ECL
Cash and cash equivalents	**530 668**	**2 768 210**
from AAA to BBB- (investment grade)	530 668	2 768 210
Unquoted bonds	**3 687 169**	**6 463 808**
from AAA to BBB- (investment grade)	1 910 595	2 459 194
from BB+ to B- (non-investment grade)	1 776 574	4 004 614
Loans granted	**4 011 791**	**971 127**
from AAA to BBB- (investment grade)	2 000 755	861 148
from BB+ to B- (non-investment grade)	1 800 891	-
from CCC to D (speculative grade)	210 145	109 979
Total gross value	**8 229 628**	**10 203 145**
Loans granted	(210 084)	(65 998)
Total impairment for expected credit losses	**(210 084)**	**(65 998)**
Cash and cash equivalents	530 668	2 768 210
Unquoted bonds	3 687 169	6 463 808
Loans granted	3 801 707	905 129
Total balance sheet value	**8 019 544**	**10 137 147**

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34.2. Financial liquidity risk

Exposure to financial liquidity risk	Risk management
Financial liquidity risk is perceived as the risk that ENEA S.A. would have no ability to meet its payment obligations at maturity. The aim of these activities is to reduce the likelihood of financial liquidity risk materialising by optimally using financial resources and available financing instruments.	In its business, ENEA S.A. strives to ensure stable availability of cash allowing it to meet its payment liabilities on time. Activities addressed in *ENEA Group's liquidity and liquidity risk management policy and procedure* also include securing the ability to effectively respond to liquidity crises, i.e. periods of increased demand for cash. These activities allow for uninterrupted operations in liquidity crises for a period of time that is necessary to launch emergency financing plans, aiming to supplement any funding shortages. In the financial liquidity management process, the Company focuses on activities centred around an analysis of cash flows in the short- and long-term, optimisation of working capital components and monitoring the concentration of bank account balances. In order to ensure an appropriate level of security in unpredictable situations, the Company carries out cyclical scenario analyses and develops emergency financing plans intended to ensure the capacity to supplement cash shortages. The Company centrally manages financial surpluses. Surpluses are allocated mainly to term deposits. With a view toward limiting concentration risk, investments of excess cash are diversified in terms of financial institutions. ENEA S.A. works exclusively with renowned institutions having a stable position, as confirmed by ratings not below investment grade. Investment performance is monitored on an on-going basis. Activities related to financial liquidity and liquidity risk management are coordinated by ENEA S.A. In order to secure funding for on-going operations and optimise the financial surplus management process, ENEA S.A. and ENEA Group companies use cash pooling. ENEA S.A. serves as Pool Leader. Additional instruments for the financing of on-going operations that secure funding for cash pooling system participants are ENEA S.A.'s overdraft facilities. Instruments for the financing of on-going operations also include the Group's central mechanism for raising external funding by ENEA S.A., which is subsequently distributed by ENEA S.A. within the Group.

Continuous risk management in the aforementioned areas and the Company's market and financial position show that financial liquidity risk remained at a negligible level for a vast majority of 2020.

The Company manages liquidity risk also by maintaining open and unused credit lines, which amounted to PLN 700 000 thousand as at 31 December 2020.

The following table shows the maturities of the Company's financial liabilities:

As at 31 December 2020

	Trade and other payables	Liabilities arising from contracts with customers	Lease liabilities	Bank credit and bonds	Other financial liabilities	Financial liabilities at fair value	Total
Book value	**501 578**	**32 289**	**31 315**	**7 770 105**	**152 574**	**139 673**	**8 627 534**
Non-discounted contractual cash flows	**(501 578)**	**(32 289)**	**(61 772)**	**(8 119 187)**	**(152 574)**	**(140 185)**	**(9 007 585)**
up to 6 months	(501 578)	(32 289)	(3 284)	(571 826)	(152 574)	(37 459)	(1 299 010)
6-12 months	-	-	(2 921)	(727 951)	-	(27 011)	(757 883)
1-2 years	-	-	(2 129)	(2 234 274)	-	(41 688)	(2 278 091)
2-5 years	-	-	(2 433)	(3 200 958)	-	(34 027)	(3 237 418)
over 5 years	-	-	(51 005)	(1 384 178)	-	-	(1 435 183)

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As at 31 December 2019

	Trade and other payables	Liabilities arising from contracts with customers	Lease liabilities	Bank credit and bonds	Other financial liabilities	Financial liabilities at fair value	Total
Book value	**584 410**	**12 631**	**36 440**	**9 831 622**	**52 599**	**23 802**	**10 541 504**
Non-discounted contractual cash flows	**(590 885)**	**(12 631)**	**(67 685)**	**(10 764 864)**	**(52 599)**	**(24 380)**	**(11 513 044)**
up to 6 months	(504 287)	(12 631)	(3 921)	(1 323 013)	(52 599)	(5 170)	(1 901 621)
6-12 months	-	-	(2 593)	(988 845)	-	(3 441)	(994 879)
1-2 years	(86 598)	-	(9 428)	(1 405 137)	-	(11 019)	(1 512 182)
2-5 years	-	-	(2 555)	(5 229 053)	-	(4 750)	(5 236 358)
over 5 years	-	-	(49 188)	(1 818 816)	-	-	(1 868 004)

34.3. Commodity risk

Exposure to commodity risk	Risk management
Commodity risk is related to potential changes in the Company's revenue/cash flows occurring especially as a result of changes in commodity prices. The objective of commodity risk management is to maintain exposure to this risk at an acceptable level, set by limits, while optimising the return on trading activities. A specific aspect of the Company's commodity risk is the fact that by acting as an energy enterprise operating as ex-officio seller the ENEA S.A. is required to submit electricity price tariffs for approval for the tariff group G. The Company purchases energy at market prices, while its tariff is calculated on the basis of costs deemed by the President of the Energy Regulatory Office (URE) as justified and taking into account margins (in trade) planned for the next tariff period. In connection with the above, the Company in the tariff period has a limited ability to transfer adverse changes in costs onto the end recipients of electricity. ENEA S.A. may file an application with the URE President to amend the tariff only in the event of a major increase in costs for reasons outside of its control.	Commodity risk management as regards prices consists of continuous monitoring of the size of open trading position (both in terms of hedging the retail sales volume as well as in proprietary trading) and measuring - using tools based on the value at risk concept - the level of risk resulting from possible changes in electricity price in relation to such an open position. The way to reduce risk in this case is to close a position that generates a potential loss that is higher than acceptable (higher than risk appetite). The management model in this case is based on a VaR limit system, which specifies the maximum allowed size of open position that carries the commodity (price) risk. Managing commodity risk in volumetric terms consists of using the scenario method and optimising trading planning and controlling processes that allow to most accurately estimate the expected volumes of electricity and associated commodities that are the subject of trade. Moreover, regardless of the above, ENEA S.A. uses management rules specified in the Company's strategic regulations (wholesale trade mode), setting out methods for optimising ENEA's trading position, with the main aim to minimise the risk of taking action that is against market trends, while taking into account the effectiveness aspect of such actions (outperforming the market).

34.4. Currency risk

Exposure to currency risk	Risk management
Currency risk is associated with potential changes in exchange rates that may in turn lead to changes in the Company's cash flows.	Hedging is performed on the basis of *ENEA Group's currency risk and interest rate risk management policy.* During the reporting period, a vast majority of cash flows related to ENEA S.A.'s operating and investing activities was in PLN. Within its process of monitoring exposure to currency risk apart from the core activities of ENEA Group companies, risk associated with items indexed to the exchange rates of foreign currencies and their hedging was identified at ENEA S.A.

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In accordance with *ENEA Group's currency risk and interest rate risk management policy,* hedging is each time based on a hedging strategy dedicated to the specific exposure and approved by ENEA Group's Risk Committee. In accordance with its rules, the Company hedges all of its currency exposure that it considers as material, i.e. which exceeds the exposure limit. ENEA S.A. does not apply hedge accounting in this area.

FX forwards

In the 12-month period ending 31 December 2020 ENEA S.A. executed eight FX forward transactions for a total volume of EUR 1 071 thousand. Measurement of these instruments as at 31 December 2020 was PLN 0 thousand (PLN 0 thousand as at 31 December 2019).

34.5. Interest rate risk

Exposure to interest rate risk	Risk management
Interest rate risk is associated with a negative impact of changes in interest rates on the Company's financial situation. Exposure to interest rate risk is related to credit agreements and bond issue programme agreements. Given the Company's existing financing arrangement model, interest rate risk is identified and managed (quantified, mitigated) by ENEA S.A. Financing is arranged based on variable interest, which is calculated in correlation with market rates (interbank). *Interest rate hedging is performed on the basis of ENEA Group's currency risk and interest rate risk management policy.* In accordance with the aforementioned Policy - exposure to interest rate risk is identified solely on the basis of the liability side of planned cash flows, without taking into account the value of financial investments (which tend to have lower durations than financial liabilities) - although this only applies to non-current financial liabilities.	In line with the interest rate risk hedging strategies adopted in 2019 pursuant to *ENEA Group's currency risk and interest rate risk management policy,* the Company reduces interest rate risk by executing Interest Rate Swaps. The use of hedging instruments makes it possible to exchange a series of coupon payments in the same currency, calculated on an agreed nominal amount and for a specific period, although ENEA S.A. pays interest based on fixed rates, while the second side of the transaction (bank) pays interest based on variable rates. In order to maximise the hedge effectiveness, the hedging instrument's parameters are identical to the terms of the transaction being hedged (i.e. the underlying position). This eventually leads to an economic link forming between payments resulting from servicing external financing and the derivatives used to hedge them. With a close link between the hedged item and the hedging instrument, the main source of ineffectiveness of such links is improper performance of contracts by counterparties (based on which hedging transactions are executed) or earlier settlement of the hedged item.

As at 31 December 2020, the Company had credit and bond liabilities of PLN 7 770 105 thousand. As at 31 December 2020, variable-rate financial liabilities largely consisted of bank credit and issued bonds, which were 68% hedged with IRSs.

The following table shows the Company's sensitivity to interest rate risk by presenting financial assets and liabilities by variable-rate and fixed-rate:

	As at	
	31 December 2020	31 December 2019
Fixed-rate instruments		
Financial assets	3 650 442	7 499 091
Financial liabilities	(946 146)	(1 271 293)
Impact of IRS hedge	(4 672 992)	(5 201 117)
Total	**(1 968 696)**	**1 026 681**
Variable-rate instruments		
Financial assets	5 734 601	3 738 664
Financial liabilities	(7 389 141)	(9 233 778)
Impact of IRS hedge	4 672 992	5 201 117
Total	**3 018 452**	**(293 997)**

The Company's fixed-rate financial assets include cash invested in bank deposits, assets arising from contracts with customers, certain intra-group bonds as well as trade receivables that are based on a fixed rate of penalty interest in case of overdue payment.

The Company's variable-rate financial assets include cash pooling receivables, while cash pooling liabilities are presented as variable-rate financial liabilities.

Interest rate swaps

In the 12-month period ending 31 December 2020 ENEA S.A. executed an Interest Rate Swap for an exposure amounting to PLN 1 000 000 thousand. The total bond and credit exposure hedged with IRSs as at 31 December 2020 amounted to PLN 4 672 992 thousand. Moreover, ENEA S.A. has fixed-rate credit agreements totalling PLN 584 014 thousand. These transactions have material impact on the predictability of expense flows and finance costs. The measurement of these instruments is presented in the item: Financial liabilities measured 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 31 December 2020, financial liabilities at fair value concerning IRSs amounted to PLN 139 673 thousand (31 December 2019: PLN 23 802 thousand). The considerable increase in liabilities resulting from the measurement of IRS transactions stems from two decisions taken by the Monetary Policy Council to lower interest rates in the first half of 2020. These decisions were directly related to activities intended to reduce the negative impact of the SARS-CoV-2 pandemic.

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The following table presents the impact of interest rate changes on the Company's financial result in reference to variable-rate instruments:

	As at 31 December 2020			As at 31 December 2019		
	Book value	Impact of interest rate risk on financial result (12-month period)		Book value	Impact of interest rate risk on financial result (12-month period)	
		+1pp	-1pp		+1pp	-1pp
Financial assets						
Debt financial assets at amortised cost	5 734 601	57 346	(57 346)	3 718 218	37 182	(37 182)
Cash and cash equivalents	-	-	-	20 446	204	(204)
Impact on result before tax		**57 346**	**(57 346)**		**37 386**	**(37 386)**
19% tax		(10 896)	10 896		(7 103)	7 103
Impact on result after tax		**46 450**	**(46 450)**		**30 283**	**(30 283)**
Financial liabilities						
Credit facilities, loans and debt securities	(7 236 567)	(72 366)	72 366	(9 181 179)	(91 812)	91 812
Financial liabilities measured at fair value	(139 673)	-	-	(23 802)	-	-
Other financial liabilities	(152 574)	(1 526)	1 526	(52 599)	(526)	526
Impact on result before tax		**(73 892)**	**73 892**		**(92 338)**	**92 338**
19% tax		14 039	(14 039)		17 544	(17 544)
Impact on result after tax		**(59 853)**	**59 853**		**(74 794)**	**74 794**
Total		**(13 403)**	**13 403**		**(44 511)**	**44 511**

Regulatory report

35. Disclosures under art. 44 of the Energy Law concerning specific types of activity

General rules for preparing regulatory financial information

In accordance with art. 44 of the Energy Law, the Company is required to prepare and disclose regulatory financial statements that contain a balance sheet (statement of financial position) and a statement of profit and loss for the reporting periods, separately for each type of economic activity.

The Company prepares regulatory financial information in accordance with the following rules:

Principle of causality	Asset and liability components are defined in accordance with their intended purpose and use for the purposes of specific types of activity or service. Defining revenue and costs is done in accordance with the principle of causality for revenue and costs within a given activity.

Principle of objectivity and non-discrimination	Assigning assets and liabilities, revenue and costs should be objective and aimed at the equal treatment of customers.

Principle of stability and comparability	Methods and rules used in preparing regulatory financial information should be consistent from year to year. If significant changes occur to rules for preparing financial statements, detailed accounting methods or rules, which have considerable impact on the reported financial information, comparative data for the previous year, in the part affected by such changes, is appropriately adjusted in order to ensure comparability.

Principle of transparency and consistency	The methods applied in preparing regulatory financial information should be transparent and internally consistent and, where applicable, consistent with the methods and rules used in other calculations for regulatory purposes and with the methods and rules for preparing financial statements.

Definitions of types of activity

The Company reports the following types of activity:

1. **Trade of gas fuels -** trade of gas fuels purchased from external suppliers and delivered to external clients;
2. **Other activity** - other activities, intra-group financing and activity related to Group management. Trade of electricity and trade of property rights are also classified by the Company as other activity.

Principle of allocation

Allocation of items in the statement of comprehensive income

The Company records costs by type and in multiple-step format using cost centres (CC).

The costs of core activities related to trade of electricity and gas fuels include CCs assigned directly to these activities and part of general administrative expenses appropriately allocated to the given CC. These costs are than split using by electricity and gas volume into trade of electricity (other activity) and trade of gas fuels. The remaining part of costs of operating activities is classified into other activity.

The following table shows the allocation of other items in the statement of comprehensive income:

Item in the statement of comprehensive income	Allocation key
Revenue from sales	specific identification method
Compensations	directly to other activity
Lease income	directly to other activity
Other operating revenue	specific identification method or structure of revenue from sales in given financial year in given type of activity
Change in provision for onerous contracts	directly to other activity

Other operating costs	specific identification method or structure of revenue from sales in given financial year in given type of activity
Gain on sale and liquidation of property, plant and equipment	directly to other activity
Finance income, including:	
- interest on over-due receivables for electricity	structure of revenue from sales in given financial year in given type of activity or directly to other activity
- interest on financial instruments	directly to other activity
- other	structure of revenue from sales in given financial year in given type of activity
Finance costs, including:	
- interest on long-term financial liabilities	excluded from division - concerns invested capital
- other	specific identification method or structure of revenue from sales in given financial year in given type of activity
Impairment of interests in subsidiaries, associates and jointly controlled entities	directly to other activity
Impairment of financial assets at amortised cost	directly to other activity
Income tax	excluded from division
Other comprehensive income	excluded from division

Allocation of items in the statement of financial position

Item in the statement of financial position	Allocation key
Property, plant and equipment	depreciation cost structure
Perpetual usufruct of land	depreciation cost structure
Right-of-use assets	depreciation cost structure
Intangible assets	depreciation cost structure
Investment properties	directly to other activity
Investments in subsidiaries, associates and jointly controlled entities	directly to other activity
Deferred income tax assets	excluded from division
Financial assets measured at fair value	directly to other activity
Debt financial assets at amortised cost	directly to other activity
Costs related to the conclusion of agreements	directly to other activity
Available-for-sale financial assets	directly to other activity
Intra-group bonds	directly to other activity
Financial assets at fair value through profit or loss	directly to other activity
Derivative instruments	excluded from division
Trade and other receivables, including:	specific identification method
- accrued expenses, settlements concerning property insurance and other receivables	directly to other activity
- settlements concerning income tax with other entities within tax group	excluded from division
Inventory (energy origin certificates)	directly to other activity
Assets arising from contracts with customers	specific identification method
Current income tax receivables	excluded from division

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Cash and cash equivalents	attributed directly to other activity
Equity	excluded from division - element of employed capital
Credit, loans and debt securities (long-term instruments)	excluded from division - element of employed capital
Finance lease liabilities (long-term contracts)	excluded from division - element of employed capital
Employee benefit liabilities	wage cost structure
Financial liabilities measured at fair value	excluded from division
Trade and other payables, including:	specific identification method
- other liabilities	wage cost structure
- excise duty liabilities	excise duty cost structure
- VAT liabilities	trade receivables and payables structures within specific activities
Current income tax liabilities	excluded from division
Liabilities concerning the equivalent for rights to free purchase of shares	directly to other activity
Other financial liabilities	directly to other activity
Provisions for other liabilities and other charges	specific identification method

Statement of comprehensive income for the period from 1 January 2020 to 31 December 2020

	Trade of gas fuels	Other activity	Excluded from division	Total
Revenue from sales	134 185	6 118 566	-	6 252 751
Excise duty	(2 997)	(62 394)	-	(65 391)
Net revenue from sales	**131 188**	**6 056 172**	**-**	**6 187 360**
Compensations	-	3 284	-	3 284
Lease income	-	312	-	312
Revenue from sales and other income	**131 188**	**6 059 768**	**-**	**6 190 956**
Other operating revenue	-	11 390	-	11 390
Change in provision for onerous contracts	-	17 745	-	17 745
Depreciation/amortisation	(101)	(5 035)	-	(5 136)
Employee benefit costs	(2 500)	(72 832)	-	(75 332)
Use of materials and raw materials and value of goods sold	(81)	(2 713)	-	(2 794)
Purchase of electricity and gas for sales purposes	(129 832)	(5 891 957)	-	(6 021 789)
Transmission services	-	(14 597)	-	(14 597)
Other third-party services	(4 917)	(217 651)	-	(222 568)
Taxes and fees	(91)	(4 036)	-	(4 127)
Gain on sale and liquidation of property, plant and equipment	-	124	-	124
Other operating costs	(73)	(64 908)	-	(64 981)
Operating loss	**(6 407)**	**(184 702)**	**-**	**(191 109)**
Finance costs	(135)	(21 504)	(254 267)	(275 906)
Finance income	461	232 457	-	232 918
Dividend income	-	593 694	-	593 694
Impairment of interests in subsidiaries, associates and jointly controlled entities	-	(3 613 242)	-	(3 613 242)
Impairment of financial assets at amortised cost	-	(144 014)	-	(144 014)
Loss before tax	**(6 081)**	**(3 137 311)**	**(254 267)**	**(3 397 659)**
Income tax			40 909	40 909
Net loss for the reporting period	**(6 081)**	**(3 137 311)**	**(213 358)**	**(3 356 750)**
Other comprehensive income			(89 957)	(89 957)
Comprehensive income for the reporting period			**(303 315)**	**(3 446 707)**

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Statement of comprehensive income for the period from 1 January 2019 to 31 December 2019

	Trade of gas fuels	Other activity	Excluded from division	Total
Revenue from sales	127 483	5 043 902	-	5 171 385
Excise duty	(2 561)	(68 609)	-	(71 170)
Net revenue from sales	**124 922**	**4 975 293**	**-**	**5 100 215**
Compensations	-	597 163	-	597 163
Lease income	-	70	-	70
Revenue from sales and other income	**124 922**	**5 572 526**	**-**	**5 697 448**
Other operating revenue	-	16 591	-	16 591
Change in provision for onerous contracts	-	10 415	-	10 415
Depreciation/amortisation	(94)	(5 148)	-	(5 242)
Employee benefit costs	(2 047)	(72 031)	-	(74 078)
Use of materials and raw materials and value of goods sold	(74)	(2 363)	-	(2 437)
Purchase of electricity and gas for sales purposes	(123 667)	(5 339 085)	-	(5 462 752)
Transmission services	-	(6 331)	-	(6 331)
Other third-party services	(4 895)	(212 544)	-	(217 439)
Taxes and fees	(72)	(4 067)	-	(4 139)
Gain on sale and liquidation of property, plant and equipment	-	431	-	431
Other operating costs	(171)	(66 127)	-	(66 298)
Operating loss	**(6 168)**	**(107 663)**	**-**	**(113 831)**
Finance costs	(64)	(19 241)	(266 530)	(285 835)
Finance income	339	264 506	-	264 845
Dividend income	-	781 507	-	781 507
Impairment of interests in subsidiaries, associates and jointly controlled entities	-	(293 621)	-	(293 621)
Impairment of financial assets at amortised cost	-	(65 771)	-	(65 771)
(Loss)/profit before tax	**(5 893)**	**559 717**	**(266 530)**	**287 294**
Income tax			(3 963)	(3 963)
Net (loss)/profit for the reporting period	**(5 893)**	**559 717**	**(270 493)**	**283 331**
Other comprehensive income			(4 998)	(4 998)
Comprehensive income for the reporting period			**(275 491)**	**278 333**

Statement of financial position as at 31 December 2020

	Trade of gas fuels	Other activity	Excluded from division	Total
Total non-current assets	**1 040**	**15 761 850**	**101 483**	**15 864 373**
Property, plant and equipment	428	23 482	-	23 910
Right-of-use assets	537	29 441	-	29 978
Intangible assets	75	4 105	-	4 180
Investment properties	-	13 206	-	13 206
Investments in subsidiaries, associates and jointly controlled entities	-	9 512 925	-	9 512 925
Deferred income tax assets	-	-	101 483	101 483
Financial assets measured at fair value	-	84 848	-	84 848
Debt financial assets at amortised cost	-	6 082 074	-	6 082 074
Lease and sub-lease receivables	-	513	-	513
Costs related to the conclusion of agreements	-	11 256	-	11 256
Total current assets	**41 661**	**3 588 487**	**-**	**3 630 148**
Inventories	-	65 700	-	65 700
Trade and other receivables	41 661	1 339 710	-	1 381 371
Costs related to the conclusion of agreements	-	13 428	-	13 428
Assets arising from contracts with customers	-	228 905	-	228 905
Lease and sub-lease receivables	-	3 274	-	3 274
Current income tax receivables	-	-	-	-
Debt financial assets at amortised cost	-	1 406 802	-	1 406 802
Cash and cash equivalents	-	530 668	-	530 668
TOTAL ASSETS				**19 494 521**
Total non-current liabilities	**1 660**	**58 486**	**75 131**	**135 277**
Employee benefit liabilities	1 660	58 486	-	60 146
Financial liabilities measured at fair value	-	-	75 131	75 131

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Total current liabilities	**24 693**	**1 269 732**	**64 542**	**1 358 967**
Trade and other payables	21 498	416 743	-	438 241
Liabilities arising from contracts with customers	-	32 289	-	32 289
Employee benefit liabilities	763	26 874	-	27 637
Liabilities concerning cash equivalent for rights to free purchase of shares	-	281	-	281
Financial liabilities measured at fair value	-	-	64 542	64 542
Other financial liabilities	-	152 574	-	152 574
Provisions for other liabilities and other charges	2 432	640 971	-	643 403
Employed capital	**16 348**	**18 022 119**	**(18 038 467)**	**-**
Equity			10 127 472	10 127 472
Credit facilities, loans and debt securities			7 770 105	7 770 105
Finance lease liabilities			31 315	31 315
Current income tax liabilities			71 385	71 385
TOTAL EQUITY AND LIABILITIES				**19 494 521**

Statement of financial position as at 31 December 2019

	Trade of gas fuels	Other activity	Excluded from division	Total
Total non-current assets	**1 104**	**17 589 035**	**95 395**	**17 685 534**
Property, plant and equipment	431	23 639	-	24 070
Right-of-use assets	595	32 654	-	33 249
Intangible assets	78	4 298	-	4 376
Investment properties	-	13 755	-	13 755
Investments in subsidiaries, associates and jointly controlled entities	-	12 892 612	-	12 892 612
Deferred income tax assets	-	-	95 395	95 395
Financial assets measured at fair value	-	38 848	-	38 848
Debt financial assets at amortised cost	-	4 567 870	-	4 567 870
Lease and sub-lease receivables	-	2 610	-	2 610
Costs related to the conclusion of agreements	-	12 749	-	12 749
Total current assets	**35 840**	**6 944 579**	**30 680**	**7 011 099**
Inventories	-	217 460	-	217 460
Trade and other receivables	35 840	926 890	-	962 730
Costs related to the conclusion of agreements	-	12 646	-	12 646
Assets arising from contracts with customers	-	215 223	-	215 223
Lease and sub-lease receivables	-	3 083	-	3 083
Current income tax receivables	-	-	30 680	30 680
Debt financial assets at amortised cost	-	2 801 067	-	2 801 067
Cash and cash equivalents	-	2 768 210	-	2 768 210
TOTAL ASSETS				**24 696 633**
Total non-current liabilities	**1 620**	**137 196**	**23 802**	**162 618**
Other liabilities	-	80 123	-	80 123
Employee benefit liabilities	1 620	57 073	-	58 693
Financial liabilities measured at fair value	-	-	23 802	23 802
Total current liabilities	**19 069**	**1 072 705**	**-**	**1 091 774**
Trade and other payables	16 307	551 102	-	567 409
Liabilities arising from contracts with customers	-	12 631	-	12 631
Employee benefit liabilities	797	28 075	-	28 872
Liabilities concerning cash equivalent for rights to free purchase of shares	-	281	-	281
Other financial liabilities	-	52 599	-	52 599
Provisions for other liabilities and other charges	1 965	428 017	-	429 982
Employed capital	**16 255**	**23 323 713**	**(23 339 968)**	**-**
Equity			13 574 179	13 574 179
Credit facilities, loans and debt securities			9 831 622	9 831 622
Finance lease liabilities			36 440	36 440
TOTAL EQUITY AND LIABILITIES				**24 696 633**

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Other explanatory notes

36. Related-party transactions

The Company executes transactions with the following related parties:

- transactions with ENEA Group companies
- transactions between the Company and members of ENEA S.A.'s corporate bodies are divided into two categories:
  - resulting from being appointed as Supervisory Board members,
  - resulting from other civil-law contracts.
- transactions with State Treasury related parties.

ENEA Group companies

	Year ended 31 December 2020	Year ended 31 December 2019
Purchase value, including:	**7 546 550**	**6 773 240**
purchase of materials	504	518
purchase of services	1 765 896	1 628 143
other (including electricity and gas)	5 780 150	5 144 579
Sale value, including:	**358 941**	**390 533**
sale of electricity	327 668	353 104
sale of services	3 048	2 981
other	28 225	34 448
Interest income, including:	**192 932**	**221 219**
on bonds	143 700	209 190
on loans	45 130	9 049
other	4 102	2 980
Dividend income	**593 694**	**781 507**

	As at 31 December 2020	As at 31 December 2019
Receivables	413 082	317 779
Liabilities	415 751	579 935
Financial assets - bonds	3 687 169	6 463 808
Loans granted	3 801 646	852 905
Other financial liabilities	152 574	52 599

These transactions with Group companies are executed on market terms, which do not differ from the terms applied in transactions with other entities.

Transactions with members of the Group's corporate authorities

Item	Year ended – Company's Management Board 31 December 2020	Company's Management Board 31 December 2019	Company's Supervisory Board 31 December 2020	Company's Supervisory Board 31 December 2019
Remuneration under management contracts and consulting contracts	6 491*	4 023**	-	-
Remuneration under appointment to management or supervisory bodies	-	-	771	774
Total	**6 491**	**4 023**	**771**	**774**

** This remuneration includes bonuses for 2018 and 2019, amounting to PLN 2 811 thousand, along with a non-compete clause and severance pay for a former Management Board Member amounting to PLN 893 thousand.*

*** This remuneration includes a non-compete clause, severance pay for a former Management Board Member and bonuses for 2017 amounting to PLN 1 282 thousand.*

As at 31 December 2020, liabilities related to management contracts and consultancy contracts towards Management Board members amount to PLN 480 thousand (PLN 164 thousand as at 31 December 2019). As at 31 December 2020, a provision for Management Board bonuses amounted to PLN 2 032 thousand (PLN 3 510 thousand as at 31 December

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2019); the amount of this provision is not included in the above table.

The following table contains transactions concerning loans from the Company Social Benefit Fund:

Organ	As at 1 January 2020	Granted from	Repayment until	As at 31 December 2020
Company's Supervisory Board	-	26	-	26
Total	**-**	**26**	**-**	**26**

Organ	As at 1 January 2019	Granted from	Repayment until	As at 31 December 2019
Company's Supervisory Board	5	-	(5)	-
Total	**5**	**-**	**(5)**	**-**

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

Members of the Company's governing bodies and their close relatives did not execute significant transactions having an impact on the Company's results and financial situation.

Transactions with State Treasury related parties

ENEA S.A. 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:

- purchase of electricity and property rights resulting from origin certificates for energy from renewable sources and energy produced in cogeneration with heat, from State Treasury subsidiaries and
- sale of electricity, distribution services and other associated fees that the Company provides for both state and local administration authorities (sale to end customers) and to the State Treasury's subsidiaries (wholesale and retail sale - to final customers).

These transactions are executed on market terms, and these terms do not differ from the terms applied in transactions with other entities. The Company 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 Company 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 programs is presented in note 27.

Among State Treasury subsidiaries, ENEA S.A.'s largest counterparty-customer by far is Grupa Azoty, with net sales in 2020 reaching PLN 206 628 thousand (PLN 152 067 thousand in net sales to Grupa Azoty S.A. in 2019). The largest counterparty-supplier is Polskie Sieci Elektroenergetyczne S.A., with net purchases in 2020 reaching PLN 112 675 thousand (in 2019, Polskie Sieci Elektroenergetyczne S.A. with PLN 52 590 thousand).

Transactions with jointly controlled entities and associates

The following table presents the key transactions with jointly controlled entities and associates:

	Year ended 31 December 2020		As at 31 December 2020	
	Sale	Purchases	Receivables	Liabilities
Jointly controlled entities	90 132	-	48 789	-

	Year ended 31 December 2019		As at 31 December 2019	
	Sale	Purchases	Sale	Purchases
Jointly controlled entities	69 777	-	51 292	-
Associates	31	-	-	3

The value of loans issued to jointly-controlled entity Elektrownia Ostrołęka Sp. z o.o. is PLN 209 785 thousand gross and PLN 0 net (note 18).

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37. Explanatory notes to the separate statement of cash flows

The following table shows a reconciliation of changes in working capital in the separate statement of cash flows and changes in the separate statement of financial position:

	Year ended 31 December 2020	31 December 2019
Change in trade and other receivables, assets arising from contracts with customers on balance sheet	**(429 706)**	**20 052**
- Tax group	114 995	-
- Expenditures concerning future bond issues	-	195
- IFRS amendment	-	5 870
- Other	(1 007)	325
Change in trade and other receivables in cash flow statement	**(315 718)**	**26 442**
Change in trade and other payables, liabilities arising from contracts with customers on balance sheet	**(189 633)**	**(66 620)**
- Acquisition income/costs	-	-
- Proceeds related to future purchase of financial assets	-	-
- Tax group	-	53 383
- Other	79 645	99
Change in trade and other payables in cash flow statement	**(109 988)**	**(13 138)**
Change in employee benefit liabilities on balance sheet	**218**	**10 836**
- Actuarial gains/losses recognised in other comprehensive income	(2 196)	(4 478)
Change in employee benefit liabilities in cash flow statement	**(1 978)**	**6 358**
Change in other provisions for liabilities and other charges on balance sheet	**213 421**	**82 941**
- Elektrownia Ostrołęka	(222 200)	-
Change in other provisions for liabilities and other charges in cash flow statement	**(8 779)**	**82 941**

The item 'Purchase of financial assets' in investing activities includes loans granted by the Company to subsidiaries and jointly-controlled entities (Elektrownia Ostrołęka and PGE EJ1) and investment in shares in PGE EJ1's increased share capital.

The item 'Sale of financial assets' in investing activities includes loans repaid and buy-back of intragroup bonds.

The following tables show a reconciliation of debt in the separate statement of financial position and in the separate statement of cash flows:

Reconciliation of bank credit and loans

	Year ended 31 December 2020	31 December 2019
As at 1 January	**2 056 231**	**2 207 693**
Repayment of credit and loans	(162 080)	(152 080)
Measurement and transaction costs	(2 099)	618
As at 31 December	**1 892 052**	**2 056 231**

Reconciliation of bonds

	Year ended 31 December 2020	31 December 2019
As at 1 January	**7 775 391**	**6 033 277**
Bond buy-back	(1 894 310)	(277 910)
Bond issuance	-	2 000 000
Measurement and transaction costs	(3 028)	20 024
As at 31 December	**5 878 053**	**7 775 391**

38. Concession agreements for provision of public services

ENEA S.A.'s business activities mainly involve the sale of electricity and natural gas.

In accordance with the Energy Law, the URE President is responsible for issuing concessions, regulating the activities of energy enterprises and approving tariffs, who by way of an administrative decision approves energy prices and rates as well as rules in the tariff. ENEA S.A. holds an electricity trade concession for the period from 26 November 1998 to 31 December 2025. On 12 September 2013, ENEA S.A. received a concession from the URE President for trade of gas fuels, valid until 31 December 2030.

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Subject to approval by the URE President are tariffs for electricity that cover activities which are not considered by the URE President as conducted under competitive conditions (in reference to which the URE President has not issued a decision exempting from the obligation to submit tariffs for approval).

Tariffs for natural gas for household customers are also subject to approval by the URE President. In accordance with a schedule for exemptions from the obligation to submit to the URE President gas tariffs for approval, as specified in the Energy Law, from 1 January 2017 such exemption also includes tariff sales at a virtual point, CNG and LNG sales and sales via tenders, auctions and public procurement. Prices for other end customers aside from households were freed in October 2017. Gas prices for these customers will be freed from 1 January 2024.

In 2020, ENEA S.A. applied the following URE President-approved tariffs:

- "Tariff for electricity for tariff G customers" in effective from 1 January 2018 and "Tariff for electricity for tariff G customers" in effect from 14 January 2020 and approved by the URE President until 31 March 2020. ENEA S.A. submitted an application to the URE for approval of a tariff until 31 December 2020, however on 8 July 2020 the URE President refused to approve it. On 29 July 2020, ENEA S.A. filed an appeal against the URE President's decision to the Competition and Consumer Protection Court. The appeal procedure is on-going. Because of the on-going appeal against the URE President's decision, in settlements with customers in the period from 1 April 2020 to 31 December 2020, ENEA S.A. applied the "Tariff for electricity for tariff G customers" approved by the URE President until 31 March 2020, even though the tariff no longer applied.
- "Tariff for high-methane natural gas," in effect from 4 July 2019, and "Tariff for high-methane natural gas," in effect from 20 November 2020.

39. Employment

	As at	
	31 December 2020	31 December 2019
White collar jobs	402	393
Total	**402**	**393**

The data contained in the table presents employment in full-time jobs. Management positions are classified as white-collar jobs.

40. Conditional liabilities, court proceedings and cases on-going before public administration organs

This section of explanatory notes includes conditional liabilities and on-going proceedings in courts, arbitration bodies or public administration bodies

40.1. Impact of tariff for electricity for tariff G customers

On 30 December 2019 the President of the Energy Regulatory Office ("URE President") decided to approve a tariff for electricity for a set of tariff G customer groups for the period from 14 January to 31 March 2020 ("Tariff").

The URE President approved an electricity sales price for customers in tariff G groups for ENEA S.A. at an average of PLN 289.37 per MWh.

Considering the above and acting pursuant to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Group identified the necessity to recognise as at 31 December 2019 a provision for onerous contracts amounting to PLN 68 565 thousand.

In the 12-month period ending 31 December 2020 ENEA S.A. used the provision for onerous contracts in the amount of PLN 68 565 thousand.

Separate financial statements in compliance with EU IFRS for the financial year ended 31 December 2020 (in PLN 000s)

40.2. Sureties and guarantees

The following table presents significant bank guarantees valid as of 31 December 2020 under an agreement between ENEA S.A. and Bank PKO BP S.A. and Bank PEKAO S.A. up to a limit specified in the agreement.

List of sureties issued as at 31 December 2020

Name of entity for which surety was issued	Total amount of liabilities covered by surety	Purpose of amounts covered by surety	Period for which surety was issued	Nature of links between the Company and entity incurring the liability
ENEA Trading Sp. z o.o.	PLN 1 154 thousand (EUR 250 thousand)	collateral for ENEA Trading's liabilities towards Shell Energy Europe Limited	30.11.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards ČEZ a.s.	10.08.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards Zespół Elektrowni Pątnów Adamów Konin S.A.	25.10.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards PGE Polska Grupa Energetyczna S.A.	26.10.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 2 000 thousand	collateral for ENEA Trading's liabilities towards Polenergia Obrót S.A.	30.06.2022	subsidiary
ENEA Trading Sp. z o.o.	PLN 2 000 thousand	collateral for ENEA Trading's liabilities towards Polski Koncern Naftowy ORLEN S.A.	15.07.2021	subsidiary

List of sureties issued as at 31 December 2019

Name of entity for which surety was issued	Total amount of liabilities covered by surety	Purpose of amounts covered by surety	Period for which surety was issued	Nature of links between the Company and entity incurring the liability
ENEA Trading Sp. z o.o.	PLN 1 065 thousand (EUR 250 thousand)	collateral for ENEA Trading's liabilities towards Shell Energy Europe Limited	30.11.2021	subsidiary
Miejska Energetyka Cieplna Piła Sp. z o.o.	PLN 11 806 thousand	collateral for liabilities incurred by MEC Piła Sp. z o.o. toward the National Fund for Environmental Protection and Water Management	30.06.2020	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards EDF Trading Limited	30.10.2020	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards ČEZ a.s.	10.08.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards Zespół Elektrowni Pątnów Adamów Konin S.A.	25.10.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards PGE Polska Grupa Energetyczna S.A.	26.10.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 2 000 thousand	collateral for ENEA Trading's liabilities towards Polenergia Obrót S.A.	30.06.2022	subsidiary
ENEA Trading Sp. z o.o.	PLN 2 000 thousand	collateral for ENEA Trading's liabilities towards Polski Koncern Naftowy ORLEN S.A.	15.07.2021	subsidiary

List of guarantees issued as at 31 December 2020

Guarantee issue date	Guarantee validity	Obliged entity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
13.06.2019	30.05.2021	ENEA Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	PEKAO S.A.	150 000
30.12.2020	31.12.2022	ENEA Elektrownia Połaniec	Izba Rozliczeniowa Giełd Towarowych S.A.	PEKAO S.A.	100 000
17.12.2020	31.12. 2021	ENEA Wytwarzanie Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	PEKAO S.A.	70 000
21.09.2020	23.03.2021	ENEA Elektrownia Połaniec	Stal-Systems S.A.	PKO BP S.A.	67 382
12.08.2018	12.08.2021	ENEA Elektrownia Połaniec	Polskie Sieci Elektroenergetyczne	PKO BP S.A.	7 000
26.06.2020	15.03.2022	ENEA Serwis Sp. z o.o.	ENEA Operator Sp. z o.o.	PKO BP S.A.	3 145
12.08.2018	16.05.2021	ENEA S.A.	Górecka Projekt Sp. z o.o.	PKO BP S.A.	2 109
01.07.2020	30.06.2022	ENEA S.A.	H. Święcicki Clinical Hospital in Poznań	PKO BP S.A.	1 281
Total bank guarantees					**400 917**

List of guarantees issued as at 31 December 2019

Guarantee issue date	Guarantee validity	Obliged entity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
13.06.2019	30.05.2021	ENEA Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	PEKAO S.A.	140 000
12.08.2018	12.08.2020	ENEA Wytwarzanie Sp. z o.o.	Polskie Sieci Elektroenergetyczne	PKO BP S.A.	20 000
12.08.2018	12.08.2020	ENEA Elektrownia Połaniec	Polskie Sieci Elektroenergetyczne	PKO BP S.A.	15 000
12.08.2018	12.08.2020	ENEA Wytwarzanie Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	PKO BP S.A.	10 000
12.08.2018	12.08.2020	ENEA Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	PKO BP S.A.	10 000
12.08.2018	12.08.2020	ENEA Elektrownia Połaniec	Izba Rozliczeniowa Giełd Towarowych S.A.	PKO BP S.A.	10 000
13.06.2019	30.05.2021	ENEA Elektrownia Połaniec	Izba Rozliczeniowa Giełd Towarowych S.A.	PEKAO S.A.	5 000
13.06.2019	30.05.2021	ENEA Wytwarzanie Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	PEKAO S.A.	5 000
13.11.2018	30.01.2020	ENEA S.A.	Olsztyn municipality	PKO BP S.A.	4 462
12.08.2018	16.05.2021	ENEA S.A.	Górecka Projekt Sp. z o.o.	PKO BP S.A.	2 109
24.05.2019	30.07.2020	ENEA S.A.	City of Bydgoszcz	PKO BP S.A.	1 207
29.08.2018	29.01.2020	ENEA Logistyka Sp. z o.o.	ENEA Operator Sp. z o.o.	PKO BP S.A.	1 080
Total bank guarantees					**223 858**

The value of other guarantees issued by the Company as at 31 December 2020 was PLN 16 303 thousand (PLN 17 614 thousand as at 31 December 2019).

40.3. On-going proceedings in courts of general competence

Proceedings initiated by the Company

Proceedings in courts of general competence initiated by ENEA S.A. concern receivables related to electricity supplies and receivables related to other matters - illegal uptake of electricity, grid connections and other specialised services.

At 31 December 2020, a total of 12 237 cases initiated by the Company were in progress before courts of general competence, worth in aggregate PLN 55 724 thousand (31 December 2019: 5 014 cases worth PLN 45 394 thousand).

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

Proceedings against the Company

Proceedings against the Company are initiated by both natural persons and legal entities. They concern issues such as: compensation for electricity supply disruptions, compensation for the Company's use of properties on which power equipment is located as well as claims related to terminated contracts for the purchase of property rights (note 40.7).

At 31 December 2020, a total of 128 cases against the Company were in progress before courts of general competence, worth in aggregate PLN 563 866 thousand (31 December 2019: 145 cases worth PLN 561 828 thousand).

Provisions related to these court cases are presented in 30.

40.4. Other court proceedings

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. submitted an appeal against the ruling of 31 July 2019. The complainant submitted a response to the appeal, to which ENEA S.A.'s attorney replied. On 8 July 2020 the Appeals Court dismissed the Company's appeal against the District Court's ruling. As indicated in verbal major reasons for the ruling, the Appeals Court decided that the District Court's ruling complies with the law because the Resolution is invalid due to the fact that adopting the Resolution breached the division of competences between the organs of a commercial-law company. In consequence, on 8 July 2020 the ruling by the District Court in Poznań invalidating the Resolution became final. The Company has assessed the impact of this event as neutral for the reported data.

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. That hearing, and others scheduled for 30 July 2019 and 1 October 2019, did not take place. A new hearing date has not yet been set. The hearing has been suspended until a final ruling is issued in a case instigated by a shareholder of the Company - Fundacja "CLIENTEARTH Prawnicy dla ziemi." The proceeding was still suspended at the date on which these separate financial statements were prepared.

40.5. Risk associated with legal status of properties used by ENEA S.A.

Risk associated with the legal status of properties used by the Company (currently used by ENEA Operator Sp. z o.o.) results from the fact that the Company does not have a legal title to use land for all of its facilities where its transmission grids and the associated equipment are located. In the future, the Company might be obligated to incur the costs of non-contractual use of property, which had taken place in previous years prior to the de-merger of ENEA Operator Sp. z o.o.

Unregulated legal status of properties previously used by the Company and currently in use by ENEA Operator Sp. z o.o. - grid infrastructure on such properties gives rise to a threat of claims involving a demand for payment of compensation for non-contractual use of land, establishing rent or in individual cases demands associated with a change of a facility's location (return of land to original condition).

The Company has a provision for court proceedings instigated against the Company by owners of properties on which transmission grids and associated equipment are located.

As at 31 December 2020, the Company had a provision for claims concerning non-contractual use of land amounting to PLN 2 275 thousand.

40.6. Cases concerning 2012 non-balancing

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

	Demanded amount in PLN 000s
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
Total	**27 594**

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. In the case against PGE Polska Grupa Energetyczna S.A. (file no. XVI GC 525/20, previous file no. XX GC 1163/15) - through a ruling of 7 January 2021 the court suspended the proceeding at the mutual request of the parties.

No amounts related to these cases were recognised in the separate statement of financial position.

40.7. 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 8 court proceedings concerning agreements for the purchase of property rights arising under certificates of origin for energy from renewable sources, which includes:

- 5 proceedings for payment against ENEA S.A. concerning remuneration, contractual penalties or compensation;
- 2 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 1 proceeding in which claims for payment are being sought at the same time;
- 1 proceeding for payment, in which ENEA S.A. seeks a claim concerning a contractual penalty.

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 (currently TEC1 Sp. z o.o. EW Śniatowo Sp. k., based in Katowice);
- Golice Wind Farm Sp. z o.o., based in Warsaw.

As a rule, the Agreements were 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);
- 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 139 464 thousand provision for potential claims resulting from the terminated Agreements in relation to submissions made by 31 December 2020 concerning transactions to sell property rights by the counterparties. The provision is presented in 30.

In February 2020, ENEA S.A. executed an agreement with Megawind Polska Sp. z o.o., based in Szczecin, which had initiated three court proceedings, regarding an amicable resolution of these disputes, pursuant to which:

1) in case ref. IX GC 64/17, the proceeding was validly closed due to a court settlement being reached;
2) in case ref. IX GC 996/16, the proceeding was validly closed after ENEA S.A. withdrew its appeal against the ruling of 29 November 2019;
3) case IX GC 1167/16 was dismissed after Megawind Polska Sp. z o.o. withdrew the lawsuit and relinquished the claims.

In a case brought by Golice Wind Farm Sp. z o.o. against ENEA S.A., the court issued on 14 August a partial and preliminary ruling, in which it:

1) withdrew a claim seeking the voidance of ENEA S.A.'s termination of an agreement to sell property rights, which took place on 28 October 2016;
2) accepted a claim for the payment of consideration for property rights and ordered ENEA S.A. to pay PLN 6 042 thousand, together with interest;
3) considered the other parts of the claim for payment as justified in general.

This ruling is not final. ENEA S.A. has appealed part of the ruling, i.e. as regards points 2 and 3.

In cases brought by PGE Group companies, i.e.:

- PGE Górnictwo i Energetyka Konwencjonalna S.A., based in Bełchatów (file no. IX GC 555/16) – on 15 October 2020, the court ruled to suspend the proceeding at the parties' mutual request. The ruling is final;
- PGE Energia Odnawialna S.A., based in Warsaw (file no. IX GC 1011/17) – through a ruling of 21 October 2020 r. the court suspended the proceeding at the parties' mutual request. The ruling is final;
- PGE Energia Odnawialna S.A., based in Warsaw (file no. IX GC 1064/17) – through a ruling of 23 October 2020 r. the court suspended the proceeding at the parties' mutual request. The ruling is final.

In a case brought by ENEA S.A. against PGE Górnictwo i Energetyka Konwencjonalna S.A. (file no. X GC 608/20) – on 26 October 2020, the court ruled to suspend the proceeding at the parties' mutual request. The ruling is final.

In a case brought by Hamburg Commercial Bank AG against ENEA S.A., in which Hamburg Commercial Bank AG is seeking claims concerning property rights sale agreement no. ENEA/WINDPARK ŚNIATOWO/PMOZE/2013 of 26 February 2014, executed between ENEA S.A. and Windpark Śniatowo Management GmbH EW Śniatowo Sp. k. (currently TEC1 Sp. z o.o. EW Śniatowo Sp. k., based in Katowice), citing their purchased based on a receivables assignment agreement, the District Court in Poznań on 25 February 2021 issued a partial ruling in which it ordered ENEA S.A. to pay PLN 494 thousand plus statutory late interest from 16 December 2016 to the payment date. The ruling is not final. ENEA

S.A. has submitted a motion for a written justification of the ruling, which makes it possible for ENEA S.A. to appeal the ruling. Within the remaining scope, concerning a demand made under the extension of claim of 17 January 2019 and a demand made under the extension of claim of 20 August 2019, the case is suspended in a legally valid manner pursuant to a ruling by the District Court in Poznań dated 24 October 2019 until this Court issues a final ruling in case file no. IX GC 552/17.

41. Participation in nuclear power plant build programme

On 15 April 2015 KGHM Polska Miedź S.A., PGE S.A., TAURON S.A. and ENEA S.A. executed an agreement to purchase shares in PGE EJ 1 Sp. z o.o. (PGE EJ 1). KGHM Polska Miedź S.A., TAURON S.A. 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.

ENEA S.A.'s investment in the Project's preliminary phase (Development 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 70 544 thousand. The shareholders granted loans to the company in order to provide PGE EJ 1 with funds.

On 1 October 2020, ENEA S.A. signed a letter of intent with the State Treasury regarding the latter's purchase of a 100% stake in PGE EJ 1. The letter of intent was signed by all PGE EJ 1 shareholders. The letter of intent does not commit the parties to the transaction. A decision on the transaction will depend on the outcome of negotiations and compliance with other conditions specified in the provisions of law or corporate documents. Discussions and negotiations intended to finalise transaction documentation are on-going.

On 23 November 2020 an Extraordinary General Meeting of PGE EJ 1 Sp. z o.o. adopted a resolution to increase the company's share capital from PLN 370 858 thousand to PLN 750 857 thousand, by PLN 379 999 thousand. As a result of the share capital increase at PGE EJ 1 Sp. z o.o., on 24 November 2020 ENEA S.A. acquired 269 503 shares in that company's capital, worth PLN 38 000 thousand. At the same time, the parties agreed to offset receivables resulting from the share acquisition with receivables from all loans granted to the company by ENEA S.A., amounting to approx. PLN 19 084 thousand (principal plus interest) and thus the receivables were offset up to the amount of the lower receivable, i.e. the loan-related receivable.

As at 31 December 2020, ENEA S.A. held 532 523 shares in the capital of PGE EJ 1 Sp. z o.o., representing 10% of shares/votes.

42. Tax group

On 11 December 2019 the Director of the 1st Wielkopolskie Tax Authority in Poznań registered an agreement concerning the formation of a tax group for a period of three tax years from 1 January 2020 to 31 December 2022. The agreement was executed in the form of a notarial deed on 12 November 2019 between 11 ENEA Group companies, including: ENEA S.A., ENEA Operator Sp. z o.o., ENEA Centrum Sp. z o.o., ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A.

The tax group is represented by ENEA S.A.

The Act on corporate income tax treats a tax group as a separate payer of corporate income tax (CIT), meaning that companies within a tax group are not treated as separate entities for CIT purposes, while the tax group is treated as a whole.

Subject to tax is income of the entire group, calculated as the excess of the sum of income all of the companies within the group over their losses. The tax group is a separate entity only for CIT purposes. It is not a separate entity in a legal sense. It also does not apply to other taxes, especially each of the companies within the tax group is a separate payer of VAT, tax on civil-law transactions, property tax and payer of personal income tax.

Companies within the tax group must meet a number of requirements, including: sufficient capital, parent company's stake in companies within the tax group of at least 75%, no shares held by subsidiaries in other companies within the tax group, no tax arrears, share of income to revenue of at least 2% (calculated for the entire tax group) and execution of transactions on market terms only. Failing to meet these requirements would mean a dissolution for the tax group and loss of taxpayer status. From dissolution, each company within the tax group would become a separate CIT payer.

43. Impact of COVID-19 pandemic

Information on the threat of coronavirus SARS-Cov-2, causing the COVID-19 disease ("coronavirus"), began coming out of China towards the end of 2019. COVID-19 reached Poland in mid-March 2020, and a state of epidemic was announced on 20 March 2020. The virus and its effects as well as the effects of actions taken by the state to combat the pandemic influence the condition of the domestic and global economy. ENEA S.A.'s activities have also been affected by the situation.

In 2020, the total volume of electricity sales increased in comparison with 2019 by 774 GWh, i.e. by 3.8%. The volume of gas fuel sales also increased on a year-on-year basis (by 270 GWh, i.e. by 25.5%). In 2020, revenue from the sale of electricity and gas increased in comparison with 2019 by PLN 618 million, i.e. by 11.1%. Revenue grew in both the business customer segment and in the household segment.

At the date on which these separate financial statements were prepared, it is difficult to predict how the situation will develop in 2021 and what the potential negative effects for the Company's operating and financing activities will be. A further spread of the virus may lead to further restrictions and a decline in economic activity (currently numerous restrictions apply to: hotels, restaurants, coffee shops and shopping galleries), decline in electricity demand and in consequence lower electricity output, which might impact the Company's revenue from sales. It also cannot be ruled out that a larger number of Covid cases at the Company will affect risks related to the Company's business continuity. Potential interruptions in operations could have a negative impact on revenue from sales.

In 2020 and as at 31 December 2020, the Company carried out an additional analysis of the COVID-19 pandemic's potential impact on receivables impairment. Following this, expected losses were verified. However the size of the additional impairment was negligible from a reporting viewpoint. Nonetheless, the Company assesses that if restrictions related to the COVID-19 pandemic are introduced again and thus economic activity is further reduced, the receivables turnover ratio might deteriorate given a reduced payment capacity on the part of electricity customers.

ENEA S.A. cyclically reviews the credit ratings of its subsidiaries and the recoverability of intra-group bonds and loans. In accordance with ENEA Group's methodology for determining expected credit losses for debt assets, no need was identified as of 31 December 2020 for recognising this in respect of subsidiaries.

A crisis and coordination command, appointed by the Management Board, is operating at ENEA S.A., and all Group companies have appointed teams that coordinate tasks related to ensuring the continuity of ENEA Group companies' operations in the context of the coronavirus threat. The Management Board of ENEA S.A. is coordinating all activities in this area through the crisis coordination command. The command and teams engage in activities intended to protect the health of employees by providing personal protective equipment (face masks, anti-microbial gels, gloves), implementing safe work rules (including introducing, wherever possible, remote work, limited direct meetings in the workplace, disinfection of rooms, introducing a limit on the number of employees in a room, maintaining safe distances between employees).

The precautions taken in order to prevent the spread of the coronavirus have an impact on operating costs, which together with changes in revenue will ultimately affect the consolidated net result.

At the date on which these separate financial statements were prepared, the Company sees no going-concern risk.