



# **ENEA GROUP CONSOLIDATED FINANCIAL STATEMENTS**

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

**THIS DOCUMENT IS NOT AN OFFICIAL VERSION**

---



---

## TABLE OF CONTENTS

---



---

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....</b>	<b>5</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....</b>	<b>6</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....</b>	<b>8</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS .....</b>	<b>9</b>
<b>ADDITIONAL INFORMATION AND EXPLANATIONS.....</b>	<b>10</b>
<b>General information.....</b>	<b>10</b>
1. General information on the Parent.....	10
2. Group composition and consolidation rules .....	10
3. Management Board and Supervisory Board composition.....	13
4. Basis for preparing financial statements .....	15
5. Accounting rules (policy) and significant estimates and assumptions .....	15
6. Impact of new standards and interpretations, changes in accounting rules and data presentation.....	16
7. Functional currency and transactions in foreign currencies.....	18
<b>Operating segments.....</b>	<b>19</b>
<b>Impairment of non-financial assets.....</b>	<b>24</b>
<b>Explanatory notes to the consolidated statement of comprehensive income .....</b>	<b>28</b>
8. Revenue from sales .....	28
9. Operating costs .....	30
10. Other operating revenue and costs.....	31
11. Finance income and finance costs.....	31
12. Tax.....	32
13. Loss/profit per share.....	36
<b>Explanatory notes to the consolidated statement of financial position .....</b>	<b>37</b>
14. Property, plant and equipment .....	37
15. Intangible assets and goodwill .....	41
16. Right-of-use assets .....	45
17. Investment properties.....	49
18. Investments in associates and jointly controlled entities.....	50
19. CO <sub>2</sub> emission allowances.....	55
20. Inventories.....	56
21. Energy origin certificates .....	58
22. Trade and other receivables .....	58
23. Group as finance or operating lessor / sublessor .....	59
23.1. Group as finance lessor / sublessor.....	60
23.2. Group as operating lessor / sublessor .....	60
24. Assets and liabilities arising from contracts with customers .....	61
25. Cash and cash equivalents .....	61
26. Equity .....	62
27. Non-controlling interests .....	63
28. Dividends.....	66
29. Capital management policy.....	66
30. Debt-related liabilities .....	66
31. Trade and other payables .....	70
32. Employee benefit liabilities.....	70
33. Provisions.....	75
34. Accounting for subsidies and road lighting modernisation services .....	79
<b>Financial instruments and financial risk management.....</b>	<b>81</b>
35. Financial instruments and fair value.....	81
36. Debt financial assets at amortised cost.....	87
37. Hedge accounting .....	87
38. Financial risk management .....	88
38.1. Credit risk .....	89

38.2. Financial liquidity risk .....	93
38.3. Commodity risk.....	94
38.4. Currency risk .....	95
38.5. Interest rate risk.....	97
<b>Other explanatory notes .....</b>	<b>99</b>
39. Related-party transactions .....	99
40. Explanatory notes for the consolidated statement of cash flows .....	101
41. Concession agreements for provision of public services .....	102
42. Employment .....	104
43. Conditional liabilities, court proceedings and cases on-going before public administration organs .....	104
43.1. Impact of tariff for electricity for tariff G customers .....	104
43.2. Sureties and guarantees .....	104
43.3. On-going proceedings in courts of general competence .....	105
43.4. Other court proceedings.....	105
43.5. Risk associated with legal status of properties used by the Group .....	106
43.6. Cases concerning 2012 non-balancing.....	106
43.7. 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 .....	107
44. Collateral on assets and other restrictions .....	109
45. Participation in nuclear power plant build program .....	110
46. Tax group .....	110
47. Impact of COVID-19 pandemic .....	110

These consolidated 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**      **Rafał Mucha**

**Member of the Management Board**      **Tomasz Siwak**

**Member of the Management Board**      **Tomasz Szczegielniak**

**Member of the Management Board**      **Marcin Pawlicki**

Prepared by:      Robert Kiereta  
Head of Consolidated Reporting

**Poznań, 25 March 2021**

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020	31 December 2019 restated*
Revenue from sales	8	18 241 997	15 867 593
Excise duty		(65 492)	(71 295)
<b>Net revenue from sales</b>		<b>18 176 505</b>	<b>15 796 298</b>
Compensations		3 284	597 278
Revenue from operating leases and subleases		14 765	7 722
<b>Revenue from sales and other income</b>		<b>18 194 554</b>	<b>16 401 298</b>
Other operating revenue	10	248 815	285 962
Change in provision for onerous contracts		17 745	10 415
Depreciation/amortisation	9	(1 598 063)	(1 548 268)
Employee benefit costs	9	(1 963 108)	(1 904 022)
Use of materials and raw materials and value of goods sold	9	(3 643 315)	(3 333 521)
Purchase of electricity and gas for sales purposes	9	(7 514 300)	(6 090 506)
Transmission services	9	(472 104)	(447 154)
Other third-party services	9	(914 208)	(925 799)
Taxes and fees	9	(443 407)	(414 439)
Loss on change, sale and liquidation of property, plant and equipment and right-of-use assets		(34 890)	(57 585)
Impairment losses on non-financial non-current assets		(3 410 154)	(5 521)
Other operating costs	10	(173 824)	(186 733)
<b>Operating (loss)/profit</b>		<b>(1 706 259)</b>	<b>1 784 127</b>
Finance costs	11	(346 336)	(369 234)
Finance income	11	54 346	63 890
Dividend income		283	201
Impairment of financial assets at amortised cost		(144 014)	(65 771)
Share of profit of associates and jointly controlled entities	18	(332 361)	(482 165)
Impairment of investments in associates and jointly controlled entities	18	(129 208)	(59 777)
<b>(Loss)/profit before tax</b>		<b>(2 603 549)</b>	<b>871 271</b>
Income tax	12	369 212	(330 574)
<b>Net (loss)/profit for the reporting period</b>		<b>(2 234 337)</b>	<b>540 697</b>
<b>Other comprehensive income</b>			
Subject to reclassification to profit or loss:			
- measurement of hedging instruments		(108 862)	(1 645)
- income tax		20 684	313
Not subject to reclassification to profit or loss:			
- restatement of defined benefit plan		(77 658)	(85 281)
- income tax		14 755	16 203
<b>Net other comprehensive income</b>		<b>(151 081)</b>	<b>(70 410)</b>
<b>Comprehensive income for the reporting period</b>		<b>(2 385 418)</b>	<b>470 287</b>
<b>Including net (loss)/profit:</b>			
attributable to shareholders of the Parent		(2 268 412)	423 205
attributable to non-controlling interests		34 075	117 492
<b>Including comprehensive income:</b>			
attributable to shareholders of the Parent		(2 418 898)	354 521
attributable to non-controlling interests		33 480	115 766
Net (loss)/profit attributable to shareholders of the Parent		(2 268 412)	423 205
Weighted average number of ordinary shares		441 442 578	441 442 578
<b>Net (loss)/profit attributable to the Parent's shareholders, per share (in PLN per share)</b>	<b>13</b>	<b>(5.14)</b>	<b>0.96</b>
<b>Diluted (loss)/profit per share (in PLN per share)</b>		<b>(5.14)</b>	<b>0.96</b>

\* the presentation restatement of data for the comparative period is presented in note 6 to the financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
	Note	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	18 903 722	21 470 804
Right-of-use assets	16	730 078	719 948
Intangible assets	15	359 365	379 024
Investment properties	17	21 239	23 109
Investments in associates and jointly controlled entities	18	133 647	373 016
Deferred income tax assets	12	1 296 061	569 369
Financial assets measured at fair value	35	97 957	40 172
Debt financial assets at amortised cost	36	-	48 649
Trade and other receivables	22	72 381	20 862
Costs related to the conclusion of agreements		11 256	12 749
Finance lease and sublease receivables	23.1	513	319
Funds in the Mine Decommissioning Fund		141 591	133 998
<b>Total non-current assets</b>		<b>21 767 810</b>	<b>23 792 019</b>
<b>Current assets</b>			
CO <sub>2</sub> emission allowances	19	2 529 059	1 375 128
Inventories	20	1 129 975	1 376 295
Trade and other receivables	22	2 132 191	2 123 567
Costs related to the conclusion of agreements		13 428	12 646
Assets arising from contracts with customers	24	322 446	330 447
Finance lease and sublease receivables	23.1	975	950
Current income tax receivables		10 470	59 746
Financial assets measured at fair value	35	41 894	7 056
Debt financial assets at amortised cost	36	61	3 576
Other short-term investments		-	477
Cash and cash equivalents	25	1 941 554	3 761 947
<b>Total current assets</b>		<b>8 122 053</b>	<b>9 051 835</b>
<b>TOTAL ASSETS</b>		<b>29 889 863</b>	<b>32 843 854</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
	Note	31 December 2020	31 December 2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Equity attributable to shareholders of the parent</b>			
Share capital		588 018	588 018
Share premium		3 632 464	3 632 464
Revaluation reserve - measurement of financial instruments		(16 295)	(16 295)
Revaluation reserve - measurement of hedging instruments		(105 534)	(17 356)
Retained earnings		7 938 162	10 268 882
<b>Total equity attributable to shareholders of the parent</b>		<b>12 036 815</b>	<b>14 455 713</b>
Non-controlling interests	27	1 057 538	1 024 058
<b>Total equity</b>	<b>26</b>	<b>13 094 353</b>	<b>15 479 771</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Credit facilities, loans and debt securities	30	6 607 756	7 803 113
Trade and other payables	31	132 793	119 775
Liabilities arising from contracts with customers	24	10 833	5 023
Lease liabilities	30	529 140	504 324
Accounting for subsidies and road lighting modernisation services	34	261 162	227 413
Deferred income tax provision	12	445 094	413 392
Employee benefit liabilities	32	1 097 643	983 818
Financial liabilities measured at fair value	35	75 131	24 496
Provisions for other liabilities and other charges	33	849 990	774 065
<b>Total non-current liabilities</b>		<b>10 009 542</b>	<b>10 855 419</b>
<b>Current liabilities</b>			
Credit facilities, loans and debt securities	30	1 224 061	2 102 911
Trade and other payables	31	2 037 926	1 913 440
Liabilities arising from contracts with customers	24	246 629	110 678
Lease liabilities	30	25 172	27 939
Accounting for subsidies and road lighting modernisation services	34	13 308	12 804
Current income tax liabilities		73 500	121 703
Employee benefit liabilities	32	497 483	466 082
Liabilities concerning the equivalent for rights to free purchase of shares		281	281
Financial liabilities measured at fair value	35	70 987	36 438
Provisions for other liabilities and other charges	33	2 596 621	1 716 388
<b>Total current liabilities</b>		<b>6 785 968</b>	<b>6 508 664</b>
<b>Total liabilities</b>		<b>16 795 510</b>	<b>17 364 083</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29 889 863</b>	<b>32 843 854</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Equity attributable to shareholders of the parent				Retained earnings	Non-controlling interests	Total equity
			Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Revaluation reserve - measurement of hedging instruments			
<b>As at 1 January 2019</b>	<b>441 443</b>	<b>146 575</b>	<b>588 018</b>	<b>3 632 464</b>	<b>(16 295)</b>	<b>(16 024)</b>	<b>9 908 842</b>	<b>952 157</b>	<b>15 049 162</b>
Net profit for the reporting period	-	-	-	-	-	-	423 205	117 492	540 697
Net other comprehensive income	-	-	-	-	-	(1 332)	(67 352)	(1 726)	(70 410)
<b>Net comprehensive income recognised in the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 332)</b>	<b>355 853</b>	<b>115 766</b>	<b>470 287</b>
Dividends	-	-	-	-	-	-	-	(8 673)	(8 673)
Buy-out of non-controlling interests in subsidiaries	-	-	-	-	-	-	(4 531)	(25 209)	(29 740)
Other	-	-	-	-	-	-	8 718	(9 983)	(1 265)
<b>As at 31 December 2019</b>	<b>441 443</b>	<b>146 575</b>	<b>588 018</b>	<b>3 632 464</b>	<b>(16 295)</b>	<b>(17 356)</b>	<b>10 268 882</b>	<b>1 024 058</b>	<b>15 479 771</b>
Net (loss)/profit for the reporting period	-	-	-	-	-	-	(2 268 412)	34 075	(2 234 337)
Net other comprehensive income	-	-	-	-	-	(88 178)	(62 308)	(595)	(151 081)
<b>Net comprehensive income recognised in the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(88 178)</b>	<b>(2 330 720)</b>	<b>33 480</b>	<b>(2 385 418)</b>
<b>As at 31 December 2020</b>	<b>441 443</b>	<b>146 575</b>	<b>588 018</b>	<b>3 632 464</b>	<b>(16 295)</b>	<b>(105 534)</b>	<b>7 938 162</b>	<b>1 057 538</b>	<b>13 094 353</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended	
		31 December 2020	31 December 2019
<b>Cash flows from operating activities</b>			
Net (loss)/profit for the reporting period		(2 234 337)	540 697
Adjustments:			
Income tax in profit or loss	12	(369 212)	330 574
Depreciation/amortisation	9	1 598 063	1 548 268
Loss on change, sale and liquidation of property, plant and equipment and right-of-use assets		34 890	57 585
Impairment losses on non-financial non-current assets		3 410 154	5 521
Loss on sale of financial assets		17 964	26 813
Interest income		(14 743)	(14 961)
Dividend income		(283)	(201)
Interest costs		241 823	233 557
(Gain)/loss on measurement of financial instruments		(77 311)	39 233
Impairment of financial assets at amortised cost		144 014	65 771
Share of profit of associates and jointly controlled entities		332 361	482 165
Impairment of investments in associates and jointly controlled entities		129 208	59 777
Other adjustments		(26 779)	(22 587)
<b>Total adjustments</b>		<b>5 420 149</b>	<b>2 811 515</b>
Paid income tax		(300 100)	(206 925)
Changes in working capital:			
CO <sub>2</sub> emission allowances	40	(1 153 931)	(794 428)
Inventories	40	241 866	(109 992)
Trade and other receivables	40	(50 875)	(257 095)
Trade and other payables	40	431 129	(481 941)
Employee benefit liabilities	40	67 694	129 960
Accounting for subsidies and road lighting modernisation services	40	33 259	30 151
Provisions for other liabilities and charges	40	702 910	482 673
<b>Total changes in working capital</b>		<b>272 052</b>	<b>(1 000 672)</b>
<b>Net cash flows from operating activities</b>		<b>3 157 764</b>	<b>2 144 615</b>
<b>Cash flows from investing activities</b>			
Purchase of non-current tangible and intangible assets and right-of-use assets		(2 382 772)	(2 076 510)
Proceeds from sale of non-current tangible and intangible assets and right-of-use assets		9 841	10 129
Purchase of financial assets	40	(199 415)	(29 904)
Proceeds from sale of financial assets		476	611
Purchase of subsidiaries		-	(29 740)
Purchase of associates and jointly controlled entities		(1 700)	(181 698)
Received dividends		283	201
Inflows concerning funds at Mine Decommissioning Fund bank account		(7 592)	(5 719)
Received interest		3 443	5 648
Other inflows/(outflows) from investing activities		1 136	(5 836)
<b>Net cash flows from investing activities</b>		<b>(2 576 300)</b>	<b>(2 312 818)</b>
<b>Cash flows from financing activities</b>			
Credit and loans received		2 308	-
Bond issuance		-	2 000 000
Repayment of credit and loans		(176 371)	(166 222)
Bond buy-back		(1 894 310)	(277 910)
Dividends paid		-	(8 673)
Repayment of lease liabilities		(52 154)	(16 419)
Expenditures concerning future bond issues		-	(195)
Interest paid		(276 256)	(249 545)
Other outflows under financing activities		(5 074)	(1 724)
<b>Net cash flows from financing activities</b>		<b>(2 401 857)</b>	<b>1 279 312</b>
<b>Total net cash flows</b>		<b>(1 820 393)</b>	<b>1 111 109</b>
Cash at the beginning of reporting period	25	3 761 947	2 650 838
<b>Cash at the end of reporting period</b>	<b>25</b>	<b>1 941 554</b>	<b>3 761 947</b>
including restricted cash		754 321	477 382

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

## ADDITIONAL INFORMATION AND EXPLANATIONS

### General information

#### 1. General information on the Parent

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

ENEA S.A. ("Company," "Parent") is the parent entity for ENEA Group ("Group").

The Parent's name and other identifying data did not change in the 12-month period ended on 31 December 2020.

As at 31 December 2020, the Parent's shareholding structure was as follows:

	Poland's State Treasury	Other shareholders	Total
<b>As at 31 December 2020</b>	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 Parent's duration is indefinite.

Its activities are conducted on the basis of relevant concessions issued for the Parent and for specific Group companies.

The Group's consolidated 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 and consolidation rules

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.

ENEA Group's principal business activities are as follows:

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

- distribution of heat (Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Obornikach, Miejska Energetyka Ciepła Piła Sp. z o.o., ENEA Ciepło Sp. z o.o.);
- mining and enriching of hard coal (LW Bogdanka S.A.)

---

## 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 the Group. They are deconsolidated on the date control ceases.

As regards acquisitions of companies that are not under joint control, the cost of the acquisition is determined as the fair value of acquired assets, issued equity instruments and liabilities incurred or assumed as at the exchange date. Identifiable acquired assets and liabilities and conditional liabilities from a merger are initially measured at fair value as of the acquisition date, regardless of the size of non-controlling interests.

The Group measures non-controlling interests proportionately to its share of the fair value of acquired net assets. In subsequent periods, the value of non-controlling interests covers the initially recognised value adjusted by changes in the subsidiary's equity in proportion to the stake held. Comprehensive income is allocated to non-controlling interests even if this creates a negative value for these interests. Goodwill is determined in accordance with the accounting policy (note 15).

In the case of a negative value, the Group reviews the fair values of each component of acquired net assets. If as a result of such a review the value continues to be negative, it is immediately recognised in the present period profit or loss.

Transactions, settlements and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also subject to elimination unless the transaction provides evidence for impairment of the given asset. The accounting rules applied by subsidiaries were adjusted wherever necessary to ensure compliance with the Group's accounting rules.

### Associates and jointly controlled entities

Associates are all entities in respect of which the Group exerts significant influence but does not have control, which typically means holding 20-50% of voting rights. Investments in associates are accounted for using the equity method and initially recognised at cost. The excess of purchase price over fair value of an associate's identifiable net assets as at the acquisition date is recognised as goodwill. Goodwill is included in the investment's balance sheet value, while goodwill impairment is measured for the entire value of the investment. Any excess of the Group's stake in the fair value of identifiable net assets, liabilities and conditional liabilities over the acquisition cost after revaluation is immediately recognised in current-period profit or loss.

Jointly controlled entities are all entities in respect of which the Group exercises, through contractual arrangements, control jointly with other entities. Investments in jointly controlled entities are accounted for using the equity method identically as investments in associates.

The Group's share of the financial results of associates and/or jointly controlled entities from the acquisition date is recognised in current-period profit or loss, while its share in changes in other comprehensive income generated from the acquisition date - in other comprehensive income. The balance sheet value of an investment is adjusted by total changes in equity from the acquisition date. If the Group's share of the losses of an associate or a jointly controlled entity is equal to or greater than the Group's stake in this associate or jointly controlled entity, including any potential unsecured receivables, the Group ceases to recognise further losses, unless it assumed the given associate's or jointly controlled entity's obligations or made a payment on its behalf. The Group analyses impairment of investments in associates and jointly controlled entities, and impairment losses are recognised in the financial result of the present year.

Unrealised gains on transactions between the Group and its associates or jointly controlled entities are eliminated proportionately to the Group's stake in associates or jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment for the given asset. The accounting rules applied by associates or jointly controlled entities are adjusted as necessary to ensure consistency with the Group's accounting rules.

### 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 a given investment, the Company judges whether there is joint control or significant influence.

Company name	Segment	Registered office	ENE A S.A.'s stake in total number of voting rights as at 31 December 2020	ENE A S.A.'s stake in total number of voting rights as at 31 December 2019
<b>SUBSIDIARIES</b>				
1. ENEA Operator Sp. z o.o.	distribution	Poznań	100% <sup>8</sup>	100%
2. ENEA Wytwarzanie Sp. z o.o.	generation	Świerże Górne	100% <sup>10</sup>	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 Pomiar Sp. z o.o.	distribution	Poznań	100%	100%
9. ENERGO-TOUR Sp. z o.o. w likwidacji	other activity	Poznań	100% <sup>6</sup>	100% <sup>6</sup>
10. ENEA Innowacje Sp. z o.o.	other activity	Warsaw	100% <sup>9</sup>	100%
11. Lubelski Węgiel BOGDANKA S.A.	mining	Bogdanka	65.99%	65.99%
12. Annacond Enterprises Sp. z o.o. w likwidacji	distribution	Warsaw	- <sup>7</sup>	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% <sup>10</sup>	100%
<b>INDIRECT SUBSIDIARIES</b>				
16. ENEA Logistyka Sp. z o.o.	distribution	Poznań	100% <sup>5,8</sup>	100% <sup>8</sup>
17. ENEA Bioenergia Sp. z o.o.	generation	Połaniec	100% <sup>1</sup>	100% <sup>1</sup>
18. ENEA Połaniec Serwis Sp. z o.o.	generation	Połaniec	100% <sup>1</sup>	100% <sup>1</sup>
19. Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.	generation	Oborniki	99.93% <sup>2</sup>	99.93% <sup>2</sup>
20. Miejska Energetyka Ciepła Piła Sp. z o.o.	generation	Piła	71.11% <sup>2</sup>	71.11% <sup>2</sup>
21. EkoTRANS Bogdanka Sp. z o.o.	mining	Bogdanka	65.99% <sup>3</sup>	65.99% <sup>3</sup>
22. RG Bogdanka Sp. z o.o.	mining	Bogdanka	65.99% <sup>3</sup>	65.99% <sup>3</sup>
23. MR Bogdanka Sp. z o.o.	mining	Bogdanka	65.99% <sup>3</sup>	65.99% <sup>3</sup>
24. Łęczyńska Energetyka Sp. z o.o.	mining	Bogdanka	58.53% <sup>3</sup>	58.53% <sup>3</sup>
25. ENEA Badania i Rozwój Sp. z o.o.	other activity	Warsaw	100% <sup>4</sup>	100% <sup>4</sup>
<b>JOINTLY CONTROLLED ENTITIES</b>				
26. Polska Grupa Górnicza S.A.	-	Katowice	7.66%	7.66%
27. Elektrownia Ostrołęka Sp. z o.o.	-	Ostrołęka	50%	50%
<b>ASSOCIATES</b>				
28. Polimex – Mostostal S.A.	-	Warsaw	16.48%	16.48%
29. ElectroMobility Poland S.A.	-	Warsaw	25%	25%

<sup>1</sup> – indirect subsidiary through stake in ENEA Elektrownia Połaniec S.A.

<sup>2</sup> – indirect subsidiary through stake in ENEA Wytwarzanie Sp. z o.o.

<sup>3</sup> – jointly controlled entity through stake in Lubelski Węgiel BOGDANKA S.A.

<sup>4</sup> – indirect subsidiary through stake in ENEA Innowacje Sp. z o.o.

<sup>5</sup> – indirect subsidiary through stake in ENEA Operator Sp. z o.o.

<sup>6</sup> – on 30 March 2015 the company's extraordinary general meeting adopted a resolution on the dissolution of the company following a liquidation proceeding; the resolution entered into force on 1 April 2015. An application for the company to be removed from the National Court Register was filed on 5 November 2015. At the date on which these financial statements were prepared, procedural activities connected with removing the entity from the National Court Register were in progress.

<sup>7</sup> – on 24 February 2020 Annacond Enterprises Sp. z o.o. w likwidacji was removed from the National Court Register.

<sup>8</sup> – 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.

<sup>9</sup> – 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.

<sup>10</sup> – 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 performed 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 Dividend Company's share capital, by way of reducing the Dividend 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 Dividend Company through a spin-off - transfer of an organised part of the Dividend 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		As at	
	31 December 2020	Appointment	31 December 2019	Dismissal / resignation
President of the Management Board	Paweł Szczeszek	30 June 2020	Miroslaw 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		As at	
	31 December 2020	Appointment	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 Korobłowski		Paweł Korobłowski	
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 Minister 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 Minister 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 appointing Mr. Rafał Mucha as Member of ENEA S.A.'s Management Board for 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.

The following table contains the composition of ENEA S.A.'s Supervisory Board as of the date on which these consolidated financial statements:

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

#### 4. Basis for preparing financial statements

These consolidated 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 Parent's Management Board used its best knowledge as to the application of standards and interpretations as well as methods and rules for the measurement of items in ENEA Group's consolidated financial statements in accordance with EU IFRS as at 31 December 2020. The presented tables and explanations are prepared with due diligence. These consolidated 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 consolidated financial statements are prepared on a going concern basis for the foreseeable future. There are no circumstances such as would indicate a threat to the Group's going concern.

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

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

The key accounting rules applied in preparing these consolidated financial statements are presented as an element of specific explanatory notes to these consolidated 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 consolidated financial statements in accordance with EU IFRS requires the Management Board to make certain assumptions and estimates that have an impact on the adopted accounting rules and the amounts shown in consolidated 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 estimated values presented in previous financial years do not have a material impact on the present interim period. The key areas where the Management Board's estimates have considerable impact on consolidated financial statements are presented in the following explanatory notes:

#### Notes describing significant estimates and assumptions

Notes describing significant estimates and assumptions	Note
Impairment of non-financial assets	chapter (without a number)
Tax	12
Property, plant and equipment	14
Intangible assets and goodwill	15
Right-of-use assets	16
Investment properties	17
CO <sub>2</sub> emission allowances	19
Inventories	20
Energy origin certificates	21
Trade and other receivables	22
Assets and liabilities arising from contracts with customers	24
Cash and cash equivalents	25
Employee benefit liabilities	32
Provisions	33
Financial instruments and fair value	35

#### 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 - the 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 Group's annual consolidated financial statements for the year ended 31 December 2020, 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.

The Group concludes that these amendments to Standards and Interpretations have no impact on its financial statements.

### Change in presentation of items in statement of comprehensive income

In these consolidated financial statements, the Group changed the scope of presentation, within the statement of comprehensive income, for derivative transactions concerning CO<sub>2</sub> as well as electricity, gas and property rights, along with associated currency forward transactions. Results of the measurement of these transactions, previously presented as finance income or finance costs, were presented as other operating revenue or other operating costs. At the same time, the Group currently presents the results of these transactions on a net basis together with the results of other related derivatives transactions, previously presented as other operating revenue / other operating costs. According to the Group, this form of presentation reflects the Group's financial results better and more consistently because these transactions are related to the Group's operating activities.

For the 12-month period ended 31 December 2019			
	Approved data	Change in presentation of derivative transactions	Restated data
Revenue from sales	15 867 593		15 867 593
Excise duty	(71 295)		(71 295)
<b>Net revenue from sales</b>	<b>15 796 298</b>		<b>15 796 298</b>
Compensations	597 278		597 278
Revenue from operating leases and subleases	7 722		7 722
<b>Revenue from sales and other income</b>	<b>16 401 298</b>		<b>16 401 298</b>
Other operating revenue	320 076	(34 114)	285 962
Change in provision for onerous contracts	10 415		10 415
Depreciation/amortisation	(1 548 268)		(1 548 268)
Employee benefit costs	(1 904 022)		(1 904 022)
Use of materials and raw materials and value of goods sold	(3 333 521)		(3 333 521)
Purchase of electricity and gas for sales purposes	(6 090 506)		(6 090 506)
Transmission services	(447 154)		(447 154)
Other third-party services	(925 799)		(925 799)
Taxes and fees	(414 439)		(414 439)
Loss on change, sale and liquidation of property, plant and equipment and right-of-use assets	(57 585)		(57 585)
Reversal of impairment losses on non-financial non-current assets	(5 521)		(5 521)
Other operating costs	(148 454)	(38 279)	(186 733)
<b>Operating profit</b>	<b>1 856 520</b>	<b>(72 393)</b>	<b>1 784 127</b>
Finance costs	(441 858)	72 624	(369 234)
Finance income	64 121	(231)	63 890
Dividend income	201		201
Impairment of financial assets at amortised cost	(65 771)		(65 771)
Share of results of associates and jointly controlled entities	(482 165)		(482 165)
Impairment losses on non-financial non-current assets	(59 777)		(59 777)
<b>Profit before tax</b>	<b>871 271</b>		<b>871 271</b>
Income tax	(330 574)		(330 574)
<b>Net profit for the reporting period</b>	<b>540 697</b>		<b>540 697</b>

---

## 7. Functional currency and transactions in foreign currencies

---

### Accounting rules

---

#### Functional currency and presentation currency

Items in the financial statements of individual Group entities are measured in the main currency of the economic setting in which the entity operates (in the functional currency). Consolidated financial statements are presented in PLN, which is the functional and presentation currency for all of the Group's entities. 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.

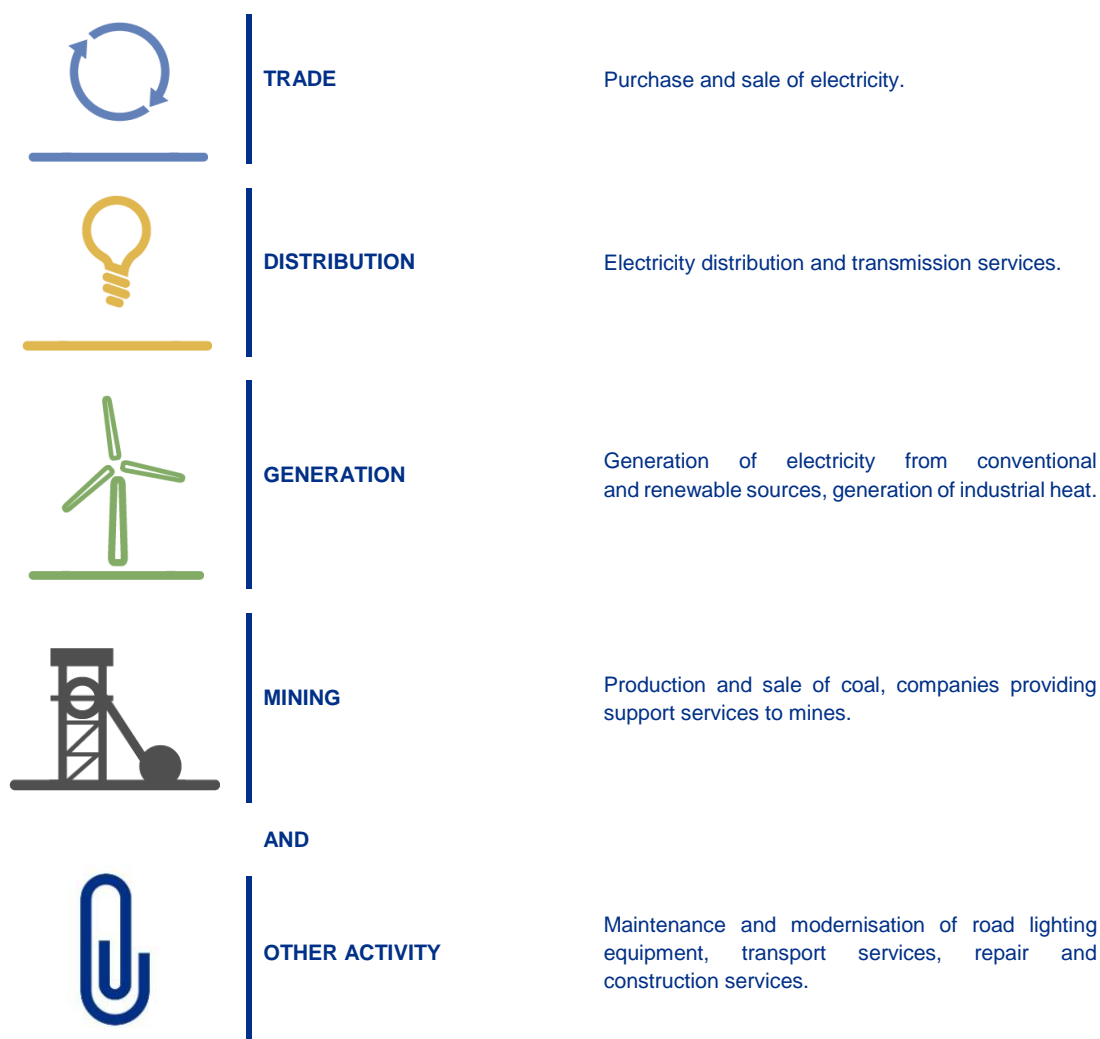
At the balance sheet date, foreign currency cash items are translated using the closing exchange rate (closing rate is the average exchange rate published by the National Bank of Poland for the measurement day).

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.

---

## Operating segments

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



Segment revenue is revenue generated from sales to external customers and transactions with other segments that can be directly attributed to the given segment. In 2020, within the mining segment, external customers whose shares in the Group's external sales exceeded 10% included: Grupa Azoty Zakłady Azotowe "Puławy" (50.0%) and PGE Group (14.0%). Segment costs include the cost of sales to external customers and costs of transactions with other segments within the Group that result from the operating activities of a given segment and can be directly attributed to the given segment. Market prices are applied to inter-segment transactions, which makes it possible for units to generate margins sufficient to independently operate on the market. In analysing segment results, the Group especially focuses on EBITDA. EBITDA is defined as operating profit (calculated as result before tax adjusted by the share of results of associates and jointly controlled entities, impairment of financial assets at amortised cost, impairment of investments in associates and jointly controlled entities, finance income, dividend income and finance costs) plus amortisation and impairment of non-financial non-current assets. Rules for determining segment results and segment assets and liabilities are in compliance with the accounting rules used in preparing consolidated financial statements.

In the third quarter of 2020, ENEA Logistyka Sp. z o.o. became a subsidiary of ENEA Operator Sp. z o.o. According to the Parent's Management Board, placing this company in the distribution segment better reflects the nature of its business. This is why the revenue, costs, assets and liabilities of ENEA Logistyka Sp. z o.o. are presented in these consolidated financial statements in the distribution segment rather than in the other activities segment. The comparative period in notes concerning segments was also appropriately restated.

### Information on geographic segments

The Group's activities in 2020 and 2019 were in one geographic segment, i.e. in Poland, and all of its assets were located in Poland.

**Segment results:**

Segment results for the period from 1 January to 31 December 2020 are as follows:



	TRADE	DISTRIBUTION	GENERATION	MINING	OTHER ACTIVITY	EXCLUSIONS	TOTAL
Net revenue from sales	6 749 844	3 190 313	7 855 482	267 094	113 772	-	18 176 505
Inter-segment sales	3 585 598	37 829	565 189	1 545 731	354 936	(6 089 283)	-
<b>Total net revenue from sales</b>	<b>10 335 442</b>	<b>3 228 142</b>	<b>8 420 671</b>	<b>1 812 825</b>	<b>468 708</b>	<b>(6 089 283)</b>	<b>18 176 505</b>
Compensations	3 284	-	-	-	-	-	3 284
Revenue from operating leases and subleases	-	-	603	9 287	4 925	(50)	14 765
<b>Revenue from sales and other income</b>	<b>10 338 726</b>	<b>3 228 142</b>	<b>8 421 274</b>	<b>1 822 112</b>	<b>473 633</b>	<b>(6 089 333)</b>	<b>18 194 554</b>
Total costs	(10 355 101)	(2 548 287)	(10 864 630)	(1 694 685)	(459 548)	6 093 093	(19 829 158)
<b>Segment result</b>	<b>(16 375)</b>	<b>679 855</b>	<b>(2 443 356)</b>	<b>127 427</b>	<b>14 085</b>	<b>3 760</b>	<b>(1 634 604)</b>
Depreciation/amortisation	(1 540)	(633 451)	(569 439)	(336 549)	(73 371)	-	-
Impairment losses on non-financial non-current assets	-	-	(3 403 993)	(6 161)	-	-	-
<b>Segment result - EBITDA</b>	<b>(14 835)</b>	<b>1 313 306</b>	<b>1 530 076</b>	<b>470 137</b>	<b>87 456</b>	-	-
<b>% of revenue from sales and other income</b>	<b>(0.1%)</b>	<b>40.7%</b>	<b>18.2%</b>	<b>25.8%</b>	<b>18.5%</b>	-	-
Unallocated costs at Group level (administration expenses)	-	-	-	-	-	-	(71 655)
<b>Operating loss</b>	-	-	-	-	-	-	<b>(1 706 259)</b>
Finance costs	-	-	-	-	-	-	(346 336)
Finance income	-	-	-	-	-	-	54 346
Dividend income	-	-	-	-	-	-	283
Impairment of financial assets at amortised cost	-	-	-	-	-	-	(144 014)
Share of results of associates and jointly controlled entities	-	-	-	-	-	-	(332 361)
Impairment of investments in associates and jointly controlled entities	-	-	-	-	-	-	(129 208)
Income tax	-	-	-	-	-	-	369 212
<b>Net loss</b>	-	-	-	-	-	-	<b>(2 234 337)</b>
<b>Share of profit attributable to non-controlling interests</b>	-	-	-	-	-	-	<b>34 075</b>

**Segment results:**

Segment results for the period from 1 January to 31 December 2019 are as follows:



	TRADE	DISTRIBUTION	GENERATION	MINING	OTHER ACTIVITY	EXCLUSIONS	TOTAL
Net revenue from sales	7 377 688	2 922 390	5 082 660	314 635	98 925	-	15 796 298
Inter-segment sales	2 260 086	44 471	2 989 230	1 840 921	345 481	(7 480 189)	-
<b>Total net revenue from sales</b>	<b>9 637 774</b>	<b>2 966 861</b>	<b>8 071 890</b>	<b>2 155 556</b>	<b>444 406</b>	<b>(7 480 189)</b>	<b>15 796 298</b>
Compensations	597 163	-	115	-	-	-	597 278
Revenue from operating leases and subleases	-	-	340	2 302	5 151	(71)	7 722
<b>Revenue from sales and other income</b>	<b>10 234 937</b>	<b>2 966 861</b>	<b>8 072 345</b>	<b>2 157 858</b>	<b>449 557</b>	<b>(7 480 260)</b>	<b>16 401 298</b>
Total costs	(10 286 317)	(2 473 819)	(7 041 787)	(1 739 665)	(423 242)	7 416 425	(14 548 405)
<b>Segment result</b>	<b>(51 380)</b>	<b>493 042</b>	<b>1 030 558</b>	<b>418 193</b>	<b>26 315</b>	<b>(63 835)</b>	<b>1 852 893</b>
Depreciation/amortisation	(1 711)	(603 664)	(553 534)	(352 984)	(61 295)	-	-
(Impairment loss)/reversal of impairment loss on non-financial non-current assets	-	4 279	(10 050)	250	-	-	-
<b>Segment result - EBITDA</b>	<b>(49 669)</b>	<b>1 092 427</b>	<b>1 594 142</b>	<b>770 927</b>	<b>87 610</b>		
<b>% of revenue from sales and other income</b>	<b>(0.5%)</b>	<b>36.8%</b>	<b>19.8%</b>	<b>35.7%</b>	<b>19.5%</b>		
Unallocated costs at Group level (administration expenses)							(68 766)
<b>Operating profit</b>							<b>1 784 127</b>
Finance costs							(369 234)
Finance income							63 890
Dividend income							201
Impairment of financial assets at amortised cost							(65 771)
Share of results of associates and jointly controlled entities							(482 165)
Impairment of investments in associates and jointly controlled entities							(59 777)
Income tax							(330 574)
<b>Net profit</b>							<b>540 697</b>
<b>Share of profit attributable to non-controlling interests</b>							<b>117 492</b>

Other information concerning segments as at 31 December 2020 and for the 12-month period ended on that date is as follows:



	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Property, plant and equipment	14 392	9 889 504	5 978 596	3 158 735	368 500	(515 537)	18 894 190
Trade and other receivables	1 421 069	313 950	735 455	268 999	93 293	(630 881)	2 201 885
Costs related to the conclusion of agreements	24 684	-	-	-	-	-	24 684
Assets arising from contracts with customers	127 988	206 426	18	-	311	(12 297)	322 446
<b>Total</b>	<b>1 588 133</b>	<b>10 409 880</b>	<b>6 714 069</b>	<b>3 427 734</b>	<b>462 104</b>	<b>(1 158 715)</b>	<b>21 443 205</b>
ASSETS excluded from segments							8 446 658
- including property, plant and equipment							9 532
- including trade and other receivables							2 687
<b>TOTAL ASSETS</b>							<b>29 889 863</b>
Trade and other payables	338 466	526 855	625 379	244 462	204 054	(351 012)	1 588 204
Liabilities arising from contracts with customers	324 455	222 155	-	1 329	1 689	(292 166)	257 462
<b>Total</b>	<b>662 921</b>	<b>749 010</b>	<b>625 379</b>	<b>245 791</b>	<b>205 743</b>	<b>(643 178)</b>	<b>1 845 666</b>
Equity and liabilities excluded from segments							28 044 197
- including trade and other payables							582 515
<b>TOTAL EQUITY AND LIABILITIES</b>							<b>29 889 863</b>
<b>For the year ended 31 December 2020</b>							
Investment expenditures on property, plant and equipment and intangible assets	627	1 128 385	531 754	612 461	47 395	(55 566)	2 265 056
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							-
Depreciation/amortisation	1 540	633 451	569 439	336 549	73 371	(18 530)	1 595 820
Amortisation excluded from segments							2 243
Recognition/(reversal/use) of impairment losses on receivables	4 095	(11 429)	(10 143)	(1 100)	445	(117)	(18 249)
Recognition of impairment losses on non-financial non-current assets	-	-	3 403 993	6 161	-	-	3 410 154

Other information concerning segments as at 31 December 2019 and for the 12-month period ending on that day is as follows:



	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Property, plant and equipment	14 777	9 286 046	9 399 673	2 877 136	370 997	(487 292)	21 461 337
Trade and other receivables	1 276 901	311 253	1 068 321	245 030	86 534	(891 869)	2 096 170
Costs related to the conclusion of agreements	25 395	-	-	-	-	-	25 395
Assets arising from contracts with customers	119 665	214 946	388	-	504	(5 056)	330 447
<b>Total</b>	<b>1 436 738</b>	<b>9 812 245</b>	<b>10 468 382</b>	<b>3 122 166</b>	<b>458 035</b>	<b>(1 384 217)</b>	<b>23 913 349</b>
ASSETS excluded from segments							8 930 505
- including property, plant and equipment							9 467
- including trade and other receivables							48 259
<b>TOTAL ASSETS</b>							<b>32 843 854</b>
Trade and other payables	562 020	468 229	873 069	251 396	194 856	(396 943)	1 952 627
Liabilities arising from contracts with customers	512 613	101 221	-	444	1 405	(499 982)	115 701
<b>Total</b>	<b>1 074 633</b>	<b>569 450</b>	<b>873 069</b>	<b>251 840</b>	<b>196 261</b>	<b>(896 925)</b>	<b>2 068 328</b>
Equity and liabilities excluded from segments							30 775 526
- including trade and other payables							80 588
<b>TOTAL EQUITY AND LIABILITIES</b>							<b>32 843 854</b>
<b>For the year ended 31 December 2019</b>							
Investment expenditures on property, plant and equipment and intangible assets	722	986 337	788 326	409 507	84 841	(36 992)	2 232 741
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							-
Depreciation/amortisation	1 711	603 664	553 534	352 984	61 295	(27 094)	1 546 094
Amortisation excluded from segments							2 174
Recognition/(reversal/use) of impairment losses on receivables	(5 560)	1 610	(822)	724	(353)	141	(4 260)
Recognition/(reversal) of impairment losses on non-financial non-current assets	-	(4 279)	10 050	(250)	-	-	5 521

## Impairment of non-financial assets

### Accounting rules

The Group's assets that are subject to depreciation are analysed in terms of impairment whenever indications of 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). Cash generating units are never larger than operating segments.

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

### Significant judgements and estimates

#### Recoverable value of tangible and intangible assets

Cash generating units are tested for impairment using a variety of assumptions, some of which are beyond the Group's control. Significant changes in these estimates have an impact on impairment test results and, in consequence, on the Group's financial position and financial results, described further below.

As at 30 September 2020, in connection with information and analyses concerning changes in the market prices of CO<sub>2</sub> emission allowances, electricity, energy origin certificates and forecasts for macroeconomic indicators, ENEA Group carried out impairment tests for property, plant and equipment in areas involved in the generation of electricity, among others. Based on these tests, the necessity to recognise the following events was identified.

Based on the analysis, impairment losses were recognised on non-financial non-current assets at CGU Elektrownie Systemowe Kozienice amounting to PLN 2 881 174 thousand. This impairment loss reduced the Group's net financial result by PLN 2 333 751 thousand. As at 30 June 2020, impairment losses on non-financial non-current assets at CGU Elektrownie Kozienice amounted to PLN 522 822 thousand. This impairment loss reduced the Group's financial result by a total of PLN 423 486 thousand. The Group decided not to reverse the impairment losses on non-financial non-current assets that had been recognised in previous years.

Presented below are the results of these impairment tests:

CGU [PLN 000s]	Recoverable value	Book value
<b>CGU Elektrownie Systemowe Kozienice</b> – ENEA Wytwarzanie's generating assets at Świerże Górne	4 447 689	7 358 863
<b>CGU Wind</b> – ENEA Nowa Energia's wind-based generating assets	511 214	331 617
<b>CGU Hydro</b> – ENEA Nowa Energia's hydro-based generating assets	359 466	190 576
<b>CGU Biogas</b> – ENEA Nowa Energia's biogas-based generating assets	483	1 585
<b>CGU Elektrownie Systemowe Połaniec</b> – ENEA Elektrownia Połaniec generating assets (coal-based sources)	1 111 854	1 113 768
<b>CGU Zielony Blok</b> – ENEA Elektrownia Połaniec generating assets (biomass unit)	1 332 347	284 053
<b>CGU Białystok</b> – ENEA Ciepło's generating assets	798 828	699 754

The recoverable value of each CGU was estimated on the basis of useful value using the discounted cash flows approach based on financial projections.

The following forecast periods were used for testing the CGUs:

- CGU Elektrownie Systemowe Kozienice – until 2043,
- CGU Wind:
  - wind farm Darżyno until 2039,
  - wind farm Bardy until 2043,



- wind farm Baczyna until 2043,
- CGU Hydro – until 2043,
- CGU Biogas – until 2024,
- CGU Elektrownie Systemowe Połaniec – until 2034,
- CGU Zielony Blok – until 2043,
- CGU Białystok – until 2043.

Presented below are the key assumptions used in impairment tests:

- assets were tested in seven CGUs (CGU Elektrownie Systemowe Kozienice, CGU Wind, CGU Hydro, CGU Biogas, CGU Elektrownie Systemowe Połaniec, CGU Zielony Blok, CGU Białystok),
- 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 230.1 PLN/MWh in 2021 to PLN 286.3 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 an average of approx. 7% in reference to 2021. After 2023, prices are forecast to remain in a downtrend at the average rate of approx. 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<sub>2</sub> emission allowances: the forecast sees gradual growth in the price of CO<sub>2</sub> 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],
  - 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 71.9 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 80.5 PLN/MWh in 2021, follows by stabilisation until 2043 [fixed prices 2020].
- quantity of CO<sub>2</sub> 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 Group used a premium for specific risk for the following 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<sub>2</sub> 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 value impact of selected factors on the total recoverable value (output value) of CGUs:

**Impact of change in discount rate (starting point depending on the CGU)**

Change in assumptions	-0.5pp	Output value	+0.5pp
<b>Change in recoverable value</b>	<b>655 042</b>	<b>8 591 881</b>	<b>(550 018)</b>
- CGU Elektrownie Systemowe Kozienice	296 343	4 477 689	(251 907)
- CGU Wind	25 235	511 214	(23 423)
- CGU Hydro	45 476	359 466	(36 985)
- CGU Biogas	4	483	(4)
- CGU Elektrownie Systemowe Polaniec	38 912	1 111 854	(37 136)
- CGU Zielony Blok	34 101	1 332 347	(32 648)
- CGU Białystok	214 971	798 828	(167 915)

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

Change in assumptions	-0.5pp	Starting value	+0.5pp
<b>Change in recoverable value</b>	<b>(610 965)</b>	<b>8 591 881</b>	<b>665 972</b>
- CGU Elektrownie Systemowe Kozienice	(314 519)	4 477 689	344 045
- CGU Wind	(23 503)	511 214	25 009
- CGU Hydro	(31 671)	359 466	34 573
- CGU Biogas	(2)	483	2
- CGU Elektrownie Systemowe Polaniec	(36 496)	1 111 854	36 978
- CGU Zielony Blok	(31 163)	1 332 347	32 316
- CGU Białystok	(173 611)	790 828	193 050

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

Change in assumptions	-1.0%	Starting value	+1.0%
<b>Change in recoverable value</b>	<b>(1 255 958)</b>	<b>8 591 881</b>	<b>1 228 269</b>
- CGU Elektrownie Systemowe Kozienice	(969 758)	4 477 689	953 523
- CGU Wind	(6 220)	511 214	6 220
- CGU Hydro	(9 046)	359 466	9 046
- CGU Biogas	(59)	483	59
- CGU Elektrownie Systemowe Polaniec	(183 229)	1 111 854	172 678
- CGU Zielony Blok	(54 709)	1 332 347	53 805
- CGU Białystok	(32 937)	798 828	32 938

**Impact of change in price of CO<sub>2</sub> emission allowances (impact of changes from 2022)**

Change in assumptions	-1.0%	Starting value	+1.0%
<b>Change in recoverable value</b>	<b>347 268</b>	<b>8 591 881</b>	<b>(349 335)</b>
- CGU Elektrownie Systemowe Kozienice	294 493	4 477 689	(295 372)
- CGU Wind	-	511 214	-
- CGU Hydro	-	359 466	-
- CGU Biogas	-	483	-
- CGU Elektrownie Systemowe Polaniec	46 054	1 111 854	(47 241)
- CGU Zielony Blok	-	1 332 347	-
- CGU Białystok	6 721	798 828	(6 722)

The Group performed a periodic assessment of asset impairment indications in the Mining segment (LWB) in accordance with IAS 36 Impairment of Assets. Due to the COVID-19 pandemic, which forces companies to operate in volatile, entirely unusual and unprecedented conditions, analysing these indications must be done especially carefully. Performing this evaluation for the purposes of the consolidated financial statements for 2020, the Group, based on an analysis of the current economic and market situation, believes that LWB's current market capitalisation remains below the balance sheet value of its net assets. It should be noted that this indication was already present at the end of the previous financial year and was the main reason for an impairment test performed as at 31 December 2019. Despite the fact that the full-scale pandemic took place in 2020, this does not constitute the main indication of possible impairment of non-current assets, rather merely an additional indication confirming the need to perform an impairment test.

During 2020 (in comparison with the end of the previous financial year) the share price and thus also market capitalisation continued to decline, although not as substantially. According to the Group, this situation mainly stems from factors that are beyond its control such as political factors and the EU's climate policy, and partly also low share liquidity and low free-float, as well as the economic slowdown brought on by the coronavirus pandemic. In connection with the above, despite the fact that the company's non-current assets were tested for impairment at the end of 2019 and at the end of June 2020, the Group is required to perform an impairment test for the Mining segment also at the end of 2020.

Due to the inability to determine fair values for a very large group of assets for which there is no active market and no comparable transactions, the recoverable values of these assets were determined by estimating their useful values using the discounted cash flow approach based on the Group's financial projections for 2021-2051.

Presented in the table below are the results of this impairment test:

CGU [PLN 000s] - as at 31 December 2020	Recoverable value	Book value
<b>CGU Mining</b>	3 099 059	2 818 172

The key assumptions used in estimating the value in use of the tested assets are presented below:

- given the links between the various divisions and the mine's organisational scheme, all of LWB's assets were considered as one CGU;
- 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;
- forecast period from 2021 to 2051 - was estimated on the basis of the company's extractable coal resources as at the balance sheet date (i.e. resources that are currently available using infrastructure existing as of the balance sheet date, which mainly concerns shafts. From 2035, the average annual output decreases as a result of deposits in the "Bogdanka" field being depleted and the assumption that only currently existing infrastructure is used);
- coal price: for the period 2021-2043, prices from studies prepared for the entire Group were used: the average coal sales price 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;
- real wage growth is assumed for the entire forecast period at a level that reflects the Group's best possible estimate as at the test date;
- the discount rate is the weighted average cost of capital (WACC) of 6.00% throughout the entire forecast period, estimated based on the latest economic data (using a risk-free rate of 1.71% and a beta coefficient of 1.07);
- an average annual level of investment expenditures in the entire forecast period of PLN 291 014 thousand, including on average PLN 421 729 thousand in 2021-2035.

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

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

Change in assumptions	-0.5pp	Starting value	+0.5pp
Change in recoverable value	189 228	3 099 059	(174 898)

#### Impact of changes in coal prices

Change in assumptions	-0.5%	Starting value	+0.5%
Change in recoverable value	(106 236)	3 099 059	106 236

#### Impact of changes in real wage growth

Change in assumptions	-0.5pp	Starting value	+0.5pp
Change in recoverable value	258 349	3 099 059	(280 455)

Furthermore, being aware of the significant impact of the effect of scale and optimal use of resources on LWB's financial and operating results, and taking into account the trend to move away from hard coal, the Group also analysed changes in recoverable values in the model in the case of a reduction in the output of coal for sales purposes during the entire forecast period by 5% (vs. the existing recoverable resources, for example if it should become necessary to shut down a mine earlier). The results of the analysis of changes in recoverable values are presented in the following table. However, it should be noted that if demand is reduced or other factors that can have an adverse impact on the overall level of output materialise, the Group is automatically taking appropriate optimisation activities in order to ensure the most effective use of resources and maximise economic benefits at a given level of production.

#### Impact of changes in commercial coal output

Change in assumptions	-5%	Starting value
Change in recoverable value	(81 791)	3 099 059

## Explanatory notes to the consolidated statement of comprehensive income

### 8. Revenue from sales

#### Accounting rules

##### Revenue recognition

The Group 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 Group as the Group performs,
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced (production in progress, for example), or
- the Group's performance does not create an asset with an alternative use to the Group and the Group 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 Group recognises revenue from the sale of the following product and service groups:

- services provided on a continuous basis - the amount of revenue depends on consumption (delivery of electricity, thermal energy, natural gas, provision of distribution services): revenue is recognised when the Group transfers control over a portion of the service being provided; the Group recognises revenue in the amount of remuneration from a client, to which it is entitled, which directly corresponds to the value of service so far provided to the client - this value is the amount that the Group is authorised to invoice for;
- delivery of goods/services settled at a fixed moment in time (sale of property rights): revenue is recognised when control over the product/service is transferred; the transfer of control takes place when the goods are made available to the client or when service is provided;
- services provided on a continuous basis - the amount of revenue depends on the passage of time (sale of lighting services, process support services): revenue from the sale of services is recognised over time because these services are provided on a continuous basis and therefore a certain portion of such service is subject to transfer at every point in time when service is provided; due to the fact that the value of services rendered to the client does not differ between specific settlement periods, the Group recognises revenue from services provided on the basis of fixed monthly payments (depending on consumption);
- services provided on a continuous basis - based on the status of work (construction services): commitment to provide a service is satisfied over time because as a result of service being provided an asset is created or improved and control over this asset is with the client; revenue from the provision of service is recognised over time - using the overlay approach - cost approach, based on which the level of contract progress is determined by comparing the amount of costs incurred to perform the contract to the overall costs budgeted in the contract.

Revenue from sales is recognised in the net amount of remuneration when the Group acts as agent, i.e. its performance perform 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 Group's expectations - the Group will be entitled in exchange for the provision of goods or services by another entity. The fee or commission due for the Group may be a net amount that the Group retains after payment to another entity of consideration in exchange for goods or services provided by this entity. The Group recognises as revenue the Price difference amount and the Financial compensations from the 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 Group in order to conclude an agreement with a customer that would not have been incurred by the Group 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.

##### Connection fees

Revenue from connection fees is recognised on a one-off basis as revenue when connection works are completed.

## Net revenue from sales

	Year ended	
	31 December 2020	31 December 2019
Revenue from the sale of electricity	13 872 606	11 865 052
Revenue from the sale of distribution services	3 097 810	2 823 514
Revenue from the sale of goods and materials	106 296	105 744
Revenue from the sale of other products and services	166 286	170 810
Revenue from origin certificates	9 268	29 587
Revenue from the sale of industrial heat	356 547	352 746
Revenue from the sale of coal	234 817	269 146
Revenue from the sale of gas	332 875	179 699
<b>Total net revenue from sales</b>	<b>18 176 505</b>	<b>15 796 298</b>

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

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

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

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

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

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

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

	Year ended	
	31 December 2020	31 December 2019
Revenue from continuous services	17 303 291	14 868 265
Revenue from services provided at specified time	873 214	928 033
<b>Total</b>	<b>18 176 505</b>	<b>15 796 298</b>

## 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 Group 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 Group 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.

### Costs by nature

	Year ended	
	31 December 2020	31 December 2019
<b>Depreciation/amortisation</b>	<b>(1 598 063)</b>	<b>(1 548 268)</b>
<b>Employee benefit costs</b>	<b>(1 963 108)</b>	<b>(1 904 022)</b>
- remuneration	(1 448 846)	(1 403 998)
- social insurance and other benefits	(514 262)	(500 024)
<b>Use of materials and raw materials and value of goods and materials sold</b>	<b>(3 643 315)</b>	<b>(3 333 521)</b>
- use of materials and energy	(3 223 367)	(3 211 245)
- value of goods and materials sold	(419 948)	(122 276)
<b>Value of purchased electricity and gas for sales purposes</b>	<b>(7 514 300)</b>	<b>(6 090 506)</b>
<b>Third-party services</b>	<b>(1 386 312)</b>	<b>(1 372 953)</b>
- transmission services	(472 104)	(447 154)
- other third-party services	(914 208)	(925 799)
<b>Taxes and fees</b>	<b>(443 407)</b>	<b>(414 439)</b>
<b>Total</b>	<b>(16 548 505)</b>	<b>(14 663 709)</b>

### Employee benefit costs

	Year ended	
	31 December 2020	31 December 2019
<b>Wage costs</b>	<b>(1 448 846)</b>	<b>(1 403 998)</b>
- present wages	(1 352 972)	(1 293 333)
- longevity bonuses	(41 570)	(65 351)
- retirement and disability severance payments	(10 104)	(7 042)
- Other	(44 200)	(38 272)
<b>Cost of social insurance and other benefits</b>	<b>(514 262)</b>	<b>(500 024)</b>
- social security contributions (ZUS)	(285 665)	(271 603)
- contributions to Company Social Benefit Fund (ZFSS)	(59 076)	(49 996)
- other social benefits	(97 508)	(102 443)
- other post-employment benefits	(1 568)	(2 651)
- Other	(70 445)	(73 331)
<b>Total</b>	<b>(1 963 108)</b>	<b>(1 904 022)</b>

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
Release of provision for compensation claims	-	1 035
Release of other provisions	29 568	150 834
Reimbursement of costs by insurer	17 448	7 372
Accounting for income from subsidies	11 414	8 915
Compensation, penalties, fines	47 782	42 100
Reversal of unused impairment losses	23 330	8 338
Property, plant and equipment received for free	48 623	41 514
Realised exchange differences - hedging operations	22 636	-
Unrealised exchange differences - hedging operations	8 094	-
Changes in fair value of financial instruments	-	231
Other operating revenue	39 920	25 623
<b>Total</b>	<b>248 815</b>	<b>285 962</b>

### Other operating costs

	Year ended	
	31 December 2020	31 December 2019
Recognition of provision for compensation claims	(28 745)	(41 116)
Recognition of other provisions	(54 075)	(32 427)
Impairment of receivables	(4 953)	(2 631)
Write-off of uncollectible receivables	(12 754)	(12 831)
Impairment of inventory	-	(84)
Costs of court proceedings	(14 774)	(15 162)
Trade union costs	(1 940)	(1 641)
Compensation for non-contractual use of land	(1 065)	(1 464)
Realised exchange differences - hedging operations	-	(30 147)
Unrealised exchange differences - hedging operations	-	(4 137)
Changes in fair value of financial instruments	(618)	(3 995)
Other operating costs	(54 900)	(41 098)
<b>Total</b>	<b>(173 824)</b>	<b>(186 733)</b>

## 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
<b>Interest income</b>	<b>24 880</b>	<b>42 117</b>
- bank accounts and deposits	11 767	41 219
- other loans and receivables	10 568	618
- financial leases and sub-leases	339	280
- other	2 206	-
<b>Exchange differences</b>	<b>312</b>	<b>2</b>
<b>Changes in fair value of financial instruments</b>	<b>28 592</b>	<b>15 732</b>
<b>Other finance income</b>	<b>562</b>	<b>6 039</b>
<b>Total</b>	<b>54 346</b>	<b>63 890</b>

## Finance costs

	Year ended	
	31 December 2020	31 December 2019
<b>Interest costs</b>	<b>(242 992)</b>	<b>(254 510)</b>
- cost of interest on loans and credit	(45 427)	(45 802)
- cost of interest on bonds	(132 423)	(171 473)
- cost of interest on lease liabilities	(13 578)	(14 988)
- cost of interest on IRS swaps	(38 760)	(11 259)
- other interest	(12 804)	(10 988)
<b>Exchange differences</b>	<b>(158)</b>	<b>(138)</b>
<b>Cost of discount concerning employee benefits and provisions</b>	<b>(46 754)</b>	<b>(55 080)</b>
<b>Changes in fair value of financial instruments</b>	<b>(45 212)</b>	<b>(47 153)</b>
<b>Other finance costs</b>	<b>(11 220)</b>	<b>(12 353)</b>
<b>Total</b>	<b>(346 336)</b>	<b>(369 234)</b>

## 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.

### 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 Group 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 budgets of Group companies.

## Income tax

	Year ended	
	31 December 2020	31 December 2019
current tax	(290 339)	(350 370)
deferred tax	659 551	19 796
<b>Income tax</b>	<b>369 212</b>	<b>(330 574)</b>



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

	Year ended	
	31 December 2020	31 December 2019
(Loss)/profit before tax	(2 603 549)	871 271
Tax calculated using the 19% rate	494 674	(165 541)
Non-deductible costs (permanent differences * 19%)	(128 728)	(138 066)
Non-taxable revenue (permanent differences * 19%)	8 075	7 038
Other * 19%	(4 809)	(34 005)
<b>Decrease of financial result due to income tax</b>	<b>369 212</b>	<b>(330 574)</b>

Impairment of investment in associates and jointly-controlled entities constitutes the largest item of non-deductible costs.

#### Deferred income tax

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

	As at	
	31 December 2020	31 December 2019
Deferred income tax assets	2 262 460	1 360 169
Offset of deferred income tax assets and provision	(966 399)	(790 800)
<b>Deferred income tax assets after offset</b>	<b>1 296 061</b>	<b>569 369</b>
Deferred income tax provision	1 411 493	1 204 192
Offset of deferred income tax assets and provision	(966 399)	(790 800)
<b>Deferred income tax provision after offset</b>	<b>445 094</b>	<b>413 392</b>

Deferred income tax assets as at 31 December 2020 to be realised within 12 months amounted to PLN 876 244 thousand (PLN 675 818 thousand as at 31 December 2019), while those over 12 months PLN 1 386 216 thousand (PLN 684 351 thousand as at 31 December 2019).

Deferred income tax provision as at 31 December 2020 to be realised within 12 months amounted to PLN 361 512 thousand (PLN 186 769 thousand as at 31 December 2019), while those over 12 months PLN 1 049 981 thousand (PLN 1 017 423 thousand as at 31 December 2019).

At 31 December 2020, there were no indications of the risk that deferred income tax assets would not be recovered. The increase in deferred income tax assets mainly results from recognised impairment losses on non-financial non-current assets. According to the Group, the differences between the tax values and balance sheet values of tangible assets will be fully realised in the coming periods.

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

**Deferred income tax assets:**

	Employee benefit liabilities	Provision for the cost of energy origin certificates	Provision for storage, rehabilitation and CO <sub>2</sub> emission allowance purchases	Taxable costs after end of settlement period	Differences between balance sheet value and tax value of intangible assets	Impairment of non-financial tangible assets*	Other	Total
<b>As at 1 January 2019</b>	<b>202 605</b>	<b>57 271</b>	<b>117 685</b>	<b>103 544</b>	<b>157 721</b>	<b>353 399</b>	<b>453 805</b>	<b>1 446 030</b>
Adjustments	-	-	-	(103 138)	-	-	104 354	1 216
<b>As at 1 January 2019, adjusted</b>	<b>202 605</b>	<b>57 271</b>	<b>117 685</b>	<b>406</b>	<b>157 721</b>	<b>353 399</b>	<b>558 159</b>	<b>1 447 246</b>
(Charge)/addition to profit or loss	14 763	(20 680)	138 877	1 982	(32 834)	(2 743)	(201 437)	(102 072)
(Charge)/addition to other comprehensive income	16 267	-	-	(2)	-	16	(1 286)	14 995
<b>As at 31 December 2019 using the 19% rate</b>	<b>233 635</b>	<b>36 591</b>	<b>256 562</b>	<b>2 386</b>	<b>124 887</b>	<b>350 672</b>	<b>355 436</b>	<b>1 360 169</b>
<b>As at 1 January 2020</b>	<b>233 635</b>	<b>36 591</b>	<b>256 562</b>	<b>2 386</b>	<b>124 887</b>	<b>350 672</b>	<b>355 436</b>	<b>1 360 169</b>
(Charge)/addition to profit or loss	3 363	(4 176)	117 157	142	(27 202)	646 608	131 493	867 385
Recognised in other comprehensive income	14 423	-	-	-	-	-	20 483	34 906
<b>As at 31 December 2020 using the 19% rate</b>	<b>251 421</b>	<b>32 415</b>	<b>373 719</b>	<b>2 528</b>	<b>97 685</b>	<b>997 280</b>	<b>507 412</b>	<b>2 262 460</b>

\* including property, plant and equipment, other intangible assets and perpetual usufruct of land.

As at 31 December 2020, tax losses to be settled in future periods amounted to PLN 35 464 thousand. This amount was taken into consideration in calculating deferred income tax assets.

**Deferred income tax provision:**

	Taxable income after end of settlement period	Recorded, uninvoiced sales	Differences between balance sheet value and tax value of tangible assets*	Net provision for mine liquidation	Other	Total
<b>As at 1 January 2019</b>	<b>122 690</b>	<b>47 476</b>	<b>901 752</b>	<b>10 397</b>	<b>244 050</b>	<b>1 326 365</b>
Adjustments	(103 138)	-	-	-	104 354	1 216
<b>As at 1 January 2019, adjusted</b>	<b>19 552</b>	<b>47 476</b>	<b>901 752</b>	<b>10 397</b>	<b>348 404</b>	<b>1 327 581</b>
Charge/(addition) to profit or loss	(2 278)	(1 841)	153 283	(133)	(270 899)	(121 868)
Recognised in other comprehensive income	-	-	-	-	(1 521)	(1 521)
<b>As at 31 December 2019 using the 19% rate</b>	<b>17 274</b>	<b>45 635</b>	<b>1 055 035</b>	<b>10 264</b>	<b>75 984</b>	<b>1 204 192</b>
<b>As at 1 January 2020</b>	<b>17 274</b>	<b>45 635</b>	<b>1 055 035</b>	<b>10 264</b>	<b>75 984</b>	<b>1 204 192</b>
Charge/(addition) to profit or loss	(4 311)	(425)	55 761	212	156 597	207 834
Recognised in other comprehensive income	-	-	-	-	(533)	(533)
<b>As at 31 December 2020 using the 19% rate</b>	<b>12 963</b>	<b>45 210</b>	<b>1 110 796</b>	<b>10 476</b>	<b>232 048</b>	<b>1 411 493</b>

\* The differences stem from fair-value measurements of tangible assets and differences in amortisation rates.

### 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 Parent'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 shareholders of the Parent	(2 268 412)	423 205
Weighted average number of ordinary shares	441 442 578	441 442 578
<b>Net (loss)/profit per share (in PLN per share)</b>	<b>(5.14)</b>	<b>0.96</b>
<b>Diluted (loss)/profit per share (in PLN per share)</b>	<b>(5.14)</b>	<b>0.96</b>

## Explanatory notes to the consolidated 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 Group 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.

Mine closure costs initially recognised in the value of tangible assets are subject to depreciation using the same method as the tangible assets they concern, starting from the moment a given tangible asset is put into service, over a period specified in the mine closure plan within the expected mine closure schedule.

Land is not subject to depreciation. Other tangible assets are depreciated on a straight-line basis throughout the period of use or using the natural method based on the longwall length (in the case of operational excavations). 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.

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.

Within its activities, the Group receives tangible assets for free, which are initially measured at fair value. Property, plant and equipment received for free, in the form of power infrastructure (connections, lighting grid) is recognised by the Group on a one-off basis in other operating revenue when it is received (except for the receipt of lighting infrastructure in exchange for services - in which case they are accounted for over time).

#### 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 Group ceases to capitalise external financing costs when the asset is handed over for use. The Group 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 charges 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 in 2021 on the amount of depreciation is PLN (3 461 thousand).

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).

Use periods for property, plant and equipment are as follows:

– buildings and structures	10 – 80 years
– including power grids	33 years
– structures (operational excavations)	natural method depreciation based on length of wall
– technical equipment and machinery	2 – 50 years

– means of transport	3 – 30 years
– other property, plant and equipment	3 – 25 years

**Estimating the useful life of mines and coal resources**

The end of the life-cycle of the mine (LWB) is currently estimated to be 2051, and this did not change from the previous annual financial statements, for 2019. The actual deadline for mine closure might be different from the Group's estimates. This results from the calculation being based on the mine's estimated life-cycle and only the coal resources being available as at the reporting date. A decline in demand for the Group's coal might result in production falling below production capacities, which would extend the mine life-cycle.

## Property, plant and equipment

For the financial year ended 31 December 2020:

	Land	Buildings and structures including excavations	Technical equipment and machinery	Means of transport	Other tangible assets	Tangible assets under construction	Total
<b>Gross value</b>							
<b>As at 1 January 2020</b>	<b>120 238</b>	<b>17 537 426</b>	<b>1 669 857</b>	<b>14 710 216</b>	<b>368 826</b>	<b>792 254</b>	<b>34 661 283</b>
Transfers	1 752	1 145 338	279 922	990 211	22 968	112 279	32 547
Purchase	-	(42 823)	-	(7 204)	1 500	4 613	2 248 216
Sale	(115)	(82)	-	(400)	(5 750)	(18 154)	(24 501)
Discontinued investments	-	-	-	-	-	(12)	(12)
Liquidation	(214)	(139 536)	(84 770)	(19 347)	(4 978)	-	(168 704)
Other	(3 156)	75 872	-	2 620	-	(2 477)	85 271
<b>As at 31 December 2020</b>	<b>118 505</b>	<b>18 576 195</b>	<b>1 865 009</b>	<b>15 676 096</b>	<b>382 566</b>	<b>883 886</b>	<b>36 834 100</b>
<b>Accumulated depreciation</b>							
<b>As at 1 January 2020</b>	<b>-</b>	<b>(5 995 024)</b>	<b>(459 045)</b>	<b>(5 140 290)</b>	<b>(147 049)</b>	<b>(449 694)</b>	<b>(11 734 713)</b>
Sale	4	73	-	379	4 321	18 154	22 931
Depreciation	-	(722 661)	(163 343)	(698 378)	(24 981)	(58 734)	(1 504 754)
Liquidation	-	101 832	55 678	17 985	6 167	4 598	130 582
Other	-	153	8	1 154	-	1 036	2 343
<b>As at 31 December 2020</b>	<b>4</b>	<b>(6 615 627)</b>	<b>(566 702)</b>	<b>(5 819 150)</b>	<b>(161 542)</b>	<b>(484 640)</b>	<b>(13 083 611)</b>
<b>Impairment</b>							
<b>As at 1 January 2020</b>	<b>(1 635)</b>	<b>(461 429)</b>	<b>-</b>	<b>(965 641)</b>	<b>(3 435)</b>	<b>(5 006)</b>	<b>(1 455 766)</b>
Decreases	225	26 242	-	28 151	94	250	56 012
Increases	(965)	(1 023 345)	-	(2 321 304)	(10 694)	(14 940)	(3 447 013)
<b>As at 31 December 2020</b>	<b>(2 375)</b>	<b>(1 458 532)</b>	<b>-</b>	<b>(3 258 794)</b>	<b>(14 035)</b>	<b>(19 696)</b>	<b>(4 846 767)</b>
<b>Net value at 1 January 2020</b>	<b>118 603</b>	<b>11 080 973</b>	<b>1 210 812</b>	<b>8 604 285</b>	<b>218 342</b>	<b>1 111 047</b>	<b>21 470 804</b>
<b>Net value at 31 December 2020</b>	<b>116 134</b>	<b>10 502 036</b>	<b>1 298 307</b>	<b>6 598 152</b>	<b>206 989</b>	<b>1 100 861</b>	<b>18 903 722</b>

No collateral is established on property, plant and equipment assets. External financing costs capitalised in 2020 were negligible.

For the financial year ended 31 December 2019:

	Land	Buildings and structures including excavations	Technical equipment and machinery	Means of transport	Other tangible assets	Tangible assets under construction	Total	
<b>Gross value</b>								
<b>As at 1 January 2019</b>	<b>114 786</b>	<b>16 376 934</b>	<b>1 465 088</b>	<b>14 196 007</b>	<b>344 174</b>	<b>674 706</b>	<b>1 336 239</b>	<b>33 042 846</b>
Adjustment due to implementation of IFRS 16	-	-	-	-	(10 028)	-	-	(10 028)
<b>As at 1 January 2019, adjusted</b>	<b>114 786</b>	<b>16 376 934</b>	<b>1 465 088</b>	<b>14 196 007</b>	<b>334 146</b>	<b>674 706</b>	<b>1 336 239</b>	<b>33 032 818</b>
Purchase	-	7 213	-	229 189	1 409	6 178	1 936 810	2 180 799
Sale	(50)	(339)	-	(172)	(8 540)	(43)	-	(9 144)
Transfers	5 528	1 375 054	410 125	320 884	47 444	110 968	(2 137 891)	(278 013)
Transfer to available-for-sale non-current assets	-	(35)	-	-	-	-	-	(35)
Liquidation	-	(305 206)	(205 356)	(38 122)	(5 849)	(3 622)	-	(352 799)
Transfer to investment properties	-	(43)	-	-	-	-	-	(43)
Discontinued investments	-	-	-	-	-	-	(120)	(120)
Other	(26)	83 848	-	2 430	216	4 067	(2 715)	87 820
<b>As at 31 December 2019</b>	<b>120 238</b>	<b>17 537 426</b>	<b>1 669 857</b>	<b>14 710 216</b>	<b>368 826</b>	<b>792 254</b>	<b>1 132 323</b>	<b>34 661 283</b>
<b>Accumulated depreciation</b>								
<b>As at 1 January 2019</b>	<b>-</b>	<b>(5 514 659)</b>	<b>(446 214)</b>	<b>(4 502 257)</b>	<b>(140 122)</b>	<b>(399 340)</b>	<b>(2 656)</b>	<b>(10 559 034)</b>
Adjustment due to implementation of IFRS 16	-	-	-	-	2 981	-	-	2 981
<b>As at 1 January 2019, adjusted</b>	<b>-</b>	<b>(5 514 659)</b>	<b>(446 214)</b>	<b>(4 502 257)</b>	<b>(137 141)</b>	<b>(399 340)</b>	<b>(2 656)</b>	<b>(10 556 053)</b>
Depreciation	-	(721 026)	(176 070)	(670 746)	(23 817)	(54 593)	-	(1 470 182)
Sale	-	189	-	121	6 628	-	-	6 938
Liquidation	-	239 057	161 834	32 747	7 371	3 641	-	282 816
Other	-	1 415	1 405	(155)	(90)	598	-	1 768
<b>As at 31 December 2019</b>	<b>-</b>	<b>(5 995 024)</b>	<b>(459 045)</b>	<b>(5 140 290)</b>	<b>(147 049)</b>	<b>(449 694)</b>	<b>(2 656)</b>	<b>(11 734 713)</b>
<b>Impairment</b>								
<b>As at 1 January 2019</b>	<b>(1 459)</b>	<b>(467 947)</b>	<b>-</b>	<b>(960 022)</b>	<b>(3 480)</b>	<b>(4 870)</b>	<b>(18 641)</b>	<b>(1 456 419)</b>
Decreases	-	12 785	-	8 022	52	32	260	21 151
Increases	(176)	(6 267)	-	(13 641)	(7)	(168)	(239)	(20 498)
<b>As at 31 December 2019</b>	<b>(1 635)</b>	<b>(461 429)</b>	<b>-</b>	<b>(965 641)</b>	<b>(3 435)</b>	<b>(5 006)</b>	<b>(18 620)</b>	<b>(1 455 766)</b>
<b>Net value at 1 January 2019</b>	<b>113 327</b>	<b>10 394 328</b>	<b>1 018 874</b>	<b>8 733 728</b>	<b>200 572</b>	<b>270 496</b>	<b>1 314 942</b>	<b>21 027 393</b>
Adjustment due to implementation of IFRS 16	-	-	-	-	(7 047)	-	-	(7 047)
<b>Net value at 1 January 2019, adjusted</b>	<b>113 327</b>	<b>10 394 328</b>	<b>1 018 874</b>	<b>8 733 728</b>	<b>193 525</b>	<b>270 496</b>	<b>1 314 942</b>	<b>21 020 346</b>
<b>Net value at 31 December 2019</b>	<b>118 603</b>	<b>11 080 973</b>	<b>1 210 812</b>	<b>8 604 285</b>	<b>218 342</b>	<b>337 554</b>	<b>1 111 047</b>	<b>21 470 804</b>



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 amounted to PLN 1 067 174 thousand as at 31 December 2020 (as at 31 December 2019: PLN 1 306 454 thousand).

---

## 15. Intangible assets and goodwill

---

### Accounting rules

---

#### Goodwill

Goodwill arising on acquisition results from an excess, on the acquisition date, of the sum of payments, non-controlling interests and the fair value of previously held interests in the acquired entities over the net fair value of identifiable assets, liabilities and conditional liabilities of the acquired entity as at the acquisition date.

In the case of a negative value, the Group reviews the fair values of each component of acquired net assets. If as a result of such a review the value continues to be negative, it is immediately recognised in the present period profit or loss.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less impairment.

For impairment testing purposes, goodwill is allocated to the Group's specific cash generating units that should receive the synergy benefits from the merger. The cash generating units to which goodwill is allocated are tested for impairment once a year or more frequently, if it can be reliably expected that impairment has occurred. If the recoverable value of a cash generating unit is smaller than its balance sheet value, an impairment loss is allocated first to reduce the balance sheet value of the goodwill allocated to this cash generating unit and subsequently to this unit's other assets proportionately to the balance sheet value of specific assets in this unit. An impairment loss on goodwill is irreversible.

#### Geological information

Purchased geological information is recognised in accordance with IFRS 6 *Exploration for and Evaluation of Mineral Resources*, in an amount resulting from the agreement executed with the Ministry of the Environment. Until a mining concession is secured, this is not subject to amortisation. Subsequently, capitalised costs are amortised throughout the term of the concession.

#### Fees

Fees for mining usufruct for hard coal mining areas within the "Bogdanka" deposit are capitalised in the amount of such fees. Capitalised costs are recognised throughout the expected period of mining usufruct (note 41).

#### Other intangible assets

Other 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.

#### 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 their capitalisation criteria 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.

---

### Significant judgements and estimates

---

#### Economic life and residual value

The amount of amortisation changes is determined on the basis of expected period of use for intangible assets. The verification conducted this year resulted in changes to amortisation periods. Their impact in 2021 on the amount of amortisation will be PLN (2 thousand).

Each year, the Group verifies the correctness of periods of use for intangible assets. Each change of amortisation 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 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).

---

**Useful life of intangible assets:**

– licences and software	2 – 10 years
– geological information	over the mining concession period (note 41)
– other intangible assets	2 – 40 years

---

## Intangible assets

For the financial year ended 31 December 2020:

	Costs of development work	Goodwill	Computer software, licences, concessions, patents	Geological information	Total
<b>Gross value</b>					
<b>As at 1 January 2020</b>	<b>10 485</b>	<b>229 323</b>	<b>624 016</b>	<b>40 856</b>	<b>904 680</b>
Transfers	-	-	23 831	-	23 831
Purchase	392	-	16 448	-	16 840
Transfer to available-for-sale non-current assets	-	-	(8)	-	(8)
Liquidation	-	-	(2 506)	-	(2 506)
Other	(284)	-	(347)	-	(631)
<b>As at 31 December 2020</b>	<b>10 593</b>	<b>229 323</b>	<b>661 434</b>	<b>40 856</b>	<b>942 206</b>
<b>Accumulated amortisation</b>					
<b>As at 1 January 2020</b>	<b>(3 313)</b>	<b>-</b>	<b>(286 084)</b>	<b>(2 598)</b>	<b>(291 995)</b>
Amortisation	(867)	-	(52 099)	(1 266)	(54 232)
Liquidation	-	-	2 316	-	2 316
Other	-	-	155	-	155
<b>As at 31 December 2020</b>	<b>(4 180)</b>	<b>-</b>	<b>(335 712)</b>	<b>(3 864)</b>	<b>(343 756)</b>
<b>Impairment</b>					
<b>As at 1 January 2020</b>	<b>-</b>	<b>(227 517)</b>	<b>(6 144)</b>	<b>-</b>	<b>(233 661)</b>
Decreases	-	124 919	47	-	124 966
Increases	-	(124 919)	(5 471)	-	(130 390)
<b>As at 31 December 2020</b>	<b>-</b>	<b>(227 517)</b>	<b>(11 568)</b>	<b>-</b>	<b>(239 085)</b>
<b>Net value at 1 January 2020</b>	<b>7 172</b>	<b>1 806</b>	<b>331 788</b>	<b>38 258</b>	<b>379 024</b>
<b>Net value at 31 December 2020</b>	<b>6 413</b>	<b>1 806</b>	<b>314 154</b>	<b>36 992</b>	<b>359 365</b>

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

For the financial year ended 31 December 2019:

	Costs of development work	Goodwill	Computer software, licences	Right to establish easement	Geological information	Total
<b>Gross value</b>						
<b>As at 1 January 2019</b>	<b>6 588</b>	<b>229 323</b>	<b>588 668</b>	<b>71 433</b>	<b>40 856</b>	<b>936 868</b>
Adjustment due to implementation of IFRS 16	-	-	-	(71 433)	-	(71 433)
<b>As at 1 January 2019, adjusted</b>	<b>6 588</b>	<b>229 323</b>	<b>588 668</b>	<b>-</b>	<b>40 856</b>	<b>865 435</b>
Transfers	-	-	(775)	-	-	(775)
Purchase	983	-	50 959	-	-	51 942
Liquidation	-	-	(14 158)	-	-	(14 158)
Transfer to available-for-sale non-current assets	-	-	(678)	-	-	(678)
Other	2 914	-	-	-	-	2 914
<b>As at 31 December 2019</b>	<b>10 485</b>	<b>229 323</b>	<b>624 016</b>	<b>-</b>	<b>40 856</b>	<b>904 680</b>
<b>Accumulated amortisation</b>						
<b>As at 1 January 2019</b>	<b>(2 417)</b>	<b>-</b>	<b>(255 121)</b>	<b>(8 096)</b>	<b>(1 705)</b>	<b>(267 339)</b>
Adjustment due to implementation of IFRS 16	-	-	-	8 096	-	8 096
<b>As at 1 January 2019, adjusted</b>	<b>(2 417)</b>	<b>-</b>	<b>(255 121)</b>	<b>-</b>	<b>(1 705)</b>	<b>(259 243)</b>
Amortisation	(896)	-	(44 661)	-	(893)	(46 450)
Liquidation	-	-	13 572	-	-	13 572
Transfer to available-for-sale non-current assets	-	-	184	-	-	184
Other	-	-	(58)	-	-	(58)
<b>As at 31 December 2019</b>	<b>(3 313)</b>	<b>-</b>	<b>(286 084)</b>	<b>-</b>	<b>(2 598)</b>	<b>(291 995)</b>
<b>Impairment</b>						
<b>As at 1 January 2019</b>	<b>-</b>	<b>(227 517)</b>	<b>(6 201)</b>	<b>(99)</b>	<b>-</b>	<b>(233 817)</b>
Adjustment due to implementation of IFRS 16	-	-	-	99	-	99
<b>As at January 2019, adjusted</b>	<b>-</b>	<b>(227 517)</b>	<b>(6 201)</b>	<b>-</b>	<b>-</b>	<b>(233 718)</b>
Decreases	-	-	57	-	-	57
<b>As at 31 December 2019</b>	<b>-</b>	<b>(227 517)</b>	<b>(6 144)</b>	<b>-</b>	<b>-</b>	<b>(233 661)</b>
<b>Net value at 1 January 2019</b>	<b>4 171</b>	<b>1 806</b>	<b>327 346</b>	<b>63 238</b>	<b>39 151</b>	<b>435 712</b>
Adjustment due to implementation of IFRS 16	-	-	-	(63 238)	-	(63 238)
<b>As at 1 January 2019, adjusted</b>	<b>4 171</b>	<b>1 806</b>	<b>327 346</b>	<b>-</b>	<b>39 151</b>	<b>372 474</b>
<b>Net value at 31 December 2019</b>	<b>7 172</b>	<b>1 806</b>	<b>331 788</b>	<b>-</b>	<b>38 258</b>	<b>379 024</b>

As at 31 December 2020 and 31 December 2019, goodwill covered goodwill at Miejska Energetyka Ciepła Piła Sp. z o.o.

Future contract liabilities related to the purchase of intangible assets incurred as at the reporting date but not yet recognised in the statement of financial position reached PLN 29 173 thousand as at 31 December 2020 (as at 31 December 2019: PLN 29 716 thousand).

## 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 Group 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 Group measures the right-of-use assets at purchase price less amortisation and impairment. The amortisation 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 amortisation period is from the commencement date to the end of the useful life of the underlying asset, or
- b) the amortisation 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. ENEA S.A., ENEA Operator Sp. z o.o., ENEA Wytwarzanie Sp. z o.o., Enea Elektrownia Połaniec S.A. and Lubelski Węgiel „Bogdanka” S.A. apply a residual interest rate, i.e. a rate that ENEA S.A. would be required to pay based on a similar lease or, if not possible to determine, an interest rate at the commencement date that ENEA S.A. would have to use to make a loan necessary to purchase the given asset for a similar period and with similar collateral. ENEA S.A. uses an interest rate equal to 6-month WIBOR from the last day of the year preceding the financial year, plus margin. The other companies use an interest rate equal to 1-month WIBOR from the last day of the year preceding the financial year, plus margin. The discount rate is analysed and updated every year. In the case of sub-leases, lessees at ENEA Group use the lessor's discount rate.

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

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

In most of its leases, the Group uses a lease period in accordance with the contractual period. For contracts executed for an indefinite period, the Group determines the minimum contractual term for both of the parties. If the Group is unable to determine how long it intends to use the asset and such an estimate could be treated as a lease term in the case of contracts with an indefinite period, the Group assumes that the irrevocable contractual period will be the termination period for that lease.

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

The Group 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 Group transfers the asset under a sub-lease or expects to transfers it. If the Group 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.

In June 2019, the IFRS Interpretations Committee issued a summary of decisions taken at public meetings concerning interpretations regarding IFRS 16, including regarding the right to underground parts of land. Prior to this decision being issued by the IFRIC, the Group had not treated contracts giving it the right to use underground portions of land as contracts constituting a lease in accordance with the definition of a lease introduced by IFRS 16. The Group also had not treated transmission easements as Leases both when electricity poles are situated on land covered by the easement and when infrastructure is not present and the easement only concerns an overhead power line. Following a detailed analysis of the impact of the Committee's decisions on accounting rules, the Group considered these contracts as leases. This led to an increase in right-of-use assets and lease liabilities presented in the statement of financial position. Right-of-use assets concerning easements for State Forests was recognised at zero value due to the variability of fees. Detailed impact of this change is presented in note 15 and in the table below.

---

## Significant judgements and estimates

---

### Right to use underground parts of land

The value of right-of-use assets and lease liabilities were estimated on the basis of annual payments and the estimated period of economic use resulting from the register of tangible asset. In the future, the Group plans to identify in detail contracts concerning the use of underground parts of roadways and other contracts concerning the placement of equipment on roadways, and to specify on this basis the precise values of the right to use these assets.

### Discount rate

The way in which the discount rate is determined is described above in accounting rules.

---

## Right-of-use assets

For the financial year ended 31 December 2020:

	Right to perpetual usufruct of land	Buildings	Technical equipment and machinery	Means of transport	Right to establish easement	Right-of-use assets concerning underground parts of land	Other	Total
<b>Gross value</b>								
<b>As at 1 January 2020</b>	<b>352 276</b>	<b>15 483</b>	<b>611</b>	<b>15 080</b>	<b>98 550</b>	<b>300 544</b>	<b>-</b>	<b>782 544</b>
Purchase	1 199	2 949	-	10 954	104	-	213	15 419
Received free-of-charge	3 565	5 001	-	-	9 959	18 873	4 591	41 989
Liquidation	(1 304)	(1 079)	-	(2 793)	-	(219)	(116)	(5 511)
Other	2 935	7	(173)	(170)	22	(102)	(23)	2 496
<b>As at 31 December 2020</b>	<b>358 671</b>	<b>22 361</b>	<b>438</b>	<b>23 071</b>	<b>108 635</b>	<b>319 096</b>	<b>4 665</b>	<b>836 937</b>
<b>Accumulated amortisation</b>								
<b>As at 1 January 2020</b>	<b>(13 192)</b>	<b>(5 026)</b>	<b>(14)</b>	<b>(9 021)</b>	<b>(11 244)</b>	<b>(12 022)</b>	<b>-</b>	<b>(50 519)</b>
Amortisation	(5 382)	(5 845)	(29)	(5 012)	(3 625)	(15 034)	(283)	(35 210)
Liquidation	52	80	-	2 706	-	17	-	2 855
Other	(2)	-	(2)	27	9	-	-	32
<b>As at 31 December 2020</b>	<b>(18 524)</b>	<b>(10 791)</b>	<b>(45)</b>	<b>(11 300)</b>	<b>(14 860)</b>	<b>(27 039)</b>	<b>(283)</b>	<b>(82 842)</b>
<b>Impairment</b>								
<b>As at 1 January 2020</b>	<b>(11 978)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(99)</b>	<b>-</b>	<b>-</b>	<b>(12 077)</b>
Decreases	76	-	-	-	90	-	-	166
Increases	(11 707)	-	-	(292)	(107)	-	-	(12 106)
<b>As at 31 December 2020</b>	<b>(23 609)</b>	<b>-</b>	<b>-</b>	<b>(292)</b>	<b>(116)</b>	<b>-</b>	<b>-</b>	<b>(24 017)</b>
<b>Net value at 1 January 2020</b>	<b>327 106</b>	<b>10 457</b>	<b>597</b>	<b>6 059</b>	<b>87 207</b>	<b>288 522</b>	<b>-</b>	<b>719 948</b>
<b>Net value at 31 December 2020</b>	<b>316 538</b>	<b>11 570</b>	<b>393</b>	<b>11 479</b>	<b>93 659</b>	<b>292 057</b>	<b>4 382</b>	<b>730 078</b>

For the financial year ended 31 December 2019

	Right to perpetual usufruct of land	Buildings	Technical equipment and machinery	Means of transport	Right to establish easement	Right-of-use assets concerning underground parts of land	Total
<b>Gross value</b>							
<b>As at 1 January 2019</b>	<b>124 978</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124 978</b>
Adjustment due to implementation of IFRS 16	230 328	14 365	-	14 024	71 433	300 544	630 694
<b>As at 1 January 2019, adjusted</b>	<b>355 306</b>	<b>14 365</b>	<b>-</b>	<b>14 024</b>	<b>71 433</b>	<b>300 544</b>	<b>755 672</b>
Purchase	2 875	1 017	892	1 462	27 118	-	33 364
Sale	(103)	(38)	-	-	-	-	(141)
Transferred under a finance sub-lease	-	246	-	-	-	-	246
Liquidation	(7)	-	(281)	(151)	-	-	(439)
Other	(5 795)	(107)	-	(255)	(1)	-	(6 158)
<b>As at 31 December 2019</b>	<b>352 276</b>	<b>15 483</b>	<b>611</b>	<b>15 080</b>	<b>98 550</b>	<b>300 544</b>	<b>782 544</b>
<b>Accumulated amortisation</b>							
<b>As at 1 January 2019</b>	<b>(7 932)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7 932)</b>
Adjustment due to implementation of IFRS 16	-	-	-	(2 981)	(8 096)	-	(11 077)
<b>As at 1 January 2019, adjusted</b>	<b>(7 932)</b>	<b>-</b>	<b>-</b>	<b>(2 981)</b>	<b>(8 096)</b>	<b>-</b>	<b>(19 009)</b>
Sale	3	-	-	-	-	-	3
Amortisation	(5 276)	(5 057)	(14)	(6 165)	(3 148)	(12 022)	(31 682)
Liquidation	-	31	-	37	-	-	68
Other	13	-	-	88	-	-	101
<b>As at 31 December 2019</b>	<b>(13 192)</b>	<b>(5 026)</b>	<b>(14)</b>	<b>(9 021)</b>	<b>(11 244)</b>	<b>(12 022)</b>	<b>(50 519)</b>
<b>Impairment</b>							
<b>As at 01 January 2019</b>	<b>(11 905)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11 905)</b>
Adjustment due to implementation of IFRS 16	-	-	-	-	(99)	-	(99)
<b>As at 1 January 2019, adjusted</b>	<b>(11 905)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(99)</b>	<b>-</b>	<b>(12 004)</b>
Decreases	1	-	-	-	-	-	1
Increases	(74)	-	-	-	-	-	(74)
<b>As at 31 December 2019</b>	<b>(11 978)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(99)</b>	<b>-</b>	<b>(12 077)</b>
<b>Net value at 1 January 2019</b>	<b>105 141</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105 141</b>
Adjustment due to implementation of IFRS 16	230 328	14 365	-	11 043	63 238	300 544	619 518
<b>Net value at 1 January 2019, adjusted</b>	<b>335 469</b>	<b>14 365</b>	<b>-</b>	<b>11 043</b>	<b>63 238</b>	<b>300 544</b>	<b>724 659</b>
<b>Net value at 31 December 2019</b>	<b>327 106</b>	<b>10 457</b>	<b>597</b>	<b>6 059</b>	<b>87 207</b>	<b>288 522</b>	<b>719 948</b>



## 17. Investment properties

### Accounting rules

Investment properties are maintained in order to generate income from rent, growth in value or both. The Group 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.

### 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 (note 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	31 December 2019
<b>Gross value</b>		
<b>As at 1 January</b>	<b>33 682</b>	<b>32 770</b>
Transfers	-	836
Purchase	77	33
Liquidation	(2 777)	-
Other	-	43
<b>As at 31 December</b>	<b>30 982</b>	<b>33 682</b>
<b>Accumulated amortisation</b>		
<b>As at 1 January</b>	<b>(9 892)</b>	<b>(6 222)</b>
Amortisation	(1 009)	(3 670)
Liquidation	2 776	-
Other	(29)	-
<b>As at 31 December</b>	<b>(8 154)</b>	<b>(9 892)</b>
<b>Impairment</b>		
<b>As at 1 January</b>	<b>(681)</b>	<b>(684)</b>
Decreases	5	3
Increases	(913)	-
<b>As at 31 December</b>	<b>(1 589)</b>	<b>(681)</b>
<b>Net value</b>		
<b>Net value at 1 January</b>	<b>23 109</b>	<b>25 864</b>
<b>Net value at 31 December</b>	<b>21 239</b>	<b>23 109</b>

No collateral was established on investment properties.

Presented below are revenue and costs related to investment properties:

	Year ended	
	31 December 2020	31 December 2019
Income from investment properties	2 520	2 556
Operating costs related to income-generating investment properties	(4 544)	(6 425)

The Group classifies office buildings and other premises as investment properties.

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

---

---

## **18. Investments in 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 and consolidation rules (note 2).

---

---

The following table shows key financial data concerning associates and jointly controlled entities consolidated using the equity approach:

As at 31 December 2020	Elektrownia Ostrołęka Sp. z o.o.	Polimex - Mostostal S.A.*	Polska Grupa Górnicza S.A.	ElectroMobility Poland S.A.	Total
<b>Stake</b>	<b>50.00%</b>	<b>16.48%</b>	<b>7.66%</b>	<b>25%</b>	
Current assets	38 172	1 390 029	1 799 476	17 537	3 245 214
Non-current assets	95 229	673 930	9 080 500	39 274	9 888 933
<b>Total assets</b>	<b>133 401</b>	<b>2 063 959</b>	<b>10 879 976</b>	<b>56 811</b>	<b>13 134 147</b>
Current liabilities	912 443	1 175 007	6 568 576	2 901	8 658 927
Non-current liabilities	-	213 913	2 733 135	17	2 947 065
<b>Total liabilities</b>	<b>912 443</b>	<b>1 388 920</b>	<b>9 301 711</b>	<b>2 918</b>	<b>11 605 992</b>
<b>Net assets</b>	<b>(779 042)</b>	<b>675 039</b>	<b>1 578 265</b>	<b>53 893</b>	<b>1 528 155</b>
<b>Share in net assets</b>	<b>-</b>	<b>111 246</b>	<b>120 895</b>	<b>13 473</b>	<b>245 614</b>
Goodwill	7 080	15 954	52 697	-	75 731
Impairment of goodwill	(7 080)	-	(52 697)	-	(59 777)
Impairment of investments	-	-	(129 208)	-	(129 208)
Elimination of unrealised gains/losses	-	(7 026)	8 313	-	1 287
<b>Book value of equity-accounted investments at 31 December 2020</b>	<b>-</b>	<b>120 174</b>	<b>-</b>	<b>13 473</b>	<b>133 647</b>
Revenue	32 562	1 500 978	7 271 145	483	8 805 168
Net result	(625 208)	94 309	(1 751 246)	(3 762)	(2 285 907)
Elimination of unrealised gains/losses	-	(7 026)	8 313	-	1 287
<b>Share of profit of associates and jointly controlled entities</b>	<b>-</b>	<b>15 683</b>	<b>(125 213)</b>	<b>(631)</b>	<b>(110 161)</b>
<b>Impairment of investments in jointly controlled entities</b>	<b>-</b>	<b>-</b>	<b>(129 208)</b>	<b>-</b>	<b>(129 208)</b>

\* package data - this can marginally differ from published data.

The Group made a consolidation adjustment concerning margins on sales in transactions between the Group and Polimex - Mostostal S.A. and Polska Grupa Górnicza S.A.

Taking into account the difficult financial situation at Polska Grupa Górnicza S.A. (PGG), negative changes in that company's market and economic environment as well as plans to extinguish hard coal mining in Poland, the Group identified grounds for the impairment of its investment in PGG. Due to the above, having carried out an impairment test, the Group decided to recognise an impairment loss on the entire value of its investment in PGG. At 31 December 2020, the value of investment in PGG in the consolidated financial statements was zero.

A PLN 222 200 thousand provision for future investment commitments toward Elektrownia Ostrołęka Sp. z o.o. is presented in the item: Share of the results of associates and jointly-controlled entities in the consolidated statement of comprehensive income.

As at 31 December 2019	Elektrownia Ostrołęka Sp. z o.o.	Polimex - Mostostal S.A.	Polska Grupa Górnicza S.A.	ElectroMobility Poland S.A.	Total
<b>Stake</b>	<b>50.00%</b>	<b>16.48%</b>	<b>7.66%</b>	<b>25.00%</b>	
Current assets	37 549	964 470	2 226 017	40 174	3 268 210
Non-current assets	65 419	718 259	9 794 651	17 542	10 595 871
<b>Total assets</b>	<b>102 968</b>	<b>1 682 729</b>	<b>12 020 668</b>	<b>57 716</b>	<b>13 864 081</b>
Current liabilities	86 271	779 861	4 040 084	1 297	4 907 513
Non-current liabilities	170 532	319 677	4 694 514	3	5 184 726
<b>Total liabilities</b>	<b>256 803</b>	<b>1 099 538</b>	<b>8 734 598</b>	<b>1 300</b>	<b>10 092 239</b>
<b>Net assets</b>	<b>(153 835)</b>	<b>583 191</b>	<b>3 286 070</b>	<b>56 416</b>	<b>3 771 842</b>
<b>Share in net assets</b>	<b>-</b>	<b>96 110</b>	<b>251 713</b>	<b>14 104</b>	<b>361 927</b>
Goodwill	7 080	15 954	52 697	-	75 731
Impairment	(7 080)	-	(52 697)	-	(59 777)
Goodwill after impairment	-	15 954	-	-	15 954
Elimination of unrealised gains/losses	-	(7 573)	2 708	-	(4 865)
<b>Book value of equity-accounted investments at 31 December 2019</b>	<b>-</b>	<b>104 491</b>	<b>254 421</b>	<b>14 104</b>	<b>373 016</b>
Revenue	8 360	1 502 896	9 189 382	394	10 701 032
Net result	(1 038 720)	4 490	(427 079)	(5 531)	(1 466 840)
Elimination of unrealised gains/losses	-	(7 573)	2 708	-	(4 865)
Elimination of surplus of net loss over balance sheet value of stake	(76 916)	-	-	-	(76 916)
<b>Share of profit of associates and jointly controlled entities</b>	<b>(442 444)</b>	<b>5 511</b>	<b>(44 342)</b>	<b>(890)</b>	<b>(482 165)</b>
<b>Impairment of investments in jointly controlled entities</b>	<b>(7 080)</b>	<b>-</b>	<b>(52 697)</b>	<b>-</b>	<b>(59 777)</b>

### Change in investments in subsidiaries, associates and jointly controlled entities

	As at	
	31 December 2020	31 December 2019
<b>As at 1 January</b>	<b>373 016</b>	<b>734 268</b>
Change in the change in net assets	(110 161)	(482 165)
Impairment of investments in jointly controlled entities	(129 208)	(59 777)
Purchase of investments	–	180 690
<b>As at 31 December</b>	<b>133 647</b>	<b>373 016</b>

#### 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 of 30 April 2019, executed between ENEA S.A. and ENERGA S.A., materialise, ENERGA S.A. would conditionally sell half of receivables from Elektrownia Ostrołęka Sp. z o.o. to ENEA S.A., 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, in its financial statements as at 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 Group's 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 was 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 ENEA S.A., 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, Coal Project).

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 consolidated 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. CO<sub>2</sub> emission allowances

---

### Accounting rules

The Group purchases CO<sub>2</sub> emission allowances for its own purposes. CO<sub>2</sub> emission allowances received for free under the National Allowance Allocation Plan and additional CO<sub>2</sub> emission allowances purchased for redemption, i.e. to comply with the obligation to settle CO<sub>2</sub> emissions, are recognised in a separate item of assets. Emission allowances received for free under the National Allowance Allocation Plan are recognised at zero value.

CO<sub>2</sub> emission allowances received for free for a given financial year that are not allocated to the Group's allowance registry and the precise quantity of which is unknown are recognised if they meet the definition of assets. In this case, the Company's Management Board specifies the most reliable quantity of CO<sub>2</sub> emissions that the Group would receive, which is then recognised in the statement of financial position at nominal value, i.e. zero. Recognition takes place at the date on which the planned quantity of CO<sub>2</sub> emission allowances is approved. It is permissible to adjust the estimated quantity of CO<sub>2</sub> emission allowances recognised in the registry as at the reporting date using more recent information received by the Group from personnel responsible for implementing investments notified to the National

Investment Plan. Additional CO<sub>2</sub> emission allowances purchased for redemption are recognised at purchase price less impairment.

A registry for CO<sub>2</sub> emission allowances is maintained separately for each installation in the following groups of rights:

- a) CER green
- b) EUA free and purchased

In the aforementioned groups inventory is managed using the FIFO method, i.e. 'first in, first out,' for each of the installations, or using the weighted average purchase price approach.

When CO<sub>2</sub> emission allowances are actually granted, which were initially recognised based on an estimate, their number is prospectively adjusted in compliance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

If the actual number of CO<sub>2</sub> emission allowances granted for a given reporting period is specified in the next reporting period, the difference (excess/shortage) between the estimate and the actual number of allowances for the given reporting period should be recognised as an adjustment of allowances granted for the next reporting period.

Because of the CO<sub>2</sub> emissions that accompany the electricity generation process, the Group is required to settle such emissions by presenting a specific quantity of CO<sub>2</sub> emission allowances for redemption. The costs of compliance with the above obligation are recognised in accounting books systematically over an annual reporting period in the form of a provision for estimated CO<sub>2</sub> emissions for each installation proportionally to the actual and planned electricity production, and are recognised as cost of core activity.

Redemption of allowances is recognised in allowance groups:

- a) CER green
- b) EUA free and purchased,

using the FIFO approach, i.e. 'first in, first out,' for each of the installations, or using the weighted average purchase price approach.

Revenue from sale and the value of sold CO<sub>2</sub> emission allowances sold are recognised in operating revenue or costs, respectively.

## Significant judgements and estimates

Determining the impairment of CO<sub>2</sub> emission allowances requires net realisable values to be estimated based on the most up-to-date sales prices at the time when these estimates are made.

## CO<sub>2</sub> emission allowances

	As at	
	31 December 2020	31 December 2019
<b>Gross value</b>		
<b>As at 1 January</b>	<b>1 375 128</b>	<b>586 236</b>
Purchase	2 436 061	1 423 701
Amortisation	(1 282 117)	(546 287)
Sale	-	(82 986)
Other changes	(13)	(5 536)
<b>As at 31 December</b>	<b>2 529 059</b>	<b>1 375 128</b>
<b>Net book value</b>		
<b>As at 1 January</b>	<b>1 375 128</b>	<b>586 236</b>
<b>As at 31 December</b>	<b>2 529 059</b>	<b>1 375 128</b>

## 20. 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.

The distribution of inventory is established as follows:



- using the weighted average purchase price approach,
- using specific identification of actual costs,
- using the FIFO method.

The Group's inventory includes energy origin certificates purchased for redemption, for further sale and those produced internally.

**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 President 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. (TGE 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.

**Origin certificates for energy produced internally** are recognised when such energy is produced (or as of the date on which award of such certificates became likely), unless there is justified uncertainty as to their award by the URE President. Origin certificates for energy produced internally are measured as follows:

- in accordance with the rules for determining certificate sales prices resulting from contracts executed by the Group - this applies to certificates that are covered by contracts,
- based on market quotes for certificates from the last day of the month in which the relevant energy volumes were generated - this applies to other certificates that are not covered by sales contracts executed by the Group,
- in an amount resulting from the substitute fees for certificates that are not quoted on the market.

In a situation where the value of origin certificates recognised in records that are not covered by contracts is higher than the value determined using market prices as of the balance sheet date, the Group recognises an impairment loss on these certificates to their market value.

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 Group 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 sale of electricity to end customers generated in a given settlement year is reduced 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 deadlines for performing the obligation to redeem energy origin certificates and energy efficiency certificates or paying substitute fees for each year are governed by the provisions of law in force.

The Group 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 FIFO approach, specific identification method or the weighted average purchase price 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 Group 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.

## Inventories

	Year ended	
	31 December 2020	31 December 2019
Materials	785 407	952 280
Semi-finished products and production in progress	1 237	772
Finished products	28 144	34 396
Energy origin certificates	350 664	436 118
Goods	10 230	11 569
<b>Gross value of inventory</b>	<b>1 175 682</b>	<b>1 435 135</b>
Impairment of inventory	(45 707)	(58 840)
<b>Net value of inventory</b>	<b>1 129 975</b>	<b>1 376 295</b>

The Group mines coal, which is then partially used in production and partially sold outside the Group. It is not possible to reliably specify which part of coal is sold, therefore the entire inventory is presented in the above table as 'Materials.'

In the 12 months of 2020, impairment of inventory decreased by PLN 13 133 thousand on a net basis (in the 12 months of 2019 impairment of inventory increased by PLN 5 230 thousand on a net basis).

No collateral is established on inventory.

## 21. Energy origin certificates

### Accounting rules

Accounting rules are presented in note Inventory (note 20).

### Significant judgements and estimates

Significant judgements and estimates are presented in note Inventory (note 20).

## Energy origin certificates

	As at	
	31 December 2020	31 December 2019
<b>Net value at 1 January</b>	<b>430 571</b>	<b>516 133</b>
Internal manufacture	282 693	263 460
Purchase	130 752	109 101
Amortisation	(491 718)	(426 905)
Sale	(7 788)	(24 529)
Change in impairment	1 266	(6 110)
Other changes	-	(579)
<b>Net value at 31 December</b>	<b>345 776</b>	<b>430 571</b>

## 22. 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 in the statement of profit and loss and other 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 previous counterparty default events as well as potential estimated credit losses (note 38.1). 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
<b>Current trade and other receivables</b>		
Trade receivables	1 434 284	1 240 224
Tax (excluding income tax) and other benefit receivables	218 734	285 819
Other receivables	251 837	272 228
Advances	361 586	470 681
Prepaid property insurance	5 345	12 459
<b>Current trade and other receivables gross</b>	<b>2 271 786</b>	<b>2 281 411</b>
Minus: impairment of receivables	(139 595)	(157 844)
<b>Net current trade and other receivables</b>	<b>2 132 191</b>	<b>2 123 567</b>

Other current receivables mainly include transaction collateral.

#### Non-current trade and other receivables

Trade receivables	3 594	4 032
Collateral deposits for futures transactions to purchase CO <sub>2</sub> emission allowances	65 142	9 753
Other receivables	3 645	7 077
<b>Non-current trade and other receivables gross</b>	<b>72 381</b>	<b>20 862</b>
Minus: impairment of receivables	-	-
<b>Net non-current trade and other receivables</b>	<b>72 381</b>	<b>20 862</b>

## 23. Group as finance or operating lessor / sublessor

### Accounting rules

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

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

In a finance lease, the Group (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 Group recognises the main lease contract and the sub-lease contract as two separate contracts. The measurement of the head lease, i.e. measurement of the right-of-use assets and the lease liability, is in accordance with the measurement methodology for standard leases. The Group (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.

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

The Group (indirect lessor) recognises sublease receivables in an amount equal to the sum of minimum lease payments due to the sublessor resulting from a finance sublease, 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 Group executes a sublease contract that is an operating lease, the Group (indirect lessor) continues to recognise in the statement of financial position a lease liability and right-of-use assets.

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

## General information on the Group as lessor

The Group is lessor in leases for event illuminations and also acts as lessor in operating leases for commercial facilities, land and IT services.

### 23.1. Group as finance lessor / sublessor

#### Reconciling undiscounted contract lease payments with net lease investment

	As at	
	31 December 2020	31 December 2019
<b>Undiscounted contract lease payments</b>	<b>2 215</b>	<b>1 922</b>
Unrealised finance income (discount effect)	(727)	(653)
<b>Discounted contract lease payments (net lease investment)</b>	<b>1 488</b>	<b>1 269</b>

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

	As at	
	31 December 2020	31 December 2019
Under one year	1 532	1 231
From one to five years	683	691
<b>Value of undiscounted contract payments on finance leases</b>	<b>2 215</b>	<b>1 922</b>

#### Income from finance leases

	Year ended	
	31 December 2020	31 December 2019
Interest income from finance leases	339	280

### 23.2. Group 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	31 December 2019
Under one year	2 249	2 348
From one to five years	429	717
Over five years	141	148
<b>Value of undiscounted contract payments on operating leases</b>	<b>2 819</b>	<b>3 213</b>

#### Income from operating leases

	Year ended	
	31 December 2020	31 December 2019
Income from operating leases	14 765	7 722

## 24. Assets and liabilities arising from contracts with customers

### Accounting rules

In its statement of financial position, the Group recognises a contract asset that is the Group's right to remuneration in exchange for goods or services that the Group transfers to the customer. An asset is recognised if the Group satisfies its obligation by transferring goods or services to the customer before the customer pays or before the payment deadline. In its statement of financial position, the Group recognises contract liabilities that are an obligation for the Group to provide goods or services to customers in exchange for which the Group has received remuneration (or upon which the amount of remuneration depends) from customers. If the customer has paid remuneration or the Group 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 Group 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 the financial year.

### Assets and liabilities arising from contracts with customers

	Assets arising from contracts with customers	Liabilities arising from contracts with customers
<b>As at 01.01.2019</b>	<b>327 980</b>	<b>68 578</b>
Increase due to prepayments	-	34 492
Impairment	72	-
Change in non-invoices receivables	2 395	-
Liabilities resulting from sales adjustments	-	12 631
<b>As at 31.12.2019</b>	<b>330 447</b>	<b>115 701</b>
Increase due to prepayments	-	150 064
Transfer from contract assets to receivables	(8 018)	-
Impairment	17	-
Liabilities resulting from sales adjustments	-	(8 303)
<b>As at 31.12.2020</b>	<b>322 446</b>	<b>257 462</b>

The balance of assets arising from contracts with customers mainly covers uninvoiced electricity sales, while the balance of liabilities arising from contracts with customers mainly covers advances received for connection fees.

## 25. 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

### 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
<b>Cash on hand and at bank account</b>	<b>1 057 562</b>	<b>764 089</b>
- Cash on hand	33	25
- Cash at bank account	1 057 529	764 064
<b>Other cash</b>	<b>883 992</b>	<b>2 997 858</b>
- Cash in transit	-	7
- Deposits	510 237	2 934 752
- Other	373 755	63 099
<b>Total cash and cash equivalents</b>	<b>1 941 554</b>	<b>3 761 947</b>
<b>Cash recognised in the statement of cash flows</b>	<b>1 941 554</b>	<b>3 761 947</b>
including restricted cash	754 321	477 382

Cash is not used as collateral. Other cash mainly includes cash as deposits for electricity and CO<sub>2</sub> emission allowance transactions (mainly cash used as collateral in settlements with clearinghouse IRGiT).

As at 31 December 2020, the Group's restricted cash amounted to PLN 754 321 thousand (as at 31 December 2019: PLN 477 382 thousand). This mainly included cash for deposits for electricity and CO<sub>2</sub> emission allowance transactions (mainly cash for collateral in settlements with IRGiT), funds in a VAT account (split payment), collateral paid to suppliers and cash withholding as collateral for proper performance of work.

## 26. Equity

### Accounting rules

#### Share capital

The Group's share capital is the share capital of the parent entity, recognised in the amount specified and entered in the court register, adjusted appropriately by the effects of hyperinflation and accounting for the effects of 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.

## 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
<b>Total number of shares</b>	<b>441 442 578</b>		
<b>Total share capital</b>			<b>441 443</b>
Share capital (nominal amount)*			441 443
Capital from settlement of merger			38 810
Share capital from restatement of hyperinflation			107 765
<b>Total share capital</b>			<b>588 018</b>

**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
<b>Total number of shares</b>	<b>441 442 578</b>		
<b>Total share capital</b>			<b>441 443</b>
Share capital (nominal amount)*			441 443
Capital from settlement of merger			38 810
Share capital from restatement of hyperinflation			107 765
<b>Total share capital</b>			<b>588 018</b>

\*Share capital was fully paid-up.

---

**27. Non-controlling interests**


---

## Non-controlling interests

For the financial year ended 31 December 2020:

Name of subsidiary	Miejska Energetyka Ciepłna Piła Sp. z o.o.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Obornikach	ENEA Ciepło Sp. z o.o.	Lubelski Węgiel Bogdanka S.A.	Total non-controlling interests
<b>Non-controlling interests (in %)</b>	<b>28.89%</b>	<b>0.07%</b>	<b>0.06%</b>	<b>34.01%</b>	
Non-current assets	87 117	13 976	699 249	3 409 628	
Current assets	35 145	3 238	156 541	611 883	
Non-current liabilities	(13 342)	(3 944)	(152 199)	(633 210)	
Current liabilities	(14 735)	(3 315)	(90 884)	(359 918)	
<b>Net assets</b>	<b>94 185</b>	<b>9 955</b>	<b>612 707</b>	<b>3 028 383</b>	
<b>Book value of non-controlling interests</b>	<b>27 210</b>	<b>7</b>	<b>368</b>	<b>1 029 953</b>	<b>1 057 538</b>
Revenue from sales	65 540	6 289	389 817	1 812 825	
Net profit/(loss) for the reporting period	633	(1 104)	31 391	99 047	
Total comprehensive income	517	(1 104)	28 809	97 410	
<b>Profit/(loss) attributable to non-controlling interests</b>	<b>324</b>	<b>(1)</b>	<b>19</b>	<b>33 733</b>	<b>34 075</b>
<b>Comprehensive income attributable to non-controlling interests</b>	<b>291</b>	<b>(1)</b>	<b>17</b>	<b>33 173</b>	<b>33 480</b>
Net cash flows from operating activities	7 528	2 205	51 892	479 893	
Net cash flows from investing activities	(4 753)	(432)	(39 177)	(613 962)	
Net cash flows from financing activities	(2 155)	(2 471)	(15 952)	(7 061)	
<b>Net cash flows</b>	<b>620</b>	<b>(698)</b>	<b>(3 237)</b>	<b>(141 130)</b>	
<b>Paid dividend attributable to non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

The main economic activity of Miejska Energetyka Ciepłna Piła Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. and ENEA Ciepło Sp. z o.o. is the production of thermal heat and distribution of heat, while LWB's main economic activities are hard coal mining and sales.

No dividend was paid to non-controlling interests in 2020.



For the financial year ended 31 December 2019:

Name of subsidiary	Miejska Energetyka Ciepła Pila Sp. z o.o.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Obornikach	ENEA Ciepło Sp. z o.o.	Lubelski Węgiel Bogdanka S.A.	Total non-controlling interests
<b>Non-controlling interests (in %)</b>	<b>28.89%</b>	<b>0.07%</b>	<b>0.06%</b>	<b>34.01%</b>	
Non-current assets	90 036	14 817	704 109	3 120 332	
Current assets	32 025	3 462	152 537	745 789	
Non-current liabilities	(15 695)	(4 236)	(152 058)	(561 583)	
Current liabilities	(13 190)	(2 984)	(119 851)	(373 694)	
<b>Net assets</b>	<b>93 176</b>	<b>11 059</b>	<b>584 737</b>	<b>2 930 844</b>	
<b>Book value of non-controlling interests</b>	<b>26 919</b>	<b>8</b>	<b>351</b>	<b>996 780</b>	<b>1 024 058</b>
Revenue from sales	61 080	6 473	377 549	2 157 858	
Net profit/(loss) for the reporting period	(1 756)	(514)	4 379	343 466	
Total comprehensive income	(1 985)	(564)	2 748	338 616	
<b>Profit/(loss) attributable to non-controlling interests</b>	<b>(366)</b>	<b>-</b>	<b>953</b>	<b>116 905</b>	<b>117 492</b>
<b>Comprehensive income attributable to non-controlling interests</b>	<b>(432)</b>	<b>-</b>	<b>952</b>	<b>115 246</b>	<b>115 766</b>
Net cash flows from operating activities	2 686	954	83 816	716 420	
Net cash flows from investing activities	(10 480)	(1 014)	(54 881)	(471 855)	
Net cash flows from financing activities	(2 115)	(484)	(27 811)	(32 618)	
<b>Net cash flows</b>	<b>(9 909)</b>	<b>(544)</b>	<b>1 124</b>	<b>211 947</b>	
<b>Paid dividend attributable to non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8 673)</b>	

## 28. Dividends

### Accounting rules

The payment of dividends for shareholders (including minority shareholders in the case of dividends at subsidiaries) is recognised as a liability in the Group's financial statements in the period in which it was approved by the Parent's shareholders.

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

The decision on how to cover the loss for 2020 will be taken by shareholders at the Ordinary General Meeting in 2021. The Management Board will present its recommendation on how to cover the 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.

## 29. Capital management policy

The Group's main assumption 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 Group and its subsidiaries. Activities undertaken in this area intend to ensure the Group'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. The Group monitors the effectiveness and stability of its capital using the debt ratio and return on capital ratios. The Group aims to increase capital effectiveness while retaining it at a safe level. The Group describes the above-mentioned indicators in the Management Board Report on ENEA S.A.'s and ENEA Group's Activities in 2020.

## 30. Debt-related liabilities

### Accounting rules

#### Financial liabilities, including credit facilities, loans and debt securities

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

Subsequent to initial recognition, **credit and loan 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 (note 35), whereas **lease liabilities** are described in the note concerning right-of-use assets (note 16).

## Credit facilities, loans and debt securities

	As at	
	31 December 2020	31 December 2019
Bank credit	1 686 985	1 891 366
Loans	46 717	56 861
Bonds	4 874 054	5 854 886
<b>Long-term</b>	<b>6 607 756</b>	<b>7 803 113</b>
Bank credit	208 339	169 956
Loans	11 723	12 450
Bonds	1 003 999	1 920 505
<b>Short-term</b>	<b>1 224 061</b>	<b>2 102 911</b>
<b>Total</b>	<b>7 831 817</b>	<b>9 906 024</b>

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

### Credit facilities and loans

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

No.	Company	Lender	Contract date	Total contract amount	Debt at 31 December 2020	Debt at 31 December 2019	Interest	Contract period
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	28 January 2014, Annex 2 of 4 December 2019	300 000	-	-	WIBOR 1M + margin	31 December 2022
4.	ENEA S.A.	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
6.	ENEA Ciepło Sp. z o.o.	National Fund for Environmental Protection and Water Management (NFOŚiGW)	22 December 2015	60 075	41 327	48 184	Interest based on WIBOR 3M, no less than 2%	20 December 2026
7.	Other	-	-	-	20 385	26 218	-	-
<b>TOTAL</b>				<b>3 131 075</b>	<b>1 953 755</b>	<b>2 128 525</b>		
Transaction costs and effect of measurement using effective interest rate					9	2 108		
<b>TOTAL</b>				<b>3 131 075</b>	<b>1 953 764</b>	<b>2 130 633</b>		

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

### ENEA S.A.

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

### ENEA Ciepło Sp. z o.o.

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

Total loan-related debt of ENEA Ciepło Sp. z o.o. as at 31 December 2020 amounted to PLN 41 327 thousand (at 31 December 2019: PLN 48 184 thousand).

### Lubelski Węgiel Bogdanka S.A.

On 12 May 2020, LW Bogdanka executed an overdraft agreement with BGK for up to PLN 150 000 thousand. Interest is based on WIBOR 1M plus a fixed margin. The credit facility is to be repaid by 12 May 2021. At the balance sheet date, the facility was not used, and the available limit was PLN 150 000.

### 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
<b>TOTAL</b>			<b>9 700 000</b>	<b>5 892 779</b>	<b>7 787 090</b>		
Transaction costs and effect of measurement using effective interest rate				(14 726)	(11 699)		
<b>TOTAL</b>			<b>9 700 000</b>	<b>5 878 053</b>	<b>7 775 391</b>		

In the 12-month period ending 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 38.5 and 38.4.

### Financing terms - covenants

Financing agreements require ENEA S.A. and ENEA Group to maintain certain financial ratios. As at 31 December 2020 and the date on which these consolidated financial statements were prepared and in the course of 2020 the Group did not breach any credit agreement provisions such as would require early re-payment of long-term debt.

## Lease liabilities

	As at 31 December 2020			As at 31 December 2019		
	Lease liabilities	Interest	Total	Lease liabilities	Interest	Total
Under one year	25 172	10 599	35 771	27 939	14 174	42 113
From one to five years	38 944	27 687	66 631	47 914	60 271	108 185
Over five years	490 196	328 338	818 534	456 410	299 604	756 014
<b>Total</b>	<b>554 312</b>	<b>366 624</b>	<b>920 936</b>	<b>532 263</b>	<b>374 049</b>	<b>906 312</b>

Passenger vehicles were the main object of leases in 2020.

Contracts that are subject to IFRS 16 are leases, rights to perpetual usufruct of land, tenancy agreements that meet the definition of a lease (office space in buildings, stations, underground parts of land). The Group sets the lease term, i.e. an irrevocable lease term, together with: a) term for an option to extend the lease if it is sufficiently certain that the Group will exercise this right; b) term for an option to terminate the lease if it is sufficiently certain that the Group will not exercise the right. In most of its leases, the Group uses a lease term in accordance with the contractual period. For contracts executed for an indefinite period, the Group determines the minimum contractual term for both of the parties. If the Group is unable to determine how long it intends to use the asset and such an estimate could be treated as a lease term in the case of contracts with an indefinite term, the Group assumes that the irrevocable contractual term will be the termination period for that contract. In the case of rights to the perpetual usufruct of land, the Group sets the lease term in line with the period for which such rights are granted. In the case of rights to use underground parts of land, the average lease term is used, based on the period outstanding, as at the date on which the liability is recognised, for depreciation of the infrastructure placed under the ground. In 2020, leases also included cars and the renting of parking spots. There is a buy-out option in the case of cars. Car leases have a three-year term. At LBW, a contract to lease locomotives includes a fixed monthly payment for use. The rent payment may be proportionally reduced for periods in which the lessee does not use locomotives with no fault on the lessee's part. The contract does not contain provisions concerning extensions or buy-out of the lease object after the lease term.

## Finance lease costs

	Year ended	
	31 December 2020	31 December 2019
Interest cost on lease liabilities	(13 578)	(14 988)
Cost of short-term leases for which a practical expedient was applied	(961)	(4 261)
Cost of variable lease payments not recognised in measurement of lease liabilities	-	(4)
Gain on change in or liquidation of right-of-use assets	1	20

The present value of future lease payments is calculated using the interest rate implicit in the lease. If the lease rate is unknown, the Group uses a residual interest rate, i.e. a rate that would have to be paid in order to borrow, on similar terms and with similar collateral, funds necessary to purchase an asset similar to the right-of-use asset on similar economic terms.

The Group may use a practical expedient and not apply the lease recognition model in reference to: a) short-term leases (a lease term of 12 months or less; the contract does not include a right to buy out the asset) b) low-asset value leases the initial value of which for new assets does not exceed PLN 10 thousand (even if their aggregate value is material). If the Group 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 Group benefit. This exemption does not apply to situations where the Group transfers the asset under a sub-lease or expects to transfers it.

## General information on the Group as lessee

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

## Liabilities concerning rent and tenancy contracts other than leases

The recognised annual payments for rent and tenancy contracts other than leases amount to PLN 12 396 thousand.

### 31. 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
<b>Non-current trade and other payables</b>		
Liabilities concerning purchase of licences for geological information and concessions	32 354	36 493
Liabilities arising from assignment of loan agreement	-	80 123
Liabilities concerning deposits for futures transactions on CO <sub>2</sub> emission allowances	99 700	-
Other	739	3 159
<b>Non-current trade and other payables</b>	<b>132 793</b>	<b>119 775</b>
<b>Current trade and other payables</b>		
Trade payables	516 924	820 238
Advances received for supplies, works and services	77 204	93
Tax (excluding income tax) and similar liabilities	412 353	432 755
Liabilities concerning purchase of tangible and intangible assets	425 858	470 411
Dividend liabilities	4	4
Special funds	312	1 089
Liabilities concerning deposits for futures transactions for CO <sub>2</sub> emission allowances	482 414	-
Other	122 857	188 850
<b>Total current trade and other payables</b>	<b>2 037 926</b>	<b>1 913 440</b>
<b>Total trade and other payables</b>	<b>2 170 719</b>	<b>2 033 215</b>

### 32. Employee benefit liabilities

#### Accounting rules

##### Short-term employee benefits

The Group 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 and liabilities concerning the Voluntary Redundancy Program.

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 Group 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 staff representatives and the Group's representatives, the Group's employees are entitled to certain benefits other than remuneration for work, i.e.: These benefits are financed entirely by the Group. Actuarial methods are used to estimate these liabilities.

##### Defined benefit plans

In accordance with workplace remuneration regulations, the Group's employees have the right to the following post-employment benefits:

- retirement/disability severance pay - paid on a one-off basis upon retirement,

- post-mortem payment - if an employee dies in the course of work or while on disability leave after work as a result of a disease, the family is entitled to a post-mortem payment from the employer,
- cash equivalent resulting from the right to discounted electricity prices,
- benefits from the Workplace Social Benefits Fund.

The provisions below constitute a defined benefit plan after the employment period.

The present value of provisions for post-employment benefits is calculated at each balance sheet date by an independent actuary, using actuarial methods. The provisions are calculated for every employee individually. The liabilities accrued are equal to discounted payments that will be made in the future, taking into account employee turnover, and they apply to a period until the balance sheet date. Demographic information and information on employee turnover are based on historic data.

Actuarial gains and losses on the measurement of post-employment benefit liabilities are recognised entirely in other comprehensive income.

### **Longevity bonus**

Other long-term employee benefits at the Group include longevity bonuses. The amount of these bonuses depends on seniority and the employee's remuneration. Actuarial methods are used to estimate these liabilities. 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 Group is obligated to pay contributions for employees' social insurance when they are due. The Group is not required, either legally or customarily, to make future social insurance contributions. The Group 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 Group 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 Group's employees after a year's employment regardless of the type of work contract.

The Group 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. This estimate is affected by the discount rate and long-term growth in wages.

Estimates of the following employee benefit liabilities are done by an actuary:

- longevity bonus payments,
- pension/disability benefit payments,
- post-mortem payments,
- right to discounts in purchasing electricity,
- contribution to the Workplace Social Benefits Fund.

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 Group,
- 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.

## Employee benefit liabilities

	As at	
	31 December 2020	31 December 2019
Remuneration and other liabilities	402 472	387 727
Provision for Voluntary Leave Program	1 745	-
Retirement and disability severance payments	236 122	215 354
Right to rebates in purchasing energy after retirement	356 098	301 704
Contribution to Company Social Benefits Fund for retired employees	118 231	103 756
Post-mortem payments	26 556	25 086
Longevity bonus	453 902	416 273
<b>Total employee benefit liabilities</b>	<b>1 595 126</b>	<b>1 449 900</b>
<i>Long-term</i>	<i>1 097 643</i>	<i>983 818</i>
<i>Short-term</i>	<i>497 483</i>	<i>466 082</i>



## 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 payments	Total
<b>As at 1 January 2020</b>	<b>215 354</b>	<b>301 704</b>	<b>103 756</b>	<b>25 086</b>	<b>416 273</b>	<b>1 062 173</b>
<b>Costs recognised in profit or loss, including:</b>	<b>17 125</b>	<b>14 153</b>	<b>6 496</b>	<b>2 206</b>	<b>78 406</b>	<b>118 386</b>
cost of present employment	12 981	7 862	4 312	1 712	31 917	58 784
cost of future employment	91	-	-	-	213	304
cost of interest	4 053	6 291	2 184	494	8 141	21 163
net actuarial gain arising from change in financial assumptions	-	-	-	-	13 764	13 764
net actuarial gain arising from adjustment of demographic assumptions	-	-	-	-	760	760
net actuarial gain arising from ex-post adjustment of assumptions	-	-	-	-	23 611	23 611
<b>Costs recognised in other comprehensive income, including:</b>	<b>18 124</b>	<b>49 302</b>	<b>10 236</b>	<b>(4)</b>	<b>-</b>	<b>77 658</b>
net actuarial gain arising from change in financial assumptions	8 003	54 474	10 476	934	-	73 887
net actuarial gains/(losses) arising from adjustment of demographic assumptions	820	1 344	746	(628)	-	2 282
net actuarial gains/(losses) arising from ex-post adjustment of assumptions	9 301	(6 516)	(986)	(310)	-	1 489
<b>Reduced liabilities concerning payout of benefits (negative value)</b>	<b>(14 481)</b>	<b>(9 061)</b>	<b>(2 257)</b>	<b>(732)</b>	<b>(40 777)</b>	<b>(67 308)</b>
<b>Total changes</b>	<b>20 768</b>	<b>54 394</b>	<b>14 475</b>	<b>1 470</b>	<b>37 629</b>	<b>128 736</b>
<b>As at 31 December 2020</b>	<b>236 122</b>	<b>356 098</b>	<b>118 231</b>	<b>26 556</b>	<b>453 902</b>	<b>1 190 909</b>
<i>Long-term</i>	<i>202 963</i>	<i>345 052</i>	<i>115 690</i>	<i>24 446</i>	<i>409 492</i>	<i>1 097 643</i>
<i>Short-term</i>	<i>33 159</i>	<i>11 046</i>	<i>2 541</i>	<i>2 110</i>	<i>44 410</i>	<i>93 266</i>

## 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 payments	Total
<b>As at 1 January 2019</b>	<b>185 906</b>	<b>250 254</b>	<b>73 752</b>	<b>21 448</b>	<b>364 377</b>	<b>895 737</b>
<b>Costs recognised in profit or loss, including:</b>	<b>15 440</b>	<b>26 895</b>	<b>10 461</b>	<b>1 994</b>	<b>92 921</b>	<b>147 711</b>
cost of present employment	10 287	5 276	2 259	1 363	26 384	45 569
cost of future employment	113	13 789	5 884	3	866	20 655
cost of interest	5 040	7 830	2 318	628	10 498	26 314
net actuarial gain arising from change in financial assumptions	-	-	-	-	38 381	38 381
net actuarial losses arising from adjustment of demographic assumptions	-	-	-	-	(1 352)	(1 352)
net actuarial gain arising from ex-post adjustment of assumptions	-	-	-	-	18 144	18 144
<b>Costs recognised in other comprehensive income, including:</b>	<b>28 051</b>	<b>33 483</b>	<b>21 271</b>	<b>2 476</b>	<b>-</b>	<b>85 281</b>
net actuarial gain arising from change in financial assumptions	23 647	48 338	22 122	2 624	-	96 731
net actuarial losses arising from adjustment of demographic assumptions	(698)	(1 501)	(1 056)	(20)	-	(3 275)
net actuarial gains/(losses) arising from ex-post adjustment of assumptions	5 102	(13 354)	205	(128)	-	(8 175)
<b>Reduced liabilities concerning payout of benefits (negative value)</b>	<b>(14 043)</b>	<b>(8 928)</b>	<b>(1 728)</b>	<b>(832)</b>	<b>(41 025)</b>	<b>(66 556)</b>
<b>Total changes</b>	<b>29 448</b>	<b>51 450</b>	<b>30 004</b>	<b>3 638</b>	<b>51 896</b>	<b>166 436</b>
<b>As at 31 December 2019</b>	<b>215 354</b>	<b>301 704</b>	<b>103 756</b>	<b>25 086</b>	<b>416 273</b>	<b>1 062 173</b>
<i>Long-term</i>	<i>188 386</i>	<i>292 569</i>	<i>101 386</i>	<i>22 984</i>	<i>378 493</i>	<i>983 818</i>
<i>Short-term</i>	<i>26 968</i>	<i>9 135</i>	<i>2 370</i>	<i>2 102</i>	<i>37 780</i>	<i>78 355</i>

### 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 (for the purposes of calculating Company Social Benefit Fund liabilities)	PLN 4 134.02	PLN 4 134.02

### 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	(97 016)	124 327
Expected remuneration growth rate	48 631	(39 868)
Average growth in the value of cash equivalent for subsidised electricity purchases	65 870	(51 880)

### Maturity of defined benefit plan liabilities

Weighted average period of defined benefit program liabilities (in years)	As at	
	31 December 2020	31 December 2019
Retirement and disability severance payments	15,0	14,7
Post-mortem payments	12,0	11,4
Right to rebates in purchasing energy after retirement	17,2	16,5
Contribution to Company Social Benefits Fund for retired employees	19,8	19,0

## 33. Provisions

### Accounting rules

Provisions are created when the Group 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 Group. 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 Group 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.

The Group also creates provisions for pre-trial claims submitted by the owners of properties on which its distribution grids with equipment are located and for other claims related to the Group's grid assets on properties for which the Group has no legal title. Estimating the amount of compensation includes potential payments of compensation for non-contractual use of land and for rent, and is prepared by technical personnel.

#### **Provision for energy origin certificates and energy efficiency certificates**

The Group 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 the energy efficiency certificates held but not redeemed at the balance sheet date,
- 2) second, based on the purchase price resulting from the Group's sale agreements as regards the part of the certificates that the Group intends to receive first,
- 3) third, based on the weighted average price in session transactions executed on the property rights market managed by Towarowa Gielda 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 Group from purchasing a sufficient quantity of rights required to perform its obligation, the missing quantity of the provision is valued based on the unit substitute fee for the given financial year.

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

#### **Provision for mine liquidation**

A provision for future costs associated with mine closure is recognised in compliance with the requirements stemming from the Geological and Mining Law, pursuant to which a mining enterprise is required to close mines after production ends, in an amount of the expected costs associated with:

- securing or liquidating mining excavations and mine facilities and equipment;
- securing any unused parts of the deposit;
- securing any neighbouring deposits;
- securing excavations adjacent to the mining facility;
- providing the necessary means to protect the environment and rehabilitate land and manage post-mining areas.

The amount of provision is recognised in the present value of expenditures that - it is expected - will be necessary to comply with the obligation. An interest rate before tax is then used, which reflects the present market assessment of the value of money in time and risk associated specifically with the liability. Increase in the provision associated with the passage of time is recognised as interest costs. Changes in the amount of this provision related to updated estimates (inflation rate, expected nominal value of expenditures on liquidation) in reference to the provision for mine closure are recognised as adjustment of the value of non-current assets subject to the closure obligation.

### **Significant judgements and estimates**

#### **Provision for non-contractual use of property**

Valuation includes estimating the potential payments of compensation for non-contractual use of land and for rent. The provision for non-contractual use of land is estimated using the stages and weights approach, i.e. the likelihood of losing the dispute and the necessity to satisfy the claim. The size of awarded compensation for non-contractual use of land might be significant for the Group given the number of properties in question however the Group is unable to estimate the maximum compensation amount. The Group, in connection with establishing transmission corridors, has estimated and taken into account in the provision also compensation for non-contractual use of land on which its grid assets (power lines) are situated such as were not subject to any claims as of the reporting date. There is a high uncertainty around when this provision will be used.

**Provision for other claims**

This item includes provisions for claims that are unrelated to the 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 landfill site reclamation**

After filling or closing a slag and ash landfill site, the Group is required to rehabilitate the land. Given the fact that the Group has large unfilled landfill sites, the rehabilitation obligation is expected to arise in 2060. Future estimated costs of landfill rehabilitation were discounted to present value using a 1.5% discount rate (2.15% as at 31 December 2019).

**Provision for CO<sub>2</sub> emission allowance purchases**

Judgements concern assumptions related to the allocation of free CO<sub>2</sub> emission allowances due for the Group for 2020.

**Provision for mine liquidation costs**

The Group creates a provision for the costs of mine closure that it is required to incur by law. The key assumptions used in determining the mine closure costs include mine life-cycle, expected inflation and long-term discount rates. Any changes to these assumptions have an impact on the provision's book value. Mine closure costs are calculated by an independent advisory firm using historic data concerning mine closure costs in the hard coal sector in Poland. It is difficult to determine when this provision will be performed.

**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 (note 43.7). It is difficult to determine when this provision will be performed.

### 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 landfill site reclamation	Provision for energy origin certificates	Provision for CO <sub>2</sub> emission allowance purchases	Mine liquidation	Other	Total
<b>As at 1 January 2020</b>	<b>210 087</b>	<b>230 706</b>	<b>91 280</b>	<b>197 555</b>	<b>1 233 325</b>	<b>162 972</b>	<b>364 528</b>	<b>2 490 453</b>
Reversal of discount and change of discount rate	(7 199)	-	186	-	-	3 504	-	(3 509)
Increase in existing provisions	41 380	44 912	25 649	136 556	1 933 376	34 987	321 343	2 538 203
Use of provisions	(3 615)	(10 930)	-	(158 524)	(1 271 545)	-	(129 984)	(1 574 598)
Reversal of unused provision	(820)	(2 467)	(217)	(158)	-	-	(276)	(3 938)
<b>As at 31 December 2020</b>	<b>239 833</b>	<b>262 221</b>	<b>116 898</b>	<b>175 429</b>	<b>1 895 156</b>	<b>201 463</b>	<b>555 611</b>	<b>3 446 611</b>
<i>Long-term</i>								849 990
<i>Short-term</i>								2 596 621

For the financial year ended 31 December 2019:

	Provision for non-contractual use of land	Provision for other claims	Provision for landfill site reclamation	Provision for energy origin certificates	Provision for CO <sub>2</sub> emission allowance purchases	Mine liquidation	Other	Total
<b>As at 1 January 2019</b>	<b>182 738</b>	<b>166 663</b>	<b>66 119</b>	<b>306 918</b>	<b>557 713</b>	<b>112 566</b>	<b>570 992</b>	<b>1 963 709</b>
Reversal of discount and change of discount rate	10 249	-	2 665	-	-	3 625	-	16 539
Increase in existing provisions	17 626	68 787	25 849	181 356	1 241 691	46 781	91 587	1 673 677
Use of provisions	(295)	(1 133)	-	(289 750)	(558 177)	-	(146 238)	(995 593)
Reversal of unused provision	(231)	(3 611)	(3 353)	(969)	(7 902)	-	(151 813)	(167 879)
<b>As at 31 December 2019</b>	<b>210 087</b>	<b>230 706</b>	<b>91 280</b>	<b>197 555</b>	<b>1 233 325</b>	<b>162 972</b>	<b>364 528</b>	<b>2 490 453</b>
<i>Long-term</i>								774 065
<i>Short-term</i>								1 716 388

A description of material claims and conditional liabilities is presented in note 43.

#### Provision for CO<sub>2</sub> emission allowance purchases

The provision for CO<sub>2</sub> emission allowance purchases as at 31 December 2020 amounted to PLN 1 895 156 thousand (as at 31 December 2019: PLN 1 233 325 thousand). This provision will be used in 2021.

#### 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 43.7).

#### Other provisions mainly concern:

- potential liabilities related to grid assets resulting from differences in the interpretation of regulations PLN 178 172 thousand (as at 31 December 2019: PLN 170 985 thousand); it is difficult to determine when this provision will be performed, however in these financial statements it is assumed that it will not happen within 12 months,
- costs to use forest land managed by State Forests PLN 64 421 thousand (as at 31 December 2019: PLN 96 278 thousand); it is difficult to determine when this provision will be performed, however in these financial statements it is assumed that it will not happen within 12 months,
- future investment liabilities toward Elektrownia Ostrołęka Sp. z o.o. and ENERGA S.A. PLN 220 200 thousand (PLN 0 thousand as at 31 December 2019), detailed information on this provision is available in note 18,
- onerous contracts PLN 50 821 thousand (as at 31 December 2019: PLN 68 565 thousand); this provision will be performed in 2020 (note 43.1),

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 43.1.

---

## 34. Accounting for subsidies and road lighting modernisation services

---

### Accounting rules

#### Subsidies

The Group receives subsidies in the form of tangible assets and reimbursement of costs spent on tangible assets. Subsidies are recognised in the statement of financial position as deferred revenue if there is sufficient certainty that they will be received and that the Group will meet the relevant conditions. Subsidies received as reimbursement of costs incurred by the Group are systematically recognised as revenue in the statement of profit and loss in the period in which the associated costs are incurred. Subsidies received as reimbursement of investment expenditures incurred by the Group are systematically recognised, proportionately to depreciation charges, as other operating revenue in the statement of profit and loss and other comprehensive income throughout the asset's period of use.

Recognising a subsidy in financial statements depends on the intended use of such financing, e.g.:

- subsidies received and intended for the acquisition or manufacture of tangible assets are recognised in the statement of financial position as deferred revenue,
- subsidies for purposes other than those described above are recognised in the statement of profit and loss as other operating revenue.

### Accounting for income from subsidies and road lighting modernisation services

	As at	
	31 December 2020	31 December 2019
<b>Long-term</b>		
Accounting for deferred revenue - subsidies	168 473	147 268
Accounting for deferred revenue - road lighting modernisation services	92 689	80 145
<b>Total non-current deferred revenue</b>	<b>261 162</b>	<b>227 413</b>
<b>Short-term</b>		
Accounting for deferred revenue - subsidies	9 326	9 663
Accounting for deferred revenue - road lighting modernisation services	3 982	3 141
<b>Total current deferred revenue</b>	<b>13 308</b>	<b>12 804</b>

### Schedule for accounting for deferred revenue

	As at	
	31 December 2020	31 December 2019
Up to one year	13 308	12 804
From one to five years	52 448	49 538
Over five years	208 714	177 875
<b>Total deferred revenue</b>	<b>274 470</b>	<b>240 217</b>

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

Road lighting modernisation services, i.e. improving the quality and efficiency of road lighting, are services provided on an on-going basis. Revenue from improving the quality and efficiency of road lighting is recognised proportionally over the economic period of use for the tangible assets created.



## Financial instruments and financial risk management

### 35. Financial instruments and fair value

#### Accounting rules

##### Financial assets

The Group 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 Group 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 Group 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 Group 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 Group 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.

---

## 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
<b>FINANCIAL ASSETS</b>				
<b>Long-term</b>	<b>308 797</b>	<b>97 957</b>	<b>236 923</b>	<b>40 172</b>
Financial assets measured at fair value	97 957	97 957	40 172	40 172
Debt financial assets at amortised cost	–	(*)	48 649	(*)
Trade and other receivables	68 736	(*)	13 785	(*)
Finance lease and sublease receivables	513	(*)	319	(*)
Funds in the Mine Decommissioning Fund	141 591	(*)	133 998	(*)
<b>Short-term</b>	<b>3 886 756</b>	<b>41 894</b>	<b>5 652 186</b>	<b>7 056</b>
Financial assets measured at fair value	41 894	41 894	7 056	7 056
Debt financial assets at amortised cost	61	(*)	3 576	(*)
Assets arising from contracts with customers	322 446	(*)	330 447	(*)
Other short-term investments	–	(*)	477	(*)
Trade and other receivables	1 579 826	(*)	1 547 733	(*)
Finance lease and sublease receivables	975	(*)	950	(*)
Cash and cash equivalents	1 941 554	(*)	3 761 947	(*)
<b>TOTAL FINANCIAL ASSETS</b>	<b>4 195 553</b>	<b>139 851</b>	<b>5 889 109</b>	<b>47 228</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Long-term</b>	<b>7 344 820</b>	<b>6 749 538</b>	<b>8 451 708</b>	<b>7 870 704</b>
Credit facilities, loans and debt securities	6 607 756	6 674 407	7 803 113	7 846 208
Lease liabilities	529 140	(*)	504 324	(*)
Trade and other payables	132 793	(*)	119 775	(*)
Liabilities arising from contracts with customers	–	(*)	–	(*)
Financial liabilities measured at fair value	75 131	75 131	24 496	24 496
<b>Short-term</b>	<b>2 900 566</b>	<b>1 295 048</b>	<b>3 659 422</b>	<b>2 139 349</b>
Credit facilities, loans and debt securities	1 224 061	1 224 061	2 102 911	2 102 911
Lease liabilities	25 172	(*)	27 939	(*)
Trade and other payables	1 548 057	(*)	1 479 503	(*)
Liabilities arising from contracts with customers	32 289	(*)	12 631	(*)
Financial liabilities measured at fair value	70 987	70 987	36 438	36 438
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>10 245 386</b>	<b>8 044 586</b>	<b>12 111 130</b>	<b>10 010 053</b>

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

	As at 1 January 2020	Gain/loss recognised in financial result due to balance sheet measurement or modification	Interest income/costs	Impairment - expected credit losses	Loss on disposal or derecognition	Other comprehensive income	Change	As at 31 December 2020
<b>Financial assets at fair value through profit or loss:</b>	<b>31 362</b>	<b>9 559</b>	-	-	-	-	<b>45 064</b>	<b>85 985</b>
- financial assets mandatorily measured at fair value through profit or loss	13 037	12 359	-	-	-	-	45 064	70 460
- financial assets voluntarily measured at fair value through profit or loss	18 325	(2 800)	-	-	-	-	-	15 525
<b>Equity instruments at fair value through other comprehensive income</b>	<b>15 866</b>	-	-	-	-	-	<b>38 000</b>	<b>53 866</b>
<b>Financial assets at amortised cost:</b>	<b>5 840 612</b>	<b>(191)</b>	<b>9 452</b>	<b>(125 820)</b>	-	-	<b>(1 669 839)</b>	<b>4 054 214</b>
- debt financial assets at amortised cost	52 225	(191)	9 978	(144 086)	-	-	82 135	61
- trade and other receivables	1 561 518	-	-	18 249	-	-	68 795	1 648 562
- assets arising from contracts with customers	330 447	-	-	17	-	-	(8 018)	322 446
- cash and cash equivalents	3 761 947	-	(1 493)	-	-	-	(1 818 900)	1 941 554
- funds in the Mine Decommissioning Fund	133 998	-	967	-	-	-	6 626	141 591
- other short-term investments	477	-	-	-	-	-	(477)	-
<b>Finance lease and sublease receivables</b>	<b>1 269</b>	-	-	-	-	-	<b>219</b>	<b>1 488</b>
<b>Financial liabilities at fair value through profit or loss:</b>	<b>(37 132)</b>	-	-	-	-	-	<b>30 687</b>	<b>(6 445)</b>
- financial liabilities mandatorily measured at fair value through profit or loss	(37 132)	-	-	-	-	-	30 687	(6 445)
<b>Derivative instruments used in hedge accounting</b>	<b>(23 802)</b>	<b>(7 046)</b>	-	-	-	<b>(108 862)</b>	<b>37</b>	<b>(139 673)</b>
<b>Financial liabilities at amortised cost:</b>	<b>(11 517 933)</b>	<b>1 568</b>	<b>24 055</b>	-	<b>(20 996)</b>	-	<b>1 968 350</b>	<b>(9 544 956)</b>
- credit facilities, loans and debt securities	(9 906 024)	1 568	24 055	-	(20 996)	-	2 069 580	(7 831 817)
- trade and other payables	(1 599 278)	-	-	-	-	-	(81 572)	(1 680 850)
- liabilities arising from contracts with customers	(12 631)	-	-	-	-	-	(19 658)	(32 289)
<b>Lease liabilities</b>	<b>(532 263)</b>	-	-	-	-	-	<b>(22 049)</b>	<b>(554 312)</b>
<b>Total</b>	<b>(6 222 021)</b>	<b>3 890</b>	<b>33 507</b>	<b>(125 820)</b>	<b>(20 996)</b>	<b>(108 862)</b>	<b>390 469</b>	<b>(6 049 833)</b>

	As at 1 January 2019	Adjustment due to implementatio n of IFRS 16	As at 01.01.2019 after adjustment	Gain/loss recognised in financial result due to balance sheet measurement or modification	Interest income/costs	Impairment - expected credit losses	Gain on disposal or derecognition	Other comprehensive income	Change	As at 31 December 2019
<b>Financial assets at fair value through profit or loss:</b>	<b>146 112</b>	-	<b>146 112</b>	<b>(7 509)</b>	-	-	-	-	<b>(107 241)</b>	<b>31 362</b>
- financial assets mandatorily measured at fair value through profit or loss	127 212	-	127 212	(6 934)	-	-	-	-	(107 241)	13 037
- financial assets voluntarily measured at fair value through profit or loss	18 900	-	18 900	(575)	-	-	-	-	-	18 325
<b>Equity instruments at fair value through other comprehensive income</b>	<b>15 866</b>	-	<b>15 866</b>	-	-	-	-	-	-	<b>15 866</b>
<b>Financial assets at amortised cost:</b>	<b>4 659 512</b>	<b>(1 862)</b>	<b>4 657 650</b>	<b>(495)</b>	<b>10 925</b>	<b>(61 666)</b>	-	-	<b>1 234 198</b>	<b>5 840 612</b>
- debt financial assets at amortised cost	7 975	-	7 975	(495)	1 260	(65 998)	-	-	109 483	52 225
- trade and other receivables	1 543 895	(1 862)	1 542 033	-	-	4 260	-	-	15 225	1 561 518
- assets arising from contracts with customers	327 980	-	327 980	-	-	72	-	-	2 395	330 447
- cash and cash equivalents	2 650 838	-	2 650 838	-	7 807	-	-	-	1 103 302	3 761 947
- funds in the Mine Decommissioning Fund	128 279	-	128 279	-	1 858	-	-	-	3 861	133 998
- other short-term investments	545	-	545	-	-	-	-	-	(68)	477
<b>Finance lease and sublease receivables</b>	-	<b>1 862</b>	<b>1 862</b>	-	-	-	-	-	<b>(593)</b>	<b>1 269</b>
<b>Financial liabilities at fair value through profit or loss:</b>	<b>(110 667)</b>	-	<b>(110 667)</b>	-	-	-	-	-	<b>73 535</b>	<b>(37 132)</b>
- financial liabilities mandatorily measured at fair value through profit or loss	(110 667)	-	(110 667)	-	-	-	-	-	73 535	(37 132)
<b>Derivative instruments used in hedge accounting</b>	<b>(22 223)</b>	-	<b>(22 223)</b>	<b>(1 894)</b>	-	-	-	<b>(1 645)</b>	<b>1 960</b>	<b>(23 802)</b>
<b>Financial liabilities at amortised cost:</b>	<b>(10 796 677)</b>	-	<b>(10 796 677)</b>	<b>102 041</b>	<b>(2 743)</b>	-	<b>1 236</b>	-	<b>(821 790)</b>	<b>(11 517 933)</b>
- credit facilities, loans and debt securities	(8 329 553)	-	(8 329 553)	102 041	(2 743)	-	1 236	-	(1 677 005)	(9 906 024)
- trade and other payables	(2 467 124)	-	(2 467 124)	-	-	-	-	-	867 846	(1 599 278)
- liabilities arising from contracts with customers	-	-	-	-	-	-	-	-	(12 631)	(12 631)
<b>Lease liabilities</b>	<b>(6 640)</b>	<b>(549 233)</b>	<b>(555 873)</b>	-	-	-	-	-	<b>23 610</b>	<b>(532 263)</b>
<b>Total</b>	<b>(6 114 717)</b>	<b>(549 233)</b>	<b>(6 663 950)</b>	<b>92 143</b>	<b>8 182</b>	<b>(61 666)</b>	<b>1 236</b>	<b>(1 645)</b>	<b>403 679</b>	<b>(6 222 021)</b>

	As at 31 December 2020			Total
	Level 1	Level 2	Level 3	
<b>Financial assets measured at fair value</b>	<b>15 000</b>	<b>69 910</b>	<b>54 941</b>	<b>139 851</b>
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
Other derivative instruments at fair value through profit or loss	-	53 928	-	53 928
Interests at fair value through profit or loss	15 000	-	1 075	16 075
<b>Total</b>	<b>15 000</b>	<b>69 910</b>	<b>54 941</b>	<b>139 851</b>
<b>Financial liabilities measured at fair value</b>	<b>-</b>	<b>(146 118)</b>	<b>-</b>	<b>(146 118)</b>
Derivative instruments at fair value through profit or loss	-	(6 445)	-	(6 445)
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(139 673)	-	(139 673)
<b>Credit facilities, loans and debt securities</b>	<b>-</b>	<b>(7 898 468)</b>	<b>-</b>	<b>(7 898 468)</b>
<b>Total</b>	<b>-</b>	<b>(8 044 586)</b>	<b>-</b>	<b>(8 044 586)</b>

	As at 31 December 2019			Total
	Level 1	Level 2	Level 3	
<b>Financial assets measured at fair value</b>	<b>17 800</b>	<b>12 482</b>	<b>16 946</b>	<b>47 228</b>
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
Other derivative instruments at fair value through profit or loss	-	7 300	-	7 300
Interests at fair value through profit or loss	17 800	-	1 080	18 880
<b>Total</b>	<b>17 800</b>	<b>12 482</b>	<b>16 946</b>	<b>47 228</b>
<b>Financial liabilities measured at fair value</b>	<b>-</b>	<b>(60 934)</b>	<b>-</b>	<b>(60 934)</b>
Derivative instruments at fair value through profit or loss	-	(37 132)	-	(37 132)
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(23 802)	-	(23 802)
<b>Credit facilities, loans and debt securities</b>	<b>-</b>	<b>(9 949 119)</b>	<b>-</b>	<b>(9 949 119)</b>
<b>Total</b>	<b>-</b>	<b>(10 010 053)</b>	<b>-</b>	<b>(10 010 053)</b>

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 Group 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;
- forward contracts for the purchase of electricity and gas and property rights

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

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

The 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 Group recognises its stake in PGE EJ1 at level 3 (note 45).

No transfers between the levels were made in 2020.

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).

Moreover, the Group's financial assets at fair value include the measurement of derivative contracts for the purchase of electricity and gas and concerning property rights not used for the Group's own purposes worth PLN 53 928 thousand (as at 31 December 2020: PLN 7 300 thousand). The nominal value of contracts for the purchase and sale of electricity, gas and property rights maturing in 2020-2022, presented as financial assets and liabilities at fair value, amounts to PLN 1 475 732 thousand (PLN 698 316 thousand concerns procurement contracts and PLN 777 416 thousand concerns sales contracts).

### 36. Debt financial assets at amortised cost

#### Debt financial assets at amortised cost

	As at	
	31 December 2020	31 December 2019
<b>Total current debt financial assets at amortised cost</b>		
Loans granted	61	3 576
<b>Total current debt financial assets at amortised cost</b>	<b>61</b>	<b>3 576</b>
<b>Total non-current debt financial assets at amortised cost</b>		
Loans granted	-	48 649
<b>Total non-current debt financial assets at amortised cost</b>	<b>-</b>	<b>48 649</b>
<b>Total</b>	<b>61</b>	<b>52 225</b>

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 and recognised in the 12-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."

### 37. Hedge accounting

#### Accounting rules

##### Hedge accounting and derivative instruments

Derivative instruments that are used by the Group 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.

For some or all of its exposure to a particular risk, the Group 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 Group 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 Group 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 Group in accordance with rules concerning fair value or cash flow hedges.

If the Group 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 Group 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 Group:

- 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 Group 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 Group 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 Group 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:

	As at	
	31 December 2020	31 December 2019
<b>Accumulated other comprehensive income related to the effective part of cash flow hedges as at 1 January, recognised in hedging reserve</b>	<b>(17 356)</b>	<b>(16 024)</b>
- related to interest rate hedges	(17 356)	(16 024)
<b>Measurement of hedging instruments as at balance sheet date, in part considered as effective hedge</b>	<b>(88 178)</b>	<b>(1 332)</b>
- related to interest rate hedges	(88 178)	(1 332)
<b>Accumulated other comprehensive income related to the effective part of cash flow hedges as at 31 December, recognised in hedging reserve</b>	<b>(105 534)</b>	<b>(17 356)</b>
- 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.

## 38. Financial risk management

### Financial risk management rules

The Group'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 Group's exposure to each of the aforementioned types of risk and describes the objectives and policies with regard to managing risk and capital.

The Parent's Management Board is responsible for setting out the risk management framework and rules.

Managing financial risk at the Group 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. The Group 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 Group.

### 38.1. Credit risk

Exposure to credit risk	Risk management
<p>Credit risk is risk associated with the Group 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.</p> <p>Credit risk is associated with a potential inability to collect receivables from customers.</p> <p><b>Key factors having impact on the Group's credit risk:</b></p> <ul style="list-style-type: none"> <li>– 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 inflow and recovery of receivables,</li> <li>– 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.</li> </ul>	<p>The Management Board implements a <i>Credit risk management policy at ENEA Group</i>, 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 the Group's most important customers, pursuant to which contractual terms with the counterparties are appropriately structured (payment terms, potential collateral, etc.).</p>

The following table shows a structure of balance-sheet items depicting the Group'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)	69 910	12 482
Debt financial assets at amortised cost	61	52 225
Other short-term investments	-	477
Assets arising from contracts with customers	322 446	330 447
Trade and other receivables	1 648 562	1 561 518
Finance lease and sublease receivables	1 488	1 269
Cash and cash equivalents	1 941 554	3 761 947
Funds in the Mine Decommissioning Fund	141 591	133 998
<b>Credit risk</b>	<b>4 125 612</b>	<b>5 854 363</b>

\* These values correspond to book values.

#### Credit risk associated with trade receivables

In line with internal regulations, the issue of receivables being concentrated in relation to the Group's end customers is also subject to monitoring. The size of the Group'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 Group 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 Group considers it 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, the Group 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:

	As at	
	31 December 2020	31 December 2019
<b>Impairment as of 1 January</b>	<b>157 844</b>	<b>162 104</b>
Created	18 633	9 135
Reversed	(26 424)	(3 494)
Used	(10 458)	(9 901)
<b>Impairment as of 31 December</b>	<b>139 595</b>	<b>157 844</b>

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 Group'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/Group). 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 data 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.

#### 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
<b>Trade and other receivables</b>			
Current	1 498 136	(8 817)	1 489 319
Overdue	290 021	(130 778)	159 243
0-30 days	100 033	(262)	99 771
31-90 days	15 417	(1 359)	14 058
91-180 days	9 215	(2 676)	6 539
over 180 days	165 356	(126 481)	38 875
<b>Total</b>	<b>1 788 157</b>	<b>(139 595)</b>	<b>1 648 562</b>
<b>Assets arising from contracts with customers</b>	<b>322 657</b>	<b>(211)</b>	<b>322 446</b>

	As at 31 December 2019		
	Nominal value	Impairment	Book value
<b>Trade and other receivables</b>			
Current	1 418 337	(8 783)	1 409 554
Overdue	301 025	(149 061)	151 964
0-30 days	99 035	(413)	98 622
31-90 days	13 354	(1 422)	11 932
91-180 days	6 932	(2 130)	4 802
over 180 days	181 704	(145 096)	36 608
<b>Total</b>	<b>1 719 362</b>	<b>(157 844)</b>	<b>1 561 518</b>
<b>Assets arising from contracts with customers</b>	<b>330 675</b>	<b>(228)</b>	<b>330 447</b>

### Credit risk associated with trade receivables by market segment

Electricity sales and distribution services - retail clients

There is a substantial volume of overdue receivables in this segment. Although these do not constitute a significant threat to the Group'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;

Electricity sales and distribution services - 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 Group works with specialised external entities that support it in hard debt collection activities. The Group 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 for such transactions is governed by "ENE A Group's liquidity and liquidity risk management policy" and "ENE A Group's currency risk and interest risk management policy." ENE 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 "ENE A Group's credit risk management policy," if a transaction partner has a rating issued by a reputable agency, the Group does not estimate an internal rating for this entity. In selecting banking counterparties, the Group 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 ENE A 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 "ENE A 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 the parent company, which serves as Pool Leader in the cash pooling mechanism. Companies require ENE A S.A.'s approval to investment free cash on their own.

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

The Group 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 86.43%, bank B 8.54%, bank C 5.03%.

### 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 Group 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
<b>Cash and cash equivalents</b>	<b>1 941 554</b>	<b>3 761 947</b>
from AAA to BBB- (investment grade)	1 941 554	3 761 947
<b>Funds in the Mine Decommissioning Fund</b>	<b>141 591</b>	<b>133 998</b>
from AAA to BBB- (investment grade)	141 591	133 998
<b>Loans granted</b>	<b>210 145</b>	<b>118 223</b>
from AAA to BBB- (investment grade)	-	8 244
from CCC to D (speculative grade)	210 145	109 979
<b>Other short-term investments</b>	<b>-</b>	<b>477</b>
from AAA to BBB- (investment grade)	-	477
<b>Total gross value</b>	<b>2 293 290</b>	<b>4 014 645</b>
Loans granted	(210 084)	(65 998)
<b>Total impairment for expected credit losses</b>	<b>(210 084)</b>	<b>(65 998)</b>
Cash and cash equivalents	1 941 554	3 761 947
Funds in the Mine Decommissioning Fund	141 591	133 998
Loans granted	61	52 225
Other short-term investments	-	477
<b>Total balance sheet value</b>	<b>2 083 206</b>	<b>3 948 647</b>

## 38.2. Financial liquidity risk

Exposure to financial liquidity risk	Risk management
<p>Financial liquidity risk is perceived as the risk that ENEA Group would have no ability to meet its payment obligations at maturity.</p> <p>The aim of these activities is to reduce the likelihood of financial liquidity risk materialising by optimally using financial resources and available financing instruments.</p>	<p>In its business, ENEA Group strives to ensure a 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.</p> <p>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.</p> <p>In the financial liquidity management process, the Group 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 Group carries out cyclical scenario analyses and develops emergency financing plans intended to ensure the capacity to supplement cash shortages. The Group centrally manages financial surpluses. Allocating surpluses is mainly done with the use of term deposits. With a view toward limiting concentration risk, investments of excess cash are diversified in terms of financial institutions. The Group 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.</p> <p>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.</p> <p>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.</p>

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

In 2020, the Group recorded one event that was difficult to predict and had an impact on financial liquidity. As a result of the spread of the SARS-CoV-2 pandemic, financial and commodity markets were hit with previously unheard-of volatility. In effect, the Group was required to assign considerable funds to hedge its open position on EUA futures on the ICE. This was the result of a sharp decline in EUA prices and the ensuing negative valuation of the Group's portfolio. However, this event was of a short-term nature, and the previously unplanned expenditures were covered by financial surpluses.

The Group manages liquidity risk also by maintaining open and unused credit lines, which amounted to PLN 850 000 thousand as at 31 December 2020.

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

#### As at 31 December 2020

	Trade and other payables	Lease liabilities	Bank credit and bonds	Loans	Financial liabilities measured at fair value	Liabilities arising from contracts with customers	Total
<b>Book value</b>	<b>1 680 850</b>	<b>554 312</b>	<b>7 773 377</b>	<b>58 440</b>	<b>146 118</b>	<b>32 289</b>	<b>10 245 386</b>
<b>Non-discounted contractual cash flows</b>	<b>(1 693 269)</b>	<b>(920 936)</b>	<b>(8 122 516)</b>	<b>(63 100)</b>	<b>(146 630)</b>	<b>(32 289)</b>	<b>(10 978 740)</b>
up to 6 months	(1 544 693)	(16 154)	(572 759)	(6 742)	(43 904)	(32 289)	(2 216 541)
6-12 months	(4 103)	(19 617)	(728 881)	(6 291)	(27 011)	-	(785 903)
1-2 years	(104 806)	(27 474)	(2 235 670)	(13 383)	(41 688)	-	(2 423 021)
2-5 years	(14 003)	(39 157)	(3 201 028)	(29 299)	(34 027)	-	(3 317 514)
over 5 years	(25 664)	(818 534)	(1 384 178)	(7 385)	-	-	(2 235 761)

#### As at 31 December 2019

	Trade and other payables	Finance lease liabilities	Bank credit and bonds	Loans	Financial liabilities measured at fair value	Liabilities arising from contracts with customers	Total
<b>Book value</b>	<b>1 599 278</b>	<b>532 263</b>	<b>9 836 713</b>	<b>69 311</b>	<b>60 934</b>	<b>12 631</b>	<b>12 111 130</b>
<b>Non-discounted contractual cash flows</b>	<b>(1 619 139)</b>	<b>(906 312)</b>	<b>(10 769 985)</b>	<b>(75 729)</b>	<b>(61 512)</b>	<b>(12 631)</b>	<b>(13 445 308)</b>
up to 6 months	(1 478 140)	(21 321)	(1 324 008)	(7 327)	(41 608)	(12 631)	(2 885 035)
6-12 months	(4 522)	(20 792)	(989 838)	(6 706)	(3 441)	-	(1 025 299)
1-2 years	(91 704)	(55 409)	(1 407 068)	(13 101)	(11 713)	-	(1 578 995)
2-5 years	(14 441)	(52 776)	(5 230 255)	(33 877)	(4 750)	-	(5 336 099)
over 5 years	(30 332)	(756 014)	(1 818 816)	(14 718)	-	-	(2 619 880)

### 38.3. Commodity risk

#### Exposure to commodity risk

Commodity risk is related to potential changes in the Group'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 Group's commodity risk is the fact that by acting as an energy enterprise operating as ex-officio seller the Group is required to submit electricity price tariffs for approval for the tariff group G. The Group 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 Group in the tariff period has a limited ability to transfer adverse changes in costs onto the end recipients of electricity. The Group may file an application to the URE President to amend the tariff only in the event of a major increase in costs for reasons outside of its control.

#### Risk management

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 Group uses management rules specified in the Group's strategic regulations (wholesale trade mode), setting out methods for optimising the Group'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).

In 2020, the Group was exposed to an elevated level of commodity risk (high volatility of prices) in connection with the COVID-19 pandemic. Irrespective of the above, the Group is observing a rising risk of a strategic (long-term) nature

in this area, which is related to stricter EU requirements concerning climate protection, translating into considerable growth in the price of CO2 emission allowances, which in turn affect the profitability of the Group's electricity-generation companies.

#### 38.4. Currency risk

Exposure to currency risk	Risk management
<p>Currency risk is associated with potential changes in exchange rates that may in turn lead to changes in the Group's cash flows.</p> <p>The Group's exposure to currency risk stems from the obligation to comply with the requirement to purchase and submit for redemption emission allowances, as well as investment expenditures and performance of service contracts with counterparties whose remuneration is denominated in foreign currencies.</p>	<p>Hedging is performed on the basis of <i>"ENEA Group's currency risk and interest rate risk management policy."</i></p> <p>Currency risk is mainly hedged using FX forwards. Currency hedges are intended to ensure a fixed value of cash flows in domestic currency that are generated in connection with operating and investing activities.</p> <p>In order to secure maximum effectiveness of hedging, FX forwards are executed for periods and amounts that correspond to currency exposure. This results in an economic link between the underlying items and the hedging derivatives.</p> <p>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 or adjustment of payment deadlines through annexes to contracts with counterparties.</p> <p>In accordance with <i>'ENEA Group's currency risk and interest rate risk management policy,'</i> 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 Group hedges all of its currency exposure that it considers as material, i.e. which exceeds the exposure limit. The Group does not apply hedge accounting in this area.</p>

#### 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).

In 2020, ENEA Trading Sp. z o.o. executed 24 FX Forward transactions. Measurement of these instruments as at 31 December 2020 was PLN 6 093 thousand (PLN 0 thousand as at 31 December 2019). The value of these transactions was EUR 1 320 thousand.

In 2020, ENEA Wytwarzanie Sp. z o.o. executed 4 FX Forward transactions. Measurement of these instruments as at 31 December 2020 was PLN 0 thousand (PLN 0 thousand as at 31 December 2019). The value of these transactions was EUR 1 544 thousand.

In 2020, ENEA Elektrownia Połaniec S.A. executed 10 FX Forward transactions. Measurement of these instruments as at 31 December 2020 was PLN 0 thousand (PLN 0 thousand as at 31 December 2019). The value of these transactions was EUR 854 thousand.

In 2020, ENEA Centrum Sp. z o.o. executed 1 FX Forward transaction. Measurement of these instruments as at 31 December 2020 was PLN 0 thousand (PLN 0 thousand as at 31 December 2019). The value of this transaction was EUR 2 182 thousand.

The following table shows the Group's exposure to currency risk:

	As at 31 December 2020				As at 31 December 2019			
	Book value	including value in EUR expressed in functional currency (PLN)	Exchange rate up +1%	Exchange rate down -1%	Book value	including value in EUR expressed in functional currency (PLN)	Exchange rate up +1%	Exchange rate down -1%
<b>Financial assets</b>								
Cash and cash equivalents	1 941 554	500 960	5 010	(5 010)	3 761 947	170 922	1 709	(1 709)
Trade and other receivables	1 648 562	305 850	3 059	(3 059)	1 561 518	314 462	3 145	(3 145)
Financial assets measured at fair value	139 851	42 279	423	(423)	47 228	-	-	-
<b>Financial liabilities</b>								
Trade and other payables	(1 680 850)	(303)	(3)	3	(1 599 278)	(42 767)	(428)	428
Financial liabilities measured at fair value	(146 118)	-	-	-	(60 934)	(35 617)	(356)	356
<b>Net exposure</b>	<b>1 902 999</b>	<b>848 786</b>			<b>3 710 481</b>	<b>407 000</b>		
<b>Impact on result before tax</b>			<b>8 489</b>	<b>(8 489)</b>			<b>4 070</b>	<b>(4 070)</b>
19% tax			(1 613)	1 613			(773)	773
<b>Net exposure after tax</b>			<b>6 876</b>	<b>(6 876)</b>			<b>3 297</b>	<b>(3 297)</b>



### 38.5. Interest rate risk

Exposure to interest rate risk	Risk management
<p>Interest rate risk is associated with a negative impact of changes in interest rates on ENEA Group's financial situation. Exposure to interest rate risk is related to credit agreements and bond issue programme agreements.</p> <p>Given the Group's financing arrangement model, interest rate risk is identified and managed (quantified, mitigated) by the Parent. Financing is arranged based on variable interest, which is calculated in correlation with market (interbank) rates. Interest rate hedging is performed on the basis of "ENEA Group's currency risk and interest rate risk management policy."</p> <p>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.</p>	<p>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 Group 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 the Group 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.</p>

As at 31 December 2020, the Group had credit and bond liabilities of PLN 7 831 817 thousand. The aforementioned debt has been hedged in 59.7% using IRSs.

The following table shows the Group's sensitivity to changes in interest rates by presenting financial assets and liabilities by variable-rate and fixed-rate:

	As at	
	31 December 2020	31 December 2019
<b>Fixed-rate instruments</b>		
Financial assets	3 318 473	4 891 004
Financial liabilities	(2 843 605)	(2 842 799)
Impact of IRS hedge	(4 672 992)	(5 201 117)
<b>Total</b>	<b>(4 198 124)</b>	<b>(3 152 912)</b>
<b>Variable-rate instruments</b>		
Financial assets	737 229	950 877
Financial liabilities	(7 255 663)	(9 207 397)
Impact of IRS hedge	4 672 992	5 201 117
<b>Total</b>	<b>(1 845 442)</b>	<b>(3 055 403)</b>

The Group's fixed-rate financial assets mainly include cash invested in bank deposits, trade receivables that are based on a fixed rate of penalty interest in case of overdue payment and assets arising from contracts with customers.

#### 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 intended to reduce the negative impact of the SARS-CoV-2 pandemic.

The following table presents the impact of interest rate changes on the Group'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
<b>Financial assets</b>						
Cash	245 359	2 454	(2 454)	388 944	3 889	(3 889)
Funds in the Mine Decommissioning Fund	141 591	1 416	(1 416)	133 998	1 340	(1 340)
Trade and other receivables	350 279	3 503	(3 503)	427 935	4 279	(4 279)
<b>Impact on result before tax</b>		<b>7 373</b>	<b>(7 373)</b>		<b>9 508</b>	<b>(9 508)</b>
19% tax		(1 401)	1 401		(1 807)	1 807
<b>Impact on result after tax</b>		<b>5 972</b>	<b>(5 972)</b>		<b>7 701</b>	<b>(7 701)</b>
<b>Financial liabilities</b>						
Credit facilities, loans and debt securities	(7 255 663)	(72 557)	72 557	(9 207 397)	(92 074)	92 074
Derivative instruments	(139 673)	-	-	(23 802)	-	-
<b>Impact on result before tax</b>		<b>(72 557)</b>	<b>72 557</b>		<b>(92 074)</b>	<b>92 074</b>
19% tax		13 786	(13 786)		17 494	(17 494)
<b>Impact on result after tax</b>		<b>(58 771)</b>	<b>58 771</b>		<b>(74 580)</b>	<b>74 580</b>
<b>Total</b>		<b>(52 799)</b>	<b>52 799</b>		<b>(66 879)</b>	<b>66 879</b>

## Other explanatory notes

### 39. Related-party transactions

Group companies execute transactions with the following related parties:

- Group companies - these transactions are eliminated at the consolidation stage;
- Transactions between the Group and members of the Group's corporate authorities, which 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.

Transactions with members of the Group's corporate authorities:

Item	Year ended			
	Company's Management Board		Company's Supervisory Board	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Remuneration under management contracts and consulting contracts	6 491*	4 023**	-	-
Remuneration under appointment to management or supervisory bodies	-	-	771	774
Other benefits	-	-	-	-
<b>TOTAL</b>	<b>6 491</b>	<b>4 023</b>	<b>771</b>	<b>774</b>

\* 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 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	Granted from	Repayment until	As at
	1 January 2020		31 December 2020	
Company's Supervisory Board	-	26	-	26
<b>TOTAL</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>26</b>

Organ	As at	Granted from	Repayment until	As at
	1 January 2019		31 December 2019	
Company's Supervisory Board	5	-	(5)	-
<b>TOTAL</b>	<b>5</b>	<b>-</b>	<b>(5)</b>	<b>-</b>

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

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

### Transactions with State Treasury related parties

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

The subject of these transactions mainly is as follows:

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

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

In addition, the Group identified financial transactions with State Treasury's related parties, i.e. with banks serving as guarantors for bond issue programmes. These entities include: PKO BP S.A., Pekao S.A. and Bank Gospodarstwa Krajowego. Detailed information on bond issue programs is presented in note 30.

Among State Treasury subsidiaries ENEA Group's largest counterparty-customer is Grupa Azoty, with net sales in 2020 reaching PLN 357 811 thousand (2019: also Grupa Azoty with sales of PLN 295 616 thousand), the largest supplier-counterparty is Polskie Sieci Elektroenergetyczne, with net purchases of PLN 1 100 112 thousand (2019: also Polskie Sieci Elektroenergetyczne - purchases of PLN 1 074 274 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	411 520	48 790	73 205
Associates	165	6 169	17	81 619

	Year ended 31 December 2019		As at 31 December 2019	
	Sale	Purchases	Receivables	Liabilities
Jointly controlled entities	69 289	441 502	51 292	103 917
Associates	6 564	1 688	1	81 628

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).

#### 40. Explanatory notes for the consolidated statement of cash flows

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

	Year ended	
	31 December 2020	31 December 2019
<b>Changes in CO<sub>2</sub> emission allowances in balance sheet</b>	<b>(1 153 931)</b>	<b>(788 892)</b>
- Purchase Price Allocation	-	(5 536)
<b>Changes in CO<sub>2</sub> emission allowances in cash flow statement</b>	<b>(1 153 931)</b>	<b>(794 428)</b>
<b>Change in inventory on the balance sheet</b>	<b>246 320</b>	<b>(111 425)</b>
- adjustment of depreciation by change in product levels and considerations for own purposes	-	2 501
- depreciation of re-usable materials	(4 454)	(1 068)
<b>Change in inventory in the cash flow statement</b>	<b>241 866</b>	<b>(109 992)</b>
<b>Change in trade and other receivables and assets arising from contracts with customers on balance sheet</b>	<b>(51 431)</b>	<b>(244 676)</b>
- VAT and income tax offset	1 429	(12 956)
- transaction costs	2 055	908
- CIT receivables	(140)	(366)
- bond programs	(917)	1 044
- finance leases	(219)	(1 472)
- Other	(1 652)	423
<b>Change in trade and other receivables and assets arising from contracts with customers in cash flow statement</b>	<b>(50 875)</b>	<b>(257 095)</b>
<b>Change in trade and other payables and liabilities arising from contracts with customers on balance sheet</b>	<b>279 265</b>	<b>(521 880)</b>
- investment commitments	44 562	123 258
- interest charged and not paid	-	121
- adjustment of investment commitments by charged VAT	18 720	(14 075)
- offset of liabilities with excess CIT paid	9 057	11 857
- loan	80 000	(80 123)
- Other	(475)	(1 099)
<b>Change in trade and other payables and liabilities arising from contracts with customers in cash flow statement</b>	<b>431 129</b>	<b>(481 941)</b>
<b>Change in employee benefit liabilities on balance sheet</b>	<b>145 284</b>	<b>215 113</b>
- actuarial gains/losses recognised in other comprehensive income	(77 658)	(85 281)
- Other	68	128
<b>Change in employee benefit liabilities in cash flow statement</b>	<b>67 694</b>	<b>129 960</b>
<b>Change in accounting for subsidies and road lighting modernisation services on balance sheet</b>	<b>34 253</b>	<b>30 151</b>
- tangible assets received free-of-charge	(995)	-
- Other	1	-
<b>Change in accounting for subsidies and road lighting modernisation services in cash flow statement</b>	<b>33 259</b>	<b>30 151</b>
<b>Change in other provisions for liabilities and other charges in balance sheet</b>	<b>956 158</b>	<b>526 744</b>
- elimination of change in provision for Mine Closure Fund	(31 123)	(44 046)
- Elektrownia Ostrołęka	(222 200)	-
- Other	75	(25)
<b>Change in other provisions for liabilities and other charges in cash flow statement</b>	<b>702 910</b>	<b>482 673</b>

#### Purchase of financial assets

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

#### Reconciliation of bank credit and loans

	As at	
	31 December 2020	31 December 2019
<b>As at 1 January</b>	<b>2 130 633</b>	<b>2 296 276</b>
Credit and loans received	2 308	-
Repayment of credit and loans	(176 371)	(166 222)
Measurement and transaction costs	(2 806)	579
<b>As at 31 December</b>	<b>1 953 764</b>	<b>2 130 633</b>

#### Reconciliation of bonds

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

#### 41. Concession agreements for provision of public services

The Group's activities largely focus on electricity generation, distribution and trade as well as the production and sale of coal.

In accordance with the Energy Law, the URE President is responsible for concessions, regulation of energy enterprises and approval of tariffs.

	Term of concession agreement								
	ENEA S.A.	ENEA Operator Sp. z o.o.	ENEA Wytwarzanie Sp. z o.o.	ENEA Trading Sp. z o.o.	MEC Piła Sp. z o.o.	PEC Sp. z o.o.	ENEA Ciepło Sp. z o.o.	ENEA Elektrownia Polaniec S.A.	Lubelski Węgiel Bogdanka S.A.
Trade of electricity	31 December 2025		31 December 2030	31 December 2030			1 September 2028	31 December 2030	
Trade of gas fuels	31 December 2030			31 December 2030			10 January 2029		
Foreign trade of natural gas				31 December 2030					
Trade of heat							30 September 2028		
Distribution of electricity		1 July 2030							
Generation of electricity			31 December 2030		31 December 2030		30 November 2028	1 November 2025	
Generation of thermal energy			31 December 2025		31 December 2025	31 December 2025	30 September 2028	1 November 2025	
Transmission and distribution of heat			31 December 2025		31 December 2025	31 December 2025	30 September 2028	1 November 2025	
Mining of hard coal from "Bogdanka" deposit within mining area "Puchaczów V" of 6 April 2009									31 December 2031
Mining of hard coal from "Lubelskie Zagłębie Węglowe - obszar K-3" deposit within mining area "Stręczyn" of 17 June 2014									17 July 2046
Mining of hard coal from "Ostrów" deposit located within municipalities: Ludwin, Łęczna, Ostrów Lubelski, Puchaczów, Sosnowica, Uścimów in the Lubelskie Voivodship of 17 November 2017									31 December 2065
Mining of hard coal from "Lubelskie Zagłębie Węglowe - obszar K-6 i K-7" deposit situated in the Cyców municipality in Łęczno powiat, Lubelskie voivodship, dated 20 December 2019									31 December 2046

The mining activities of **Lubelski Węgiel Bogdanka S.A.** as regards commercial mining of hard coal must be in compliance with the Geological and Mining Law.

## 42. Employment

	Year ended	
	31 December 2020	31 December 2019
Blue collar jobs	10 243	9 682
White collar jobs	6 998	7 314
<b>TOTAL</b>	<b>17 241</b>	<b>16 996</b>

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

## 43. 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

### 43.1. 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 the Group used the provision for onerous contracts in the amount of PLN 68 565 thousand.

### 43.2. Sureties and guarantees

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

#### List of guarantees issued as at 31 December 2020

Guarantee issue date	Guarantee validity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
12 August 2018	16 May 2021	Górecka Projekt Sp. z o.o.	PKO BP S.A.	2 109
1 July 2020	30 June 2022	H. Świącicki Clinical Hospital in Poznań	PKO BP S.A.	1 281
<b>Total bank guarantees</b>				<b>3 390</b>

#### List of guarantees issued as at 31 December 2019

Guarantee issue date	Guarantee validity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
12 August 2018	16 May 2021	Górecka Projekt Sp. z o.o.	PKO BP S.A.	2 109
13 November 2018	30 January 2020	Olsztyn municipality	PKO BP S.A.	4 462
24 May 2019	30 July 2020	City of Bydgoszcz	PKO BP S.A.	1 207
<b>Total bank guarantees</b>				<b>7 778</b>

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



---

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

---

#### Proceedings initiated by the Group

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

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

At 31 December 2020, a total of 13 046 cases initiated by the Group were in progress before courts of general competence, worth in aggregate PLN 173 165 thousand (31 December 2019: 5 754 cases worth PLN 181 081 thousand).

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

#### Proceedings against the Group

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

There are also claims concerning terminated agreements for the purchase of property rights (note 43.7).

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

At 31 December 2020, a total of 2 499 cases against the Group were in progress before courts of general competence, worth in aggregate PLN 936 828 thousand (31 December 2019: 2 344 cases worth PLN 913 887 thousand). The outcome of individual cases is not significant from the viewpoint of the Group's financial result.

Provisions related to these court cases are presented in note 33.

---

### 43.4. Other court proceedings

---

Proceedings on-going before public administration courts involving Lubelski Węgiel Bogdanka S.A. mainly concern disputes with local government units regarding property tax. This stems from the fact that in preparing property tax declarations LWB (like other mining companies in Poland) did not take into account the value of underground mining excavations or the value of equipment located therein. These cases concern refunds of overpayments and the way in which property tax base is calculated.

In order to protect the Group from any potential consequences in the form of late interest on property tax - provided that the municipalities' decisions that include equipment and support structures located inside mining excavations are eventually upheld - LWB in mid-2019 decided to include the value of underground excavations and equipment in calculations regarding this tax (given the majority of case law involving tax on elements of mining excavations).

---

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 2018, 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, the ruling by the District Court in Poznań invalidating the Resolution became final. The Group 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 consolidated financial statements were prepared.

On 20 August 2018, the Energy Regulatory Office ("URE") sent a notice to ENEA Wytwarzanie Sp. z o.o. regarding the instigation of an administrative proceeding to impose a monetary penalty due to the possibility that applications for issue of origin certificates for years 2010-2018 submitted to the URE President could have contained inaccurate data, information or declarations.

In accordance with the notice, ENEA Wytwarzanie Sp. z o.o. provided detailed explanations and the required documentation.

In September 2020, the Energy Regulatory Office (URE) examined some of the applications for February and March 2018 and issued property rights for these months. The remaining applications are currently being verified.

The case is in progress as of 31 December 2020.

#### 43.5. Risk associated with legal status of properties used by the Group

Risk associated with the legal status of properties used by the Group results from the fact that the Group 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 Group might be obligated to incur the costs of non-contractual use of property.

Rulings in these cases are significant because they have a considerable impact on the Group's approach to people raising pre-trial claims concerning equipment located on their properties in the past as well as the way in which the legal status of such equipment is addressed in the case of new investments.

The loss of assets in this case is highly unlikely. Having an unclear legal status for properties where power equipment is located does not constitute a risk for the Group of losing such assets, rather it gives rise to the threat of additional costs related to demands for compensation for the non-contractual use of land, rent, costs related to transmission easements and, exceptionally, in individual cases, demands related to a change in the object's location (return of land to original condition). The Group recognises adequate provisions.

The provision also applies to compensation for the non-contractual use by the Group of properties on which the Group's grid assets (power lines) are located, in connection with transmission corridors or transmission easements being established for the Group.

As at 31 December 2020, the Group recognised a provision for claims concerning non-contractual use of land amounting to PLN 239 833 thousand.

#### 43.6. 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
<b>Total</b>	<b>27 594</b>

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

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

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

The aforementioned disputes have not been resolved. 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 concerning these cases were recognised in the consolidated statement of financial position.

#### **43.7. 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 Śniadowo sp.k., based in Poznań (currently TEC1 Sp. z o.o. EW Śniadowo 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:

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

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 note 33.

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:

- in case ref. IX GC 64/17, the proceeding was validly closed due to a court settlement being reached;
- 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;
- 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:

- 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;
- 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;
- 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.

#### 44. Collateral on assets and other restrictions

##### Limits and collateral established on the Group's assets and other collateral

No.	Name of entity	Title of collateral	Type of collateral	Entity for which collateral is established	Debt at 31 December 2020	Debt at 31 December 2019	Term of collateral
1.	<b>Enea Serwis</b>	Collateral for agreement to issue contract guarantees	Blank promissory note	<b>WUPRINŻ S.A.</b>	14	14	14 September 2022
2.	<b>Enea Serwis</b>	Collateral for agreement to issue contract guarantees	Blank promissory note	<b>PGL Lasy Państwowe</b>	31	31	31 December 2020
3.	<b>Enea Serwis</b>	Collateral for agreement to issue contract guarantees	Blank promissory note	<b>STRABAG Sp. z o.o.</b>	30	30	4 February 2021
4.	<b>Enea Serwis</b>	Collateral for agreement to issue contract guarantees	Blank promissory note	<b>STRABAG Sp. z o.o.</b>	30	30	4 February 2021
5.	<b>Enea Serwis</b>	Collateral for agreement to issue contract guarantees	Blank promissory note	<b>STRABAG Sp. z o.o.</b>	25	25	4 February 2021
6.	<b>Enea Serwis</b>	Collateral for agreement to issue contract guarantees	Blank promissory note	<b>STRABAG Sp. z o.o.</b>	25	25	4 February 2021
7.	<b>PEC Oborniki</b>	Collateral for loan	Blank promissory note, assignment of receivables	<b>WFOŚiGW</b>	706	1 008	20 June 2023
8.	<b>PEC Oborniki</b>	Collateral for loan	Blank promissory note, assignment of receivables	<b>WFOŚiGW</b>	1 158	1 259	20 September 2028
9.	<b>Enea Ciepło</b>	Collateral for loan	Blank promissory note	<b>National Fund for Environmental Protection and Water Management (NFOŚiGW)</b>	41 327	48 184	20 December 2026
10.	<b>Enea Ciepło</b>	Collateral for credit facility	Blank promissory note	<b>PKO BP S.A.</b>	1 303	2 172	30 June 2022
11.	<b>Enea Ciepło</b>	Collateral for credit facility	Blank promissory note	<b>ING Bank Śląski S.A.</b>	1 969	2 919	12 November 2023
12.	<b>LW Bogdanka</b>	Collateral for loan	Blank promissory note, assignment of receivables	<b>WFOŚiGW</b>	11 008	14 076	31 July 2024
13.	<b>MEC Piła</b>	Collateral for loans	Blank promissory note, assignment of receivables	<b>WFOŚiGW</b>	2 952	4 784	20 June 2023
14.	<b>Enea Elektrownia Połaniec</b>	Transfer of EUA as collateral	Transfer of EUA ownership pursuant to contract (non-cash collateral)	<b>IRGIT</b>	-	-	until revoked
15.	<b>Enea Nowa Energia</b>	Collateral for lease rent	Restriction of funds in bank account	<b>National Centre for Agriculture Support (KOWR)</b>	476	-	9 December 2021

Aside from the constraints described in the table above, restrictions on cash are described in note 25.

#### 45. Participation in nuclear power plant build program

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. 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.

#### 46. 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.

#### 47. Impact of COVID-19 pandemic

Information on a threat caused by 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. The Group's activities have also been affected by the situation:

- At the date on which these consolidated financial statements were prepared, the Mining segment observed a decline in demand for coal (approx. 18% in comparison to 2019), which is related to lower economic activity in the country and a decrease in demand for electric energy.
- In the Trade segment 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.

- The Generation segment is recording lower electricity output based on hard coal in 2020 (approx. 15%, compared to 2019), which was offset by a considerable increase in electricity sales in trade, leading eventually to a grow in revenue in this segment (approx. 4%, compared to last year).
- In the Distribution segment, the Group in 2020 recorded a decline in the sale of distribution services to end customers by approx. 2%, compared to last year. However this did not result in a decline in EBITDA in this segment.
- Swings in global markets in 2020 also caused considerable changes in the prices of electricity, CO<sub>2</sub> emission allowances, commodities and major swings in equity markets. The Group has analysed these trends with a view toward testing the assumptions used in impairment tests and conducted impairment tests on non-financial assets held by ENEA Wytwarzanie Sp. z o.o., ENEA Nowa Energia Sp. z o.o., ENEA Ciepło Sp. z o.o., ENEA Elektrownia Połaniec S.A. and LWB. The test results are presented in a note concerning the impairment of non-financial assets.
- 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 Group 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.
- Due to work being re-organised and because of enhanced safety measures mandated by the state of epidemic, the Group sees a risk of delays in completing scheduled repairs and modernisations of generation assets, including adaptations to BAT conclusions. The effects of this risk materialising will be limited in terms of time and dependent on the current market situation, among other factors.

At the date on which these consolidated financial statements were prepared, it is difficult to predict how the situation will develop and what the potential negative effects for the Parent's and the Group's operating and financing activities will be in the future. A further spread of the virus may lead to the introduction of additional 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 Group's revenue from sales. It also cannot be ruled out that a larger number of Covid cases at the Group will affect risks related to the business continuity of Group companies. Potential interruptions in operations could have a negative impact on the Group's revenue from sales.

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.

A range of adaptive and optimisation activities were undertaken in order to alleviate the negative impact of the coronavirus on LWB's financial results. One of them was the submission by that company of an application to the Voivodship Labour Office for funding from the Guaranteed Employee Benefits Fund to protect jobs (as part of the Anti-Crisis Shield 4.0). The application was approved, and on 6 October 2020 the company received information on being awarded PLN 33.7 million from the Guaranteed Employee Benefits Fund. This funding was paid out in three tranches, starting in October 2020. On 24 November 2020, LWB filed a supplementary application for funding from the Guaranteed Employee Benefits Fund to protect jobs. The company received information on this application being approved on 25 November 2020. This funding included PLN 0.65 million as subsidy for salaries for November and December 2020 and January 2021. In the long term, it is expected that once the pandemic ends the domestic economy will get back on the path of stable growth and demand for electricity will increase, which will translate into higher demand for the energy-generation coal that is mined at LWB. It should also be noted that on 29 September LWB updated its production objectives for 2020, expecting total annual net extraction to reach approx. 7.4 million tonnes. The annual output eventually exceeded 7.6 million tonnes, however this is still below what could be expected under normal circumstances and is the result of a variety of factors. Demand from power plants and heating plants for energy-generation coal declined considerably in the first half of the year, resulting from both a warm and windy winter and a decline in economic activity due to the coronavirus pandemic. Geological and mining factors also came into play in the third quarter of 2020, limiting the expected progress at longwalls and reducing extraction volumes. These included an increase in deformation pressure, which caused extraction sites near longwalls to have reduced functionality. In connection with staff shortages due to the rising number of COVID-19 cases and the need to isolate employees who have had contact with infected people, these conditions turned out to be sufficiently burdensome

to cause a major reduction in extraction volumes. However, it should be emphasised that these difficulties are temporary, according to the company.

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