



**Extended consolidated quarterly report
of the ENEA Group
for the first quarter of 2019**

Poznań, 28 May 2019

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ENEA Group's selected consolidated financial data

	in PLN 000s		in EUR 000s	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Net revenue from sales	4 009 610	2 988 553	932 945	715 239
Operating profit	441 340	338 778	102 690	81 078
Profit before tax	372 785	306 908	86 739	73 451
Net profit for the reporting period	279 806	254 068	65 104	60 805
EBITDA	798 784	702 129	185 859	168 038
Net cash flows from operating activities	453 590	733 332	105 540	175 505
Net cash flows from investing activities	(832 492)	(730 302)	(193 702)	(174 780)
Net cash flows from financing activities	(147 848)	(177 842)	(34 401)	(42 562)
Total net cash flows	(526 750)	(174 812)	(122 563)	(41 837)
Weighted average number of shares	441 442 578	441 442 578	441 442 578	441 442 578
Net profit attributable to the Parent's shareholders, per share (in PLN/EUR per share)	0.56	0.55	0.13	0.13
Diluted profit per share (in PLN/EUR per share)	0.56	0.55	0.13	0.13
	As at	As at	As at	As at
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Total assets	30 096 052	29 965 625	6 996 966	6 968 750
Total liabilities	14 772 352	14 916 463	3 434 392	3 468 945
Non-current liabilities	9 298 499	10 109 857	2 161 788	2 351 130
Current liabilities	5 473 853	4 806 606	1 272 604	1 117 815
Equity	15 323 700	15 049 162	3 562 574	3 499 805
Share capital	588 018	588 018	136 707	136 748
Book value per share (in PLN/EUR per share)	34.71	34.09	8.07	7.93
Diluted book value per share (in PLN/EUR per share)	34.71	34.09	8.07	7.93

The above financial data for the first quarter of 2019 and 2018 was translated into EUR in accordance with the following rules:

- asset and equity and liability items - using the average exchange rate published for 31 March 2019 - EURPLN 4.3013 (EURPLN 4.3000 as at 31 December 2018)
- items in the statement of profit and loss and other comprehensive income and statement of cash flows - using an exchange rate constituting the arithmetic average of the average exchange rates published by the National Bank of Poland for the last day of each month in the period from 1 January to 31 March 2019 - EURPLN 4.2978 (EURPLN 4.1784 for the period from 1 January to 31 March 2018).



**ENEA Group
Condensed consolidated interim
financial statements
for the period from 1 January to 31 March 2019**

Poznań, 28 May 2019

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ENEA Group

Condensed consolidated interim financial statements for the period from 1 January to 31 March 2019

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

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

Members of the Management Board

President of the Management Board **Mirostaw Kowalik**

Member of the Management Board **Piotr Adamczak**

Member of the Management Board **Jarostaw Ołowski**

Member of the Management Board **Zbigniew Piętko**

Prepared by: Robert Kiereta
Head of Consolidated Reporting

Poznań, 28 May 2019

ENEA Group

Condensed consolidated interim financial statements for the period from 1 January to 31 March 2019

(unless stated otherwise, all amounts expressed in PLN 000s)
Consolidated statement of financial position

		As at	
	Note	31.03.2019	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	7	21 031 403	21 027 393
Perpetual usufruct of land		-	105 141
Right to use assets		356 987	-
Intangible assets	8	437 545	435 712
Investment properties		25 016	25 864
Investments in associates and jointly controlled entities	9	907 934	734 268
Deferred income tax assets	21	540 668	487 272
Financial assets measured at fair value	17	50 739	49 442
Debt financial assets at amortised cost	13	7 741	7 741
Trade and other receivables		6 634	23 257
Costs related to the conclusion of agreements		11 715	12 905
Financial lease and sub-lease receivables		569	-
Funds in the Mine Decommissioning Fund		128 280	128 279
		23 505 231	23 037 274
Current assets			
CO ₂ emission rights		594 105	586 236
Inventories	14	1 369 238	1 264 870
Trade and other receivables		1 906 758	1 874 505
Costs related to the conclusion of agreements		14 782	16 948
Assets arising from contracts with customers	11	365 351	327 980
Current income tax receivables		98 567	93 659
Financial lease and sub-lease receivables		819	-
Financial assets measured at fair value	17	116 257	112 536
Debt financial assets at amortised cost	13	308	234
Other short-term investments		548	545
Cash and cash equivalents	16	2 124 088	2 650 838
		6 590 821	6 928 351
Total assets		30 096 052	29 965 625

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

		As at	
	Note	31.03.2019	31.12.2018
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the parent			
Share capital		588 018	588 018
Share premium		3 632 464	3 632 464
Revaluation reserve - measurement of financial instruments		(16 295)	(16 295)
Revaluation reserve - measurement of hedging instruments		(21 292)	(16 024)
Retained earnings		10 154 996	9 908 842
		14 337 891	14 097 005
Non-controlling interests		985 809	952 157
Equity		15 323 700	15 049 162
LIABILITIES			
Non-current liabilities			
Credit facilities, loans and debt securities	18	6 884 969	7 973 713
Trade and other payables		45 097	67 485
Liabilities arising from contracts with customers	11	3 658	3 312
Lease liabilities		232 793	3 646
Accounting for income from grants and road lighting modernisation services	20	204 940	198 141
Deferred income tax provision	21	388 261	367 607
Employee benefit liabilities		824 007	814 769
Financial liabilities measured at fair value		33 698	24 072
Provisions for other liabilities and other charges	22	681 076	657 112
		9 298 499	10 109 857
Current liabilities			
Credit facilities, loans and debt securities	18	1 365 552	355 840
Trade and other payables		1 909 851	2 534 733
Liabilities arising from contracts with customers	11	64 726	65 266
Lease liabilities		14 301	2 994
Accounting for income from grants and road lighting modernisation services	20	12 344	11 925
Current income tax liabilities		53 845	134
Employee benefit liabilities		358 245	420 018
Liabilities concerning the equivalent for rights to free purchase of shares		281	281
Financial liabilities measured at fair value		118 188	108 818
Provisions for other liabilities and other charges	22	1 576 520	1 306 597
		5 473 853	4 806 606
Total liabilities		14 772 352	14 916 463
Total equity and liabilities		30 096 052	29 965 625

Consolidated statement of profit and loss and other comprehensive income

	Note	3 months ended 31.03.2019	3 months ended 31.03.2018
Revenue from sales		4 030 518	3 055 533
Excise duty		(20 908)	(66 980)
Net revenue from sales	23	4 009 610	2 988 553
Other operating revenue		61 824	58 468
Amortisation		(361 723)	(363 351)
Employee benefit costs		(431 200)	(410 009)
Use of materials and raw materials and value of goods sold		(807 452)	(605 657)
Purchase of electricity and gas for sales purposes		(1 548 787)	(854 942)
Transmission services		(98 228)	(103 201)
Other third-party services		(208 365)	(199 827)
Taxes and fees		(121 420)	(122 996)
Loss on sale and liquidation of property, plant and equipment		(13 688)	(3 290)
Reversal of impairment losses on non-financial non-current assets		4 279	-
Other operating costs		(43 510)	(44 970)
Operating profit		441 340	338 778
Finance costs		(79 477)	(62 384)
Finance income		17 947	17 905
Share of profit of associates and jointly controlled entities		(7 025)	12 609
Profit before tax		372 785	306 908
Income tax	21	(92 979)	(52 840)
Net profit for the reporting period		279 806	254 068
Other comprehensive income			
Subject to reclassification to profit or loss:			
- measurement of hedging instruments		(6 502)	(28 353)
- income tax	21	1 234	5 392
Net other comprehensive income		(5 268)	(22 961)
Comprehensive income for the reporting period		274 538	231 107
Including net profit:			
attributable to shareholders of the Parent		246 154	240 756
attributable to non-controlling interests		33 652	13 312
Including comprehensive income:			
attributable to shareholders of the Parent		240 886	217 795
attributable to non-controlling interests		33 652	13 312
Net profit attributable to shareholders of the parent		246 154	240 756
Weighted average number of ordinary shares		441 442 578	441 442 578
Net profit per share (in PLN per share)		0.56	0.55
Diluted profit per share (in PLN per share)		0.56	0.55

**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 31 March 2019

*(unless stated otherwise, all amounts expressed in PLN 000s)***Consolidated statement of changes in equity****(a) Q1 2019**

	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Revaluation reserve - measurement of hedging instruments	Retained earnings	Equity attributable to non-controlling interests	Total equity
As at 01.01.2019	441 443	146 575	588 018	3 632 464	(16 295)	(16 024)	9 908 842	952 157	15 049 162
Net profit for the reporting period							246 154	33 652	279 806
Net other comprehensive income					-	(5 268)			(5 268)
Net comprehensive income recognised in the period					-	(5 268)	246 154	33 652	274 538
As at 31.03.2019	441 443	146 575	588 018	3 632 464	(16 295)	(21 292)	10 154 996	985 809	15 323 700

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



ENE A Group

Condensed consolidated interim financial statements for the period from 1 January to 31 March 2019

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

(b) Q1 2018

	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Other equity	Revaluation reserve - measurement of hedging instruments	Retained earnings	Equity attributable to non-controlling interests	Total equity
As at 01.01.2018	441 443	146 575	588 018	3 632 464	741	(27 101)	25 967	8 858 130	921 450	13 999 669
Adjustment due to implementation of IFRS 9 and 15								390 905		390 905
As at 01.01.2018, adjusted	441 443	146 575	588 018	3 632 464	741	(27 101)	25 967	9 249 035	921 450	14 390 574
Net profit for the reporting period								240 756	13 312	254 068
Net other comprehensive income					26		(22 987)			(22 961)
Net comprehensive income recognised in the period					26		(22 987)	240 756	13 312	231 107
As at 31.03.2018	441 443	146 575	588 018	3 632 464	767	(27 101)	2 980	9 489 791	934 762	14 621 681

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



ENEA Group

Condensed consolidated interim financial statements for the period from 1 January to 31 March 2019

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

Consolidated statement of cash flows

	3 months ended 31.03.2019	3 months ended 31.03.2018
Cash flows from operating activities		
Net profit for the reporting period	279 806	254 068
Adjustments:		
Income tax in profit or loss	92 979	52 840
Amortisation	361 723	363 351
Loss on sale and liquidation of property, plant and equipment	13 688	3 290
Reversal of impairment losses on non-financial non-current assets	(4 279)	-
Loss on sale of financial assets	4 868	3 256
Interest income	(2 056)	(17 551)
Interest costs	51 543	55 718
Loss/(gain) on measurement of financial instruments	7 170	(2 110)
Share of profit of associates and jointly controlled entities	7 025	(12 609)
Other adjustments	(1 117)	(2 427)
	531 544	443 758
Paid income tax	(85 884)	(59 608)
Changes in working capital:		
CO ₂ emission rights	(7 869)	9 702
Inventories	(99 399)	48 315
Trade and other receivables	(90 869)	(114 149)
Trade and other payables	(322 609)	16 172
Employee benefit liabilities	(52 536)	(74 538)
Accounting for income from grants and road lighting modernisation services	7 218	20 835
Provisions for other liabilities and other charges	294 188	188 777
	(271 876)	95 114
Net cash flows from operating activities	453 590	733 332
Cash flows from investing activities		
Purchase of tangible and intangible assets	(658 652)	(574 457)
Proceeds from sale of tangible and intangible assets	6 994	604
Purchase of financial assets	(68)	(4 800)
Proceeds from sale of financial assets	67	12 394
Purchase of associates and jointly controlled entities	(181 191)	(170 194)
Outflows concerning funds at Mine Decommissioning Fund bank account	(1)	(26)
Received interest	359	1 797
Other inflows from investing activities	-	4 380
	(832 492)	(730 302)
Cash flows from financing activities		
Credit facilities and loans received	-	700
Repayment of credit and loans	(13 604)	(10 828)
Bond buy-back	(78 055)	(122 500)
Repayment of lease liabilities	(7 833)	(495)
Interest paid	(48 071)	(42 517)
Expenditures concerning future bond issues	(195)	(416)
Other outflows from financing activities	(90)	(1 786)
Net cash flows from financing activities	(147 848)	(177 842)
Total net cash flows	(526 750)	(174 812)
Cash at the beginning of reporting period	2 650 838	2 687 126
Cash at the end of reporting period	2 124 088	2 512 314

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

**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 31 March 2019

*(unless stated otherwise, all amounts expressed in PLN 000s)***Notes to the condensed consolidated interim financial statements****1. General information on ENEA S.A. and ENEA Group**

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

ENEA Group's principal business activities are as follows:

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

As at 31 March 2019, the Parent's shareholding structure was as follows: the State Treasury of the Republic of Poland held a 51.50% stake and the other shareholders held 48.50%. As at 31 March 2019, the Parent's highest-level controlling entity was the State Treasury.

As at 31 March 2019, ENEA S.A.'s statutory share capital amounted to PLN 441 443 thousand (PLN 588 018 thousand after restatement to EU IFRS, taking into account hyperinflation and other adjustments) and was divided into 441 442 578 shares.

As at 31 March 2019, the Group consisted of the parent - ENEA S.A. ("Company," "Parent"), 15 subsidiaries, 8 indirect subsidiaries, 2 associates and 3 jointly controlled entities.

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

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

2. Statement on compliance

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

The Parent's Management Board used its best knowledge as to the application of standards and interpretations as well as methods and rules for the measurement of items in ENEA Group's condensed consolidated interim financial statements in accordance with EU IFRS as at 31 March 2019. The presented tables and explanations are prepared with due diligence. These condensed consolidated interim financial statements have not been reviewed by a statutory auditor. The accounting rules below are applied consistently across all of the presented periods unless stated otherwise.

3. Applied accounting rules

These condensed consolidated interim financial statements are prepared in accordance with accounting rules that are consistent with those applied in preparing the most recent annual consolidated financial statements, for the financial year ended 31 December 2018, except for accounting rules arising under IFRS 16 *Leases*, which entered into force on 1 January 2019.

3.1. Functional currency and presentation currency

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

3.2. Leases

A contract contains a lease if:

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

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

- a) right-of-use assets at purchase price;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a) the lease transfers ownership of the underlying asset to the lessee by the end of the lease term,

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

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

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

As an indirect lessor, the Group recognises the main lease contract and the sub-lease contract as two separate contracts.

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

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

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

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

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

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

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The principal portion reduces the amount of sublease receivable, while the interest portion is recognised in profit or loss.

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

During the operating sublease term, the Group:

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

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

3.3. Methods for implementing new standards

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

	31.12.2018	Impact of IFRS 16	01.01.2019
ASSETS			
Non-current assets			
Property, plant and equipment	21 027 393	(7 047)	21 020 346
Perpetual usufruct of land	105 141	(105 141)	-
Right to use assets	-	358 846	358 846
Intangible assets	435 712		435 712
Investment properties	25 864		25 864
Investments in associates and jointly controlled entities	734 268		734 268
Deferred income tax assets	487 272		487 272
Financial assets measured at fair value	49 442		49 442
Debt financial assets at amortised cost	7 741		7 741
Trade and other receivables	23 257	(1 103)	22 154
Costs related to the conclusion of agreements	12 905		12 905
Financial lease and sub-lease receivables	-	1 103	1 103
Funds in the Mine Decommissioning Fund	128 279		128 279
	23 037 274	246 658	23 283 932
Current assets			
CO ₂ emission allowances	586 236		586 236
Inventories	1 264 870		1 264 870
Trade and other receivables	1 874 505	(759)	1 873 746
Costs related to the conclusion of agreements	16 948		16 948
Assets arising from contracts with customers	327 980		327 980
Financial lease and sub-lease receivables	-	759	759
Current income tax receivables	93 659		93 659
Financial assets measured at fair value	112 536		112 536
Debt financial assets at amortised cost	234		234
Other short-term investments	545		545
Cash and cash equivalents	2 650 838		2 650 838
	6 928 351	-	6 928 351
Total assets	29 965 625	246 658	30 212 283

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Impairment of rights-to-use assets as at 1 January 2019 and 31 March 2019 was PLN 11 905 thousand and concerned rights to perpetual usufruct of land.

	31.12.2018	Impact of IFRS 16	01.01.2019
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the parent			
Share capital	588 018		588 018
Share premium	3 632 464		3 632 464
Revaluation reserve - measurement of financial instruments	(16 295)		(16 295)
Revaluation reserve - measurement of hedging instruments	(16 024)		(16 024)
Retained earnings	9 908 842		9 908 842
	14 097 005	-	14 097 005
Non-controlling interests			
Equity	952 157		952 157
	15 049 162	-	15 049 162
LIABILITIES			
Non-current liabilities			
Credit facilities, loans and debt securities	7 973 713		7 973 713
Trade and other payables	67 485		67 485
Liabilities arising from contracts with customers	3 312		3 312
Lease liabilities	3 646	233 076	236 722
Accounting for grants and road lighting modernisation services	198 141		198 141
Deferred income tax provision	367 607		367 607
Employee benefit liabilities	814 769		814 769
Financial liabilities measured at fair value	24 072		24 072
Provisions for other liabilities and other charges	657 112		657 112
	10 109 857	233 076	10 342 933
Current liabilities			
Credit facilities, loans and debt securities	355 840		355 840
Trade and other payables	2 534 733		2 534 733
Liabilities arising from contracts with customers	65 266		65 266
Lease liabilities	2 994	13 582	16 576
Accounting for grants and road lighting modernisation services	11 925		11 925
Current income tax liabilities	134		134
Employee benefit liabilities	420 018		420 018
Liabilities concerning the equivalent for rights to free purchase of shares	281		281
Financial liabilities measured at fair value	108 818		108 818
Provisions for other liabilities and other charges	1 306 597		1 306 597
	4 806 606	13 582	4 820 188
Total liabilities	14 916 463	246 658	15 163 121
Total equity and liabilities	29 965 625	246 658	30 212 283

4. Significant estimates and assumptions

Drafting condensed consolidated interim financial statements in accordance with IAS 34 requires the Management Board to adopt certain assumptions and make estimates that have an impact on the application of accounting rules and on amounts being presented in the condensed consolidated interim financial statements and notes to these statements. Such assumptions and estimates are based on the Management Board's best knowledge regarding current and future events and activities. Actual results may significantly differ from forecasts. Estimates used in preparing these condensed consolidated interim financial statements are consistent with the estimates used in preparing

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the consolidated financial statements for the most recent financial year. The estimated values presented in previous financial years do not have a material impact on the present interim period.

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

	Company name and address		ENEA S.A.'s stake in total number of voting rights in % 31.03.2019	ENEA S.A.'s stake in total number of voting rights in % 31.12.2018
1.	ENEA Operator Sp. z o.o. Poznań, ul. Strzeszyńska 58	subsidiary	100	100
2.	ENEA Wytwarzanie Sp. z o.o. Świerże Górne, al. Józefa Zielińskiego 1	subsidiary	100	100
3.	ENEA Elektrownia Połaniec S.A. Połaniec, ul. Zawada 26	subsidiary	100	100
4.	ENEA Oświetlenie Sp. z o.o. Szczecin, ul. Ku Słońcu 34	subsidiary	100	100
5.	ENEA Trading Sp. z o.o. Świerże Górne, Kozienice municipality, Kozienice 1	subsidiary	100	100
6.	ENEA Logistyka Sp. z o.o. Poznań, ul. Strzeszyńska 58	subsidiary	100	100
7.	ENEA Ciepło Serwis Sp. z o.o. Białystok, ul. Starosielce 2/1	subsidiary	100	100
8.	ENEA Serwis Sp. z o.o. Lipno, Gronówko 30	subsidiary	100	100
9.	ENEA Centrum Sp. z o.o. Poznań, ul. Górecka 1	subsidiary	100	100
10.	ENEA Pomiary Sp. z o.o. Poznań, ul. Strzeszyńska 58	subsidiary	100	100
11.	ENERGO-TOUR Sp. z o.o. w likwidacji Poznań, ul. Strzeszyńska 58	subsidiary	100 ⁵	100 ⁵
12.	ENEA Innowacje Sp. z o.o. Warsaw, ul. Wiśniowa 40	subsidiary	100	100
13.	ENEA Ciepło Sp. z o.o. Białystok, ul. Warszawska 27	subsidiary	95,77	95,77
14.	Lubelski Węgiel BOGDANKA S.A. Bogdanka, Puchaczów	subsidiary	65,99	65,99
15.	Annacond Enterprises Sp. z o.o. w likwidacji Warsaw, ul. Jana Pawła II 12	subsidiary	61	61
16.	Elektrownia Ostrotęka Sp. z o.o. Ostrotęka, ul. Elektryczna 3	jointly controlled entity	50 ⁶	50
17.	ElectroMobility Poland S.A. Warsaw, ul. Mysia 2	associate	25	25
18.	Polimex – Mostostal S.A. Warsaw, al. Jana Pawła II 12	associate	16,48	16,48
19.	Polska Grupa Górnicza S.A. Katowice, ul. Powstańców 30	jointly controlled entity	7,66	7,66
20.	ENEA Bioenergia Sp. z o.o. Połaniec, ul. Zawada 26	indirect subsidiary	100 ⁴	100 ⁴
21.	ENEA Badania i Rozwój Sp. z o.o. Świerże Górne, al. Józefa Zielińskiego 1	indirect subsidiary	100 ¹	100 ¹
22.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Oborniki, ul. Wybudowanie 56	indirect subsidiary	99,93 ¹	99,93 ¹
23.	Miejska Energetyka Ciepła Piła Sp. z o.o. Piła, ul. Kaczorska 20	indirect subsidiary	71,11 ¹	71,11 ¹

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24.	EkoTRANS Bogdanka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	65,99 ²	65,99 ²
25.	RG Bogdanka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	65,99 ²	65,99 ²
26.	MR Bogdanka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	65,99 ²	65,99 ²
27.	Łęczyńska Energetyka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	58,53 ²	58,53 ²
28.	Centralny System Wymiany Informacji Sp. z o.o. w likwidacji Poznań, ul. Strzeszyńska 58	jointly controlled entity	20 ³	20 ³

¹ – indirect subsidiary through stake in ENEA Wytwarzanie Sp. z o.o.

² – indirect subsidiary through stake in Lubelski Węgiel BOGDANKA S.A.

³ – jointly controlled entity through stake in ENEA Operator Sp. z o.o.

⁴ – indirect subsidiary through stake in ENEA Elektrownia Połaniec S.A.

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

⁶ – on 4 January 2019 an Extraordinary General Meeting of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on a PLN 361 382 thousand share capital increase, from PLN 551 100 thousand to PLN 912 482 thousand, through the issue of 7 227 642 new shares with voting preference, i.e. with two votes for one share, with nominal value of PLN 50.00 each and total nominal value of PLN 361 382 thousand. On 4 January 2019 ENEA S.A. signed a commitment to acquire 3 613 821 shares in exchange for a cash contribution of PLN 180 691 thousand. On 4 January 2019 ENEA S.A. provided its cash contribution. The share capital increase was registered at the National Court Register on 1 March 2019.

6. Segment reporting

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

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

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

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

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

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



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and impairment of non-financial non-current assets.

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



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Segment results:

(a) Segment results for the period from 1 January to 31 March 2019 are as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Net revenue from sales	2 015 102	697 156	1 179 248	71 814	46 290	-	4 009 610
Inter-segment sales	224 354	7 346	750 148	469 004	111 410	(1 562 262)	-
Total net revenue from sales	2 239 456	704 502	1 929 396	540 818	157 700	(1 562 262)	4 009 610
Total costs	(2 250 510)	(592 776)	(1 666 827)	(401 984)	(144 785)	1 504 909	(3 551 973)
Segment result	(11 054)	111 726	262 569	138 834	12 915	(57 353)	457 637
Amortisation	(235)	(141 387)	(137 198)	(80 582)	(13 515)		
Reversal of impairment losses on non-financial non-current assets	-	4 279	-	-	-		
Segment result - EBITDA	(10 819)	248 834	399 767	219 416	26 430		
% of net revenue from sales	(0.5%)	35.3%	20.7%	40.6%	16.8%		
Unallocated costs at Group level (administration expenses)							(16 297)
Operating profit							441 340
Finance costs							(79 477)
Finance income							17 947
Share of profit of associates and jointly controlled entities							(7 025)
Income tax							(92 979)
Net profit							279 806
Share of profit attributable to non-controlling interests							33 652



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(b) Segment results for the period from 1 January to 31 March 2018 are as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Net revenue from sales	1 683 593	699 702	531 304	36 337	37 617	-	2 988 553
Inter-segment sales	254 946	5 989	1 113 009	362 360	102 954	(1 839 258)	-
Total net revenue from sales	1 938 539	705 691	1 644 313	398 697	140 571	(1 839 258)	2 988 553
Total costs	(1 885 391)	(534 424)	(1 560 195)	(359 494)	(134 323)	1 838 351	(2 635 476)
Segment result	53 148	171 267	84 118	39 203	6 248	(907)	353 077
Amortisation	(142)	(126 202)	(143 091)	(84 077)	(12 831)		
Segment result - EBITDA	53 290	297 469	227 209	123 280	19 079		
% of net revenue from sales	2.8%	42.2%	13.8%	30.9%	13.6%		
Unallocated costs at Group level (administration expenses)							(14 299)
Operating profit							338 778
Finance costs							(62 384)
Finance income							17 905
Share of profit of associates and jointly controlled entities							12 609
Income tax							(52 840)
Net profit							254 068
Share of profit attributable to non-controlling interests							13 312



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Segment reporting (continued)

(a) Other information concerning segments as at 31 March 2019 is as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Property, plant and equipment	15 011	8 917 048	9 391 374	2 806 384	365 163	(472 822)	21 022 158
Trade and other receivables	1 303 553	280 703	610 723	254 983	124 354	(661 615)	1 912 701
Costs related to the conclusion of agreements	26 497	-	-	-	-	-	26 497
Assets arising from contracts with customers	167 259	202 132	626	-	2 789	(7 455)	365 351
Total	1 512 320	9 399 883	10 002 723	3 061 367	492 306	(1 141 892)	23 326 707
ASSETS excluded from segments							6 769 345
- including property, plant and equipment							9 245
- including trade and other receivables							691
TOTAL: ASSETS							30 096 052
Trade and other payables	241 731	312 822	756 130	247 702	269 527	(434 727)	1 393 185
Liabilities arising from contracts with customers	228 881	73 472	-	374	-	(234 343)	68 384
Total	470 612	386 294	756 130	248 076	269 527	(669 070)	1 461 569
Equity and liabilities excluded from segments							28 634 483
- including trade and other payables							561 763
TOTAL: EQUITY AND LIABILITIES							30 096 052

for the 3-month period ending 31 March 2019

Investment expenditures on property, plant and equipment and intangible assets	6	197 361	123 484	80 027	8 737	(3 431)	406 184
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							-
Amortisation	235	141 387	137 198	80 582	13 515	(11 551)	361 366
Amortisation excluded from segments							357
Recognition/(reversal/usage) of impairment losses on receivables	504	1 224	(139)	227	(477)	-	1 339
Recognition/(reversal) of impairment losses on non-financial non-current assets	-	(4 279)	-	-	-	-	(4 279)

The notes presented on pages 13-53 constitute an integral part of these condensed consolidated interim financial statements.



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

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

for the 3-month period ending 31 March 2018

Investment expenditures on property, plant and equipment and intangible assets	8	113 044	60 259	84 856	3 336	548	262 051
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							-
Amortisation	142	126 202	143 091	84 077	12 831	(3 252)	363 091
Amortisation excluded from segments							260
Recognition/(reversal/usage) of impairment losses on receivables	1 905	2 831	981	(4 490)	(66)	(1)	1 160

7. Property, plant and equipment

In the 3-month period ending 31 March 2019 the Group purchased property, plant and equipment items for a total of PLN 401 135 thousand (in the 3-month period ending 31 March 2018: PLN 261 312 thousand). These amounts mainly concern the generation segment (PLN 123 029 thousand), mining (PLN 79 845 thousand) and distribution (PLN 183 586 thousand).

In the 3-month period ending 31 March 2019 the Group sold and liquidated property, plant and equipment items with total net book value of PLN 19 684 thousand (in the 3 months ended 31 March 2018: PLN 6 594 thousand).

In the 3-month period ended 31 March 2019, impairment losses on property, plant and equipment decreased by PLN 4 513 thousand on a net basis (in the 3-month period ended 31 March 2018 impairment of property, plant and equipment decreased by PLN 899 thousand on a net basis).

As at 31 March 2019, total impairment of property, plant and equipment amounted to PLN 1 451 906 thousand (as at 31 December 2018: PLN 1 456 419 thousand).

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

8. Intangible assets

In the 3-month period ending 31 March 2019 the Group purchased intangible assets worth PLN 5 049 thousand (in the 3-month period ended 31 March 2018 the Group purchased intangible assets worth PLN 739 thousand).

In the 3-month period ending 31 March 2019, the Group received intangible assets from intangible assets under construction worth PLN 7 592 thousand (in the 3-month period ended 31 March 2018: PLN 8 005 thousand).

In the 3-month period ending 31 March 2019 the Group did not conduct significant sales or liquidations of intangible assets (in the 3-month period ended 31 March 2018, the Group also did not conduct significant sales or liquidations of intangible assets).

9. Investments in associates and jointly controlled entities

	31.03.2019	31.12.2018
As at the beginning of period	734 268	355 152
Change in the change in net assets	(7 025)	55 422
Purchase of investments	180 691	323 694
As at the reporting date	907 934	734 268

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	31.03.2019	31.12.2018
Polska Grupa Górnicza S.A.	341 363	351 461
Elektrownia Ostrołęka Sp. z o.o.	448 396	268 832
Polimex - Mostostal S.A.	102 688	98 981
ElectroMobility Poland S.A.	15 487	14 994
	907 934	734 268

9.1. Implementation of project to build Elektrownia Ostrołęka C

Through resolution no. 94/IX/2018 of 28 December 2018, the Supervisory Board of ENEA S.A. approved the following:

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

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

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

The parties to the memorandum intend to:

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

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

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

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

Given the issue of the NTP for the general contractor and taking into account the fact that in accordance with the memorandum the second advance tranche will be covered in equal parts by ENEA S.A. and Energa S.A. - in order to pay the second advance tranche to the contractor, an Extraordinary General Meeting of Elektrownia Ostrołęka Sp. z o.o. on 4 January 2019 adopted a resolution to increase the company's share capital by PLN 361 382 thousand. ENEA S.A. purchased 3 613 821 shares in capital, with a nominal value of PLN 180 691 thousand, transferring a cash contribution to the SPV's bank account on 4 January 2019. The share capital increase was registered at the National Court Register on 1 March 2019.

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

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

10. Impairment of trade and other receivables

	31.03.2019	31.12.2018
Impairment at the beginning of period	162 104	153 115
Adjustment due to implementation of IFRS 9	-	4 619
As at the beginning of period, adjusted	162 104	157 734
Created	4 138	26 492
Reversed	(232)	(2 068)
Used	(2 567)	(20 054)
Impairment at the end of period	163 443	162 104

In the 3-month period ended 31 March 2019, impairment of trade and other receivables increased by PLN 1 339 thousand (in the 3-month period ended 31 March 2018 impairment grew by PLN 1 160 thousand).

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

11. Assets and liabilities arising from contracts with customers

31.03.2019	Assets arising from contracts with customers	Liabilities arising from contracts with customers
As at the beginning of period, adjusted	327 980	68 578
Revenue recognised in a period that was taken into account in the opening balance for liabilities arising from contracts with customers	-	(1 672)
Non-invoiced receivables	49 524	-
Increase due to prepayments	-	1 478
Transfer from contract assets to receivables	(11 841)	-
Impairment	(312)	-
As at the end of period	365 351	68 384

31.12.2018	Assets arising from contracts with customers	Liabilities arising from contracts with customers
As at the beginning of period, adjusted	245 026	128 011
Revenue recognised in a period that was taken into account in the opening balance for liabilities arising from contracts with customers	-	(62 845)
Non-invoiced receivables	87 777	-
Increase due to prepayments	-	3 412
Transfer from contract assets to receivables	(4 523)	-
Impairment	(300)	-
As at the end of period	327 980	68 578

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

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

	Nominal value	Impairment	Book value
31.03.2019			
Trade and other receivables			
Current	1 137 295	(11 358)	1 125 937
Overdue	299 329	(152 085)	147 244
0-30 days	92 208	(187)	92 021
31-90 days	18 959	(1 790)	17 169
91-180 days	9 894	(3 559)	6 335
over 180 days	178 268	(146 549)	31 719
Total	1 436 624	(163 443)	1 273 181
Assets arising from contracts with customers	365 663	(312)	365 351

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

13. Debt financial assets at amortised cost

	<u>31.03.2019</u>	<u>31.12.2018</u>
Current debt financial assets at amortised cost		
Loans granted	308	234
Current debt financial assets at amortised cost	308	234
Non-current debt financial assets at amortised cost		
Loans granted	7 741	7 741
Non-current debt financial assets at amortised cost	7 741	7 741
TOTAL	8 049	7 975

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

14. Inventories

	<u>31.03.2019</u>	<u>31.12.2018</u>
Materials	888 542	769 319
Semi-finished products and production in progress	616	609
Finished products	43 505	18 612
Energy origin certificates	474 891	516 180
Goods	15 158	13 760
Gross value of inventory	1 422 712	1 318 480
Impairment of inventory	(53 474)	(53 610)
Net value of inventory	1 369 238	1 264 870

In the 3-month period ended 31 March 2019, impairment losses on inventory decreased by PLN 136 thousand (in the 3-month period ended 31 March 2018 impairment of inventory decreased by PLN 522 thousand).

15. Energy origin certificates

	31.03.2019	31.12.2018
Net value at the beginning of period	516 133	257 046
In-house manufacture	51 627	188 597
Purchase	27 710	461 543
Depreciation	(116 762)	(376 813)
Sale	(3 861)	(14 489)
Change in impairment	(3)	373
Other changes	-	(124)
Net value at the end of period	474 844	516 133

16. Restricted cash

As at 31 March 2019, the Group's restricted cash amounted to PLN 314 909 thousand (as at 31 December 2018: PLN 588 632 thousand). This mainly included cash in deposits for electricity and CO₂ emission allowance transactions (mainly cash constituting collateral for settlements with clearing-house IRGiT), collateral received from suppliers and cash withholding as collateral for due performance of work.

17. Financial assets measured at fair value

As at 31 March 2019, financial assets at fair value included call options for Polimex-Mostostal S.A. shares, among other things. Pursuant to a call option agreement for Polimex-Mostostal S.A. shares of 18 January 2017, ENEA S.A. purchased call options from Towarzystwo Finansowe Silesia Sp. z o.o. This agreement sees the purchase, in three tranches, of 9 125 thousand shares at nominal value of PLN 2 per share within specified deadlines, i.e. 30 July 2020, 30 July 2021 and 30 July 2022. Fair value measurement of the call options was conducted using the Black-Scholes model. The fair value of the options as at 31 March 2019 amounted to PLN 11 411 thousand (at 31 December 2018: PLN 12 116 thousand).

Moreover, the Group's financial assets at fair value include the measurement of derivative contracts for the purchase of electricity and gas and concerning property rights not used for the Group's own purposes worth PLN 118 334 thousand (as at 31 December 2018: PLN 114 536 thousand). The nominal value of contracts for the purchase and sale of electricity, gas and property rights maturing in 2019-2020, presented as financial assets and liabilities at fair value, amounts to PLN 3 128 355 thousand.

18. Credit facilities, loans and debt securities

	31.03.2019	31.12.2018
Bank credit	2 042 272	2 054 465
Loans	66 218	69 127
Outstanding	<u>4 776 479</u>	<u>5 850 121</u>
Long-term	<u>6 884 969</u>	<u>7 973 713</u>
Bank credit	163 892	160 138
Loans	14 558	12 546
Outstanding	<u>1 187 102</u>	<u>183 156</u>
Short-term	<u>1 365 552</u>	<u>355 840</u>
Total	<u>8 250 521</u>	<u>8 329 553</u>

In the 3-month period ended 31 March 2019, the book value of credit facilities, loans and debt securities declined by PLN 79 032 thousand on a net basis (in the 3-month period ended 31 March 2018, the book value of credit facilities, loans and debt securities decreased by PLN 122 785 thousand).

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

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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 March 2019	Debt at 31 December 2018	Contract period
1.	ENEA S.A.	EIB	18 October 2012 and 19 June 2013 (A and B)	1 425 000	1 256 642	1 264 369	31 December 2030
2.	ENEA S.A.	EIB	29 May 2015 (C)	946 000	937 667	941 833	30 September 2032
3.	ENEA S.A.	PKO BP	28 January 2014, Annex 1 of 25 January 2017	300 000	-	-	31 December 2019
4.	ENEA S.A.	Pekao S.A.	28 January 2014, Annex 1 of 25 January 2017	150 000	-	-	31 December 2019
5.	ENEA Ciepło Sp. z o.o.	NFOŚiGW	22 December 2015	60 075	55 553	55 192	20 December 2026
6.	LWB	mBank	16 December 2016, Annex 1 of 30 November 2018	100 000	-	-	29 November 2019
7.	Other	-	-	-	31 677	33 391	-
TOTAL				2 981 075	2 281 539	2 294 785	
Transaction costs and effect of measurement using effective interest rate					5 401	1 491	
TOTAL				2 981 075	2 286 940	2 296 276	

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

ENEA S.A.

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

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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.

The total loan-related debt of ENEA Ciepło Sp. z o.o. as at 31 March 2019 amounted to PLN 55 553 thousand (at 31 December 2018: PLN 55 192 thousand).

Lubelski Węgiel Bogdanka S.A.

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

Bond issue programmes

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

No.	Bond issue programme name	Programme start date	Programme amount	Value of outstanding bonds at 31 March 2019	Value of outstanding bonds at 31 December 2018	Buy-back deadline
1.	Bond issue programme agreement executed with PKO BP S.A., Bank PEKAO S.A., BZ WBK S.A., Bank Handlowy w Warszawie S.A.	21 June 2012	3 000 000	3 000 000	3 000 000	One-time buy-back between June 2020 and June 2022
2.	Bond issue programme agreement with BGK	15 May 2014	1 000 000	840 000	880 000	Buy-back in tranches, last tranche due in December 2026
3.	Bond issue programme agreement with ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A. and mBank S.A.	30 June 2014	5 000 000	1 500 000	1 500 000	One-time buy-back of each series, in February 2020 and September 2021
4.	Bond issue programme agreement with BGK	3 December 2015	700 000	646 945	685 000	Buy-back in tranches, last tranche due in September 2027
TOTAL			9 700 000	5 986 945	6 065 000	
Transaction costs and effect of measurement using effective interest rate				(23 364)	(31 723)	
TOTAL			9 700 000	5 963 581	6 033 277	

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In the reporting period ended 31 March 2019, ENEA S.A. did not execute financing agreements and did not issue new bonds under existing bond programme agreements.

Interest rate swaps

In the 3-month period ending 31 March 2019 ENEA S.A. executed an Interest Rate Swap for an exposure amounting to PLN 488 890 thousand. The total bond and credit exposure hedged with IRS transactions as at 31 March 2019 amounted to PLN 5 270 707 thousand. Moreover, ENEA has fixed-rate credit agreements totalling PLN 237 294 thousand. These transactions have material impact on the predictability of expense flows and finance costs. The Group presents the measurement of these instruments in the item: "Financial liabilities 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 March 2019, financial liabilities at fair value concerning IRSs amounted to PLN 30 167 thousand (31 December 2018: PLN 22 176 thousand).

Financing terms - covenants

Financing agreements require the Company and ENEA Group to maintain certain financial ratios. As at 31 March 2019 and the date on which these condensed consolidated interim financial statements were prepared and in the course of 2019 the Group did not breach any credit agreement provisions such as would require early re-payment of long-term debt.

19. Financial instruments

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

	31.03.2019		31.12.2018	
	Book value	Fair value	Book value	Fair value
Non-current financial assets at fair value	50 739	50 739	49 442	49 442
Non-current debt financial assets at amortised cost	7 741	(*)	7 741	(*)
Current financial assets at fair value	116 257	116 257	112 536	112 536
Current debt financial assets at amortised cost	308	(*)	234	(*)
Other short-term investments	548	(*)	545	(*)
Trade receivables	1 273 181	(*)	1 201 927	(*)
Assets arising from contracts with customers	365 351	(*)	327 980	(*)
Financial lease and sub-lease receivables	1 388	(*)	(**)	(**)
Cash and cash equivalents	2 124 088	(*)	2 650 838	(*)
Funds in the Mine Decommissioning Fund	128 280	(*)	128 279	(*)
Credit, loans and debt securities	8 250 521	8 316 945	8 329 553	8 400 938
Lease liabilities	247 094	(*)	6 640	(*)
Trade and other payables	1 767 919	(*)	2 467 124	(*)
Financial liabilities measured at fair value	151 886	151 886	132 890	132 890

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

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

The notes presented on pages 13-53 constitute an integral part of these condensed consolidated interim financial statements.

Financial assets at fair value include:

- interests in unrelated entities, the stake in which is below 20%. This item includes shares in PGE EJ1 Sp. z o.o. amounting to PLN 15 866 thousand, for which no price quoted on an active market is available and whose fair value was determined on the basis of ENEA S.A.'s stake in the net assets of PGE EJ1 Sp. z o.o. as at 31 December 2018. Having analysed IFRS 9, the Group decided to qualify these interests as financial assets through other comprehensive income. No transactions recognised in profit or loss were executed in 2019. If interests in unrelated entities are listed on the Warsaw Stock Exchange, then their fair value is based on quoted prices,
- Polimex-Mostostal S.A. call options,
- derivative instruments that include the measurement of interest rate swaps. The fair value of derivative instruments is established by calculating the net present value based on two yield curves, i.e. a curve to determine discount factors and a curve used to estimate future variable reference rates,
- forward contracts for the purchase of electricity and gas and property rights.

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

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

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

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

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

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

No transfers between the levels were made in 2019.

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	31.03.2019			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Equity instruments at fair value through other comprehensive income	-	-	15 866	15 866
Call options (at fair value through profit or loss)	-	11 411	-	11 411
Other derivative instruments at fair value through profit or loss	-	118 334	-	118 334
Interests at fair value through profit or loss	20 300	-	1 085	21 385
Total	20 300	129 745	16 951	166 996
Financial liabilities measured at fair value				
Derivative instruments at fair value through profit or loss	-	(121 635)	-	(121 635)
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(30 251)	-	(30 251)
Credit, loans and debt securities	-	(8 316 945)	-	(8 316 945)
Total	-	(8 468 831)	-	(8 468 831)

	31.12.2018			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Equity instruments at fair value through other comprehensive income	-	-	15 866	15 866
Call options (at fair value through profit or loss)	-	12 116	-	12 116
Other derivative instruments at fair value through profit or loss	-	114 536	-	114 536
Interests at fair value through profit or loss	18 375	-	1 085	19 460
Total	18 375	126 652	16 951	161 978
Financial liabilities measured at fair value				
Derivative instruments at fair value through profit or loss	-	(110 667)	-	(110 667)
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(22 223)	-	(22 223)
Credit, loans and debt securities	-	(8 400 938)	-	(8 400 938)
Total	-	(8 533 828)	-	(8 533 828)

The notes presented on pages 13-53 constitute an integral part of these condensed consolidated interim financial statements.

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

	31.03.2019	31.12.2018
Long-term		
Accounting for deferred revenue - grants	137 225	133 689
Accounting for deferred revenue - road lighting modernisation services	67 715	64 452
	204 940	198 141
Short-term		
Accounting for deferred revenue - grants	9 693	9 713
Accounting for deferred revenue - road lighting modernisation services	2 651	2 212
	12 344	11 925

Schedule for accounting for deferred revenue

	31.03.2019	31.12.2018
Up to one year	12 344	11 925
Between one and five years	51 061	50 468
Over five years	153 879	147 673
	217 284	210 066

In the 3-month period ended 31 March 2019, the book value of accounting for income from grants and road lighting modernisation services increased by a net amount of PLN 7 218 thousand.

In the 3-month period ended 31 March 2018, the book value of accounting for income from grants and road lighting modernisation services decreased by a net amount of PLN 548 314 thousand. This was mainly caused by changes in accounting rules due to the adoption of IFRS 15.

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

21. Deferred income tax

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

	31.03.2019	31.12.2018
Deferred income tax assets at the beginning of period	487 272	501 945
Deferred income tax provision at the beginning of period	367 607	245 240
Net deferred income tax assets at the beginning of period	(119 665)	(256 705)
Adjustment due to implementation of IFRS 9 and 15	-	91 866
Net deferred income tax assets at the beginning of period, adjusted	(119 665)	(164 839)
Charge/(addition) to profit or loss	(31 508)	61 936
Charge/(addition) to other comprehensive income	(1 234)	(16 762)
Net deferred income tax assets at the end of period, including:	(152 407)	(119 665)
Deferred income tax assets at the end of period	540 668	487 272
Deferred income tax provision at the end of period	388 261	367 607

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In the 3-month period ended 31 March 2019, the Group's profit before tax was credited as a result of an increase in net deferred income tax assets by PLN 31 508 thousand (in the 3-month period ended 31 March 2018 the charge to the Group's profit before tax as a result of a decrease in net deferred income tax assets amounted to PLN 26 795 thousand).

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

	31.03.2019	31.12.2018
Long-term	681 076	657 112
Short-term	1 576 520	1 306 597
Total	2 257 596	1 963 709

In the 3-month period ended 31 March 2019, provisions for other liabilities and other charges increased by a net amount of PLN 293 887 thousand (in the 3-month period ended 31 March 2018, provisions for other liabilities and other charges increased by PLN 11 187 thousand).

Change in provisions for liabilities and other charges
for the period ended 31 March 2019

	Provision for non-contractual use of land	Provision for other claims	Provision for landfill site reclamation	Provision for energy origin certificates	Provision for CO2 emission allowance purchases	Mine liquidation	Other	Total
As at the beginning of period	182 738	166 663	66 119	306 918	557 713	112 566	570 992	1 963 709
Reversal of discount and change of discount rate	-	-	-	-	-	906	-	906
Increase in existing provisions	11 981	19 291	159	111 405	315 210	-	8 711	466 757
Use of provisions	-	(163)	-	(116 757)	-	-	(12 116)	(129 036)
Reversal of unused provision	(189)	(6)	-	-	-	(296)	(44 249)	(44 740)
As at the end of period	194 530	185 785	66 278	301 566	872 923	113 176	523 338	2 257 596

In the first three months of 2019, ENEA S.A. created a PLN 6 035 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 March 2019 was PLN 110 380 thousand.

Other provisions mainly concern:

- wind farm Skoczyłtody: PLN 129 000 thousand (as at 31 December 2018: PLN 129 000 thousand),
- potential liabilities related to grid assets resulting from differences in the interpretation of regulations PLN 162 875 thousand (as at 31 December 2018: PLN 160 171 thousand),
- costs to use forest land managed by State Forests PLN 115 718 thousand (as at 31 December 2018: PLN 115 008 thousand),
- onerous contracts PLN 57 425 thousand (as at 31 December 2018: PLN 78 981 thousand),
- property tax at Lubelski Węgiel Bogdanka S.A. PLN 43 723 thousand (as at 31 December 2018: PLN 41 431 thousand),
- rectification of mining damages PLN 3 128 thousand (as at 31 December 2018: PLN 3 184 thousand).

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

23. Net revenue from sales

	01.01.2019	01.01.2018
	31.03.2019	31.03.2018
Revenue from the sale of electricity	3 017 800	2 017 076
Revenue from the sale of distribution services	693 115	692 829
Revenue from the sale of goods and materials	25 460	18 291
Revenue from the sale of other products and services	41 833	43 230
Revenue from origin certificates	3 022	1 693
Revenue from the sale of CO2 emission allowances	-	22 532
Revenue from the sale of industrial heat	124 544	136 510
Revenue from the sale of coal	57 304	23 438
Revenue from the sale of gas	41 980	32 954
Revenue from operating leases and sub-leases	4 552	-
Total net revenue from sales	4 009 610	2 988 553

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

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

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

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

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

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

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

	01.01.2019	01.01.2018
	31.03.2019	31.03.2018
Revenue from continuous services	3 752 895	2 742 859
Revenue from services provided at specified time	256 715	245 694
Total	4 009 610	2 988 553

24. Related-party transactions

Group companies execute transactions with the following related parties:

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

Transactions with members of the Group's corporate authorities:

Item	Company's Management Board		Company's Supervisory Board	
	01.01.2019 -	01.01.2018 -	01.01.2019 -	01.01.2018 -
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Remuneration under management contracts and consulting contracts	675	730*	-	-
Remuneration under appointment to management or supervisory bodies	-	-	208	215
TOTAL	675	730	208	215

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

In the 3-month period ended 31 March 2019, no loans were made to Supervisory Board members from the Company Social Benefit Fund (PLN 0 thousand for the 3-month period ended 31 March 2018). During this period, PLN 1 thousand in loans was repaid (PLN 1 thousand in the 3-month period ended 31 March 2018).

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

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

The subject of these transactions mainly is as follows:

The notes presented on pages 13-53 constitute an integral part of these condensed consolidated interim financial statements.

- 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.

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

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

	31.03.2019	31.12.2018
Purchase of property, plant and equipment	1 142 800	1 118 027
Purchase of intangible assets	77 768	33 098
	1 220 568	1 151 125

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

26.1. Impact of the Act on amendment of the act on excise duty and certain other acts

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

This regulation introduced the following:

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

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

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

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

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

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

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

The following conclusions were made based on the above assumptions:

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

the amount to cover lower revenue will be specified in a separate regulation by the Minister of Energy. Due to uncertainty over how to determine the price difference, no assets concerning compensation were recognised as at 31 March 2019.

Impact on subsequent reporting periods

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

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

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

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

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

ENE A Group

Condensed consolidated interim financial statements for the period from 1 January to 31 March 2019

*(unless stated otherwise, all amounts expressed in PLN 000s)***26.2. Sureties and guarantees**

The following table presents significant bank guarantees valid as of 31 March 2019 under an agreement between ENEA S.A. and PKO BP S.A. up to a limit specified in the agreement.

Guarantee issue date	Guarantee validity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
12.08.2018	12.08.2020	Górecka Projekt Sp. z o.o.	PKO BP S.A.	1 969
13.11.2018	30.01.2020	Olsztyn municipality	PKO BP S.A.	4 462
Total bank guarantees				6 431

26.3. On-going proceedings in courts of general competenceProceedings 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 March 2019, a total of 9 675 cases initiated by the Group were in progress before courts of general competence, worth in aggregate PLN 149 563 thousand (31 December 2018: 9 735 cases worth PLN 160 617 thousand).

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

Proceedings against the Group

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

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

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

At 31 March 2019, a total of 2 245 cases against the Group were in progress before courts of general competence, worth in aggregate PLN 808 761 thousand (31 December 2018: 2 249 cases worth PLN 796 154 thousand). The outcome of individual cases is not significant from the viewpoint of the Group's financial result.

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

The notes presented on pages 13-53 constitute an integral part of these condensed consolidated interim financial statements.

26.4. Other court proceedings

A proceeding involving LWB was in progress at the District Court in Lublin with regard to claims by the Polish Social Insurance Institution (ZUS) concerning accident contributions, namely the appropriateness of re-classifying workplace accidents and rescinding a penalty imposed on the company as a result of an inspection by ZUS's Lublin office.

An appeal hearing took place on 21 November 2017, during which the Court of Appeals in Lublin examined ZUS's appeal of a ruling issued on 7 February 2017. The Court of Appeals ruled to reject ZUS's appeal. On 15 January 2018 the Court of Appeals drafted a justification for its ruling. On 12 March 2018 a cassation appeal from ZUS was received by the Court of Appeals in Lublin. On 19 April 2019, LWB received a final ruling from the Supreme Court, pursuant to which the complaint was rejected. The ruling is final and the case is closed. A provision that had been previously recognised was released.

On 18 January 2018 ENEA Wytwarzanie Sp. z o.o. received a lawsuit dated 28 December 2017, which had been filed with the District Court in Białystok by the Municipality of Białystok against ENEA Wytwarzanie Sp. z o.o., for the payment of PLN 29 445 thousand together with statutory interest for the sale of 126 083 shares of Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o., based in Białystok (currently ENEA Ciepło Sp. z o.o.), constituting a residual stake, as part of an obligation arising under an agreement to sell ENEA Ciepło Sp. z o.o. shares executed on 26 May 2014. On 23 February 2018 ENEA Wytwarzanie Sp. z o.o. responded to the lawsuit, disagreeing with the position presented in it and requesting that the lawsuit be rejected in its entirety.

The dispute concerns interpretation of a provision in the share sale agreement of 2014 regarding whether or not ENEA Wytwarzanie Sp. z o.o. is obligated to purchase the remaining shares, i.e. residual stake. According to ENEA Wytwarzanie Sp. z o.o., the company fulfilled all of its obligations specified in the share sale agreement of 2014 as regards the purchase of ENEA Ciepło Sp. z o.o. shares and is not required to additionally purchase the 121 863 shares. If the dispute is resolved unfavourably for ENEA Wytwarzanie Sp. z o.o., the company might be required to purchase up to 126 083 shares at a price resulting from the agreement of 26 May 2014, i.e. for the overall amount indicated in the lawsuit. On 14 August 2018 the District Court in Białystok (first instance) ruled in favour of the lawsuit brought by the Municipality of Białystok in its entirety. This ruling is not final. On 10 September 2018 ENEA Wytwarzanie Sp. z o.o. appealed the ruling. The case was registered under file no. I A Gc 169/18 at the Appeals Court in Białystok. The first hearing at the Appeals Court was set for 21 December 2018. Due to an unexamined motion to exclude judges from the Appeals Court in Białystok, through a decision of 18 December 2018 the case was removed from the docket. Files were provided to the judges indicated in the motion to exclude in order to provide explanations concerning the motion to exclude. On 8 January 2019 the Appeals Court in Białystok referred the motion to exclude judges to the Supreme Court. On 9 March 2019, the Supreme Court decided to reject and in part cancel ENEA Wytwarzanie Sp. z o.o.'s request to exclude judges from the Appeals Court in Białystok (file no. SN IV Co 9/19). The hearing at the Appeals Court in Białystok was set for 19 June 2019.

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.

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

26.5. Cases concerning 2012 non-balancing

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

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

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

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

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

The aforementioned disputes have not been resolved.

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

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

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

ENE A S.A. offset a part of receivables due for these counterparties from ENE A S.A. for sold property rights with damages-related receivables due for ENE A S.A. from renewables producers. The damage caused to ENE A 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, ENE A S.A. submitted statements depending on the agreement: on termination or withdrawal from long-term agreements for the purchase by the Company of property rights resulting from certificates of origin for energy from renewable sources (green certificates) (Agreements).

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

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

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

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

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

- ordinance of the Minister of Economy of 18 October 2012 on a detailed scope of obligations to obtain and present for redemption origin certificates, pay substitute fees, purchase electricity and industrial heat generated from renewable sources and the obligation to validate data concerning the quantity of electricity generated from renewable sources (Polish Journal of Laws of 2012, item 1229);
- the Act on renewable energy sources of 20 February 2015 (Polish Journal of Laws of 2015, item 478) and associated further legal changes and announced drafts of legal changes, including especially:
 - the act of 22 June 2016 on amendment of the act on renewable energy sources and certain other acts (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 grossly 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 110 380 thousand provision for potential claims resulting from the terminated Agreements in relation to submissions made by 31 March 2019 concerning transactions to sell property rights by the counterparties; the provision is presented in note 22.

27. Profit allocation

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

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

28. Participation in nuclear power plant build programme

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

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

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

29. Events after the balance sheet date

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

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

If within a deadline resulting from the agreed schedule ENEA S.A. or Energa S.A. do not provide the funding - at their own fault - to the company in a manner other than through a loan or share purchase in particular, then ENEA S.A. or Energa S.A. will be required to pay the amount resulting from the schedule to the company's bank account. The Memorandum also includes provisions protecting ENEA S.A. against claims from the company for return of Project financing amounts that were directly returned to Energa S.A. in connection with financing provided by it during the period prior to execution of the new Founding Agreement / Investment Agreement.

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

**ENE A Group**

Condensed consolidated interim financial statements for the period from 1 January to 31 March 2019

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

Changes to the composition of the Management Board

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

Changes to the composition of the Supervisory Board

On 20 May 2019, the Extraordinary General Meeting appointed the following Members of the Supervisory Board for the 10th joint term, effective from 21 May 2019: Mr. Stanisław Hebda (who at the same time was appointed as Chairperson of the Supervisory Board), Mr. Paweł Jabłoński, Mr. Michał Jaciubek, Mr. Paweł Korobłowski, Mr. Ireneusz Kulka, Mr. Maciej Mazur, Mr. Piotr Mirkowski, Mr. Mariusz Pliszka, Mr. Roman Stryjski.

ENEA S.A.'s selected separate financial data

	in PLN 000s		in EUR 000s	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Net revenue from sales	1 447 209	1 173 388	336 733	280 822
Operating (loss)/profit	(39 976)	32 611	(9 302)	7 805
(Loss)/profit before tax	(42 042)	48 752	(9 782)	11 668
Net (loss)/profit for the reporting period	(38 772)	44 119	(9 021)	10 559
EBITDA	(39 248)	33 167	(9 132)	7 938
Net cash flows from operating activities	210 703	(303 178)	49 026	(72 558)
Net cash flows from investing activities	(136 105)	(160 022)	(31 669)	(38 297)
Net cash flows from financing activities	(138 762)	(97 476)	(32 287)	(23 329)
Total net cash flows	(64 164)	(560 676)	(14 929)	(134 184)
Weighted average number of shares	441 442 578	441 442 578	441 442 578	441 442 578
Net profit per share (in PLN/EUR per share)	(0.09)	0.10	(0.02)	0.02
Diluted profit per share (in PLN/EUR)	(0.09)	0.10	(0.02)	0.02
	As at	As at	As at	As at
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Total assets	23 189 745	22 943 794	5 391 334	5 335 766
Total liabilities	9 937 908	9 647 948	2 310 443	2 243 709
Non-current liabilities	6 936 248	7 976 020	1 612 593	1 854 888
Current liabilities	3 001 660	1 671 928	697 849	388 820
Equity	13 251 837	13 295 846	3 080 891	3 092 057
Share capital	588 018	588 018	136 707	136 748
Book value per share (in PLN/EUR)	30.02	30.12	6.98	7.00
Diluted book value per share (in PLN/EUR)	30.02	30.12	6.98	7.00

The above financial data for 2019 and 2018 was translated into EUR in accordance with the following rules:

- asset and equity and liability items - using the average exchange rate published for 31 March 2019 – EURPLN 4.3013 (EURPLN 4.3000 as at 31 December 2018)
- items in the statement of profit and loss statement of cash flows - using an exchange rate constituting the arithmetic average of the average exchange rates published by the National Bank of Poland for the last day of each month in the period from 1 January to 31 March 2019 - EURPLN 4.2978 (EURPLN 4.1784 for the period from 1 January to 31 March 2018)



ENEA S.A.
Condensed separate interim
financial statements
for the period from 1 January to 31 March 2019

Poznań, 28 May 2019

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

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

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

Members of the Management Board

President of the Management Board **Mirostaw Kowalik**

Member of the Management Board **Piotr Adamczak**

Member of the Management Board **Jarostaw Ołowski**

Member of the Management Board **Zbigniew Piętko**

ENEA Centrum Sp. z o.o.
Entity responsible for maintaining accounting
books and preparing financial statements
ENEA Centrum Sp. z o.o. ul. Górecka 1, 60-201 Poznań
KRS 0000477231, NIP 777-000-28-43, REGON 630770227

Poznań, 28 May 2019

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

Separate statement of financial position

	Note	As at	
		31.03.2019	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	7	24 018	25 791
Perpetual usufruct of land		-	1 504
Right to use assets		41 113	-
Intangible assets	7	4 464	4 501
Investment properties		14 170	14 305
Investments in subsidiaries, associates and jointly controlled entities	8	12 976 082	12 794 956
Deferred income tax assets	19	102 683	98 432
Financial assets measured at fair value	15	47 577	46 357
Debt financial assets at amortised cost	9	5 211 842	6 578 980
Trade and other receivables		-	1 103
Financial lease and sub-lease receivables		4 429	-
Costs related to the conclusion of agreements		11 715	12 905
		18 438 093	19 578 834
Current assets			
Inventories	13	325 435	333 578
Trade and other receivables		1 036 618	970 657
Costs related to the conclusion of agreements		14 782	16 948
Assets arising from contracts with customers	11	250 103	227 480
Current income tax receivables		98 466	77 098
Financial lease and sub-lease receivables		2 829	-
Debt financial assets at amortised cost	9	1 968 512	593 221
Cash and cash equivalents	14	1 054 907	1 145 978
		4 751 652	3 364 960
Total assets		23 189 745	22 943 794
EQUITY			
Share capital		588 018	588 018
Share premium		4 627 673	4 627 673
Revaluation reserve - measurement of financial instruments		(17 036)	(17 036)
Revaluation reserve - measurement of hedging instruments		(21 223)	(15 986)
Reserve capital		4 963 564	4 963 564
Retained earnings		3 110 841	3 149 613
Total equity		13 251 837	13 295 846
LIABILITIES			
Non-current liabilities			
Credit facilities, loans and debt securities	17	6 814 116	7 899 495
Lease liabilities		38 687	763
Employee benefit liabilities		53 278	53 586
Financial liabilities measured at fair value		30 167	22 176
		6 936 248	7 976 020
Current liabilities			
Credit facilities, loans and debt securities	17	1 349 175	341 475
Trade and other payables		554 332	646 660
Lease liabilities		5 696	661
Employee benefit liabilities		24 321	23 143
Liabilities concerning the equivalent for rights to free purchase of shares		281	281
Other financial liabilities		571 357	146 785
Provisions for other liabilities and other charges	20	496 498	512 923
		3 001 660	1 671 928
Total liabilities		9 937 908	9 647 948
Total equity and liabilities		23 189 745	22 943 794

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

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

Separate statement of profit and loss and other comprehensive income

	Note	For the period of	
		3 months ended 31.03.2019	3 months ended 31.03.2018
Revenue from sales		1 468 070	1 240 201
Excise duty		(20 861)	(66 813)
Net revenue from sales	21	1 447 209	1 173 388
Other operating revenue		11 801	2 895
Amortisation		(728)	(556)
Employee benefit costs		(17 943)	(14 803)
Use of materials and raw materials and value of goods sold		(448)	(690)
Purchase of electricity and gas for sales purposes		(1 419 089)	(1 063 674)
Transmission and distribution services		(774)	(534)
Other third-party services		(48 947)	(43 460)
Taxes and fees		(2 857)	(1 525)
Gain/(loss) on sale and liquidation of property, plant and equipment		221	-
Other operating costs		(8 421)	(18 430)
Operating (loss)/profit		(39 976)	32 611
Finance costs		(64 165)	(55 750)
Finance income		62 099	71 891
(Loss)/profit before tax		(42 042)	48 752
Income tax		3 270	(4 633)
Net (loss)/profit for the reporting period		(38 772)	44 119
Other comprehensive income			
Subject to reclassification to profit or loss			
- measurement of hedging instruments		(6 465)	(28 379)
- income tax		1 228	5 392
Net other comprehensive income		(5 237)	(22 987)
Total comprehensive income		(44 009)	21 132
Profit attributable to the Company's shareholders		(38 772)	44 119
Weighted average number of ordinary shares		441 442 578	441 442 578
Net (loss)/profit per share (in PLN per share)		(0.09)	0.10
Diluted (loss)/profit/ per share (in PLN per share)		(0.09)	0.10

The separate statement of profit and loss should be analysed in conjunction with explanatory notes, which constitute an integral part of the condensed separate interim financial statements.

Separate statement of changes in equity

	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Revaluation reserve - measurement of hedging instruments	Reserve capital	Retained earnings	Total equity
As at 01.01.2019	441 443	146 575	588 018	4 627 673	(17 036)	(15 986)	4 963 564	3 149 613	13 295 846
Net profit								(38 772)	(38 772)
Other comprehensive income						(5 237)			(5 237)
Net comprehensive income recognised in the period						(5 237)		(38 772)	(44 009)
As at 31.03.2019	441 443	146 575	588 018	4 627 673	(17 036)	(21 223)	4 963 564	3 110 841	13 251 837

	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Share premium	Revaluation reserve - measurement of hedging instruments	Reserve capital	Retained earnings	Total equity
As at 01.01.2018	441 443	146 575	588 018	4 627 673	25 967	3 150 240	4 240 079	12 631 977
Adjustment due to implementation of IFRS 9							(2 288)	(2 288)
As at 01.01.2018, adjusted	441 443	146 575	588 018	4 627 673	25 967	3 150 240	4 237 791	12 629 689
Net profit							44 119	44 119
Other comprehensive income					(22 987)			(22 987)
Net comprehensive income recognised in the period					(22 987)		44 119	21 132
As at 31.03.2018	441 443	146 575	588 018	4 627 673	2 980	3 150 240	4 281 910	12 650 821

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

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

Separate statement of cash flows

	For the 3 months ended 31.03.2019	For the 3 months ended 31.03.2018
Cash flows from operating activities		
Net (loss)/profit for the reporting period	(38 772)	44 119
Adjustments:		
Income tax in profit or loss	(3 270)	4 633
Amortisation	728	556
Gain on sale and liquidation of property, plant and equipment	(221)	-
Loss/(gain) on sale of financial assets	1 453	351
Interest income	(49 715)	(62 542)
Interest costs	55 318	52 422
	<u>4 293</u>	<u>(4 580)</u>
Paid income tax	(43 836)	(56 345)
Flows resulting from settlements within tax group	36 173	46 683
Changes in working capital		
Inventories	8 143	30 379
Trade and other receivables	(58 898)	(76 353)
Trade and other payables	319 155	(310 065)
Employee benefit liabilities	870	(1 220)
Provisions for other liabilities and other charges	(16 425)	24 204
	<u>252 845</u>	<u>(333 055)</u>
Net cash flows from operating activities	210 703	(303 178)
Cash flows from investing activities		
Proceeds from sale of tangible and intangible assets	221	-
Proceeds from sale of financial assets	16 756	32 021
Purchase of financial assets	-	(49 800)
Purchase of subsidiaries	-	(8 520)
Purchase of associates and jointly controlled entities	(181 191)	(165 194)
Received interest	28 109	31 471
Net cash flows from investing activities	(136 105)	(160 022)
Cash flows from financing activities		
Repayment of credit and loans	(11 894)	(7 727)
Bond buy-back	(78 055)	(47 500)
Expenditures concerning lease payments	(1 086)	(64)
Expenditures concerning future bond issues	(195)	(416)
Interest paid	(47 532)	(41 769)
Net cash flows from financing activities	(138 762)	(97 476)
Increase / (decrease) in net cash	(64 164)	(560 676)
Cash at the beginning of reporting period	<u>1 119 071</u>	<u>1 746 426</u>
Cash at the end of reporting period	1 054 907	1 185 750

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

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

Notes to the separate financial statements

1. General information on ENEA S.A.

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

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

As at 31 March 2019, ENEA S.A.'s shareholding structure was as follows: the State Treasury of the Republic of Poland held a 51.5% stake and the remaining shareholders held 48.5%. As at 31 March 2019, the Company's highest-level controlling entity was the State Treasury.

As at 31 March 2019, ENEA S.A.'s statutory share capital amounted to PLN 441 443 thousand (PLN 588 018 thousand after restatement to EU IFRS, taking into account hyperinflation and other adjustments) and was divided into 441 442 578 shares.

The main business activity of ENEA S.A. ("ENEA," "Company") is trade of electricity.

ENEA S.A. is the parent company for ENEA Group ("Group"), which as at 31 March 2019 consisted of 15 subsidiaries, 8 indirect subsidiaries, 2 associates and 3 jointly controlled entities.

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

2. Statement on compliance

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

The Company's Management Board used its best knowledge as to the application of standards and interpretations as well as methods and rules for the measurement of items in ENEA S.A.'s condensed separate interim financial

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

statements in accordance with EU IFRS as at 31 March 2019. The presented tables and explanations are prepared with due diligence. These condensed separate interim financial statements have not been reviewed by a statutory auditor.

The Company prepares ENEA Group's condensed consolidated interim financial statements pursuant to EU IFRS as at 31 March 2019 and for the 3-month period ended 31 March 2019. These condensed separate interim financial statements should be read in conjunction with ENEA Group's condensed consolidated interim financial statements and ENEA S.A.'s separate annual financial statements for the financial year ended 31 December 2018.

3. Applied accounting rules

These condensed separate interim financial statements are prepared in accordance with accounting rules that are consistent with those applied in preparing the most recent annual separate financial statements, for the financial year ended 31 December 2018, except for accounting rules arising under IFRS 16 *Leases*, which entered into force on 1 January 2019.

3.1. Functional currency and presentation currency

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

3.2. Leases

A contract contains a lease if:

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

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

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

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

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

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

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

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

The present value of future lease payments is calculated using a discount rate. The Company applies a residual interest rate, i.e. a rate that it would be required to pay based on a similar lease contract or, if not possible to determine, an interest rate at the commencement date that ENEA S.A. would have to use to make a loan necessary to purchase the given asset for a similar period and with similar collateral. The Company uses an interest rate equal to 6-month WIBOR from the last day of the year preceding the financial year, plus margin. The discount rate will be updated once a year, at the end of the year, and will be in force in the next period.

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

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

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

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

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

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

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

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

For multi-element contracts, the Company recognises lease components separately from non-lease components.

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

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

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

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

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

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

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

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

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

As an indirect lessor, the Company recognises the main lease contract and the sub-lease contract as two separate contracts.

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

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

In the case of a finance lease, the Company as indirect lessor:

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

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

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

During the operating sublease term, the Company:

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

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

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

3.3. Methods for implementing new standards

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

	31.12.2018	IFRS 16	01.01.2019
ASSETS			
Non-current assets			
Property, plant and equipment	25 791	(1 497)	24 294
Perpetual usufruct of land	1 504	(1 504)	-
Right to use assets	-	42 063	42 063
Intangible assets	4 501	-	4 501
Investment properties	14 305	-	14 305
Investments in subsidiaries, associates and jointly controlled entities	12 794 956	-	12 794 956
Deferred income tax assets	98 432	-	98 432
Financial assets measured at fair value	46 357	-	46 357
Debt financial assets at amortised cost	6 578 980	-	6 578 980
Trade and other receivables	1 103	(1 103)	-
Financial lease and sub-lease receivables	-	4 963	4 963
Costs related to the conclusion of agreements	12 905	-	12 905
	19 578 834	42 922	19 621 756
Current assets			
Inventories	333 578	-	333 578
Trade and other receivables	970 657	(759)	969 898
Costs related to the conclusion of agreements	16 948	-	16 948
Assets arising from contracts with customers	227 480	-	227 480
Financial lease and sub-lease receivables	-	2 769	2 769
Current income tax receivables	77 098	-	77 098
Debt financial assets at amortised cost	593 221	-	593 221
Cash and cash equivalents	1 145 978	-	1 145 978
	3 364 960	2 010	3 366 970
TOTAL ASSETS	22 943 794	44 932	22 988 726

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

	31.12.2018	IFRS 16	01.01.2019
EQUITY			
Share capital	588 018	-	588 018
Share premium	4 627 673	-	4 627 673
Revaluation reserve - measurement of financial instruments	(17 036)	-	(17 036)
Revaluation reserve - measurement of hedging instruments	(15 986)	-	(15 986)
Reserve capital	4 963 564	-	4 963 564
Retained earnings	3 149 613	-	3 149 613
Total equity	13 295 846	-	13 295 846
LIABILITIES			
Non-current liabilities			
Credit facilities, loans and debt securities	7 899 495	-	7 899 495
Lease liabilities	763	39 753	40 516
Employee benefit liabilities	53 586	-	53 586
Financial liabilities measured at fair value	22 176	-	22 176
	7 976 020	39 753	8 015 773
Current liabilities			
Credit facilities, loans and debt securities	341 475	-	341 475
Trade and other payables	646 660	-	646 660
Lease liabilities	661	5 179	5 840
Employee benefit liabilities	23 143	-	23 143
Liabilities concerning the equivalent for rights to free purchase of shares	281	-	281
Other financial liabilities	146 785	-	146 785
Provisions for other liabilities and other charges	512 923	-	512 923
	1 671 928	5 179	1 677 107
Total liabilities	9 647 948	44 932	9 692 880
Total equity and liabilities	22 943 794	44 932	22 988 726

4. Significant estimates and assumptions

Preparing condensed separate interim financial statements in compliance with IAS 34 requires the Management Board to adopt certain assumptions and estimates that have an impact on the application of adopted accounting rules and the values presented in the condensed separate interim financial statements and in notes to these financial statements. Such assumptions and estimates are based on the Management Board's best knowledge regarding current and future events and activities. Actual results may significantly differ from forecasts. Estimates used in preparing these condensed separate interim financial statements are consistent with the estimates used in preparing the separate financial statements for the most recent financial year. The estimated values presented in previous financial years have no material impact on the present interim period.

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

5. Group structure - list of subsidiaries and ENEA S.A.'s stakes in associates and jointly controlled entities

	Company name and address		ENEA S.A.'s stake in total number of voting rights in % 31.03.2019	ENEA S.A.'s stake in total number of voting rights in % 31.12.2018
1.	ENEA Operator Sp. z o.o. Poznań, ul. Strzeszyńska 58	subsidiary	100	100
2.	ENEA Wytwarzanie Sp. z o.o. Świerże Górne, al. Józefa Zielińskiego 1	subsidiary	100	100
3.	ENEA Elektrownia Połaniec S.A. Połaniec, ul. Zawada 26	subsidiary	100	100
4.	ENEA Oświetlenie Sp. z o.o. Szczecin, ul. Ku Stońcu 34	subsidiary	100	100
5.	ENEA Trading Sp. z o.o. Świerże Górne, Kozenice municipality, Kozenice 1	subsidiary	100	100
6.	ENEA Logistyka Sp. z o.o. Poznań, ul. Strzeszyńska 58	subsidiary	100	100
7.	ENEA Ciepło Serwis Sp. z o.o. Białystok, ul. Starosielce 2/1	subsidiary	100	100
8.	ENEA Serwis Sp. z o.o. Lipno, Gronówko 30	subsidiary	100	100
9.	ENEA Centrum Sp. z o.o. Poznań, ul. Górecka 1	subsidiary	100	100
10.	ENEA Pomiary Sp. z o.o. Poznań, ul. Strzeszyńska 58	subsidiary	100	100
11.	ENERGO-TOUR Sp. z o.o. w likwidacji Poznań, ul. Strzeszyńska 58	subsidiary	100 ⁵	100 ⁵
12.	ENEA Innowacje Sp. z o.o. Warsaw, ul. Wiśniowa 40	subsidiary	100	100
13.	ENEA Ciepło Sp. z o.o. Białystok, ul. Warszawska 27	subsidiary	95,77	95,77
14.	Lubelski Węgiel BOGDANKA S.A. Bogdanka, Puchaczów	subsidiary	65,99	65,99
15.	Annacond Enterprises Sp. z o.o. w likwidacji Warsaw, ul. Jana Pawła II 12	subsidiary	61	61
16.	Elektrownia Ostrołęka Sp. z o.o. Ostrołęka, ul. Elektryczna 3	jointly controlled entity	50 ⁶	50
17.	ElectroMobility Poland S.A. Warsaw, ul. Mysia 2	associate	25	25
18.	Polimex – Mostostal S.A. Warsaw, al. Jana Pawła II 12	associate	16,48	16,48
19.	Polska Grupa Górnicza S.A. Katowice, ul. Powstańców 30	jointly controlled entity	7,66	7,66
20.	ENEA Bioenergia Sp. z o.o. Połaniec, ul. Zawada 26	indirect subsidiary	100 ⁴	100 ⁴
21.	ENEA Badania i Rozwój Sp. z o.o. Świerże Górne, al. Józefa Zielińskiego 1	indirect subsidiary	100 ¹	100 ¹
22.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Oborniki, ul. Wybudowanie 56	indirect subsidiary	99,93 ¹	99,93 ¹
23.	Miejska Energetyka Ciepła Piła Sp. z o.o. Piła, ul. Kaczorska 20	indirect subsidiary	71,11 ¹	71,11 ¹
24.	EkoTRANS Bogdanka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	65,99 ²	65,99 ²
25.	RG Bogdanka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	65,99 ²	65,99 ²
26.	MR Bogdanka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	65,99 ²	65,99 ²

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

27.	Łęczyńska Energetyka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	58,53 ²	58,53 ²
28.	Centralny System Wymiany Informacji Sp. z o.o. w likwidacji Poznań, ul. Strzeszyńska 58	jointly controlled entity	20 ³	20 ³

¹ – indirect subsidiary through stake in ENEA Wytwarzanie Sp. z o.o.

² – indirect subsidiary through stake in Lubelski Węgiel BOGDANKA S.A.

³ – jointly controlled entity through stake in ENEA Operator Sp. z o.o.

⁴ – indirect subsidiary through stake in ENEA Elektrownia Połaniec S.A.

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

⁶ – on 4 January 2019 an Extraordinary General Meeting of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on a PLN 361 382 thousand share capital increase, from PLN 551 100 thousand to PLN 912 482 thousand, through the issue of 7 227 642 new shares with voting preference, i.e. with two votes for one share, with nominal value of PLN 50.00 each and total nominal value of PLN 361 382 thousand. On 4 January 2019 ENEA S.A. signed a commitment to acquire 3 613 821 shares in exchange for a cash contribution of PLN 180 691 thousand. On 4 January 2019 ENEA S.A. provided its cash contribution. The share capital increase was registered at the National Court Register on 1 March 2019.

6. Property, plant and equipment

In the 3-month period ending 31 March 2019 the Company purchased property, plant and equipment items for a total of PLN 31 thousand (in the 3-month period ending 31 March 2018: PLN 0 thousand).

In the 3-month period ending 31 March 2019 the Company sold and liquidated property, plant and equipment items for a total of PLN 0 thousand (in the 3-month period ending 31 March 2018: PLN 0 thousand net).

No indications of impairment of property, plant and equipment were observed as at 31 March 2019.

7. Intangible assets

In the 3-month period ending 31 March 2019 the Company did not purchase intangible assets (in the 3-month period ending 31 March 2018: PLN 0 thousand).

In the 3-month period ending 31 March 2019 the Company did not sell or liquidate intangible assets (in the 3-month period ending 31 March 2018: PLN 0 thousand).

8. Investments in subsidiaries, associates and jointly controlled entities

	31.03.2019	31.12.2018
As at the beginning of period	12 794 956	11 945 473
Purchase of investments	181 126	648 621
Change in impairment	-	200 862
As at the end of period	12 976 082	12 794 956

Impairment of investments

	31.03.2019	31.12.2018
Impairment of investments at the beginning of period	1 079 643	1 280 505
Created	-	6 608
Reversed	-	(207 470)
Impairment of investments at the end of period	1 079 643	1 079 643

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

On 4 January 2019 an Extraordinary General Meeting of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on a PLN 361 382 thousand share capital increase, from PLN 551 100 thousand to PLN 912 482 thousand, through the issue of 7 227 642 new shares with voting preference, i.e. with two votes for one share, with nominal value of PLN 50.00 each and total nominal value of PLN 361 382 thousand. On 4 January 2019 ENEA S.A. signed a commitment to acquire 3 613 821 shares in exchange for a cash contribution of PLN 180 691 thousand. ENEA S.A.'s stake in Elektrownia Ostrołęka Sp. z o.o.'s share capital did not change and remains at 50% because the new shares in increased share capital were acquired by ENEA S.A. and Energa S.A. proportionally to their stakes, i.e. on a 50:50 basis.

9. Financial assets at amortised cost

	31.03.2019	31.12.2018
Current debt financial assets at amortised cost		
Intra-group bonds	1 926 075	558 201
Loans granted	42 437	35 020
Current debt financial assets at amortised cost	1 968 512	593 221
Non-current debt financial assets at amortised cost		
Intra-group bonds	5 064 638	6 423 891
Loans granted	147 204	155 089
Non-current debt financial assets at amortised cost	5 211 842	6 578 980
TOTAL	7 180 354	7 172 201

Impairment - expected credit losses

	Nominal value	Impairment	Book value
31.03.2019			
Debt financial assets at amortised cost	7 180 931	(577)	7 180 354
Cash and cash equivalents	1 054 907	-	1 054 907
Financial assets at amortised cost	8 235 838	(577)	8 235 261

Intra-group bonds

ENEA Group has adopted a model for financing investments being implemented by ENEA S.A. through intra-group financing. ENEA S.A. raises cash on the financial market through credit facilities or bond issues and subsequently distributes these within the Group. The following table presents on-going intra-group bond issue programmes as at 31 March 2019 and 31 December 2018:

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

Contract execution date	Bond issuers	Final buy-back deadline	Amount granted	Amount used	Outstanding bonds as at 31 March 2019 (equity)	Outstanding bonds as at 31 December 2018 (equity)
			in PLN 000s	in PLN 000s	in PLN 000s	in PLN 000s
10 March 2011	ENEA Wytwarzanie Sp. z o.o.	31 March 2023	26 000	26 000	26 000	26 000
29 September 2011	ENEA Wytwarzanie Sp. z o.o.	29 September 2019	14 500	14 500	6 000	6 000
23 July 2012	ENEA Ciepło Sp. z o.o.	22 July 2019	158 500	158 500	9 400	13 450
8 September 2012 agreement for PLN 4 000 000 thousand decreased through Annex 2 of 21 January 2015 to PLN 3 000 000 thousand	ENEA Wytwarzanie Sp. z o.o.	from 15 June 2020 to 15 December 2020, depending on bond series' issue dates; the rest of the amounts at the latest by 15 June 2022	3 000 000	2 650 000	2 650 000	2 650 000
20 June 2013 amended through Annex 1 of 9 October 2014 and Annex 2 of 7 July 2015	ENEA Operator Sp. z o.o.	Dependent on bond series' issue dates, however no later than by 17 June 2030	1 425 000	1 425 000	1 256 642	1 264 369
17 November 2014	ENEA Wytwarzanie Sp. z o.o.	31 March 2020	740 000	350 000	350 000	350 000
17 February 2015 for PLN 760 000 thousand, increased through Annex 1 of 3 June 2015 to PLN 1 000 000 thousand.	ENEA Wytwarzanie Sp. z o.o.	10 February 2020	1 000 000	1 000 000	1 000 000	1 000 000
7 July 2015 amended through Annex 1 of 28 March 2017	ENEA Operator Sp. z o.o.	Dependent on bond series' issue dates, however no later than by 15 December 2031	946 000	946 000	937 667	941 833
30 October 2015	ENEA Ciepło Sp. z o.o.	Buy-back in tranches - final buy-back deadline on 31 March 2020	18 000	18 000	4 000	5 000
20 September 2017	ENEA Operator Sp. z o.o.	15 December 2019	350 000	350 000	350 000	350 000
20 July 2018	ENEA Operator Sp. z o.o.	15 December 2020	400 000	400 000	400 000	400 000
Total					6 989 709	7 006 652
Transaction costs and effect of measurement using effective interest rate					1 004	(24 560)
Total					6 990 713	6 982 092

In the 3-month period ending 31 March 2019 ENEA S.A. did not execute new intragroup programme agreements concerning financing for ENEA Group companies.

10. Impairment of trade and other receivables

	31.03.2019	31.12.2018
Impairment of receivables at the beginning of period	60 710	64 622
Adjustment due to implementation of IFRS 9	-	2 572
Impairment of receivables at the beginning of period, adjusted	60 710	67 194
Created	2 099	7 645
Used	(1 732)	(14 129)
Impairment of receivables at the end of period	61 077	60 710

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

In the 3-month period ended 31 March 2019, impairment of trade and other receivables increased by PLN 367 thousand (in the 3-month period ended 31 March 2018 impairment grew by PLN 1 894 thousand). Impairment losses are recognised mainly on trade receivables; impairment losses on other receivables are insubstantial.

11. Assets arising from contracts with customers

	31.03.2019	31.12.2018
Assets arising from contracts with customers at the beginning of period	227 480	221 714
Non-invoiced receivables	22 627	5 656
Change in impairment	(4)	110
Assets arising from contracts with customers at the end of period	250 103	227 480

The balance of assets arising from contracts with customers mainly covers uninvoiced electricity sales.

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

	Nominal value	Impairment	Book value
31.03.2019			
Trade receivables			
Current	913 383	(197)	913 186
Overdue			
0-30 days	56 501	(89)	56 412
31-90 days	13 145	(770)	12 375
91-180 days	5 304	(1 451)	3 853
over 180 days	75 982	(56 589)	19 393
Total trade receivables	1 064 315	(59 096)	1 005 219
Assets arising from contracts with customers	250 153	(50)	250 103

	Nominal value	Impairment	Book value
31.12.2018			
Trade and other receivables and leases			
Current	840 754	(210)	840 544
Overdue			
0-30 days	60 135	(44)	60 091
31-90 days	11 310	(586)	10 724
91-180 days	4 254	(1 087)	3 167
over 180 days	76 603	(56 650)	19 953
Total trade and other receivables and leases	993 056	(58 577)	934 479
Assets arising from contracts with customers	227 526	(46)	227 480

13. Inventories

	31.03.2019	31.12.2018
Origin certificates	324 270	332 360
Goods	1 165	1 218
Total inventories	325 435	333 578

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

Energy origin certificates

	31.03.2019	31.12.2018
As at the beginning of period	332 360	216 494
Purchase	108 618	494 125
Depreciation	(116 708)	(375 496)
Sale	-	(2 639)
Other changes	-	(124)
As at the end of period	324 270	332 360

Costs connected with redeeming energy origin certificates are presented in profit or loss in the following item:

"Purchase of electricity and gas for sales purposes."

14. Cash and cash equivalents

	31.03.2019	31.12.2018
Cash at bank account	31 186	142 210
including split payment	2 895	7 766
Other cash	1 023 721	1 003 768
- deposits	1 021 593	973 678
- other	2 128	30 090
Total cash and cash equivalents	1 054 907	1 145 978
Cash recognised in the statement of cash flows	1 054 907	1 145 978

As at 31 March 2019 and 31 December 2018, ENEA S.A. did not have restricted cash.

In accordance with ENEA S.A.'s credit risk assessment rules and the provisions of IFRS 9 as regards impairment tests for cash and cash equivalents as at 31 March 2019; the Company sees potential impact as negligible.

15. Financial assets at fair value

As at 31 March 2019, financial assets at fair value included call options for Polimex-Mostostal S.A. shares, among other things. Pursuant to a call option agreement for Polimex-Mostostal S.A. shares of 18 January 2017, ENEA S.A. purchased call options from Towarzystwo Finansowe Silesia Sp. z o.o. This agreement sees the purchase, in three tranches, of 9 125 thousand shares at nominal value of PLN 2 per share within specified deadlines, i.e. 30 July 2020, 30 July 2021 and 30 July 2022. Fair value measurement of the call options was conducted using the Black-Scholes model. The fair value of the options as at 31 March 2019 amounted to PLN 11 411 thousand.

The item "financial assets at fair value" also includes interests in unrelated parties.

16. Financial instruments

The following table contains a comparison of fair values and balance sheet values:

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

	31.03.2019		31.12.2018	
	Book value	Fair value	Book value	Fair value
Non-current financial assets at fair value	47 577	47 577	46 357	46 357
Non-current debt financial assets at amortised cost	5 211 842	5 283 485	6 578 980	6 652 874
Current debt financial assets at amortised cost	1 968 512	1 968 512	593 221	593 221
Trade receivables	1 020 220	(*)	934 479	(*)
Assets arising from contracts with customers	250 103	(*)	227 480	(*)
Financial lease and sub-lease receivables	7 258	(*)	(**)	(**)
Cash and cash equivalents	1 054 907	(*)	1 145 978	(*)
Non-current credit, loans and debt securities	6 814 116	6 880 540	7 899 495	7 970 880
Current credit, loans and debt securities	1 349 175	1 349 175	341 475	341 475
Financial liabilities measured at fair value	30 167	30 167	22 176	22 176
Lease liabilities	44 383	(*)	1 424	(*)
Other financial liabilities	571 357	(*)	146 785	(*)
Trade payables	460 454	(*)	524 976	(*)

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

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

Financial assets at fair value include:

- interests in unrelated entities, the stake in which is below 20%. This item includes shares in PGE EJ1 Sp. z o.o. amounting to PLN 15 866 thousand, for which no price quoted on an active market is available and whose fair value was determined on the basis of ENEA S.A.'s stake in the net assets of PGE EJ1 Sp. z o.o. as at 31 December 2018. Having analysed IFRS 9, the Company decided to qualify these interests as financial assets through other comprehensive income. No transactions recognised in profit or loss were executed in 2019. If interests in unrelated entities are listed on the Warsaw Stock Exchange, then their fair value is based on quoted prices,
- Polimex-Mostostal S.A. call options,
- derivative instruments that include the measurement of interest rate swaps. The fair value of derivative instruments is established by calculating the net present value based on two yield curves, i.e. a curve to determine discount factors and a curve used to estimate future variable reference rates,

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

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

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

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

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

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

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

Level 3 - fair value is determined using various measurement techniques that are not, however, based on observable market data. The Company recognises its stake in PGE EJ1 in level 3 (note 25).

No transfers between the levels were made in the first quarter of 2019.

	31.03.2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Equity instruments at fair value through other comprehensive income	-	-	15 866	15 866
Interests at fair value through profit or loss	20 300	-	-	20 300
Call options	-	11 411	-	11 411
Debt financial assets at amortised cost	-	7 251 997	-	7 251 997
	20 300	7 263 408	15 866	7 299 574
Financial liabilities measured at fair value				
Derivative instruments used in hedge accounting (e.g. interest rate swaps) and for other purposes	-	30 167	-	30 167
Bank credit, loans and debt securities	-	8 229 715	-	8 229 715
	-	8 259 882	-	8 259 882

	31.12.2018			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Equity instruments at fair value through other comprehensive income	-	-	15 866	15 866
Interests at fair value through profit or loss	18 375	-	-	18 375
Call options	-	12 116	-	12 116
Debt financial assets at amortised cost	-	7 246 095	-	7 246 095
	18 375	7 258 211	15 866	7 292 452
Financial liabilities measured at fair value				
Derivative instruments used in hedge accounting (e.g. interest rate swaps) and for other purposes	-	22 176	-	22 176
Bank credit, loans and debt securities	-	8 312 355	-	8 312 355
	-	8 334 531	-	8 334 531

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

17. Credit facilities, loans and debt securities

	31.03.2019	31.12.2018
Long-term		
Bank credit	2 037 637	2 049 374
Outstanding	4 776 479	5 850 121
Total	6 814 116	7 899 495
Short-term		
Bank credit	162 073	158 319
Outstanding	1 187 102	183 156
Total	1 349 175	341 475
Total credit, loans and debt securities	8 163 291	8 240 970

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

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

No.	Lender	Contract date	Total contract amount	Debt at 31 March 2019	Debt at 31 December 2018	Contract period
1.	European Investment Bank	18 October 2012 and 19 June 2013 (A and B)	1 425 000	1 256 642	1 264 369	31 December 2030
2.	European Investment Bank	29 May 2015 (C)	946 000	937 667	941 833	30 September 2032
3.	Bank PKO BP S.A.	28 January 2014, Annex 1 of 25 January 2017	300 000	-	-	31 December 2019
4.	Bank PEKAO S.A.	28 January 2014, Annex 1 of 25 January 2017	150 000	-	-	31 December 2019
TOTAL			2 821 000	2 194 309	2 206 202	
Transaction costs and effect of measurement using effective interest rate				5 401	1 491	
TOTAL			2 821 000	2 199 710	2 207 693	

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

Bond issue programmes

No.	Bond issue programme name	Programme start date	Programme amount	Value of issued bonds at 31 March 2019	Outstanding bonds as at 31 March 2019 (principal)	Outstanding bonds as at 31 December 2018 (principal)	Buy-back deadline
1.	Bond issue programme agreement executed with PKO BP S.A., Bank PEKAO S.A., BZ WBK S.A., Bank Handlowy w Warszawie S.A.	21 June 2012	3 000 000	3 000 000	3 000 000	3 000 000	One-time buy-back between June 2020 and June 2022
2.	Bond issue programme agreement with BGK	15 May 2014	1 000 000	1 000 000	840 000	880 000	Buy-back in tranches, last tranche due in December 2026
3.	Bond issue programme agreement with ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A. and mBank S.A.	30 June 2014	5 000 000	1 500 000	1 500 000	1 500 000	One-time buy-back of each series, in February 2020 and September 2021
4.	Bond issue programme agreement with BGK	3 December 2015	700 000	700 000	646 945	685 000	Buy-back in tranches, last tranche due in September 2027
TOTAL			9 700 000	6 200 000	5 986 945	6 065 000	
Transaction costs and effect of measurement using effective interest rate					(23 364)	(31 723)	
TOTAL			9 700 000	6 200 000	5 963 581	6 033 277	

In the reporting period ended 31 March 2019, ENEA S.A. did not execute financing agreements and did not issue new bonds under existing bond programme agreements.

Interest rate swaps

In the 3-month period ending 31 March 2019 ENEA S.A. executed an Interest Rate Swap for an exposure amounting to PLN 488 890 thousand. The total bond and credit exposure hedged with IRS transactions as at 31 March 2019 amounted to PLN 5 270 707 thousand. Moreover, ENEA has fixed-rate credit agreements totalling PLN 237 294 thousand. These transactions have material impact on the predictability of expense flows and finance costs. The Company presents the measurement of these instruments in the item: "Financial liabilities at fair value." Derivative instruments are treated as cash flow hedges, which is why they are recognised and accounted for using hedge accounting rules.

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

As at 31 March 2019, financial liabilities at fair value concerning IRSs amounted to PLN 30 167 thousand (31 December 2018: PLN 22 176 thousand).

Financing terms - covenants

Financing agreements require the Company and ENEA Group to maintain certain financial ratios. As at 31 March 2019 and the date on which these separate financial statements were prepared and in the course of 2018 the Company did not breach any credit agreement provisions such as would require early re-payment of long-term debt.

18. Other financial liabilities

Cash management at ENEA Group is carried out at ENEA S.A. level, making it possible to effectively manage cash surpluses (scale effect) and to limit external financing costs. Selected ENEA Group companies are included in cash pooling.

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

At 31 March 2019, the balance of liabilities within cash pooling was PLN 571 357 thousand (PLN 146 785 thousand at 31 December 2018) and was presented in the line: "Other financial liabilities."

19. Deferred income tax

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

	31.03.2019	31.12.2018
As at the beginning of period	98 432	66 693
Adjustment due to implementation of IFRS 9	-	537
As at the beginning of period, adjusted	98 432	67 230
Change recognised in profit or loss	3 023	20 895
Charge recognised in other comprehensive income	1 228	10 307
As at the end of period	102 683	98 432

In the 3-month period ended 31 March 2019, the Company's net profit before tax, as a result of an increase in deferred income tax assets, amounted to PLN 3 023 thousand (in the 3-month period ended 31 March 2018, as a result of a decrease in deferred income tax assets, net profit before tax amounted to PLN 10 637 thousand).

20. Provisions for liabilities and other charges

Provisions for liabilities and other charges:

	31.03.2019	31.12.2018
Short-term	496 498	512 923
Total	496 498	512 923

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

	Provision for non-contractual use of land	Provision for other claims	Provision for origin certificates	Provision for onerous contracts	Total
As at 31.12.2018	2 794	126 874	304 274	78 981	512 923
Increase in existing provisions	-	10 898	111 297	-	122 195
Use of provisions	-	(161)	(116 708)	-	(116 869)
Reversal of unused provisions	(189)	(6)	-	(21 556)	(21 751)
As at 31.03.2019	2 605	137 605	298 863	57 425	496 498

A description of significant claims and the associated conditional liabilities is presented in notes 24.1 and 24.7.

In the 3-month period ended 31 March 2019, provisions for liabilities and other charges increased on a net basis by PLN 16 425 thousand (in the 3-month period ended 31 March 2018, provisions for liabilities and other charges grew by PLN 24 204 thousand).

In Q1 2019, the Company created a PLN 6 035 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 March 2019 was PLN 110 380 thousand.

21. Net revenue from sales

	01.01.2019 31.03.2019	01.01.2018 31.03.2018
Revenue from the sale of electricity	1 408 725	1 142 966
Revenue from the sale of gas	37 590	28 321
Revenue from the sale of other services	894	651
Revenue from origin certificates	-	1 450
Total	1 447 209	1 173 388
	01.01.2019 31.03.2019	01.01.2018 31.03.2018
Revenue from continuous services	1 446 315	1 171 287
Revenue from services provided at specified time	894	2 101
Total	1 447 209	1 173 388

The Company recognises revenue when an obligation to provide a consideration by the provision of a promised good or service to the customer is performed (or is being performed). Revenue is recognised on the basis of prices specified in sale agreements, less estimated rebates and other deductions.

The key groups of contracts include electricity sale contracts (including framework contracts) for retail, business, key and strategic customers. Under these contracts, service is provided in a continuous manner and the level of revenue depends on usage.

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

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

22. Profit allocation

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

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

23. Related-party transactions

The Company executes transactions with the following related parties:

1. ENEA Group companies

	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Purchase value, including:	1 779 006	1 443 970
purchase of materials	117	156
purchase of services	418 177	453 349
other (including electricity and gas)	1 360 712	990 465
Sale value, including:	100 136	84 947
sale of electricity	89 617	77 035
sale of services	323	528
other	10 196	7 384
Interest income, including:	54 149	51 116
on bonds	51 886	49 713
on loans	1 296	1 403
other	967	-
	31.03.2019	31.12.2018
Receivables	165 757	287 457
Liabilities	524 740	642 657
Financial assets - bonds	6 990 713	6 982 092
Loans granted	182 169	182 562
Other financial liabilities	571 357	146 785

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

2. Transactions between the Company and members of the Company's corporate bodies are divided into two categories:

- resulting from being appointed as Supervisory Board members,
- resulting from other civil-law contracts.

The following table lists the amounts of transactions in the aforementioned categories:

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

Item	Company's Management Board		Company's Supervisory Board	
	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Remuneration under management contracts and consulting contracts	675	730*	-	-
Remuneration under appointment to management or supervisory bodies	-	-	208	215
TOTAL	675	730	208	215

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

In the 3-month period ended 31 March 2019, no loans were made to Supervisory Board members from the Company Social Benefit Fund (PLN 0 thousand for the 3-month period ended 31 March 2018). During this period, PLN 1 thousand in loans was repaid (PLN 1 thousand in the 3-month period ended 31 March 2018).

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

3. Transactions with State Treasury subsidiaries

ENEA S.A. also executes commercial transactions with state and local administration units and entities owned by Poland's State Treasury.

The subject of these transactions mainly is as follows:

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

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

The Company does not maintain records that would make it possible to aggregate the value of all transactions with all state institutions and State Treasury subsidiaries, which is why the turnover and transaction balances with related parties presented in these condensed separate interim financial statements do not contain transactions with State Treasury subsidiaries.

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

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

24.1. Impact of the Act on amendment of the act on excise duty and certain other acts

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

This regulation introduced the following:

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

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

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

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

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

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

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

The following conclusions were made based on the above assumptions:

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

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

Impact on subsequent reporting periods

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

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

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

The Company is disclosing amounts that are known or possible to determine, which constitute a component of the result on energy sales in order to indicate the potential scale of difference between costs and revenue from sales.

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

A difference calculated on the basis of these amounts may be significantly different from actual amounts that will be recognised once the implementing regulations are issued.

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

24.2. Credit and loan sureties and guarantees issued by the Company

In Q1 2019, ENEA S.A. as guarantor did not execute any surety agreements.

The following table presents significant bank guarantees valid as of 31 March 2019 issued at the request of ENEA S.A. under an agreement with PKO BP S.A. up to the limit specified in the agreement.

Guarantee issue date	Guarantee validity	Obliged entity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
12.08.2018	12.08.2020	ENEA Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	PKO BP S.A.	185 000
12.08.2018	12.08.2020	ENEA Wytwarzanie Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	PKO BP S.A.	40 000
12.08.2018	12.08.2020	ENEA Elektrownia Połaniec	Izba Rozliczeniowa Giełd Towarowych S.A.	PKO BP S.A.	25 000
12.08.2018	12.08.2020	ENEA Wytwarzanie Sp. z o.o.	Polskie Sieci Elektroenergetyczne	PKO BP S.A.	20 000
12.08.2018	12.08.2020	ENEA Elektrownia Połaniec	Polskie Sieci Elektroenergetyczne	PKO BP S.A.	15 000
13.11.2018	30.01.2020	ENEA S.A.	Olsztyn municipality	PKO BP S.A.	4 462
12.08.2018	12.08.2020	ENEA S.A.	Górecka Projekt Sp. z o.o.	PKO BP S.A.	1 969
29.08.2018	16.09.2019	ENEA Logistyka Sp. z o.o.	ENEA Operator Sp. z o.o.	PKO BP S.A.	1 080
Total					292 511

The value of other guarantees issued by ENEA S.A. as at 31 March 2019 was PLN 7 996 thousand.

The total value of sureties and guarantees issued by ENEA S.A. as collateral for ENEA Group companies' liabilities as at 31 March 2019 was PLN 410 388 thousand.

24.3. On-going proceedings in courts of general competence

Proceedings initiated by the Company

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

At 31 March 2019, a total of 6 779 cases initiated by the Company were in progress before courts of general competence, worth in aggregate PLN 43 050 thousand (31 December 2018: 8 982 cases worth PLN 45 379 thousand).

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

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

Proceedings against the Company

Proceedings against the Company are initiated by both natural persons and legal entities. They concern issues such as: compensation for electricity supply disruptions, compensation for the Company's use of properties on which power equipment is located as well as claims related to terminated contracts for the purchase of property rights (note 20).

At 31 March 2019, a total of 147 cases against the Company were in progress before courts of general competence, worth in aggregate PLN 544 938 thousand (31 December 2018: 150 cases worth PLN 519 317 thousand).

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

24.4. Claim by Białystok Municipality

On 18 January 2018 ENEA Wytwarzanie Sp. z o.o. received a lawsuit dated 28 December 2017, which had been filed with the District Court in Białystok by the Municipality of Białystok against ENEA Wytwarzanie Sp. z o.o., for the payment of PLN 29 445 thousand together with statutory interest for the sale of 126 083 shares of Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o., based in Białystok (currently ENEA Ciepło Sp. z o.o.), constituting a residual stake, as part of an obligation arising under an agreement to sell ENEA Ciepło Sp. z o.o. shares executed on 26 May 2014. On 23 February 2018 ENEA Wytwarzanie Sp. z o.o. responded to the lawsuit, disagreeing with the position presented in it and requesting that the lawsuit be rejected in its entirety.

The dispute concerns interpretation of a provision in the share sale agreement of 2014 regarding whether or not ENEA Wytwarzanie Sp. z o.o. is obligated to purchase the remaining shares, i.e. residual stake. According to ENEA Wytwarzanie Sp. z o.o., the company fulfilled all of its obligations specified in the share sale agreement of 2014 as regards the purchase of ENEA Ciepło Sp. z o.o. shares and is not required to additionally purchase the 121 863 shares.

If the dispute is resolved unfavourably for ENEA Wytwarzanie Sp. z o.o., the company might be required to purchase up to 126 083 shares at a price resulting from the agreement of 26 May 2014, i.e. for the overall amount indicated in the lawsuit. On 14 August 2018 the District Court in Białystok (first instance) ruled in favour of the lawsuit brought by the Municipality of Białystok in its entirety. This ruling is not final. On 10 September 2018 ENEA Wytwarzanie Sp. z o.o. appealed the ruling. The case was registered under file no. I A Gc 169/18 at the Appeals Court in Białystok. The first hearing at the Appeals Court was set for 21 December 2018. Due to an unexamined motion to exclude judges from the Appeals Court in Białystok, through a decision of 18 December 2018 the case was removed from the docket. Files were provided to the judges indicated in the motion to exclude in order to provide explanations concerning the motion to exclude. On 8 January 2019 the Appeals Court in Białystok referred the motion to exclude judges to the Supreme Court. On 9 March 2019, the Supreme Court decided to reject and in part cancel ENEA Wytwarzanie Sp. z o.o.'s request to exclude judges from the Appeals Court in Białystok (file no. SN IV Co 9/19). The hearing at the Appeals Court in Białystok was set for 19 June 2019.

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

24.5. Other court proceedings

The Management Board of ENEA S.A. filed in December 2018 a response to a lawsuit brought by the Company's shareholder, Fundacja "CLIENTEARTH Prawnicy dla ziemi," based in Warsaw, to cancel, determine the non-existence or repeal resolution no. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 regarding directional approval to join the Construction Stage of the Ostrołęka C project, and demanded that the lawsuit be rejected in its entirety as unjustified, along with reimbursement of court representation costs.

The first hearing in the case was held on 10 April 2019, with no witnesses called to the hearing. The Court requested that the Company provide the Investment Agreement within 14 days, at least as regards points 1 to 8 (especially point 8.6), subject to the trial consequences indicated in art. 233 § 2 of the Civil Procedure Code. ENEA's attorney filed a reservation to the protocol pursuant to art. 162 of the Civil Procedure Code.

On 24 April 2019, the Company provided the Investment Agreement. The Court decided to postpone the hearing to 17 July 2019.

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

24.6. Cases concerning 2012 non-balancing

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

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

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

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

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

The aforementioned disputes have not been resolved.

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

24.7. 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 10 court proceedings concerning agreements for the purchase of property rights arising under certificates of origin for energy from renewable sources, which includes:

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

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

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

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

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

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

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

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

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

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

- the Act on renewable energy sources of 20 February 2015 (Polish Journal of Laws of 2015, item 478) and associated further legal changes and announced drafts of legal changes, including especially:
 - the act of 22 June 2016 on amendment of the act on renewable energy sources and certain other acts (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 110 380 thousand provision for potential claims resulting from the terminated Agreements in relation to submissions made by 31 March 2019 concerning transactions to sell property rights by the counterparties; the provision is presented in note 20.

25. Participation in nuclear power plant build programme

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

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

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

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

26. Implementation of project to build Elektrownia Ostrołęka C

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

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

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

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

The parties to the memorandum intend to:

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

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

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

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

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

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

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

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

27. Events after the balance sheet date

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

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

If within a deadline resulting from the agreed schedule ENEA S.A. or Energa S.A. do not provide the funding - at their own fault - to the company in a manner other than through a loan or share purchase in particular, then ENEA S.A. or Energa S.A. will be required to pay the amount resulting from the schedule to the company's bank account. The Memorandum also includes provisions protecting ENEA S.A. against claims from the company for return of Project financing amounts that were directly returned to Energa S.A. in connection with financing provided by it during the period prior to execution of the new Founding Agreement / Investment Agreement.

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

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

Changes to the composition of the Management Board

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

Changes to the composition of the Supervisory Board

On 20 May 2019, the Extraordinary General Meeting appointed the following Members of the Supervisory Board for the 10th joint term, effective from 21 May 2019: Mr. Stanisław Hebda (who at the same time was appointed as Chairperson of the Supervisory Board), Mr. Paweł Jabłoński, Mr. Michał Jaciubek, Mr. Paweł Korobłowski, Mr. Ireneusz Kulka, Mr. Maciej Mazur, Mr. Piotr Mirkowski, Mr. Mariusz Pliszka, Mr. Roman Stryjski.